



PROJECT IDENTIFICATION FORM (PIF)

PROJECT TYPE: Full-sized Project

THE GEF TRUST FUND

Submission Date: 07 April 2009

Resubmission date: 7 May 2009, 09 Sept 2009

PART I: PROJECT IDENTIFICATION

GEF PROJECT ID¹: 3951 PROJECT DURATION: 48 months

GEF AGENCY PROJECT ID:

COUNTRY(IES): Chile, Indonesia, Nepal, Vietnam

PROJECT TITLE: Expanding FSC Certification at Landscape-level through Incorporating Additional Eco-system Services.

GEF AGENCY(IES): UNEP

OTHER EXECUTING PARTNER(S): lead: Forest Stewardship Council (FSC International Center, Germany); CIFOR, RECOFTC, LEI, Pustanling-MOF, WARSI, Tropical Forest Trust – in Indonesia; ANSAB – in Nepal; FSC National Initiative – in Chile; MARD – in Vietnam.

GEF FOCAL AREA (S): Biodiversity

GEF-4 STRATEGIC PROGRAM(S): BD-SP5 'fostering markets for biodiversity goods and services', BD-SP4 'strengthening the policy and regulatory framework for mainstreaming biodiversity in production sectors', and partly BD-SP8 'building capacity on access & benefit sharing' & CC-SP 6 'management of LULUCF'

NAME OF PARENT PROGRAM/UMBRELLA PROJECT: Related to, but not part of, GEF- Sustainable Forest Management

INDICATIVE CALENDAR*	
Milestones	Expected Dates
Work Program (for FSP)	November 2009
CEO Endorsement/Approval	Dec 2010
Agency Approval Date	Feb 2011
Implementation Start	April 2011
Mid-term Evaluation	March 2013
Project Closing Date	April 2015

A. PROJECT FRAMEWORK

Project Objective: To pilot test expanded and enhanced global and national environmental standards applied to emerging markets for biodiversity conservation and eco-systems services as an initial step for upgrading of successful models of FSC certification.

Project Components	TA, or STA	Expected Outcomes	Expected Outputs	Indicative GEF Financing ^a		Indicative Co-Financing ^a		Total (\$) c = a + b
				(\$ a)	%	(\$ b)	%	
1. Development of Science-based Certification Models - following FSC Principles and Criteria, and targeting protection and marketing of ecosystem services	STA	(i) Improved global forest certification specifically incorporating Biodiversity Conservation & key Ecosystem Services (ii) Enhanced 'business case' for Sustainable Forest Management through expanded FSC certification schemes	<ul style="list-style-type: none"> ▪ Literature and market study of feasible ecosystem services ▪ Assessment of social and environmental costs & benefits of proposed certification models ▪ FSC ecosystem services strategy developed for selected SMEs ▪ Development of new certification business models based on FSC Principles and Criteria ▪ Policy paper and approval 'Expanded FSC Certification Business Model(s)' by FSC Board of Directors ▪ International standards developed and approved FSC IC Board 	250,000	42	340,000	58	590,000
2. International Market	TA	Enhanced insights and knowledge	<ul style="list-style-type: none"> ▪ Market demand surveys undertaken on ES-based FSC 	240,000	45	290,000	55	530,000

