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Enabling poor rural people
to overcome poverty

President's report

**Proposed grant under the
global/regional grants window to the
Global Mechanism of the United
Nations Convention to Combat
Desertification in Those Countries
Experiencing Serious Drought and/or
Desertification, Particularly in Africa
for the**

**Programme for Designing Integrated
Financing Strategies for UNCCD
Implementation in Selected Countries
of Asia and the Pacific, and Latin
America and the Caribbean**

Executive Board — Ninety-third Session
Rome, 24-25 April 2008

For: **Approval**

Note to Executive Board Directors

This document is submitted for approval by the Executive Board.

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Contents

Abbreviations and acronyms	ii
Recommendation for approval	iii
I. Introduction	1
II. Recommendation	2
Annex	
Programme for Designing Integrated Financing Strategies for UNCCD Implementation in Selected Countries of Asia and the Pacific, and Latin America and the Caribbean	3
Appendix	
Results-based logical framework	

Abbreviations and acronyms

CC	climate change
COP	Conference of the Parties (to the UNCCD)
DIFS	Designing Integrated Financing Strategies (Global Mechanism)
IFS	Integrated Financing Strategy (Global Mechanism)
PI	Asia and the Pacific Division (IFAD)
PL	Latin America and the Caribbean Division (IFAD)
SLM	sustainable land management
UNCCD	United Nations Convention to Combat Desertification in Those Countries Experiencing Serious Drought and/or Desertification, Particularly in Africa

Recommendation for approval

The Executive Board is invited to approve the recommendation for a grant under the global/regional grants window to the Global Mechanism of the United Nations Convention to Combat Desertification in Those Countries Experiencing Serious Drought and/or Desertification, Particularly in Africa, for the Programme for Designing Integrated Financing Strategies for UNCCD Implementation in Selected Countries of Asia and the Pacific, and Latin America and the Caribbean, as contained in paragraph 7.

President's report on a proposed grant under the global/regional grants window to the Global Mechanism of the United Nations Convention to Combat Desertification in Those Countries Experiencing Serious Drought and/or Desertification, Particularly in Africa, for the Programme for Designing Integrated Financing Strategies for UNCCD Implementation in Selected Countries of Asia and the Pacific, and Latin America and the Caribbean

I submit the following report and recommendation under the global/regional grants window on a proposed grant to the Global Mechanism of the United Nations Convention to Combat Desertification in Those Countries Experiencing Serious Drought and/or Desertification, particularly in Africa, in the amount of US\$1.25 million, for the first phase of a two-year grant covering the period 2008-2010. Phase II of the grant, corresponding to the same amount, will be submitted to IFAD's Executive Board for consideration in 2009.

Part I – Introduction

1. The Global Mechanism was established under Article 21 of the United Nations Convention to Combat Desertification in Those Countries Experiencing Serious Drought and/or Desertification, Particularly in Africa (UNCCD), and began its operations in October 1998, hosted by the International Fund for Agricultural Development (IFAD).
2. The Global Mechanism is mandated to "increase the effectiveness and efficiency of existing financial mechanisms ... [and] to promote actions leading to the mobilization and channelling of substantial financial resources to affected developing country Parties."
3. It increasingly specializes in providing a range of financial advisory services to the country Parties to the Convention, in close cooperation with international financial institutions, in particular IFAD, the World Bank Group and the regional development banks. The European Commission and bilateral donor agencies are also long-standing partners.
4. The Global Mechanism supports IFAD operations aimed at achieving the integration of IFAD's portfolio into the overall national development programmes of country Parties, in line with the Paris Declaration on Aid Effectiveness and the efforts of the United Nations "to deliver as one", to which IFAD has fully subscribed.
5. This report recommends the provision of IFAD support to the proposed programme of the Global Mechanism of the UNCCD.
6. The grant document for approval by the Executive Board is contained in the annex:
 - Programme for Designing Integrated Financing Strategies for UNCCD Implementation in Selected Countries of Asia and the Pacific, and Latin America and the Caribbean.

Part II – Recommendation

7. I recommend that the Executive Board approve the proposed grant in terms of the following resolution:

RESOLVED: that the Fund, in order to finance, in part, the Programme for Designing Integrated Financing Strategies for UNCCD Implementation in Selected Countries of Asia and the Pacific, and Latin America and the Caribbean, shall make a grant not exceeding one million two hundred and fifty thousand United States dollars (US\$1,250,000) to the Global Mechanism of the United Nations Convention to Combat Desertification in Those Countries Experiencing Serious Drought and/or Desertification, Particularly in Africa for the first phase of a two-year grant covering the period 2008-2010, upon such terms and conditions as shall be substantially in accordance with the terms and conditions presented to the Executive Board herein.

