



PROJECT IDENTIFICATION FORM (PIF)

PROJECT TYPE: FULL-SIZED PROJECT
THE GEF TRUST FUND

Submission Date: 01 May 2012

PART I: PROJECT IDENTIFICATION

GEF PROJECT ID¹: 3989

PROJECT DURATION: 60 months

GEF AGENCY PROJECT ID: 5079

COUNTRY(IES): Kingdom of Morocco

PROJECT TITLE: A circular economy approach to agro-biodiversity conservation in the Souss-Massa Drâa Region of Morocco

GEF AGENCY(IES): UNDP

OTHER EXECUTING PARTNER(S): Ministry of Agriculture and Maritime Fisheries

GEF FOCAL AREA (S)²: Biodiversity

GEF-4 STRATEGIC PROGRAM(S): BD SO2 SP-4 and SP-5

NAME OF PARENT PROGRAM/UMBRELLA PROJECT (if applicable): MENARID

INDICATIVE CALENDAR	
Milestones	Expected Dates mm/dd/yyyy
Work Program (for FSP)	June 2009
CEO Endorsement/ Approval	31 March 2013
Agency Approval Date*	July 2013
Implementation Start	July 2013
Mid-term Evaluation	January 2016
Project Closing Date	June 2018

* Dependent upon receipt of letter of commitment from GEF trustee

A. PROJECT FRAMEWORK

Project Objective: The project aims at conserving agro-biodiversity and promoting local products (“produits du terroir”), through payments for ecosystem services in the Souss-Massa Drâa Region. Identified products of local and global importance are Argan (*Argania spinosa*), dates, figs, saffron rose and honey³.

Project Components	Investment, TA, or STA ^b	Expected Outcomes	Expected Outputs	Indicative GEF Financing ^a		Indicative Co-Financing ^a		Total (\$) c = a + b
				(\$ a)	%	(\$ b)	%	
1. Enabling environment for the conservation and promotion of PES schemes, especially where linked to the “produits du terroir” of SMDR	TA	1. Intra- and inter-ministerial policy dialogue and coordination promoted and established/strengthened 2. Legal context and relevant policies reviewed and strengthened to advance PES schemes, especially where linked to “produits du terroir”	Extensive reviews of the legal and policy frameworks, with concrete recommendations for enabling the promotion and development of PES schemes National and regional policy papers/strategies on PES for consideration and adoption by decision-makers Intra- and inter-ministerial working groups on PES established International and national study tours on PES (2 international and 4 national) One framework developed on PES for selected “produits du terroir”	193,876	30	450,000	70	643,876
2. Capacity building on local business development for PES schemes,	TA and Inv.	1. 2 MoUs signed with national technical training entities to develop and implement a capacity building	Training on: business planning; PES schemes; organic, biodiversity-friendly and climate change-resilient production techniques; labelling and certification; marketing; and	290,814	32	600,500	68	891,314

¹ Project ID number will be assigned by GEFSEC.

² Select only those focal areas from which GEF financing is requested.

³ The selection of products will be finalised during the PPG in line with national priorities with the Bureau for Value Chains (Direction des Filières) of the Ministry of Agriculture and Maritime Fisheries.