Assessment - perspectives and needs for standards to support well managed forests for BD conservation & eco-system services		base for potentially accessing international markets for certified (i) Biodiversity Conservation & Ecosystems Services incl. (ii) Carbon sequestration, (iii) Watershed protection, (iv) Disaster risk reduction, (v) Recreation	<ul style="list-style-type: none"> ▪ certification & published ▪ Priority areas & key ES identified in terms of competitive opportunity costs (cost/benefit) ▪ Income generation/marketing strategies developed ▪ Design and analysis of financial viability of new business models for ES-based FSC certification 					
3. National Pilots prepared by country	TA& STA	Increased number and/or hectares of certified forest management schemes in pilot countries incorporating biodiversity conservation & ES	<ul style="list-style-type: none"> ▪ Stakeholder assessment & empowerment including capacity building of forest-based communities ▪ Measures for access & benefit sharing through PIC incorporated in pilot trial plans. ▪ Consultation with stakeholders on adoption of national standards covering BD & ES ▪ Establishment pilot site selection criteria (GEB) ▪ Spatial mapping of ecosystem services -- pilots ▪ Up to two FSC/PES trials (except in Indonesia >4), each field tested, analyzed and approved in pilot countries. ▪ Effective national standards, indicators developed, field tested, and endorsed by FSC IC. 	1,250,000	55	1,045,000	45	2,295,000
4. Awareness and Promotion of FSC Certification for ES	TA	Greater sensitization of the potential of ES-based forest certification in four pilot countries, with subsequent outreach through the global FSC Network	<ul style="list-style-type: none"> ▪ National dissemination workshops held, information and guidance materials produced. ▪ Strengthening capacity of staff of local partner agencies on expanded forest certification and PES services. ▪ The experiences are disseminated globally through the FSC Network, in line with the development of international standards (Component 1) ▪ Identified markets (Component 2) will be targeted and appropriate publicity materials produced ▪ Follow up visits undertaken to interested stakeholders (forest managers, certification bodies, private sectors interests) 	700,000	48	750,000	52	1,450,000

5. Project Monitoring & Evaluation	STA	(i) Enhanced capacity of government to monitor impact of certified forests and plantations (ii) Effective project M&E system showing attainment of outcomes & objective	<ul style="list-style-type: none"> ▪ Development & implementation of Project M&E Plan ▪ National impact studies on awareness & ‘change of behavior’ towards increased level of certified forests and plantations, at baseline, midterm & project completion. ▪ Gov. institutions identified, strengthened & enabled to conduct long term M&E 	150,000	59	105,000	41	255,000
6. Project management				290,000	45	350,000	55	640,000
Total project costs				2,880,000		2,880,000		5,760,000

B. INDICATIVE CO-FINANCING FOR THE PROJECT BY SOURCE and by NAME (in parenthesis) if available, (\$)

Sources of Co-financing	Type of Co-financing	Project
Project Government Contribution	Unknown	900,000
Bilateral Aid Agency(ies)	Grant	270,000
Multilateral Agency(ies)	Unknown	95,000
GEF agency (UNEP)	In-kind	50,000
Private Sector	Unknown	380,000
NGO – LEI, IFT etc	Unknown	550,000
Others, FSC etc	Unknown	635,000
Total Co-financing		2,880,000

C. INDICATIVE FINANCING PLAN SUMMARY FOR THE PROJECT (\$)

	Previous Project Preparation Amount (a)	Project (b)	Total C = a + b	Agency Fee
GEF financing	0	2,880,000	2,880,000	288,000
Co-financing	0	2,880,000	2,880,000	
Total	0	5,760,000	5,760,000	288,000

D. GEF RESOURCES REQUESTED BY AGENCY (IES), FOCAL AREA(S) AND COUNTRY(IES)¹

GEF Agency	Focal Area	Country Name/ Global	(in \$)		
			Project (a)	Agency Fee (b) ²	Total c=a+b
UNEP	Biodiversity	Chile	600,000	60,000	660,000
„	„	Indonesia	1,080,000	108,000	1,188,000
„	„	Nepal	600,000	60,000	660,000
„	„	Vietnam	600,000	60,000	660,000
Total GEF Resources			2,880,000	288,000	3,168,000

