PROJECT EXECUTIVE SUMMARY
GEF COUNCIL SUBMISSION

AGENCY'S PROJECT ID: PIMS 3179
GEFSEC PROJECT ID: 2589
COUNTRY: Global Project
PROJECT TITLE: Institutionalizing Payments for Ecosystem Services
GEF AGENCY: UNDP
OTHER EXECUTING AGENCIES: UNOPS
DURATION: 4 years
GEF FOCAL AREA: Biodiversity
GEF OPERATIONAL PROGRAM: 2-Freshwater, Coastal, Marine; 3-Forests, 4-Mountains
GEF STRATEGIC PRIORITY: BD-2: Mainstreaming Biodiversity in Production Landscapes and Sectors
PIPELINE ENTRY DATE: March 17, 2005
ESTIMATED STARTING DATE: May 2006
IA FEE: $550,434

FINANCING PLAN	
GEF PROJECT/COMPONENT	
Project	5,690,939
PDF A	25,000
PDF B	432,000
PDFC	
Sub-Total GEF	***$ 6,147,939***
CO-FINANCING*	
Government	200,000
Bilateral	1,399,000
Multilateral	1,310,000
NGOs	3,680,000
Corporate	2,755,000
Foundations	743,000
Others	1,940,000
Sub-Total Co-financing	12,027,000
Total Project Financing	***$18,174,939***

CONTRIBUTION TO KEY INDICATORS OF THE BUSINESS PLAN:
This project will lay the institutional foundations for scaling up Payments for Ecosystem Services (PES) as a significant source of financing for biodiversity conservation in production landscapes, addressing GEF Strategic Priority 2. The project will support PES innovators and initiatives in agricultural, forest, coastal and mountain ecosystems globally, with special emphasis on Eastern and Southern Africa and tropical America. Leaders and institutions from diverse stakeholder groups (buyers, sellers, intermediaries and policymakers) in the two regions will have capacity for strategic analysis, planning and implementation of PES. New policies to mainstream biodiversity conservation through PES will be implemented by the private, public and civil society sectors. The project will directly improve biodiversity outcomes on at least one million hectares in the two regions, by improving design of PES schemes, stimulating new PES schemes, and supporting pilots of new models of biodiversity payments. The project will directly affect 30 projects and indirectly affect dozens more around the world. Activities will increase the number of ecosystem service buyers from the private sector globally, and mobilize new buyers for four PES schemes. Low-income communities will become engaged in PES that benefit livelihoods and local conservation.. The project will indirectly contribute to improved biodiversity outcomes on at least two million hectares globally by reducing costs and risks of ecosystem market transactions, and providing best practice guidelines through a global ecosystem market information service.

RECORD OF ENDORSEMENT ON BEHALF OF THE GOVERNMENT(S): N/A FOR GLOBAL PROJECTS

Approved on behalf of the UNDP. This proposal has been prepared in accordance with GEF policies and procedures and meets the standards of the GEF Project Review Criteria for work program inclusion.

Y. Glemarec

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Rationale for Supporting Payments for Ecosystem Services (PES)
Ecosystem services like biodiversity conservation, water supplies for human consumption and hydropower, climate stabilization, and storm protection, are increasingly recognized to have huge economic value. There is growing recognition that regulatory and protected area approaches - while critical - are insufficient to adequately conserve ecosystems and ecosystem functions, especially in working landscapes, and that a fundamental problem facing conservation is financial. This is especially true for the vast amount of the planet's biodiversity that lies outside of protected areas. For these resources to be conserved they need to be more valuable financially than the alternative uses of the land, and good stewardship needs to be more profitable than bad stewardship. This poses a financial dilemma since land stewards have historically provided these critical services to other users largely for free. Moreover, mainstream economic incentives ignore or undermine biodiversity and ecosystem health.

Around the world, widespread interest is emerging in markets and payment schemes that reward actors who conserve or restore the ecosystem services provided by terrestrial, freshwater, and marine ecosystems, while providing a viable and sustainable source of livelihood for rural communities. Corporate actors are becoming more interested both in securing ecosystem services critical to their businesses, and demonstrating environmental responsibility. There are currently many markets for ecosystem services and ongoing initiatives by donors, NGOs, and international financial institutions to develop ecosystem service payment schemes. Major types of Payments for Ecosystem Services (PES) include:

- Public payments to private landowners who conserve ecosystem services for public benefit, using tax revenues;
- Private deals in which the beneficiaries of ecosystem services pay resource managers for conservation services, directly or through private or public intermediaries; and
- Trading systems for credits allocated for ecosystem protection or rights to ecosystem benefits under a cap or floor set by public regulation (for example, wetlands mitigation banking or carbon emission offset trading).

Developments for PES in the next decade will be crucial for the establishment of basic policy framework and institutional arrangements, for ensuring that these new markets and payment systems develop in ways that achieve public goods as well as private benefits, and for devising innovative and low-transaction-cost models for PES. Within the next two decades, payments and markets for ecosystem services could become a major source of financing for ecosystem stewardship and biodiversity conservation. The private sector could become a much larger source of finance than the public sector (See **Box 1**). Institutions could be developed that will enable the direct beneficiaries of ecosystem services to finance their protection in efficient ways that minimize transaction costs and provide meaningful incentives to resource stewards and investors in stewardship. These could work in complementary way with policy frameworks that reduce subsidies and incentives for ecosystem degradation, and with public investments in strategic conservation actions, in those types of ecosystems and ecosystem services for which private consumer or business buyers are not available or appropriate. PES could become a key element in strategies for mainstreaming biodiversity conservation, particularly outside of Protected Areas, and for meeting the 2010 Biodiversity Goals. PES could contribute to building a “green economy” where the costs and benefits of ecosystem conservation are embedded into everyday financial transactions of consumers, producers, intermediaries and financial institutions.

The window of opportunity to shape these emerging ecosystem service markets will close quickly. If we do not engage in an aggressive and coordinated fashion, the potential biodiversity gains and livelihoods benefits will not be achieved.

Box 1. The business case for buying ecosystem conservation services

Private and quasi-private companies can potentially mobilize vastly greater resources for biodiversity and ecosystem conservation than can tax-dependent governments or non-profit conservation organizations. Private companies have diverse motivations for becoming buyers of ecosystem services. Some are "philanthropic" buyers, but this does not seem to be a promising source for long-term growth in demand. Most must have some "business case" for becoming a buyer. A survey of private sector buyers of ecosystem conservation services found diverse motivations:
1) To comply with required regulations;

2) To take advantage of new business opportunities anticipated (e.g., to earn money through carbon offsets or water market as financial intermediaries, or eco-enterprise operations, or enhance the financial value of land, forest or other assets belonging to the company);

3) To secure, sustain or reduce costs of key natural resource inputs required for business operations (such as uncontaminated water needed for a bottling plant, "charismatic" macro fauna needed for ecotourism operation, secure access to wild-harvested ingredients, or conservation of watershed to secure water flow regulation for downstream irrigators);

4) To reduce other business costs (e.g., where insurance costs, by reducing flood risks);

5) To maintain good relationships and reputation with key stakeholders (e.g., to secure a "license to operate," to obtain expedited licensing procedures, to secure better relations with local communities to avoid disruptions; to improve staff pride and morale to enhance recruitment and retain of superior staff).

6) To enable strong "green" branding by the company (for marketing to consumers, investors or others committed to "green" products or companies).

Rationale for the Project
There are significant barriers and gaps, for the development of PES in tropical low-income and many middle-income countries, particularly to achieve large-scale, real biodiversity conservation outcomes and to contribute to poverty reduction. These include barriers and gaps in information, in technical knowledge and skills, in policies and regulations, and in institutions, that differentially impact buyers, sellers, policymakers and service providers/project developers. The root causes of these barriers to PES development can be traced to a number of factors:

1) These payments systems and markets are relatively new, so that many actors do not know about or do not understand them; there are few institutions or policies developed to serve them; and information about them is limited.

2) PES are still controversial in many places, because they involve fundamental shifts in paradigms about conservation and markets, and they often represent a shift in fundamental rights to ecosystem services.

3) Because their scale is still limited, there is weak financial motivation for monitoring and evaluating market information.

4) The business case for PES is not well-established, partly because financial information is often proprietary, but also because there are often unclear links between ecosystem management and the flow of services delivered.

5) PES must be tailored to the local ecological, economic, social and political situation, and thus requires considerable analytical skill to devise and adapt.

6) There is frequently a disconnect between the scale at which resources must be managed to deliver ecosystem services, and the scale at which beneficiaries wish to use them.

Of the many barriers identified and evaluated, three are especially critical, and also amenable to being addressed through international and regional collaboration among PES practitioners:

1) Market actors cannot obtain timely and relevant market information to take decisions.
There is a growing number of national innovators in PES in developing countries, from governments, NGOs, companies and communities. However, most PES practitioners have no access to basic information; even informed practitioners—buyers, sellers and intermediaries--have very uneven access to information about the functioning, rules, scale, scope and opportunities of diverse types of PES. Policymakers find it very difficult to access practical resources and guidelines for, and experience elsewhere on developing policy and institutional frameworks for PES. Information gaps are especially acute in relation to biodiversity payments/markets and for community-based practitioners. Proving PES market information is not easy to do. Most PES markets are new and changing rapidly, and there is little financial motivation for the business community to monitor such information or to make it publicly available if they do.

2) Institutional foundations and capacity for PES are weak at the national level.
PES pose complex policy and design challenges, as they involve new types of partnerships, poorly understood ecological processes, ecosystem services that have not been historically given financial value, and often unclear property rights. Needed institutions to manage, support and regulate these markets are not yet established, creating risk and uncertainty for actors. Private sector ecosystem service buyers have not been identified, mobilized, or organized. Rural communities responsible for most ecosystem management outside protected areas are weakly involved in the process, or even potentially threatened by new markets. PES involve actors and institutions in unfamiliar activities that often cross their areas of expertise. Weak communication among innovators means that many PES schemes are "re-inventing the wheel" at great cost and risk.

3) Financially and ecologically proven business models are not available or known to private buyers and sellers, for reliably delivering biodiversity outcomes at a landscape scale.
Biodiversity stewardship services are much less developed than payment schemes for carbon offsets, watershed protection or landscape beauty, due to design challenges and weak market demand. A much clearer business case for biodiversity payments, and financially viable business models will be needed to stimulate significant investment.

PES in developing countries will certainly continue to grow. However, in the baseline, the main force driving their development will be *ad hoc* projects, financed mainly by donor agencies and international NGOs. Without systematic efforts to overcome barriers to their participation, the private sector's role as ecosystems service buyers or investors will remain very limited. Initiatives to support PES development and raise capacity will continue to be led principally by international

public agencies, academics, and conservation NGOs in the early stages of the learning curve, rather than by business leaders and seasoned leaders experienced in market development. Overall investment in PES will be hampered as market actors continue to face high transaction and information costs and uncertain risks, have few convincing examples of business success, and difficulties in accessing relevant technical assistance. Low-income rural communities will continue to be bypassed by major new investments in PES. Policies will not provide an adequate enabling framework for PES development. The aggregate impact of PES initiatives on conservation of biodiversity and ecosystems will continue to be limited, as the result of design weaknesses in projects, poor coordination of PES projects with broader conservation strategies, and market development independent of the broader economic forces determining pressures on and values of ecosystem services. Thus, proactive efforts, cross-sectoral, collaborative efforts are needed to overcome the above barriers and realize the potential of PES to finance biodiversity conservation on a meaningful scale.

Objective

The overall Development Objective of this project is to institutionalize and scale up payments for ecosystem stewardship so that the financial value of these services is fully reflected in economic decision-making by land managers, investors, consumers and others. The project will conserve biodiversity and ecosystem services by supporting the institutional capacity for expanding systems of payments for ecosystem services to a scale and quality sufficient to have a meaningful impact on global conservation. The initiatives undertaken are designed to replicate successful models and policies, and to enable PES schemes and supportive institutions to be sustainable long after the project period.

Strategy

The project strategy is based on strong analysis of the best available current practice and understanding of PES, models of learning, and models of cross-sectoral communication. It also reflects the priority needs expressed by partners of Forest Trends and The Katoomba Group and national innovators consulted extensively. Analysis indicates that most PES development globally will continue to be at the country level. The strategy of this project is to support these national developments by providing global and regional support mechanisms that will cost-effectively remove key barriers and fill gaps, specifically targeting three outcomes:

- Timely market information through a global Ecosystem Marketplace service,
- Enhanced capacity of national PES innovators--practitioners and policymakers--in Eastern and Southern Africa and tropical America to set up and run PES with improved biodiversity outcomes, by providing strategic support through regional cross-sectoral networks, and
- New models of PES for biodiversity conservation designed and tested, with operational capacity by key national and international stakeholders.