especially where linked to the “produits du terroir” of SMDR		<p>strategy</p> <p>2. Farmers and resource users trained on PES and organic, biodiversity-friendly and climate change-resilient production and marketing of key “produits du terroir”</p> <p>3. Improved capacity for extension services</p>	<p>conservation-friendly business services:</p> <p>a. Training of Trainers, 14 trainers in total;</p> <p>b. 34 training sessions for 860 farmers and resource users (average of 25 participants per session - 60 % women and youth).</p> <p>Training and capacity building/provision of necessary equipments for extension services operating in SMDR</p>					
3. Organic and biodiversity-friendly businesses involving the production, labelling and marketing of selected “produits du terroir”	Inv.	<p>1. Suitable certification schemes are identified and engaged</p> <p>2. Economically viable conservation-friendly business services are promoted and created</p> <p>3. Organic production of selected products is promoted and initiated</p> <p>4. Selected “produits du terroir” are labelled and adequately marketed</p>	<p>Review of relevant certification schemes and identification of one or several suitable recognised schemes ensuring added-value market potential</p> <p>At least 20 pilot sites for organic production of at least 3 “produits du terroir”</p> <p>Support in the establishment of economically viable, conservation-friendly business services</p> <p>Support to certification and marketing of organic products at all levels: local, regional national and international</p>	807,301	30	1,800,000	70	2,607,301
4. Pilot PES schemes for agro-biodiversity	Inv.	<p>1. Pilot PES schemes focused on agro-biodiversity are established, and key ecosystem services and biodiversity, including Argan forests, are sustainably managed and more effectively protected</p> <p>2. Local livelihoods are raised and diversified in environmentally-vulnerable areas with a specific focus on women and youth</p>	<p>At least 20 pilot PES investments established with farmers, generating the expected income streams to local communities</p> <p>PES revenues are used for, and lead to, sustainable land management and an enhanced conservation of ecosystem services and biodiversity including agro-biodiversity and Argan</p> <p>Restoration and conservation of an additional 1100 ha (an average of 80 trees/ha) of Argan forests.</p> <p>Farmers-to-farmers exchanges to upscale effective PES schemes</p> <p>Awareness raising on the value of agro-biodiversity, especially Argan, at local and regional levels</p>	1,090,554	33	2,200,000	67	3,290,554

5. Project Management		264,727	37	449,500	63	714,227
Total project costs		2,647,272		5,500,000		8,147,272

^a List the \$ by project components. The percentage is the share of GEF and Co-financing respectively of the total amount for the component.

^b TA = Technical Assistance; STA = Scientific & Technical Analysis.

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

Sources of Co-financing	Type of Co-financing	Project
Project Government Contribution	Grant and in-kind	3,900,000
GEF Agency (UNDP)	Grant (TRAC)	200,000
Bilateral aid agencies	To be explored and confirmed	0
Private Sector	To be explored and confirmed	800,000
Others	Beneficiaries (in kind)	600,000
Total Co-financing		5,500,000

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

	Previous Project Preparation Amount (a) ⁴	Project (b)	Total c = a + b	Agency Fee
GEF financing	NA	2,647,272*	2,647,272 *	264,727
Co-financing	NA	5,500,000	5,500,000	
Total	NA	8,147,272	8,147,272	264,727**

* Excluding PPG funding and associated fees (total of USD 88,000).

** Excluding PPG fees

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

This is a single focal area, single country and single GEF Agency project.

PART II: PROJECT JUSTIFICATION

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

One of Morocco's administrative regions, the Souss-Massa Drâa Region (SMDR) is situated in central Morocco, covering an area of about 70,880 km² (about 9.9 % of Morocco's total area) that extends in a narrow band from the Atlantic coast across the Atlas to the Algerian border. The region provides livelihoods for about 3.5 million people in what is the country's most important region for agricultural production. It is dominated by arid and semi-arid climatic conditions with a decreasing humidity gradient from north to south. Despite the harsh environmental conditions, agriculture represents the main activity in the SMDR. Agricultural activity is particularly concentrated in the watersheds of the Souss-Massa and Drâa rivers while the inland plains are suffering increased risks of desertification and land degradation problems. The region produces an average of 3.5 % of the national cereal production and significantly contributes to the total national production of fruits (53 % of exports) and vegetables (83 % of tomato exports). Furthermore, the SMDR is characterized by its unique "produits du terroir", which significantly contribute to the local livelihoods in the region and the national economy at large.

Livestock raising represents another main activity in the SMDR. In 2006, livestock was estimated at 2.7 million animals (11.3 % of the national total). Since 1990 an average annual decrease by 1.5% has been recorded, yet the SMDR remains one of the most important regions for livestock activities in Morocco. Livestock grazing pressure on the vulnerable and decreasing natural resource base is contributing significantly to the problems of desertification and land degradation, which are expected to be further compounded by climate change.

⁴ Include project preparation funds that were previously approved but exclude PPGs that are awaiting approval.

Natural forests in the SMDR extend over 1.2 million ha, representing 17% of the regional and 13% of the 9 million ha total national forest cover. The SMDR is host to the Argan tree (*Argania spinosa*, monospecific, Sapotaceae; aka Moroccan Ironwood), a species endemic to Morocco. Two thirds of the forests in the SMDR are composed of Argan, the fruit and oil of which are of great importance for the livelihoods of local communities. However the characteristic forests are threatened by charcoal-making, grazing, and increasingly intensive cultivation – Argan forests shrunk by about half during the last 100 years and an average of 600 ha of Argan forests continue to be lost each year.

