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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**

Second instalment

Executive Board — Ninety-seventh Session
Rome, 14-15 September 2009

For: **Approval**

Note to Executive Board Directors

This document is submitted for approval by the Executive Board.

To make best use of time available at Executive Board sessions, Directors are invited to contact the following focal point with any technical questions about this document before the session:

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Abbreviations and acronyms

CC	climate change
COP	Conference of the Parties (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

Recommendation for approval

The Executive Board is invited to approve the recommendation for the second instalment of a grant under the global/regional grants window to the Global Mechanism 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 – Second instalment

I submit the following report and recommendation under the global/regional grants window on the proposed second instalment of the grant approved by the Executive Board in April 2008 to the Global Mechanism of the United Nations Convention to Combat Desertification, in the amount of US\$1.25 million. This second instalment will be used to implement the programme in four additional countries: Bhutan, Chile, Dominican Republic and the People's Democratic Republic of Lao.

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 second instalment 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 programme.
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 – Second instalment

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 second instalment of the grant approved by the Executive Board at its ninety-third session in April 2008 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, shall make available to the Global Mechanism of the United Nations Convention to Combat Desertification, an amount of one million two hundred and fifty thousand United States dollars (US\$1,250,000, upon such terms and conditions as shall be substantially in accordance with the terms and conditions presented herein.

Kanayo F. Nwanze
President

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

I. Background

1. The Programme for Designing Integrated Financing Strategies (DIFS) for UNCCD Implementation in Selected Countries of Asia and the Pacific, and Latin America and the Caribbean was approved by the ninety-third session of IFAD's Executive Board. The implementation of activities under the first instalment began in October 2008.
2. Implementation entailed the organization of four subregional DIFS workshops: one in Sri Lanka for the South Asia subregion; one in Viet Nam for the South-East Asia subregion; one in Peru for the Andean subregion; and one in Uruguay for the Common Market of the South (MERCOSUR) subregion. One national workshop was also organized in Cambodia. The workshops brought together 152 professionals from key national sectoral ministries and departments, the ministries of finance and planning, civil society organizations and academia. Each country team was made up of a variety of stakeholders who underwent a five-day structured capacity enhancement course on how to develop an integrated financing strategy (IFS) for sustainable land management (SLM).
3. The key output of the first phase is mastery of skills by core national teams to formulate an IFS to mobilize resources for SLM as a means of combating desertification. A recent Global Mechanism/IFAD evaluation and other Global Mechanism reports document the following results:
 - Greater understanding of the root causes of land degradation;
 - Financing strategies more informed by community needs as a result of the enhanced ability to identify local community needs;
 - In-depth understanding of the decision-making processes involved in public planning and resource allocation for activities to combat land degradation and poverty;
 - Increased capacity to develop and manage the process of mainstreaming SLM into strategic frameworks for economic and social development;
 - Better understanding of the methodologies and strategic approaches of external financial partners;
 - Increased capacity to prepare proposals for financing in accordance with the eligibility criteria and procedures of the various bilateral and multilateral financial partners;
 - Greater awareness of innovative financing sources such as those relating to climate change, debt-for-nature swaps and decentralized cooperation;
 - Insight into developing a results-based action plan for implementing IFSs.
4. The implementation under the second instalment will scale up IFS design and implementation to include additional countries from the subregions where DIFS training was undertaken. Partnership financing platforms will be established and climate change (CC)/SLM projects developed for countries with advanced IFS development processes.
5. In terms of the linkages between climate change and land degradation, all IFS processes being initiated in the selected countries have a strong component to harmonize UNCCD implementation with ongoing national strategies related to

climate change. Of particular focus are mechanisms that link climate change financing with support for SLM in sustainable rural development projects.

6. A three-day follow-up workshop to the DIFS on "the use of climate change financing mechanisms to support investments in SLM" will be designed. This will enable the strategic integration of climate change concerns into IFAD project design at an early stage and assist projects in capturing climate change financing by building mitigation and adaptation components.

