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Folder ID: 1328899

Series: Liaison files - Non-governmental and international agencies

Dates: 05/28/1992 – 09/14/1993

Subfonds: Records of President Barber B. Conable

Fonds: Records of the Office of the President

ISAD Reference Code: WB IBRD/IDA EXC-11-50S

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**GLOBAL
ENVIRONMENT
FACILITY**

**GEF REPLENISHMENT PAPER
Financing Needs for GEF II**

Paper for Discussion at the GEF Replenishment Meeting
in Beijing, China

GEF/RE.93/1
May, 1993

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GEF REPLENISHMENT PAPER Financing Needs for the GEF II

1. INTRODUCTION

1. At the 1992 United Nations Conference on Environment and Development (UNCED) in Rio de Janeiro, world leaders agreed that environmental problems could only be addressed in a worldwide partnership. As part of this partnership, UNCED endorsed the Global Environment Facility (GEF) as a source of additional grant and concessional funding designed to achieve global environmental benefits by covering the agreed incremental costs. In addition, the GEF was designated as the interim funding mechanism for both the Climate Change and the Biological Diversity conventions.

2. The GEF's Pilot Phase, which started before the Rio conference, will be ending in June, 1994, and its funding will need to be replenished if it is to continue operating in its restricted form. The first formal replenishment meeting will take place on May 25, 1993 in Beijing. In an informal replenishment session in Rome in March 1993, potential donors agreed to work towards concluding replenishment negotiations by December 1993, provided that the GEF is appropriately restructured and the evaluation of the Pilot Phase completed. These are occurring on a parallel schedule. The successful replenishment of the GEF would represent an important step towards an endorsement of the GEF as a principal funding mechanism for activities designed to achieve global environmental benefits.

3. This paper, the first of several for the replenishment discussions, describes the uses for which financing is needed and lays out the recommended scope of activity for the next phase, which is referred to as GEF II. The proposed scope of GEF II (Chapters 3 and 4) is heavily influenced by the experience of the Pilot Phase, which is summarized in Chapter 2. It is also closely tailored to a forecast of specific and longer-term objectives of the global conventions for Climate Change and Biodiversity, as well as other international agreements for the protection of, respectively, the ozone layer and international waters.

4. Important dimensions of the replenishment have yet to be resolved. Its size and the period over which the resources will be used, in particular, are currently uncertain. The full extent of donor willingness to replenish the Facility still needs to be established. In addition, GEF II's objective is in large part to serve the Climate Change and Biodiversity conventions. Its mandate and use of funds need to be synchronized with entry into force of the conventions and meetings of the Conference(s) of the Parties (COPs) which are to decide on policies, program priorities and eligibility

criteria related to the conventions. At this point, the first meeting of the COPs is expected to occur only in 1995.

5. This paper recommends that GEF II begin in July 1994 and that its operations be divided into two stages. The first stage would be a transitional stage, covering the period prior to the convening of the COPs sometime in 1995. During this stage, guidance to the GEF would be supplied by the Participants. The GEF Administrator's office will, through close contact with convention secretariats, interim bodies, and working groups, ensure that GEF priorities, programs, and projects are consistent with convention objectives and requirements. GEF commitment levels would remain at around the average for the Pilot Phase. Sometime after the conventions have entered into force, the GEF II would enter its second stage, when most of the funds would be committed. This would allow GEF operations to be guided by the COPs. In terms of size, a range of SDR 2-3 billion, equivalent to US\$ 2.8-4.2¹ billion, is currently proposed for consideration by donors as most likely to be within the range of what is needed in order to provide substantial support to convention objectives as well as other GEF II tasks. The time period would be three to five years, depending whether the replenishment is closer to SDR 2 or 3 billion.

6. The present uncertainty regarding the size and time period covered by GEF II will be resolved by the time the replenishment negotiations reach their final stages, and the final replenishment report will be specific about replenishment size and time period. Since the conventions will not yet be in force and the COPs will not yet have met by December 1993, some flexibility will need to be built into the replenishment report to allow the GEF to respond to the priorities as they are set by the conventions.

Background to GEF II

7. GEF has its roots in the late 1980s, when people and governments became increasingly aware of the need for international action to combat global environmental problems. A number of studies, notably that of the 1987 Brundtland Commission, concluded that additional funding was needed for environmentally sound development and protection of the world's resources. After considerable preparatory work by a number of governments and the United Nations Environment Programme (UNEP), the United Nations Development Programme (UNDP), and the World Bank, the Global Environment Facility (GEF) was established as a three-year pilot program on March 14, 1991. The GEF's current mandate is to provide grant funds² to developing countries for investment projects, technical assistance, and--to a lesser extent--research, all aimed at protecting the global environment, as distinct from the national environment. It was conceived as an experimental program, and for this reason the first three years of operations (March 1991 - June 1994) are referred to as the Pilot Phase.

¹ The exchange rate used throughout this report is: SDR1 = US\$1.4.

² A limited amount of concessional non-grant funding is also included in the GEF as cofinancing.

8. The Facility assists developing countries to contribute to solutions to four global environmental problems areas:

- Global warming, particularly the effects on the world's climate of greenhouse gas emissions resulting mainly from the use of fossil fuels and the destruction of carbon-absorbing forests;
- Destruction of biological diversity through the degradation of natural habitats and the overuse of natural resources;
- Pollution of international waters through, for example, oil spills and the accumulation of waste in oceans and international river systems; and
- Depletion of stratospheric ozone from emissions of chlorofluorocarbons (CFCs), halons, and other gases.

9. The countries eligible for GEF funding in its Pilot Phase are those with per capita income in 1989 of less than US\$ 4,000 and a UNDP program in place. Funding is designed to reimburse recipients for the additional ("incremental") costs of designing projects to achieve a global environmental benefit in the GEF's focal areas. The Facility has about US\$1.1 billion (SDR 800 million) to commit during the Pilot Phase. Funds are supplied from two distinct sources: the Global Environment Trust Fund (GET) -- the "core fund" -- with some US\$800 million in resources and a number of associated cofinancing arrangements totalling some US\$300 million, which are available on grant or highly concessional terms. As of March 31, 1993, 29 countries³, including 12 in the developing world, had pledged to the core fund. In addition to their contributions to the core fund, Belgium, Canada, Japan and Switzerland have separate cofinancing arrangements. Australia and the United States have not contributed to the core fund, but Australia has established cofinancing arrangements and the United States has established a system of parallel financing for GEF-type projects.

10. Responsibility for implementing the GEF's Pilot Phase has been shared among the UN Development Programme (UNDP), the UN Environment Programme (UNEP), and the World Bank. The Facility's organization was based on the understanding that no new bureaucracy would be created and that only modest organizational modifications would be made by the three implementing agencies. Within this framework the agencies play distinct roles based upon their respective mandates and comparative advantage:

- The UNDP is responsible for technical, operational, and capacity building activities and has, through its headquarters and worldwide network of offices,

³ Austria, Belgium, Brazil, Canada, China, Denmark, Egypt, Finland, France, Germany, India, Indonesia, Italy, Japan, Mexico, Morocco, the Netherlands, Norway, Pakistan, Spain, Sweden, Switzerland, Turkey and the United Kingdom.

identified, supervised, and implemented projects. It is also charged with running the Small Grants Programme for non-governmental organizations (NGOs);

- The UNEP provides the secretariat for the Scientific and Technical Advisory Panel (STAP) as well as environmental expertise for the GEF, and supports research and information dissemination activities; and
- The World Bank chairs and administers the Facility, manages the Trust Fund, and is responsible for investment projects.

11. During preparation for the Rio Summit, including negotiation of the Climate Change and Biodiversity Conventions, agreement was reached among governments that the GEF should be restructured to increase its effectiveness as a permanent international financing channel that may serve as the funding mechanism for the conventions should the parties to the conventions so desire. The document outlining the restructured Facility⁴ sets out several guiding principles that are summarized in Box 1. Embedded in the principles are universal participation and a decision-making system based on the equitable representation of the interests of donors and recipients.

12. UNCED endorsed the GEF as an appropriate funding mechanism to cover the agreed incremental costs of achieving agreed global environmental benefits. The GEF has been designated, on an interim basis, as the entity entrusted with the operation of the financial mechanism for both the Climate Change and the Biological Diversity conventions⁵. During the Rio conference, several donor countries said that they envisaged a new GEF with two to three times the amount of funding pledged during the Pilot Phase.

13. Following UNCED, participating governments continued discussions on restructuring the Facility at the December 1992 Participants' meeting in Abidjan. Agreement is being sought on the following issues: governance and decision-making in the Participants' Assembly, the legal status of the GEF, the links between the GEF and the Conventions, the roles of the Participants' Assembly, implementing agencies, Scientific and Technical Advisory Panel, and the GEF Chairperson and Secretariat. A work program has been prepared which identifies key issues to be resolved in three inter-dependent tracks: governance and management, replenishment (including evaluation), and program issues (including incremental costs).⁶

⁴ "The Pilot Phase and Beyond"; GEF Working Paper Number 1. May 1992.

⁵ See Article 21 of the Climate Change Convention and Article 39 of the Biodiversity Convention.

⁶ GEF Transition Planning Work Program - Tasks for 1993, GEF Administrator's Office December 1992. This informal paper was circulated to Participants following the Abidjan meeting.

BOX 1

PRINCIPLES OF GEF RESTRUCTURING

- Principle I:* The GEF would provide additional grant and concessional funding of the agreed incremental costs for achieving agreed global environmental benefits.
- Principle II:* The GEF would finance activities which benefit the global environment. It would continue to support its current four focal areas. Land degradation issues, primarily desertification and deforestation, as they relate to the focal areas of the Facility, would be eligible for financing.
- Principle III:* The GEF is available to function as the funding mechanism for agreed global environmental conventions, should the Parties to those Conventions so desire.
- Principle IV:* The GEF would assure the cost effectiveness of its activities in addressing the targeted global environmental issues.
- Principle V:* The GEF would fund programs and projects which are country driven and consistent with national priorities designed to support sustainable development.
- Principle VI:* The GEF would build on proven institutional structures, such as the partnership among UNDP, UNEP, and the World Bank, thus avoiding the creation of new institutions.
- Principle VII:* The GEF must be transparent and accountable to contributors and beneficiaries alike.
- Principle VIII:* The GEF would have sufficient flexibility to introduce modifications as the need arises.

2. THE GEF EXPERIENCE TO DATE

The Project Portfolio

14. The mix of projects funded during the Pilot Phase has broadly followed the Participants' original guidance. Tables 1 and 2 show the regional and subject breakdown of the GEF portfolio as of May 1993⁷. The dollar shares of biodiversity and climate change are about equal (42 percent and 40 percent respectively). A large inventory of unfunded biodiversity projects initially tipped the portfolio towards this focal area, but later, more global warming projects were developed and their share has been gradually moving towards its target. The international waters share of 17 percent is close to its 15 percent target. The share of ozone projects is relatively small, since developing countries' projects are funded through the Montreal Protocol Fund.⁸

15. With respect to geographic distribution, the Participants and partner agencies have made special efforts to achieve balance among regions. African countries, with lower levels of industrial activity, have proposed relatively few global warming projects. They have had a strong pipeline of biodiversity projects, though, which tend to require smaller investments.

TABLE 1
Projects in the GEF Work Program
(Tranches I - V)
(US\$ million)

	Africa	Asia	Arab States and Europe	Latin America and Caribbean	Global	Total	Percent
Biodiversity	76.2	75.1	31.6	107.8	12.8	303.5	42
Global Warming	55.0	128.5	55.2	29.9	27.4	296.0	40
Inter. Waters	16.0	38.0	45.9	19.5	2.6	121.9	17
Ozone	0.0	0.0	3.8	1.9	0.0	5.7	1
Total	147.2	241.6	136.4	159.1	43.8	727.1	100
Percent	20	33	19	22	6	100	

16. The formulation of the GEF's work program has been guided by the Scientific and Technical Advisory Panel (STAP). On the basis of broad guidance from Participants, STAP

⁷ Assumes the proposed Fifth Tranche, to be presented to Participants in May 1993, is approved. Fifth Tranche projects total US\$ 34 million, of which global warming 55 %, biodiversity 24 %, international waters 15 %, and ozone 5 %.

⁸ Finance for projects to protect the ozone layer normally comes from the Interim Fund of the Montreal Protocol on Substances that deplete the Ozone Layer. GEF finance is available only to eligible countries that have signed the Protocol but do not qualify for support under the interim fund because their ozone-depleting emissions are above the cut-off point of 0.3 kilograms per capita.

formulated criteria and priorities for project selection⁹. In addition, STAP reviews project proposals and advises on whether they meet the established criteria. Work program formulation and implementation have been guided by these criteria.

TABLE 2
Projects in the GEF Work Program
(Tranches I - V)
(Number of Projects)

	Africa	Asia	Arab States and Europe	Latin America and Caribbean	Global	Total	Percent
Biodiversity	17	11	8	14	4	54	48
Global Warming	10	11	8	7	7	43	38
Inter. Waters	2	2	7	2	1	14	12
Ozone	0	0	1	1	0	2	2
Total	29	24	24	24	12	113	100
Percent	26	21	21	21	11	100	

Projected Sources, Commitment and Disbursement of Funds in the Pilot Phase

17. **Sources.** As presented in the May 1993 Chairman's Report, the sources of funds for the entire Pilot Phase consist of:

	<u>US\$ million</u>
Contributions and pledges to the core fund	800.4
Actual and projected investment income from cash contributions	26.3
Projected conversion of co-financing contributions to core fund	35.5
Total	862.2

⁹ See "The Pilot Phase and Beyond", op.cit., ANNEX III. "Criteria for Eligibility and Priorities for Selection of GEF Projects."

18. **Commitments**¹⁰. The GEF Participants have approved US\$ 693 million to fund the work program in the first four tranches. A fifth tranche, amounting to US\$ 34 million will be presented to the Participants in May 1993, bringing the total of the five tranches together to US\$ 727 million. Administrative costs (US\$ 63 million), studies, and other non-project expenses (US\$ 33 million) for the period up to June 1994 are expected to amount to about US\$ 96 million bringing the total allocation to US\$ 823 million. Against the total sources of US\$ 862 million, this leaves about US\$ 39 million, which will be required to cover expenses related to the supervision of GEF activities through June 2000 as well as contingencies¹¹. Thus, by July 1994 the GEF will not be able to commit any funds to new activities unless donors replenish its funding. The GEF's authority to make new commitments is based on donors' deposits of notes and cash. Most countries need about six months between officially pledging contributions and making their deposits available. This means that, in order for the GEF to have authority to commit new funds by July 1994, donors should have completed the pledging process by December 1993.

19. **Disbursements**. To date, disbursements, or funds paid from GEF accounts to cover project expenditures, amount to about US\$19 million -- US\$ 11.4 million for Bank-managed projects, US\$ 6.5 million for UNDP managed activities, and US\$ 0.7 million for UNEP. This represents about 8 percent of the US\$ 252 million in committed funds.

20. While this disbursement level may seem low, it is in line with that of comparable projects. Figure I compares the actual and projected rates of GEF project disbursements -- for UNDP and World Bank separately -- with actual rates for World Bank project disbursements in three sectors that are in many ways similar to the GEF focal areas: energy and industry, agriculture, and water and sewage. It should be noted that even the oldest GEF project has been disbursing for only one year¹². At this stage the GEF projects' actual disbursement profile is not significantly different from that of comparable World Bank projects. Disbursements are typically slow during projects' early stages, when the project authorities are recruiting consultants, obtaining bids for equipment, organizing and staffing offices, and preparing work programs. World Bank projects typically follow an "S curve", with low disbursements in the first 12 to 18 months, then some four years of accelerated disbursements, tapering off during the final 2 to 2 1/2 years. GEF projects are expected

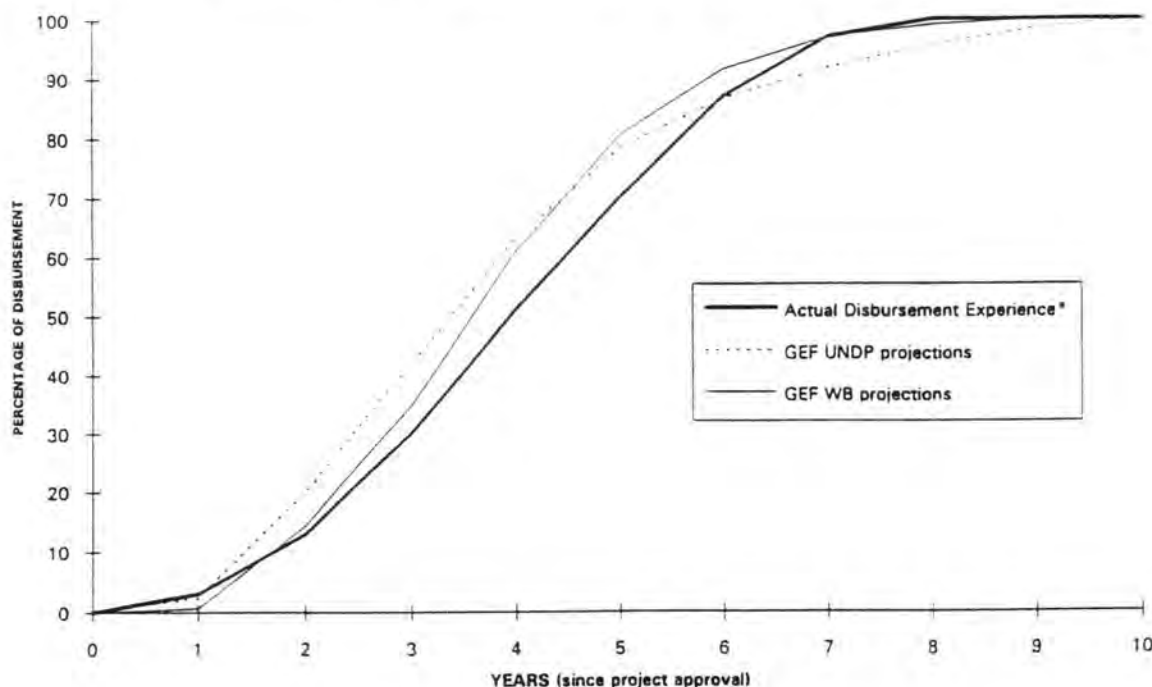
¹⁰ Commitments are made on the date when the signed legal funding documents of the approved projects are recognized by the parties involved. Disbursements typically start to flow some 6 months after this date. This differs from Work Program (Tranches) approval which represents endorsement by Participants to continue preparing projects.

¹¹ Details on sources and uses of funds are provided in the Chairman's Report to the May 1993 GEF Participants' Meeting, Volume 1, Table 9, page 21.

¹² In order to ensure the proper foundation for successful project implementation, some project agreements include conditions -- for example, key local project staff must be in place -- before disbursements can begin. These are known as project effectiveness conditions. In the case of GEF activities that are components of World Bank projects, it is not unusual to have the GEF component become effective simultaneously with the Bank project. Moreover, some projects cannot start disbursing until certain conditions essential for the success of the GEF project or of the World Bank project with which it is associated are met.

FIGURE 1

TYPICAL DISBURSEMENT EXPERIENCE AND GEF DISBURSEMENT PROJECTIONS



*1978-1991 Disbursement Experience for three comparator World Bank sectors: agriculture, energy/industry, water supply/sewerage

to follow a similar profile. Thus, in the next year or two, as GEF projects move past the early stage, disbursements for both UNDP and Bank activities, are expected to pick up rapidly, as reflected in Figure I. Moreover, UNDP's projects are projected to disburse more quickly, since they focus on technical assistance. Given the limited number of committed projects, it is difficult at this stage to draw a more precise picture of projected GEF disbursements. Disbursements will be monitored and periodic reports will be prepared for Participants. The issue will also be reviewed within the context of a planned internal review of GEF operations and in light of the results of the independent evaluation.

Lessons from the Pilot Phase

21. The GEF has been an important learning experience for the implementing agencies, the recipient governments and the donors. The evaluation has covered new areas (especially biodiversity), new modalities (including a pioneering relationship between the World Bank institutions and the United Nations agencies), and new relationships (between donors, recipients, and non-governmental organizations). Furthermore, it has proven sufficiently flexible to make many mid-course corrections to its policies and procedures.

BOX 2

THE INDEPENDENT EVALUATION

The objectives of the independent evaluation are: (i) to assess the progress, prospects and potential outcomes of the Pilot Phase and its relevance to overall GEF objectives; (ii) to examine GEF policies, procedures, and processes and their probable impact on GEF resource use and the achievement of objectives; and (iii) to make recommendations about the actions to be taken by each of the partner agencies and GEF Participants to ensure an effective and efficient use of GEF resources.

The evaluation will, in particular, examine the following subjects:

(i) Structure and Process:

The GEF's overall organization and management: coordination, cooperation and consultation within and among the implementing agencies, as well as distribution of responsibilities.

The project development process, from identification and preparation through appraisal, negotiation and initial implementation.

(ii) Performance:

The quality of the project portfolio in terms of GEF objectives and priorities.

Resource use, including administrative costs and returns on trust fund balances.

The evaluation will be jointly managed by the three senior executives responsible for the evaluation function in the three partner agencies. Experienced independent teams have been recruited to carry out the work. An Independent Panel of Experts, comprising two members of GEF Participant delegations and five other independent high-level experts in the fields of development, environment, and evaluation has been constituted to provide strategic and technical guidance to the evaluators. The Chairperson of the Panel, Mr. Alvaro Umana, reports to Participants through the GEF Chairman.

22. In order to assess the effectiveness and efficiency of this unique institution, the Participants requested an independent evaluation of the Pilot Phase. It started in April 1993 and is expected to be completed before the end of 1993. Box 2 summarizes the terms of reference for the evaluation. An independent panel of high-level experts has been created to guide the evaluation process; the GEF Chairman, on behalf of Participants, has appointed its members.

23. While awaiting the results of the independent evaluation, the implementing agencies have already identified a number of lessons during the Pilot Phase and their implications for future work. They are, of course, preliminary and will have to be viewed in light of the findings of the independent evaluation. These are summarized in the following paragraphs.

24. **Capacity building is important to achieving GEF's objectives.** Because governments - both in the developed and developing world - have only recently begun to respond to the GEF's priority issues, few governments have in place all the policies, laws, regulations, institutions, and technical capacity they need to design and implement effective remedies. Since GEF programs have to be implemented and ultimately sustained by national institutions and people, their pace and success depends upon a country's institutional capacity. In the Pilot Phase, some projects have been slow in starting because institutions lacked experienced personnel. The capacity building needed to alleviate this constraint requires sustained innovation in project development both in undertaking new approaches to global problems and in constantly adapting proven technologies in varied economic, institutional and cultural settings. Continued efforts in training people and strengthening (or in some cases, creating) institutions should therefore continue to be a central requirement for the use of future GEF funds.

25. **Community involvement is important in improving project design and management.** GEF projects that involve the sustainable use of forests, bodies of water or other natural resources can succeed only if local communities also benefit and thus support the project interventions. During the Pilot Phase, the implementing agencies and recipient governments have increased the level and quality of dialogue with affected and interested local communities. Facilitating this process should become increasingly important in GEF II.

26. **National level planning and coordination are important in many countries.** The Pilot Phase was largely geared towards identifying and implementing discrete demonstration projects in accordance with STAP guidelines and criteria. This approach will need to be adapted, as countries begin to be concerned about meeting their obligations under global conventions while focusing also on national priorities for environmentally sustainable development. The introduction of integrated country strategies to ensure maximum synergy between national and global objectives will be critical. National environmental action plans and sectoral policies (in energy and agriculture for example) can provide a useful platform to explore options. To further strengthen the focus on national policies and priorities, the GEF implementing agencies will try to improve coordination at the country level. The GEF is exploring ways to facilitate in-country coordination including the sponsoring of roundtables with governments and interested national groups and the use of national economic and environmental plans.

27. **The size of GEF projects is relevant for the achievement of maximum success and impact.** During the Pilot Phase, limitations were placed upon the size of the GEF contribution to any single project. In the case of climate change projects - primarily energy related - this represented a constraint to funding some large projects with potentially significant impacts. In biodiversity projects, on the other hand, some experts urged that more use be made of small-scale and highly focused projects, which may be more likely to produce well-defined results. Moreover, many countries have weak infrastructures to manage biodiversity projects. Scaling projects to a level commensurate with the institution's capacity, extending the Small Grants Programme to cover more countries, and identifying viable and cost-effective channels for funding small projects will form an important part of the strategy of assistance for biodiversity.

28. **Some kinds of GEF projects are particularly lengthy or difficult to prepare.** This is particularly true for biodiversity projects, which require considerable background scientific work. Many recipients lack the resources to undertake these efforts. The demand for preparatory assistance for complex and innovative projects led, after the Pilot Phase's second tranche, to the addition of a World Bank-managed Project Preparation Advance (PPA) funding to complement the UNDP-managed Pre-Investment Facility (PRIF). Funds committed to PPA and PRIF activities have increased steadily throughout the Pilot Phase; a total of 24 preparation grants have been approved to date. They are likely to continue to play an important role in GEF II.