In the last two decades, the SMDR has suffered increased drought and desertification problems, caused by climate variability and increased human pressure through the removal of vegetation, extensive extraction of natural resources, unsustainable agricultural practices and over-grazing. Limited market opportunities and limited private investments have also contributed to the degradation of the resource base in the SMDR, and have exacerbated the linkages between poverty and environmental degradation. The region requires innovative approaches to ecosystem conservation and further capacity to overcome technical, institutional, policy and legal bottlenecks to bring current development on a more sustainable path. At the same time the characteristics of the SMDR – the wealth in diversity of local and endemic products and local know-how – offer ample opportunities for the successful application of innovative approaches to sustainable rural development, involving payments for ecosystem services in particular.

To halt the loss and degradation of Argan forests, the Government of Morocco with UNESCO in 1998 created the 2.5 million ha Biosphere Reserve of Arganeraï. Since then, several programmes – including by the EU, the GIZ and the Moroccan Agency for Social Development – were implemented to promote the conservation and sustainable management of the endangered Argan ecosystem; these have produced interesting results in terms of income generation and capacity building that the present project can build on (see in Section D).

The SMDR moreover holds the National Park of Souss-Massa and Aglou which occupies a band along the Atlantic coast between Agadir and Tiznit, covering a total area of 63,800 ha. The park was created in 1991 and comprises mostly a variety of coastal and dune habitats and of breeding sites for species of global importance – most importantly three of the four Moroccan colonies of the Critically Endangered Northern Bald Ibis *Geronticus eremita*.

The proposed project approach is based on the Circular Economy Concept⁵ and aims to contribute to efforts targeting a sustainable management of the natural resource base and the agro-biodiversity resources of the SMDR. The project will target the poverty-biodiversity degradation nexus through the promotion of a range of “produits du terroir” and of payment for ecosystem services schemes in the SMDR. Support to the rural poor in the SMDR by the project will be investment-oriented and foster private sector involvement through the development of local entrepreneurship in order to promote high-quality value-added products of local and global importance such as Argan oil (*Argania spinosa*), saffron rose, dates, figs, and honey⁶.

The project will entail a combination of activities that would target the enabling environment and bottlenecks while progressively promoting conservation efforts and PES investments. The proposed project will be articulated around 5 main components.

Component 1: Enabling environment for the conservation and promotion of PES schemes, especially where linked to the “produits du terroir” of SMDR: This component will drive the needed institutional, policy and legal shifts required to promote the proposed project model for sustainability through PES and innovative investments packages. This component will ensure that adequate policy and legal reviews and recommendations are undertaken and used to promote PES approaches to conservation. It will also entail a focus on cross-sectoral coordination and the establishment of intra- and inter-ministerial working groups on PES to align approaches and coordinate enabling efforts. This component will also include visits and study tours (local and international) to foster knowledge exchange and promote the enabling environment to upscale or replicate good experiences from other countries or regions. To further build the enabling environment for PES schemes to expand, the project will work towards the preparation of a framework on PES supporting the sustainable use and conservation of local products and related ecosystem services. The framework will define the methodology for valuing and scoring farm practices and the level of ecosystem service provision, which will determine the reward and payment levels and structures for the scheme. A possibility would be to develop a “produits du terroir” farm sustainability scorecard based on the services and related activities: (i)

⁵ See for example: www.thecirculareconomy.org; http://en.wikipedia.org/wiki/Circular_economy; www.ellenmacarthurfoundation.org/about/circular-economy;

⁶ The selection of products will be finalised during the PPG in line with national priorities with the Bureau for Value Chains (Direction des Filières) of the Ministry of Agriculture and Maritime Fisheries.

biodiversity conservation services through: enhanced on-farm habitat through biodiversity-friendly tree diversification over and beyond commercial diversification, on farm set-asides and reduced deforestation of protected areas through agreements with local farming communities; (ii) water quality through reduction in use of pesticides due to integrated crop management; (iii) water availability through riparian strips and maintenance of precipitation and micro-climate through forest cover; (iv) pollination through floral maintenance; (v) carbon sequestration through increased on-farm forest cover and rehabilitation of degraded land; and (vi) overall soil fertility maintenance and erosion control through reforestation on degraded lands and soil management. The project will also set up the delivery mechanisms to ensure farming communities receive their reward payments in an efficient manner and the payments will be made at the community level based on aggregate farmer performance. The framework will define the private sector engagement strategy in PES schemes. National and regional policy papers or strategies on PES will be produced for consideration by decision makers.

