



**REQUEST FOR CEO ENDORSEMENT/APPROVAL
PROJECT TYPE: FULL-SIZED PROJECT
THE GEF TRUST FUND**

Submission Date: June 2005
Re-submission Date: September 2005

GEFSEC PROJECT ID: 2589
IA/ExA PROJECT ID: PIMS 3179
COUNTRY: GLOBAL PROJECT
PROJECT TITLE: INSTITUTIONALIZING PAYMENTS FOR ECOSYSTEM SERVICES
GEF IA/ExA: UNDP
OTHER PROJECT EXECUTING AGENCY(IES): UNOPS
DURATION: 4 YEARS
GEF FOCAL AREA: Biodiversity
GEF STRATEGIC OBJECTIVES: BD-2: Mainstreaming Biodiversity in Production Landscapes and Sectors
GEF OPERATIONAL PROGRAM: 2-Freshwater, Coastal, Marine; 3-Forests; 4-Mountains
COUNCIL APPROVAL DATE: Aug. 2006
COUNCIL APPROVED AMOUNT*: 5,690,939
CEO ENDORSEMENT AMOUNT*: 5,317,477
EXPECTED AGENCY APPROVAL DATE: October 2007
EXPECTED SUBMISSION DATE OF MID-TERM REPORT: November 2009
EXPECTED GRANT CLOSING DATE: September 2012
EXPECTED SUBMISSION DATE OF TERMINAL EVALUATION/ PROJECT COMPLETION REPORT: June 2011

Expected Calendar	
Milestones	Dates
Work Program (for FSP)	August 2006
GEF Agency Approval	October 2007
Implementation Start	October 2007
Mid-term Review (if planned)	November 2009
Implementation Completion	September 2011

FINANCING PLAN (\$)		
	PPG**	Project*
GEF Total	432,000	5,317,477
Co-financing	(provide details in Section d): Co-financing)	
GEF IA/ExA		
Government	200,000	1,012,048
Others	11,627,002	10,619,884
Co-financing Total	11,827,002	11,631,932
Total	12,259,002	16,949,409
Financing for Associated Activities If Any:		

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 CEO endorsement.

John Hough
UNDP/GEF Officer-in-Charge
Date: September 14, 2007

Andrew Bovarnick
Project Contact Person

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1. **FINANCING** (for all the tables, expand or narrow table items as necessary)

a) PROJECT COST

Project Components/Outcomes	Co-financing (\$)	GEF (\$)	Total (\$)
1. ACTIVITY : 1 Ecosystem Marketplace. Timely relevant, market information for PES available to all stakeholders globally, through the Katoomba Group's Ecosystem Marketplace	2,631,811	1,478,879	4,110,690
2. ACTIVITY : 2 National champions and stakeholders of PES in at least 10 countries in E. and S. Africa and Tropical America have improved capacity and access to technical assistance for institutional and policy development for PES	2,894,506	1,272,556	4,167,062
3.1 ACTIVITY :3.1 Operational models and capacity to design, establish and implement effective payment to support biodiversity conservation in agricultural landscapes.	433,080	388,025	821,105
3.2 ACTIVITY :3.2 Operational models and capacity to effectively design, establish and implement business models for biodiversity offsets.	3,070,050	583,859	3,653,909
3.3 ACTIVITY: 3.3 Operational models and capacity to design, establish and implement PES for biodiversity in forest enterprises in S.& E. Africa and Tropical America.	819,615	720,361	1,539,976
3.4 ACTIVITY: 3.4 Develop assessment tools for coastal fishery and flood protection PES at landscape scale.	38,080	342,049	380,129
4. Project Management, Administration budget/cost*	1,744,790	531,748	2,276,538
Total Uses of Funds/project costs	11,631,932	5,317,477	16,949,409

* This item is the aggregate cost of project management; breakdown of this aggregate amount should be presented in the table b) below:

b) PROJECT MANAGEMENT BUDGET/COST¹

Component	Estimated Consultant weeks	GEF(\$)	Other Sources (\$)	Project Total (\$)
Locally recruited consultant*	0	0	0	0
Internationally recruited consultants*	537	467,135	977,757	1,444,892
Supplies; Audio Visual & Print Production Costs		33,533	338,416	371,949
Travel		31,080	228,122	259,202
Miscellaneous		0	200,495	200,495
Total		531,748	1,744,790	2,276,538

* Local and international consultants in this table are those who are hired for functions related to the management of project. For those consultants who are hired to do a special task, they would be referred to as consultants providing technical assistance. For these consultants, please provide details of their services in c) below:

¹ For all consultants hired to manage project or provide technical assistance, please attach a description in terms of their staff weeks, roles and functions in the project, and their position titles in the organization, such as project officer, supervisor, assistants or secretaries.

TERMS OF REFERENCE FOR PROJECT MANAGEMENT AND TECHNICAL ASSISTANCE

The GEF/UNDP Project Steering Committee will advise on overall project strategy and approaches; facilitate introductions to potential partners; provide feedback on mid-course corrections, based on monitoring and evaluation findings; and facilitate dissemination and engagement with key stakeholders.

Input: An estimated 1 week per year

The Project Director will oversee all activities of the project with key responsibilities including oversight of the project as a whole; developing partnerships with key institutions; and planning for the institutionalization of the Ecosystem Marketplace (EM) and the regional Katoomba Groups (KG)

Input: An estimated 2 weeks per year

The Project Manager for PES Capacity Building reports to Project Director and will manage the project as a whole, and ensure all components are accomplishing tasks; coordinate activities of the Katoomba Group and oversee activities of both Activity Managers for PES Capacity-Building in East and Southern Africa and Tropical America.

Input: An estimated 12 weeks per year

The Project Coordinator reports to the Project Director and will serve as the focal point for communication with the UNDP-GEF office and coordinate and manage project monitoring and evaluation activities

Input: An estimated 8 weeks per year

Activity Manager, Ecosystem Marketplace (EM), reports to the Project Director. The Activity Manager, EM will oversee the content, design, and day-to-day administration of the Ecosystem Marketplace website; lead the strategic planning related to the current direction and future expansion of the program; communicate EM strategy to diverse audiences, including key partners and target audiences; develop the Ecosystem Marketplace sites in Spanish and Portuguese; and re-design the Ecosystem Marketplace to be more user-friendly.

Input: An estimated 15 weeks per year

The Activity Associate, Ecosystem Marketplace (EM) Editor reports to Activity Manager, EM. The Activity Associate will help identify priority content for news stories on the Ecosystem Marketplace website and will collaborate on strategic planning for identification and collection of data. In addition, the Activity Associate will oversee the development and distribution of newsletters on a regular basis.

Input: An estimated 10 weeks per year

The Activity Associate, EM Biodiversity Editor, reports to the Activity Manager, EM. The Activity Associate will work under the supervision of the Activity Manager for the Ecosystem Marketplace to support the development of biodiversity market aspects of the Ecosystem Marketplace. He or she will keep MarketWatch section up to date; develop registry for conservation banking; and help source information for Mitigation Mail.

Input: An estimated 10 weeks per year

The Activity Manager, EM Communities Editor reports to Project Director. He or she will design the community “face” of the Ecosystem Marketplace, including the creation of the community-focused resources and the accessibility of the site itself; manage development of these online EM community materials.