29. **Special measures are needed to ensure that recurrent costs are adequately financed.** Some GEF-financed investments in biodiversity protection, such as protected areas, will require long-term government financing that may be beyond the likely budgetary capacity. The Pilot Phase has begun to test the use of trust funds and endowments to generate recurrent financing. There appears to be merit in expanding the use of trust funds and endowments to cover recurrent cost financing requirements for biodiversity protection.

30. **External consultation and technical input improves the portfolio.** While they sometimes cause delays or additional costs, external advice and commentary on project process have enhanced the design of many projects. Such commentary has been provided by the external technical and scientific specialists drawn from a roster of experts and by national and international consultations with external interested parties. Technical review panels have recommended improvements to more than three-quarters of investment projects, and their role will be further strengthened in GEF II.

31. **Project processing and development could be improved.** GEF recipients and the partner agencies are aware that the procedures for processing projects could be made more efficient. Improvements have already been made by coordinating project reviews by the World Bank and UNEP. In addition, the independent evaluation is likely to offer specific recommendations for improvement. These, along with the findings of an internal review undertaken as part of the governance work program, will be reported at the Participants' meeting later this year.

32. **The private sector offers opportunities to address global environmental concerns.** To date, relatively little attention has been given to the involvement of the private sector. Initial discussions have taken place between the GEF and private sector groups and there is considerable interest and potential for utilizing GEF resources in a highly leveraged and creative manner.

3. GEF II STRATEGY AND GLOBAL ENVIRONMENTAL GOALS

33. The replenishment of the GEF would enable it to :
- support the Climate Change and Biodiversity conventions, as well as, in a complementary role, the Montreal Protocol on Substances that Deplete the Ozone Layer;
 - assist in building up developing country capacities to deal with policy and program matters arising out of their commitment to the conventions;
 - play a continuing role in facilitating the introduction of new environmentally sound technologies in the developing world; and
 - achieve the scale and management capacity to effectively contribute to the solution of the global environmental problems it is assigned to address.

GEF II and the Conventions

34. The use of the replenishment resources in GEF II will need to be synchronized with the pace of the two conventions. The Conferences of the Parties (COP) for these conventions will decide on policy, program priorities, and eligibility criteria related to the conventions.¹³ However, the COPs may not be fully operative before 1995. The two conventions are expected to enter into force sometime in 1994 and the first meeting of the COPs convened in 1995.

35. Therefore, there are substantive advantages to dividing GEF II into two related stages. It is proposed, as a basis for discussion, that GEF II begin in July 1994 for either three or five years. Stage One would pre-date the first meeting of the Parties (after the conventions enter into force) and would provide essential assistance to countries to allow them to gear up for those conventions. Stage Two would be implemented after the COPs had met and could, therefore, gain from any guidance and direction that they could provide. If the conventions were to follow the schedule described above, Stage One would be about 1.5 years and Stage Two would cover 1.5 - 3.5 years, depending on whether the implementation period is three or five years. The period over which GEF II would be implemented would depend, in large part, upon the size of the replenishment.

36. The broad evolution of program and project funding during GEF II relative to the Pilot Phase and to key convention benchmarks are shown in Figures 2 and 3. During Stage One, the level of commitments would grow slowly, starting at an annual

¹³ Climate Change Convention, Article 11, para. 1; and Biological Diversity Convention, Article 21, para. 1.

Figure 2: Steps to GEF II

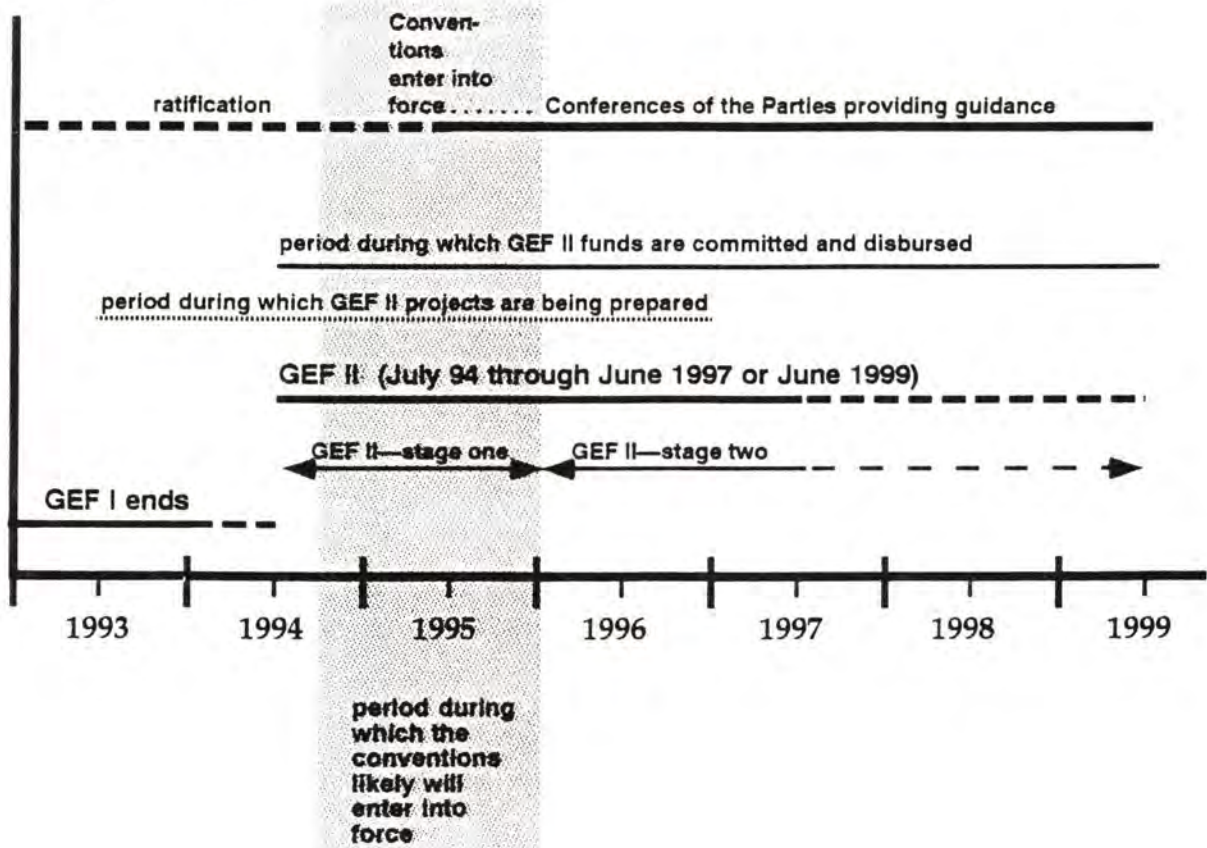
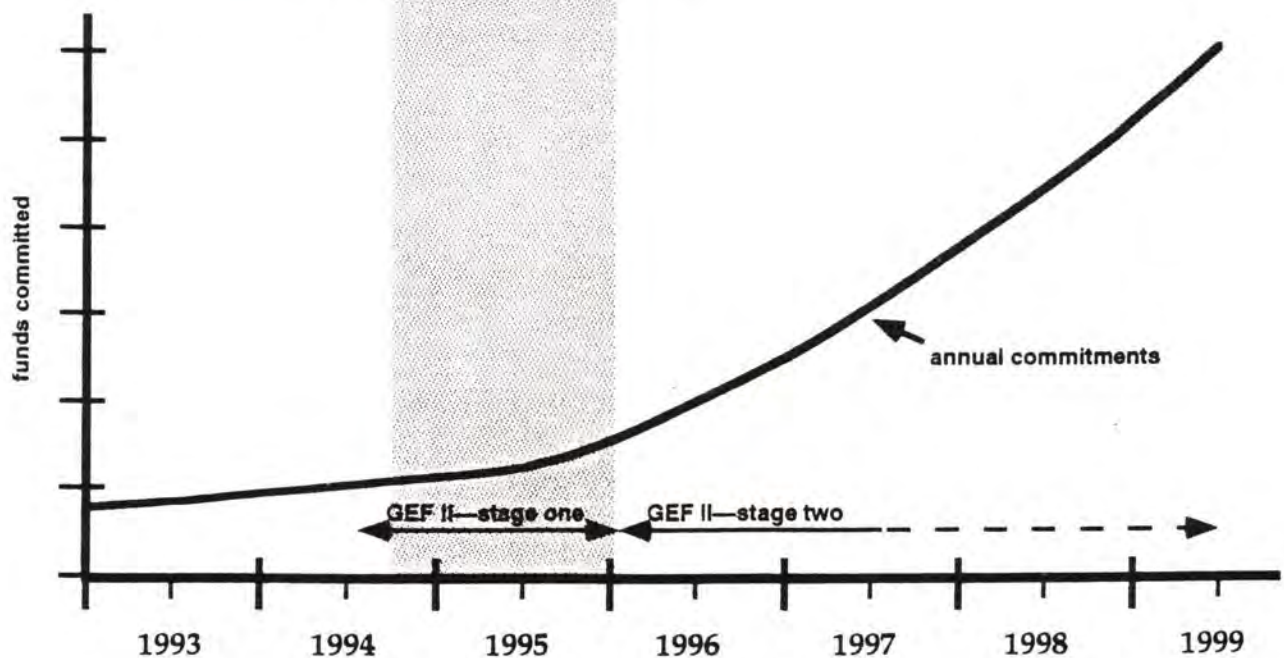


Figure 3: Anticipated Commitment Levels



average close to that of the Pilot Phase. Once the COPs have met--depicted here to occur in 1995--commitment levels would increase as the GEF enters a more active operational stage. Figure 3 shows the anticipated rate of growth of GEF commitments over a three or five year period.

37. This phasing would allow the GEF to maintain the momentum of the Pilot Phase, while enabling the bulk of the funds from the replenishment to be committed only after the COPs have been convened. At the same time, it would allow for the preliminary preparation of projects and activities before the GEF enters its second stage. Preparation of technical assistance and investment projects must begin well before Stage Two, in light of the intensive 12-18 month project preparation period. As Figure 2 indicates, the initial funding decisions in GEF II will be taken on projects that have been prepared during the Pilot Phase. Project preparation will take into account any guidance emanating from the interim bodies of the conventions during the first stage of GEF II.

38. Furthermore, until the two COPs are in a position to give active guidance to the GEF, the Participants will provide guidance and will continue to review all program proposals. The GEF Administrator's office will, through close contact with convention secretariats, interim bodies, and working groups, ensure that GEF priorities, programs, and projects are consistent with convention objectives and requirements.

General Principles Guiding GEF II Programming

39. **Focal Areas.** GEF II resources would continue to support the four focal areas currently funded by the Pilot Phase. These are global warming, biodiversity, international waters, and ozone depletion. To the extent that they relate to these four areas, land degradation issues, primarily desertification and deforestation, would be eligible for financing.¹⁴

40. The Biological Diversity and Climate Change conventions include a wide range of obligations. Some of these key obligations are summarized in Box 3.

41. **Strategic focus.** Based on these convention objectives and general obligations, lessons from the Pilot Phase, accepted knowledge and scientific expertise from UNEP and advisory panels about how to effectively address the four global environmental problems, and pending guidance from the COPs, GEF II would finance four broad types of activities:

- **Capacity building.** GEF II would help recipient countries develop their administrative and technical capabilities to undertake and manage programs and policies consistent with convention objectives. In addition, the Small Grants Programme could be used to support innovative approaches designed by local communities and non-governmental organizations.

¹⁴ The Pilot Phase and Beyond op cit see paragraph 1.03.

BOX 3

Excerpts from the Obligations of the Parties to the Framework Convention on Climate Change and the Parties to the Framework Convention on Biological Diversity.

Parties to the Climate Change Convention agree, when they ratify the Convention, to:

- Inventories:* "Develop, periodically update, publish and make available to the Conference of the Parties, in accordance with Article 12, national inventories of anthropogenic emission by sources and removals by sinks of all greenhouse gases not controlled by the Montreal Protocol, . . ." [Article 4 ¶1a]
- GHG programs:* "Formulate, implement, publish and regularly update national . . . programmes containing measures to mitigate climate change . . . and measures to facilitate adequate adaptation to climate change [Article 4 ¶1b]
- Scientific research:* "Promote and cooperate in scientific , technological, technical, socio-economic and other research, systematic observation and development of data archives related to the climate system . . . Article 4 ¶1g]
- Training:* "Promote and cooperate in education, training and public awareness related to climate change and encourage the widest participation in this process, including that of nongovernmental organizations; " [Article 4 ¶1i]

Parties to the Biological Diversity convention agree, when they ratify the Convention, to:

- Country studies:* "Develop national strategies, plans or programmes for the conservation and sustainable use of biological diversity . . ." [Article 6 ¶a]
- Conservation programs:* "Establish a system of protected areas or areas where special measures need to be taken to conserve biological diversity;" [Article 8 ¶a]
- Scientific research:* "promote and encourage research which contributes to the conservation and sustainable use of biological diversity . . . " [Article 12 ¶b]
- Training:* "Establish and maintain programmes for scientific and technical education and training in measures for the identification, conservation, and sustainable use of biological diversity and provide support for such education and training for the specific needs of developing countries;" [Article 12 ¶a]

- **National studies, strategies, and inventories.** The GEF could work closely with recipient countries to help them prepare the studies and/or strategies required of them under the terms of both the Climate Change and Biodiversity conventions. The development of country strategies would involve integrating global and national environment objectives and actions, finding ways to cost-effectively fund globally beneficial activities within the framework of national development programs, and assessing vulnerability to global environmental change.
- **Innovative projects.** GEF has supported trials of a number of innovations during its Pilot Phase. Some are ready for wider use. In keeping with its commitment to developing and demonstrating promising new technologies and approaches to address global environmental problems, the GEF could continue to support innovation, though at a lower overall percentage of the total portfolio than during the Pilot Phase.
- **Investment projects.** GEF II could provide increasing support to replicating those investments that have been shown to make cost-effective contributions as well as to providing opportunities for technological transfer to address the four global environmental objectives. Projects will need to be consistent with the overall strategy of recipient countries and within their implementation capability.

42. Together, these four types of activities represent a comprehensive, efficient way to strengthen a country's capacity to develop and implement its strategy for meeting convention objectives. Some funds could also be allocated for applying relevant, new scientific research to GEF activities, particularly to improve the scientific underpinnings of GEF project selection and design.

43. The mix of these activities could vary across the global objectives. The bulk of the funds could be expected to be used to support the climate change and biodiversity objectives. For ozone layer protection, the GEF could fund capacity building efforts and investments only in signatory countries that are ineligible for funding from the Multilateral Fund for the Implementation of the Montreal Protocol. In the area of international waters, GEF II could provide some support to countries that are already committed, through existing global or regional agreements and initiatives, to improve management of this vital resource. This is discussed further in Annex 1.

44. **Incremental costs.** One of the guiding principles for the restructured GEF is that its resources will be used to fund the agreed incremental costs for achieving global environment benefits. Analysis is now underway to find practical ways of identifying these costs taking into account the relevant provisions of the Climate Change and Biodiversity conventions, as well as experience under the Montreal Protocol. Much of this work should be completed by 1995. Box 4 provides a summary of issues arising from the concept of incremental costs.

BOX 4

INCREMENTAL COSTS

Incremental costs are the additional net costs incurred as a result of redesigning an activity, or selecting an alternate activity, relative to some baseline plan. When the baseline plan is designed to achieve only national benefits and when the redesign or alternate selection is made to meet a global environmental objective, the incremental cost is that of achieving the resulting global environmental benefits.

"Agreed incremental cost" is the principle upon which GEF grants would be based -- this is Principle I in *"The Global Environment Facility - The Pilot Phase and Beyond."* GEF funding is therefore intended to cover the full amount of the additional expenditure that is not offset by any additional nationally appropriated benefits. (In addition to Agenda 21 (para 33.16 (a) (iii)), both the Framework Convention on Climate Change and the Convention on Biological Diversity refer to "agreed full incremental costs," the meaning of which will be made clearer by the respective conferences of the parties after the conventions enter into force.)

Grants based on incremental costs could cover a wide range of expenditures. Although, in typical cases, the incremental cost will be a relatively small proportion of the total cost of the redesigned or alternate activity, there are cases where the incremental cost will be equal to the full cost of the activity. These cases are those where the baseline plan does not include any activity of the sort being proposed; this is clearly the case with greenhouse gas inventory studies, for example where there may be national benefits in undertaking the study.

In the GEF Pilot Phase, the concept of incremental costs was not explicit but was reflected in the types of projects to be funded (types 1 through 3) and was underscored by the Participants' view that a clear distinction was needed between GEF and regular development programs, with the former generating global environmental benefits. The incremental cost principle was difficult to apply uniformly in practice. This was because there was not always an agreed way to define the relevant baseline with respect to which the incremental costs and benefits were to be measured, to take account of the effects of national economic policy and industrial strategy on the resulting costs of achieving global environmental objectives, to treat the purely financial (as opposed to the economic) incremental costs, or to value environmental benefits or future cost savings.

For GEF II, the operational interpretation will be further developed and refined. A work program is underway to do this. It is focusing on methodology development and testing (through case studies) as well as dissemination of results. It will describe the conceptual, analytical, and program development issues inherent in the incremental cost principle; distinguish various types of incremental costs; and analyze the incentive structure and operational implications associated with various options for financing incremental costs.

45. Incremental costs may be more difficult to measure in the case of biological diversity. There is a risk that some countries would invest insufficiently in conservation of biodiversity because of lack of financing or income from conservation efforts. A large portion of the total cost of many biodiversity conservation measures is likely to be attributable to the global environment. Flexibility in interpretation and a pragmatic approach will be needed.

Responsibilities of Implementing Agencies

46. The three agencies together provide the complementary expertise to carry out the activities envisioned under GEF II. While Participants have not yet discussed future governance modalities with respect to the implementing agencies this paper assumes that their roles will be consistent with those performed under the Pilot Phase.

Expected GEF II Achievements

47. Under the guidance of the conventions on Climate Change and Biological Diversity, the ultimate goal of the GEF is to fund both cost-effective projects and complementary activities that will help countries reduce the adverse global impacts of their development programs. GEF II would be able to provide more systematic and effective ways to do this than was possible in the Pilot Phase.

48. With respect to the financing of programs and projects, GEF could:

- **strengthen the institutional capacity required to address the global environmental challenges.** Without improving this capacity at the national and regional levels, it will be difficult to make visible progress toward protecting the global environment. In accordance with GEF's commitment to universality, it would work toward building up capacity in all recipient countries.
- **provide, through its focus on multiple global objectives, cross-fertilization possible from unified management of the four GEF areas.** Tradeoffs and externalities across objectives can be factored into projects directly; thus the GEF would be able to finance projects which support two or more global objectives and avoid projects which have positive effects on one global area but negative effects on another. There are also more opportunities for cross-fertilization between local areas in, for instance, methods of strengthening implementation capacity.

- **leverage funds through complementary efforts with the World Bank, the regional development banks, UNDP IPFs, bilateral aid, the private sector, and other sources of co-financing.** The GEF would be able to integrate its projects with the regular development projects being financed by various alternative funding sources.
- **fund cost-effective investments which help the global environment.** Technology transfer is an important feature of the GEF II. It will be able to support, on a larger scale than in the Pilot Phase, the use of proven technologies and techniques that have been found to be viable in developed countries. In its testing of pilot projects, the GEF offers recipient countries the opportunity to explore the adaptation of technologies.

49. GEF II could also fund efforts which add to the body of knowledge for preserving the global commons and will emphasize dissemination of the lessons learned. For example, in the two major focal areas of climate change and biodiversity, the following information and experience are expected to emerge from GEF II. With respect to **climate change** GEF II could:

- identify costs and cost-effectiveness of measures to reduce greenhouse gas (GHG) emissions
- generate comparative data on existing and new technical options
- identify strategic options and tradeoffs
- rank measures in accordance with a global strategy--based on the incremental cost approach
- improve knowledge about transboundary and regional strategies which take advantage of location specific trade-offs and cost savings

With respect to **biodiversity**, GEF II could:

- improve the understanding of how to assess vulnerability (to all threats) of biologically diverse ecosystems
- improve the understanding of ways to measure project impacts, such as indicators of the loss of species or rate of deforestation
- develop effective conservation strategies, at national, regional and global levels
- evaluate projects proposed for funding via a more systematic way of comparing experience among different approaches to managing conservation

4. THE PROPOSED GEF II PROGRAM

Guiding Principles for the Use of Funds

50. It is expected that the GEF would continue to fund activities in its four focal areas, including land degradation issues as they relate to the four areas. The Participants have not indicated how the total funds would be divided among the focal areas, but by the completion of the Pilot Phase, about 42 percent of the total funding will have been allocated to climate change projects, 40 percent to biological diversity projects, 17 percent to protection of international waters, and 1 percent to protection of the ozone layer. These shares may be modified during GEF II by Participants to reflect guidance from the conventions, the pace of project development, and recipients' priorities and absorption capacities. Participants have noted that the primacy of the parties to each convention would be maintained with respect to policy and program priorities,¹⁵ and the GEF Implementing Agencies will co-operate closely with the conventions' InterGovernmental Negotiating Committees and COPs.

51. In the Pilot Phase, United Nations member countries with an annual per capita GDP in 1989 of less than US \$4000 equivalent were eligible to receive funds. It is assumed that this criterion will apply for GEF II. Under such a guideline, close to 100 countries would be eligible recipients. This general eligibility criterion could be supplemented or replaced by other criteria as the conventions enter into force. It is proposed that only countries that have signed the Convention on Climate Change should be eligible to receive GEF funds for climate change projects; similarly, only signatories to the Convention on Biological Diversity will be eligible for biological diversity projects. Later, the COPs of each convention may decide to link a country's eligibility to its progress in ratifying the convention. At all stages of GEF II the Participants and the implementing agencies will ensure that projects dealing with climate change and biological diversity are consistent with the objectives of the relevant convention and guidance by the COP.

Size of the Program: Potential and Constraints

52. These guidelines provide a framework for launching GEF II. Within this framework, the potential demand for funds is very large -- at least several times the approximately US\$ 0.7 billion committed in the three years of the Pilot Phase. There are several reasons for these substantial needs. Funding during the Pilot Phase was enough to finance investment projects of only about 23 out of some 100 potential recipient countries, so that to launch just a single operation in every country would imply a rough quadrupling of the pilot program. In addition, most countries require assistance in more than one focal area and in several geographic locations and economic sectors. Recipient countries have already prepared a number of high quality proposals that could not be considered for funding in the Pilot Phase. A number of pre-investment and technical assistance projects financed in the pilot stage are

¹⁵ The Pilot Phase and Beyond, op.cit., para 2.16

expected to generate proposals for investment projects. In addition, as part of their commitments under the two conventions, countries have agreed to begin collecting and sharing information -- an activity which the GEF could finance.

53. But the program's potential size is constrained by several factors. Many recipient countries see the need to substantially strengthen their capacity to design and implement complex projects. In particular, they require more technical, scientific and managerial persons with experience in sustainable development and global environmental problems, and their responsible agencies and institutions need to gain experience. For certain types of projects, especially in the area of biological diversity, the optimal project size has proven to be relatively small, as discussed in Chapter 2. Some kinds of projects have turned out to be unexpectedly difficult, costly or time-consuming to design and prepare. Finally, the pace at which the three implementing agencies can handle projects is determined by their staffing and procedures. They have begun to streamline their procedures and to recruit additional specialized personnel, so that they will be able to handle a significant increase in the size of the program.

54. The size of the replenishment must take into account not only these potentials and constraints, but also donors' willingness and ability to contribute funds. In order to offer material support for achieving objectives in the four focal areas, it is recommended that donors replenish the GEF at a level of SDR 2.0 to 3.0 billion (US\$ 2.8 to 4.2 billion), which would be committed during the period July 1, 1994 through June 30, 1999. An illustrative outline of a program of this size is described briefly in the following section summarized in Table 3 and in more detail in Annex 1.

Projected Composition of the GEF II Program

55. The nature of projects ultimately financed under GEF II will be determined by three factors: the project proposals put forward by the recipients in collaboration with the implementing agencies; guidance to the implementing agencies from the STAP¹⁶ and the Participants; and priorities recommended by the two conventions' interim bodies, the COPs and their respective scientific subsidiary bodies. While it is neither possible nor desirable to pre-determine the eventual allocation of funds, it is feasible to make some broad projections that reflect experience in the Pilot Phase, recipients' absorptive capacity and priorities, the implementing agencies' pipeline of related projects, and guidance already given by STAP and the Participants.

56. As noted in paragraph 41, the objectives of the projects to be funded in the next phase of the GEF fall into four broad categories:

¹⁶ As presented in the STAP's analytical framework documents: *Global Warming, An Analytical Framework* (Draft Nov. 92), *Protection of Biodiversity, An Analytical Framework* (Final Draft March 1993), and *International Waters, An Analytical Framework* (Draft March 1993). These analytical frameworks are expected to assist the implementing agencies in developing project proposals during Stage One, before guidance is received from the COPs.

- projects to strengthen national institutions and capacity to deal with global environmental problems;
- national studies, strategies and/or inventories that countries will undertake to meet their convention commitments to communicate information;
- projects to test and demonstrate innovative approaches; and
- cost-effective investment projects that will implement on a large scale proven technologies and approaches and that are consistent with the objectives of the conventions.