II. Rationale and relevance to IFAD

7. The proposed Global Mechanism activities relate directly to the objectives of the IFAD Strategic Framework 2007-2010, 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 encountered by the rural poor, such as institutional barriers to resource access, lack of an enabling policy environment and land- and water-related issues.
8. The eighth session of the Conference of the Parties (COP8) to the UNCCD was held in Madrid, Spain, in September 2007. This DIFS initiative responds directly to the call of the 10-year strategic plan and framework to enhance the implementation of the convention for "affected country Parties [to] develop integrated investment frameworks for leveraging national, bilateral and multilateral resources with a view to increasing the effectiveness and impact of interventions" as specified in operational objective 5, outcome 5.1, endorsed by the COP8 in Madrid. In addition, during COP8, IFAD Senior Management reiterated its commitment to the implementation of the Convention – particularly in relation to the 10-year strategy 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 the corporate and the operational level.
9. The proposed Global Mechanism-assisted and country-led development and implementation of the IFS will be implemented in full coordination with PI and PL and will be consistent with the objectives of the results-based country strategic opportunity programmes (COSOPs) for Brazil, Cambodia, Chile, Dominican Republic, Ecuador, El Salvador, Nepal, Peru, Sri Lanka, Thailand and Uruguay.
10. As part of activities under first instalment, the Global Mechanism held a session during PI's annual performance review workshop in Bangkok, Thailand. The session focused on the impacts of climate change and the need for adaptation measures to mitigate the negative impacts on the most vulnerable communities. Follow-up actions are being taken to identify COSOPs within which to mainstream SLM and CC issues, as has been done with the Viet Nam COSOP.
11. The IFS includes an integrated investment framework for SLM, which assists with identifying local-level challenges that need to be addressed. The increased resource flows engendered through the implementation of the IFS lead to direct benefits for local communities grappling with land degradation and the effects of climate change. The target areas for action are selected on the extent of poverty and land degradation present, and guided by criteria used in selecting IFAD's target group.

III. The proposed programme

12. The overall goal of the programme is to mobilize predictable and stable financing at the country level to address SLM issues and linkages with climate change adaptation. Achievement of this goal will further contribute to rural development and poverty alleviation.
13. The objective of the programme is to develop comprehensive investment frameworks in recipient countries to create a secure enabling environment for financing

investments in SLM and climate change adaptation. The objective will be achieved through:

- (a) Supporting government decision-makers and national stakeholders in developing and implementing IFSs for mobilizing predictable financing for CC/SLM programmes and projects;
 - (b) Developing IFSs to mobilize a blend of financial resources to fund SLM-related programmes and projects in selected countries in the regions covered by PI and PL;
 - (c) Designing interventions, together with IFAD and country stakeholders (to promote ownership and sustainability), that address the linkages between climate change and land degradation, as a means of mobilizing supplementary funds through CC financing mechanisms; and
 - (d) Assessing the effectiveness of the proposed methodology to increase investments in SLM.
14. The second instalment of the programme will have a total duration of two years, starting in 2009 and will comprise four components:
- (a) Support the implementation of the IFSs of Brazil, Cambodia, Ecuador, Nepal, Peru, Sri Lanka, Thailand and Uruguay;
 - (b) Design national IFSs for Bhutan, Chile, Dominican Republic and the Lao People's Democratic Republic;
 - (c) Mobilize supplementary funds for IFAD programmes and projects through the development and implementation of CC/SLM components under the IFS; and
 - (d) Manage knowledge to document best practices for replication in other regions.

IV. Expected outputs and benefits

15. Expected outputs:
- (a) Technical support provided to national stakeholders to develop and implement the national IFSs;
 - (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

16. 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 within the framework of the second instalment of the Programme for Designing Integrated Financing Strategies for UNCCD Implementation in Selected Countries of Asia and the Pacific, and Latin America and the Caribbean, based on anticipated overall financing of US\$2.5 million for both instalments (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). The Global Mechanism will establish a detailed programme of work in full cooperation with PI and PL country programme managers.
17. Activities under the first instalment focused on supporting the enhancement, adaptation and execution of the DIFS training programme by the Global Mechanism

through workshops for the: (i) South Asia subregion; (ii) South-East Asia subregion; (iii) Andean subregion; and (iv) MERCOSUR subregion. In 2009, following the subregional workshops, actions are concentrated on the design and implementation of IFSs in the countries selected under the first instalment and on designing activities that focus on the linkages between climate change and land degradation as a means of mobilizing complementary funding, including the development of a capacity-building programme on how to access climate change financing.