Input: An estimated 15 weeks per year

The Activity Manager, PES Capacity-Building East & Southern Africa Region reports to the Project Manager. He or she will lead the strategic planning related to PES capacity building in the East & Southern African region; manage the development of the East & Southern African Katoomba Group network activities; and coordinate capacity building activities of the Katoomba Group in the region.
Input: An estimated 15 weeks per year

The Activity Manager, PES Capacity-Building Tropical America Region reports to the Project Manager. The Activity Manager for PES Capacity-Building, Tropical America Region will lead the activities surrounding institutional capacity building and will do the groundwork for much of the work in the region including: leading the strategic planning related to PES capacity building in the Tropical America region; managing the development of the Tropical America Katoomba Group network activities; and coordinating the tasks and capacity building activities of the Katoomba Group in the region
Input: An estimated 15 weeks per year

The Activity Manager, Buyer Mobilization reports to the Project Manager for PES Capacity Building and will design and implement all aspects of buyer mobilization research; and advises on regional engagement of prospective buyers.
Input: Estimated 10 weeks per year

The Activity Manager, Agri-Environmental Models Project reports to Project Director and will manage Project Component 3.1; co-author reports on agri-environmental payments; advise selected PES projects on innovations in agri-environmental payments; and engage with policymakers from diverse sectors.
Input: Estimated 10 weeks per year

The Activity Manager, Biodiversity Offset Models reports to Project Director and will lead the Biodiversity Offset Model Activities including: overseeing the development and management of the portfolio of pilot biodiversity offset projects; developing a toolkit of methodologies on biodiversity offsets; managing outreach efforts with international, national, and corporate policymakers; and supervise project staff
Input: estimated 15 weeks per year

The Activity Associate, Biodiversity Offset Models reports to the Activity Manager, Biodiversity Offset Models and will collaborate on strategic planning for the capacity building initiatives; support the coordination and development of the planning documents; coordinate and supervise pilot portfolio Coordinate production of methodology toolkit; participate in key policy debates on biodiversity offsets; manage project budget; and manage the Biodiversity Offset Learning network.
Input: An estimated 10 weeks per year

The Activity Manager, Forest Enterprise PES Models reports to Project Director and will be responsible for the strategic planning and overall management of the Forest Enterprise PES model client portfolio. The Activity Manager's role, includes managing the operations of Forest Enterprise PES models and direct the activities of BDF in order to: develop a pipeline of potential BDF clients sign MOUs with BDF clients (located in regional clusters); implement a range of new business opportunities with forest enterprises; develop and implement strategies to share the knowledge and experience about Forest Enterprise PES Models and its clients with a broad international business, NGO, donor, governmental and research community.
Input: An estimated 15 weeks per year

The Consultants for Forest Enterprise PES Models portfolio development report to Activity Manager, Forest Enterprise PES Models. The Consultants will assist in the development of the Forest Enterprise PES portfolio by identifying and investigating potential clients in new geographic regions, as the BDF

expands its operations over time. Roles include providing a range of planning, business development, technical assistance and impact assessment services to project clients, including potential clients; and ensuring high quality design, implementation and evaluation of the new commercial opportunities selected by the project in collaboration with its clients.

Input: An estimated 15 weeks per year

The Activity Manager, Coastal PES Models reports to Project Director and will oversee an advisory board and work with additional consultants to develop conceptual frameworks for Payments for Ecosystem Services in the coastal arena, and will catalyze the launching of such markets in two or more project sites. The Activity Managers' role is to assemble and work with multidisciplinary international advisory board to develop conceptual framework; further assess feasibility of PES in the coastal arena, including identification of barriers and identification of key actors; and support plan and launch of two coastal PES pilots, including identification of partners and lead institutions, brokering initial deals and doing outreach and communications to foster further development of the markets

Input: An estimated 15 weeks per year

The Office Manager will support the development of the project documents and support project staff in fulfilling reporting requirements according to UNDP/GEF specifications

Input: An estimated 3 weeks per year

The Director of Finance will oversee budgeting, financial reporting and all other financial aspects of project management; and support the Project Director and the Project Manager in developing scenarios for the financial sustainability of the Marketplace. Oversee Project Accountants in performing tasks of verification and payment of consultant fees and documentation; verification and payment of the travel expenditures and documentation; regular internal financial monitoring, analysis and reporting for the GEF program; periodic external financial audit and reporting requirements

Input: An estimated 5 weeks per year

The Project Accountants will support the Director of Finance Project Accountant and perform the tasks of verification and payment of consultant fees and documentation; verification and payment of the travel expenditures and documentation; regular internal financial monitoring, analysis and reporting for the GEF program; periodic external financial audit and reporting requirements

Input: An estimated 13.5 weeks per year

Full terms of reference are available in Section IV, Part III of the ProDoc.

c) CONSULTANTS WORKING FOR TECHNICAL ASSISTANCE COMPONENTS

Component²	Estimated Project Staff Weeks	GEF(\$)	Other Sources (\$)	Project Total (\$)
Local consultants ³	2049	1,116,576	1,983,388	3,099,964
International consultants ⁴	2287	1,649,147	5,028,926	6,678,073
Total	4,336	2,765,723	7,012,314	9,778,037

² In accordance with both UNDP and GEF policies, no GEF project resources will be used to pay any government, agency or NGO staff or personnel.

³ Mainly engaged through consultant agreements for national consultants and organizations for different tasks under all outcomes.

d) CO-FINANCING

Name of Co-financiers (source)	Classification	Type	At Concept (\$)	At Work Program (\$)	At CEO Endorsement (\$)*
ABM Amro	Private Sector	in cash	125,000	125,000	0
AES	Private Sector	in cash	0	0	7,000
Agricultural University of Wageningen	NGO	in kind	40,000	40,000	0
ALCOA	Private Sector	in cash	200,000	200,000	287,404
Baker McKenzie	Private Sector	in kind	100,000	100,000	0
BBOP Advisory Committee ⁵	Beneficiaries	in kind	800,000	800,000	1,200,000
BDF Advisory Committee	Beneficiaries	in kind	200,000	200,000	0
BEA International	NGO	in kind	20,000	20,000	0
BioCarbon Fund	Multilat. Agen	in kind	200,000	200,000	0
Brazilian US Consulate	Nat'l Gov't	in kind	0	0	3,200
BSR	Private Sector	in kind	0	0	55,000
CARE	NGO	in kind	0	0	9,000
CATIE Silvopastoral Project	NGO	in kind	200,000	200,000	0
Citigroup	Private Sector	in cash	725,000	725,000	150,000
Conservation International	NGO	in cash	25,000	25,000	25,000
Conservation International	NGO	in kind	500,000	500,000	400,000
Council for Scientific Industrial Research	NGO	in kind	40,000	40,000	0
Defenders of Wildlife	NGO	in kind	50,000	50,000	0
DFID	Bilat. Agency	in cash	300,000	300,000	132,341
DGF	Multilat. Agen	in cash	0	0	770,000
Earthscan	Private Sector	in kind	0	0	240,000
Eastern Arc Mountains Conservation Endowment Fund	Local Gov't	in kind	20,000	20,000	0
Ecoagriculture Partners	NGO	in cash	0	0	35,000
Ecoagriculture Partners	NGO	in kind	200,000	200,000	450,000
Ecosystem Marketplace Advisory Board	Beneficiaries	in kind	220,000	220,000	0
EcoTrust	NGO	in kind	10,000	10,000	140,000
EcoTrust - Uganda	NGO	in kind	40,000	40,000	0
Environmental Finance Magazine	Private Sector	in kind	100,000	100,000	0
Environmental Resources Trust	NGO	in cash	0	0	5,000
FAO	Multilat. Agen	in cash	0	0	48,000
FAO	Multilat. Agen	in kind	400,000	400,000	0
Forest Trends Board	Beneficiaries	in kind	200,000	200,000	403,200
Forestry Department Kenya	Nat'l Gov't	in kind	20,000	20,000	0
FUNBIO	Foundation	in cash	0	0	0
Fundacao Getulio Vargas Business School	NGO	in kind	130,000	130,000	240,000
Fundacao O Boticario	NGO	in cash	0	0	5,000
GE	Private Sector	in cash	100,000	100,000	0
Global Forest Products (Pty) Ltd	Private Sector	in kind	0	0	285,000
R & R Goldman Fund	Foundation	in cash	0	0	750,000
Goldman Sachs	Private Sector	in cash	500,000	500,000	0
Gyelloba	NGO	in kind	200,000	200,000	0
IDRC	Bilat. Agency	in cash	50,000	50,000	57,294
IFAD	Multilat. Agen	in cash	175,000	175,000	190,000

⁴ International Short and Long Term Consultants for a range of tasks under the different outcomes

⁵ Response to GEF Secretariat comments regarding In-kind Co-Financing BBOP Advisory Board (see letter below)