The model of change underlying the project strategy is that scaling up and institutionalizing PES will be achieved most effectively (and cost-effectively) by empowering and enabling the innovators who will be responsible for policy and institutional development. The experience of Forest Trends and The Katoomba Group over the past six years of work with PES market innovators has shown that the elements of such support are: accurate and timely market intelligence; state-of-the-art understanding of PES policy, institution and project design; on-going access to expert and peer experience and advice during the process of PES design and implementation, and platforms for cross-sectoral dialogue and institution building.

The Outcomes will combine to deliver the Project Objective. The *Ecosystem Marketplace* will facilitate exchange, synthesis and dissemination of critical market information for all actors. Capacity-building through the Katoomba Group networks will enable them to use this information

effectively in developing new PES and improving the performance of existing PES, and developing a strategic policy and institutional framework for PES that supports development and conservation goals. Pilots that demonstrate new methods and best practices developed for biodiversity PES will be disseminated through the Marketplace and the networks, and by increasing awareness of buyers.

The strategy will also highlight collaboration with the private sector in all components. The potential of PES to deliver large-scale benefits for biodiversity conservation depends on the capacity to fully engage the private sector, and to shape new private payment and market schemes so that they deliver public, as well as private, biodiversity priorities. The private sector (small, medium and large-scale), as PES practitioners, have been helping to drive associated processes and project development from the beginning, and nearly a quarter of Katoomba Group members represent the profit-oriented (not philanthropic) departments of private companies. Buyers will be mobilized and enabled to provide new financing for PES in the target countries.

Outcomes/Outputs/Activities

This project will produce three major Outcomes. The Logframe (Annex B) provides full details of outcomes, outputs, indicators, baseline situation, targets and monitoring mechanisms. Key activities are listed in Table 1 at the end of this section.

Outcome 1*: *Timely, relevant, PES market information services for PES available to all stakeholders globally, through the Katoomba Group's Ecosystem Marketplace

The Ecosystem Marketplace was conceived by The Katoomba Group to provide key information services to catalyze market development by significantly reducing transaction, search and learning costs for all key actor groups. First launched in October 2004, the Marketplace is now the world's premier global market information and service for ecosystem service payments and markets. This project will strengthen the website (www.ecosystemmarketplace.com) and associated services to make market intelligence, tools and resource materials, identification of sources of expertise and policy dialogues globally, available at a very low cost. Activities will expand coverage of biodiversity markets, especially in developing countries. This will include developing new types of PES market information services deemed most critical by prospective users; enabling active community participation in PES markets; outreach and marketing to diverse market actors to catalyze their participation in PES; and developing a financially sustainable business with a high proportion of revenues earned from Marketplace services. The Marketplace website will provide a real-time platform for discussion, knowledge exchange and business transactions.

The Marketplace has a core editorial team led by its senior editors, and works with a large number of independent reporters, writers and stringers from all over the world, as well as regular news sources from among Katoomba Group members and collaborating organizations. Its overall editorial and business strategy and policies are provided by its International Advisory Committee composed of members of The Katoomba Group and international experts from media and communications. The editorial team, with input from the Advisory Committee, develops the pipeline of news and features articles, plans for Library development, implementation of the Market Watch, and organizes small teams to plan and develop new market information services. A consulting firm provides input on web design, and another on media communications. The international Katoomba Group network supports the project with expertise and contacts for timely market information from all around the globe.

Output 1.1 Biodiversity market information services. Market coverage will focus on the high-priority markets identified through consultations with global experts, including for agri-environmental payments, wetland and conservation banking, voluntary biodiversity offsets and conservation payments, land trusts and conservation easements, and coastal marine ecosystems. Less

extensive coverage will be provided for other markets. The Ecosystem Marketplace will develop new types of PES market information services, targeted for particular markets and particular market actors within those. The MarketWatch service that tracks the development and financial performance of selected markets and payment systems around the world will be expanded, particularly for biodiversity PES. The new biodiversity information services of the Marketplace will help to catalyze expansion and improvement of PES by: connecting islands of 'best practice' around the world, making market news accessible to mainstream markets, facilitating interdisciplinary dialogue, matching buyers and sellers of ES of spatially explicitly scales, accelerating innovation flow between developed and developing countered, and reducing transaction costs and barriers to market access through the library and tools.

Output 1.2 Market Information Services for Communities. The Ecosystem Marketplace will expand market content and services for community-based land and resource owners and managers, to support their active participation in PES policy dialogue and enterprise activity. Forest area owned or administered by communities has doubled the last 15 years to at least 25% of all developing country forests or almost 400 million hectares and continues to grow, with the likelihood of doubling again by 2020. In addition, overlays of indigenous peoples, priority biodiversity, threats, and community-managed agroforestry and forest systems indicate that there are at least 500 million hectares of forests, sacred groves and cultural sites, and agroforestry and secondary vegetation managed for long-term goals by communities and low-income producers which conserve important biodiversity values. PES that have pro-poor and biodiversity co-benefits have a higher rate of replicability and sustainability on community-owned land. Income from PES, while modest, has proven to be highly catalytic in the transition to improved forest/land management practices. Therefore, by focusing on community-based PES, the Ecosystem Marketplace can play an instrumental role linking biodiversity and community values, and encouraging equitable PES systems and outcomes.

A Community Editor will be hired to coordinate this work, who will also work closely with community groups in the two regional networks discussed below. Topics will serve the interest of communities, and content will expand and focus on materials in suitable communication forms and language. Services will be developed to support community-based organizations learn about and become engaged in PES policy processes. The Ecosystem Marketplace will collaborate with other major initiatives to serve community-based producers, including the IIED/WWF/CARE collaborative project, RUPES and others. A Community Advisory Group will help to develop a special portal and information services for low-income communities engaged in PES, that will include diverse media.

Output 1.3 Awareness, Utilizaton and Access. The Ecosystem Marketplace will implement awareness-raising activities, including Katoomba Dialogues, and marketing activities aimed to attract users including all key groups of market actors (Brown, et al 2005). Design improvements will facilitate use of the marketplace, and systems will be put in place for continuous user feedback. This will involve a careful analysis of audiences, analysis of traffic on the website, organizing media outreach, and engaging in and co-organizing key events. The project will support and strengthen existing multi-media information services to increase penetration, content and financial sustainability. These existing information services include: websites, e-journals, e-newsgroups, seminars and open-days, web-seminars and others. Penetration will be expanded to include new linguistic groups (Spanish, Portuguese, and Mandarin speakers), relatively isolated/unconnected communities, as well as increased targeting of information to private sector and government users.

Output 1.4 Financial Sustainability. The Marketplace will pursue new business opportunities consistent with its Mission to support global scaling up of ecosystem service markets that are

ecologically effective and contribute to sustainable development. It will aim to achieve at least 50% self-financing by 2010 through diverse mechanisms. Among the options to be evaluated from market and financial perspectives include: webinars, live and e-conferences, specialized fee-based market analyses and reports, ratings and indexes, a directory of service providers, advertising, on-demand publishing, and premium content subscription services,. etc. A detailed four-year Business Plan for the Ecosystem Marketplace is being developed with robust business expertise support.

***Outcome 2**: National champions and stakeholders of PES in E. and S. Africa and Tropical America have improved capacity and access to resources and support for institutional and policy development for PES*

Over the past six years the Katoomba Group an international networking group of 200-plus PES innovators from diverse sectors has met and interacted regularly. The Group has served as a highly effective networking and support service for its members -- forum for reviewing PES concepts and designs, accessing specialized advisory services, staying abreast of state-of the-art market development, forging relationships that lead to cross-sectoral and cross-country partnership between buyers and sellers and between policymakers and practitioners. The Group has been associated with many of the leading project and policy innovations in PES during this period.

This project will draw on the lessons learned from that powerful model to organize regional networks of PES innovators in Eastern and Southern Africa and Tropical America. Their objective is to build the capacity of individuals and institutions to lead in the development of effective policy frameworks, locally-suitable PES mechanisms, and profitable PES enterprises. The focus will be on hands-on, action learning. Priorities for regional action were derived from an in-depth participatory needs assessment. The two regions were chosen to begin regional network development for their:

- high conservation value (14 conservation hotspots are found in these regions);
- a high degree of interest and growth in PES;
- a highly active leadership from Katoomba Group members; and
- strong local partnerships and networking.

Staff and project leaders of relevant GEF, UNDP, UNEP, World Bank, IFAD and other UN agency PES initiatives will be invited to participate in the regional networks. Many already have a strong representation in the international Katoomba Group. The project will focus on achieving "improved project" or "improved policy," defined as achieving:

- Reduced transaction costs
- More effective and cost-effective conservation of biodiversity consistent with local and national biodiversity priorities
- Enhanced participation of and benefits to low-income communities in PES
- Increased mobilization of financing from private sector buyers and investors, and
- More effective role of governments in mediating tradeoffs and encouraging complementarities between public and private benefits of PES.

The regional Katoomba networks will involve buyers, sellers, intermediaries, project implementers, and finance institutions—all the agents of change required to catalyze and create new ecosystem service markets. By connecting with buyers and sellers, informing policy developments, and delivering technical experience to implementers, these regional networks will be the most cost-effective mechanism to respond to the explosion of PES activity at the local level, linking the learning from Katoomba Group fora to concrete action on the ground.

A Katoomba Group Coordinator will lead the project's work in supporting the Tropical America and Eastern/Southern Africa regional networks, and the development of analyses, programs and resource materials related to policy and buyer mobilization. The network priorities for meeting agendas,

development of resource materials, and management and content of the network web services will be set by the regional members at the meetings and in committees formed as needed.

Output 2.1 Eastern and Southern Africa Katoomba Group. The project will support the recently formed Eastern and Southern African Katoomba Group network, providing information, analytical tools and technical support to key stakeholders, including community organizations. Technical assistance will concentrate on organizational design and policy framework, and project design to improve or scale up existing PES, and establish new PES in at least five countries. Key technical themes for capacity-building (drawn from practitioners' needs assessment) will include:

- identification of promising opportunities and conditions for different types of PES (including mapping tools, ecosystem service valuation)
- design and implementation of policy and institutional frameworks (e.g. designation of rights to buy and sell ecosystem stewardship services, design of registries to track services),
- pro-poor planning and design of projects and policies,
- mobilization and aggregation of private sector and other buyers,
- valuation and pricing of goods;
- design features to achieve biodiversity impacts at landscape scale, and
- other topics to be identified with network members.

The focus of the network will not be on strengthening specific institutions within collaborating countries, but rather on strengthening a cadre of influential individuals from all key sectors who can collaborate effectively together in the long-term development of the diverse institutions and policies that will be required to establish and grow payment and market systems. "Learning by doing"—and critically assessing progress along the way—has been found to be the most effective way to develop new models and approaches to PES. Thus, this project will utilize a "learning network" approach among on-the-ground projects or policy initiatives or institutional developments such as mechanisms for aggregating ES buyers. The PES projects and policy initiatives in which the Katoomba Group members are engaged can serve as core nodes for learning by all members of the Group. There will be a particular focus on policy frameworks and mobilization of private sector buyers for PES, which were identified by The Katoomba Group as critical areas for the scaling up of PES.

International Katoomba Group members will be mobilized to assist regional working groups on project currently being developed, with technical and policy "rapid response" teams providing support through telecommunications and field visits. Forest Trends will help local partners map out capacity building needs (i.e. how to draft a carbon contract, how to measure biodiversity services, how to write policy guidelines for PES) and will identify and bring individuals from the Katoomba Group with the needed expertise on site to work with local partners. Selected PES schemes and policy initiatives will receive this more intensive support. These will be selected by the network on the basis of their potential to contribute important lessons learned or institutional capacity benefits. These services will be provided by individuals before or after each regional Katoomba Group meeting, and at least two other times each year, and will be available for consultations by phone and e-mail. These resource people will be remunerated for their time in special site visits, but will provide intermittent input remotely as part of their in-kind support.

The network will aim to eventually involve 15-20 individuals from each country, invited in their personal capacity as PES leaders, experts or innovators. The country members will be explicitly and strategically drawn from diverse sectors, including: conservation organizations, government ministries, community-based organizations, private companies, financial institutions, research institutes or universities, politicians, and development or conservation NGOs, this will build in cross-

sectoral linkages from the beginning that are essential to develop the necessary hybrid institutions and relationships required for effective PES.

Output* 2.2 *Tropical America Katoomba Group. The project will also support a fully functioning Tropical American Katoomba Group network providing information, analytical tools and technical support to key stakeholders, including community organizations, as described in 2.1.