Component 2: Capacity building on local business development for PES schemes, especially where linked to the “produits du terroir” of SMDR: This component will drive the capacity building efforts to backstop the investment. Capacity building will be a targeted effort and will seek to train key stakeholders, to provide the necessary knowledge and tools to upscale and disseminate the project approach and related investment packages, and to promote biodiversity-friendly business services on a pilot basis. Training will be provided to farmers and resource users (men, women and youth) and extension services will be supported and trained to improve their capacity in backstopping local stakeholders in designing and implanting project activities. Beneficiaries will be trained on themes such as biodiversity-friendly production methods of key “produits du terroir”, organic farming, PES schemes, business planning, marketing, labelling and certification, etc.

Component 3: Organic and biodiversity-friendly businesses involving the production, labelling and marketing of selected “produits du terroir”: Promotion of organic farming and labelling of selected “produits du terroir” in the SMDR will lead to (i) income increases for local beneficiaries and other stakeholders (ii) the sustainability of production systems as well as agro-biodiversity conservation. This component will contribute to the efforts for organic farming promotion for specific products/varieties of the SMDR. This component will be investment-oriented and will target at least 20 pilot sites for organic production of at least three “produits du terroir” of the region. It will in parallel seek to provide support to the marketing, certification and labelling of selected products from the region. There is evidence for demand and supply for organic products, Argan oil and other “produits du terroir” in both the domestic and the international markets; yet, demand is highest in the international market, offering opportunities for significant income generation if access to markets is assured.

Component 4: Pilot PES schemes for agro-biodiversity: This component puts emphasis on the pilot investment on PES in the SMDR as a means for achieving more sustainable land management and the conservation and sustainable use of agro-biodiversity and related ecosystem services; while at the same time increasing revenue streams to local communities. It will establish at least 20 pilot PES investment schemes with farmers and will simultaneously promote farmer-to-farmer exchanges to ensure effective up-scaling of PES schemes. It will build on Component 1 ensuring that lessons learnt and good practices are embedded in the schemes developed by the project. This component will raise awareness at the local level about the importance of conserving agro-biodiversity, and especially the Argan tree. The investment side of this sub-component will furthermore lead to the restoration and conservation of an additional 1100 ha of Argan forests. The project will hereby promote a PES approach to agro-biodiversity conservation – increasing the income of local communities also through this avenue and complementing revenues generated through the production and marketing of the added-value “produits du terroir” under Component 2. Targeted ecosystem services are soil conservation, regulation and maintenance of agro-biodiversity including Argan, and conservation of water resources and ecosystem hydrology function in targeted areas. The project’s PPG phase and the PES framework developed under Component 1 will further analyse the supply-demand chain for PES in Morocco and the project area in particular, to ensure an appropriate design of the pilot PES schemes.

Component 5: Project management: this component will be dedicated to project management and monitoring and evaluation. It will also ensure that knowledge and best practices that are generated from the project are disseminated within the MENARID programme and beyond.

The project will yield global environmental benefits through the conservation and restoration of habitats and key species such as *Argania spinosa* (100 % of global Argan exists in Morocco and 90 % is located in the SMDR). Through this investment the GEF involvement will contribute to the conservation and sustainable use, and where possible restoration of Argan forest areas (which are currently being lost at a rate of 600 ha/year). Through PES schemes, organic farming and agro-biodiversity conservation efforts the project will maintain rare varieties and

endemic taxa and products of global importance in the SMDR, noting that the region represents an important and vulnerable part of Morocco's share in the Mediterranean Biodiversity Hotspot. The project will also indirectly mitigate climate change effects through the plantation and conservation of the vegetation cover and the reduction in soil erosion and desertification rates. Activities such as organic farming and PES will promote sustainable agricultural production systems in the region leading to less pressure on the ecosystems and their services (water resources, biodiversity including habitats for wild species, etc).