IFC	Multilat. Agen	in kind	100,000	100,000	0
INE	Nat'l Gov't	in kind	0	0	300,000
Inter-American Institute for Cooperation in Agriculture	Multilat. Agen	in kind	100,000	100,000	0
International Katoomba Group Network	NGO	in kind	416,669	416,669	0
International Katoomba Group Network / Advisory Group	Beneficiaries	in kind	83,333	83,333	92,750
IPAM	NGO	in cash	0	0	5,000
IUCN	NGO	in cash	15,000	15,000	0
IUCN	NGO	in kind	50,000	50,000	0
Kenya Resource Center for Indigenous Knowledge	NGO	in kind	20,000	20,000	0
Leadership for Environment and Development - Southern Africa	NGO	in kind	20,000	20,000	75,000
Linden Conservation Trust	Foundation	In cash			35,000
Malawi Department of Environmental Affairs	Nat'l Gov't	in kind	20,000	20,000	0
Ministry of Ecology and Sustainable Development - France	Nat'l Gov't	in kind	40,000	40,000	0
Mitsubishi	Private Sector	in cash	250,000	250,000	264,000
Model Forests	NGO	in kind	40,000	40,000	0
Gordon & Betty Moore Foundation	Foundation	in cash	443,000	443,000	462,532
National Environment Ministry Authority - Uganda	Nat'l Gov't	in kind	100,000	100,000	350,000
National Forestry Authority - Uganda	Nat'l Gov't	in kind	20,000	20,000	0
Nature Harness Initiative	NGO	in kind	0	0	20,000
New Forests	Private Sector	in kind	0	0	400,000
NRCS	Nat'l Gov't	in cash	0	0	99,500
O Boticatio	Private Sector	in kind	175,000	175,000	0
O Boticario	Private Sector	in cash	0	0	50,000
Packard Foundation	Foundation	in cash	150,000	150,000	35,000
Participatory Environment Management Program	NGO	in kind	20,000	20,000	0
Precious Woods	Private Sector	in kind	250,000	250,000	240,000
PRISMA	NGO	in kind	100,000	100,000	0
Profor	Multilat. Agen	in cash	85,000	85,000	205,000
REBRAf	NGO	in kind	20,000	20,000	0
Recofte	NGO	in kind	80,000	80,000	0
Resource Africa	NGO	in kind	20,000	20,000	0
Rights and Resources Group	NGO	in kind	0	0	400,000
Rockefeller Brothers Fund	Foundation	In cash			50,000
SECO	Bilat. Agency	in cash	0	0	49,653
Shell	Private Sector	in kind	0	0	236,000
Sierra Gorda	NGO	in kind	200,000	200,000	400,300
Solano Partners	Private Sector	in kind	0	0	50,000
South African National Biodiversity Institute	NGO	in kind	100,000	100,000	60,000
Strategic Research Institute	NGO	in kind	0	0	30,000
Surdna	Foundation	in cash	150,000	150,000	0
Swiss Re	Private Sector	in cash	225,000	225,000	0
Syngenta	Foundation	In cash			50,000
TerrAfrica	Multilat. Agen	in cash	0	0	450,000
The Nature Conservancy	NGO	in cash	25,000	25,000	32,000
The Nature Conservancy	NGO	in kind	60,000	60,000	0
UK Forestry Commission	Nat'l Gov't	in cash	85,000	85,000	76,124
UNEP	Multilat. Agency	in cash	0	0	20,000

University of Sao Paolo	NGO	in kind	100,000	100,000	0
US Forest Service	Nat'l Gov't	in cash	224,000	224,000	183,224
US Forest Service	Nat'l Gov't	in kind	100,000	100,000	0
USAID - CI	Bilat. Agency	in cash	640,000	640,000	573,619
USAID / IEB Brazil	Bilat. Agency	in cash	0	0	0
Wildlife Conservation Society	NGO	in kind	0	0	40,000
Wildlife Conservation Society	NGO	in cash	0	0	249,791
Wildlife Conservation Society - Madagascar	NGO	in kind	0	0	15,000
Woods Hole Research Centre	NGO	in kind	500,000	500,000	0
World Agroforestry Centre	NGO	in kind	500,000	500,000	0
World Bank	Multilat. Agency	in kind	250,000	250,000	125,000
World Wildlife Fund	NGO	in cash	50,000	50,000	0
World Wildlife Fund	NGO	in kind	100,000	100,000	20,000
World Wildlife Fund - Tanzania	NGO	in cash	0	0	0
World Wildlife Fund - Tanzania	NGO	in kind	30,000	30,000	0
Total					11,631,932

To: GEF Sec
 From: Forest Trends
 Re: Clarification of In-Kind Co-financing for BBOP

Attached is the GEF document and below is listed the role of the advisory committee members. The number of days in the table is based on the degree of involvement of each member. The role of Advisory Committee members include offering strategic advice to the Secretariat; commenting on draft methodologies and BBOP products and tools; and advising the pilot projects as they design their respective biodiversity offsets.

Each member of the Advisory Committee commits that he or she will attend the bi-annual BBOP Program meetings (8 days/year); comment on draft documents and contribute to the intellectual work of the group; offer constructive advice to the pilot projects; support the Secretariat in its fund-raising efforts; and assist the Secretariat in finding new pilot projects.

GEF Co-Financing for BBOP				
Organization	Name	Days/yr	Rate	Amount
Flora and Fauna International	Annelisa Grigg	15	600	\$9,000
	Matt Walpole	10	600	\$6,000
Conservation International	Assheton Carter	25	600	\$15,000
	Mahlette Betre	25	600	\$15,000
	Bambi Semroc	15	600	\$9,000
	Jessica Donovan/Conrad Savy	10	600	\$6,000
Biodiversity Neutral Initiative	Bruce McKenney	10	600	\$6,000
	Jared Hardner	15	600	\$9,000
	Ted Gullison	10	600	\$6,000
	Art Blundell	10	600	\$6,000
Social Sustainability Services	Catherine Macdonald	10	600	\$6,000
Rio Tinto	Dave Richards	15	600	\$9,000
	Stuart Anstee	10	600	\$6,000
IUCN	Josh Bishop	20	600	\$12,000
	Deric Quaile	20	600	\$12,000
	Ameer Abdulla	5	600	\$3,000
	Simon Rietbergen	5	600	\$3,000

GEF Co-Financing for BBOP				
Organization	Name	Days/yr	Rate	Amount
Gyelloba	Jenny Farmer	15	600	\$9,000
	Maureen Schoutsen	10	600	\$6,000
	Fred Demeijer	10	600	\$6,000
	Roel van Beusekom	10	600	\$6,000
SANBI	Krystal Maze	15	600	\$9,000
	John Dini	15	600	\$9,000
	Mandy Driver	5	600	\$3,000
	Mandy Barnett	5	600	\$3,000
International Conservation Services	Marc Stalmans	15	600	\$9,000
City of Bainbridge Island	Marja Preston	20	600	\$12,000
	Darlene Kordonowy (mayor)	10	600	\$6,000
	Kelly Samson	10	600	\$6,000
	Scott Shelton	10	600	\$6,000
Cambridge Center for Conservation Policy	Martin Hollands	10	600	\$6,000
SORALO	Ole Petenya Yusuf	10	600	\$6,000
	John Kamanga	10	600	\$6,000
CRIAA SA-DC	Pierre du Plessis	15	600	\$9,000
Wildlife Conservation Society	Ray Victurine	10	600	\$6,000
Zoological Society of London	Glyn Davies	10	600	\$6,000
	Robbie Robinson	10	600	\$6,000
BotSoc	Mark Botha	15	600	\$9,000
	Susie Brownlie	15	600	\$9,000
Royal Botanic Gardens, Kew	William Milliken	15	600	\$9,000
	Eimear Nic Ludhadha	5	600	\$3,000
	Tizian Ulian	5	600	\$3,000
			Total/Yr	\$306,000
			Total 4 yrs	\$1,224,000