These categories are not rigidly defined and are not used for administrative purposes; they simply illustrate the kinds of objectives GEF II projects could have. It is important to note that projects classed as 'investment' projects almost always include some measure of staff training, research or institutional development that contribute to the objective of capacity building. Similarly, the preparation of national studies and plans often contribute to capacity building by providing experience, technical assistance and equipment to national research and governmental institutions.

57. In addition to these four categories, it is expected that GEF II would continue to finance a small number of **research** activities with critical linkages to operational issues. Under the guidance of UNEP and STAP, these would be selected to complement, where appropriate, research components of projects in the other categories.

58. Table 3, below, provides an illustration of the broad funding requirements that could be possible for the different themes and types of projects over the next phase of the GEF. Projects with joint product benefits in two or more of the GEF's focal areas, such as management of international waters for both biological diversity conservation and pollution prevention, have also been assigned a separate allocation in view of the interest expressed by Participants in such projects. The activities included in Table 3 would, of course, be subject to guidance from the COPs, especially in the outer years. Annex 1 provides more detail and background to the table.

59. The replenishment of the GEF would expand a pilot endeavor into one that could have a visible impact in helping developing countries implement programs which protect the global environment. The Earth Summit in Rio, as well as the Framework Conventions on Climate Change and Biological Diversity, and the Vienna Convention and Montreal Protocol to Phase out the Use of Ozone-depleting Substances, attest to the commitment of a wide spectrum of countries to help safeguard the global environment.

**Table 3: GEF II - POTENTIAL DEMAND FOR A REPLENISHMENT
 OF US\$ 2.8-4.2 BILLION^{1/}**

(Ranges, in US\$ Million, for discussion purposes only ^{2/})

	Climate Change	Biodiversity	International Waters	Ozone Layer	Cross-Sectoral	Total	Percent
Capacity Building	200-300	100-150	40-60	40-60	40-60	400-650	12-18%
Convention-Related Studies and Plans	150-200	70-110	-	-	-	200-300	6-9%
Innovative Projects	160-240	90-130	30-50	30-50	30-50	350-500	10-15%
Cost-Effective Projects	800-1200	450-700	200-300	200-300	200-300	1800-2700	55-75%
Total	1300-2000	700-1100	250-400	250-400	250-400	2800-4200	100%
Percent	40-50%	20-30%	8-12%	8-12%	8-12%	100%	

Notes:

1/ US\$ equivalent of SDR 2.0 to 3.0 billion

2/ Broad funding ranges derived from the midpoints of the percentage ranges

60. Addressing global environment problems will require not only commitment but also resources and time. Based on the experience of the Pilot Phase, a number of cost-effective activities are ready for application on a wider scale, while other promising technologies and approaches still remain to be tested. In order for these to be effective, many countries need to strengthen their analytically and institutional capacities, so that they are able to integrate globally beneficial actions in their national development programs and to implement them well. The strong response by developing countries to becoming members of a restructured GEF reflects their interest in joining as full partners in international cooperation for global environment improvement. A substantial replenishment would contribute to more meaningful benefits to the global environment than help them make a more meaningful effort than they could otherwise undertake on their own.

ILLUSTRATIVE FEATURES OF THE PROPOSED PROGRAM FOR GEF II

This annex provides an outline of possible program and project activities under the four functional areas of GEF II. It provides background information to the broad ranges of activities included in Table 3. For comparison, three tables covering Pilot Phase activities in international waters, climate change, and biodiversity are included as Attachment I - III. These attachments provide a reading reference to the types of interventions currently included in the Pilot Phase Work Program and the countries in which projects are located. Some of the potential projects described in this Annex are being demonstrated (see paras 7, 8, 14, and 17) while others (see paras 6 and 13) still remain to be tested.

Climate Change

1. An effective global strategy to combat climate change will take many years to implement, because of the enormous changes in the energy, industry and transportation sectors that will be needed to reduce GHG emissions. Moreover, over the long run it will require very substantial resources because the capital costs of investments to modify plant and equipment and to exploit alternative energy sources are high. Furthermore, new institutions, policies and regulations may be needed. GEF II's program for global warming would be designed both to begin funding some high-priority investments, and to obtain further experience to help the Convention on Climate Change map out a long-term strategy.
2. Based on the experience of the Pilot Phase, projects to combat climate change could be expected to comprise up to half of the GEF II program. With a total funding level of US \$2.8-4.2 billion, this implies about US\$ 1.3-2.0 billion for climate change projects, approximately five times the amount committed in the Pilot Phase. In allocating funds to climate change projects, the GEF Participants, with the assistance of the STAP, will have to balance the need to distribute limited funds among many projects and countries. To help determine the allocations once the size of the replenishment is determined and the COP is in a position to review them, it may be appropriate to set the maximum size for free-standing projects at about \$10 million, and for the GEF-financed portion of associated investment operations (with the World Bank, regional Banks or others) at about \$50 million.
3. **Capacity building** in the area of climate change will involve training in the development of organizations and institutions, and the ability to put in place of an overall policy environment conducive to sustainable development. Capacity building is at the core of human development and constitutes the underpinning and the least cost solution for long-term sustained social, economic, political, technological and environmental development.

4. In many countries the private sector will need to adopt new technologies on a wide scale. During GEF II, attention will be given to proposals for technical assistance, training and pilot programs to help develop incentives and opportunities for private enterprise and investment.

5. **Convention-related studies.** Of the financing available for climate change activities, up to US\$ 150-200 million may be needed in GEF II to help recipients begin to meet their obligations (under Article 12 of the Convention on Climate Change) to gather and communicate information on GHG emissions. Although developing countries are not obliged to make their initial reports until three years after the convention enters into force, many have already started country studies -- or similar exercises -- to assess the sources and possible remedies for greenhouse gas emissions. These studies typically require foreign and/or local expert services, considerable local travel, and investment and operating expenditures for scientific work; the Convention on Climate Change calls for the developed countries to fund their full cost. Some countries are expected to undertake such studies even before the COP meets, with the others starting shortly thereafter.

6. **Innovative projects.** There are many important GHG-reducing technologies that have not yet been tested during the Pilot Phase, for which demonstration projects warrant financing. These include:

- Renewable technologies: solar thermal, solar thermal electric, and photovoltaic applications;
- Improved coal technologies, efficient coal utilization, conversion of coal to gas, and integrated gasification combined cycle technologies; and
- Biomass energy sources: afforestation and forest management to increase carbon sequestration and produce wood sustainability; energy crops, crop residues and organic wastes.

7. **Investment projects.** Many GHG-reducing technologies are being tested and demonstrated in Pilot Phase projects and some will prove ready to apply on a large scale. Moreover, UNDP and UNEP are both managing technical assistance activities for defining sources and sinks of GHGs in several countries including India and China, and regions such as the Arab States, Sub-Saharan Africa and Latin America. These studies may provide useful information for project identification. Cost-effectiveness of the proposed interventions will be an important selection criterion. The methodology for estimating cost-effectiveness is still being developed, but in general the cost-effectiveness of different projects can be ranked on the basis of their economic costs per ton of carbon (or its GHG equivalent) saved. Many of the climate change projects in the GEF operational phase are likely to be associated with much larger projects that are designed to capture national economic benefits.

8. Projects to improve the efficiency of gas transmission and distribution may have potential. These projects would seek to reduce gas losses from pipelines, compressor stations and poor metering to levels even lower than those achieved by reductions justifiable by their domestic economic gains alone. Other large scale GHG projects could support conversion from coal to gas, introduce clean coal technologies or fund fuel-switching strategies from high to low GHG emission technologies. Other projects could improve the efficiency of power supply and use; apply solar, wind and other renewable power sources; and the conversion of crop residues to energy for agro-industries. Still others would promote greater end-use efficiency.

Conservation of Biological Diversity

9. It is particularly difficult to assure the financial sustainability of biological diversity efforts. A much greater portion of the total cost of conservation measures is likely to be attributable to the global environment than is the case with the GEF's other areas. In many recipient countries there are few sources of financing or income from conservation efforts. Even if national benefits are clear and substantial, governments may be unable to finance the activities needed to realize them.

10. Projects to conserve biological diversity could be expected to comprise between 20 and 30 percent of the GEF II program, or about US\$ 700 to 1100 million of the proposed replenishment. Many kinds of biological diversity projects can be most effective when designed to require relatively modest funding, complementing good scientific preparation and strong community commitment. But many countries still need to strengthen the institutions and personnel required to implement even modestly sized biological diversity projects. Moreover, it is essential to harmonize conservation activities with local community's need to earn income and their desire to maintain their traditional ways of life.

11. **Capacity building.** To overcome absorption capacity constraints, and help prepare recipients to design investments in later years, GEF II could give high priority to projects to train people in the natural and social sciences, as well as in business management and public administration as applied to conservation and resource management. This major global program for capacity-building could be the cornerstone of UNDP's GEF II work program, and is expected to require up to US\$150 million in financing.

12. **National plans.** The signatories of the Convention on Biological Diversity have undertaken to "develop national strategies, plans or programs for the conservation and sustainable use of biological diversity, or adapt for this purpose existing strategies, plans or programmes." Many countries have already undertaken related work, either in the form of country studies under UNEP's aegis, as elements of their National Environmental Action Plans, or as national conservation strategies. Some countries can supplement or update these efforts to meet the country's convention commitments, while others will have to launch a new, separate planning exercise. It is expected that about ten to twelve countries might wish to start planning exercises

even before the Conference of the Parties has met. GEF II could finance the cost, estimated at about US\$ 70 to 110 million in all.

13. **Innovative projects.** During the Pilot Phase, the bulk of the demonstration projects involved the development of protected areas. There is a continued need to test and demonstrate methods of conserving biological diversity in the context of sustainable use of resources like forests, lakes and seas. Projects aimed at education, training and public awareness also were relatively untried during the Pilot Phase. GEF II would expect to finance a number of such pilot operations, requiring perhaps \$ 90 to 130 million in funding. From experience of the Pilot Phase the GEF II has learned that there is a considerable need for the development and evaluation of new ways to link conservation and sustainable use of biologically rich resources by local populations. However, in some situations scarce biological resources are not robust enough to permit sustainable use at a significant scale. Where warranted, the GEF should support innovation during both stages. The GEF's Small Grants Programme managed by UNDP also provides a very important opportunity to develop innovative approaches to conservation, particularly the sustainable use of resources that benefits local populations.

14. **Investment projects and trust funds.** Even though most recipient countries face serious absorption capacity constraints, several kinds of biological diversity projects are being successfully implemented under the Pilot Phase. For example, projects to gather and analyze data, establish protected areas and adjacent zones with community-based management plans, strengthen research institutions, and conserve genetic resources (both in-situ and ex-situ) are under way. These projects would be replicated in selected recipient countries during GEF II, with total funding for such investment projects expected to be around US\$ 450 to 700 million. Once the Conference of the Parties for the Convention on Biological Diversity is established, it could provide further guidance on the priorities for funding.

15. Many developing countries cannot afford the long term recurrent costs of conservation programs and do not generate revenue to cover such costs. This limits their ability to use donor funds to undertake new conservation initiatives. To help solve this problem, the GEF has been testing the use of trust funds and endowments to generate interest income that can be used to finance the recurrent costs of biological diversity programs. An important supplementary benefit of trust funds is to assure conservation-related institutions of their future financing. Two such funds have been established in Bhutan and Peru, with initial contributions from the GEF of around US\$ 10 million each. More than a dozen other biological diversity projects to be funded in the Pilot Phase include the preparation of plans for the creation of trust funds. GEF II could consider helping endow many of these funds, provided that the GEF contributes no more than one-third of the total endowment. The activities that could be financed through the trust fund would need to be consistent with a sound national biological diversity plan and strategy, and the arrangements for management and investment of the fund would need to meet high standards. Trust funds meeting these conditions could require as much as US\$100 to \$200 million during GEF II.

International Waters

16. Projects for the protection of international waters could likely account for about 10 per cent of total GEF II resources, or about US\$250 to 400 million. While there is no overarching global convention directing the priorities for funding, the environmental provisions of the United Nations Convention for the Law of the Sea are widely accepted as reflecting customary international law and were also recognized by UNCED in Agenda 21 as "the international basis upon which to pursue the protection and sustainable development of the marine and coastal environment and its resources". Global marine pollution problems are addressed by several treaties in force, such as the International Convention for the Prevention of Pollution from ships (MARPOL), and the London Convention of 1972.

17. Many GEF-financed projects will help developing countries implement the provisions of these existing conventions. Building on experience in the Pilot Phase, the GEF would finance investments to cover the incremental costs of port-based facilities for reception and disposal of wastes and oil spill contingency plans and equipment. Pilot Phase activities will identify investment opportunities for GEF II. For instance, a UNDP-managed study on Southeast Asian Seas is identifying priority actions for pollution abatement in the Asia region, and a World Bank ports project in China will define the needs for sound management of the large marine ecosystem of the Yellow Sea.

18. Other GEF II projects could deal with protection of internationally shared marine and freshwater systems and inland seas. There are many regional marine pollution conventions¹⁷, most of which fall under UNEP's Regional Seas Programme and involve many countries eligible for GEF support. There are also several existing regional agreements for freshwater resources such as the Danube, Niger, Senegal, Zambezi and Lake Chad Basins, as well as initiatives to create new legal arrangements for the protection of other systems like Lake Victoria and the Aral Sea.

Protection of the Ozone Layer

19. GEF II could support viable actions to phase out the use of ozone-depleting substances (ODS) in countries that are ineligible for funding under the Interim Multilateral Fund but that are eligible for the GEF and have ratified the Montreal Protocol on Substances that Deplete the Ozone Layer. These consist of at least eight Eastern European and former Soviet

¹⁷ These include the Barcelona Convention (the Mediterranean), Abidjan Convention (Gulf of Guinea), Cartagena Convention (Caribbean), Helsinki Convention (Baltic), Nairobi Convention (East Africa/Indian Ocean), Kuwait Convention (Persian Gulf), Lima Convention (South East Pacific), Jeddah Convention (Red Sea and the Gulf of Aden), Noumea Convention (South Pacific), and the Bucharest Convention (Black Sea). In addition, there are regional arrangements underway for East Asia and South Asia.

Union countries¹⁸, which together consume more ODSs than all the Multilateral Fund-eligible developing countries combined. Countries receiving the GEF's funding would have to meet the same criteria as those funded through the Interim Multilateral Fund, and would therefore have to develop an action plan, timetable and financing program for responding to the Montreal Protocol.

20. GEF-financed projects in these countries could replicate interventions already successfully demonstrated in developing countries in Montreal Protocol projects. They could comprise several components to encourage the production and use of substitutes for ODSs in aerosols and foams, and to introduce non-ODS techniques of refrigeration. In the Eastern European countries a particular focus on re-engineering refrigeration equipment, and on introducing new propellants for consumer and industrial aerosol products would be warranted. Multi-component projects are already under preparation for Russia, Belarus, Ukraine and several central Asian states. Such projects in the eligible countries could require some US\$250 - 400 million during the GEF II period or about 10 percent of the proposed replenishment.

Projects across Focal Areas

21. There are clear linkages between the four main themes of the GEF. The GEF's existence as a unitary financing mechanism allows the funding of projects that take advantage of these linkages. Accordingly, during the Pilot Phase, Participants decided that projects that have high priority within one of the environmental issues and that also meet the criteria and priorities of one or more of the other issues should be given high priority for selection. For example, a project that reduces the emission of GHGs may also protect biological diversity. Similarly, a project may contain interventions to both prevent pollution and protect key species in international waters. This would likely continue to be an important feature in GEF II, possibly absorbing some 10 percent of the total financing.

22. Projects aimed at preventing **deforestation and desertification** offer particular opportunities for multiple objectives. Forests can be established and managed so as to increase carbon sequestration, protect important species and produce substitutes for GHG-emitting fuels, as well as stabilize soils.

¹⁸ Russia, Ukraine, Belarus, Poland, Czech Republic, Slovak Republic, Bulgaria, and possibly some Central Asian Republics.

PROJECTS INCLUDED IN THE PILOT PHASE

**Global Environment Facility - Biodiversity
Illustrative Matrix based on STAP Criteria**

Key Features* →

	Ecosystems Approach (incl. community participation)	Protected Areas	Sustainable Use of Biota	Education/ Training	Inventories and Research	Institutional Strengthening (incl. planning, recurrent costs)	Public Awareness
Tropical Forest & Mediterr.	Poland Costa Rica, Colombia, PNG, Dominican R. Uruguay, Domin. Rep <i>Mauritius</i>	Lao, Kenya, Peru, Brazil, Uganda, Philippines, Czech Congo, Sri Lanka, Mexico Ecuador, Indonesia <i>S.E. Asia, Cameroon</i>	Costa Rica, Guyana, PNG, Congo Indonesia Bolivia, Ecuador	Colombia, Brazil, Kenya <i>Mauritius</i> <i>Cameroon</i> <i>S.E. Asia</i>	Poland, Vietnam, Bolivia, <i>Mauritius</i> <i>Cameroon</i> Uruguay, Domin. R.	Uganda Czechoslovakia, Congo, Peru Bolivia <i>S.E. Asia</i>	Papua New Guinea Bolivia Uganda
Marine/ Coastal	Argentina, Ecuador Belize, Colombia Cote d'Ivoire	Seychelles, Sri Lanka Mexico, Vietnam, Egypt	Seychelles Danube Delta Egypt, Yemen		Danube Delta	Belize, Cuba, Argentina	Egypt Red Sea
Wetlands	Algeria	Brazil, Algeria	Ghana Danube Delta	Ghana		Ghana, Algeria Danube Delta	Ghana
Arid/ Semi-Arid	Jordan, Zimbabwe	Jordan, Zimbabwe Mozambique <i>Mongolia</i>	Zimbabwe, Turkey W. Africa Game Ranch (Inv.), Ethiopia <i>Mongolia</i>	W. Africa Game Ranching (TA) <i>Mongolia</i>	W. Africa Game Ranching (TA) <i>Mongolia</i>	Jordan Mozambique	Zimbabwe Jordan
Other (Inland Waters, Alpine, etc.)	Nepal, Malawi Cote d'Ivoire	Bhutan, Peru, Nepal,	Malawi	Malawi	Bhutan	Bhutan	Nepal, Malawi
Regional			West/Central Africa, S. Pacific, Amazonia,	East Africa	C. Africa Landsat	E. Africa, S. Pacific, Amazonia Case Studies	

*Note: Feature classifications reflect most significant facets only. All biodiversity projects have elements addressing baseline studies, institutional strengthening and community participation.

PROJECTS INCLUDED IN THE PILOT PHASE

**Global Environment Facility - International Waters
Illustrative Matrix based on GEF Objective**

International Waters Environments →

Classes of Wastes



Classes of Actions

	Sea Lanes	Oceanic Islands	Open Seas	Semi-Closed/ Closed Seas	Lakes/ Lagoons	Rivers
Oily Wastes	China Ships' Waste Gulf of Guinea	Seychelles Marine	Southeast Asia <i>Wider Caribbean</i>	Red Sea (Egypt, Yemen) Mediterranean		Danube River
Oil Spill Contingency	China Ships' Waste	Seychelles Marine		Red Sea (Egypt, Yemen) Mediterranean		Danube River
Garbage	China Ships' Waste		Southeast Asia OECS Demo <i>Wider Caribbean</i>	Black Sea Red Sea (Egypt, Yemen)		Danube River
Sewage	China Ships' Waste		Southeast Asia	Black Sea Red Sea (Egypt, Yemen)	Ghana Coastal	Danube River
Industrial Effluents/ Toxics	China Ships' Waste Gulf of Guinea	Seychelles Marine	Southeast Asia <i>Wider Caribbean</i>	Black Sea Red Sea	Ghana Coastal Nile Wetland	Danube River Danube Delta

Ecosystem Behaviour/ Monitoring	China Ships' Waste Gulf of Guinea		Southeast Asia		Lakes Malawi & Tanganyika Ghana Coastal	Danube Delta
Conventions/ Regional Cooperation			International Training OECS Demo <i>Wider Caribbean</i>	Red Sea (Egypt, Yemen) Black Sea Mediterranean	Lakes Malawi & Tanganyika	Danube River Danube Delta
Cost Recovery/ Revenue Generation	China Ships' Waste		OECS Demo <i>Wider Caribbean</i>	Mediterranean		Danube Delta
Regulation/ Surveillance and Control	China Ships' Waste Gulf of Guinea		Southeast Asia OECS Demo <i>Wider Caribbean</i>	Black Sea Red Sea (Egypt, Yemen) Mediterranean	Nile Wetlands	Danube River Danube Delta

Dual Objectives - Biodiversity and International Waters Protection

PROJECTS INCLUDED IN THE PILOT PHASE

Global Environment Facility - Global Warming
Illustrative Matrix based on STAP Criteria

		<i>Project Eligibility Criteria*</i>				
		Technically Feasible/ Not Proven	Technically Proven/ Not Economic	Economic/ Not Marketable	Marketable/ Institutional Shortcomings	Lack of Demo of Implementability
<i>End-Use Efficiency</i>	Basic Materials					
	Efficient Motors/drives				Thailand Elec. Efficiency; Chile GHG Reduc.	
	Lighting				Mexico Hi-Eff. Lighting; Jamaica DSM Demo	
	Irrigation					
	Vehicles				Peru Egy Conservation	
	Water Heating		Tunisia Solar Water Heating			
<i>Emissions Intensity</i>	PV/Renewables		Phil. Geothermal; Zimbabwe PV; India PV/Wind; Costa Rica Wind		Mauritania Wind	
	Biomass Gasif./ Gas Turbines	Brazil Biomass Gas Turbine				
	Sustain. Biomass	Chile GHG Reduc.; Mauritius Sugar Energy			Cote d'Ivoire Crop Waste Power	
	Adv. Gas Turb.		Morocco Repowering			
	Microhydro		India Small Hydroelectric			
	Nat. Gas Subst.		Poland Coal-to-Gas			
<i>Fuel/Transport Shifts</i>	Transport Mode Shifts			Iran Modal Shift Planning	Pakistan Modal Shift	
	Waste Treatment	India Biomethanation				Pakistan Landfill Gas Tanzania Biogas
<i>Non-CO2 Reductions</i>	Natural Gas Flares/Leaks		Sichuan Gas; Russia Gas	Nigeria Gas Flare		
	Coal Mining		China Coal-bed Methane			
<i>Other</i>	T&D Efficiency					
	Point of End-Use Emissions					
	Deforestation			Mali Household Energy		
	C. Sequestration	Sudan Rangeland; Benin Savanna; Ecuador Afforestation				

Note: Fifth Tranche proposals shown in *Bold Italics*

**GLOBAL
ENVIRONMENT
FACILITY**

**DECISION-MAKING
IN THE RESTRUCTURED GEF**

Paper for Discussion at the
Fifth Participants' Meeting in Beijing, China

GEF/PA.93/1
May, 1993

DECISION-MAKING IN THE RESTRUCTURED GEF

INTRODUCTION

1. At their meetings in Abidjan in December 1992, and in Rome in March 1993, GEF Participants discussed, *inter alia*, issues concerning the decision-making system for the Participants Assembly (PA) in the restructured GEF. Working papers were presented which covered a number of options for a voting system to be applied in exceptional cases when consensus cannot be reached. These options were complemented by a number of simulations illustrating potential outcomes under different scenarios. Broad consensus on voting procedures has not yet been reached.

2. This paper presents additional material concerning governance and decision-making for further consideration by the Participants during their forthcoming meeting in May in Beijing. The purpose of this paper is to cast the issue of decision-making and voting in the PA in the broader context of governance in the restructured GEF.¹ Part one provides an overall strategic framework as a background to the technical discussion of particular voting arrangements and their related procedures. Part two addresses the question of decision-making in the PA, and it includes some new approaches developed in light of the discussions at the Participants Meeting in Rome.

PART ONE - BACKGROUND

3. Policy guidelines for decision-making in the restructured GEF emanate from a number of different sources. These include: the GEF document "The Pilot Phase and Beyond," May 1992; Chapter 33 of Agenda 21 concerning "Financial Resources and Mechanisms"; Article 11 of the Climate Change Convention concerning the "financial mechanism"; and, Article 21 of the Biodiversity Convention concerning the same topic. Discussions by GEF Participants in Abidjan (December, 1992) and Rome (March, 1993) have conformed to the principles laid out in the above documents. Pertinent references are shown in Box 1.

¹ Proposals presented in this paper are consistent with the general principles contained in "The Pilot Phase and Beyond", GEF Working Paper Number 1, May 1992, and the proposals presented in the GEF paper, "Legal Framework" discussed at the Participants Meeting in Abidjan, December 1992.

4. Policy guidelines emanating from the references in Box 1 are broadly consistent. In all these sources, the goal of balancing the plurality of interests inherent in universal participation is recognized, as is the need to give due weight to donors' funding efforts, in a process that is transparent, balanced and equitable.