PART II: PROJECT JUSTIFICATION

A. STATE THE ISSUE, HOW THE PROJECT SEEKS TO ADDRESS IT, AND THE EXPECTED GLOBAL ENVIRONMENTAL BENEFITS TO BE DELIVERED:

Background: Payment for Eco-systems Services (PES) will be a key element in strategies for mainstreaming forest biodiversity conservation and maintaining essential support services, and for meeting the Millennium Development Goals (MDG). The GEF-supported Millennium Ecosystem Assessment concluded that more than 60% of the world’s ecosystem

services are either degraded or used unsustainably. This degradation constitutes a significant barrier to achieving the MDG Goals if not reversed through a set of changes in policies, organizations and business practices. Hitherto, most of the recently increased focus on environmental services has been directed at carbon sequestration and related issues, the great potential of other ecosystems services (ES) has been relegated to a minor role. Yet, the value in both environmental and income generation terms of the extensive range of forest ecosystem functions are extensive, such as watershed protection for water supply services downstream, for agriculture and flood prevention. Biodiversity is closely linked with conservation and climate change, and depredation of the forest fauna and flora can have severe consequences for human welfare. Subsistence use of the forest for e.g. fuel wood, house construction and many other uses is vital for forest peoples. The potential of non-timber forest products is particularly attractive as often these are not capital intensive and are niche markets, very appropriate for community economic activities. Recreational activities such as forest ecotourism also offer employment and income generation opportunities compatible with long term responsible forest use.

Many of these emerging forest PES markets are currently taking place in the “voluntary” market place. In general, these transactions currently suffer from a lack of credibility and transparency and do not necessarily generate the much sought after co-benefits. In particular carbon sequestration projects without sustainable management criteria may even have adverse impact on other ecosystems services including biodiversity conservation. There is little ‘instrumentation’ developed for these markets, such as independent, 3rd party certification as with FSC. Conversely, the “official” market-based mechanisms are stricter, notably the Clean Development Mechanism (CDM) of the Kyoto Protocol, but to date very few forest-based PES have been reviewed, and even fewer approved, due to the CDM’s cumbersome technical and bureaucratic requirements, and the associated high costs. Even so, there are institutions, such as the Prototype Carbon Fund and its constituent Bio-Carbon Fund, seeking to promote such forest-based ES transactions. New opportunities are emerging after Bali, related to Reducing Emissions from Deforestation and Forest Degradation (REDD), and through which countries are supported to establish REDD pilots and enhanced monitoring methodologies prior to Post-2012 arrangements under UNFCCC. The attraction of FSC certification in this respect is that it is a proven instrument and has much broader scope, for instance on social and environmental impact, than the alternative systems being developed.

Certification of ecosystems services, though the global FSC system, could therefore play an important role in the context of REDD. The FSC is the leading forest certification system, based on independent third party verification, and currently there are over 100 million hectares of forest FSC certified in over 80 countries. While FSC has made great progress in terms of adoption and market recognition, it remains a system largely limited to certifying “wood” products entering into the international timber market. The expansion into ES will provide a reliable market-related tool for verifying claims to provide ecosystems benefits. *Until now the claims made for such services in the formal and voluntary “green” markets have largely been unsubstantiated in the absence of certification systems of the quality of FSC’s.*

While the range of ES is extensive, the major focus has been assigned to forests and climate change through carbon sequestration and/or emissions. Potentially, the principal features for reducing carbon emissions, overlap with FSC Principles and Criteria. Helping to ensure long term sustainability is one of the strongest attributes of FSC criteria related to carbon sequestration and conservation of other forest ES. New single issue standards are being developed, especially for carbon sequestration, but do not give the breadth of coverage as FSC which covers a wide spectrum of social and environmental factors and encompasses monitoring of environmental and social impact. For example, these new standards systems do not normally cover ILO core conventions on the social side and CITES convention on endangered species on the environmental side. Moreover FSC has pioneered in certification the concept of protecting high conservation value forests (HCVF) which is highly relevant to REDD programs. It is therefore increasingly pressing to expand and adapt the FSC system to cover the range of ES. PES should be the driver to building a “green economy” where the benefits of conserving ecosystem resilience and functioning are embedded into the everyday financial transactions of consumers, producers, intermediaries and financial institutions through FSC certification.