Lennart Båge
President

Programme for Designing Integrated Financing Strategies for UNCCD Implementation in Selected Countries of Asia, and the Pacific and Latin America and the Caribbean

I. Background

1. The UNCCD contributes effectively to poverty reduction, as called for by the Millennium Development Goals. It achieves such reduction through implementation of the Convention as an integral part of the national development agenda of affected countries.
2. The UNCCD clearly states the obligations of all relevant constituencies in terms of resource mobilization and their shared but differentiated roles and responsibilities. Funding from affected developing country Parties, developed country Parties, international financial institutions (grants and concessionary loans), the Global Environment Facility and other innovative sources make up the bulk of financing for UNCCD implementation.
3. Countries in Asia and the Pacific, and Latin America and the Caribbean depend predominately on agriculture, one of the most climate-sensitive of all economic sectors. Exacerbation of land degradation and drought or flooding is predicted for many of these countries as a result of climate change.
4. The current social and environmental costs – in terms of loss of livelihoods, ecological services and biodiversity as a result of land degradation – have yet to be calculated in their entirety. However, based on proxy figures, it can be assumed that this amount is in the range of several billion United States dollars per year. For example, the Asian Development Bank has estimated the cost of forest fire and haze, alone, at US\$6 billion for South-East Asia during a two-year period from 1997-1998 (excluding loss of biodiversity and social costs). Similarly, according to the United Nations Environment Programme's 2001 Global Environment Outlook Report, the economic cost of desertification-related problems in Latin America and the Caribbean is conservatively estimated at US\$1 billion per year.

II. Rationale and relevance to IFAD

5. The proposed Global Mechanism activities respond directly to the objectives of the IFAD Strategic Framework 2007-2010, and in particular to objective (a) (natural resources [land and water]) and objective (f) (local and national policy and programming processes). Moreover, the strategic regional objectives of IFAD's Asia and the Pacific Division (PI) and Latin America and the Caribbean Division (PL) stress the various constraints on the rural poor, such as institutional barriers to resource access, lack of an enabling policy environment and land- and water-related issues.
6. The eighth session of the Conference of the Parties (COP 8) to the UNCCD was held in Madrid, Spain, in September 2007. During COP 8, IFAD Senior Management reiterated its commitment to implementation of the Convention – particularly in relation to the 10-year UNCCD strategic plan and framework and to continued support of the Global Mechanism's delivery of quality products and services to country Parties. One of the key emerging issues in both PI and PL is the vulnerability of the rural poor to climate change, and IFAD is increasingly responding to this phenomenon at both corporate and operational levels. Consistent with this response, the Global Mechanism is actively collaborating with IFAD at the corporate level through IFAD's policy reference group on climate change, and at the operational level through initiatives with PI and PL, for example the integration of land degradation and climate change issues into the country strategic opportunities programme (COSOP) for Viet Nam.

7. The proposed Global Mechanism-assisted and country-led development of the Integrated Financing Strategy (IFS) will be implemented in full coordination with PI and PL – and will be consistent with the objectives of the results-based COSOPs for Brazil, Cambodia, Ecuador, Nepal, Peru, Sri Lanka, Thailand and Uruguay. This will enable the Global Mechanism and IFAD to jointly mobilize supplementary funding for sustainable land management in the face of predicted climate change scenarios.

III. The proposed programme

8. The overall goal of the programme is to develop comprehensive investment frameworks in recipient countries that will increase financing for adaptation to climate change (CC) and sustainable land management (SLM). Achievement of this goal will further contribute to rural development and poverty alleviation.
9. The objectives of the programme are to:
 - (a) Enhance the capacity of government decision makers and national stakeholders to develop IFSs for mobilizing predictable financing for CC/SLM programmes and projects;
 - (b) Develop IFSs to mobilize a blend of financial resources to fund SLM-related programmes and projects in selected countries in PI and PL;
 - (c) Design interventions, together with IFAD, that address the linkages between climate change and land degradation, as a means of mobilizing supplementary funds through CC financing mechanisms; and
 - (d) Assess the effectiveness of the proposed methodology in increasing investments in SLM.
10. Phases I and II of the programme will have a total duration of two years and will comprise four components:
 - (a) Adaptation of the Global Mechanism's Designing Integrated Financing Strategies (DIFS) programme, which offers capacity enhancement and knowledge-exchange training, to meet the respective regional and subregional specificities of PI and PL;
 - (b) Design of national IFSs for Brazil, Cambodia, Ecuador, Nepal, Peru, Sri Lanka, Thailand and Uruguay;
 - (c) Mobilization of supplementary funds for IFAD programmes and projects through the development of CC/SLM components under the IFS; and
 - (d) Management of knowledge to document best practices for replication in other regions.