A Proposed Organizational Framework and Decision-Making System in the Restructured GEF

5. While the details of the restructured GEF have yet to be clarified, the main features of a restructured Facility can be summarized in broad terms as follows:

- (i) A Participants Assembly (PA) will act as the governing body of the GEF. It will be restructured to accommodate universal participation with no pre-set "membership fee", and it will function under some form of constituency system in order to ensure efficient and effective deliberations. Decision-making in the PA will be primarily by consensus. An agreed voting system will be instituted in order to resolve issues on which consensus cannot be reached. The PA will have authority to interact with the Conferences of the Parties (COPs) to the conventions;
- (ii) Formal links will be established between the COPs and the PA. The COPs will formulate policy, program priorities and eligibility criteria related to the conventions, and the PA will ensure that convention-specific priorities and criteria are met. Appropriate procedures for timely interaction between the PA and the COPs will be put in place. A number of structural modalities for the formal linkages between the GEF and the conventions are possible. Options remain to be developed and agreed to by the COPs and the PA;
- (iii) The work of the PA will be facilitated by a Chairperson supported by a secretariat composed of staff from all three implementing agencies;
- (iv) The PA will continue to be assisted in its work by the advice of a restructured Scientific and Technical Advisory Panel (STAP). The STAP will be reconstituted to broaden its cross-disciplinary capabilities. The precise nature of its relationship with the corresponding subsidiary bodies of the conventions will need to be considered further, as does its status within the restructured GEF;
- (v) The Heads of the implementing agencies will meet periodically to review institutional strategy and discuss means to facilitate interagency collaboration. The Implementation Committee (IC), consisting of agency coordinators and other senior staff, will continue to focus on internal policy, program planning, and work program formulation. The secretariat will play a role in providing management support to the IC and in ensuring consistency, continuity and effective synchronization of activities and the resolution of problems as they arise; and

11. Decision-making rules for each of the key elements in the GEF system need not be the same. In principle, however, decision-making by consensus at all levels represents a sound management practice.

PART TWO - DECISION-MAKING IN THE PARTICIPANTS' ASSEMBLY (PA)

General principles

12. While the COPs will be responsible for deciding on policies, program priorities and eligibility criteria related to the conventions, the PA will be the key decision-making body within the Facility and will provide the link to the COPs. It will be responsible for:

- (i) Providing oversight in the implementation of the GEF to ensure that its programs conform with the policy and strategic direction provided by the COPs, including the provision of periodic reports as may be appropriate and/or required by the COPs;
- (ii) Directing the utilization of GEF funds;
- (iii) Reviewing and approving GEF work program(s) of its implementing agencies;
- (iv) Providing coordination among the implementing agencies through the Chairperson and secretariat, and general oversight of the execution of the GEF work program; and
- (v) Commissioning regular and systematic ex post evaluations of GEF projects and programs with respect to their cost effectiveness and scientific integrity in achieving global environmental benefits.

13. The above responsibilities vested in the PA would indicate that the primary issues upon which the PA would take decisions are:

- (i) The scope of the GEF, in particular, decisions regarding any expansion beyond the current four functional areas;
- (ii) Approval of the work program(s), including utilization of funds, of the three implementing agencies;
- (iii) Internal governance and GEF procedural matters; and
- (iv) The relationship between the GEF and the COPs and integration of relevant decisions of the COPs into the overall policy and program of the GEF.

- (i) at least 15 (50 %) of the constituencies would be represented by developing countries in the PA; and
- (ii) the balance of representatives in the PA would be drawn from developed countries, countries with economies in transition, and other countries.

18. There is no obvious or automatic procedure for determining constituencies. They will emerge only after considerable dialogue among and between countries as they identify interests, alliances and complementarities. While no set formula is proposed in this paper some guidelines are suggested to determine how a constituency system might "represent" the complexities and diversities of the multiplicity of interests and concerns of members in the Participants' Assembly. For example, the following factors may be taken into account in identifying representatives of constituencies to participate in the PA on behalf of the constituencies:

- (i) Regional and geographic balance would be desirable to ensure not only that all regions are adequately represented but also to reflect characteristics such as climate, biodiversity, resource endowment and economic structures;
- (ii) Some countries - by their character, geographic size and/or population - are likely to have a critical impact on the global environment. Countries with high levels of endemism, critical and large tracts of important biodiversity, and high emissions (current and future) of greenhouse gases all warrant attention, as do coastal states bordering key international water bodies;
- (iii) The notion of "mixed" constituencies, while not universally accepted, does appeal to a number of countries - both North and South - who may pursue their collective interests in forming such alliances. Nonetheless, the formation of constituencies drawn exclusively from the categories of countries identified in Paragraph 17 above should not be excluded;
- (iv) Some countries are also likely to be particularly concerned with the impacts of global change and consider themselves to be highly vulnerable to issues such as climate change; and
- (v) The size of economies (GDP) may play a role in identifying constituency representatives. This could also be related to the level of funding that a country makes to the GEF. Indeed, the level of funding and commitment to undertake significant obligations under the conventions may be important factors in determining representative roles in constituencies. This is likely to apply to both developed and developing countries.

19. All the above interests could be reflected by the thirty constituency representatives. To provide for maximum flexibility it would be advisable for each constituency to determine its own approaches and modalities for gaining consensus, providing spokespersons in key discussions, and

25. Considerable discussion has ensued on the precise modalities of the required voting system. Three options (A, B, C)³ have been discussed by Participants. While no consensus has yet emerged from these discussions, it is clear that Participants desire a voting mechanism that closely correlates with the general principles outlined for the decision-making system as a whole (see paragraph 14). Equity, simplicity and the provision of a system which gives due weight to both donor countries and recipient countries are needed. Taking this into account, an additional option follows which builds upon key elements of the discussion at the Rome meeting:

A double majority system, whereby decisions would require both a majority of all countries participating in the GEF and a majority based on all financial contributions to the GEF core fund ⁴

26. Rules of procedure which establish the majority required to pass all, or various types of, decisions will need to be adopted by the Participants. It is noted that the majority could differ depending upon the type of decision to be voted upon. For example, the majority based on financial contributions could fall in the range of 51 to 67%. Participants, however, may wish to consider the degree of symmetry between the majority required for each of the two parts of the vote that comprise the double majority system.

Conclusion

27. This proposal builds upon some aspects of all three options noted earlier. It is designed to ensure that neither developing countries (which are expected to comprise a solid majority of the countries participating in a restructured universal GEF) nor donor countries could be outvoted, thereby guaranteeing the balance called for in section 33.16 (a)(iii) of Agenda 21.

28. The decision-making option described in this paper would have the advantage of simplicity and automaticity (in the event of future changes in membership and contributions), while offering incentives both for universal participation and for financial contributions.

³ "Decision-making in the Participants' Assembly: Illustrations/Simulations", paper dated 2/5/93, submitted to the Participants Meeting in Rome, March 1993.

⁴ For examples of contribution-based majorities see the appendix to "Decision-making in the Participants' Assembly: Illustrations/Simulations" (paper dated 2/5/03, submitted to the Rome meeting), which provided a broad range of simulations.



Record Removal Notice

File Title Tanzania - General - 1981 / 1983 Correspondence - Volume 1		Barcode No. 1328899		
Document Date 07 June, 1993	Document Type Report			
Correspondents / Participants				
Subject / Title REPORT ON AN AUDIT OF THE GLOBAL ENVIRONMENT FACILITY				
Exception(s) Information Restricted Under Separate Disclosure Regimes and Other Investigative Information				
Additional Comments		<p>The item(s) identified above has/have been removed in accordance with The World Bank Policy on Access to Information or other disclosure policies of the World Bank Group.</p> <table border="1"><tr><td>Withdrawn by Sherrine M. Thompson</td><td>Date October 21, 2022</td></tr></table>	Withdrawn by Sherrine M. Thompson	Date October 21, 2022
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File Title President Barber Conable - Liaison Files - Global Environmental Facility [GEF] - Correspondence - Volume 1		Barcode No. 1328899		
Document Date 14 September, 1993	Document Type			
Correspondents / Participants To: Executive Directors and Alternates From: T. T. Thahane				
Subject / Title Global Environmental Facility (GEF) Audit Report				
Exception(s)				
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PARTNERS



VOLUME I, ISSUE 2

The United Nations Development Programme's Global Environment Facility Newsletter

September 1993



JAMES GUSTAVE SPETH
Administrator, UNDP

A NEW ERA OF SHARED GLOBAL RESPONSIBILITY



With the end of the Cold War, the persistence of poverty and environmental decline may begin to find their rightful places at the top of the international agenda. Coupled with mounting population pressures, they represent a sustained assault on the quality of life on a planetary scale. We are all at risk — North and South, rich and poor.

As we approach the new century, a central priority of international cooperation must be revamping the patterns and practices that have brought us to this pass. In spirit, we need to build a powerful sense of global responsibility, one captured in the title to Shridath Ramphal's book, *Our Country - The Planet*.



THE GLOBAL ENVIRONMENT FACILITY IS ONE OF THE MOST SIGNIFICANT MECHANISMS NOW EXISTING TO FULFILL THE PROMISE OF RIO.

On an operational level, the threats to our planet cannot be met without a new era of heightened cooperation between industrial and developing countries. Institutional innovations are urgently needed to bring forth a set of understandings and agreements — in effect, a new global compact between North and South — that can guide us into the twenty-first century.

Last year's Earth Summit in Rio was a significant step forward in this process. In forging a new global agenda and mechanisms to pursue it, the world's nations established a partnership that can serve as a model for a new system of shared responsibility in the post-Cold War era.

UNDP is now beginning to commit its full resources to a new type of develop-

ment — sustainable human development. This mission requires that we make "operationalizing the Earth Summit agreements" central to all our work. It is a misconception to believe, as many do, that Rio was only about the environment. Agenda 21, the conventions and other Earth Summit agreements are agreements for people-centered sustainable development. One of

the biggest needs in the world today is the need, more than a year after Rio, to get very serious about breathing life into these

continued on page 7

James Gustave Speth became the Administrator of the United Nations Development Programme (UNDP) in July 1993. A leader in the field of global environment and development, Mr. Speth founded the World Resources Institute in 1982 and served as its president until January of 1993. From 1977 to 1981, Mr. Speth served first as a member, and then as Chairman, of U.S. President Jimmy Carter's Council on Environmental Quality.

The Global Environment Facility is at a crossroads. After three years, the pilot phase is drawing to a close. The operational phase is set to begin in 1994 within a restructured GEF, one better able to execute the important global responsibilities entrusted to it. Between now and December 1993, a host of decisions will be made which will have a critical impact on the GEF's ability to protect the global environment.

In the spirit of Rio, we are providing in this issue of Partners a forum in which the diversity of governmental and nongovernmental viewpoints and perspectives on these important matters can be articulated.



Restructuring the GEF

**THE GLOBAL ENVIRONMENT FACILITY
IS AT A CROSSROADS. EACH OF US HAS
A STAKE IN THE OUTCOME.**

The GEF must act as a partner to the conventions

Hans Peter Schipulle

*Director of the Environment Division
Federal Ministry of Economic Cooperation and Development
Germany*

Our aim in the restructuring process is to establish the GEF in a way that meets the expectations of all parties to the conventions on Climate Change and Biodiversity so that they will accept the GEF as their ongoing financial mechanism. To do this, we need an instrument that can respect the requirements of the conventions for policies, program priorities and eligibility criteria.

In addition to acting as a partner to the conventions, the GEF must be structured in a way that it is accountable to the Participants through its governing body. Therefore, the GEF, which should continue to be co-located with the World Bank, must be responsible through the Chairman to the Participants.

To accommodate all of these elements is a difficult venture. Our challenge is to design a mechanism linked to the conventions, the Participants, and the implementing agencies, and yet not have this mechanism destroyed by having too many conflicting interests.

Germany is not in favor of establishing the GEF through an international treaty. It should be sufficient that the governing bodies of the three implementing agencies agree to a proposal of the Participants on legal establishment and governance. Any revisions to the resolution would need a consensus between the governing bodies of the GEF, the implementing agencies and the conventions.



Countries should negotiate the GEF's legal framework

Chee Yoke Ling

*Environmental Adviser to the Third World Network
Honorary Secretary, Sahabat Alam (Friends of the Earth)
Malaysia*

When the GEF was first announced, the basic concern among NGOs and community groups was whether a centralized fund would be the best way to tackle global environmental problems. The GEF is one piece of the picture, but we must not lose sight of the whole picture. All global environmental problems, to start with, are the accumulation of local problems. Money is needed, but should it go to treating the symptoms or to dealing with the structural issues that give rise to the environmental crisis?

The GEF is obviously going to be extended beyond the pilot phase. Given that, there are several fundamental points that would ensure that it is much more accountable and transparent, not only to governments but to citizens, as well.

First, the GEF should not be dominated by any one agency. The partnership of the three agencies should be co-equal, and this equal status should be built into the legal and institutional framework for the next phase of the GEF. In normal international practice, this framework should be negotiated by all countries. Within that framework, we need to see a much more independent Secretariat that is directly accountable to the Participants Assembly.

Second, the Participants must be much more actively involved. To be effective, they have to really know what's going on, not just be diplomats attending meetings.

Third, there must be much more citizens involvement in the GEF. This includes observer status for NGOs at Participants meetings, but it goes beyond that. Popular participation should be strengthened at every level.

Our overriding concern is the quality of the projects

Susan B. Levine

Deputy Assistant Secretary for International Development, Debt and Environment Policy
Department of the Treasury
United States

Our overriding concern is the quality of the projects. It comes down to ensuring that the right people are making the decisions. In this case, the right people are both donor and recipient countries, given that the GEF is a global programme.

The question is, as you move to a larger Facility, how do you put in place the mechanisms for project quality to ensure that over the long term you will have something that works well? In this process, we need to balance the concerns everyone has of not setting up a costly new bureaucracy, but still ensuring that we have something that is well managed.

We need to get this right. It is very difficult to change something once you have created it; our concern is that the GEF be created now to have a long life, not that it be set up thinking that we will be able to change it in a few years. Our view is, let's put in place now what we will need for the future.

The GEF and the Secretariat need to be accountable, generally speaking, to the body that makes the policies, the Participants. As the management of the GEF, the Secretariat should be a lean, mean efficient machine, relying to the extent possible on the agencies for personnel and expertise. We don't want to create a whole new institution and bureaucracy. Certainly, we do not feel there needs to be an international treaty to establish the GEF.

We need a much better understanding of the legal options

Scott Hajost

International Counsel
Environmental Defense Fund
United States

We're a long way away from having good access to information about many aspects of the GEF. Local communities need full access to information, including associated projects. All of us — governments and nongovernmental organizations — need a much better understanding of the legal options for restructuring the GEF that are now being put together.

The reforms made within the GEF have not gone far enough. Whoever is the chair of a Governing Board must be accountable to the Participants, not to any of the implementing agencies. And there should be no confusion that we need a functionally independent Secretariat for a restructured GEF. There's a continuing need to get the foreign, finance and environmental ministries more involved in the process and speaking together as one.

The concept of "incremental costs" still needs fundamental definition. How do you really quantify this? Until we get that clear, we may be premising the whole GEF on what could be a fundamental flaw about what are real global benefits. I think it's important for the Climate Treaty body to stake out some views of its own about what the convention really needs in terms of financing.

Fairly little has been done thus far to define how the Climate Change and Biodiversity Conventions and their subsidiary bodies should work with the restructured GEF. For example, what role would the Climate Change Convention subsidiary body on science and technology have in determining the new work programme of the GEF? No one has thought that out. There have been some good questions posed, but not many answers yet.

The power must lie with the Participants Assembly

William Ehlers

First Secretary
Permanent Mission of Uruguay to the UN

One of the main priorities of the restructuring process is to change the focus or the understanding of the GEF. Up to now, it has been an *interagency* effort. Now, it will become an *intergovernmental* effort. A second priority is to give the GEF a true sustainable development focus, in addition to environmental protection.

I have no doubt that the power must lie with the Participants Assembly. The accountability must be to the countries themselves. Therefore, the Participants Assembly must be the organ that embodies the final power, the supreme body of the institution. Both the Governing Board and the Secretariat must be accountable to that body.

The preferred option on legal establishment of the GEF would be the one we have always had in other situations, an *international conference* with high authorities of all countries present. At such a conference, a previously negotiated text would be put on the table for consideration. Once adopted and signed, it would then go back to the countries for ratification, at which point it would come into effect. However, we may need something more agile in the present case, and several options are being discussed.

In the new GEF, the Secretariat will have to be changed in a couple of ways so that it becomes functionally independent. The head of the Secretariat will be working for that Secretariat, and only that Secretariat; this person should not occupy any inter-governmental position. The personnel of the Secretariat should be seconded from the three agencies so that we can benefit from their varied experience, points of view and expertise.

The control of the Global Environment Trust Fund (GET) is obviously the key element in the design, because the fund is the money that will be used to carry out the objectives of the GEF. The authority for disbursing funds could be controlled by the Governing Board, with the approval of the Participants Assembly. Once a project or proposal has been approved by the Participants, then the Trustee's job is to respond by disbursing the funds accordingly.

A Guide to Key GEF Terms

Conventions - the United Nations Framework Convention on Climate Change and the Convention on Biological Diversity signed by the governments of the world at the Earth Summit in Rio in June 1992. The GEF has been designated the interim funding mechanism for the conventions. The continuation of this role is contingent upon a satisfactory restructuring of the GEF.

Participants - the member countries of the GEF.

Participants Assembly - the body through which the Participants meet and make decisions regarding the GEF.

Governing Board - a proposed constituency-based management body expected to be in the range of 20 - 30 countries that would make decisions on GEF policy as the representative of the Participants Assembly.

Chairman - the Chairman of the Participants Assembly or Governing Board (depending on specific context).

Implementing Agencies - the three partner agencies (UNDP, UN Environment Programme and the World Bank) responsible for carrying out the GEF programme.

Secretariat - the body responsible for coordinating the work programme of the GEF.

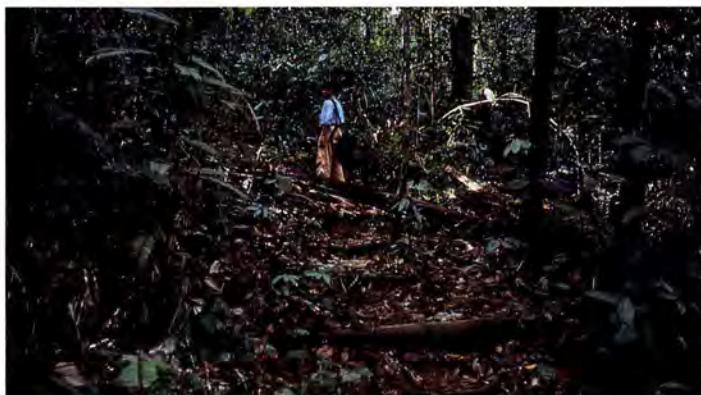
Global Environment Trust Fund (GET) - the core fund established by donors and used to finance GEF projects.

BENEFITING PEOPLE AND THE GLOBAL ENVIRONMENT

As of September 1993, UNDP had fifty-five GEF projects in various stages of development and implementation in Africa, the Arab States, Asia and the Pacific, Latin America and the Caribbean, Europe, and inter-regionally and globally. Thematically, these projects fit within the four GEF priority areas: prevention of global warming (twenty-four projects); conservation of biological diversity (twenty-two); protection of international waters (eight); and reduction of ozone layer depletion (one). UNDP's current GEF project portfolio represents a total of \$242.5 million of investment to benefit the global environment.

These projects emphasize UNDP's developmental approach and expertise by focusing particularly on capacity building, institution strengthening and other related technical assistance activities carried out in the countries where projects are located. Projects are designed to express innovation, experimentation, replicability, and inclusion of different constituencies.

In this issue of Partners, we feature four projects which have either just begun or are on the verge of implementation in northern Africa and the Mediterranean, the Pacific Rim, South America and in several countries of south and east Asia.



Mauritania - Global Warming

Wind Electric Power for Social and Economic Development
 GEF Funding: \$2 million
 Duration: 5 years

Background: Worldwide, some two billion people, most living in the rural regions of developing countries, are without electricity services that can help meet basic social needs and support economic and social development. Over the next several decades, some degree of electrification is expected to extend to a substantial portion of the world's rural population. If new electrification from fossil fuel sources during this period reaches an additional 500 million people at an average level of just 100 watts per person, the associated annual carbon dioxide emissions will total about 500 million tons.

Meeting the basic power delivery needs of rural populations in an environmentally acceptable and sustainable manner will thus require development and replication of practical and effective new models for rural power delivery. Mauritania, one of the windiest countries in West Africa, is well suited to use abundant, commercial small-scale wind energy systems for both social needs and for economically productive activities. Despite this fact, there are virtually no modern small wind electric units operating in the country.

Project focus: This project will demonstrate the potential for using wind electric generators to support decentralized delivery of essential electricity-based services in rural areas. By successfully showing the technology's environmental and economic viability, the

project seeks to catalyze similar initiatives throughout the developing world, starting with the countries of West Africa.

This project builds on a highly successful NGO-led government-supported project — Project Alizes — that has already promoted and installed wind-mechanical water pumps in forty Mauritanian villages.



The GEF project will be implemented by an international NGO and the local private sector, in collaboration with the government of Mauritania. As with other GEF-UNDP projects, NGOs are playing a central role by working with the government to develop the project concept and to implement the project.

Current project status:

Following the completion of the UNDP review process and final project approval, implementation will begin.

Egypt - International Waters

Engineered Wetland (Lake Manzala)
 GEF Funding: \$4.5 million
 Duration: 3 years

Background: Egypt is facing a rapid deterioration of its surface and groundwater

resources. Untreated and poorly treated urban and industrial wastes, flowing through the Nile River system, endanger the health and welfare of millions of people in Egypt. Left unchecked, the pollution of the Nile will have a major impact in the water quality of the Mediterranean, affecting those who depend on it in many countries.

The poor quality of the north-flowing water of the Nile, already one of the world's most polluted river basins, is one of the most serious impediments to development in Egypt. The case of Lake



Manzala is illustrative. Situated in the extreme northeast of the Nile Delta, the lake has been designated by the government as one of the country's most alarming areas of pollution. At the same time, Lake Manzala is vital to Egypt's people, producing more than 30 percent of the country's fish production.

Project focus: This GEF project seeks to significantly reduce the level of municipal, industrial and agricultural pollutants flowing into the Mediterranean Sea from the River Nile. An engineered wetland will be constructed to trap sediments and a broad array of pollutants flowing from Cairo. Once having passed through the constructed wetland — composed of a

sedimentation pond and a long dug channel subdivided into a number of compartments containing different types of vegetation — clean water will then be allowed to flow into Lake Manzala.

With urban centers in developing countries growing at a rapid rate, municipal wastewater and industrial effluent are becoming a significant problem. Engineered wetlands technology can provide governments and communities with an affordable, relatively simple and efficient solution.

Project status: Full-scale implementation of this project should begin in late 1993.

Brazil - Global Warming ●
Biomass Integrated Gasification/Gas Turbine Project
 GEF Funding: \$7.7 million
 Duration: 3 years

Background: More than 2 billion tons of biomass residues from agriculture and the forest industry are produced annually throughout the world. These residues are usually left to rot, or are incinerated or burned in inefficient ways. Using efficient, new technology, however, large amounts of energy can be generated by burning plantation wood, wood chips, sugarcane and other biomass sources.

From a global environmental viewpoint, the efficient use of biomass constitutes one of the few benign, large-scale electricity supply options. Growing trees act as a "carbon sink," absorbing carbon from the air; when this biomass is later burned and the stored carbon is released, the overall contribution of carbon to the atmosphere is zero, provided an equivalent volume of biomass is allowed to reestablish itself.

At present, nearly 30 percent of Brazil's gross domestic energy consumption is derived from biomass products. From an economic and environmental viewpoint,

the use of biomass to generate energy holds great potential for the Brazilian power sector.

Project focus: This GEF project has two key objectives: to reduce global warming by offsetting carbon dioxide emissions which would otherwise be produced by conventional power generation, and to help establish a cost-effective demonstration technology for generating electricity that can be replicated in other countries.

During the current phase of the project, important engineering, economic and financial issues involved in developing the Biomass Integrated Gasification/Gas Turbine (BIG/GT) power generation technology will be resolved.

If commercial feasibility and environmental compatibility are determined, construction of the BIG/GT demonstration equipment will commence in a follow-on phase. The power plant itself, to be constructed in the northeast of Brazil, will be fired by plantation grown fuel. No natural forest will be cleared for plantations or for chipping.

Project status: This project has been under implementation since October 1992.

Global - Global Warming ●
Research Programme on Methane Emissions from Rice Fields
 GEF Funding: \$5.0 million
 Duration: 5 years

Background: Rice is the world's most important food crop, and the pressure to increase its production is growing. Because of the growth in population, particularly in Asia, between 80 to 100 million additional rice consumers must be fed each year.

A side effect of rice production is the emission of methane, a greenhouse gas which contributes to global warming. Today, methane emission from flooded rice fields is estimated to be the

source of approximately 25 percent of global atmospheric methane. Current agricultural practices which can produce higher rice yields to meet growing demand may all enhance methane emission from flooded rice fields.

A major challenge facing rice scientists is to find new methods to grow more rice on limited land in ways that do not harm the environment, and which benefit both farmers and consumers in developing countries.