Output* 2.3 *Improving PES policy, planning and institutions. While general resource materials and technical capacity-building for PES projects are slowly becoming available, there is little guidance for national strategic planning, There are few forums for policymakers engaged in PES program and policy development to exchange views and experience with their peers from other countries and regions. This project will create and support opportunities for exchange on the 'hard' policy issues, including how to address equity issues for different groups of beneficiaries and resource stewards, and how to ensure that PES promote not just the provisions of one of two ecosystem services, but finance the sustainable management of ecosystems. The project will make available planning tools like mapping ecosystem services to meet PES needs, guidelines on the role of governments in different types of PES, use of the national PES inventory tool, and designs for institutional mechanisms like ES registries. The International Network Coordinator will work with collaborators in the regions, the International Katoomba Group, Forest Trends project leaders and the Ecosystem Marketplace staff to synthesize Best Practice Guidelines and to develop new models and tools for PES policy, planning and institutions. These will be developed, evaluated and used by the regional Katoomba Group networks and disseminated globally through the Ecosystem Marketplace.

Output* 2.4 *Mobilizing private sector buyers. This component of the project will directly address the challenges of mobilizing buyer awareness and interest in PES and finding solutions to the challenges of aggregation. The project will identify and analyze diverse existing mechanisms being used to aggregate private buyers of ecosystem services, and draw and disseminate lessons learned. Forest Trends will sponsor, with diverse business organizations, Private Sector Dialogues to mobilize private buyers of biodiversity conservation services will be organized to support four PES schemes in Eastern and Southern Africa and/or Tropical America. These may include, for example, food industries importing commodities from the Amazon Basin or offshore oil and gas firms operating near coastal marine resources. The work will develop distinct approaches with companies and groups that are already participating as buyers of ES, those who are motivated but face institutional constraints to engage in PES and those who are beneficiaries of ES but are not yet motivated – by financial or other factors – to become buyers. Strategies to mobilize buyers will address these specific barriers, and involve detailed financial analyses of benefits and costs to private actors, awareness-raising, development of new institutional mechanism to aggregate or intermediate among buyers and sellers, and risk assessments. The project will produce best practice guidelines on buyer mobilization and assist selected projects to mobilize new private buyers in PES projects and business and policy support.

Outcome 3*: *Operational models and capacity to effectively design, establish and implement new PES and improve existing PES for biodiversity conservation

This project will develop four types of new or improved models for biodiversity conservation payments that have great potential for scaling up in different sectors. Two of these models—for biodiversity offsets and forest enterprise PES--develop strategies for engaging in PES from the perspective of individual businesses seeking to benefit from them. The other two—agri-environmental and coastal protection payments—develop strategies for mobilizing finance from diverse ES beneficiaries to achieve ecosystem stewardship in particular landscapes of high biodiversity value.

For these models to be adopted and adapted on a larger scale, potential buyers, sellers and investors need to have compelling evidence and business examples of profitable, sustainable enterprises, to understand the risks and opportunities, and to have cost-effective design principles that demonstrably achieve biodiversity benefits at landscape scale. To generate such information, and develop pipelines of investable PES, the project will mobilize and support pilot biodiversity PES, mainly in Eastern and Southern Africa and Tropical America. Learning networks will link innovators, including UNDP and GEF project leaders, evaluate and compare outcomes, and then disseminate main findings and models globally. Project teams, associated businesses and agencies in the pilot projects, and learning network members will develop practical capacities to design and manage these new models. The project will engage with public policymakers, industry and producer associations and individual corporate actors to brief and encourage them to adopt policies that support and promote replication of the models.

Each biodiversity model initiative will be managed by a small team of Forest Trends staff and senior consultants. All will involve a core set of partners already involved in field projects on the ground for which targeted technical and business support will be provided or mobilized by the project on a regular basis. All of the Model projects will also have a cross-sectoral, international Technical Advisory Group that evaluates and devises methodologies and institutional approaches, and provides direct technical input to the core PES initiatives involved in the project, which will meet once or twice each year. All the Models will have a "learning network" associated whose members will receive regular updates about progress from the projects, and share insights from their experience. Lessons learned from those pilots will be disseminated regionally through the networks, and globally through the Ecosystem Marketplace. All of the biodiversity model networks will seek to raise awareness and engage key policy and business actors to adopt new and improved models.

Sub-Outcome 3.1 Payments for Biodiversity Conservation in Agricultural Landscapes

The Millennium Ecosystem Assessment confirmed that agricultural expansion and intensification are the main drivers of biodiversity loss and habitat change globally. One promising response is "ecoagriculture"—a landscape management framework that explicitly conserves biodiversity and ecosystem services while also sustainably producing crops, livestock, fish and forests, and enhancing rural livelihoods. Ecoagriculture approaches involve both ecologically-compatible management of agricultural fields, pastures and production forests, and the management of natural areas/ecological networks and wild species within and around agricultural landscapes.

Payments for ecosystem services offer an important potential mechanism to finance the transition and maintenance of ecoagriculture systems, and are widely used, particularly in North America and Europe. However, there are significant barriers for development of PES in agricultural landscapes, such that even in developed countries they often do not achieve targeted conservation benefits at the landscape scale. There is insufficient knowledge and documentation on managing agricultural landscapes to effectively delivery and verify ecosystem and biodiversity outcomes; financing models are unsustainable; the scale and scope of current payment models is limited; there is weak institutional support for the multi-stakeholder collaboration essential to landscape-scale management; agri-environmental payments for productive and natural areas are plot-focused.

This project will work to develop replicable models and tools to implement landscape-scale approaches to agri-environmental payments. The team, led by Ecoagriculture Partners, an NGO Partner of Katoomba Group, will work closely with other UNDP and GEF projects involved in mainstreaming biodiversity in agricultural landscapes. The project will produce three Outputs: a Learning Network, support for design improvements for PES in two landscapes; and dissemination of lessons learned to policy groups.

Output 3.1.1: International Learning Network on PES in ecoagriculture landscapes developed and supporting innovators. The International Learning Network will consolidate and mobilize international expertise on developing landscape-scale agri-environmental payment schemes, to support innovators working to strengthen or develop new PES initiatives within agricultural landscapes, with special support to innovators within tropical American and Eastern / South Africa. The project will consolidate information resources, training materials, case studies, 'best practice guidelines' and lessons learnt. Materials will document experience with multi-stakeholder collaboration processes to undertake participatory landscape-scale analysis, management and outcome assessment; public and private financing opportunities to support landscape-scale action within diverse agricultural production systems. Processes will strengthen knowledge exchange between existing agri-environment PES projects, including public programs within OECD countries, Australia and N. America, as well as initiatives supported by GEF, World Bank, UNDP, UNEP, international and national NGOs and the food industry. The project will work with FAO and SENSOR in Europe on evaluating when and how PES can offer an appropriate incentive mechanism within diverse agro-ecosystem and socio-economic contexts. Lessons learned will be shared among network members internationally, particularly within and between tropical American and Eastern / South Africa, through workshops, cross-site visits, and video-taping project experiences.

Output 3.1.2: Improved ecoagriculture payment schemes designed and piloted in two landscapes in Eastern Africa and tropical America. Well-documented operational models are needed to demonstrate the viability of new agri-environmental models at landscape scale. The appropriate role of such models must be revaluated relative to other incentive measures, (i.e. certification, regulation, technical assistance, etc.) The project will work to strengthen institutional and individual capacity to collaboratively design and manage agri-environment PES, Pilot sites will be located in areas of high biodiversity value and high agricultural pressure, selected on the basis of strong ecoagriculture foundations already in place – management approaches, stakeholder collaboration, well established regional networks / active partners, coupled with expressed demand from local stakeholders to trial or strengthen ecoagriculture payment schemes. One will focus on a public payment scheme; one a private one or a scheme of tradable development rights. The Learning Network will provide expertise, strengthening capacity and catalyzing inter-institutional learning, cross-site fertilization and coordination.

Output 3.1.3: New approaches to ecoagriculture payments informing decision-making among national policy, farmer and/or industry groups. To scale up impacts beyond the landscapes and learning networks, the program will raise awareness about new agri-environmental models among potential market participants and policy advocates. Key audiences will include international and national policy makers; international conservation NGOs; farmers and rural communities; food industry stakeholders and other potential private sector buyers. Communication materials highlighting implications and recommendations will be specifically tailored to meet distinct information needs of different target audiences. Policy dialogues will be convened with potential buyers and sellers of ecosystem services, including the food industry and the farming community etc. Policy recommendations and briefing notes will be disseminated internationally, through key policy fora, i.e CBD, FAO, MDG review processes, regionally within East/ South African and tropical America, and nationally within pilot site countries.

Sub-Outcome 3.2 Business Biodiversity Offset Models

Biodiversity offsets are a new, but highly promising tool for mobilizing large-scale new finance for conservation, through which developers offset their unavoidable damage to biodiversity by paying for conservation on site or elsewhere. There are thirty years of relevant technical experience with wetland and conservation banking in the US and on compensatory conservation in the European Union, Brazil and elsewhere. Voluntary, board-level commitments by individual companies,

growing research in the field by industry associations, multi-stakeholder groups, investors, conservation groups and governments, also demonstrate growing interest in biodiversity offsets. However, a recent survey from companies, governments and conservation groups pointed to key barriers which have prevented biodiversity offsets from expanding on a globally significant scale. Stakeholders are not engaged in dialogue together and do not even have a shared vocabulary. Businesses and potential conservation partners lack practical experience. There are no agreed guidelines and methodologies, and thus offsets pose unacceptable business and biodiversity risks.

This project will support a portfolio of business biodiversity offset pilot projects around the world, draw lessons from their experience to develop guidelines and toolkits, and then build policy support for expansion of private, voluntary biodiversity offsets deals.

Output 3.2.1*: *A portfolio of successful biodiversity offset pilot projects. The project will support in the first phase at least six offset pilots to demonstrate how firms can achieve no net loss of biodiversity. The pilots are drawn from initiatives already financed, and will build partnerships that include at least the private or public-sector developer, government agencies (national and/or local) and one or more domestic NGO, including those that work with communities. An Advisory Committee of international experts will support the partnerships, to help design each pilot offset, ensure a consistent approach for pilots, and periodically gather all pilot partners to share experiences and lessons. The activities of each biodiversity offset will be in areas with biodiversity value at least as high as where the impacts will occur. The current pilot portfolio includes a $3B oil and gas platform in the Middle East with Shell, an open pit gold mine in Eastern Ghana with Newmont Mining, the construction of an ecotourism lodge in the Mabira forest, Uganda with Africa Awakenings, and the construction of 56- km powerline with the Federal Electricity Commission in Mexico.

Output 3.2.2. Best practices and guidance for designing and implementing biodiversity offsets developed, tested and disseminated. The project aims to develop guidance on implementing biodiversity offsets and make it widely available to industry, policy makers, development agencies, academics, and others. The project will provide the methodology through a Toolkit. Companies embarking on biodiversity offsets have also asked for a multi-stakeholder partnership of experts to help design and implement biodiversity offsets to provide scientific credibility, practicality, and political support for the approach. The Business and Biodiversity Offset Initiative has established an Expert Advisory Committee and a Learning Network to meet this need.

Output 3.2.3. Systemic change stimulated by encouraging private and public developers to use biodiversity offset. Using biodiversity offsets to secure more and better conservation at all major public and private development sites would be a major systemic change for industries and governments, with enormous potential to conserve biodiversity. This project aims to support national leaders to scale-up program impacts well beyond the proposed pilot sites. For this to happen, companies and governments need to change policies and practices. Companies must commit to conduct biodiversity offsets at sites where they have a significant impact on biodiversity. Governments must use existing policies or introduce new ones to require or encourage developers to offset their impacts on biodiversity. The BBOP will catalyze these systemic changes by working with companies and industry associations and with policy makers in national government and international policy fora. By project end, at least 20 companies and/or institutions will have endorsed biodiversity offsets, as a result of project partners direct engagement with them, policy dialogues and briefings and media profiles.

Sub-Outcome 3.3 Forest Biodiversity Enterprise Models

Forest conversion to other land use options is still rife in most developing countries. In addition, the forestry sector in most of these countries is still largely characterized by unsustainable forest operators. Most have focused on their core business of harvesting and selling timber with no/limited view of the commercial and environmental value of their land assets and trees, other than timber. This project will work to enhance the value of forests by assisting forest operators develop and commercialize ecosystem products and services. This approach assists forest operators' move from a 'single-asset approach' where cut timber is seen as the only real value of forests, to a 'multiple-asset approach' that diversifies revenues streams by capitalizing on ecosystem services and products that generate higher real returns on the forest asset. The multiple asset approach assists in making forestry land use more profitable to compete with alternative land use such as agriculture (e.g. soy bean farming in Brazil), grazing, etc. to prevent conversion of land use. The multiple asset approach also assists in setting and promoting new standards for sustainable forest management and in attracting capital from more long-term sustainable investors into forestry in developing and emerging economies.