IV. Expected outputs and benefits

11. Expected outputs:
 - (a) Groups of key national stakeholders trained in DIFS and in the application of this knowledge to the development of IFSs (groups will comprise focal points of UNCCD and the United Nations Convention Framework on Climate Change, staff of the ministries of finance, agriculture and water, etc., and representatives of civil society);
 - (b) National coordination/partnership platforms established, which bring together development cooperation partners and the countries concerned to facilitate resource mobilization for the priorities identified under the IFSs;
 - (c) A set of CC/SLM components developed for integration into IFAD programmes and projects, as a means of mobilizing climate change financing to scale up interventions and ensure sustainability; and
 - (d) Knowledge-management activities undertaken and tools developed for replicating best practices in other regions.

V. Implementation arrangements

12. The initiative will be implemented by the Global Mechanism, in close collaboration with national governmental bodies, civil society organizations and IFAD country programme managers. The proposed actions will be developed in two phases, based on anticipated overall financing of US\$2.5 million (the balance of IFAD's 1998 financial commitment of US\$10 million in the hosting agreement stipulated with the Conference of the Parties to the UNCCD).
13. Phase I will focus on the enhancement, adaptation and execution of the DIFS training programme by the Global Mechanism through four subregional workshops in the following subregions: the Southern Cone Common Market (MERCOSUR), the Andean region, and South and South-East Asia. Following the subregional workshops, in 2009 it is expected that the focus will shift towards designing and implementing IFSs in the selected countries. Drawing on the experience of the Global Mechanism's successful partnership-building initiatives in other subregions, partnership financing platforms will be established in the countries concerned, bringing together governmental bodies, NGOs, the private sector and donors, to enter into financing agreements. Concurrently, joint activities will be undertaken with IFAD country programme managers and private-sector carbon financing specialists to develop CC/SLM components for integration into IFAD programmes and projects.
14. Phase II will scale up IFS design and implementation to include additional countries in the subregions in which phase I DIFS training sessions were conducted. Four additional countries per region will be selected for IFS design and implementation. Establishment of partnership financing platforms and CC/SLM project development will be undertaken, as was done for the countries selected in phase I.
15. Progress reports will be drafted and submitted to IFAD by the Global Mechanism on an annual basis. At the end of the first phase (2008-2009), a phase I progress report will be submitted. The Global Mechanism will have overall responsibility for the financial management of the activities and will maintain financial records in accordance with IFAD's financial regulations, policies and procedures.

VI. Indicative programme costs and financing

16. IFAD will finance programme costs in the amount of US\$1.25 million for phase I of a two-year grant covering the period 2008-2010. For the second phase, a request for grant financing in the same amount will be submitted to IFAD's Executive Board in 2009.
17. Cofinancing, secured by the Global Mechanism, will contribute to the achievement of the overall objectives. It covers the full amount of the US\$2.5 million IFAD grant for the two phases. The primary sources of cofinancing are: the Organization of the Petroleum Exporting Countries (OPEC) (US\$300,000); the Swedish International Development Cooperation Agency (SIDA) (US\$120,000); the Ministry of Foreign Affairs, Spain (US\$500,000); and the Global Mechanism, from the UNCCD COP budget (US\$100,000). To date, total cofinancing for the programme amounts to US\$1.02 million.

Summary of budget and financing plan (phase I)

(Expressed in United States dollars)

<i>Type of expenditure</i>	<i>IFAD</i>	<i>Cofinancing</i>
Personnel (including subcontractors)	275 000	153 000
Professional services	345 000	120 000
Travel costs	135 000	45 000
Operational costs, reporting and publications	123 000	70 000
Backstopping	152 000	82 000
Training/capacity-building	220 000	40 000
Total	1 250 000	510 000