2. RESPONSE TO REVIEWS

a) COUNCIL

<p>Swiss Comment August 2006:</p>	<p>Response:</p> <p>Overall: In the proposed project, the objective of providing assistance to specific PES initiatives is strategic—to “prove the concept” of diverse policy approaches and operational models of PES addressing priority biodiversity threats and opportunities; to derive design lessons, principles and methods; and to motivate interest and buy-in by key actors (businesses, land stewards, policymakers) in scaling up investment in PES for biodiversity conservation. The three components are designed to achieve this in an integrated strategy: the market information service for PES will inform policy and transactions at multiple scales; the regional networks of PES leaders in tropical America and East and Southern Africa will support regional and country innovation and capacity-building in PES; and four promising operational models for PES will be evaluated: agri-environmental payments with landscape-scale biodiversity impacts; biodiversity offsets for business investments; forest enterprises with portfolios including payments for biodiversity conservation; and coastal biodiversity payments for flood protection. The achievement of tangible local biodiversity benefits will be an important indicator of the effectiveness of the policy and operational models, rather than the principal project outcomes.</p>
<p>1) POLICIES AND PES. Existence and development of policy regulations on PES are a must for a successful project implementation. However, this crucial issue is not yet sufficiently addressed by the project:</p> <p>The project brief does not give an analysis of the current situation of the legal frameworks in the target countries. Thus, an appraisal on opportunities and possible obstacles is not possible. We are also concerned that the importance of this issue has so far been neglected by the project proponents.</p> <p>The establishment of adequate regulations usually requires several years. Thus, it might become an obstacle for implementing PES in the target countries of the project.</p> <p>As long as no legal regulations exist to require payments for services all over a targeted territory, most potential buyers will look for lower cost solutions instead of considering PES seriously (exception: CO2 market). Without legal regulations, market rules will not encourage potential</p>	<p>1) Policy frameworks are central in driving PES to large scale. A key part of the rationale for developing the regional networks to be supported by this project is the critical need for sound policy frameworks for PES to achieve both environmental and social objectives. Project planning included national inventories of policies and institutions in six countries, which identified key weaknesses, including lack of a regulatory framework, lack of property rights for ecosystem services, weak linkages between PES projects and broader conservation policies, and others. Adequate policy support will be provided to ensure at least eight key policy innovations are developed and adopted in selected countries, sufficient to enable specific markets to emerge. The project addresses policy challenges in three ways:</p> <p>Direct support for policy formulation. The experts assembled as advisors for this project have strong policy experience and expertise, and have provided strategic input in the development of PES policies at both national and international levels. These include design support in the development of Mexico’s public system of watershed service payments; supporting South Africa’s exploratory work on regulation-based (cap and trade) conservation banking in the U.S. and analysis for the UNFCCC in identifying models for land-use-related carbon offset projects that</p>

<p>buyers to complete negotiations.</p> <p>The provision of information on international experiences on PES to policy makers, and even training courses, will not be a sufficient condition on its own to guarantee an enabling policy environment for PES.</p>	<p>provide rural livelihood and biodiversity benefits. There are policy elements in all components of the project, including the four sets of operational models. For example, the biodiversity offsets component will support the UN CBD, who during the 2006 COP agreed to develop guidelines for biodiversity offsets (UNEP/CBD/COP/8/25/Add.1) The Agri-environmental Payments component will collaborate with FAO to advise Ministers and senior policymakers around the world on 'best practice' for effective and equitable design.</p> <p>This project is about capacity-building and the regional networks will build the capacity of NGOs, practitioners and policy makers--through seminars, resource materials, case analyses and access to specialized expertise--so that they can in turn work to strengthen the PES policy framework in their countries, focused on specific policy issues. The regional networks will assist national leaders to design policies for PES that coordinate strategically with broader rural development and conservation objectives, and provide a forum for leaders to share lessons learned and examine new policy designs adapted to different political, economic and institutional contexts. The priorities for network activities will be established by a Coordinating Group of national leaders in PES in each region. This will support a nationally-led policy process that should be much more effective than the transfer of policy models from other countries that characterizes much current PES investment support. Small teams of PES experts with relevant experience will visit selected countries to provide input into policy design processes for selected PES programs, and lessons learned will be discussed with the regional networks.</p> <p>Learning from voluntary markets. Meanwhile, important experiences point to value of voluntary action during the development stage of PES markets. In carbon markets, the pioneering work of the Bio-carbon Fund and Community Carbon Fund, initially in non-regulated environments, has been critical to development of standards for regulated markets. Recent research from the Ecosystem Marketplace finds at least 10-12 million tons of voluntary carbon offsets were being marketed for \$150-200 million in 2005; much of this activity oriented to land use-related projects. Presently, voluntary markets offer more scope than regulated markets for integrating social and biodiversity objectives into carbon projects. The Forest Stewardship Council voluntary forest certification program for sustainable forest products offers an example of impact outside formal policy frameworks. A similar approach is being used in the Biodiversity Offset project, with voluntary offsets by national and international corporations, such as Anglo-American and Rio Tinto. The Biodiversity Offset "learning network" is developing standards that can lay the foundation for later regulatory approaches to biodiversity offsets, and teams from the network have already been invited by the governments of Mexico, China, Madagascar, France,</p>
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	<p>Ghana, and Uganda to support legislation on compensation schemes in those countries.</p> <p>Mobilize advocates for policy change. Will regulatory barriers limit the success of this project and PES more broadly? It is a valid point that policy development can be tricky and outside the influence of a small program like this. But the history of policy reform illustrates the role of pilot on-the-ground action in informing and empowering advocates mobilizing for policy change, and to provide legitimacy and trust in new policy approaches. The regional PES networks will encourage and develop coalitions of experts and actors to seek policy support for PES that genuinely benefits biodiversity, and to work out problems of policy design.</p> <p>Thus, the project has developed a coordinated strategy of creating a global market clearinghouse that disseminates information broadly and aggressively, plus a regional capacity-building strategy promoting and providing hands-on support to policy development in these regions, complemented by demonstrating new business models for PES on the ground. Clearly, changing policy is difficult, but this coordinated strategy provides a robust approach.</p>
<p>2) SCALE/LEVEL OF PES ACTIVITY</p> <p>Potential service buyers of PES usually look for local benefits. Thus, it seems rather doubtful how this link will be achieved through the project’s scheme of an “international” promotion of PES offers:</p> <p>Unless no direct relation exists between services to be paid for and benefits of the potential buyers, it is difficult to believe that project goals will be achieved.</p> <p>Most potential buyers are ready to pay for environmental services if they get some economic benefits instead (e.g. clean water). Such a local involvement of potential buyers is essential for most PES types. The question must at least be raised whether the proposed scheme of PES promotion may not be working at the wrong level.</p> <p>It seems that the project proponents are aware of this type of project risk. However, their response of covering more countries and several PES schemes, hoping that if one or another do not develop as expected, there would be at least some other schemes or countries with better results, may be considered rather questionable.</p>	<p>2) This point raises two central issues regarding scale—the scale at which ecosystem services are provided to buyers, and the scale at which strategic support is provided to assist PES working at diverse ecosystem scales.</p> <p>This project will work with PES initiatives providing ecosystem services for buyers at a range of scales: local (such as biodiversity important to local eco-tourist lodges or wild pollinators for local farmers), regional (such as urban watershed protection) and international (such as carbon market buyers seeking biodiversity-friendly offsets). Proposed analytical and enterprise development work focuses explicitly on honing the link between payments and ecosystem service benefits at the appropriate scale of buyers and sellers. For example, selected PES systems will be supported to develop institutions to aggregate numerous small-scale ecosystem stewards to sell services to large-scale buyers, and others to aggregate numerous buyers to buy stewardship services from a large resource (e.g., coastal resource users).</p> <p>The program is also designed to influence the development of PES at local, regional and international scales. The Biodiversity Offset and Forest Enterprise models will operate at the local/project enterprise level. The agri-environmental and coastal ecosystem protection PES will operate at the landscape/region-specific level. The Ecosystem Marketplace, managed at the global level, will make transparent information and best practice models (for different ecological scales) available to PES policymakers and practitioners around the world. The international and regional</p>