Project focus: This project aims to establish, in collaboration with national programmes in major rice growing countries, reliable data about methane emissions from major rice ecosystems. It is also designed to foster sustainable rice production by providing methane mitigating technologies that are technically and socio-economically feasible.

Implemented by the International Rice Research Institute (IRRI), a nonprofit agricultural research and training center in the Philippines, the project will carry out research on methane emissions in the following rice-growing countries: China, India, Philippines, Indonesia and Thailand.

Data developed through this research project will be used to increase the awareness of decision makers, resource managers, extension services and farmers on the causes, extent and mitigation options concerning methane emissions from rice fields. It is intended that this awareness will lead to new policies and concerted response strategies.

Project status: Project implementation has just begun.

GEF-UNDP LATIN AMERICA WORKSHOPS

To facilitate public participation in and ownership of the GEF process, the Global Environment Facility sponsors occasional workshops at various locations around the world. These workshops

focus on key issues facing the GEF and the agencies charged with the responsibility for implementing the GEF programme. Below are descriptions of two such workshops sponsored by UNDP.

Building Our Capacity to Promote Capacity Building

Villa de Leyva, Colombia — July 1993

This intensive three-day workshop was designed to assist UNDP in creating a broad regional strategy for building its internal capacity to develop and manage environmental programmes and projects. Bringing together representatives of the NGO community, UNDP Field Offices in Latin America, GEF Headquarters staff and GEF Small Grants Coordinators, the workshop explored ways to strengthen the contribution UNDP can make in linking the development perspective to the environment. Participants agreed that UNDP, with its proven ability to facilitate dialogue and cooperation among a wide range of important actors — governments, NGOs, community groups and the private sector — is the UN organization that can best assist national institutions in connecting national development initiatives to the new global environmental agenda.

To enhance its ability to bring global environmental concerns into national and regional development programmes, the workshop recommended that UNDP strengthen its network of Field Offices in 128 countries. These offices are the crucial link between the GEF and the people, communities, organizations and governments that carry out GEF projects. Among recommendations for building the capacity of these offices: adopt the latest electronic communications technology; ensure timely and easy access to all relevant GEF programme information; and become more informed about local visions of development to facilitate more substantial dialogue.

The workshop also recommended that UNDP take a more proactive approach on sustainable human development, particularly in reminding governments of the commitments they made at the Rio Earth Summit and in suggesting ways of honouring those commitments.

The Incremental Costs of Implementing the Rio Conventions

Rio de Janeiro, Brazil — 13-15 September 1993

The Global Environment Facility has been designated as the interim mechanism for financing the fulfillment of the goals and objectives of the international Climate Change and Biodiversity Conventions signed by the world's governments at the Rio Earth Summit in 1992.

GEF funds provide developing countries with the additional resources necessary to undertake environmental projects which can produce a positive global impact, but whose costs may exceed immediate local benefits. While the conventions stipulate that resources provided by donors are to be used to meet these "incremental costs" sustained by developing countries, the term itself has not yet been clearly defined.

Determining the meaning of "incremental costs" will have an important impact on the degree to which GEF projects produce results both for the global environment and for local sustainable development. Some definitions, for example, may favor expensive projects that have very high incremental costs, rather than interventions with relatively low additional costs.

As a contribution to the debate now being held on incremental costs, UNDP and the Brazilian Foundation for Sustainable Development are co-sponsoring a workshop in mid-September in Rio de Janeiro, Brazil. The workshop's main objective is to seek a fuller understanding of the concept of incremental costs with a diverse group of representatives of governments, the private sector, multilateral institutions and NGOs.

A special focus of the workshop will be on examining how incremental costs could be consistent with leveraging private sector participation in convention-related activities. The workshop will also analyze how applications of the incremental cost concept can support high-leverage projects that meet convention objectives, and how programmatic initiatives such as capacity building and information sharing might be funded under the incremental cost principle.

UNDP PROJECT DOCUMENTS AVAILABLE

GEF-UNDP's policy with respect to information disclosure is one of full openness. All documents relevant to UNDP-managed GEF projects will be made available upon request.

UNDP is now in the process of publishing the Project Documents of each of its fifty-five projects currently under development or implementation. As of September 1993, the following Project Documents will be available from UNDP Headquarters in New York.

To obtain copies, please write to:

Information Officer
UNDP Global Environment Facility
One U.N. Plaza
New York, NY 10017

1. **Zimbabwe:** Photovoltaics for Household and Community Use
2. **China:** Issues and Options in Greenhouse Gas Emissions Control
3. **China:** Development of Coal-bed Methane Resources

4. **Brazil:** Biomass Integrated Gasification/Gas Turbine Project
5. **Sri Lanka:** Wildlife Conservation and Protected Area Management
6. **East Africa:** Institutional Support to Protect Biodiversity
7. **Belize:** Sustainable Development and Management of Biologically Diverse Coastal Resources
8. **Regional:** Environmental Management in the Danube River Basin
9. **Global:** Small Grants Programme
10. **Global:** Research Programme on Methane Emissions from Rice Fields
11. **Vietnam:** Protected Areas and Wildlife Conservation
12. **Regional:** Strategies for Conservation in the Amazon
13. **Peru:** Energy Conservation and Environmental Control of Polluting Emissions

MEET OUR STAFF



Annie Bonnin Roncerel

GEF Coordinator, Division for Europe & the Commonwealth of Independent States

French national. Formerly coordinator of the Climate Network Europe (CNE) in Belgium, since 1989. Served as information officer for the European Environmental Bureau in Belgium and as information officer at the Institute for European Environmental Policy (IEEP) in Bonn, Germany. Joined GEF-UNDP in July 1993.

John Ohiorhenuan

Senior Capacity Building Specialist
Seconded to the GEF Administrator's Office,
Washington, D.C.

Nigerian national. Four years service with UNDP's Regional Bureau for Africa as a regional programme economist and a senior regional projects officer in the policy analysis division. Previously a professor of economics at the University of Ibadan, Nigeria, and director of planning, Lagos state government.



Sherry (Shiao Yuen) Hu-Fazzi

Chief, Programme Support

U.S. national. Responsible for financial management, personnel administration and project/programme support for GEF-UNDP. Joined GEF in October 1991. Nearly twenty years of experience with UNDP, both in headquarters and in the field, including as Assistant Resident Representative (Programme) in China.



continued from page 1; Speth Article

agreements and about shifting to development paths that are pro-people, pro-nature and pro-jobs.

The Global Environment Facility (GEF) is one of the most significant mechanisms now existing to fulfill the promise of Rio. As a *financial mechanism*, the GEF puts real resources behind the objectives of the Climate Change and Biodiversity Conventions signed in Rio. As a *North-South forum*, the GEF provides a unique arena for discussion among countries, agencies and nongovernmental organizations. As a *development organization*, GEF can help redesign the delivery of development assistance so that the process is transparent, open and

collaborative, involving the nongovernmental sectors, local communities and others.

UNDP has accepted an enormous challenge serving with the World Bank and the United Nations Environment Programme (UNEP) in implementing the Global Environment Facility. We want the GEF to remain intensely innovative in its approach and to embody within its structure and operations the core principles of Rio. From our headquarters to our field offices around the world, UNDP will stand fully behind the GEF and work to ensure that it lives up to the extraordinary promise it presents.

The Global Environment Facility Secretariat of UNDP can be reached by calling the central UNDP telephone number: (212) 906-5000.

Fax numbers - Prefix (212)

Executive Coordinator	Basem Khader	906-6998
Deputy Executive Coordinator	David Wright	906-6998
Regional Coordinators:		
<i>Africa</i>	Charles McNeill	906-5974
<i>Arab States</i>	Inger Andersen	906-5487
<i>Asia & Pacific</i>	Nileema Noble	906-5825
<i>Division for Global & Inter-regional Programmes</i>	Philip Reynolds	906-6350
<i>Europe & the Commonwealth of Independent States</i>	Annie Roncerel Robert Filipp	906-6595 906-6595
<i>Latin America & the Caribbean</i>	Nick Remple Hilda Paporani	906-5892 906-5892
NGO Small Grants Programme	Jane Jacqz Peter Hazlewood	906-5313 906-5313
Biodiversity Specialist	Virginia Ravnal	906-6998
Programme Support	Sherry Hu-Fazzi Paul Chan	906-6998 906-6998
Information Officer	Mahenu Agha	906-6998

Senior Capacity Building Specialist (Washington, D.C.)

John Ohiorhenuan (202) 477-0551

GEF-UNDP staff can be reached via e-mail on INTERNET by typing: first name.last name@undp.org. For example: charles.mcneill@undp.org

GEF-UNDP Secretariat

13-15 September	GEF STAP (Scientific & Technical Advisory Panel) Meeting Washington, DC, USA
13-15 September	GEF-UNDP Regional Bureau for Latin America & the Caribbean Incremental Cost Workshop Rio de Janeiro, Brazil
22 September	GEF Meeting on Replenishment Washington, DC, USA
23-24 September	Special GEF Participants Meeting Washington, DC, USA
30 September - 01 October	GEF Eastern European Workshop Budapest, Hungary
08 October	GEF Implementation Committee Meeting Washington, DC, USA
07 December	GEF Replenishment Meeting Cartagena, Colombia
08-10 December	GEF Semi-Annual Participants Meeting Cartagena, Colombia

GEF Events

PARTNERS / The Newsletter of the GEF-UNDP

Editor: Ted L. Howard
Design: Kenneth Iseman & Associates
Photos: All color photos by Curt Carnemark.

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Please address all correspondence and inquiries to:
Information Officer
UNDP
Global Environment Facility
One U.N. Plaza
New York, NY 10017

Additional copies available upon request.



COMMUNITY-BASED SOLUTIONS TO GLOBAL ENVIRONMENTAL PROBLEMS

UNDP administers the GEF NGO Small Grants Programme on behalf of the three GEF partner agencies: UNDP, the United Nations Environment Programme (UNEP) and the World Bank.

The Small Grants Programme provides support for small-scale activities that promote local solutions to global environmental problems. The principal objective of the programme is to identify and demonstrate community-based approaches that could reduce threats to the global environment if replicated widely over time.

The programme is now being launched in thirty-three pilot countries. In each, grants of up to \$50,000 will be awarded by local selection committees on a competitive basis to community groups, nongovernmental organizations (NGOs) and NGO networks. GEF donor governments have to date contributed \$10 million in funding for the Small Grants Programme.

More than thirty projects around the world have already been approved for funding, with many more in development or under review.

To be eligible, projects must fall within one of the four GEF priority areas (global warming, biodiversity, international waters or ozone depletion). They must also meet several other criteria: promoting community participation in their design, implementation and evaluation; involving local organizations; focusing on women and indigenous peoples; drawing on local scientific and technical resources; and providing for capacity building and project evaluation.

Small Grants projects are varied and highly innovative, offering approaches to diverse problems from the perspective of the people most immediately affected by them. Following are a few examples of the projects funded to date.

Kenya - Harvesting Butterflies

The Kenya Museum Society is working with communities living adjacent to the Arabuko-Sokoke Forest to promote the sustainable harvesting of butterfly pupae for export. The project will help generate local income while demonstrating to the community the importance of conservation of



the forest and its biodiversity.

Chile - Small-scale Forest Production

The Comité Nacional pro Defensa de la Fauna y Flora is working with small forest landowners in the Valdivia region, site of the country's most significant natural forests, to promote sustainable small-scale forest production activities. These activities will improve rural incomes and provide an alternative to large-scale commercial plantation forest clearing.

Jordan - Combating Air Pollution

The Jordan Society for the Prevention of Road Accidents is monitoring air pollution levels in Amman as part of a national campaign to combat greenhouse gases and promote the use of public transport.

Indonesia - Protecting the Java Rhino

A community development programme will be launched in the buffer zone of the Ujung Kulon National Park, a critical habitat for the endangered Java Rhino. The programme will improve people's livelihoods while reducing the pressure of economic activities on the park.

GEF NGO SMALL GRANTS PILOT COUNTRIES

Africa	Senegal	Pakistan	Bolivia
Botswana	Zimbabwe	Papua New Guinea	Brazil
Burkina Faso		Philippines	Chile
Cameroon	Arab States	Sri Lanka	Costa Rica
Cote d'Ivoire	Egypt	Thailand	Dominican Republic
Ghana	Jordan		Ecuador
Kenya	Tunisia	Europe	Mexico
Mali		Poland	
Mauritius	Asia and the Pacific	Turkey	
Nigeria	India	Latin America	
	Indonesia	Barbados	
	Nepal	Belize	

Ghana -

"Ozone-safe" Practices

The National Refrigeration Air Conditioning Workshop Owners Association will organize a series of workshops on ozone depletion and alternatives to, and safe disposal of, CFCs and other ozone-depleting chemicals. The workshops are part of a national campaign to promote "ozone-safe" practices in the refrigeration and air conditioning services industry.



To Apply for a GEF NGO Small Grant

If you know of a project you would like to propose for funding under the GEF NGO Small Grants Programme, please contact the UNDP Field Office in any of the thirty-three countries which offer the programme. This office will be able to refer you to the national coordinator or local NGO which coordinates the programme.

DEPARTMENT OF THE TREASURY
WASHINGTON

August 19, 1993

File
GEF
by fax: 477-1305

ASSISTANT SECRETARY

Mr. Lewis T. Preston
President
International Bank for Reconstruction and Development
1818 H Street, N.W., Room E 1227
Washington, D.C. 20433

Dear Mr. Preston:

The United States has not given a contribution to the GEF Pilot Phase Core Fund. However, \$30 million has been set aside by Congress for this purpose. In order to use these funds, the 1992 Foreign Operations Appropriations Act requires that the Secretary of the Treasury certify, by September 30, that the Pilot GEF has satisfied certain statutory conditions. The conditions are tied to procedures of the Implementing Agencies, including the World Bank.

On a number of occasions over the past year, Treasury has contacted the GEF regarding these requirements. Your staff has been very helpful in addressing our concerns. However, in order to certify that the Congressional conditions have been met, Treasury must be able to point to specific procedures, for GEF projects as well as "associated" Bank projects, which set forth your agency's policies in greater detail. These specific procedures should address the following three areas:

First, the Bank must have "established clear procedures ensuring public availability of documentary information on all Facility and associated projects...." "Documentary information" encompasses "operative documents" such as project briefs, project summaries, staff appraisal reports, project documents, environmental impact assessments, scientific comments, project completion reports, and evaluation reports. I am hopeful that the Bank's Directive on Information Disclosure, which is currently under Board discussion, will be revised sufficiently to meet the requirement for associated projects.

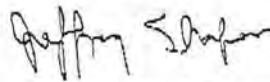
Second, the Bank must have "established clear procedures ensuring that affected peoples in recipient countries are consulted on all aspects of identification, preparation, and implementation of Facility projects...." An example of such procedures would be a public consultative process to identify priorities and opportunities for GEF projects, open to all members of the public, as well as regular consultation with interested and affected peoples during project identification, preparation and implementation.

Finally, "specific provisions will be established for the participation of nongovernmental organizations in all phases of the project cycle, including identification, appraisal, implementation, and evaluation...."

I know that UNEP is preparing operational guidelines for participation in the GEF that may satisfy our requirements. Given the limited time available before September 30, I would like to ask that you consult with your staff and report back to us on what procedures are in place to address our requirements. I would also like to ask that, in areas where no such written procedures exist, whether procedures could be promulgated within the next few weeks to meet our requirements. If formal procedures cannot be promulgated within this time period, would it be possible for a directive to be issued containing procedural requirements?

Your efforts in helping us satisfy our requirements before the September deadline are greatly appreciated. I do hope that we will be able to contribute to the Pilot Phase of the GEF. If I, or my staff, can be of any help to you with this request, I invite you to contact me. I thank you for your effort, and look forward to hearing from you soon.

Sincerely,



Jeffrey Shafer
Assistant Secretary
International Affairs

cc:

Ian Johnson, GEF Administrator



DEPARTMENT OF THE TREASURY
WASHINGTON

by fax: 011-2542-226-895

August 19, 1993

ASSISTANT SECRETARY

Ms. Elizabeth Dowdeswell
Executive Director
United Nations Environment Programme
P.O. Box 30552
Nairobi, Kenya 230-8000

Dear Ms. Dowdeswell:

The United States has not given a contribution to the GEF Pilot Phase Core Fund. However, \$30 million has been set aside by Congress for this purpose. In order to use these funds, the 1992 Foreign Operations Appropriations Act requires that the Secretary of the Treasury certify, by September 30, that the Pilot GEF has satisfied certain statutory conditions. The conditions are tied to procedures of the Implementing Agencies, including UNEP.

On a number of occasions over the past year, Treasury has contacted UNEP regarding these requirements. Your staff has been very helpful, and has provided us with documents that aid our analysis. These documents (as well as the efforts of your staff) were an important first step. Nevertheless, in order to certify that the Congressional conditions have been met, Treasury must be able to point to specific procedures, for GEF projects as well as "associated" UNEP projects, which set forth your agency's policies in greater detail. These specific procedures should address the following three areas:

First, the UNEP must have "established clear procedures ensuring public availability of documentary information on all Facility and associated projects...." "Documentary information" encompasses "operative documents" such as project briefs, project summaries, staff appraisal reports, project documents, environmental impact assessments, scientific comments, project completion reports, and evaluation reports.

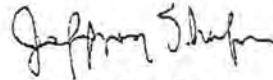
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Sincerely,



Jeffrey Shafer
Assistant Secretary
International Affairs

cc:

Ian Johnson, GEF Administrator

DEPARTMENT OF THE TREASURY
WASHINGTON

by fax: (212) 906-5778

August 19, 1993

ASSISTANT SECRETARY

Mr. James Gustave Speth
Administrator
United Nations Development Programme
1 United Nations Plaza
New York, New York 10017

Dear Mr. Speth:

The United States has not given a contribution to the GEF Pilot Phase Core Fund. However, \$30 million has been set aside by Congress for this purpose. In order to use these funds, the 1992 Foreign Operations Appropriations Act requires that the Secretary of the Treasury certify, by September 30, that the Pilot GEF has satisfied certain statutory conditions. The conditions are tied to procedures of the Implementing Agencies, including the UNDP.

On a number of occasions over the past year, Treasury has contacted UNDP regarding these requirements. Your staff has been very helpful. In June, we received the attached materials which include an April 1993 "policy directive". This directive states that the UNDP policy is to "ensure full access to all information to any interested parties." Also attached is a UNDP matrix indicating opportunities for participation by community groups and local NGOs.

These documents (as well as the efforts of your staff) were an important first step. Nevertheless, in order to certify that the Congressional conditions have been met, Treasury must be able to point to specific procedures, for GEF projects as well as "associated" UNDP projects, which set forth your agency's policies in greater detail. These specific procedures should address the following three areas:

First, the UNDP must have "established clear procedures ensuring public availability of documentary information on all Facility and associated projects...." "Documentary information" encompasses "operative documents" such as project briefs, project summaries, staff appraisal reports, project documents, environmental impact assessments, scientific comments, project completion reports, and evaluation reports.

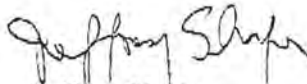
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Finally, "specific provisions will be established for the participation of nongovernmental organizations in all phases of the project cycle, including identification, appraisal, implementation, and evaluation...."

You will see from the documentation attached that UNDP has been largely successful in meeting the spirit of our Congressional authorization conditions. However, the clear procedures to back up these policies are difficult to discern. Given the limited time available before September 30, I would like to ask that you consult with your staff and report back to us on what procedures are in place to address our requirements. I would also like to ask that, in areas where no such written procedures exist, whether procedures could be promulgated within the next few weeks to meet our requirements. If formal procedures cannot be promulgated within this time period, would it be possible for a directive to be issued containing procedural requirements?

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Sincerely,



Jeffrey Shafer
Assistant Secretary
International Affairs

Attachments: Documents sent to Treasury from UNDP

cc: Ian Johnson, GEF Administrator

OFFICE MEMORANDUM

File
GEF

DATE: August 19, 1993

TO: See Distribution Below

FROM: Mohamed T. El-Ashry, ENVDR MTE

EXTENSION: 33202

SUBJECT: GEF Internal Audit

Attached for your information is a copy of the GEF Internal Audit Report. The report is confidential and should not be xeroxed or passed on to others.

Distribution:

R. Picicotto (OED)

R. Lynn (PBD)

K.H. Lau (CTR)

GEOCOM Members (R. Drysdale, A. El-Maaroufi, A. Sood,
A. Raczynski, S.A. Aiyer, K. Cleaver)

Attachment

cc: S. Sandstrom (EXC)
A. Legg (IAD)

THE WORLD BANK/IFC/M.I.G.A.

File
GEF

ROUTING SLIP		DATE: August 16, 1993	
NAME		ROOM NO.	
Messrs. S. Sandstrom			
J. Linn			
I. Serageldin			
RE:			
REMARKS:			
Thought you'd be interested in a copy of my presentation in Geneva.			
FROM: <i>MTE</i> Mohamed T. El-Ashry		ROOM NO.: S-5055	EXTENSION: 33202

GLOBAL ENVIRONMENT FACILITY

PARTNERS IN GLOBAL SOLUTIONS

MOHAMED T. EL-ASHRY
Chairman

SPEECH TO THE EIGHT SESSION OF THE INTER-GOVERNMENTAL NEGOTIATING COMMITTEE FOR A FRAMEWORK CONVENTION ON CLIMATE CHANGE

Geneva, August, 1993

Chairman Estrada, distinguished delegates, members of the Bureau, thank you for inviting me to make this presentation on behalf of the GEF. It is an honor to be here in Geneva with you.

It is my personal belief that we stand at an important juncture in protecting the global environment. Your deliberations over these coming days will be critical in moving all of us forward towards an operational strategy for dealing with the issues associated with climate change. The first meeting of the inter-governmental negotiating committee for the Biodiversity Convention since Rio will take place in October -- another major milestone in protecting the global environment. In between now and then, the Participants of the Global Environment Facility (GEF) will meet in Washington to continue their deliberations on restructuring and replenishing the Facility such that it may contribute to assisting eligible countries in meeting their obligations under these global conventions.

These next few months and the ambitious agenda before all of us will test our resolve in shaping the business of protecting the global environment. Much has been written and said regarding the relationships between the conventions and the GEF. If we are not careful, we are likely to provide many lawyers with complex texts to ponder and unravel; politicians with much to debate and deliberate over; government agencies with much to quibble over and use for parochial gain; and skeptics with much to criticize. And that is while, and I truly believe so, we all strive towards the accomplishment of common objectives.

As I look around this room I see many delegates from the GEF. Many of you are also intimately knowledgeable about the Biodiversity Convention and other international environmental treaties. I know all of you share a common objective to place on a firm and fair footing the institutional base upon which we will manage our global environmental affairs. Having agreed in Rio on this global agenda, the time has come for us to "roll up our sleeves" and find common ground and pragmatic solutions. These will emerge through good faith efforts, mutual trust and mutual respect. I believe that on a number of fronts we have already begun to move towards that goal. I am also pleased with the recent opportunities Chairman Estrada and I had to discuss matters of mutual interest. I am convinced of Chairman Estrada's commitment to finding workable solutions that neither compromise the integrity of the convention nor impose difficulties on the GEF. We both have, I believe, a shared view and a commitment to help making the system work.

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I would like to now turn to the outcome of the most recent GEF meeting in Beijing which focused on its restructuring and replenishment. I will then follow with some brief comments on my expectations for the forthcoming Participants' meeting in Washington next month.

The meeting in Beijing was attended by more than sixty countries -- a significant increase over previous meetings -- thus moving us towards our goal of universal participation.

With regard to the **Replenishment** of the facility I am pleased to note that potential donors intend to decide by December of this year on their contributions to the core fund of the GEF provided that the restructuring of the GEF has been agreed at that time. The results of the independent evaluation of the Pilot Phase will also be taken into account in this process.

In Beijing we did not settle on the precise size of the replenishment nor on the modalities of financial management. Nevertheless, there is support among donors for a considerable increase in the resources devoted to the facility -- somewhere in the range of two to three times the size of the Pilot Phase. Our discussions in September should move us towards a more definitive outcome.

The Beijing meeting also focused upon **restructuring** the Facility. The deliberations were part of a continuum of discussions that began just before Rio. Many issues were discussed in Beijing. The positive outcome of the discussions owes a great deal to both the results of the replenishment meeting and the positive proposals from the G-77. Let me now highlight those issues that are greater relevance to the discussions you are about to have over the next few days:

First: There was clear support that the restructured GEF must be universal. Participants were pleased with the rapid growth in the number of new participants to our meeting in Beijing;

Second: There was support for a two-tier governance structure whereby a universally constituted Participants' Assembly (PA) would provide oversight to a constituency-based governing board of twenty-five to thirty constituencies. More work is needed to define the relative responsibilities of these bodies and some Participants have stressed that their preference is for a single and efficient decision-making arrangement;

Third: There continues to be broad agreement that consensus should be the primary method for decision-making in the GEF. Voting should be the exception to the rule and should be implemented in a manner which is fair and equitable to both recipients and donors; and

Fourth: There is general agreement that the secretariat established to service the GEF should be functionally independent;

The most important outcome of Beijing in my view, however, lies not in the formal agreements and summaries that were presented but rather in the tone of the meeting. One Participant referred to the "Spirit of Beijing" noting that we appeared to have set aside individual agendas, identified a higher common agenda in defence of the global environment, and had, as a consequence, helped move us all towards a consensus on what to do next. I was asked by the Participants to prepare a first draft of the legal resolution for establishing the GEF and to continue our work program geared to completing both the replenishment and the restructuring by December. The

Secretariat is hard at work pulling the elements of such draft resolution together and I am convinced that we must (and will) meet our deadline.