B. DESCRIBE THE CONSISTENCY OF THE PROJECT WITH NATIONAL/REGIONAL PRIORITIES/PLANS:

The proposed project establishes direct and clear linkages with the new Green Morocco Plan (Plan Maroc Vert⁷), Morocco national agricultural strategy, whose primary goal is a competitive upgrading of the sector through modernisation, greater integration into the world market and the creation of wealth along the whole value chain – while assuring a sustainable management of natural resources. The project builds on the 2nd pillar of the Plan Maroc Vert by mainly targeting small farms focusing on the reduction of poverty by significantly increasing the agricultural income of the most vulnerable farmers, particularly in mountain and marginal zones. The project also builds on and works towards the objectives of the 2020 Strategy for Sustainable Rural Development by contributing to the increase in agricultural production, the increase in opportunities for agricultural employment and income, and the reduction in anthropogenic environmental degradation. The project is also relevant and contributes to the objectives of the Morocco's National Poverty Reduction Strategy which is represented through the National Human Development Initiative. The NHDI was launched by the Kingdom of Morocco in May 2005 with the aim of reducing poverty, vulnerability and social marginalization.

Moreover the project will contribute to Morocco's work and engagement towards the implementation of the three Rio conventions, notably on the UNCCD and the CBD, through its focus on sustainable agriculture and land management, on the conservation of key ecosystems and on the nexus between development objectives and environmental sustainability. In this respect, the project also establishes direct linkages with the strategic priorities of Morocco's 2nd National Biodiversity Strategy and Action Plan (December 2005), and particularly Objectives 1.3 "Integrating the conservation and sustainable use of biodiversity"; 3.2 "Awareness programmes for specific target populations"; and 4.1 "Updating of the national legal framework to respond to the country's new needs".

The SMDR is the largest region for agricultural activities in Morocco where farming provides a livelihood for about 3.2 million people. The farming of "produits du terroir" is one of the most important economic development sectors in the SMDR and has an important place in the development initiatives that are undertaken by the government in the region as well.

C. DESCRIBE THE CONSISTENCY OF THE PROJECT WITH GEF STRATEGIES AND STRATEGIC PROGRAMS: JUSTIFY THE TYPE OF FINANCING SUPPORT PROVIDED WITH THE GEF RESOURCES:

Under the Biodiversity focal area, the proposed project will support BD-SO2 "Mainstream biodiversity in production landscapes and sectors" through SP-4-Policy and SP-5-Markets. Under SP-4 "Strengthening the policy and regulatory frameworks for mainstreaming biodiversity" in the production systems, the project will establish the policies required to mainstream biodiversity into the production systems through the circular economy approach and the promotion of payments for ecosystem services. In line with GEF strategies, the project will develop institutional capacities at all levels for biodiversity mainstreaming; and will contribute to removing critical bottlenecks and barriers for PES development in agricultural production systems in the SMDR and in Morocco in general. Under SP-5 "Fostering Markets for Biodiversity Goods and Services", the project will develop the institutional capacity for financial instruments that promote the conservation of agro-biodiversity goods and services, as well as the design and implementation of pilot PES schemes at the community level. GEF resources will cover incremental costs associated with the above investment and enable in particular a strengthening of efforts to conserve and sustainably use forests of Argan (*Argania spinosa*), a unique species and habitat of global importance.

D. OUTLINE THE COORDINATION WITH OTHER RELATED INITIATIVES:

The project will seek to coordinate and establish synergies with all relevant projects and experiences in the country, as well as with selected regional and global initiatives.

⁷ http://www.ada.gov.ma/Plan_Maroc_Vert/plan-maroc-vert.php

First of all, the project falls under the wider umbrella of the GEF's MENARID Programme (*Integrated Nature Resources Management the Middle East and North Africa Region Program*) a multi-focal program integrating land degradation, international waters, climate change adaptation, and biodiversity that "adopts an integrated approach to natural resources management in the drylands to improve the economic and social well-being of targeted communities through the restoration and maintenance of key ecosystem functions". The project will mainly target MENARID's PR 1 and PR2 (corresponding also to Components 1 and 2 of the programme). By generating lessons learned it will also feed into the cross-cutting Component 4 of MENARID.