	<p>networking activities recognize the value of connecting and sharing PES experiences across scales and across sites, as well as building regional and national institutions that will support the further development of PES at multiple scale of ecosystem service demand and supply.</p> <p>The project proposal identifies a number of risks that PES initiatives working with the project may not all be successful in delivering ecosystem services to buyers, or benefiting buyers, as expected. Technical and business support provided by the project is expected to significantly reduce those risks.</p>
<p>3) ENSURING ECOSYSTEM SERVICES PAID FOR ARE DELIVERED. The follow-up on service sellers to guarantee that the services are correctly achieved seems not to be part of the current project. Ongoing GEF projects on PES spend a considerable effort on the follow-up on service sellers. This is not yet the case for this project. It needs to be adapted in this regard. The follow-up on the implementation of the negotiated services and the achievement of biodiversity outcomes cannot be left with the sellers and buyers of the services.</p>	<p>3) Ensuring the ecosystem services paid for by buyers are actually delivered is critical to the success of individual projects and to the credibility of PES generally. Regional network activities will, as a priority, provide technical support to sellers and other market actors in assessing project performance in terms of ecosystem services. All of the operational projects—on Biodiversity Offsets, Forest Ecosystem Enterprises, Agri-environment and Coastal marine—emphasize methodology development and testing in collaborating project sites to track ecosystem benefits. Each operational model is not only piloting, but developing best practice in the industry. The Ecosystem Marketplace (EM) is a strategic response to widely articulated need of ecosystem service buyers and sellers for information about such methodologies in the context of inadequate technical services The EM identifies and disseminates best practices and tools, and state-of-the-art monitoring approaches. The regional networks will build capacity of institutions within the regions to provide ongoing technical expertise and independent verification services over time, not dependent upon special projects.</p>
<p>4) TANGIBLE ACTIVITIES AND INDICATORS FOR OUTCOME ON OPERATIONAL MODELS Outcome 3 (Operational Models) is not very tangible: Outcome 3 is the one which is related to activities in the field, and thus to possible biodiversity outcomes. From the point of view of GEF objectives, it is the most crucial one. Therefore, we particularly regret that the activities and indicators described are not yet very tangible.</p> <p>5) CONSISTENT AND TANGIBLE OUTCOME INDICATORS The indicators are not sufficiently consistent. The promissory statements made below “contributions to key indicators of the business plan” (“would directly affect thirty projects; improve biodiversity outcomes directly of at least one million hectares in the two regions, and indirectly of at least two million hectares globally” - see above in our general comments) are not reflected in the project logical framework. This</p>	<p>4) The achievement of tangible local biodiversity benefits is a primary indicator of the effectiveness of the operational models. Direct biodiversity benefits in production landscapes (mosaics of production and conservation land uses) are anticipated on at least 1 million hectares, while indirect benefits are expected on at least 2 million hectares, and improved management practices for biodiversity conservation will be achieved on at least 600,000 hectares. These targets were indicated in the Prodoc Annex 13 on “tracking,” but were left out of the log-frame. This has now been remedied, in the amended log-frame, under the section on Objectives.</p> <p>The scale of on-the-ground activity related to the operational models is described below for each sub-component. Note that the number of PES initiatives for which support will be provided is higher than the number anticipated having significant biodiversity benefits, in order to be conservative, in light of non-project factors influencing success. Sites selected or in the pipeline are in areas of high biodiversity value.</p>

<p>inconsistency needs to be tackled.</p> <p>Furthermore, indicators on outcome 3 are so far as intangible as the description of the outcome itself (see our comment above).</p>	<p>3.1 Agri-Environmental Payments. The Agri-environmental Payments project will work directly to support design improvements and landscape-scale assessments in agri-environmental PES projects in 2-4 landscapes of high biodiversity value in Mesoamerica, Kenya and Uganda (candidate landscapes listed in Prodoc Annex 15d, which has been appended to the original Prodoc). Strategically sited, these are expected to conserve or restore biodiversity across large landscapes by providing ecological connectivity between fragments of natural habitat, and reducing ecological damage from agricultural production practices. A global learning network for PES in farming landscapes will include another 6 to 10 new and on-going projects (involving FAO, GEF, Katoomba Group members, and others) paying farmers and farming communities for ecosystem services to achieve landscape-scale biodiversity objectives, comparing different institutional models. Other details on the operational of the program may be found in Prodoc Annex 7.</p> <p>3.2: Business and Biodiversity Offsets: The Biodiversity Offsets project is working initially in 6 sites (Annex 15c), where its direct impact will be to ensure that there is no net loss of biodiversity at each of these sites. Additionally, each pilot developer is looking to mainstream biodiversity offsets into company-wide policy and therefore use the tool of offsets as a vehicle to achieve good biodiversity management across operations. The second phase of the program will incorporate another 6-8 pilot projects with “direct footprint offsets” – i.e. those (like those in the current pipeline) whose main impact on biodiversity arises from the conversion of habitat caused by their operations; and also pilot projects of “supply chain footprint offsets” – i.e. projects whose main impact on biodiversity arises from their supply chains, sourcing products (e.g. food producers and retailers, and general retailers). Details on the mechanism of the work may be found in Prodoc Annex 8.</p> <p>3.3 Forest Ecosystem Enterprises: The Business Development Facility has a pipeline of projects with over a million hectares of tropical forest ecosystems (see Annex 15a), for which new enterprises are being developed to enhance financial returns from biodiversity conservation. The BDF will bring business and market expertise to assist ongoing enterprises or organizations, including linkages to ecosystem service buyers, to develop and implement business plans. The pilots are expected to demonstrate the increased profitability arising from multiple ecosystem management approach to natural resource businesses. The project will screen and investigate other potential forest company clients (including community-based operations) in new regions in: West Africa, with a focus on Ghana; Mesoamerica, with a focus on Costa Rica; Southeast Asia and SW China, and India (see Annex 15b). More details on the mechanism of the work may be found in Prodoc Annex 9.</p>
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German Comment-August 2006:	Response:
<p>1) BUDGET / FINANCIAL MODALITIES: Inconsistencies in budget and co-financing figures should be resolved. A number of co-financiers have not yet signed confirmations.</p>	<p>1) In line with current GEF procedures, issues related to co-financing sign-off and ensuring a match between signatures and the presented figures will be resolved by the time of CEO endorsement.</p>
<p>2) BASELINE: The baseline is probably much larger than estimated and this should be re-assessed during the first year of project implementation.</p> <p>3) EXPERIENCE SHARING: In addition to the Katoomba Group and Forest Trends many other organizations play a major role in establishing PES systems and their experiences should be taken into account and their staff invited to participate in the regional networks. Learning networks such as the FAO-IUCN-GTZ-NL-CCAD project in Central America already exist. All experiences should be publicly available at www.ecosystemmarketplace.com.</p>	<p>2) We are in full agreement that there is currently a very wide range of work on PES being done by many actors and it is extremely difficult to track, or even fully mention, all of these. One of the products of the project will be a much better understanding of the what, where and who of PES, together with their lessons and experiences, and this will be brought together and made fully accessible to the general public through the ecosystem marketplace. We are aware that Germany, and many other GEF partners, are already major actors in this work and again, the intention is to establish linkages and sharing of learning between all of this work.</p> <p>3) While project efforts will be focused on Africa and Latin America, much work is also going on in other regions and it is important that lessons and experiences are drawn from these. As specific initiatives emerge or particular gaps are identified this information will be available through the ecosystem marketplace so that other partners can engage appropriately. Again, the information that will emerge and be shared as a result of the project removing barriers to this information sharing should greatly facilitate increased engagement and efficiency for all parties interested in PES worldwide.</p>
<p>4) REGIONAL APPROACHES: It would be useful to outline the additional countries in which the project will implement PES activities so that other partners can link into these initiatives. We assume that the project will focus its efforts and funds in Africa and Latin America.</p>	<p>4) While project efforts will be focused on Africa and Latin America, much work is also going on in other regions and it is important that lessons and experiences are drawn from these. As specific initiatives emerge or particular gaps are identified this information will be available through the ecosystem marketplace so that other partners can engage appropriately. Again, the information that will emerge and be shared as a result of the project removing barriers to this information sharing should greatly facilitate increased engagement and efficiency for all parties interested in PES worldwide.</p>
<p>5) EXECUTIVE SUMMARY: The Executive Summary is far too long.</p>	<p>5) We apologize for the length of the Executive Summary. Providing sufficient information to address all comments and questions, while at the same time keeping the summary brief, is an ongoing challenge.</p>
	<p>3.4 Coastal Marine Ecosystem Service Payments. The coastal project will work directly to design, implement and evaluate 2 new PES projects to protect marine protected areas. The pipeline of candidate sites is being developed with a focus on high-biodiversity-value coastal areas of Mesoamerica and Eastern/Southern Africa, with at least one tentatively linked to an Agri-environmental PES project with anticipated coastal benefits. Other details may be found in Prodoc, Annex 10.</p>

French Comment August 2006:	Response:
1) PES is one of the key instruments to cover the recurrent costs of biodiversity protection and their development is crucial. The strong role given to the private sector is welcomed but a stronger involvement of NGO's like WWF and CI which have extended experience and models in PES should be ensured, but they are only quoted as modest co-financiers. Coordination with other GEF PES initiatives is crucial; the rationale behind the choice of Forest Trends as global manager, particularly with respect to their expertise in agro-ecology, should be more thoroughly explained.	1) We fully agree with France regarding the importance of PES and welcome the support. The NGO's and the co-financing contributions listed are those specifically committed to this project. There are many more relevant initiatives and organizations involved in PES work and a central part of the project is to establish learning linkages between the many players and their experiences, including the full range of public, private, NGO and donor actors. Of the many actors involved in PES, Forest Trends and the Katoomba group are central and are leading the process of coordination and linkage between all of the actors, in addition to advancing specific initiatives themselves. They have extensive involvement in knowledge and learning systems and communities for agriculture and natural resource management. While not having expertise in all areas, they are very extensively networked into the government, private, NGO and academic communities who do carry this expertise.