Component 1: Development of Science-based Certification Models. Notwithstanding the significant progress made with FSC forest certification programs, it has not developed the necessary indicators for verifying compliance with sustainable management for ES. The project, through its partners like CIFOR, will develop scientifically derived verifiable indicators for forest management for ES. At the same time the project would work on (i) global FSC policies and business model(s) to support the relevance of expanded FSC certification related to its (ii) financial feasibility (input from Comp 2) as well as social- and environmental costs. The two must be developed in parallel as no business model will be credible without it being based on sound scientific as well as financial and equity performance criteria. Once the basic research has been conducted, the overall strategy for the FSC certification of BD & other ES will be elaborated, the FSC policies developed and approved by its International Board, and international standards developed.

Component 2: International Market Assessment. Emerging forest- and biodiversity based PES markets (like REDD), although being of high economic importance locally, often suffer from a lack of credibility and transparency. FSC certification and its global coverage can be attractive for the emerging PES systems by guaranteeing sustainable and responsible forest practices. This component will assess and analyze the potential demand for FSC certification in these fast-growing market places. A key issue is to identify feasible business opportunities and not raise unrealistic expectations. Therefore the project will determine financial feasibility both from the market standpoint and the supply side. The project will examine market potential through demand studies and analyse the costs & benefits of incorporating ES/BD through FSC certification. The project will cover market identification and promotion, including fostering linkages in the market place, as well as publications for dissemination to interested parties. Entry points of PES will be considered for (1) direct service payments, (2) co-financing of multiple services and (3) investment finance for PES projects. Threats to PES effectiveness will be evaluated through the development of appropriate indicators.

Component 3: National Pilots. The testing of the FSC ES model must necessarily take place in the national context. For this reason, the national organizations will be at the forefront, producing through consensus locally adapted indicators based on the adapted FSC international standards. The project will apply pilot site selection criteria, based on global BD significance and potential benefits to communities as well as nationally important ES. A diverse array of sites will be selected in four countries in differing ecosystems and forest management options to demonstrate the wide applicability of FSC certification. Particular emphasis will be placed on community-based operations to generate new sources of income and help alleviate poverty in forest-dwelling populations based on principles & mechanisms of PIC (ABS Bonn Guidelines). Specialized organizations in both community forestry and capacity building such as RECOFTC and TFT will have an important role here. Up to two pilots will be run in each country (or up to 4 in the case of Indonesia with its diverse ecosystems) to determine both the applicability of FSC Principles and Criteria to ES and the income generation potential. FSC Principle 2 on communities' use rights, Principle 3 on indigenous peoples' rights, especially the right to FPIC, Principle 4 on community benefits, and Principle 5 on benefits from multiple products & services, are particularly relevant.

Component 4: Awareness and Promotion. The project will invest significant resources in raising awareness of the experiences in using the FSC certification system for BD conservation and other ES and promoting its successful application. National dissemination workshops will be held, information and guidance materials produced, as well as key staff trained of national FSC and forest certification partners. The experiences will be further disseminated globally through the FSC Network via existing communications mechanisms. In parallel, the market for environmental services will be targeted for FSC certification, resulting in the generation of new sources of income, which in turn will contribute to meeting MDGs.

Component 5: Project Performance & National Impact M&E System Program. Finally, this component will support the Monitoring and Evaluation of the project impacts. Activities will include: (1) Development & implementation of Project M&E Plan; (2) National impact studies on awareness & forest management improvements at baseline, midterm & project completion, and (3) National institutions identified, strengthened & enabled to conduct long term M&E studies.

B. DESCRIBE THE CONSISTENCY OF THE PROJECT WITH NATIONAL/REGIONAL PRIORITIES/PLANS. In so far as national priorities accord with new developments after the Bali Climate Change Conference, this project will be consistent with national planning on reducing emissions and protect carbon stocks. Additionally it meets national targets of SFM and BD conservation under CBD.