Then, the project will engage and receive support from UNDP's *Green Commodities Facility*⁸ (GCF), whose mission is to "connect global markets with national governments and farmers to strengthen national capacity for scaling up sustainable agricultural and marine commodities production around the world"; the GCF manages a global portfolio of national-level commodity-focused programmes and platforms that remove barriers and institutionalize systemic approaches and resources for scaling up the production of sustainable commodities - addressing environmental externalities within the supply chain, strengthening financial sustainability for technical assistance, reforming policy to level the production playing field and incentivising sustainability.

Moreover, the project will build on lessons from UNDP-GEF's landmark global project on *Institutionalizing Payments for Ecosystem Services*, which has since 2007 been developing tools for PES in the agricultural sector, and reviewed other related global, regional and national efforts. Expertise from this project will feed into the proposed PES framework and schemes. Project components on the promotion of the enabling environment for PES in particular will help in establishing synergies with key partners and similar projects through the study tours and exchanges among policy makers and farmers.

Finally, to establish synergies and capitalise on lessons learned the project will consult with recent and ongoing programmes at local and national level, working on the "produits de terroir" and the Argan ecosystem, namely the "Projet Arganeraie" implemented by the Agency for Social Development and supported by the EU, and the "Projet Conservation et Développement de l'Arganeraie" implemented by the High Commission for Water & Forestry and the Fight against Desertification with the technical support of the German International Cooperation Agency (GIZ). The latter project developed a public-private partnership (PPP) between the Union of Argan Oil Women Cooperatives (UCFA⁹), GIZ and a private German company. The result is a high-value Argan oil production, certified USDA organic and implementing HACCP¹⁰ systems. The present project will not replicate these initiatives but build on them producing complementary results by widening the focus to further "produits de terroir" and by incorporating PES schemes in the revenue generation and land conservation management schemes.

E. DISCUSS THE VALUE-ADDED OF GEF INVOLVEMENT IN THE PROJECT DEMONSTRATED THROUGH INCREMENTAL REASONING :

Baseline scenario without GEF Scenario

The Government of Morocco gives a particular priority to sustainable agricultural development in the SMDR; to achieving food security and reducing poverty through the optimum use of natural resources such as soil and water; and to making rural financial and marketing services available to farming households. These objectives are recognized and reflected in most of the donor's operations in the SMDR as well. The baseline scenario places emphasis on local livelihoods and the provision of opportunities for on-and-off farm incomes. The baseline scenario seeks to (i) enhance natural resource management based on integrated land and water conservation, (ii) establish a solid foundation for investments in small and micro farm business ventures based on sound business plans, and (iii) provide capacity-building, institutional strengthening and enabling conditions to foster opportunities for increased income and employment in the farm and off-farm segments of the rural economy in the SMDR. The baseline scenario identifies Argan as one of the key species in the region that should be protected and it provides ample background for traditional natural resource management. However the particular focus on soil and water conservation places too little emphasis on the conservation and sustainable use of biodiversity including agro-biodiversity; and, most importantly in the context of this project, the baseline scenario does not integrate innovative market mechanisms such as payments for

⁸ <http://greencommodities.org>

⁹ L'Union des Coopératives des Femmes pour la production et la commercialisation de l'huile d'Argane et des produits agricoles Tissaliwine, <http://www.cooperative-argane.com/ucfa/>

¹⁰ Hazard Analysis Critical Control Point System

ecosystem services, which could provide valuable new approaches to effectively render agricultural landscapes more productive and more biodiversity-friendly at the same time, including through ecosystem restoration efforts.

Alternative scenario

The GEF-supported scenario will assist activities that complement the existing baseline project by providing support for the incremental costs associated with interventions addressing agro-biodiversity loss, in conjunction with baseline efforts to maintain ecosystem services in the production landscapes of the SMDR. The alternative will build on, and strengthen the baseline. Government efforts, in particular – through the foreseen GEF measures to create an enabling environment for PES and biodiversity mainstreaming – will move forward substantially through the proposed circular economy approach in an innovative manner that would not otherwise be achieved. The component on promoting the enabling environment for PES will contribute to providing an effective environment for PES promotion, which to date has been insufficiently considered under the baseline scenario. Also, empowering the management and technical capacities of farmers and their organizations in the SMDR, and national institutions to design, implement and manage PES schemes and organic food production systems will ensure that such approaches are sustainable, and can be replicated and up-scaled. Building the capacity of farmers and promoting exchanges among them in innovative market-based incentive approaches, as well as establishing on-the-ground pilot PES mechanisms, would mark evidence on the relationship between sustainable natural resource management and the successful provision of biodiversity services. The GEF investment will bring a significant contribution to incremental conservation efforts in the SMDR, by targeting non-sustainable land use practices causing the degradation of Argan forests - which would otherwise receive insufficient funding under the baseline scenario. In addition, the financial and ecological sustainability of production systems will be improved, through the targeted investment support to labelling and organic production of promising endemic products of the region. Finally, the alternative scenario will contribute to the knowledge and experience on PES and circular economy approaches in the country and in the region at large, which would otherwise be insufficiently considered and replicated.