Output 3.3.1. New PES in forest enterprises designed and implemented with project support. The project will build a portfolio of forestry companies and assist them to successfully diversify into ecosystem services businesses. This project will assist in supporting the efforts of building a portfolio of prototypes. There are currently two pilot projects in South Africa and the Brazilian Amazon. The project will focus on Africa with potential upcoming projects in Mozambique, Congo Brazzaville, South Africa, and other southern and central African countries; activities will be replicated at other sites in the Amazon. Project staff will provide day-to-day support on the ground, and will play a crucial role in identifying market opportunities, negotiating commercial contacts between commercial partners and the forest operator, and arranging for technical and market feasibility studies. The project will develop new distribution channels and stimulate new market demand for PES by working with users, potential buyers and regulators.

Output 3.3.2. Cases documented, and lessons synthesized and disseminated with a toolkit on how to set up PES in forest enterprises. The success of prototype projects will be assessed and reported by analyzing the contribution that ecosystem services has on revenue, profit, profit margin and return on assets on these businesses. A toolkit that can be used by forest operators and land owners to assess and develop these products and services will also be developed and widely marketed. An international network of advisors will help analyze projects and market conditions and share lessons learned. BDF will assemble and synthesize lessons learned from the active projects. The success and failures of the forest investments and the challenges of developing ecosystem services will be reviewed so that these findings can be made available to the forestry and sustainable development community.

Output 3.3.3. Pipeline developed for investment in PES in forest enterprise. The project will identify and develop a project pipeline to expand its portfolio of ecosystem services projects. The focus will be on building the pipeline in Africa and the Amazon basin. The project will work in collaboration with various institutions, including the Smartwood Network, the Bio-Carbon Fund, and the network of the Tropical Forest Trust, and Katoomba, participants will be selected based on their replicability, scalability, and demonstration of new business models in critical forest areas. The project will focus on revenue diversification opportunities from watershed enhancement, carbon and methane avoidance, biodiversity conservation, and sustainable recreation activities including eco-tourism.

Sub-Outcome 3.4 Analytical Models and Tools for PES Design for Coastal Fishery and Flood Protection

Coastal marine environments are among the most productive and threatened ecological systems on earth. Many have talked about the need for innovative financing of coastal ecosystem service protection through payment for ecosystem services mechanisms; and the sociopolitical demand for focused attention to coastal conservation has risen substantially in the wake of recent world events, such as tsunami and hurricane disasters. Currently, however, PES are rarely used as a tool to finance coastal protection. Coastal ecological systems are highly complex and exist at the interface of terrestrial and oceanic systems and thus, often suffer from the classic 'tragedy of the commons' dilemma. They are generally poorly understood, undervalued, and largely at risk from coastal development and the indirect impacts that arise from land use in connected watersheds. Lack of clear ownership and fuzzy jurisdictions of management authorities has kept back the sorts of market solutions that have been successfully applied in terrestrial conservation. This project aims to establish the analytical and methodological foundations that will enable development, through separate funding, of a learning network of pilot coastal PES projects. The project will be lead by the NGO Sound Seas, a collaborating partner of Forest Trends.

Output 3.4.1. Develop a conceptual framework and decision support tool for fishery and flood protection PES. Given that the concept of applying PES systems and market mechanisms to coastal systems is still in a nascent stage, significant background analytical work needs to be done in order to create a sustainable basis for implementation. The project team will develop a conceptual framework for considering the relevance and potential of PES for fishery and flood protection, and will develop practical decision support tools for PES feasibility assessment at a site. To support the project, a formal executive working group and informal learning group will be formed, evolving into the institutional capacity needed to carry forward markets for coastal ecosystem services.

Output 3.4.2. Feasibility assessment for coastal PES in two landscapes. The draft analytical framework and assessment tools will be tested in two sites in Eastern and Southern Africa and/or tropical America, one for coastal fishery protection and the other for flood protection. The analyses will be implemented with input from partners and multi-stakeholder groups in each location. Based on results from the assessment, pilot PES schemes will later be developed through co-financing.

Output 3.4.3. Resource materials on coastal PES compiled and disseminated. The team and Advisory Group will identify and compile resource materials on coastal PES and the revised analytical framework and feasibility assessment tools, to be disseminated through the Ecosystem Marketplace and the specialist listervs, newsletters and publications for diverse stakeholder groups (including beneficiaries) involved in coastal ecosystem management.

b) Key indicators, assumptions and risks

Key indicators

The full set of Indicators are included in the Logframe in Annex B. The Objective of the project is to establish institutional capacity for expanding systems of payments for ecosystem services to a scale and quality sufficient to have a meaningful impact on global conservation of biodiversity and ecosystem services. Thus the principal indicators of achieving the project objectives are the number of projects with improved designs for biodiversity conservation, and number of new projects implemented with improved designs. We will also assess the effectiveness of different mechanisms for mobilizing new buyers for ecosystem services. The quality, breadth and depth of policy and design capacity among leaders from different sectors will be a key qualitative indicator, as will the number of countries whose policies or strategies for PES have been improved through project input.

National PES Institutional Inventories, project case records, and policy documents will be used to track these indicators.

Assumptions

The principal assumptions in this project are that demonstrable business and biodiversity benefits will be sufficient to sustain investor-buyer-seller-policymaker interest in PES; that potential regional network members and pilot implementers will remain actively and supportively engaged with the project; and that concerns of potential opponents of PES will be sufficiently addressed to avoid disrupting pilots and policy action.

TABLE 1. PROJECT OUTPUTS AND ACTIVITIES

Outputs	Activities
Outcome 1: Timely, relevant, market information	
Output 1.1 Ecosystem Marketplace bulletin and website have expanded and deepened coverage of biodiversity PES and new market information services	1.1.1 Expand biodiversity market news and analyses 1.1.2 Develop biodiversity market tracking -MarketWatch 1.1.3 New biodiversity market info services planning and implementation
Output 1.2 Ecosystem Marketplace has expanded information services relevant for community-based stakeholders on website, bulletin and other information services	1.2.1 Organize community advisory group 1.2.2 Design of community portal 1.2.3 Expansion of content on communities & PES 1.2.4 Development of new community market info services
Output 1.3 Awareness, utilization and application of Ecosystem Marketplace information servicees by key stakeholder groups	1.3.1 Understand audience information needs 1.3.2 Marketing and outreach through partners and networks 1.3.3 Public education and policy dialogues
Output 1.4 Ecosystem Marketplace is financially sustainable	1.4.1 Financial analysis of proposed fee-based information services 1.4.2 Advertising strategy and implementation 1.4.3 Engage with potential sponsors and investors 1.4.4 Implement and monitor business plan
Outcome 2 E. and S. Africa, Tropical America Networks	
Output 2.1 Fully functioning East and Southern African Katoomba Group network providing information, analytical tools and technical support to key stakeholders, including community organizations	2.1.1 Organization of regional networks 2.1.2 Web-based and other networking services 2.1.3 Country PES institutional inventories 2.1.4 Organization of annual meetings 2.1.5 Provision of expert policy & project support 2.1.6 Cross-site visits

Outputs	Activities
Output 2.2 Fully functioning Tropical America Katoomba Group network providing information, analytical tools and technical support to key stakeholders, including community organizations	2.2.1 Organization of regional networks 2.2.2 Web-based and other networking services 2.2.3 Country PES institutional inventories 2.2.4 Organization of annual meetings 2.2.5 Provision of expert policy & project support 2.2.6 Cross-site visits
Output 2.3 Models, tools and best practice guidelines for PES Policy, Planning and Institutions developed and disseminated in E.and S. Africa and Tropical America	2.3.1 Review and synthesize lessons learned from existing policy, planning and institutional models internationally 2.3.2 Network members assess policy, planning, and institutional PES experience within region 2.3.3 Compile and disseminate resource and training materials 2.3.4 Participate in regional PES policy workshops
Output 2.4 Tools and institutional mechanisms for mobilizing and aggregating private sector buyers developed and tested in Africa and Tropical America regional networks	2.4.1 Consult with ES buyers and beneficiaries and develop analytical framework for mobilization of new ES buyers 2.4.2 Evaluate existing models for aggregating buyers for PES 2.4.3 With Katoomba Group partners, evaluate opportunities for private sector buyer mobilization in ESA and TA and support mobilization efforts 2.4.4 Develop and disseminate tools and lessons learned about private sector mobilization for PES
Sub-Outcome 3.1 Agri-environmental payment models	
Output 3.1.1 Learning Network actively sharing, evaluating and disseminating best practices on payments for BD in agricultural landscapes	3.1.1.1 Review international experience in design of agri-env payments for landscape impacts 3.1.1.2 Compile and develop resource and best practice materials based on international and project experience 3.1.1.3 Disseminate materials through Katoomba Group networks, Ecosystem Marketplace, EP partners
Output 3.1.2 Improved payment schemes designed and piloted in E.S. Africa and Tropical America	3.1.2.1 Select project partners in two agricultural landscapes in ESA, TA with global biodiversity values 3.1.2.2 Assist projects to develop or modify designs to enhance BD 3.1.2.3 Monitor implementation and impacts
Output 3.1.3 New approaches to agri-environmental payments informing decision-making	3.1.3.1 Engage with and brief key government, farmer and industry organizations about new models 3.1.3.1. Media and policy seminars about new models

Outputs	Activities
Sub-Outcome 3.2 Business and biodiversity offset models	
Output 3.2.1 Participating offset projects designed, implemented	3.2.1.1 Candidate projects identified and evaluated 3.2.1.2 Development of project biodiversity and other baselines 3.2.1.3 Design of offsets 3.2.1.4 Monitoring of offset implementation and outcomes
Output 3.2.2 Best Practices and lessons learned documented, disseminated and in use	3.2.2.1 Compile and develop resource and best practice materials 3.2.2.2 Review materials with Advisory Group 3.2.2.3 Disseminate materials through Katoomba Group networks, Ecosystem Marketplace, partners
Output 3.2.3 Biodiversity offsets endorsed by key institutions and companies	3.2.3.1 Engage with and brief key industries, industry associations, conservation organizations and CBD 3.2.3.2. Media and policy seminars about offset models
Sub-Outcome 3.3 PES forest enterprise models	
Output 3.3.1 New PES activities in forest enterprises designed and implemented with project support	3.3.1.1 Candidate enterprises and PES options identified and evaluated 3.3.1.2 Development of PES enterprises
Output 3.3.2 Cases documented, lessons synthesized and tool-kit developed on PES in forest enterprises	3.3.2.1 Assess cases of enterprise implementation and outcomes 3.3.2.2 Compile and develop resource and best practice materials 3.3.2.3 Disseminate materials through Katoomba Group networks, Marketplace, partners, associations
Output 3.3.3 Pipeline developed for investment in PES in forest enterprises and strategy for support services	3.3.3.1 Identify forest enterprises interested in PES 3.3.3..2 Pre-appraise potential for PES in enterprises 3.3.3.3 Communicate results to potential investors
Sub-Outcome 3.4 Assessment tools for coastal PES	

Outputs	Activities
Output 3.4.1 Develop analytical framework and tools to evaluate & design PES for coastal fishery and flood protection	3.4.1.1 Develop analytical framework for coastal fishery and flood protection PES 3.4.1.2 Develop assessment tools to determine viability and key design features for coastal PES
Output 3.4.2 Use framework and tools to evaluate the potential and design for two coastal PES projects	3.4.2.1 Select project partners in two coastal landscapes with global biodiversity values 3.4.2.2 Assess opportunities for PES in two landscapes (one for fishery and one flood protection)

Risk

There are five principal risks for this project:

1) That the individuals participating and benefiting from the Katoomba Group networks will not remain engaged in PES policy and programs. This will be mitigated by having a large enough cadre of involved individuals from each participating country, and facilitating continued engagement of members over time even as they change positions.
2) We recognize that events beyond our control, within countries or companies, may affect the ability for partner PES projects and initiative to succeed. We address this by working with a larger number of countries, pilots, PES schemes and support mechanisms, so that success in a significant proportion of them will be sufficient to be considered successful. We will develop and use selection criteria for choosing partners and pilots that are likely to be successful.
3) Should the pilot PES schemes in the learning networks not be successful, there may not be proven models to disseminate. We address this risk by working with a relatively diverse set of pilots around the world, in different contexts and design.
4) The project has multiple components, each of which is relatively complex and involves many different partners. We address this risk through careful institutional design and management, and mechanisms for feedback in every component.
5) There is a risk that the level of Katoomba Group and Marketplace support for national PES innovators provide by this project will be insufficient to achieve meaningful improvements in PES design and policy or to mobilize major new buyer interest. The project has built in active monitoring of activities and impacts into all three components, to enable adaptive management

2. COUNTRY OWNERSHIP

a) Country Eligibility

This is a global project whose objectives are consistent with international priorities as identified in the Convention for Biological Diversity, and Convention to Combat Desertification. There has been wide consultation already with key stakeholder groups concerned with PES from at least 20 countries, at larger meetings in Kenya in September 2004, Thailand in November 2004, Uganda in September 2005, and Brazil in November 2005, as well as in numerous smaller meetings. The proposed program responds directly to the needs expressed in these forums.