Chile: Chile is party to CBD and UNFCCC since 1994, having ratified the Kyoto Protocol in 2002. The National Biodiversity Strategy of Chile's (2004) first priority is to prevent the deterioration of the natural heritage, ensuring conservation of biodiversity at gene, species, and ecosystem levels as well as conservation of relevant soil and water attributes and (ES) processes. Under these, specific priorities refer to sustainable forestry as well as strengthening of monitoring and environmental certification for forestry. Other actions support the formulation and enactment of, and compliance with, environmental quality standards, and to study and promote the adoption of new mechanisms for conservation funding, such as PES, and the implementation of tradable permit schemes, which are all key elements of the proposed GEF project. Multi-stakeholder participation processes as in FSC are also a high priority for the government in the definition and implementation of sectorial public policies. This project fits Chile's CC Strategy, 2006, which in the context of mitigation encourages the use of Kyoto's market-based mechanisms to offset carbon emissions.. Chile also recently (2008) passed a new Law for the Recovery of Native Forest and Forestry Promotion, with the objectives of protecting, recovering and improving this important natural resource base with forestry playing an extremely important

role in the country's exports (13% of which relate to forestry products). The new Law displays a strong social component by promoting an improved quality of life for forest communities through the sustainable extraction of forest products. Moreover, it encourages the conservation of native forest resources for environmental protection, including e.g. provision of economic incentives for sustained production and services like: i) sawable wood, pieces with biofuel value, firewood, etc. ii) NTFPs: tourism, and carbon capture, iii) preservation of biological diversity, all of which are elements of the proposed expansion of FSC certification.

Indonesia: Various policies pertain to Indonesian forests and PES markets but particularly UU No. 5, 1990 Conservation of Natural Resources and Ecosystems, UU No. 6 1994 on Climate Change; and UU No. 41, 1999 the National Forestry Act. Indonesia, as signatory to e.g. the ITTO 1990 Guidelines regarding Sustainable Forest Management as well as the Kyoto Protocol 2000 is keen to meet global CC mitigation targets set through reducing its huge emissions from forest loss and degradation. Indonesia is one of the key countries for the FCPF as well as UN REDD under which forest certification will play an increasingly important role. The Indonesian Forestry Act No.41/1999 is the key policy regarding forest management and has references to supporting forest PES and certification systems, e.g. Article 3 states: 'optimizing various forest classes including conservation, protection and production to attain environmental, social, cultural and economic benefits; 'watersheds to function optimally; or 'increasing communities' economic capacity, resilience and benefits from forests. At the National Level, the Indonesian MoFor has set out five national priorities for forest development and management over the period of 2005-2009, including priority programs such as: (i) acceleration of reforestation by implementing models of social forestry, (ii) quantified assessments and management of Forest Management Units for ES, (iii) decentralizing the forestry sector including developing regulations, providing guidelines & standards for forestry production licenses, environmental services utilization, as well as enhancing capacity of local forestry staff; and (iv) enhancing national policies and regulations on e.g. PES, forest certification, etc.

Nepal: The project would assist Nepal meeting its conservation and socio economic development goals, as defined in the Three Year Interim Plan (2007-2010), which is current national document guiding the forest sector, under e.g. its Program 9.1 "community and private forestry program", Program 9.3 "genetic resource development, biodiversity conservation, bio-safety and research", and Program 9.11 "forest certification". It promotes the empowerment of poor and deprived communities through access to forest products and sustainable forest management. It strives to develop internal markets and promote exports by focusing on forest based industries, entrepreneurship and the creation of employment. In the Interim Plan, forest certification is considered a major program and includes raising awareness of the criteria and indicators associated with sustainable forest management, and formulation of strategies and frameworks for advancing certification. With regard to climate change, the interim plan identifies opportunities for generating financial resources through carbon trading, developing climate change adaptation and mitigation mechanisms, and receiving payment for environmental services. Recently, under the Forest Carbon Partnership Facility, the World Bank has approved the Readiness Plan Idea Note (R-PIN) of Nepal for REDD. The Ministry of Forests and Soil Conservation (MFSC) as lead government agency on REDD is now working on the Readiness Plan (R-Plan) after signing a parliamentary agreement (PA) with the World Bank. This can be a basis for cooperation with the proposed GEF project