b) GEF SECRETARIAT

GEF SEC Concept Agreement Review Comment-April 2006:	Response:
1) Please provide a complete budget including specific description of items to be funded by the GEF	1) Budget includes items to be funded by the GEF. Please see Table 10, Total Budget Project.
2) The complete budget should confirm that staff and consultant costs do not cover staff of international NGOs.	2) We confirm that the budget does not include costs associated with the staff of international NGOs. The budget includes only costs associated with the activities outlined in the project document.

c) REVIEW BY EXPERT FROM STAP ROSTER (IF REQUIRED)

STAP Recommendations of Nov. 15, 2005:	Response
Address equity issues explicitly	Expanded reference to equity issues in Annex on Community Face of Marketplace, community-related activities of Katoomba Groups pp.134-136, 137-140
Address full set of ecosystem services and not just specific commodities	This challenge has been specified among the policy challenges in the prodoc pp.16-17, 37
Address the sustainability of the individual PES projects in the learning networks	This point has been added to the section on Risks in the text about our role in relation to individual PES projects pg. 48
Address linkages with Climate Change, Land Degradation and International waters	Text has been added to clarify the strong relationship of project activities with Climate Change and Land Degradation, and potential contributions to International Waters pg. 26
Clarify existing strength of institutional linkages in the networks	The section on institutional partnerships indicates those with whom Forest Trends and Katoomba Group had strong relationships developed prior to the pdf-B pg. 55
Provide more detail on mechanisms for stakeholder involvement	Text provided in section on stakeholder involvement pp. 99-100

Ensure implementation of knowledge-sharing activities	Additional clarifying text in Annexes on regional Katoomba Groups and learning networks for the four biodiversity payment models pp. 137-139,147-151, 152-155, 156-160, 161-163
Consider whether targets are over-ambitious	Targets identified in Log-frame 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 Table 8
Reflect management challenges of this complex project as one of the project risks.	These risks are explicitly noted and discussed now in the section on project risks pg. 48

d) RESPONSE TO ADDITIONAL COMMENTS FROM GEF SECRETARIAT

PIPELINE ENTRY		RESPONSE TO CEO ENDORSEMENT REVIEW	
1. COUNTRY OWNERSHIP			
Country Eligibility: Adequate.			
Country Drivnness:			
<u>At pipeline entry:</u> Adequate	<u>Expected at Work Program inclusion:</u> It is noted that in the WPI submission, this proposed project has moved from a regional project to a global project since no countries have been selected for pilot schemes. Adequate	<u>Expected at CEO endorsement:</u>	
Endorsement :	<u>Expected at Work Program inclusion:</u>	<u>Expected at CEO endorsement:</u> Not applicable for global project	
2. PROGRAM AND POLICY CONFORMITY Program Designation and Conformity			
<u>At pipeline entry:</u>	<u>Expected at Work Program inclusion:</u> Please strengthen the conformity	<u>Expected at CEO endorsement:</u>	

	with SP2.		
Project Design <u>At pipeline entry:</u>	<u>Expected at Work Program inclusion:</u> Please update the baseline scenario. A lot has happened in this area since 2001. The logical framework and risks Section will be needed.	<u>Expected at CEO endorsement:</u> The logical framework is adequate with measurable indicators on results. Incremental cost reasoning and matrix are provided and adequate.	
	Whereas, at WPI submission there is a list of incremental costs, the Incremental Cost Analysis is lacking. Adequate at WPI resubmission.		RESPONSE TO CEO ENDORSEMENT REVIEW
	Whereas policy frameworks for PES might be helpful, caution should be exercised in the development of institutions. Lighter methods and tools, such as mainstreaming, should be explored.		
Sustainability (including financial sustainability)			
<u>At pipeline entry:</u>	<u>Expected at Work Program inclusion:</u> Profound approach to address factors influencing sustainability within and/or outside the project will be needed. Adequate.	<u>Expected at CEO endorsement:</u> Sufficient information is provided at this stage, however further strategy development and implementation needs to be ensured particularly for the regional networks and site based PES initiatives during project implementation.	
Replicability: <u>At pipeline entry:</u>	<u>Expected at Work Program inclusion:</u> Description of how the proposed	<u>Expected at CEO endorsement:</u> Adequate with relevant activities with budget.	RESPONSE TO CEO ENDORSEMENT REVIEW

	approach will be implemented needed. Adequate.		
Stakeholder Involvement: <i>At pipeline entry:</i> Adequate	<u>Expected at Work Program inclusion:</u> Adequate.	<u>Expected at CEO endorsement:</u> Adequate with expected active participation of private sector partners.	
Monitoring and Evaluation:			RESPONSE TO CEO ENDORSEMENT REVIEW
<i>At pipeline entry:</i>	<u>Expected at Work Program inclusion:</u> An M& E plan, including tracking tools for SP2, is needed.	<u>Expected at CEO endorsement:</u> Tracking tool has been provided.	
	SP2 Tracking Tools are lacking. Please provide SP2 Tracking Tools.	Adequate monitoring and evaluation plan has been provided.	
3. FINANCING			
Financing Plan			
<i>At pipeline entry:</i> "\$525,000 is for project preparation in 2004". Please provide TOR for the PDF-B.	<u>Expected at Work Program inclusion:</u> Estimated contribution by financing partners will be needed.	<u>Expected at CEO endorsement:</u> <u>At WPI:</u> Please provide a complete budget including specific description of items to be funded by the GEF.	We have revised the final budget for this submission in response to the GEF SEC's requests. Please see attached file "PIMS 3179 Atlas Budget".
	Financing plan adequate. The budget submitted omits to indicate the use of the GEF funds.	The complete budget should confirm that staff and consultant costs do not cover staff of international NGOs.	This was confirmed in responding to the GEF SEC Agreement Review (April 2006). Please see page 15 of CEO Endorsement Request Template.
		<u>At CEO Endorsement:</u> 1) All project management costs and technical consultant costs are charged to GEF finance. Considering the substantial co-financing sources that are identified	1) Co-financing will pay an equitable share of these expenses. We have revised the presentation of the Co-financing costs to identify the project management and technical consultant costs attributable to Co-financing separately. Forest Trends has also decreased the allocation of

		<p>and the existing initiatives of the Forest Trends, we expect cost sharing of these components. Please clarify and revise the costs.</p>	<p>RESPONSE TO CEO ENDORSEMENT REVIEW</p> <p>project management and consultant costs attributable to GEF.</p> <p>Project management costs, inclusive of direct project management and indirect costs, have been reduced to 10% of the total GEF budget.</p> <p>Previously, for Co-financing budgets, all costs required to achieve the activity were included within the activity budgets, including project management.</p> <p>We have revised Table a. on page 2 of the CEO template to reflect these changes.</p>
		<p>2) The consultancy costs are approximately half of the project budget (\$2.6M). We consider that this is very high compared to other projects. Please clarify and revise as necessary.</p>	<p>2) The consultancy costs account for a significant portion of the overall budget, due to the following:</p> <p>[A] The overall objective of this project is to build institutional capacity in developing countries to expand systems of payments for ecosystem services. To accomplish that goal we are engaging a broad group of experts to work with us and local stakeholders including communities and governments. This project is an intensive exercise in transferring knowledge and expertise to local stakeholders.</p> <p>[B] This program design does not include any large equipment or infrastructure expenses as may occur in other projects, causing a higher percentage of the budget for the consultants.</p> <p>[C] The total international consultant costs have increased reflecting additional capacity building</p>