B) Country Drivenness

PES practitioners – buyers, sellers, government leaders and service providers-across the world, particularly in less developed countries – are driving the processes that this project is to support. These practitioners, on a daily basis, are identifying, designing and running PES and are ideally placed to identify and describe the barriers to further progress. Over the past six years, a significant, diverse cross-section of nearly 200 practitioners has informally assembled to form the Katoomba Group, facilitated by Forest Trends. Through this platform, practitioners exchange lessons and information, analyze progress, set priorities, plan and strategies. National PES practitioners actively involved in The Katoomba Group, as well as several hundred others (mainly in Latin America and Africa) systematically consulted through meetings and phone interviews, have been responsible for determining the technical priorities included in this project proposal..

This group has also set priorities for The Ecosystem Marketplace, so that it serves as a practical and dynamic tool for conservation, community, financial and other stakeholders around the globe, to access information, analyses, resources and toolkits developed in the course of this project.

Practitioners will obtain leadership support for PES institutional development through project learning networks and the regional Katoomba Group networks in Tropical America and Eastern and Southern Africa. National institutions and initiatives will provide core experience contributed in the networks. The project recognizes that governments represent only one group of beneficiaries of the project and that achieving project targets will involve mobilizing action and institutional development by private sector buyers and investors, civil society, consumer and other non-governmental groups. Developing governmental policy frameworks and institutions will be a high priority. However the project has not targeted particular government ministries to take the lead for PES in general, although they may for certain types of PES. The project is consistent with priorities identified in key regional and international forums, including IUCN, CBD, UNFCCC.

3. PROGRAM AND POLICY CONFORMITY

A) Fit to GEF Operational Program and Strategic Priority

This project is centered on the Biodiversity focal area. The GEF is currently supporting many diverse projects on PES, and other international programs as well as business- and community-led initiatives. The project is justified by GEF's second Biodiversity strategic priority-- *'Mainstreaming Biodiversity into Production Landscapes and Sectors'*. PES supports mainstreaming by integrating conservation investments into mainstream economic activity. The kinds of production landscapes to be targeted by this project include rural landscapes with commercial and subsistence crops, pastoralism, community forestry, coastal fisheries, and tourism. Activities also contribute to GEF's fourth strategic biodiversity priority—Dissemination of Best Practices and Lessons Learned.

The project will contribute to all five GEF Biodiversity Operational Programs (arid, wetlands, forests and mountain ecosystems and agro biodiversity, coastal). The project will encompass specific markets, enterprises and landscapes in all of these types of ecosystems, and in production landscapes involving agriculture, forestry, tourism, infrastructure development, oil and gas and mining.

This project is consistent with operational guidelines proposed by STAP for Mainstreaming Biodiversity, particularly its focus on policy frameworks, dialogue, emphasis on biodiversity within production landscapes and economic sectors, establishment of coherent incentives for conservation for sustained and measurable behavioral outcomes and biodiversity impacts. The project will also contribute significantly to addressing Climate Change and Land Degradation, and—through the work on coastal ecosystem protection, potentially also contribute to International Waters.

b) Sustainability

The overall project strategy for sustainability is to build leadership capacity in Eastern and Southern Africa and tropical America, and to provide key tools that will help them to institutionalize high-quality PES strategies and programs in their countries—including reliable access to a sustainable source of timely, high-quality market information; analytical frameworks, lessons learned and an international network of technical expertise they can tap for policy and program development; and tested business and landscape models they can apply in their work. Market information services, resource materials and operational models will be available globally on a sustainable basis through the Ecosystem Marketplace, and through the various learning networks formed.

Global Market Information Services:
The Ecosystem Marketplace has identified and will develop, through this project, long-term sustainable financing options, thus increasing self-financing from 5 to 30%. The Marketplace will evaluate potential clients and business opportunities from diverse types of advertising, as well as services including webinars, live and e-conference, specialized fee-based market analyses and reports, ratings and indexes, a directory of service providers, on-demand publishing and premium content subscription services. Preliminary analyses business opportunities are reported in the Business Plan. Most of the resources from this project going to develop content for the Marketplace will be used to improve currently weak components on Biodiversity PES and Community PES, and develop multi-media communications and feedback strategies. Most of these costs should not recur after the project.

Regional Networks for PES Innovators
Regional initiatives in Eastern and Southern Africa and tropical America are designed explicitly to provide a sustainable foundation for PES initiatives, by strengthening capacity of national leaders in key sectors and supporting them to institutionalize new policies and programs. Resource materials will be available globally, in English and Spanish, and strengthened training and program support centers will support continued capacity-building efforts. Individual leaders trained during the project will sustain national efforts to promote ecosystem service markets, and provide a well-networked cadre of people from across critical sectors able to lead PES development. PES initiatives will be well linked formally and continue exchanging lessons learned. New institutions will be in place in participating countries in the regional networks that will provide technical and business services on a long-term sustainable basis.

By developing new approaches to aggregate buyers and by raising awareness of the potential business benefits of PES, partners in the Katoomba Group regional and international networks will be in a position to mobilize additional buyers over the long term. Major policy and institutional lessons learned through the project will be institutionalized in the national and international programs whose leaders are involved in the networks, and policy outreach. Strong networking and collaborative experiences among The Katoomba Group network members will provide the foundation and motivations for extending regional and international networking and knowledge-sharing initiatives of the Group well beyond the life of the project. Shared web-based networks can be regionally managed at low cost. As PES systems evolve and mature, priorities for action in the networks will also evolve, so that the groups may not continue in the same form.

Biodiversity Payment Models
This project will establish the foundations for continuing implementation of new models of PES for biodiversity conservation long after the end of the project. Key elements of sustainability will be the development and global dissemination of best practice guidelines, capacity-building in the learning networks, mobilization of government and business, policy support, and development of a pipeline of investable projects that will facilitate investment after the project is complete. Private corporations, international conservation organizations and national governments engaged in implementing the pilot schemes will have developed internal capacity and motivation to sustain the pilots and to institutionalize the models and processes in their normal operations.

c) Replicability
This project was designed explicitly to promote the replication of high-quality PES policies, strategies, effective business and program models and information services. The *Ecosystem Marketplace* will undertake systematic assessment of market information needs in diverse sectors

for diverse stakeholders, which will create a foundation for long-term development of new information products and services to serve the sustainable development of ecosystem markets around the world. The analytical frames, structured market descriptions and assessments, and identifying of high priority market information needs will catalyze and facilitate the development by others of specialized global market information services, as well as regional information services. (This has already occurred with the planned development of a new Marketplace for the Northwestern US, which Forest Trends and The Katoomba Group are assisting.) Moreover, the project should have significant impacts on replicating PES models around the world, by dramatically reducing information and transaction costs through the diverse information services and products of the Ecosystem Marketplace.

Regional Katoomba Group networks activities will replicate PES support and technical services within the Eastern and Southern Africa and tropical America regions, including individual and institutional capacities for replicating good project and policy design. This work will strengthen institutions that can provide these services within the region over the long-term. The project will support development of strong personal and inter-institutional networks within the participating countries, that will enable replication of platforms for policy dialogue, technical exchange, etc. within those countries following the project. Similar regional networks will be replicated during and after the project elsewhere, including in Central and West Africa, China, Southeast Asia and Eastern Europe.

Demonstration of the financial feasibility of pilot biodiversity models is expected to encourage businesses, agencies and NGOs directly involved in the pilots to replicate investments in other sites. The international learning networks of innovators for PES policy and institutions and for biodiversity business and landscape models will facilitate the replication of successful policies and models throughout the developing world. The Learning Network for Agri-environmental projects will stimulate adoption of effective designs in projects of participating innovators and institutions. The lessons learned by companies and conservationists in the Biodiversity Offsets projects is being design to facilitate and catalyze replication of projects by those organizations in other sites. The Business Development Facility is developing a pipeline of promising forest PES enterprises so that other investors can link to new business opportunities to replicate these models. The Coastal PES models project will develop tools and an assessment framework and link with institutions that will stimulate adoption and adaptation of the tools in other coastal sites.

D) Stakeholder Involvement

The motivation for development of this project, and the setting of its priorities, emerged from the ground up—from the leading innovators in PES around the world who have been involved for the last six years in the international Katoomba Group. The specific components and design elements of the project emerged from intensive and systematic face-to-face, phone and e-mail consultations with key stakeholder groups globally and regionally (with buyers, sellers, policymakers and project developers). The project will respond to needs of, and encourage interactions among, key stakeholders required to operate and institutionalize PES.

Buyers: Potential financial investors will use the Marketplace to connect with potential sellers and find guidance on establishing PES contracts or arrangements. Buyer groups will also gain access to information on market prices, trends, or factors influencing these, as well as information on regulations, national biodiversity priorities, etc. The Ecosystem Marketplace will engage buyers through user-feedback surveys and interviews. Marketplace staff will regularly monitor the frequency of which sellers access the Marketplace as well as the usefulness of available information for this group. Potential investors and buyers of ecosystem services will be directly

involved as members of the E. and S. Africa and Tropical America Katoomba Group Networks. Meetings will bring buyers together with sellers and service providers to negotiate and structure deals. Selected projects will have access to a Rapid Response team of technical experts, including those with financial and business management expertise, to help them address specific issues in structuring institutional mechanisms to engage buyers in PES. Buyers are engaged in Learning Networks directly as implementers of new business models. Buyers will gain access to materials and analyses generated through the Marketplace and other platforms.

***Sellers**:* Potential suppliers and sellers of ecosystem services will use the Marketplace to find out about PES opportunities, link to potential buyers, and learn about PES experiences in other countries. Sellers from rural communities and small businesses will be able to access information that would otherwise be unavailable to them. The Marketplace will engage potential sellers through user-feedback surveys and interviews. Marketplace staff will regularly monitor the use and usefulness of available information for this group. Sellers will be directly involved as members of the E. and S. Africa and Latin America Katoomba Group Networks. Meetings will bring sellers together with buyers and service providers to negotiate and structure deals. They will also have access to a Rapid Response team of technical experts. Sellers will participate directly in the Learning Networks and can benefit from materials developed by the Learning Networks.

Policymakers and regulators: Policymakers and regulators will use the Marketplace to learn about global experiences designing legislation and regulations which support PES. They will access strategic analyses which will help them determine where, when and in what forms PES is appropriate (in relation to national or sub-national strategic priorities for conservation and development) and therefore help them establish appropriate national legislative and regulatory frameworks. The Ecosystem Marketplace will host Socratic dialogues and policy debates online through "Katoomba Dialogues" in which policymakers will be directly involved. Policymakers and regulators will be directly involved as members of the E and S. Africa and Tropical America Katoomba Group Networks, and will have access to regional experience through interactive annual meetings as well as regional web portal of information. The Learning Networks will work with policymakers and regulators on implications of new biodiversity models for future legislation, using industry associations, policy briefs, etc.

Service providers and project developers: Service providers and project developers will use the Marketplace to obtain detailed, practical information about planning, designing, implementing, and monitoring PES projects, as well as evolving national legislative and regulatory frameworks. Service providers will also be able to advertise their services and project developers can use the Marketplace as a platform to disseminate project reports and other materials. Service providers and project developers will be directly involved as members of the E. and S. Africa and Tropical America Katoomba Group Networks. Workshops will bring these actors together with buyers and sellers to plan and structure PES deals. They will also have access to the regional web portals to gain information about project developments across the region. Service providers and project developers will be involved directly in planning, design, and implementation of new business models, and provide technical, scientific, legal, financial, and business management expertise.

e) Monitoring and Evaluation

Standard UNDP monitoring and evaluation and UNOPS audit procedures will be applied to the overall project and to component. There will be a mid-term evaluation in Year 2 and a final evaluation in Year 4, as well as a UNOPS-led financial and management audit at the end of Year 2. The monitoring and evaluation system, covering both the global aggregate and the country project levels, will be designed and implemented to track and assess project effectiveness and

results. The global M&E system will include milestones and process indicators for the global market information service, the Katoomba Group regional network support activities, and the support and evaluation of pilot projects in the operational models for biodiversity payments. These will allow for annual reporting (see the Project Logical Framework in Annex B of the Executive Summary). The Tracking Tool for GEF Biodiversity Focal Area Strategic Priority Two, "Mainstreaming Biodiversity in Production Landscapes and Sectors," will be included in the mid-term and final reports.