18. In the Latin America and the Caribbean region, Chile and Dominican Republic have been selected for the second instalment. The workshops served to confirm the political interest of national teams to embark on an IFS process starting in the last quarter of 2009 (Dominican Republic participated in a DIFS workshop in October 2008). These two countries have been identified on the basis of official requests from UNCCD focal point institutions, and their engagement in existing subregional initiatives such as the MERCOSUR UNCCD strategy (Chile) and the Mesoamerican SLM Investment Promotion Platform (Dominican Republic). As a result of their participation in these subregional initiatives, the countries wish to initiate an IFS development process.
19. In Asia and the Pacific, similar factors led to the selection of the People's Republic of Lao and Bhutan for the next instalment. With relation to the People's Democratic Republic of Lao, the poverty context and vulnerability to climate change influenced the decision to support their request for developing an IFS. With regard to Bhutan, the decision to work with them was based on the possibility of pursuing activities related to Reducing Emissions from Deforestation in Developing Countries (REDD), given the extent of the country's forests. However, depending on Bhutan's response to recent changes in the IFAD Lending Terms and Conditions, the Global Mechanism may be obliged to select another Asian country instead.
20. Progress reports will be drafted and submitted to IFAD by the Global Mechanism on an annual basis. A progress report will be submitted at the end of the first instalment period (2008-2009), and a final report covering both instalments will be provided at the end of the second. 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

21. IFAD will finance programme costs in the amount of US\$1.25 million for the second instalment of the two-year grant covering the period 2008-2010.
22. As was the case under the first instalment, cofinancing secured by the Global Mechanism will contribute to the achievement of the overall objectives. The proportion of cofinancing will remain stable, covering the full amount of the IFAD grant for the two instalments, US\$2.5 million. Cofinancing sources have been: 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 Conference of the Parties budget (US\$100,000). Total cofinancing for the programme amounts to US\$1.02 million.

Summary of budget and financing plan

(Expressed in United States dollars)

<i>Type of expenditure</i>	<i>IFAD</i>	<i>Cofinancing</i>
Human Resources	275 000	153 000
Professional services (including subcontractors)	550 000	162 000
Travel costs	115 000	55 000
Operational costs, reporting and publications	110 000	80 000
Capacity-building	200 000	60 000
Total	1 250 000	510 000

Results-based logical framework*

Hierarchy of objectives	Objectively verifiable indicators	Means of verification	Assumptions/risks
Goal: Mobilize predictable and stable financing at the country level to address SLM issues and its linkages with climate change adaptation			
Overall objective: Develop comprehensive investment frameworks in recipient countries to increase financing for SLM and adaptation to climate change			
Specific objective 1: Provide technical support to government institutions and other national stakeholders to develop and implement strategies for mobilizing predictable financing for instituting SLM related programmes/projects.	- Technical guidance provided during IFS development and implementation to achieve cofinancing for IFAD portfolio at ratio 1:2	- Guidance notes and technical inputs.	- Sufficient number of qualified, motivated national stakeholders participating and willing to enhance their skills. - Collaboration with national stakeholders.
Outputs 1.1 The capacities of a group of key national stakeholders enhanced in terms of designing an IFS to address SLM-related issues. 1.2 Technical support provided to key national stakeholders to implement the national IFSs.			
Key Activities - Provide technical support, knowledge products, tools and reference materials to meet the requirements of the respective countries for IFS design - Accompany key stakeholders in the operationalization of the IFS Action Plan.			
Specific objective 2. Develop Integrated Financing Strategies for locating and mobilizing a mix of financial resources to fund SLM-related programmes and projects.	- Five National IFSs developed and up to US\$300 million mobilized - National coordination mechanism structures and processes put in place. - Partnerships for resource mobilization forged.	- Five National IFSs and Action Plans endorsed and published. - Coordination framework institutionalized. - Partnership agreements concluded.	- 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 Bhutan, Chile, Dominican Republic, and Laos 2.2 National coordination and country/donor partnership platforms established to facilitate resource mobilization.			
Key Activities - 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.	- 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 at a value of approximately US\$180 million	- Workshop evaluation. - Assessment of the know-how of trainees conducted. - Project documents endorsed. - Financial flows into SLM quantified.	- 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 - 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.	- IFS methodology and tools are fine tuned and replicated and utilized by other countries. - Criteria developed to establish and assess the knowledge management system.	- Reports from countries in other regions. - Knowledge management system developed.	- 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 - 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.			

* Logframe, including figures, are subject to adjustment during the implementation of the programme.