The GEF, once restructured, will be available to assist in financing activities under the climate change and biodiversity conventions. The presumption is, however, that it would not necessarily be the sole financial source upon which the conventions might draw. Furthermore, the GEF should continue to fund global environmental activities which lie outside of these two conventions, as is currently the practice for activities to protect international waters. Increasingly, pragmatism must become the order of the day. We must remain flexible and be able to respond to changed circumstances, changing priorities, and legitimate concerns. The relationship the GEF develops with the conventions is pivotal to our joint success -- that relationship must not only be embedded in our respective legal resolutions and procedures but also within the spirit of collaboration that emanates from all of us wanting to take the needed actions to preserve our common future.

Mr. Chairman, honorable delegates, you have my assurance that the GEF and its three implementing agencies (UNDP, UNEP and the World Bank) stand ready to work with you so that together we may achieve our common objectives.

Thank you and best wishes for your important deliberations.

File
GEF

The World Bank/IFC/MIGA
O F F I C E M E M O R A N D U M

DATE: August 8, 1993 06:48pm

TO: Mohamed T. El-Ashry

(MOHAMED T. EL-ASHRY)

FROM: Sven Sandstrom, EXC

(SVEN SANDSTROM)

EXT.: 81138

SUBJECT: GEF Internal Audit

Mohamed,

Thanks for sending me a copy.

We cannot make an exception to the policy for releasing IAD audits which are prepared for and addressed to management. However, the GEF could possibly in the future contract with IAD to carry out special audits for the GEF, which could then be shared with the Participants.

At any rate, what is covered in this audit will in substance be looked into by the ongoing GEF evaluation so the Participants should be adequately informed.

Sven

OFFICE MEMORANDUM

DATE: July 30, 1993

TO: Mr. Sven Sandstrom, EXC

FROM: Mohamed T. El-Ashry, ENVDR *MTE*

EXTENSION: 33202

SUBJECT: GEF Internal Audit

As we discussed by phone today, attached is a copy of the GEF internal audit report. The report is being sent to you on confidential basis. As Mr. Allan Legg instructed, I would like to emphasize that the report is "For your eyes only and it cannot be xeroxed, or shown or passed on to others."

Attachment

cc w/out attachment: A. Legg (IADDR)

Office Memorandum

DATE: July 28, 1993

TO: Mr. Ken Newcombe, ENVGC

FROM: Allan D. Legg, IADDR



EXT.: 36885

SUBJECT: Release of GEF Internal Audit

cc: Sven

RECEIVED

93 JUL 29 PM 2:23

ENVIRONMENT DEPARTMENT
OFFICE OF THE DIRECTOR

Regarding your request to more widely circulate the GEF internal audit report, we have the following comments.

It is Bank policy that internal audit reports cannot be circulated outside the Bank. They also are not circulated to Executive Directors or their alternates. This, therefore, would preclude any circulation to the GEF participants.

Mr. El-Ashry can, however, circulate the report to selected staff inside the Bank if he, as the senior manager involved, so chooses. Hence, if the GEF Operations Steering Committee is composed entirely of Bank staff, it could be circulated to the committee members on a confidential basis. It could also be circulated on the same basis to selected regional staff. However, it would have to be made very clear to those individuals receiving the report that it is for their eyes only and it cannot be xeroxed, or shown or passed on to others.

If you have any further questions please give me a call.

cc: Messrs. **Mohamed El-Ashry** (ENVDR); Robert J. Saunders (IADDR)



Record Removal Notice

File Title President Barber Conable - Liaison Files - Global Environmental Facility [GEF] - Correspondence - Volume 1		Barcode No. 1328899		
Document Date 23 July, 1993	Document Type Memorandum			
Correspondents / Participants To: Mohamed EI-Ashry From: Nicolas Flario				
Subject / Title Impressions on GEF meeting				
Exception(s)				
Additional Comments Declassification review of this record may be initiated upon request.		The item(s) identified above has/have been removed in accordance with The World Bank Policy on Access to Information or other disclosure policies of the World Bank Group.		
		<table border="1"> <tr> <td>Withdrawn by Sherrine M. Thompson</td> <td>Date October 17, 2022</td> </tr> </table>	Withdrawn by Sherrine M. Thompson	Date October 17, 2022
Withdrawn by Sherrine M. Thompson	Date October 17, 2022			

OFFICE MEMORANDUM

FILE
GFF

DATE: July 16, 1993

TO: Mr. Sven Sandstrom, EXC

FROM: Johannes F. Linn, Vice President, FPR

EXTENSION: 80602

SUBJECT: The Global Environment Facility

Attached please find the draft Funding Modalities paper for your review and comments. The paper is being prepared as the focus for the next GEF replenishment meeting which is scheduled to take place here in Washington on September 22, 1993.

The paper is being circulated in its current form to the GEF partner agencies, UNDP and UNEP, for comment by Wednesday July 21. It is our intention to subsequently send the paper out to donors -- in draft form and on an informal basis -- seeking comments and reactions by August 10. In light of this feedback, we hope to strengthen the paper by possibly narrowing the number of options and steering the burden sharing discussion in the direction of greatest consensus. We then aim to distribute the paper in final form by August 31.

The paper includes sections on:

- The financial characteristics of the pilot phase.
- Possible encashment policies as well as the terms and currency denomination for donor contributions to the GEF and for grants by the GEF to recipients. The related issue of exposure to currency exchange risk is discussed and various options for dealing with this risk are presented. The paper separates the options into two basic types: (i) one seeks to match the currency denomination of GEF grants with the currency denominations of donor contributions; (ii) the other accepts a currency mismatch between the two and seeks to address it through encashment and other cash management arrangements.
- The role of Cofinancing. Based on the unsatisfactory performance of cofinancing within the pilot phase, the paper argues against including cofinancing in the replenishment.
- Administrative expenditures, Investment income, and Commitment Authority. The paper stays clear of suggesting anything on the sensitive topic of the possible size of Administrative Expenditures (absolute or percentages), leaving this topic to a separate note being prepared by the GEF secretariat.
- Burden Sharing. The paper tries to marry the notions of voluntarism (which was the hallmark of the pilot phase) with the notion of "fair" share which has become accepted by several donors as the basis for donor contributions to the replenishment. The paper suggests the average of the GEF pilot phase contribution (inclusive of cofinancing) shares and the IDA10 shares as a possible basis for discussions.

In view of my absence next week, you may wish to communicate your comments to Paula Donovan, who will be acting in my absence.

Attachment

cc: Messrs./Mmes. Stern, El-Ashry, Ohashi, Moreno, Donovan, Yap

5-228

Global Environment Facility

Funding Modalities for its Replenishment

I. Introduction

1. The first formal meeting for the replenishment of the GEF took place in Beijing on May 25, 1993. Donors at this meeting discussed a paper entitled "Financing Needs for GEF II." That paper built upon the paper entitled "Principles of GEF Restructuring" which GEF participants had adopted to guide the process of restructuring the GEF to meet the agreed incremental costs of activities with global environmental benefits, including those arising from the global environmental Conventions.^{1/} On the basis of the lessons learnt from the Pilot Phase and the anticipated needs under the Conventions, the paper proposed a two-phase approach to the programming of activities under GEF II and suggested a level of replenishment in the order of SDR 2 to 3 billion over a period of 3 to 5 years.

2. The donors generally agreed that a replenishment of SDR 2 to 3 billion was a realistic target for their negotiation. Most of them also preferred a replenishment period of 3 to 4 years, though some felt that they should retain, for the time being, flexibility for a longer replenishment period. Many donors thought that the replenishment should focus on raising grant contributions to the core fund only. Some donors, however, wanted further consideration of cofinancing as a supplementary vehicle for funding.

3. On the basis of these discussions among donors, this paper sets out the main issues related to the financial aspects of the GEF replenishment. Although the donors are yet to agree on the overall parameters of the replenishment, the paper tries to give a better definition to the issues and options relating to various aspects of the general financial framework of the GEF II.

4. Some donors have suggested that contributions should be based on a greater degree of voluntarism than is traditional in IDA and other multilateral funding mechanisms. However, some have also stressed that the final outcome should be "fair." This paper presents some broad options for arriving at such a "fair" distribution at the end of the replenishment process.

5. Section II provides a background overview of the financial arrangements of the pilot phase, including the modalities that were adopted for its implementation. Section III

^{1/} There are three global environmental conventions -- at various stages of development -- which have some relationship to the scope of the GEF. The first is the Montreal Protocol (MP) which is currently in effect and which is being separately funded through an multilateral fund. The GEF provides complimentary funding to the Montreal Protocol multilateral fund for countries in transition which are not currently eligible to receive funding under the MP. The other two are the U.N. Framework Convention on Climate Change and the Convention on Biological Diversity. These latter conventions are commonly referred to in this paper as the "Conventions."

discusses issues related to the terms of GEF contributions and management of GEF resources. Section IV explores the possible role for cofinancing. Section V discusses the proposed modalities for handling administrative expenditures related to the implementation of the program as well as investment income, project savings, and commitment authority. And finally, Section VI discusses possible ways of distributing contributions among donors. In each section, the main issues are highlighted and options presented for consideration by donors.

II. Financial Arrangements of the Pilot Phase

6. The Global Environment Facility (GEF) was established in 1991 as a three year pilot program to provide grant funding to developing countries for investments and technical assistance in four focal areas -- global warming, biodiversity, international waters, and ozone layer depletion. The program is being implemented through a tri-partite agreement between UNDP, UNEP, and the World Bank.

7. Contributions to the pilot phase were based on a voluntary approach in which no formal burden sharing arrangements were adopted. At the time of establishment, participants pledged a total of approximately SDR 660 million to the GEF core fund (i.e. the Global Environment Trust Fund (GET))^{2/} and SDR 220 million in cofinancing (grant equivalent). Because of a combination of factors, including indicative pledges that did not materialize, additional pledges received, as well as exchange rate changes, total resources to the core fund as of March 31, 1993, amounted to about SDR 620 million (US\$ 860 million).^{3/}

8. *Core Funding.* Participants agreed to provide contributions to the core fund in the form of three non-interest bearing promissory notes of equal size to be deposited by July 31 of each of the years 1991, 1992, and 1993. Each note would be encashed in five equal annual installments. These notes were to be denominated in SDRs or other freely convertible currency. Of the fourteen original donor countries, five elected to denominate their contribution in SDRs, while the remainder chose to denominate it in their respective local currency. Cash payments as well as minor variations to this basic note deposit and encashment schedule were accommodated as long as they did not significantly depreciate the value of the contribution to the GET.

9. Against these contributions in the form of notes or cash, the GET was authorized to make project commitments to recipients.^{4/} This commitment authority would be

^{2/} So as to avoid confusion and inaccuracy, this paper refers throughout to the "GET," whenever the issue pertains specifically to the GEF's core fund, rather than to the GEF in general.

^{3/} Details are contained in Table 9 of the "Report by the Chairman to the May 1993 Participants' Meeting."

^{4/} The ability of the GEF to make such financial commitments is called "commitment authority."

increased by investment income generated by GET's cash balances and would be reduced to accommodate operating costs. Participants agreed that GET grant commitments to recipients would be denominated in SDRs.^{5/} Donors recognized that since their contributions could be denominated in any convertible currency, the core fund would be exposed to an exchange risk to the extent that the SDR value of contributions at the time they are pledged may differ from their SDR value at the time they are disbursed. To reduce the exchange risk, contributors allowed the Facility to convert the amounts drawn down annually into the SDR basket of currencies.

10. Following the endorsement of the Fifth Work-program Tranche by Participants at their last meeting in Beijing on May 26, 1993, all of the available funds in the core fund have essentially been programmed.^{6/} By June of 1994, the funds for the five tranches are expected to be largely committed to recipients.

11. *Cofinancing.* In addition to the contributions made to the core fund, some donors pledged to make resources available to GEF supported activities through cofinancing. The Participants felt that allowing such contributions would help to secure the broadest possible participation in the pilot phase. While acknowledging that governments retain the ultimate decision-making authority over the specific use of funds, they agreed that cofinancing contributions should be usable on a basis comparable to that for resources contributed to the core fund. Thus, they should:

- benefit the global environment through supporting action in one or more of the areas covered by the GEF;
- fund broadly the same regions and countries as those eligible under the general GEF guidelines;
- be on an untied basis;
- provide resources on grant or highly concessional terms; and
- normally support projects that are partially funded from the core fund, or projects that qualify for such funding.

^{5/} Ref. paragraph 10 of Resolution 91-5 establishing the GEF. While this approach has been followed for World Bank executed investment projects, this was not the case for UNEP and UNDP activities, since the existing administrative arrangements for these agencies do not accommodate the practice of committing in currencies other than the US dollar. Therefore, the GET makes funding allocations to UNDP and UNEP in US dollar denomination.

^{6/} Some additional resources are expected to be available to the core fund from investment income not yet committed and from some cofinancing arrangements that have been, or are expected to be, replaced by core fund contributions.

12. Two types of cofinancing emerged in the pilot phase. The first involved the arrangement whereby countries, following the guidelines above, would select projects within the approved GEF work program for partial or full funding; this became commonly referred to as "GEF cofinancing." The second involved a practice whereby a donor country could directly and more independently select and undertake activities that the GEF implementation agencies found to be consistent with GEF objectives; this became commonly referred to as "parallel financing."^{7/}

III. Terms of GEF Contributions and Management of GEF Resources

13. Contributions to and funding from the GEF core fund during the pilot phase were on a grant basis. Since the GEF would be financing the agreed incremental costs of activities with global environmental benefits, GEF Participants felt that grant funding would be appropriate to assist developing countries with the implementation of these activities. There seems to be broad agreement that this arrangement should continue in GEF II. Beyond this basic point, however, there are three important and interlinked matters related to core fund contributions that need to be resolved. They are the encashment schedule for contributions, currency denomination of contributions, and the management of liquidity.

Encashment

14. The encashment schedule for donor contributions is in the first instance a cash flow issue. As explained below (see the paragraphs on currency denomination), when the GET is exposed to exchange risks, encashment can also serve as a currency risk management tool. However, it is best to first consider the cash flow aspect only.

15. An effective encashment policy must ensure that the GET always has sufficient funds to meet disbursement needs. The basic problem is that the pattern of disbursements cannot be projected with certainty. The uncertainty arises not only from the variability of disbursements for individual projects funded by the GET, but more importantly, also from the pace of commitments the GET makes and the mix of projects (with different disbursement profiles).

16. In the pilot phase, many activities were new and there was no track record of similar activities to help estimate the disbursement profile for the GEF with any precision. To cope with a great degree of uncertainty, therefore, donors agreed on a relatively fast and fixed encashment schedule. In GEF II, the disbursement pattern will continue to be difficult to project. At the individual project level, the pilot phase provides

^{7/} Only the U.S. adopted the parallel financing arrangements.

some helpful information.^{8/} However, the pilot phase cannot provide a definitive disbursement profile for GEF II, as the composition of GEF activities will continue to evolve, especially as the Conventions take effect. Furthermore, the GEF program is expected to build up at an accelerated pace after the Conventions are ratified and enter into force, the timing of which is not definite. This adds to the uncertainty of the overall disbursement profile for the GEF II.

17. There are two fundamental ways of coping with an uncertain disbursement pattern. One is to adopt a fixed encashment schedule that is sufficiently faster than that of anticipated disbursements; the other is to have variable encashments, in line with actual disbursement needs.

18. *Fixed Encashment Approach.* Donor contributions would be encashed in fixed installments. Given the relatively high degree of uncertainty in disbursement, encashment would probably have to stay ahead of the expected disbursement profile by [about one year] for the first [5-6] years of the disbursement period (when the bulk of the disbursement should take place), and finish within [4-5] years after the replenishment period.^{9/} This approach has certain advantages. To donors, it introduces pre-established, predictable encashment profiles which could be fully programmed into budgetary allocations. To the GET, it provides some early cash build up, which would generate some investment income to augment the GET's resources. The greater cash availability would also permit some amelioration of the exchange risk that the GET may be expected to face (see below, para. 25.) The main disadvantage of this approach is that donors' cash outflow could be considerably faster than actual disbursement. The GET is also exposed to a small risk that disbursements would exceed the fixed encashment schedule.

19. *Needs Based Encashment Approach.* The GET would encash donor contributions only as needed. For instance, encashment would take place quarterly, and the amount encashed would be based on projected disbursement needs for the next quarter.^{10/} The GET would have to maintain, however, an adequate cushion of cash balance at all times to meet unexpected acceleration in disbursement during the following quarter. Thus it may be appropriate for the GET to keep a cushion equivalent to projected disbursements

^{8/} The disbursement of GEF pilot phase activities has been somewhat slower than expected, although it has generally not been much different from that of similar UNDP and World Bank activities. However, there are indications that point to a significant acceleration of disbursements in the next year or two. See "Financing Needs for GEF II," paras. 19-20, GEF Replenishment Meeting paper, May 1993 and "Disbursement of GEF Investment Projects," note issued at Participants' Meeting, Beijing, China, May 1993.

^{9/} An estimate of the disbursement profile will be provided later this year when more is known about the replenishment period, the likely program composition for the GEF II, and the likely pace of program build-up.

^{10/} Before IDA10, in which most donors accepted a fixed encashment schedule, this was the basic encashment principle for IDA.

for about a quarter. This approach has the advantage to donors of minimizing immediate cash outflows. Experience of IDA shows, however, that most donors' budgetary systems are not flexible enough to cope with significant changes once a fiscal year begins. In most cases, donors need to have estimates of encashment several quarters in advance in order to budget for them. Such encashment estimates would have to allow for uncertainty in disbursement. Thus, the potential budgetary savings from this encashment approach may be limited. For the GET, however, this approach guarantees that cash inflow would always track needs.

Currency Denomination and Exchange Risk

20. Because many countries opted to denominate their contributions in their local currencies during the pilot phase, about 80% of all contributions to the core fund was denominated in various currencies and 20% in SDRs. GEF investment projects funded through the World Bank (about 60% of the core fund) are committed to recipients in SDRs, and the remainder (40%), including the expenditures for UNDP and UNEP programs and the administrative expenditures of the three implementing agencies and that of the Administrator's Office, is budgeted in US dollars. Since the currency composition of the donor contributions differ substantially from that of the commitments made by the GET, the GET has been exposed to currency risks.

21. There are two types of currency related risks. First is the risk that between the time of the original pledge and the time of actual donor commitment, the value of donor contributions may change in terms of the currency of commitment to recipients. The GET has no means of avoiding this risk. However, the GET can and does prevent over-committing by continually monitoring the value of donor contributions (i.e. commitment authority) during the commitment period. Second, and a more serious risk, is that after donor contributions are fully committed to recipients, the actual value of the contributions may depreciate and become insufficient to cover the projects and programs that the GET committed to fund in SDRs and US dollars. Because of its grant nature, which is expected to continue in GEF II, the GET does not have inflows of loan repayments - as does for example IDA - which could provide a cushion against adverse currency fluctuations. This makes it particularly important for the GET to have an effective and explicit policy to deal with exchange rate risks. In this GEF setting, exchange rate risks are difficult, if not impossible, to eliminate. The question is who ultimately bears them: donors, recipients, or the GEF program.^{11/}

^{11/} In the pilot phase, the full SDR or US dollar value of contributions, established at the time of commitment, is being committed to projects, after allowing for administrative costs. However, disbursements remain subject to the actual availability of funds, which can be affected by the exchange rate movements. Thus, the GEF runs the risk that part of its program may need to be suspended before completion, due to insufficient funds as a result of this currency risk, unless the resultant shortfall is covered by additional contributions. While this approach may be permissible for an experimental, pilot program, it would not be satisfactory for assisting the implementation of projects to fulfill obligations under the Conventions.

22. From the GET's point of view, the most direct solution to this problem would be to match the currency composition of the resources the GET receives from donors to that of the commitments the GET makes to recipients. This suggests the following three options:

Option 1: Donors would denominate their contributions in SDRs and all commitments would be made in SDRs. In this case, both donors and recipients would be bearing part of the risk: the former, to the extent their national currencies differ from SDRs and the latter to the extent contracts to be funded cannot be fixed in SDRs. It is important to note, however, that UNDP and UNEP can make commitments only in US dollars (see para. 9. and related footnote).

Furthermore, the budgets of all three implementing agencies are denominated in US dollars. Therefore, a variation of this approach to solve the exchange problem would be for donors to denominate a part of their contributions in US dollars and the rest in SDRs in proportion to the expected distributions of commitments in those two currencies.^{12/}

Option 2: Donors would denominate their contributions in US dollar terms and all commitments to recipients would be made in US dollars. In this case all donors other than the U.S. would bear the foreign exchange risk. The recipients who contract in currencies other than the U.S. dollar would also bear some risk.

Option 3: Donors would denominate their contributions to the GET in their (freely convertible) local currency, and the GET would make its commitments to recipients in a currency basket representing the total GET contributions. In this case, the currency risk would be transferred to recipients. While conceptually feasible, this approach would be administratively cumbersome for the GET and for recipient countries.

23. Experiences in other multilateral mechanisms have shown a great deal of donor reluctance to assume currency risks. Option 3, which shifts the risk to the recipients, may also be less acceptable in the case of the GEF than in other programs that are designed to provide development assistance. In the GEF, there is an explicit understanding that the GEF would finance the incremental cost of global environmental projects. Assuming that the currency composition of donor contributions and that of GET commitments cannot be matched, the GET must find a way of coping with the exchange risks arising from the mismatch.

^{12/} To the extent that the actual distribution of commitments between these two currencies is not fully known at the outset, some risk would continue to exist.

24. One way of dealing with exchange risk would be to make some provision for the possible exchange loss in donor resources (Option 4). Another way would be to encash donor contributions before they are fully committed during the replenishment period (Option 5). In the following two options, donors would continue to denominate their contributions to the GET in either SDRs or their (freely convertible) local currency, and the GET would make its commitment to recipients in SDRs and US dollars as it does now.

Option 4: The GET would set aside [e.g., about 15-20%] of donor contributions uncommitted during the replenishment period to minimize the risk of over-committing. The need for such a safety margin, of course, would depend on the extent of currency mismatch. As the balance of undisbursed commitments falls toward the end of the disbursement period, the uncommitted resources may become available for new commitments. Nonetheless, this approach does effectively reduce the funding capacity of the GET during the replenishment period.^{13/}

Option 5: Donor contributions would be fully encashed during the replenishment period and converted into the currency basket of commitments. The GET would not be exposed to any exchange risks after the replenishment period.^{14/} For instance, donor contributions could be made in three cash installments (assuming a replenishment period of three years). A discount could be applied to donor contributions to reflect the higher present value of such payments. In this case, the GET would remain exposed to some interest risk, because actual investment return on the GET's liquidity could be lower than the discount rate applied to donor contributions. (This risk arises mostly from the uncertainty in the disbursement pattern).

25. Between Options 4 and 5, there is a range of options that would combine a safety margin and some degree of acceleration in encashment. Accelerated encashment helps the GET to mitigate exchange risks in two ways. First, because more of donor contributions would be encashed during the replenishment period itself, there would be less donor resources left exposed to exchange risks. Second, this approach allows the GET to build a substantial liquidity pool, which can be held in such currencies as to reduce the currency mismatch between the donor resources and GET commitments. This would allow the GET to hold a smaller safety margin of uncommitted resources. As in Option 5, a discount could be applied to donor contributions according to the degree of acceleration. This in turn would mean that part of the replenishment resources must

^{13/} If there are future replenishments that could be relied upon to cover any shortfall in donor contributions resulting from this exchange risk, the need to maintain a safety margin would be obviated.

^{14/} Unless donors agree to make one cash payment up-front, the value of donor contributions could still depreciate during the replenishment period. Of course, the GET would reduce its commitment level accordingly.

come from expected investment income. Since the exact amount of such investment income would be uncertain, the GET would be exposed to some investment risk. However, given the relatively short time frame, such a risk is likely to be much less than the exchange risk. Therefore, the greater the degree of encashment acceleration, the smaller the safety margin needed to protect against exchange risks. Although the net present value of the individual donor contributions would not change, acceleration does help to increase the ability of the GET to commit more of the donor funds during the replenishment period.

Liquidity Management

26. As the discussions on encashment and currency risks have already indicated, the level of liquidity the GET would hold and how it would be managed are matters that derive from the encashment approach and the currency risk management option chosen. Under a needs-based encashment approach, the liquidity level should be low, while under an accelerated encashment approach, it could be very high. If the GET is not exposed to exchange risk, then the liquidity should be held in the same currency basket as that for the commitments made by the GET. If the GET is exposed to exchange risk (either under Option 4 or modified Option 4 with some accelerated encashment), the liquidity should be held in such currencies as to reduce the currency mismatch between donor contributions and GET commitments.