Vietnam: National laws and strategies on natural resources such as the Biodiversity Law, the Law on Forest Protection and Development, Forestry Development Strategy 2006-2020, etc. provide provisions for sustainable resource management. The Forestry Development Strategy 2006-2020 aims to sustainably establish, manage, protect, and utilize 16.24 million ha of forest land, to increase the ratio of land with forest up to 43% by 2010 and to 47% by 2020; to ensure wide participation from various economic and social sectors in forestry; to increase their contributions to socioeconomic development, environmental protection, biodiversity conservation and environmental services supply, as well as to reduce poverty and improve the livelihood of rural mountainous people. The Strategy sets tasks, inter alia, to increase incomes from forest environmental services through Clean Development Mechanism (CDM), ecotourism, and other services such as erosion control and water protection to USD 2 billion by 2020, and to get at least 30% of production forests certified for SFM. To achieve the target, a pilot scheme is currently implemented to test PES in two major watersheds.

C. DESCRIBE THE CONSISTENCY OF THE PROJECT WITH [GEF STRATEGIES](#) AND STRATEGIC PROGRAMS: The project supports the Biodiversity SO: 'Mainstreaming biodiversity conservation', specifically towards achieving its GEB of incorporating enhanced environmental considerations and BD conservation in the forestry production sector through removing barriers in voluntary certification mechanism. It targets meeting outcomes under BD-SP5 "Fostering markets for biodiversity goods and services" specifically through supporting market access through PES certification, third party validation, as well as initiating sustainable forest management in highly diverse productive landscapes. The other Strategic Program the project would contribute to is BD-SP4 "strengthening policy and regulatory framework for mainstreaming biodiversity", and partly BD-SP8 Building capacity on access and benefit sharing (in relation to local and indigenous

communities involved in pilot schemes and benefit sharing through enhanced capacity to participate through free, prior and informed consent, improved and certified market access and PES mechanisms). The proposed project directly relates to the Sustainable Forest Management strategy of GEFSEC with crosscutting elements highly relevant to the Biodiversity Strategy and Climate Change. The particular programs under the SFM strategy are: SP3., Protection of carbon stocks; SP4, strengthening the policy framework for mainstreaming biodiversity; SP5, fostering markets for biodiversity goods and services; and SP7- supporting sustainable forest management in productive landscapes; CC 7 bis. 6: 'Management of land use, land-use change & forestry as a means to protect carbon stocks (<http://www.thegef.org/uploadedFiles/Publications/forestry.pdf>). Additionally the concept has been developed based on the STAP advisory paper on PES projects (<http://stapgef.unep.org/resources/sg/PES>) e.g. on aspects of testing PES payment types through FSC certification, as well as indicators to evaluate threats to PES effectiveness (e.g. through the standardized FSC process requirements related to compliance, reducing offsite/leakage/spillover to non-certified forests as well as assuring additionally of efforts).

D. JUSTIFY THE TYPE OF FINANCING SUPPORT PROVIDED WITH THE GEF RESOURCES: As this is a pilot project, the aim not being so much to generate revenue sufficient to recover the investment costs but rather to test the principles involved, it is appropriate to seek a grant. The co-financing will be evidence of a similar investment from the other parties to the project. Any revenue stream generated will be for the benefit of the local communities and will contribute directly to the alleviation of poverty. The goal of attaining sustainable forest management through FSC certification of PES mechanisms in the upcoming REDD markets is invaluable and through project support would be very cost effective.