4. FINANCIAL MODALITY AND COST EFFECTIVENESS

Financial Modality
This project will be jointly financed by the GEF and Co-financiers. **Table 2** summarizes the Total Project Budget.

Co-financing
Table 3 presents a status report on Cash Commitments for Co-Financing of the GEF Alternative. Biodiversity Offsets (Sub-Outcome 3.2) has 4:1 co-financing. The Ecosystem Marketplace (Outcome 1), models for Agri-Environmental (Sub-Outcome 3.1) and Biodiversity Offsets (Sub-Outcome 3.2) have more than 3:1 co-financing confirmed, the Katoomba Group networks (Outcome 2) and the Business Development Facility (Sub-Outcome 3.3) have more than 1.5:1 and Coastal Payments (Sub-Outcome 3.4) has 1.2:1.

Co-financiers for the Ecosystem Marketplace have committed core support to biodiversity market coverage, community market services and outreach, and/or are providing news and analytical services directly, co-organizing meetings, providing translations and other services. Co-financiers for the Katoomba Group networks will host meetings, coordinate activities, contribute project staff input, undertake analyses and advisory services and other inputs. Co-financiers for the Biodiversity Models will contribute project staff resources for pilot implementation and evaluation, policy analyses and convenings for the learning networks, publications, and technical and market advisory services.

Cost-effectiveness. This project has been designed explicitly to provide a cost-effective strategy for supporting institutional development of PES. The most important cost-saving, efficiency-increasing element is Forest Trends' engagement with the international Katoomba Group. The figures presented below on co-financing from the international KG members significantly understate their contribution, because both the time estimates and daily rates are very conservative. Many members—particularly those from the private sector—are senior people who command very high salaries and would thus be inaccessible financially to many of the stakeholders of this project, and would otherwise have no mechanism to share their experience and knowledge.

Table 2. TOTAL PROJECT BUDGET

1

Award ID: PIMS 3179

Project Title: Institutionalizing Payments for Ecosystem Services

GEF Outcome/Atlas Activity	Managing Party	Source of Funds	Amount (USD) Year 1	Amount (USD) Year 2	Amount (USD) Year 3	Amount (USD) Year 4	Total (USD) All Years
OUTCOME 1:	Forest Trends	GEF	454,140	454,624	454,525	454,492	1,817,782
		Co-Financing	914,646	914,646	914,646	914,646	3,658,583
		sub-total	**1,368,786**	**1,369,270**	**1,369,171**	**1,369,138**	**5,476,365**
OUTCOME 2:	Forest Trends	GEF	421,641	422,091	421,999	421,968	1,687,698
		Co-Financing	671,021	671,021	671,021	671,021	2,684,083
		sub-total	**1,092,662**	**1,093,111**	**1,093,020**	**1,092,988**	**4,371,782**
SUB OUTCOME 3.1:	Forest Trends	GEF	148,023	148,181	148,149	148,138	592,491
		Co-Financing	364,771	364,771	364,771	364,771	1,459,083
		sub-total	**512,794**	**512,952**	**512,920**	**512,909**	**2,051,574**
SUB OUTCOME 3.2:	Forest Trends	GEF	171,576	163,528	165,167	165,725	665,996
		Co-Financing	669,771	669,771	669,771	669,771	2,679,083
		sub-total	**841,347**	**833,298**	**834,938**	**835,496**	**3,345,080**
SUB OUTCOME 3.3:	Forest Trends	GEF	170,695	170,877	170,840	170,827	683,240
		Co-Financing	315,708	315,708	315,708	315,708	1,262,833
		sub-total	**486,404**	**486,586**	**486,548**	**486,536**	**1,946,074**
SUB OUTCOME 3.4:	Forest Trends	GEF	60,892	60,957	60,944	60,939	243,732
		Co-Financing	70,833	70,833	70,833	70,833	283,333
		sub-total	**131,726**	**131,790**	**131,777**	**131,773**	**527,066**
TOTAL BUDGET	Forest Trends	GEF	**1,326,969**	**1,320,258**	**1,321,624**	**1,322,089**	**5,690,939**
		Co-Financing	**3,006,750**	**3,006,750**	**3,006,750**	**3,006,750**	**12,027,000**
		TOTAL	**4,433,719**	**4,427,008**	**4,428,374**	**4,428,839**	**17,717,939**

TABLE 3. CO-FINANCING COMMITMENTS

All co-financing included below is either confirmed or is expected to be confirmed by February 2006. Of cash commitments, 19 are already signed contracts.

Outcome	Name of Cofinancier	Classification	Cash	In-Kind	Signed (12-05)
Outcome 1-Ecosystem Marketplace	Baker McKenzie	Corporate		100,000	
	Citigroup	Corporate	362,500		300,000
	Conservation International	NGO	25,000	100,000	25,000
	DFID	Bilateral	300,000		300,000
	Ecosystem Marketplace Advisory Board	Diverse		220,000	150,000
	Ecotrust	NGO		10,000	
	Environmental Finance Magazine	Corporate		100,000	
	Forest Trends Board	Diverse		66,667	50,000
	Fundacao Getulio Vargas Business School	NGO		100,000	
	GE	Corporate	50,000		
	Goldman Sachs	Corporate	500,000		
	International Katoomba Group Network	Diverse		166,667	
	IUCN	NGO	15,000		15,000
	Moore Foundation	Foundation	110,750		In process
	O'Boticario Foundation	NGO		100,000	
	Packard Foundation	Foundation	75,000		75,000
	Profor	Multi-lateral	30,000		30,000
	Recoftc	NGO		80,000	
	Sierra Gorda	NGO		200,000	
	Surdna	Foundation	150,000		150,000
	Swiss Re	Corporate	225,000		
	The Nature Conservancy	NGO	25,000		25,000
	UK Forestry Commission	Bilateral	85,000		85,000
	US Forest Service	Bilateral	112,000	100,000	100,000
	World Agroforestry Centre	NGO		100,000	
	World Wildlife Fund	NGO	50,000	100,000	
Outcome 1 Total			2,115,250	1,543,333	
Outcome 2-Katoomba Network-Africa	ABN Amro	Corporate	125,000		
	BEA International	NGO		20,000	
	Biocarbon Fund	Multi-lateral		200,000	
	Council for Scientific and Industrial Research	NGO		40,000	
	Eastern Arc Mountains Conservation Endowment Fund	Government		20,000	
	ECOTRUST-Uganda	NGO		40,000	
	Forest Trends Board	Diverse		33,333	
	Forestry Department-Kenya	Government		20,000	
	IFAD	Multi-lateral	175,000		In process
	International Katoomba Group Network	Diverse		83,333	
	Kenya Resource Centre for Indigenous	NGO		20,000	

Outcome	Name of Cofinancier	Classification	Cash	In-Kind	Signed (12-05)
	Knowledge				
	Leadership for Environment and Development-Southern Africa	NGO		20,000	
	Malawi Department of Environmental Affairs	Government		20,000	
	Mitsubishi	Corporate	250,000		250,000
	National Environment Ministry Authority-Uganda	Government		75,000	
	National Forestry Authority-Uganda	Government		20,000	
	Participatory Environment Management Program	NGO		20,000	
	Profor	Multi-lateral	25,000		25,000
	Resource Africa	NGO		20,000	
	World Agroforestry Centre	NGO		200,000	
	World Wildlife Fund-Tanzania	NGO		30,000	
Outcome 2-Africa Total			575,000	881,667	
Outcome 2-Katoomba-Tropical America	Forest Trends Board	Diverse		33,333	
	Fundacao Getulio Vargas Business School	NGO		30,000	
	GE	Corporate	50,000		
	IDRC	Bilateral	50,000		
	International Katoomba Group Network	Diverse		83,333	
	Moore Foundation	Foundation	110,750		In process
	REBRAF	NGO		20,000	
	University of Sao Paolo	NGO		100,000	
	Woods Hole Research Centre	NGO		500,000	
	World Bank	Multi-lateral		250,000	
Outcome 2-Africa Total			210,750	1,016,667	
Sub-Outcome 3.1, Agri-Environmental Payments	Agricultural University of Wageningen	NGO		40,000	
	CATIE Silvopastoral project	NGO		200,000	
	Defenders of Wildlife	NGO		50,000	
	Ecoagriculture Partners	NGO		200,000	
	FAO	Multi-lateral		300,000	
	Forest Trends Board	Diverse		16,667	
	Inter-American Institute for Cooperation in Agriculture	Multi-lateral		100,000	
	International Katoomba Group Network	Diverse		41,667	
	Model Forests	NGO		40,000	
	Moore Foundation	Foundation	110,750		In process
	PRISMA	NGO		100,000	
	The Nature Conservancy	NGO		60,000	
	World Agroforestry Centre	NGO		200,000	
Sub-Outcome 3.1 Total			110,750	1,348,333	
Sub-Outcome 3.2, Biodiversity Offsets	ALCOA	Corporate	200,000		

Outcome	Name of Cofinancier	Classification	Cash	In-Kind	Signed (12-05)
	BBOP Advisory Committee	Diverse		800,000	
	Conservation International	NGO		400,000	
	Forest Trends Board	Diverse		16,667	
	Gyelloba	NGO		200,000	
	International Katoomba Group Network	Diverse		41,667	
	Ministry of Ecology and Sustainable Development-France	Government		40,000	
	Moore Foundation	Foundation	110,750		In process
	National Environment Ministry Authority-Uganda	Government		25,000	
	O'Boticario Foundation	NGO		75,000	
	Profor	Multi-lateral	30,000		30,000
	South African National Biodiversity Institute	NGO		100,000	
	USAID	Bilateral	640,000		185,000
Sub-Outcome 3.2 Total			980,750	1,698,333	
Sub-Outcome 3.3, Forest Enterprises	BDF Advisory Committee	Diverse		200,000	
	Citigroup	Corporate	362,500		300,000
	Forest Trends Board	Diverse		16,667	
	Global Forest Products	Corporate		180,000	
	IFC	Multi-lateral		100,000	
	International Katoomba Group Network	Diverse		41,667	
	Precious Woods	Corporate		250,000	
	US Forest Service	Bilateral	112,000		112,000
Sub-Outcome 3.3 Total			474,500	788,333	
Sub-Outcome 3.4, Coastal PES Tools	FAO	Multi-lateral		100,000	
	Forest Trends Board	Diverse		16,667	
	International Katoomba Group Network	Diverse		41,667	
	IUCN	NGO		50,000	
	Packard Foundation	Foundation	75,000		75,000
Sub-Outcome 3.4 Total			75,000	208,333	
Grand Total			4,542,000	7,485,000	2,282,000

The project builds on ongoing initiatives--the existence of the Katoomba Group is a *sine qua non* for the functioning of the Ecosystem Marketplace. Without this support, access to strategic information, and the members' individual networks, a global market information service would not be possible to operate because the costs would be astronomical. The Forest Trends staff and senior consultants serve as strategic 'nodes' in enabling this global network. The structure of the learning groups for the regional Katoomba Group networks and Biodiversity Models also leverages high-quality technical input and efficient information exchange that would otherwise be unaffordable to most of this project's clients and stakeholders. Few other institutions are able to convene collaborative platforms that include conservation, community, corporate, research and government leaders. These platforms themselves contribute to cost-effectiveness and dramatic reductions in transaction costs. The project is built on a global and regional structure, rather than country-by country, to provide greater cost-effectiveness in provision of services.

Forest Trends itself operates with a small, highly experienced staff and low overhead, and achieves its impressive level of performance through strategic networking and leveraging action by large and influential organizations. National collaborators are encouraged and supported to take leadership in project activities, rather than outposting a large number of staff. Forest Trends is also set up to take full advantage of diverse new technologies that enable partners and networks to communicate regularly and effectively with reduced need for expensive face-to-face meetings.