			<p>activities for scaling up PES as a result of savings achieved by reducing project management costs</p> <p>We have included a greater recognition of GEF's RESPONSE TO CEO ENDORSEMENT REVIEW contribution to the Ecosystem Marketplace market for PES information and publication, including the translation of the Ecosystem Marketplace into Spanish and Portuguese. Audio visual and print costs represent 14% of the total GEF budget.</p>
		In addition, the total amount noted in table C of the CEO template is incorrect. Please revise.	Table c. had been corrected.
		3) The indirect cost of 17% towards the Forest Trends (in addition to the high personnel costs) is also very high. Please revise considering international standards. It is also not clear whether this is charged on top of the fees that are charged by UNOPS as all project components are categorized under the management of UNOPS. Please consider cost effectiveness and revise the budget.	<p>Project management costs, inclusive of direct project management and indirect costs, have been reduced to 10% of the total GEF budget.</p> <p>The total indirect costs, as a percentage of the project budget, is now less than 5%.</p> <p>The revised budget redistributes the savings in project management and indirect costs towards direct project outcomes in Activities 1 through 3.</p> <p>Forest Trends does not include the 6% UNOPS fee in its base for calculating indirect costs.</p>
		4) Over 100 co-financiers are identified for the project for a total of \$13.26 million. Please clarify and revise the co-finance based on below comments:	
		a. Some of the letters date back to 2004 and some of the activities seem to be completed in 2006 or earlier. Please review the letters again and update the co-financing table accordingly.	We have reviewed and updated the co-financing table. Certain co-financing which has already terminated, has been eliminated. All remaining co-financing is critical for baseline and project activities. Summarized justifications have been added to each of these remaining co-financing in

			<p>table 1.d. in the Request for CEO Endorsement document.</p> <p>RESPONSE TO CEO ENDORSEMENT REVIEW</p> <p>The BASELINE Co-Financing, represents baseline considered essential for achieving the GEF project objectives as detailed in the project log-frame included in the ProDoc. Baseline activities were completed primarily during 2005 or earlier and original letters support their Co-Financing commitment. (Please see Annex 1 A-B)</p> <p>The ON-GOING & FUTURE COMMITMENTS lists co-financing for those activities that are active in 2006 and continuing on to future years. All co-financing is documented with letters of commitment from the co-financing organizations. (Please see Annex 2 A, B, C, D, E & F)</p>
		<p>b. As per the GEF co-financing policy paper, GEF requires letters from sources including bilateral and multilateral donors, NGOs, etc, while small private sector and community partners are not necessary required. Some co-financing letters seem still missing, including DGF, FAO, WCS and more. Please provide an updated co-financing table that clearly indicates which letters are provided and not per the policy, and provide necessary letters which are missing.</p>	<p>Please note that the DGF and WCS letters were finalized in December 2006 and for this reason were included in our previous submission.</p> <p>We confirm that all letters of commitment listed in Table 1.d. of the Request for CEO Endorsement are included in the Annexes 1 A-B and 2 A-F.</p>

		Moreover please provide a letter or explanation on the prospect to raise co-finance from BBOP Advisory Committee, which is the single largest co-financier for the project (\$1.2M)	<p>RESPONSE TO CEO ENDORSEMENT REVIEW</p> <p>The calculation was in line with UNDP norms based on the days per year that each Advisor is estimated to contribute their cost. This estimate is based on each Advisor's level of participation in the Project. We have included a letter here with the list of Advisors, organizational affiliation and no of days expected to be contributed along with a brief outline of contributions.</p>
		<p>11 June 2007</p> <p>1) As requested earlier, pls provide details on the specific items that are charged to GEF, particularly under the project management costs on office facilities/equipments, travel, and miscellaneous. Table 10 does not provide necessary information required by the GEF. Following the financial details that are provided by other UNDP GEF proposals, please provide detail items and description for each cost listed in the table.</p>	<p>Detailed budget notes on all items charged to GEF have been provided following the PIMS budget in the PRODOC as requested.</p>
		<p>2) The consultancy fees for local consultants would average approx \$940 per day, and international consultants would average approx \$2,200 per day. The fees are extremely high and require revision.</p>	<p>Table c of the Request for CEO Endorsement refers to 738 weeks of International Consultant time and 680 weeks of Local Consultant time funded by the GEF.</p> <p>The average International Consultant weekly rate is \$2,998 and the daily rate is \$583. For Local Consultants, the average weekly rate is \$1,515 and daily rate is \$ 303.</p>

		3) The listed co-finance that were already spent before the GEF Council approval (Aug 2006) can not be accounted as co-finance of this project. The amount of funds used during 2004-05, accounts 17% of the listed co-finance (total of \$2.39 million). Please exclude these finance that are not eligible, and revise the co-finance table and figure.	The table has been revised and adjusted/reduced by \$2,593,340 to reflect request to remove funds spent prior to GEF Council approval in August 2006. Table A and D of the Request of CEO Endorsement and table 7 and 11 of the PRODOC have been revised accordingly.
		4) It is noted that the project management cost has been reduced to 12% of the total project budget. The project management cost charge to GEF is 5.6% of the total GEF contribution.	
Implementing Agency Fees			
<i>At pipeline entry:</i>	<i>Expected at Work Program inclusion:</i> Proposed IA fee.	<i>Expected at CEO endorsement:</i>	
4. INSTITUTIONAL COORDINATION AND SUPPORT Core Commitments and Linkages			
<i>At pipeline entry:</i>	<i>Expected at Work Program inclusion:</i> Please include linkages beyond the GEF family. Adequate.	<i>Expected at CEO endorsement:</i>	
Consultation, Coordination, Collaboration between IAs, and IAs and EAs, if appropriate			
<i>At pipeline entry:</i> Adequate.	<i>Expected at Work Program inclusion:</i> Adequate.	<i>Expected at CEO endorsement:</i>	
5. RESPONSE TO REVIEWS			

Council <i>At pipeline entry:</i>	<u>Expected at Work Program inclusion:</u>	<u>Expected at CEO endorsement:</u> Responses provided to the comments made by three council members and adequately reflected in the project design and information.	
Convention Secretariat <i>At pipeline entry:</i>	<u>Expected at Work Program inclusion:</u>	<u>Expected at CEO endorsement:</u>	
GEF Secretariat <i>At pipeline entry:</i> See comments below.	<u>Expected at Work Program inclusion:</u>	<u>Expected at CEO endorsement:</u>	
Other IAs and RDBs <i>At pipeline entry:</i>	<u>Expected at Work Program inclusion:</u>	<u>Expected at CEO endorsement:</u> n/a	
STAP <i>At pipeline entry:</i>	<u>Expected at Work Program inclusion:</u> Response to STAP comments satisfactory.	<u>Expected at CEO endorsement:</u> Responded adequately at WPI.	
Review by expert from STAP Roster <i>At pipeline entry:</i>	<u>Expected at Work Program inclusion:</u>	<u>Expected at CEO endorsement:</u>	
PDF B			
6. Terms of Reference Needed.	(relate to translating the pipeline entry criterion (met) to the WP inclusion criterion):		
<p>TOR for PDF-B received on May 4, 2005. The TOR could benefit from more coherence and consolidation (for example components 8, 9, & 10). Please also include in the TOR the following aspects:</p> <ol style="list-style-type: none"> 1. selection of countries 2. conformity with SP2 3. update of the baseline scenario with all the recent developments in PES and development of PES incremental cost criteria/guidelines 4. focus on the operational aspects and explore inclusion of pilots that could lead to replication. The proposed "institutionalizing the market place" component could only happen if it is meaningful to, and gets the support of, the users. For that they will need to be convinced with practical demonstrations. 5. confirmation of co-financing which appears to be sketchy for the moment <p>Please address World Bank comments dated 3/1/05.</p>			

7. Budget line items related to the TOR (including schedule):			
For auditing purpose, kindly confirm in writing that staff and consultant costs do not cover staff of international NGOs.			
Please include the Forest Trends staff (for management, coordination, etc.) as co-funding from Forest Trends.			
GENERAL COMMENTS			
<i>(for records purpose only, not pre-conditions)</i>			RESPONSE TO CEO ENDORSEMENT REVIEW
<u>At pipeline entry:</u>	<u>Expected at Work Program inclusion:</u>	<u>Expected at CEO endorsement:</u>	
	The comments presented in this review sheet are valid for the GEF-3 period only, given the changes in procedures and possible changes in country priorities expected in GEF-4. A final recommendation valid for GEF-3 only will be provided once funding availability becomes clear.	Please provide the PDFB completion report as required. 11 June 2007 PDF B completion report was submitted and is adequate. All funds have been used as planned with a larger co-finance than initially planned.	The PDF B completion report has been submitted.
SUMMARY RECOMMENDATIONS BY PROGRAM MANAGER			
<u>At pipeline entry:</u> Please address the following comments made by the GEF at the PDF-A stage in further development of the proposed project (refer to PDF-A comments for details). - Development of criteria to guide GEF interventions within the framework of the incremental cost rationale.	<u>Expected at Work Program inclusion:</u>	<u>Expected at CEO endorsement:</u> Please refer to the above comments, particularly on the financing section and the new requirements on PDF B completion report. Upon receipt of revised documents that adequately responds to the above comments and requirements, the PM will recommend the project for CEO endorsement.	