E. OUTLINE THE COORDINATION WITH OTHER RELATED INITIATIVES: As of now, there are a few related projects considering forest management certification of ecosystems services in the Asia-Pacific region. However the project is complementary to UNEP/GEF project GFL/2328-2713 on "improved certification schemes for sustainable tropical forest management", which began in 2005 and is ongoing. This latter project focuses on community-managed high conservation value forests in Mexico, Brazil and Cameroon. Lessons and best practices of this project have already been incorporated into the draft design of the proposed project, where the latter will expand this concept beyond timber and biodiversity in forest certification, incorporate much more the market aspects of certifying various ES, as well as building capacity of local forest-based stakeholders and national executing agencies. As regards incorporating carbon benefits under certification, linkages need to be established during the PPG with the recently started UNEP project on Below- and Above Ground Carbon Benefits. Particular potential synergies exist with the GEF-supported project on Institutionalizing Payments for Ecosystem Services (GEF project ID 2589). While the PES project aims at providing information tools at a global scale and at establishing regional networks for payment-based schemes, the proposed project is complementary as it aims at mainstreaming ecosystem service concerns into national certification and development policy.

Whenever feasible, the project will build upon and utilize policy-relevant outputs from international fora and platforms such as GLOBE, while also aiming at providing relevant national lessons learned and good practice to ongoing and emerging international consortia working on ecosystem services and payment schemes, including International Payment for Ecosystem Services (IPES) initiative, Efforts to reduce emissions from deforestation and forest degradation (e.g. UN REDD Program), or The Economics of Ecosystems and Biodiversity (TEEB) review.

F. DISCUSS THE VALUE-ADDED OF GEF INVOLVEMENT IN THE PROJECT DEMONSTRATED THROUGH INCREMENTAL REASONING : In the absence of GEF support, the ability to test and develop the procedures required to implement global-scale certification into areas such as carbon sequestration and watershed protection will be severely hampered as the take-up by both the private and public sectors is dependent on the value of certification being demonstrated in this innovative field. The effectiveness of FSC certification is long recognised and valued in the international timber trade and, once the worth of the certification tool is shown for PES, then very considerable global environmental benefits, as well as domestic benefits, will follow. For the first time, verifiable mechanisms will be available for accurate assessment of benefits, both environmental and social, through sustainable forest management to ensure that those who enter these markets will receive value for money instead of the claims being unsubstantiated and the gains being superficial. The generation of new sources of income will at the same time be an important impetus for widening the area of sustainable forest management and will be of particular importance for community groups and indigenous peoples who have not been able to compete in conventional markets for timber products, water resources or eco-tourism revenue, to mention a few.

G. INDICATE RISKS, INCLUDING CLIMATE CHANGE RISKS, THAT MIGHT PREVENT THE PROJECT OBJECTIVE(S) FROM BEING ACHIEVED, AND IF POSSIBLE INCLUDING RISK MITIGATION MEASURES THAT WILL BE TAKEN: (i) Climate change has the capacity to impact project objectives in various ways. The first is by altering volumes and value of ecosystem services such as water supply or biodiversity (-based products) through ecological changes in the certified forests. The level of these potential impacts will be incorporated in the analysis of financial, social and technical

feasibility of the certified PES schemes (Comp. 1 & 2). (ii) A second but largely positive impact would be the international agreement on Post Kyoto regarding emission reduction targets and financing mechanisms, combined with call for quality assurances, which would strongly benefit the adoption of the project outcomes. (iii) An additional risk is the fact that voluntary certification systems are sometimes not endorsed or adopted by governments due to perceived business impacts to the logging industries, however the project through its stakeholder consultations as well as national and international communications campaigns would definitely achieve a much improved willingness with decision makers to incorporate forest certification into common business practices, and e.g. apply to the investments in national REDD programs. (iv) A risk is that certification take-up for ecosystems services will be modest due to complexities in assessment, valuation and monitoring procedures. Therefore in addition to the technical support provided by the project in developing these procedures, it will incorporate major activities of diffusion directed at forest managers and potential market players.,