5. INSTITUTIONAL COORDINATION AND SUPPORT

a) Core Commitments and Linkages

This project contributes centrally to the objectives laid out in UNDP's global Strategic Results Framework. Its outcomes will contribute to the Millennium Development Goals by promoting, facilitating and improving the implementation of projects and policies for Payments for Ecosystem Services that reduce rural poverty and hunger, improve access to water resources, improve health and achieve sustainability of environmental resources on which low-income communities, as well as the broader economy, depend. The project directly contributes to UNDP projects on PES in Latin America, and to initiatives in Eastern Europe on agro-biodiversity.

b) Consultation, Coordination, and Collaboration between IA's and IA's and EXA's

The project will coordinate with the World Bank on its numerous PES projects in Latin America and Africa, as well as with the BioCarbon Fund. The project will link with GEF projects involved in PES, including those in Central America, the Andes, South Africa, Mexico, South Asia and the Danube Basin. Work will link closely with the public-private partnerships of UNDP for environmental management in Africa, Latin America and Eastern Europe, and UNDP's global 'Footprint Neutral' program. The agri-environmental payments learning network will collaborate with UNDP's projects in Eastern Europe. This project will also collaborate with UNEP developing initiatives on PES in Latin America, and for developing PES that link international environmental conventions. There are also many national GEF projects with PES components in them. Project staff of these GEF projects will join in the regional Katoomba Group networks, benefit from the market information tools developed, benefit from capacity-building components, and from best practice guidelines, policy analyses and other resources.

c) Project Implementation Arrangement

This project will be implemented by UNDP, and executed by UNOPS, using as necessary UNDP's existing infrastructure and services of both Headquarters (HQ) and Regional Coordination Units (RCUs). Forest Trends, an international NGO, will be sub-contracted to take the lead in overall program management and coordination. Overall project coordination, management and monitoring will be undertaken by senior staff of Forest Trends. Each component (The Ecosystem Marketplace, the Katoomba Group regional networks, the Business and Biodiversity Offset Program, the Business Development Facility, the Agricultural Landscape Models and Coastal PES models) will be managed by senior Forest Trends staff or consultants for those projects, and implemented with partner organizations on the ground.

When the Katoomba Group was initiated, it was a loose coalition of individuals with shared interest in PES. When the Group began to implement projects together in early 2005, they

incorporated as a non-profit organization,linked as a 'supporting organization' to Forest Trends. The Marketplace and region Networks will run under the auspices of the Katoomba Group.

The Leaders of the Ecosystem Marketplace, the Business Development Facility and the Business and Biodiversity Offset Project will report to the Project Leader. The Leaders of the Katoomba Group Networks, Payments in Agricultural Landscapes, and Coastal PES will report to the Project Manager. Figure 3 in Section VI, Part II shows the project organizational chart.

The Executive Committee of the project will meet at least every three months to review progress. The Project Leadership Team and key staff will meet face-to-face twice each year for joint Project Planning Meetings, organized by the Project Manager, to develop detailed and coordinated Work Plans. An intranet system will be set up for the project, for internal communications, posting of reports and updates, etc. A centralized "tickler" system will be set up to notify when deliverables are due to and monitor their delivery. A centralized system for managing project budgets and invoices will be set up and managed by the Financial Controller. The Monitoring process for the whole project will be coordinated by the Global Network Coordinator, who will work together with the Project Manager.

The Steering Committee for the overall project will include representatives from UNDP and UNOPS, senior directors from Forest Trends, and senior stakeholders from the Africa Katoomba Network and the Latin America Katoomba Network, including representatives from government and the private sector each. The Project Steering Committee will:

- Participate during the Project Inception Workshop and finalize the project budget, workplan, logframe and monitoring plan;
- Participate in annual project review meetings (held in alternating years with regional Katoomba Group meetings); and
- Participate in the Tripartite Review and Terminal Report for the project.

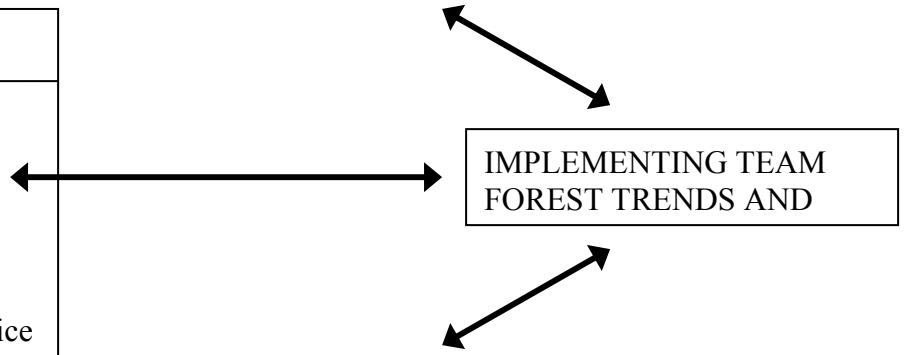
Institutional Collaboration

This project will be implemented with a large number of collaborating institutional partners (see Figure 2 on the next page).

Figure 2. **COLLABORATING INSTITUTIONAL PARTNERS**

Business Development Facility	Business and Biodiversity Offsets	Agri-Environmental Payments		Coastal Resource Payments
Croda Brazil Global Forest Products Precious Woods	Alam Group Global Forest Products Newmont Mining	CATIE Earth Institute Ecoagriculture Partners ECOTRUST - Uganda FAO ICRAF IFAD	IICA Int'l Federation of Agricultural Producers IUCN PRISMA Winrock International The World Bank	FAO IUCN Packard Foundation Sound Seas Spatial Informatics Group USAID

ECOSYSTEM MARKETPLACE	
ABN AMRO BioCarbon Fund Conservation International Citigroup DFID – UK IUCN	The Katoomba Group The Nature Conservancy Packard Foundation PROFOR REDLAC Surdna Foundation United States Forest Service



KATOOMBA GROUP REGIONAL NETWORKS				
Eastern and Southern Africa			Tropical America	
BEA International CARE CINCS CSIR ECOTRUST - Uganda FAO	The Ford Foundation GEF ICRAF IFAD IIED The Katoomba Group	National Museums of Kenya NEMA - Uganda UNDP UNEP Wildlife Conservation Society	O Boticario - Brazil CATIE CONAFOR FAO Fundação Getulio Vargas FUNDECOR - Costa Rica IPAM - Brazil	Sierra Gorda - Mexico Talamanca Initiative - Costa Rica UNDP Universidade Federal do Rio de Janeiro Woods Hole Institute The World Bank

Ecosystem Marketplace. The Marketplace draws on a large number of institutional sponsors who not only provide financial support, but also supply key market information included. The Marketplace has contractual arrangements with private, government and civil-society organizations to provide market information The Advisory Board provides significant institutional support; most have been involved with the Marketplace since its inception in 2004.

Katoomba Group Regional Networks. National and regional organizations-- from public, private and civil society sectors-- have been instrumental in planning the Eastern and Southern Africa and tropical American Katoomba Group networks. International Katoomba Group members will serve as mentors and on "rapid response" teams, including, for example, from IUCN, The World Bank, Forest-Re, RUPES, the U.S. Forest Service, New Forests Ltd., many of whom have been collaborating with Forests Trends and the Group for up to six years.

*Biodiversity Payment Models***.** Cross-sectoral working groups have been formed for each of the biodiversity payment model components of the project. Many of the site partners for pilots on biodiversity offsets and forest enterprises are already in place, and partners for forest enterprises (Business Development Facility) include those already in the learning network projects (though more are anticipated), while those for the Agricultural and Coastal Landscape Model projects will be selected during year 1 of the project.

ANNEX A: INCREMENTAL COST ANALYSIS

Incremental Cost

The matrix below summarises the baseline, alternative and incremental costs expenditures during the Project. From a total baseline of $111.88 million, the total incremental cost of the project is $17.72 million (excluding the PDF B), with a GEF contribution of $5.7 million (i.e. 4 % of the total cost and 32% of the incremental cost). With additional co-financing anticipated during the course of the project, the GEF share is expected to decline.

TABLE 4. INCREMENTAL COST MATRIX (4 years 2006-2010)

	Description	Baseline	Alternative	Incremental Cost (US$)	GEF Contribution
Outcome 1	Ecosystem Marketplace : Biodiversity, Community information, Outreach	3,840,000	9,316,363	5,476,363	1,817,780
Outcome 2	Katoomba Group Regional Networks in East and Southern Africa and Tropical America	97,295,000	101,666,780	4,371,780	1,687,697
Outcome 3.1	Landscape Models for Agri-Environmental payments	6,000,000	8,051,573	2,051,573	592,490
Outcome 3.2	Business Models for Biodiversity Offsets	2,500,000	5,850,084	3,350,084	671,001
Outcome 3.3	Business Models for PES in Forest Enterprises	2,000,000	3,951,073	1,951,073	688,240
Outcome 3.4	Landscape Models for Coastal Protection Payments	250,000	777,065	527,065	243,732
Total Costs		$111,885,000	$129,612,939	$17,727,939	$5,700,939

ANNEX B: PROJECT LOGICAL FRAMEWORK

Table 5: Logical Framework for Project on Institutionalizing Payments for Ecosystem Services

Goal: The Overall Goal of the Project is to increase the financial incentives for conservation of ecosystems and biodiversity.

Objective	Output	Indicator	Means of Verification	Baseline	Target (2010)	Assumptions
Project Objective: To establish institutional capacity for expanding systems of payments for ecosystem services to a scale and quality sufficient to have a meaningful impact on global conservation of biodiversity and ecosystem services Total budget: $1,425,000/year over 4 years (including management, monitoring and evaluation, UNOPS)		Number of new PES schemes developed with improved design in project countries	# in national PES inventories	0	8	1 scheme in most countries in KG networks
		Number of PES projects with new biodiversity models		0	12	Most projects in learning networks
		Number of established PES projects with improved biodiversity outcomes	Project assessments	0	8	1 scheme in most countries in KG networks
		Number of PES schemes with significant increase in number of buyers as a result of project activities		0	4	Buyer mobilization pilots in KG networks
		Volume in US$ of PES operating to which the project contributed		0	$50M	Value of above sets of projects

Objective	Output	Indicator	Means of Verification	Baseline	Target (2010)	Assumptions
Project Objective: To establish institutional capacity for expanding systems of payments for ecosystem services to a scale and quality sufficient to have a meaningful impact on global conservation of biodiversity and ecosystem services Total budget: $1,425,000/year over 4 years (including management, monitoring and evaluation, UNOPS)		Number of hectares of land in project-related PES with improved biodiversity impact	Survey of KG members	Tbd for projects	100% increase	Biodiversity impacts in above projects
		Number of countries with leaders from key stakeholder groups with capacity for strategic analysis, planning and implementation of PES schemes and actively networked	Country PES inventories	0	8	Anticipate 8-12 from each participating country
		Number of countries with new policies or plans supporting or improving PES as a result of project	Survey of KG members Country reports to UNCBD provide info on PES	0	8	Diverse outcomes may include changing regulations, policies rights, institutions
Outcome 1: Timely, relevant, market information for PES available to all stakeholders globally, through the Katoomba Group's Ecosystem Marketplace ($453,000/yr)	Output 1.1 Ecosystem Marketplace bulletin and website have expanded and deepened coverage of biodiversity PES and new market information services	Ecosystem Marketplace widely used by key market actors around the world	Marketplace user tracking, by country and type Subscriptions Participants in Katoomba Dialogues	18,000 (10,000 in US & UK: 8,000 international) 1,200 500	75,000 (25,000 outside US, UK) 5,000 3,000	Systematic outreach efforts to diverse stakeholders will be made through the communications activities Katoomba Group partner institutions will actively promote new users

Objective	Output	Indicator	Means of Verification	Baseline	Target (2010)	Assumptions
Outcome 1: Timely, relevant, market information for PES available to all stakeholders globally, through the Katoomba Group's Ecosystem Marketplace ($453,000/yr)	Output 1.2 Ecosystem Marketplace (EM) has expanded information services relevant for community-based stakeholders on website, bulletin and other information centers	Extensive Biodiversity PES market information services available through Marketplace Extensive Community PES market information services available through Marketplace	Content Analysis	2005 review of content/ services	2010 review of content/ services	New market information services will reach users with out internet access
	Output 1.3 Awareness, utilization and application of EM information services by key stakeholders Output 1.4 EM is financially sustainable	Marketplace is financially sustainable	Proportion of budget self-financed relative to grants	5%	30%	Anticipated financial demand for market information services will be realized

Objective	Output	Indicator	Means of Verification	Baseline	Target (2010)	Assumptions
Outcome 2: National champions and stakeholders of PES in E. and S. Africa and Tropical America have improved capacity and access to technical assistance for institutional and policy development for PES ($423,000/yr)	Output 2.1 Fully functioning East and Southern African Katoomba Group (KG) network providing information, analytical tools and technical support to key stakeholders, including community organizations Output 2.2 Fully functioning Tropical America Katoomba Group network providing information, analytical tools and technical support to key stakeholders, including community organizations	Number of E. and .S. Africa and tropical America national PES leaders in key sectors actively engaged in and benefiting form Katoomba Group networks	Survey of regional Katoomba Group members	0	100	60-70 members in each regional group

Objective	Output	Indicator	Means of Verification	Baseline	Target (2010)	Assumptions
Outcome 2: National champions and stakeholders of PES in E. and S. Africa and Tropical America have improved capacity and access to technical assistance for institutional and policy development for PES ($423,000/yr)	Output 2.3 Models, Tools and Best Practice Guidelines for PES Policy, Planning and Institutions developed and disseminated in East Africa and Tropical America regional netwoks	Number of cases documented of PES policy or institutional innovation instigated by KG network members		0	8	At least one in each country
		Increased participation of rural communities in PES as a result of project activities	National PES inventories	See country inventory	8	At least one PES scheme newly integrating community producers in each country
		Number of mechanisms for PES buyers aggregation tested and evaluated	Case reviews	0	2	At least two test sites for buyer aggregation and mobilization
		Synthesis and dissemination of lessons learned on key themes of PES policy and program design	Number of reports	0	6	Reports on topics e.g., ES rights, roles of government in PES, equity in PES, buyer mobilization