Results-based logical framework

Hierarchy of objectives	Objectively verifiable indicators	Means of verification	Assumptions/risks
Overall goal: develop comprehensive investment frameworks in beneficiary countries to increase financing for SLM, as a means of contributing to rural development and poverty alleviation.			
Specific objective 1: Enhance the capacity of government decision-makers and other national stakeholders to develop strategies for mobilizing predictable financing for instituting SLM related programmes/projects.	<ul style="list-style-type: none"> - DIFS Training Kit developed and used. - Training and knowledge exchange workshops delivered / number of stakeholders participating and skills enhanced. 	<ul style="list-style-type: none"> - DIFS Training Kit for AP and LAC. - Workshop evaluation. - Assessment on IFS trainees' know-how. 	<ul style="list-style-type: none"> - Collaboration with national stakeholders. - Sufficient number of qualified, motivated national stakeholders participating and willing to enhance their skills.
Outputs 1.1 The Global Mechanism's capacity development programme (DIFS) adapted to meet the respective (sub)regional specificities of AP and LAC. 1.2 The capacities of a group of key national stakeholders enhanced in terms of designing an IFS to address SLM-related issues.			
Key Activities <ul style="list-style-type: none"> - Develop the training instruments, knowledge products and reference materials to meet the requirements of the respective (sub)regions. - Organize DIFS knowledge-exchange and capacity-building workshops in the selected (sub)regions. 			
Specific objective 2. Develop Integrated Financing Strategies for locating and mobilizing a mix of financial resources to fund SLM-related programmes and projects.	<ul style="list-style-type: none"> - Eight National IFSs developed. - National coordination mechanism structures and processes put in place. - Partnerships for resource mobilization forged. 	<ul style="list-style-type: none"> - Eight National IFSs and Action Plans endorsed and published. - Coordination framework institutionalized. - Partnership agreements concluded. 	<ul style="list-style-type: none"> - National Governments and stakeholders committed to developing and implementing IFSs. - Continued interest and support from national and international stakeholders.
Outputs 2.1 National IFSs designed in Brazil, Cambodia, Ecuador, Nepal, Peru, Sri Lanka, Thailand and Uruguay. 2.2 National coordination and country/donor partnership platforms established to facilitate resource mobilization.			
Key Activities <ul style="list-style-type: none"> - Assist countries to design the country IFSs and prepare a strategy for private sector and civil society organization engagement. - Strengthen existing coordination mechanisms or establish new ones to facilitate IFS development. - Build a partnership platform at the national level bringing together national and international development partners to negotiate financing agreements. 			
Specific objective 3. Develop together with IFAD, interventions that address the linkages between land degradation and climate change as a means of mobilizing supplementary funds through climate change financing mechanisms.	<ul style="list-style-type: none"> - Training and expert consultation workshops delivered/number of stakeholders participating. - Skills for climate change financing mechanisms, and modalities to operationalize such mechanisms enhanced. - Complementary project components developed. 	<ul style="list-style-type: none"> - Workshop evaluation. - Assessment of the know-how of trainees conducted. - Project documents endorsed. - Financial flows into SLM quantified. 	<ul style="list-style-type: none"> - Sufficient number of qualified and motivated national stakeholders participating and willing to enhance their skills. - Commitment of governments and relevant stakeholders to designing and implementing additional project components.
Outputs 3.1 Understanding of key national stakeholders of the different climate change financing mechanisms and the modalities for operationalizing them, increased. 3.2 Supplementary funds mobilized for IFAD projects through the development of climate change/land degradation projects or components within the framework of the IFS.			
Key Activities <ul style="list-style-type: none"> - Prepare training material and organize training sessions and knowledge exchange workshops. - Design in collaboration with IFAD at least one initiative targeting adaptation/mitigation financial mechanisms in the selected countries. - Develop guidelines for advising country strategic opportunities programme development and the project design process to ensure that climate change and land degradation aspects are adequately reflected as a means to capture climate change financing. 			
Specific objective 4. Assess the effectiveness of the proposed methodology for increasing investments in SLM, rural development and poverty alleviation.	<ul style="list-style-type: none"> - IFS methodology and tools are fine tuned and replicated and utilized by other countries. - Criteria developed to establish and assess the knowledge management system. 	<ul style="list-style-type: none"> - Reports from countries in other regions. - Knowledge management system developed. 	<ul style="list-style-type: none"> - Good understanding of stakeholders and increased information flow. - Conducive and timely consultations with stakeholders.
Output 4.1 Methodology, lessons learned and tools developed as a means for contributing to knowledge management and replicating the programme in other regions.			
Key Activities <ul style="list-style-type: none"> - Undertake an overall assessment of the approach, lessons learned and tools developed. - Promote the sharing of experiences and lessons learned through developing a knowledge management system. 			

1