H. DESCRIBE, IF POSSIBLE, THE EXPECTED COST-EFFECTIVENESS OF THE PROJECT: The project is expected to be highly cost effective, focused as it is on the generation of income from a variety of ecosystems services. Similarly a project working at government level in multiple countries to impose a certification system would go against the voluntary ethos of FSC, leading to less buy-in by forest sector actors and more cumbersome legalistic mechanisms. With the current approach, the main costs are associated with necessary research and capacity building with secondary costs from market promotion activities. Income will be generated from direct sales (for example of non-timber forest products, eco tourism services and water supply). Important indirect benefits will accrue from the disaster risk mitigation through reducing flooding and soil erosion. Above all, through avoided deforestation, a major contribution can be made to mitigating negative climate change effects. It is not possible at this stage to predict quantities of carbon captured as it ultimately depends on the take-up of certification for ecosystems services. Moreover, certification is a verification tool, not an intervention in itself. Similarly it is difficult to estimate cost effectiveness for other ecosystems services, particularly biodiversity applications which are hard to quantify. The cost of certification itself will be a fraction of the income generated for "green" products and services. For M & E purposes, a more precise cost benefit would be assessed for each forest management unit certified once their products & services have been marketed and projections made beyond the project lifetime. In essence, the Project aims to provide a mechanism for forests to be valued for the public services provided, but for which payment in the past has not been made, thus effectively leading to the undervaluation of forests economically vis-à-vis other land uses and their loss along with the public services they provide.

I. JUSTIFY THE COMPARATIVE ADVANTAGE OF GEF AGENCY: UNEP's comparative advantage derives from its mandate to coordinate UN activities with regard to the environment, including its ability to engage with different stakeholders to develop innovative solutions and its capacity to transform these into policy- and implementation-relevant tools such as certification and international or national regulation. UNEP's coordinating role on ecosystem services through the MA is an important building block for its continued work with GEF in this important goal towards conserving ecosystem resilience and functioning. Its recently adopted mid-term strategy centers on an ecosystem management approach, targeting the mainstreaming, marketing and conservation of ecosystem services in society and economies, making UNEP an even more trustworthy broker among different stakeholders. This entails the strengthening of scientific understanding of ecosystems functions, including assessment and review as well as policy and law development in relation to ecosystem management that takes socio-economic aspects into account. Additionally it has successfully been running the UNEP/GEF project GFL/2328-2713 on "improved certification schemes for sustainable tropical forest management", which began in 2005 and its experience base is being incorporated in the present proposal.

PART III: APPROVAL/ENDORSEMENT BY GEF OPERATIONAL FOCAL POINT(S) AND GEF AGENCY(IES)


A. RECORD OF ENDORSEMENT OF GEF OPERATIONAL FOCAL POINT (S) ON BEHALF OF THE GOVERNMENT(S):

(Please attach the [country endorsement letter\(s\)](#) or [regional endorsement letter\(s\)](#) with this template).

NAME	POSITION	MINISTRY	DATE
Dr Krishna Gyawali	Joint Secretary in Foreign Aid Coordination Division (FACD)	Ministry of Finance, Nepal	12/28/2008
Dr. Nguyen Van Tai	Director General	ISPONRE - MONRE, Vietnam	03/24/2009
Dr Agus Purnomo	Special Assistant to Minister of Environment, Indonesia	MoE, Indonesia	03/25/2009
Dr. Ximena George-Nascimento	National Commission for Environment, Chile	CONAMA, Chile	04/02/2009

B. GEF AGENCY(IES) CERTIFICATION

This request has been prepared in accordance with GEF policies and procedures and meets the GEF criteria for project identification and preparation.

Agency Coordinator, Agency name	Signature	Date	Project Contact Person	Telephone	Email Address
Maryam Niamir-Fuller Director, UNEP Division of GEF Coordination		07 April 2009	Max Zieren, UNEP/DGEF Regional Programme Coordinator Asia Pacific	+66-2-288- 2101	zieren@un.org