<p>- focus on viable size of PES operations, incentives and counter- effects, minimizing transaction costs.</p>			
		<p>11 June 2007</p> <p>Upon receipt of a revised document that adequately responds to the comments, particularly n the financing section, the PM will recommend the project for CEO endorsement.</p>	
<p>As indicated in the replicability section of the proposed project and in the GEFSEC comments on the PDF-A, there is a plethora of PES initiatives. The challenge of the proposed project will be to avoid duplication with on-going activities within and outside the GEF family.</p>		<p><i>Expected at CEO endorsement:</i> 31 Aug 2007</p> <p>Concern was raised by the GEF CEO regarding the high international technical assistance consultant budget (63% of the overall GEF project budget). After exploring few options, it was agreed among the proponent, UNDP, and the GEF CEO that the TA consultant budget will be reduced for 15% (\$400,000) and it will be covered by cofinance that would be mobilized during project implementation. The total GEF project budget for this project will be reduced to \$5.29 million from \$5.69 million. The proponent through UNDP will provide a revised project document, reflecting the new budget.</p>	<p>In response to the CEO's concern regarding the high international technical assistance budget the project has decreased this category in the GEF project budget by 15% or \$373,462. The activities affected remain critical to the project and the costs have been shifted away from the GEF project budget to be covered by cofinancing. Some of this additional co-financed budget has been raised over the last year since technical approval of the project by the GEF Council and the rest will be raised during project implementation.</p> <p>For Outcome 1 there is a decrease in GEF funded international consultants costs (\$192,384) associated with building up the Ecosystem Marketplace under the community oriented activities including the community expert and work on the website bulletin and other information outreach. Also GEF supported consultancies for activities related to global expert analysis on voluntary biodiversity/carbon markets, biodiversity conservation banking and wetland banking has been reduced.</p>

			<p>For Outcome 2 there is a reduction in GEF covered costs associated with developing national champions and stakeholders in the East and Southern Africa and Tropical America. The activities shifted to co-financing funds (\$105,000) include developing new business models (aggregating buyers and sellers).</p> <p>For Outcome 3.1 there is a shift in the activities associated with designing landscape approaches to biodiversity conservation. It is planned to further leverage the partners in this initiative to take up these costs (\$18,000) over the next 4 years.</p> <p>For Outcome 3.2 there is a reduction in the GEF international consultant costs associated with the establishment and implementation for business models for biodiversity offsets (\$25,000).</p> <p>For Outcome 3.4 there is a reduction in the costs for activities focused on coastal fisheries and flood protection PES models away from the GEF project budget to cofinancing. The project will work with the co-financing partners to raise the additional resources needed (\$6,000) over the course of project implementation.</p> <p>For Outcome 4.0 there is a shift of \$37,500 of the international consultant costs related to the overall management and administration of the project to cofinancing.</p>
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The proposed project is recommended for pipeline entry subject to provision of TOR for the PDF-B.			
3-15-05			
UNDP has confirmed that PDF-B TOR			
will be submitted in due course. The			
proposed project is recommended for			
pipeline entry.			
FURTHER PROCESSING			
<i>At pipeline entry:</i>	<i><u>Expected at Work Program inclusion:</u></i>	<i><u>Expected at CEO endorsement:</u></i>	
PDF-B TOR received on May 4, 2005 will be recommended for endorsement upon addressing of the above comments.			

3175 GLO FT GEF COFINANCING MATRIX	BASELINE 2004-2005		ON-GOING & FUTURE COMMITMENTS	
	CASH	IN KIND	CASH	IN KIND
TOTAL	2,373,090	0	5,297,482	6,139,700
AES 06			7,000	
ALCOA 06			15,000	
BBOP Advisory Committee 05-08				1,200,000
Bio Carbon Fund 05	20,000			
Brazilian US Consulate 06				3,200
Business for Sustainable Responsibility 06-08				55,000
CARE 05-08				9,000
Citigroup 04-05	300,000			
Citigroup 06-07			150,000	
CI - ALCOA 06			150,000	
CI - ALCOA 07			122,404	
Conservation International 05-06			60,000	
Conservation International 05-07)			25,000	
Conservation International 06-08				400,000
CI-USAID 05-08			573,619	
Development Grand Facility (DGF) 06-08			770,000	
DfID 04	237,886			
DfID 05	570,930			
DFID 06			132,341	
DGF 04	200,000			
Earthscan 06-08				240,000
Ecoagriculture Partners - TerrAfrica 06-08			450,000	
Ecoagriculture Partners 05-09			35,000	450,000
Ecotrust 05-08				140,000
Environmental Resource Trust			5,000	
FAO 06			48,000	
Forest Trends Board of Directors 05-08				403,200

3175 GLO FT GEF COFINANCING MATRIX	BASELINE 2004-2005		ON-GOING & FUTURE COMMITMENTS	
Fundacao Getulio Vargas 05-08				240,000
Fundacao O Boticario 06			5,000	
Global Forest Products 06-08				285,000
Gordon and Betty Moore Foundation 06			20,000	
Gordon and Betty Moore Foundation 06			442,532	
IDRC 06-07			57,294	
IFAD 05			40,000	
IFAD 06-07			150,000	
IFC 04	125,000			
INE 06-09				300,000
IPAM 06			5,000	
IUCN 05	10,000			
KGTA Advisory Group 06-09				98,000
LEAD 05-08				75,000
Mitsubishi 05			250,000	
Mitsubishi International Corporation 06			7,000	
Mitsubishi International Corporation 06			7,000	
Natural Resources Conservation Service 06			49,500	
Nature Harness Initiatives 05-08				20,000
NEMA 05-08				350,000
Netherlands Ministry of Foreign Affairs 02-06			135,000	
New Forests 05-08				400,000
O Boticario 06-07			50,000	
Packard Foundation 04	100,000			
Packard Foundation 05	150,000			
Precious Woods 07-09				240,000
PROFOR 05			85,000	
PROFOR 06			120,000	
Richard and Rhoda Goldman Fund 06-08			750,000	
Rights and Resources Group 05-08				400,000
SANBI 06				60,000
SECO 06-07			49,653	

Shell 06-09				236,000
3175 GLO FT GEF COFINANCING MATRIX	BASELINE 2004-2005		ON-GOING & FUTURE COMMITMENTS	
Sierra Gorda 06-09				400,300
Solano Partners 07-08				50,000
Strategic Research Institute 06-07				30,000
SURDNA 04-06	300,000			
The Nature Conservancy 04-06	20,000			
The Nature Conservancy 06			7,000	
The Nature Conservancy 06			25,000	
UK Forestry Commission 05-07			76,124	
UNDP 05	10,000			
UNEP 06			20,000	
US Forest Service 04-05	100,000			
US Forest Service 04-05(2)	124,637			
US Forest Service 05	124,637			
US Forest Service 06			123,224	
US Forest Service 06			10,000	
Wildlife Conservation Society 05-08				40,000
Wildlife Conservation Society 06-11			249,791	
Wildlife Conservation Society-Madagascar 06-08				15,000
World Wildlife Fund 06-07			20,000	
	2,393,090⁶	0	5,297,482	6,139,700
TOTAL CO-FINANCING				13,830,272

3. JUSTIFICATION FOR MAJOR CHANGES IN THE PROJECT, IF ANY⁷

⁶ This amount has been removed from total co-financing as requested.

⁷ Provide justifications for any major amendments in the project, including an increase of project amount exceeding 5% from the amount approved by the Council. Justification for such amendments and the project document will be circulated to the Council for a four-week review period. For procedures to the approval for major amendments, refer to the Council paper: [Project Cycle Update: Clarification of Policies and Procedures for Project Amendment and Drops/Cancellations, GEF/C.24/Inf.5](#)

N/A

4. REQUIRED ATTACHMENTS

- a) Project Appraisal Document
- b) Report on the Use of Project Preparation Grant- **ATTACHED**
- c) Confirmed letters of commitments from co-financiers (with English translations) : **ANNEX 1A & B BASELINE and ANNEX 2A, B, C, D, E & F ON-GOING AND FUTURE)**
- d) Agency Notification Template on Major Project Amendment and provide details of the amendment, if applicable. **N/A**