F. INDICATE RISKS, INCLUDING CLIMATE CHANGE RISKS, THAT MIGHT PREVENT THE PROJECT OBJECTIVE(S) FROM BEING ACHIEVED, AND IF POSSIBLE INCLUDING RISK MITIGATION MEASURES THAT WILL BE TAKEN:

RISK	MITIGATION
<p>Capacity: Low capacity of national institutions to efficiently contribute to project objectives and drive its implementation process. The line ministry may not have the adequate tools to drive the investment. Capacity to implement demand-driven PES investment needs may be limited at the moment.</p>	<p>Institutional strengthening is recognized as a priority, and so is the need to build up a sustainable system. Both enabling environment and capacity will be targeted and enhanced to ensure cost-effectiveness. At the local level, participatory approaches and training as well as support to the extension services will ensure the project is driven by local demand backed up with adequate expertise.</p>
<p>Inter-ministerial coordination: There is a risk that inter-ministerial coordination and integration fails. SMDR may face difficulties in coordinating project activities with other institutions outside MAMF.</p>	<p>The project will pay careful attention to institutional setup and improved coordination between all stakeholders. A clear institutional setup will be established and clear roles and responsibilities defined and monitored. An inter-ministerial working group on PES is foreseen to mitigate such risk.</p>
<p>Risk associated with climate change: According to climate projections, climate change may increase the occurrence of droughts in Morocco. Drought years may sharply reduce yields of smallholder farmers and drastically reduce their income; decreasing land productivity is likely to increase pressure on resources through horizontal expansion of agricultural activities and grazing, and through unsustainable extraction from areas of global importance such as Argan forests. This situation could be aggravated further by desertification processes.</p>	<p>The project will help prevent climate risks and mitigate their consequences through the promotion of sustainable agricultural production systems and, particularly, the diversification of sources of income as adaptation measures. Project design will pay careful attention to the risks associated with climate change, climate variability and desertification processes in the SMDR.</p>

<p>PES/Compensation mechanisms: Compensation mechanisms based on PES schemes and aimed at generating positive externalities could be too difficult to implement and ineffective in channelling payments from beneficiaries to ecosystem service providers.</p>	<p>Cost-effective and adequate delivery mechanisms for PES will be defined during project design and their implementation be subjected to specific reviews and adaptive management. Relevant studies and experiences from UNDP and other agencies and institutions in the design and delivery of PES will be taken into account.</p>
<p>Timeframe: Promoting an enabling environment for the mainstreaming of biodiversity into production landscapes may take far longer than a typical 5-year GEF project, and may result in a loss of momentum and failure to meet stakeholder expectations.</p>	<p>The timeframe for promoting an enabling environment for mainstreaming will be adequately planned and realistically assessed. Adaptive management could be another effective mitigation measure of this risk. Moreover, the commitment of the Government of Morocco to the sustainable development of agriculture in the SMDR will ensure post-project sustainability, if results are promising.</p>
<p>Lost momentum: This project has witnessed significant delays since being first proposed and GEF work programme inclusion. There is a risk that the momentum has been lost and the project faces resistance and low credibility amongst stakeholders when it is eventually launched.</p>	<p>Recent consultations demonstrate that the interest in government – especially MAMF – remains high (as exemplified by an increase in the co-finance allocated by the government). Outreach to local and regional stakeholders has not yet created any expectations, wherefore a confident and rapid progress in project development should be able to mobilise all relevant actors.</p>