IV. The role for Cofinancing

27. As noted in Section II, during the pilot phase, donors agreed to incorporate cofinancing as part of the GEF. Several donors found it difficult to make core fund contributions because of uncertainty about the future direction of the GEF and the timing of funding. Those donors elected to make cofinancing a significant part of, if not the sole form of, their pledged contribution to the GEF: Australia (A\$ 30 million, representing 100% of contribution), Belgium (SDR 5 million, representing 50% of contribution), Canada (C\$ 15 million, representing 60% of contribution), Japan (US\$ 182 million, representing 77 % of contribution),^{15/} Norway (Nkr 30.4 million, representing 18% of contribution), Switzerland (SDR 9.9 million, representing 25% of contribution), U.S. (US\$150 million, representing 100% of contribution). All were in the form of grants except for Japan which pledged concessional loans. In total, about 29% of the GEF funds were pledged in the form of cofinancing (including parallel financing). Implementation of the cofinancing and parallel financing arrangements has been disappointing. Of the

^{15/} This figure was originally US\$ 220 million in concessional loans with a grant equivalence of about US\$ 150 million. Subsequently, Japan chose to convert about US\$ 38 million of this into a grant contribution of US\$ 24.3 million to the core fund. The remaining pledge of US\$ 182 million concessional loans are estimated to be equivalent to US\$ 115.7 million in grants

total of some US\$ 390 million^{16/} pledged by donors to cofinancing and parallel financing, less than \$ 50 million (i.e. less than 13%) has so far been committed to GEF activities.

28. Some donors that pledged cofinancing contributions to the pilot phase have already indicated that they plan to make only grant contributions to the core fund in GEF II. At the first replenishment meeting, many donors underlined the importance of limiting the GEF replenishment to core fund contributions. At the same time, some donors felt that cofinancing should remain available as a channel through which donors could provide additional financial support to the GEF. Cofinancing of GEF projects should no doubt be welcomed as a way of increasing the overall resources to fund global environmental projects. The question, however, is whether cofinancing should be part of the regular GEF funding mechanism.

29. Incorporating cofinancing as part of the GEF's regular funding mechanism raises several issues. First, the slow progress of cofinancing in the pilot phase is a concern for effective implementation of agreed GEF projects in a timely manner. Thus in terms of the ready availability of financial resources, cofinancing may not be a good substitute for core fund contributions. Second, GEF participants have endorsed the principle that the voting mechanism for the restructured GEF should give due weight to levels of contributions. Whether, and if so how, cofinancing should be factored into such a voting mechanism are difficult issues that need to be resolved. Third, inclusion of cofinancing would also complicate burden sharing discussions. In this connection, it is worth noting that inclusion of cofinancing into burden sharing for the GEF would be inconsistent with the burden sharing system for other multilateral funding mechanisms. Furthermore, circumstances that made cofinancing important in the pilot phase have changed as well. The GEF has become a better established concept and donors began to anticipate the replenishment of the GEF well in advance of the negotiations. In conclusion, it seems best not to include cofinancing as a regular financing mechanism within GEF II. However, it should certainly be welcomed as an additional form of funding to support the objectives of the GEF.

V. Administrative Expenditures, Investment Income, Project Savings, and Commitment Authority

30. *Administrative Expenditures.* For the pilot phase it was agreed that operating costs related to GEF activities incurred by the three implementing agencies be charged directly to the GEF's resources (i.e. to the GET). The GEF Administrator's office compiles the consolidated budgets of the implementing agencies and includes these in the Report by the Chairman to Participants' Meetings. In the context of Work program

^{16/} US\$ 390 million nominal amount corresponds to about US\$ 324 million grant equivalent at March 31, 1993 exchange rates.

reviews, Participants endorse these budgets. Since the GET does not have other sources of funds -- i.e. no interest or loan repayments, administrative charges, and only minimal investment income -- charging administrative expenses directly to the core fund, as in the pilot phase seems to be the only practical approach.

31. Some GEF Participants have requested that more detailed information be provided as to the breakdown of administrative expenditures under the pilot phase. Also, some participants have asked to what extent the administrative expenses under the pilot phase could be assumed to be indicative of the magnitudes that would be required in the replenishment phase and beyond. In response to these questions, the GEF Administrator's Office is preparing a separate technical note that deals with these questions. The results of this analysis will be presented to Participants.

32. *Investment Income and Project Savings.* Whenever the GET, or its partner agencies to which the GET makes periodic advances, holds cash balances pending disbursements, these funds are invested and the income so generated is credited to the core fund. Similarly, upon completion of a project, undisbursed funds will be added back to the uncommitted resources of the GET. It is recommended that these procedures be continued in GEF II.

33. *Commitment Authority.* For the pilot phase commitment authority of the GET was limited to its resources already paid in the form of notes or cash to the core fund and investment income after allowances are made for operating costs. The commitment authority is reviewed periodically to reflect the impact of exchange rate changes on the value of its resources. This approach should be continued under GEF II subject to the method adopted for dealing with exchange rate risk, as discussed in Section III.

VI. Donor Contributions

34. The GEF pilot phase was characterized by its voluntary approach to contributions. Donors emphasized then that this was a pilot exercise for which no previous experience, both in terms of scope and effectiveness, had been established and that this experimental nature, as well as the relatively small size, justified a purely voluntary approach to contributions. Since then, the GEF has approved five work programs (tranches) totaling some US\$ 730 million in projects and technical assistance programs. This has helped to clarify the kind of activities that the GEF can undertake and the effectiveness of its approach. The bulk of activities to be funded by GEF II will no longer be experimental. The size of GEF II is also likely to be substantially larger than the pilot phase.

35. Therefore, donors are becoming increasingly mindful that the replenishment of the GEF, while retaining the spirit of voluntarism to an important degree, should occur on the basis of "fair" share. Should the GEF become a more stable funding mechanism in the future, it might be desirable to move toward a well defined burden sharing scheme. Nonetheless, given the novelty of the GEF, the evolving nature of its activities, and the

linkages to the Conventions that will be clarified only over time, it is difficult to construct a rigid formula for burden sharing at this stage. In GEF II, therefore, it would seem more important to find a way of balancing voluntarism on the one hand and the desire to move toward a more traditional burden sharing approach on the other.

36. One way to reconcile the two conflicting objectives may be for donors to find a set of burden shares that would be considered provisional "medium-term targets." Some donors may contribute more than such targets, reflecting their voluntary additional efforts. Others, whose contributions fall short of the targets, may at least indicate the intention to move toward the targets over time. A second way may be to agree on a set of provisional burden shares that would apply to a large part of the replenishment, but not all. The remainder could be additional voluntary contributions. Either way, these sets of shares must be seen to be "fair" based on the current understanding on the scope and direction of the GEF.

37. Many donors have indicated that the "fair" shares for the GEF should recognize the relative roles of donor countries in other multilateral funding efforts. There are various models that could serve as a basis for such an approach. Donors have often made references to four such models: (i) the GEF pilot phase itself; (ii) the UN Scale of Assessments^{17/}; (iii) Adjusted GNP shares; and (iv) IDA's burden sharing arrangements. Table 1 below summarizes the burden sharing characteristics of these four models. In all cases, the shares are calculated for only those donors that pledged to contribute to the GEF pilot phase, that are not eligible to receive GEF funding, and that have indicated their intention to contribute to the replenishment.^{18/} These do not represent specific burden sharing proposals for the GEF II; rather they are meant to serve as a point of reference in donor discussions.

38. *Contributions to the GEF Pilot Phase.* Since donors made the contributions to the pilot phase explicitly on a voluntary basis, they are not bound by these shares in GEF II. Nonetheless, the pattern of financial efforts in the pilot phase does offer a useful reference point. Recognizing the difference between core fund contributions and cofinancing pledges, Table 1 shows two sets of shares. The core funds shares are based on the pledges made so far as reflected in the most recent Chairman's Report (Table 9 of "Report

^{17/} One model that is closely related to the UN Scale of Assessments and that has also been referred to is that used in the Multilateral Fund of the Montreal Protocol (MP). Here, contributions are based on the UN Scale of Assessments adjusted for countries' estimated emission of ozone depleting substances. While relevant to the MP, such a model would be difficult to justify in the present context. This is so because of the heavy reliance on ozone depleting substances as its basis, in contrast to the much broader global environmental scope of the GEF. Some have suggested introducing similar environmental indicators into the GEF. However, given the diversity in the scope of the GEF, it would be difficult to find a formula that is both reasonable and practical.

^{18/} To simplify presentation, the shares of individual countries have been increased on a pro-rata basis to ensure that the total adds up to 100% for the group of major GEF donors.

by the Chairman to the May 1993 Participants' Meeting"). However, because a few major donors pledged all or most of their contributions in terms of cofinancing, shares based on the core fund contributions alone do not offer a very useful reference point. The "total financial effort shares" represent notional shares based on the sum of core fund contributions pledged and cofinancing pledges as reflected in the Chairman's Report. Core fund contributions and cofinancing pledges are very different in nature, and much of cofinancing pledges have not translated into actual commitments yet. However, combining them does give a broad gauge of financial efforts that donors made or at least intended to make.

Table 1: Some Existing Models for Burden Sharing

<u>Donors 3/</u>	<u>GEF Pilot Phase</u>		<u>Total Fin. Efforts 4/</u>	<u>Adjusted</u>	<u>IDA10 Share 2/</u>	<u>UN</u>
	<u>Core fund Pledges</u>			<u>GNP</u>		<u>Assessm.</u>
	<u>SDR m 1/</u>	<u>Share 1/</u>		<u>Share 2/</u>		<u>Share 2/</u>
Australia	0.00	0.0%	2.08%	1.31%	1.66%	2.28%
Austria	25.17	5.0%	3.42%	0.87%	1.03%	1.13%
Canada	5.76	1.1%	1.95%	3.29%	4.56%	4.69%
Denmark	16.25	3.2%	2.21%	0.79%	1.48%	0.98%
Finland	12.81	2.5%	1.74%	0.81%	1.14%	0.86%
France	108.89	21.4%	14.79%	6.55%	8.01%	9.04%
Germany	106.33	20.9%	14.44%	9.77%	12.54%	13.46%
Italy	46.96	9.2%	6.38%	5.43%	6.04%	6.46%
Japan	24.73	4.9%	14.68%	24.46%	21.33%	18.76%
Netherlands	37.74	7.4%	5.13%	1.41%	3.76%	2.26%
Norway	17.16	3.4%	2.76%	0.67%	1.62%	0.83%
Portugal	4.50	0.9%	0.61%	0.09%	0.14%	0.30%
Spain	10.00	2.0%	1.36%	1.65%	0.91%	2.98%
Sweden	18.27	3.6%	2.48%	1.52%	2.99%	1.66%
Switzerland	30.06	5.9%	5.43%	2.06%	1.98%	1.75%
United Kingdom	43.28	8.5%	5.88%	4.39%	7.01%	7.56%
United States	0.00	0.0%	14.68%	34.94%	23.79%	25.00%
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TOTAL	507.91	100.00%	100.00%	100.00%	100.00%	100.00%

1/ Exchange rates: as of 3/31/93

2/ Adjusted to total 100% for this group. In the case of UN Assessment, shares capped at 25%.

3/ These include only those countries that pledged to contribute to the pilot phase, that are not eligible to receive GEF funding, and that have indicated their intention to contribute to the replenishment

4/ Combines core fund and cofinancing contributions and pledges.

39. *The UN Scale of Assessments* is essentially based on countries' GNP with a cap of 25% for any one country^{19/}. It is thus based on the relative size of the various donor economies, with the exception that the share for any one country is capped at 25%. Also, it pertains to an equally universal forum as that which the GEF aspires to achieve through its universal membership. However, it is unrelated to the expressed willingness or financial capacity of donors to assist developing countries.

40. *The Adjusted GNP shares*, as is the case for the UN Scale of Assessments, is based on countries' GNP but is adjusted for the countries' per capita income levels.^{20/} It is considered by many donors as one of the most basic indicators of ability to pay and, therefore, a good theoretical basis for burden sharing. However, in practice, such as in IDA negotiations, the actual shares adopted have differed widely from those dictated by the adjusted GNP shares.

41. *The IDA shares* represent the relative shares of this set of donors within IDA10. They reflect the basic shares which represent the accepted relative obligations among donors. As in the case of the other models, to simplify the presentation, the individual shares are adjusted on a pro-rata basis to ensure the total among this donor group adds up to 100%. IDA shares have developed over time and have in many ways become a well established model for burden sharing in development assistance.

42. None of the above models by itself appears to offer a good basis for burden sharing discussions within the context of GEF II. However, since each model is based on a certain premise that could be relevant to the GEF, some combination of these models may prove more satisfactory. An illustration of such an approach is shown in the Annex, where GEF pilot phase shares and IDA shares are combined into one formula. Clearly, many other such possibilities exist. The example in the Annex is only an illustrative approach that is meant to stimulate further discussion.

43. *Contributions from Other Sources*. In addition to contributions by the major donors, a number of developing countries who are eligible to receive GEF support have indicated a willingness to contribute to the GEF replenishment. Furthermore, donors who have traditionally contributed to multilateral funding programs such as IDA and who have not yet expressed an interest in contributing to the replenishment of the GEF may also decide to do so in the future. These potential, additional sources of funding could help the GEF in broadening its impact and would contribute greatly in fomenting the

^{19/} Which de facto applies only to the U.S.

^{20/} Adjusted GNP shares are calculated as follows: Using some level of per capita GNP (e.g., per capita GNP of the US) as the benchmark, per capita GNP of all countries is expressed in proportion to this benchmark level. For each country, its GNP is multiplied by this per capita GNP factor, which results in "adjusted GNP." Each donor's "adjusted GNP share" is calculated by dividing its "adjusted GNP" by the sum of "adjusted GNP" for all donors in the relevant set.

spirit of partnership on which the GEF is founded. A tentative estimate indicates that the potential funding from these sources could be about SDR 60 million.^{21/}

44. *Modalities for Contributions by Recipients.* Under the pilot phase, a number of developing countries also made contributions to the GEF. In those instances, the modality for such contributions was different from that of other donors. While contributions by industrialized donors consisted of three annual notes, each of which was to be encashed over five years, developing countries made their contributions in terms of eight equal annual installments. This reduced somewhat the financial burden of the contributions by a developing country in terms of its present value. Since there will no longer be a minimum contribution required for participation in the restructured GEF, there does not seem to be a strong reason to treat contributions by developing countries differently.

^{21/} This estimate is based on the following observations and assumptions: Traditional IDA donors, not part of the current GEF replenishment group, represent about 3% of the total IDA contributions. A 50% participation of this group in a SDR 2 billion replenishment represents about SDR 30 million. In addition, assuming each of about eight eligible recipient countries contributes SDR 4 million, an additional SDR 32 million would be obtained.

An Illustrative Approach that Combines Existing Burden Sharing Models

As explained, none of the models shown in Table 1 of the main text by itself appears to offer a good basis for burden sharing. However, a combination of these models could result in a reasonable basis for discussion. As an illustration, a combination of the IDA shares and the GEF pilot phase shares^{22/} could offer an interesting point of departure for various reasons. First, IDA is a well-established donor effort of significant world wide importance. The distribution of individual donor shares in IDA has evolved over time and has become generally accepted as a good basis for sharing the costs of global, multilateral activities. The tenth replenishment of IDA (IDA10) was completed toward the end of last year and thus provides a recent point of reference. Second, the GEF pilot phase was funded on the basis of voluntary contributions, in which it was not expected for countries to adhere to strict burden sharing arrangements. As a result, countries made pledges that reflected their own particular interest in the GEF and at least their intention to participate in its objectives. Therefore, an approach that combines this demonstrated interest for the GEF, as reflected by the pilot phase pledge shares (including cofinancing), with the sense of "fairness" embodied in the shares of IDA, could offer a point of departure for discussion among donors.

An example of this approach is shown in Table A-1 below. The basic idea is to take for each donor the average of its share in IDA10 and its share in the GEF pilot phase. For a donor for whom its GEF pilot phase share was higher than its IDA10 share, this approach recognizes the donor's demonstrated willingness to take on a greater leadership role in this particular area of global focus. However, such disproportionately higher share may not be sustainable in the long-run. By taking the mid-point between the IDA10 and GEF pilot phase shares (rather than the GEF share itself), this approach allows some attenuation of shares toward what has proven sustainable. For a donor for whom its GEF pilot phase share was lower than its IDA10 share, this approach expects such a donor to move toward what is broadly considered fair and has proven to be sustainable financially.

The first two columns of Table A-1 show the respective shares of GEF donors^{23/} in both the GEF pilot phase and IDA10. In both cases, the individual country shares have been adjusted on a pro-rata bases from their actual levels to ensure that the totals

^{22/} For the purposes of this example, shares resulting from adding cofinancing pledges to core fund contributions are used.

^{23/} As stated before, these include only those countries that pledged to contribute to the pilot phase, that are not eligible to receive GEF funding, and that have indicated their intention to contribute to the replenishment. In addition, for the purposes of this example, cofinancing pledges have also been considered.

for this group add up to 100% for this group of donors. The third column shows for each donor the average of its IDA and GEF shares.^{24/} Finally, a range comprising 10% on either side of this calculated share is shown in the fourth column as a possible basis for burden sharing.

Table A-1: An Example of Combining Burden Sharing Models
The Case of GEF and IDA Combined

<u>Donors 2/</u>	<u>GEF Share 1/</u>	<u>IDA10 Share 1/</u>	<u>Average of GEF & IDA10</u>	<u>Resulting Range</u>
Australia	2.08%	1.66%	1.87%	1.68% - 2.06%
Austria	3.42%	1.03%	2.22%	2.00% - 2.44%
Canada	1.95%	4.56%	3.26%	2.93% - 3.58%
Denmark	2.21%	1.48%	1.84%	1.66% - 2.03%
Finland	1.74%	1.14%	1.44%	1.30% - 1.58%
France	14.79%	8.01%	11.40%	10.26% - 12.54%
Germany	14.44%	12.54%	13.49%	12.14% - 14.84%
Italy	6.38%	6.04%	6.21%	5.59% - 6.83%
Japan	14.68%	21.33%	18.00%	16.20% - 19.80%
Netherlands	5.13%	3.76%	4.44%	4.00% - 4.89%
Norway	2.76%	1.62%	2.19%	1.97% - 2.41%
Portugal	0.61%	0.14%	0.37%	0.34% - 0.41%
Spain	1.36%	0.91%	1.14%	1.02% - 1.25%
Sweden	2.48%	2.99%	2.73%	2.46% - 3.01%
Switzerland	5.43%	1.98%	3.71%	3.34% - 4.08%
United Kingdom	5.88%	7.01%	6.45%	5.80% - 7.09%
United States	<u>14.68%</u>	<u>23.79%</u>	<u>19.23%</u>	17.31% - 21.16%
	100.00%	100.00%	100.00%	

1/ Adjusted to total 100% for this group

2/ These include only those countries that pledged to contribute to the pilot phase, that are not eligible to receive GEF funding, and that have indicated their intention to contribute to the replenishment.

To provide an indication of what these shares might imply in terms of actual contributions under a replenishment of SDR 2 billion or SDR 3 billion, the resulting implied range of contributions for each donor are shown in Table A-2 below in SDR terms.

^{24/} Clearly, many variations to this approach are possible, using other than 50-50 weights between IDA and GEF shares.

Table A-2: Donor Contribution Ranges
Based on Combined GEF and IDA Models

Donors 1/	Replenishment Size	
	SDR 2 Billion (in SDR Millions)	SDR 3 Billion (in SDR Millions)
Australia	33.7 - 41.2	50.5 - 61.8
Austria	40.0 - 48.9	60.0 - 73.3
Canada	58.6 - 71.7	88.0 - 107.5
Denmark	33.2 - 40.6	49.8 - 60.9
Finland	25.9 - 31.7	38.9 - 47.5
France	205.1 - 250.7	307.7 - 376.1
Germany	242.9 - 296.8	364.3 - 445.2
Italy	111.8 - 136.6	167.7 - 205.0
Japan	324.0 - 396.0	486.0 - 594.0
Netherlands	80.0 - 97.8	120.0 - 146.7
Norway	39.4 - 48.2	59.1 - 72.3
Portugal	6.7 - 8.2	10.1 - 12.3
Spain	20.4 - 25.0	30.6 - 37.5
Sweden	49.2 - 60.2	73.8 - 90.2
Switzerland	66.7 - 81.6	100.1 - 122.4
United Kingdom	116.0 - 141.8	174.0 - 212.7
United States	346.2 - 423.1	519.3 - 634.7

1/ These include only those countries that pledged to contribute to the pilot phase, that are not eligible to receive GEF funding, and that have indicated their intention to contribute to the replenishment.

Reference: SDR 1 = US\$ 1.38806 on March 31, 1993

File
GEF

The World Bank/IFC/MIGA
O F F I C E M E M O R A N D U M

DATE: July 3, 1993 04:22pm

TO: Sven Sandstrom (SVEN SANDSTROM)

FROM: Johannes Linn, FPRVP (JOHANNES LINN)

EXT.: 80602

SUBJECT: Meeting of Ken Ohashi with Susan Levine and USTR Staff

Sven,

You will find the attached em of interest.

I did not get to talk to Larry before his departure to Tokyo. I hope to see him after he gets back.

Johannes

CC: Penny Chokechaitanasin (PENNY CHOKECHAITANASIN)

The World Bank/IFC/MIGA
O F F I C E M E M O R A N D U M

DATE: July 2, 1993 00:53am EST

TO: Johannes Linn (JOHANNES LINN)

FROM: Kenichi Ohashi, FRMRP (KENICHI OHASHI)

EXT.: 80570

SUBJECT: Meeting with Susan Levine on GEF

Johannes:

This afternoon, Rene and I met with Susan Levine and some of her staff to touch base on GEF work. (The meeting was supposed to be yesterday morning but was postponed till today.) It was a very open, constructive meeting. Several interesting pieces of information came out of it.

Voting System

While Ms. Levine was called into another meeting for a while, the rest of us discussed the voting system for the PA. The US is much more concerned with donors retaining sufficient veto power. Their primary concern seems to be the ability of donors to stop poor projects. They also start with the premise that the restructured GEF would have the right, and fairly restrictive scope. Therefore, donors' main concern should be ensuring that that structure would not be compromised easily. This is also consistent with their focus on veto.

We noted that some donors seem to be more concerned with approval power of donors. They do not want a typical UN-type situation in which no positive action is taken. Their immediate reaction was that they could not think of such a stalemate situation. If many G-77 members are opposed to a project, it should not be implemented anyway. Therefore, why would donors want a strong approval power? I said that I tended to agree with their thinking. However, I offered the following hypothetical example. Suppose the Climate Change Convention decides that the economies in transition are not eligible for GEF funding, but GEF donors feel that GEF should continue to support them. With a relatively strong veto power (for both donors and G-77), G-77 could conceivably block all projects for such economies. With the Convention on their side, this would be a politically strong position. They said a problem like that would have to be sorted out in the replenishment negotiations. However, they agreed that they need to think more about it.

Donors' meeting in New York on June 17

Upon coming back from another meeting, Ms. Levine told us about the meeting in New York. The meeting was attended by G-7, Nordics, the Netherlands, Australia, and New Zealand. (Ms. Levine did not mention it, but I believe Switzerland was also represented.) The two main issues concerned the GEF secretariat and the project approval process.

1. Secretariat - Donors all supported the current arrangement of having three implementing agencies. However, the US argued for a more independent secretariat. First, the secretariat should have a core of full-time staff, working strictly for GEF. (For instance, the Chairman should not also have a position in the Bank hierarchy.) This is to avoid potential conflicts of interest. However, the secretariat would rely on LEG, FRM, etc. for specialized support.

The secretariat staff can be seconded from the three implementing agencies and hence subject to general personnel rules of those agencies. However, the secretariat should be able to make final decisions on hiring. (According to another source, the US had initially argued for totally independent personnel policies, which other donors did not support.) The US feels that if there is no qualified staff within the three implementing agencies to fill certain positions in the secretariat (Ms. Levine specifically mentioned experts on biodiversity as an example), the secretariat should be allowed to look outside and if it finds a suitable candidate, its decision should not be overruled by senior management of the Bank. GEF should be able to hire the best qualified person for the job.

2. Project Approval - The US feels that donor governments must be able to exercise their oversight responsibilities over GEF projects. They proposed that the constituency-based PA would meet every 6 months to approve the work program. Once the final project document is ready, the secretariat would circulate it to the PA representatives for approval on a no-objection basis. If someone wants it discussed by PA, then the project would be added to the agenda of the next PA. Ms. Levine said that Germany and Italy supported the idea immediately. Canada came around to support it. France was leaning in favor. UK reserved judgment. Japan would go with majority. Australia and Nordics were supportive. And the Netherlands was fairly positive.

Based on the discussion on the voting system (see above), their primary concern seems to be avoiding another Narmada slipping through the screening process.

The NY meeting also covered other issues.