Objective	Output	Indicator	Means of Verification	Baseline	Target (2010)	Assumptions
Outcome 3: Operational models and capacity to effectively design, establish and implement new types of PES for biodiversity conservation ($549,000/year)		Collaborating countries are implementing new types of PES for biodiversity conservation	Country inventories	0	20	
Sub-Outcome 3.1 Operational models and capacity to effectively design, establish and implement effective payment for biodiversity conservation in agricultural landscapes ($146,000/year)	Output 3.1.1 Learning Network actively sharing, evaluating and disseminating best practices on payments for BD in agricultural landscapes Output 3.1.2 Improved payment schemes designed and piloted in E. and S. Africa and Tropical America Output 3.1.3 New approaches to agri-environmental payments informing decision-making by national farmer and or industry groups	Number of schemes of improved agri-ecological PES due to project	Country inventories	0	3	These will be drawn from learning networks, as well as projects in test landscapes
		Lessons learned from landscape models synthesized	Reports	0	2	
		New approaches reflected in policy design	Policy statements	0	3	

Objective	Output	Indicator	Means of Verification	Baseline	Target (2010)	Assumptions
Sub-Outcome 3.2 Operational models and capacity to effectively design, establish and implement biodiversity offsets ($172,000)	Output 3.2.1 Participating offsets projects designed, implemented Output 3.2.2 Best practices and lessons learned documented, disseminated and in use Output 3.2.3 Biodiversity offsets endorsed by key institutions and companies	Number of businesses implementing improved biodiversity offsets	Country inventories	0	6	Businesses will realize demonstrable benefits from participating in offsets activities Biodiversity offsets developed will be ecologically sound
		Lessons learned from business models synthesized	Report	0	2	
		Policies or new offset initiatives adopted by businesses	Policy statements	0	4	

Objective	Output	Indicator	Means of Verification	Baseline	Target (2010)	Assumptions
Sub-Outcome 3.3 Operational models and capacity to effectively design, establish and implement PES for biodiversity in forest enterprises in S. and E. Africa and Tropical America ($172,000/year)	Output 3.3.1 New PES activities in forest enterprises designed and implemented with project support Output 3.3.2 Cases documented, lessons synthesized and tool-kit developed on how to set-up and run PES in forest enterprises Output 3.3.3 Pipeline developed for investment in PES in forest enterprises and strategy for support services	Number of businesses implementing new PES in forest enterprises	County inventories	0	6	Half of enterprises evaluated will incorporate biodiversity payments
		Lessons learned from PES in forest enterprises synthesized	Report	0	2	

Objective	Output	Indicator	Means of Verification	Baseline	Target (2010)	Assumptions
Sub-Outcome 3.4 Develop assessment tools for coastal fishery and flood protection PES at landscape scale	Output 3.4.1 Analytical framework and tools designed to evaluate & design PES for coastal fishery and flood protection	Analytical framework for coastal PES developed	Report	0	2	
	Output 3.4.2 Framework and tools used to evaluate the potential and design for two coastal PES projects	Assessment tools developed and tested in two sites	Number of sites evaluated with toolkits	0	2	Pre-assessments will identify viable opportunities for coastal PES
	Output 3.4.3 Resource materials on coastal PES compiled and disseminated					

ANNEX C: RESPONSE TO PROJECT REVIEWS

A) CONVENTION SECRETARIAT COMMENTS AND IA/EXA RESPONSE

[to be added after submission to Secretariat]

B) STAP EXPERT REVIEW

INSTITUTIONALIZING PAYMENTS FOR ECOSYSTEM SERVICES
Draft of 9 November 2005
Review completed 16 November 2005
Patrick Dugan, STAP Reviewer

Key Issues

Scientific and technical soundness of the project
This project has been developed out of many years of working with PES and through extensive consultation with key stakeholders. It is rooted in solid understanding of past investments in PES, of current activities, and in cutting edge thinking around how past impacts can be strengthened and scaled out to have a substantially wider impact on ecosystem conservation.

The project is founded in the recognition that effective alternative funding mechanisms for biodiversity conservation need to be developed if biodiversity is to be conserved, and environmental services maintained at the scale required for their benefits to contribute to the well-being of communities across much of the world. This is an enormous challenge and one whose success is uncertain. However the potential benefits are vast and present the promise of effective long-term solutions, and well merit the investment proposed.

The proposal is based on strong analysis of best available current practice and understanding of the constraints to wider application of PES. This provides solid assessment of the institutional constraints to PES, and a platform for further research on constraints and mechanisms for addressing these that will be an integral part of the project. Careful attention has been given to the institutional and legal frameworks that will be necessary for success of the project.

The proposal presents a set of clear and appropriate indicators for the project. They are however linked with an ambitious set of targets and care will be needed to ensure that these meet both qualitative as well as quantitative standards. A substantial monitoring and evaluation plan is proposed and this can track these targets together with other dimensions of the project.

The proposal identifies three overall risks:

(i) That "individuals participating in and benefiting from the Katoomba Group networks will not remain engaged in PES policy and programs" – to be mitigated "by having a large enough cadre of involved individuals from each participating country, and facilitating engagement of members over time".

(ii) That "the in-country activities that are beyond the reach of this project do not happen." To be mitigated by "ensuring a sufficiently large number of countries are covered by the global and regional support mechanisms, that success in a proportion of the countries will be sufficient for the project to be considered successful."

(iii) That "pilot project activities in the learning networks will not be successful and will thus not mobilize international support and adoption of new biodiversity PES models." To be mitigated by "having a number of different pilots in different countries, landscapes and types of businesses."

These risks are all valid, but while the proposed approach of volume and diversity is an important component of an effective mitigation strategy, the project team will need to take great care in following up and working with the individuals involved in the Katoomba Group, in working through rigorously what the project can do to influence and/or adapt effectively to the national context within which the in-country activities will take place, and in selection, management, support and monitoring of the pilot project activities so that their chances of success are maximised.

The management demands of the project are the major concern and potential weakness. Given the complexity and risks identified it is very possible that the proposed targets are over-ambitious. This will need to be tracked carefully in the Monitoring of the project. The project proponents should expand their consideration of risks to reflect these management issues and specify actions that they will take to address these in the final version of the project document.

There is wide recognition that financing mechanisms for the conservation of ecosystems are urgently needed, and that much greater practical experience in developing and applying different models for doing so is needed. In this context the major controversy centers on who benefits from such PES. It is likely that some observers will criticize some of the PES developed by the project as being inequitable. Great care will need to taken to prevent this and to develop mechanisms for addressing it where it occurs. This is however recognized by the project proponents and the need to develop such equitable systems is one of the major reasons for pursuing this project urgently.

There is a risk that some PES will favour investments that may enhance some ecosystem services at the expense of others. For example PES that support planting of trees may strengthen watershed functions, but diminish biodiversity. Care will therefore need to be taken to ensure that the full range of ecosystem services are assessed and the full impact of each PES evaluated.

Identification of global environmental benefits
The project has the potential to make a very significant contribution to one of the major challenges facing global biodiversity conservation i.e. sustainable financing. Importantly the project will achieve this not simply through a focus on selected sites, but by developing regional and global networks and global public knowledge that will have an impact well beyond the specific sites that the project will target. The focus on learning and sharing knowledge and lessons that is the basis for the project merits special recognition and support. The project team should in turn be encouraged to manage the project so that these benefits are realized.

Goals of the GEF
The project will make a significant contribution to the Goals of the GEF in Biodiversity, while also potentially making important contributions in Climate Change, Land Degradation and International Waters. PES will contribute to achieving all of the GEF Biodiversity Operational Programmes, although the precise distribution will be dependent on the specific sites where the project will seek to foster PES. Much of the learning to be developed through these sites should however be applicable to all Operational Programmes.

Regional context
The project will generate globally relevant benefits, but will focus most attention on Eastern and Southern Africa and tropical America. This is appropriate given the special opportunities for PES in these regions and the need to develop capacity there. Immediate benefits will be strongest in the countries and sites where the project will focus. While there will also be some direct trans-boundary benefits in selected sites, the larger regional benefits will come through the functioning regional networks and through the sharing of learning and development of capacity that these are designed to foster.

Replicability of the project
The rationale of the project is based on the expectation that the successes at individual sites can be replicated in other sites within each region and in others. While the specific mechanisms may not be directly replicable from place to place, it is expected that the broad principles developed will be. The regional networks and the global Katoomba Group will also facilitate wider international learning and replication.

Sustainability of the project
The focus of the project is on developing sustainable financing arrangements. By its very nature the project is therefore focusing on the sustainability of its impacts in the sites in which it will work. The period of this sustainability is not explicit, but that is one of the evolving challenges that PES will need to address. In addition the project proponents will need to consider how the regional networks can be sustained after the life of the GEF project. This is not specified and the project should be requested to explore the possibility of self-sustaining options.

Secondary Issues

Linkage to other focal areas
Given the linkages between Biodiversity, Climate Change, Land Degradation, and International Waters, the project has the potential to contribute to all four areas. The project proposal refers to this in a few areas, but it is difficult to assess how strong this will be without knowing the specific sites where the project will pursue PES. The project team should be encouraged to monitor this and foster such linkages.

Linkage to other programmes and action plans at the regional or subregional level
The project proponents appear to have developed strong links with relevant regional and sub-regional programs in both Eastern and Southern Africa and Tropical America. It is not possible to assess these in any depth from the proposal itself however.

Other beneficial or damaging environmental effects
Other than the risks referred to earlier there are no obvious negative environmental effects. Rather the spin-offs of the project all look to be substantially positive, notably through the learning that will be possible and through the exchange of information and capacity through the regional networks.

Involvement of stakeholders
The proponents appear to have consulted widely and effectively with stakeholders in developing the project and details of these are provided, notably in planning the Eastern and Southern Africa and tropical America Katoomba Group networks. These have specifically engaged a wide range of key stakeholders and this will provide a good basis on which to build as the project is implemented. A number of mechanisms are proposed for ensuring that this engagement is sustained during implementation of the project. However the specifics of these are not provided

in the proposal and careful attention will need to be given to making sure that these yield effective continuing participation as the project moves ahead.

Capacity building
Capacity development is a major focus of the project (development of long-term capacity to develop and implement PES). This will be achieved primarily through the regional networks and there is clearly a risk that if demand is high the response capacity of the networks will be severely stretched. This will need to be monitored by the project management team and the monitoring mechanisms.

Innovativeness
While PES are not new it is still not clear whether they will in practice have the long-term impact on biodiversity that they promise. The project is highly innovative in that it sets out explicitly to address some of the major constraints to such widespread development of PES. The pursuit of this through the regional networks of the Katoomba Group is a major new development that has the promise of lasting impact.

C) IA/EXA RESPONSE TO STAP EXPERT REVIEW

STAP Recommendations to:	**Page #**	**Response**
Address equity issues explicitly	134-136, 137-140	Expanded reference to equity issues in Annex on Community Face of Marketplace, community-related activities of Katoomba Groups
Address full set of ecosystem services and not just specific commodities	16-17, 37	This challenge has been specified among the policy challenges in the prodoc
Address the sustainability of the individual PES projects in the learning networks	48	This point has been added to the section on Risks in the text about our role in relation to individual PES projects
Address linkages with Climate Change, Land Degradation and International waters	26	Text has been added to clarify the strong relationship of project activities with Climate Change and Land Degradation, and potential contributions to International Waters

STAP Recommendations to:	Page #	Response
Clarify existing strength of institutional linkages in the networks	55	The section on institutional partnerships indicates those with whom Forest Trends and Katoomba Group had strong relationships developed prior to the pdf-B
Provide more detail on mechanisms for stakeholder involvement	99-100	Text provided in section on stakeholder involvement
Ensure implementation of knowledge-sharing activities	137-139,147-151, 152-155, 156-160, 161-163	Additional clarifying text in Annexes on regional Katoomba Groups and learning networks for the four biodiversity payment models
Consider whether targets are over-ambitious	Table 8	Targets identified in Logframe were reviewed and minor changes made to set slightly less ambitious targets for the Katoomba Group project impacts and number of projects supported by model learning networks
Reflect management challenges of this complex project as one of the project risks.	48	These risks are explicitly noted and discussed now in the section on project risks

D) GEF SECRETARIAT AND OTHER AGENCIES COMMENTS AND IA/EXA RESPONSE

[PENDING]