G. DESCRIBE, IF POSSIBLE, THE EXPECTED COST-EFFECTIVENESS OF THE PROJECT:

The project is mainly investment-oriented with a view to maximizing the impact per GEF dollar. The GEF project will be fully blended with government efforts and operate in the same target area, thereby reducing transaction costs. Project management and monitoring & evaluation costs will be maintained at the lowest possible level allowing effective oversight. In addition, coupling activities of the GEF-project with the larger umbrella of the government involvement in the SMDR will reduce costs in relation to farmer’s organizations and engagement and further reduce the share of “soft activities”, leading to stronger investment and higher return. GEF investments will support targeted capacity-building and training at both the national and local levels. This two-pronged approach is cost-effective, given that behavioural shifts beneficial to people and ecosystems at the local level will need to be complemented by actions at the policy (national) level that secure an enabling environment driving such change. Furthermore, the use of market-based mechanisms (PES) will provide incentives for, and facilitate the adoption of mainstreaming practices and involvement by, the private sector. Careful design of profitable/sustainable PES schemes will be given priority. At the same time, the PES schemes will consider lessons from other schemes (facilitated through the international and local study tours) in order to circumvent the typical challenges that such compensation mechanisms face.

H. JUSTIFY THE COMPARATIVE ADVANTAGE OF GEF AGENCY:

One of UNDP signature programmes is ‘Mainstreaming biodiversity management objectives into economic sector activities, to ensure that production processes maintain essential ecosystem functions that sustain human welfare’, and the agency oversees a large portfolio of such projects across the globe including in the Arab States region, delivering concrete results both with regard to systemic aspects and on the ground. Across its project portfolio UNDP has also demonstrated expertise in promoting and implementing sustainable land management practices, and in the design and implementation of economic instruments and innovative financial mechanisms including PES at the global, national and local levels. UNDP plays a leading role globally in capacity development, including for biodiversity, and also has extensive experience in integrated policy development, human resources development, institutional strengthening, and non-governmental and community participation.

In addition, UNDP has an established national office in Rabat, with good technical and management expertise and with well-developed working relationships with the key stakeholders of the project. At least three professional staff and one support staff are directly in charge of the environment portfolio, in addition to senior management and operation support. Moreover, the project will benefit from the backstopping by UNDP’s regional service centres including a francophone UNDP-GEF Regional Technical Advisor dedicated to Ecosystems and Biodiversity based in Bratislava, Slovakia who will provide technical guidance during development, implementation and monitoring of the project.

The project is in line with the recently endorsed UNDAF (2012-2016) which is aligned with national environmental priorities. In particular, the project will fall under the 5th Cooperation Area, being the “Protection of the environment, disaster prevention, and the management of natural risks and climate change”; and it will contribute to UNDAF Outcomes 3 and 5, being respectively “Vulnerabilities and inequities, especially those related to gender, are reduced through support to policies and strategies and to socio-economic development programmes” and “The principles of the ‘National Charter for the Environment and Sustainable Development’ are implemented in a way ensuring consistency between sectoral strategies and priorities in the fields of environment, climate change adaptation and risk management, and by strengthening the territorial convergence in the most vulnerable areas and populations, with special attention to gender”. Furthermore, the project is in conformity with UNDP Morocco’s Country Programme Document 2012-2016: UNDP will support the development/coordination and implementation of national and territorial strategies with special attention to low carbon resilient climate change, gender and a focus on the most vulnerable populations and areas.

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

A. RECORD OF ENDORSEMENT OF GEF OPERATIONAL FOCAL POINT (S) ON BEHALF OF THE GOVERNMENT(S):
(Please attach the [country endorsement letter\(s\)](#) or [regional endorsement letter\(s\)](#) with this template).

NAME	POSITION	MINISTRY	DATE
Mr Mohamed Benyahia	Le Directeur du Partenariat, de la Communication et de la Coopération. GEF Operational Focal Point for Morocco.	Ministère de l’Energie, des Mines, de l’Eau et de l’Environnement	06 March 2012

B. GEF AGENCY(IES) CERTIFICATION

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

Agency Coordinator, Agency name	Signature	Date	Project Contact Person	Telephone	Email Address
Yannick Glemarec, Executive Coordinator, UNDP/GEF		01 May 2012	Yves de Soye, Regional Technical Advisor and Financing Specialist, Ecosystems & Biodiversity	+421 2 59337 332; +421 911 360 250	yves.desoye@undp.org
Please do not forget to copy the UNDP/GEF Registry on official communications: undpgef@undp.org					