- Plenary session. Some donors, and UK in particular, were skeptical of its utility. UK argued that it would bound to want to carve out its own area of decision authority.
- GEF Chairman. To be nominated by the implementing agencies

and approved by PA. Broad support for this among donors.

- Broadening implementing agencies. US feels that for biodiversity in particular, the existing three agencies are not well equipped. They want more parties (including NGOs) to be involved in project preparation and implementation. At one point, they explained that what they want, at least in part, is an expanded small project window.

- US supports NGO observership at the PA. Satisfactory procedures for consultations with affected people are important.

They are finalizing a note on this meeting, which they plan to circulate to donors. Donors plan to meet again right before the next GEF meeting in September.

Burdensharing

We explained the outline of our burdensharing idea. Ms. Levine's reaction was quite defensive.

1. Their budget situation is terrible. With the way FY94 budget is going, the US is likely to have arrears of about \$800 million to international organizations. Therefore, they are would not want to make any additional promise that they may not be able to honor.
2. They are aware that the US would be expected to contribute something in the range of 15-20%. However, she feels the bottom of the range is the best they could probably do.
3. In terms of the absolute amounts, she repeated what she indicated in Beijing, i.e., 20% of SDR 2 billion would be really pushing it. She also mentioned that moving from \$30 million a year for GEF to \$150-200 million is going to be extremely difficult. (From this, it seems like \$150 million a year may be about as far as they could go.) She said that if the US made a large GEF pledge, they would be forced to cut contributions to MDB to come up with funds for GEF. (To this, I noted that perhaps Treasury should argue that GEF is not aid. She agreed, and said that they would love to get part of the EPA budget for GEF. I wondered if it may be useful for you to suggest this to Mr. Summers.)
4. She said that given the slow start expected in GEF II, a replenishment over SDR 2 billion is unrealistic and that the appropriate size may be closer to SDR 1 billion. However, she did recognize the political importance of having a large replenishment.
5. There is no reason why the US should be the largest contributor to GEF II. We should use more indicators to come up alternative scenarios. IDA is not necessarily a good basis. (I

noted that is it hard for us to come up with a credible scenario in which the US would contribute only 15% while Japan would contribute 20%, Germany and France 15% each. We would be seen to be letting the US off the hook. They accepted the point.) In conclusion, she made a strong plea that we avoid raising expectations about the US share. Anything very close to 20% is not on.

Ken

CC: Paula Donovan
CC: Lorene Yap
CC: Rene Moreno
CC: Kathia Coupry

(PAULA DONOVAN)
(LORENE YAP)
(RENE MORENO)
(KATHIA COUPRY)

A L L - I N - 1 N O T E

DATE: 03-Jul-1993 04:23pm

TO: Sven Sandstrom (SVEN SANDSTROM)

FROM: Johannes Linn, FPRVP (JOHANNES LINN)

EXT.: 80602

SUBJECT: One more note of meeting with Susan Levine

CC: Penny Chokeychaitanasin (PENNY CHOKECHAITANASIN)

DECLASSIFIED

OCT 24 2022

WBG ARCHIVES

A L L - I N - 1 N O T E

DATE: 02-Jul-1993 01:08am EST

TO: Johannes Linn (JOHANNES LINN)

FROM: Kenichi Ohashi, FRMRP (KENICHI OHASHI)

EXT.: 80570

SUBJECT: Levine Meeing - Confidential Footnote

Johannes:

A small footnote of some importance.

When Susan talked about the need of GEF secretariat being able to hire the best qualified people, I got more specific. I think this made her staff a bit uneasy, but she frankly acknowledged that the Bank's hiring policy regarding US male was a concern to them. I said that I appreciated her frankness and that I felt it was important for us to understand exactly where she is coming from.

I do not think this is something she would want repeated widely. Nonetheless, I thought this was an important point for you to know.

Ken

CC: Paula Donovan (PAULA DONOVAN)
CC: Lorene Yap (LORENE YAP)
CC: Rene Moreno (RENE MORENO)
CC: Kathia Coupry (KATHIA COUPRY)

OFFICE MEMORANDUM

File
GEF

DATE: June 16, 1993

TO: Mr. Sven Sandstrom, EXC

FROM: Johannes F. Linn, FPRVP

EXTENSION: 80602

SUBJECT: GEF Negotiations in Beijing

1. Overall the GEF meetings went well; both the replenishment and the restructuring discussions were concluded ahead of schedule.
2. Replenishment. The paper on funding needs was very well received by the donors and provided a solid basis for discussion. The outcome was as follows:
 - There was a lot of support for the proposed funding range of SDR 2-3 billion, although some of the largest donors (US, Japan) did not at this time indicate a particular range they thought was appropriate. One major donor (UK) indicated informally that even the low end of the range might be overly optimistic and stretching the absorptive capacity, especially if the period covered is limited to three years.
 - As regards the period and phasing there was a general preference for a three-year GEF II, but also a willingness to be flexible; the idea of gradually building up funding levels from those achieved in GEF I was widely supported. Since various donors indicated a concern about how different combinations of size, period and phasing would work out in practice, we agreed to prepare a technical note on this issue for the September meetings.
 - The funding priorities laid out in the paper were generally endorsed although some donors would have liked to see greater specificity and program detail; others however felt strongly that more detail would take us into premature programming and possibly into conflict with the Participant Assembly and the Conventions.
 - There was agreement on the next phase of the replenishment discussions with the preparation of a paper on funding modalities for the September meetings; donors welcomed our intention to prepare a draft of the paper before the summer break to permit early consultations; we already initiated in Beijing preliminary discussions with major donors on the main issues to be addressed in that paper.

- There was agreement that it would be highly desirable to conclude the replenishment negotiations by December, recognizing of course that this can only be achieved if the restructuring discussions are also successfully concluded at the same time.

3. Restructuring. A positive tone having been set by an upbeat replenishment discussion, the restructuring discussions in the PA also proceeded harmoniously overall. At the beginning of the discussions, the biggest uncertainties related to (a) the position of the G-77 on major issues (including decision making)--in the event the G-77 turned out to be moving towards compromise on major substantive points; and (b) the position of the U.S.--its delegation had circulated in advance a draft paper to the G-7 that proposed setting up the GEF as an entity "functionally independent" from the Bank; in view of strong resistance from the other G-7 countries and other donors, as well as our reservations regarding the appropriateness of pushing this line at this time, the U.S. delegation decided not to introduce its new position formally at this meeting. Mr. El-Ashry will have reported to you about the details of the discussions. Obviously, there remain some potentially difficult issues to be agreed on in the restructuring discussions if we are to reach closure by December. However, that goal is at least within range.

cc: Messrs./Mmes. Serageldin, El-Ashry, Johnson
Donovan, Ohashi, Yap

GLOBAL
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PARTNERS IN GLOBAL SOLUTIONS

File
GEF

GEF REPLENISHMENT MEETING
AGENDA

Beijing, China
May 25, 1993

8:30 - 9:00 a.m. Registration
9:00 - 9:15 Welcome and Opening Statement
9:15 - 10:00 Introduction to the Replenishment Paper
10:00 - 11:00 Discussion of the Replenishment Paper
11:00 - 11:15 Coffee
11:15 - 12:30 p.m. Discussion (Cont'd)
12:30 - 14:30 Luncheon
14:30 - 16:00 Discussion (Cont'd)
16:00 - 16:30 Coffee
16:30 - 17:30 Summary

GEF ADMINISTRATOR, ENVIRONMENT DEPARTMENT, WORLD BANK, 1818 H STREET, N.W., WASHINGTON, D.C. 20433, USA
TEL: (202) 473-1053 FAX: (202) 477-0551

GLOBAL
ENVIRONMENT
FACILITY

PARTNERS IN GLOBAL SOLUTIONS

PARTICIPANTS' MEETING
AGENDA

Beijing, China
May 26 - 28, 1993

May 26 (Wednesday)

8:30 - 9:00 a.m.	Registration.
9:00 - 9:30	Opening Statement by the Chinese Authorities
9:30 - 10:00	Chairman's Opening Statement and Report on Replenishment Meeting.
10:00 - 11:00	Presentation by Representative of NGOs followed by Discussion.
11:00 - 11:30	Coffee.
11:30 - 12:30 p.m.	Discussion of Chairman's Report, Volume I.
12:30 - 2:00	Lunch.
2:00 - 4:00	Discussion of Chairman's Report, Volumes I and II.
4:00 - 4:30	Coffee.
4:30 - 5:00	Other Business related to the Pilot Phase
5:00 - 6:00	Discussion of NGO Participation Study
6:00 - 6:30	Chairman's Summary

May 27 (Thursday)*

9:00 - 9:45 a.m.	Statement by Ambassador Raul Estrada, Chairman, INC for FCCC.
9:45 - 11:00	Chairman's Statement on Decision-making in the Restructured GEF, followed by discussion of General Principles.
11:00 - 11:30	Coffee
11:30 - 1:00	General Principles, continued.
1:00 - 2:30	Lunch
2:30 - 4:00	Decision-making: constituencies.
4:00 - 4:30	Coffee.
4:30 - 6:00	Decision-making: constituencies.

May 28 (Friday)

9:00 - 11:00 a.m.	Decision-making: Procedures for decision-making, including voting
11:00 - 11:30	Coffee
11:30 - 1:00	Decision-making: procedures, including voting
1:00 - 3:00	Lunch
3:00 - 4:30	Chairman's Draft Summary on Governance and Decision-making followed by discussion
4:30 - 5:00	Coffee
5:00 - 5:30	Chairman's Summing-up on Governance and Decision-making.

* In parallel with the Participants' Meeting on May 27, UNDP will provide a briefing to interested Participants and NGOs on technical assistance projects that are included in the five tranches.

File
GEF

GLOBAL ENVIRONMENT FACILITY

MONTHLY REPORT ON BANK-IMPLEMENTED GEF OPERATIONS (As of February 28, 1993)

POS -1

Sandstrom, Sven
E 1227

GEF Coordinator's Office, Environment Department

I. OVERVIEW

A: Main Developments in February, 1993

1. The GEF Implementation Committee met on February 23rd, 1993 to review, inter alia, the fifth tranche of the GEF work program. The main outcomes of the meeting included:

a. Fifth Tranche of the Work Program:

- i. the IC endorsed a total of \$35.9 million for activities to be reviewed by participants as part of the fifth tranche. In reviewing the proposed program the Chairman and Administrator agreed that it was appropriate to phase the proposed PRINCE program in order to limit resource allocation in this tranche. Hence the tranche to be proposed to the Participants is \$34 million;
- ii. All Bank proposed fifth tranche investment operations were endorsed for presentation to GEF Participants in Beijing in May, 1993. These included the Cameroon Biodiversity Project, Wider Caribbean Initiative for Ship-Generated Solid Waste, Jamaica Demand Side Management Initiative, and the Tunisia Solar Water heating project;
- iii. the composition of the tranche is as follows: Bank investment projects, \$18.3 million; UNDP technical assistance projects, \$13.0 million; GEF Administrator's office programmatic support (Program for Incremental Costs for the Environment - PRINCE), \$2.7 million. The balance within the tranche between objectives is 25 % biodiversity, 40 % global warming mitigation, 15 % international waters, and 5 % ozone layer protection;
- iv. this phase of the PRINCE program will help initiate two actions to be undertaken by the Bank Group (ENVC with CD and IFC collaborators) Private Capital Mobilization for Greenhouse Gas Mitigation Business Plan building on the business concept elaborated by the Global Environment Coordination Division for the GEF Administrator and Greenhouse Gas Assessment Studies (GGASs) in four to six countries to be contracted with CDs. The Administrator and Coordinator are reviewing how best to manage these activities and to raise the additional funds required to carry them out as this phase of PRINCE cannot fully fund them.
- v. included in UNDP's technical assistance projects were convention-linked projects to support the Climate Convention Secretariat with information dissemination and training amongst signatory countries (\$0.9 million) and a project to monitor atmospheric parameters related to ozone protection and global warming mitigation in Southern Cone countries (\$1.9 million).

b. Status of Work Program: Through the fourth tranche, the GEF pilot phase work program comprised 101 projects costing \$687 million. Should the fifth tranche be endorsed by Participants as presented, the work program for the pilot phase of the GEF would reach \$723 million. Investment operations total \$478 million

(67%), and technical assistance operations \$232 million (33%), excluding convention-linked and applied research activities. By theme and region:

i. Thematic resource allocation would be 42% to biodiversity, 40% to global warming¹, 17% to international waters projects, and 1% to ozone protection, and;

ii. Geographic distribution of resources would be 22% Africa, 23% LAC, 20% ECA/MENA, and 35% Asia.

c. Reserve/Pipeline Additions: The IC approved as additions to the reserve program for the operational phase of the GEF and for the pilot phase pipeline the Bank's Bulgaria Integrated Gasification and Combined Cycle Gas Turbine Demonstration Project and the Lake Victoria Environmental Management Project, as well as UNDP's Cameroon Carbon Offset Generation Project.

2. Regional Development Banks met in Washington, February 26th, to review the draft framework agreement on collaboration with the Bank in GEF implementation. The Bank had issued the draft agreement on December 6th last for RDB review. Representatives of the AfDB, ADB and IDB were present, along with observers from the Bank's regions, Legal Department, and UNEP and UNDP. The outcomes of the meeting included, inter alia:

- a. Legal department to circulate RDB's draft framework and implementation agreements, which would now become the working draft(s), with sections bracketed and explanatory notes indicating sections of the draft(s) which raise concerns or conflict with the Bank's role as Trustee or with operating principles and provisions embodied in the operational modalities documents pertaining to establishment of the GEF;
- b. there would be one framework agreement for all RDBs with an additional operative legal instrument specific to each regional bank;
- c. in order to avoid successive iterations, and related uncertainty, every effort would be made to ensure consistency between the evolving policy framework of the Conference of the Parties to each convention, the GEF, and the framework agreement;
- d. a collaboration process "simulation" would be prepared by Messrs. Dourojeanni and Newcombe before the end of March as the basis for defining meaningful RDB-Bank cooperation in work programming and planning at all levels. This would be sent to other RDBs and reviewed at the time of the end-April CIDIE meeting in Washington. Once agreed, the lawyers would be asked to encapsulate this process in the draft legal framework agreement;
- e. the time-frame for finalizing the framework agreement and respective implementation agreements is: penultimate draft by June, review meeting in late June; draft issued in July to RDBs to enable senior managements or respective banks to consider and endorse the agreement by end-September; signed agreements to be submitted to Participants meeting in mid-December (Geneva).

¹

These figures do not include the investment phase of the Brazil Biomass Gasification Gas Turbine Project for which the GEF implementation committee has made a provision of \$30 million subject to the GEF UNDP technical assistance preparation project assuring the viability of the proposed investment and GEF Participants' endorsement of an eventual GEF investment operation.

3. The GEF Operations Steering Committee in the Bank² endorsed the proposed centralization of GEF operations coordination functions in the Global Environment Operations Division (Office of the GEF Operations Coordinator), Environment Department. The overall number of GEF regional coordinators will be reduced from four to three in the process. In practice, this means that certain GEF fixed term positions provided for GEF coordination in the four regional environment divisions will be transferred to the Environment Department, leaving one fixed term post in each regional environment unit/division for global environment strategy formulation and planning and program development. Other GEF fixed term posts may be supported at the regional level by aggregate CD demand and located in the TDs or CDs as required. To strengthen CD-level GEF coordination, global environment focal points will be appointed by CD directors to liaise with ENVGC in global environment (GEF and Montreal Protocol) work program development and supervision. GEF coordinator posts in ENVGC are now being advertised. In a parallel adjustment, the Montreal Protocol coordination function has been centralized and streamlined from three positions to one.

B: Key Operational Issues Outstanding

4. The following represent the most important operational issues to be addressed over the next three months (items in italics are new since last month):

- a. reaching agreement with the Government of Belgium on proposed GEF co-financing during the pilot phase;
- b. issuing revised operational procedures for Montreal Protocol operations for expediting project preparation and MP small project processing;
- c. finalizing draft agreements with the regional development banks for collaboration in GEF implementation during the operational phase.

Actions towards resolving these operational issues during February included:

- 4a. No progress has been made yet on Belgian GEF cofinancing;
- 4b. A substantial backlog in revising operational directives after Bank reorganization is taking priority over finalizing the MP OD (9.02) which was prepared to final draft stage in September, 1992;
- 4c. See item 2. under Main Developments in February, page 2.

² a committee comprised of either Senior Operations Advisors or Technical Department Directors from the regions which oversees GEF operations in the Bank as an advisory group to the Director of Environment. The GEF Operations Coordinator is the secretary to the committee.

C: Board Presentations of Bank Projects with GEF Components

5. The following table indicates as of February 1993, the schedule for board presentation of projects with GEF components for a six months horizon.

Country	Bank Associated Project	GEF Component	Documents to RVP	Final Documentation for Board	Board Presentation
Laos	Forest Management and Conservation	National Forestry	04/26/93	05/03/93	05/20/93
Turkey	East Anatolia Watershed Mgmt	Genetic Biodiversity	02/16/93	02/22/93	03/11/93
Thailand	Distribution System & Energy Efficiency	Electricity Conservation	04/01/93	04/08/93	04/27/93
Philippines	Env., Nat. Res. Sector Adj. Proj.	Biodiversity - Protected Areas	06/00/93		06/21/91 (parent project already approved by Board)
Poland	Heat Supply & Restructuring	Coal to Gas	07/28/93		06/26/91 (parent project already approved by the Board)
Mali	Second Power Project	Household Energy Project	08/00/93		03/30/89 (parent project already approved by the Board)

6. The following table provides the schedule for management approval of free-standing GEF investment projects for a six months horizon:

Country	GEF Free-Standing Project	Management Approval
Congo	Wildlands Protection	03/03/93
Ukraine	Biodiversity Protection Project	05/20/93
Mexico	High Efficiency Lighting Project	08/01/93 (subject to change following discussions now in train with Government)
Uganda	Biodiversity Project	05/15/93
Czech Republic	Planning & Management of Czech Reserves	05/15/93
Slovak Republic	Planning & Management of Slovak Reserves	05/15/93
Slovak Republic	Planning & Management of Slovak Reserves	07/00/93

7. **Projects approved in this reporting period:** None.

8. **GEF Projects approved to date by Management:**

Country	Project	Grant (\$ millions)	RVP Approval	Board Approval
Mexico	Biodiversity	30.0	03/09/92	3/31/92
Poland	Forest Biodiversity	4.5	12/12/91	
Mauritius	Sugar Energy Bio-technology	3.3	02/05/92	3/31/92
Bhutan	Trust Fund for Environment Conservation	10.0	05/21/92	
Ecuador	Afforestation	2.50	06/04/92	6/18/92
China	Ship Waste Disposal	30.00	05/22/92	6/17/92
Belarus	Protection of Bialowieza Primeval Forest	1.00	09/24/92	
Ghana	Coastal Ecosystems	7.20	08/28/92	10/15/92
Bolivia	Biodiversity Conservation	4.50	08/04/92	12/10/92
Egypt	Red Sea Control Zone Management	4.75	11/30/92	12/17/92
India	Alternate Energy	30.00	12/08/92	12/17/92
Seychelles	Biodiversity Conservation and Marine Pollution Abatement	1.80	11/30/92	12/22/92
TOTAL		129.55		

9. Montreal Protocol (MP) for Protection of the Ozone Layer. The following MP projects were approved by the RVPs and loan agreements were sent to the governments for signing.

Country	Project	Cost (\$ million)	RVP Approval	Effectiveness
Mexico	MAC Recycling and Aerosols	0.18	3/9/92	3/10/92
Philippines	ODS Phase-Out Engineering	0.40	1/14/92	6/03/92
Thailand	ODS Phase-Out Engineering	0.39	1/14/92	8/18/92
China	ODS Phase-Out (PPA)	1.50	8/10/92	
Malaysia	Halons and MAC Recycling	1.63	5/29/92	11/6/92
Mexico	Ozone Protection Policy and Institutional Strengthening Project	4.0	11/20/92	12/07/92

D: Project Disbursements (as of 02/28/93):

Project Name	<u>Approved Commitment</u>	<u>Disbursement (\$m)</u>	
		FY	Cumulative Total
GEF Investment Projects			
Poland Forest Biodiversity	4.5	92	0.604
Bhutan Trust Fund for Env. & Conservation	10	93	7.0
China Ship Waste Disposal	30.0	93	3.0
Belarus Biodiversity Project	1.0	93	0.121
Subtotal GEF	45.5		10.725
GEF - PPA			
Kenya Tana River	0.6	93	0.200
Zimbabwe National Parks	0.4	93	0.080
Uganda Forest	0.2	93	0.050
Congo Wildlands		93	0.036
Jamaica DSM Demo	0.1	93	0.05
Mediterranean Ports (Tunisia)		93	0.028
Sub-total PPA	1.3		0.444
Total GEF	46.8		11.169
MP Investment Projects			
China ODS Phase-Out PPA	1.5	93	0.25
Philippines ODS Phase-Out Engineering	0.4	93	0.156
Thailand ODS Phase-Out Engineering	0.4	93	0.272
	2.3	93	0.592
Total GEF and MP Disbursements	49.1		11.761

E: GEF Events to the Six-Months Horizon

10. Global Environment meetings and other events of importance to Bank operations for a six months horizon include the following:

Montreal Protocol Executive Committee Meeting	Montreal, March 8-10
Montreal Protocol Executive Committee Sub-Committee on Three Year Funding Requirements	Montreal, March 31st
GEF Implementation Committee	Paris, date to be determined
Montreal Protocol Executive Committee Seminar on Incremental Costs (led by World Bank)	Paris, date to be determined (prior to June 28th)
World Bank Ozone Operations Resource Group: Third Meeting	Washington, May 18th
GEF NGO Consultations before the Fifth Participants Meeting	Beijing, May 24-25
GEF Participants Meeting	Beijing, May 26-28
Montreal Protocol Executive Committee Meeting	Montreal, June 28-30
GEF Participants Special Meeting on Replenishment and Governance	Washington, D.C., Sept. 23-24

II. OPERATIONAL ACHIEVEMENTS AND FEEDBACK**Global Environment Operations Work Program, CY92**

11. Highlights of the global environment operations work program outputs during the past month include:
- o the GEF private sector business concept for mobilizing private capital for greenhouse gas mitigation was well received by representatives of developed and developing countries in New Dehli on February 9th, and is now available from the Global Environment Coordination Division;
 - o finalization of the cofinancing agreement with Norway to demonstrate "joint implementation" arrangements provided for under the Climate Convention and to generate carbon offsets from the Poland and Mexico global warming GEF investment operations;
 - o completion of the FY94 business plan for the Global Environment Coordination Division (ENVGC).
 - o work on the business review of the first two years of the Bank's work in GEF implementation began on February 1st;

- o agreement was reached with the new Social Policy and Resettlement Division in the Environment Department to undertake for ENVGC the development of methods to improve community participation in biodiversity project design and implementation;
- o work was initiated during the month on a review of the contribution to the Bank's sustainable development agenda of Bank GEF biodiversity and global warming operations;
- o a first draft was received of an ENVGC-commissioned study to review and propose standards to estimate greenhouse gas mitigation and unit costs of abatement in the Bank's GEF global warming portfolio.

Feedback from Participants and NGOs

12. Many GEF Participants submitted comments on GEF fourth tranche investment projects to the GEF Chairman during January and February. ENVGC collated responses from task managers to these questions and dispatched them to Participants in late February. They are attached herewith.

13. In addition to Participants' comments many NGOs submitted critical comments on the GEF IFC Ecuador Afforestation project during January and February. These comments were reviewed by the independent inquiry led by Mr. Alvaro Umana of Costa Rica and explicitly taken into account in his draft final report presented to GEF Operations Coordinator in mid-February. The report will be released in final draft in mid-March and presented to meetings of NGOs in Washington and Quito during March and April. Copies are available from the Global Environment Operations Coordination Division (Ms. Hilary Towsey, Administrative Secretary Ext 85899).

14. Constructive criticism of the GEF and associated Bank Laos Forestry project received during the month from the Forest Peoples Movement, United Kingdom. This group is being invited to attend the planned meeting organised by the Bank's GEF Coordinator's Office and the Country Department for Laos on April 1st in Washington and later in April in Vientiane to discuss, along with other NGOs, the projects design and implementation arrangements.

III. STATUS OF INVESTMENT OPERATIONS

A. Processing of Work Program Projects

15. Changes in Processing Schedule: Schedule changes which occurred during February included:
- a. delays in appraisal of the **Poland Coal-to-Gas project** due to the need for an additional pre-appraisal mission to finalize issues in project design and to gain Government of Poland confirmatoin of the design to enable Participants review of the new element in the project since its endorsement in December 1991 - the total energy housing complex component.
 - b. new elements of uncertainty in processing the **Zimbabwe Wildlife Management and Environmental Conservation GEF component** due to the Government as yet not confirming to the Bank that it is prepared to accept the associated IDA project which the CD has now placed in reserve status. The GEF PPA studies (see PPA table) are now in final draft and have proven useful to the design of key community participation and gender issues in sustainable wildlife management for communities bordering the Gonarezhou National Park and Mozambique. The GEF project could be appraised within the next fiscal year as planned but must either await Government confirmation of the associated IDA project or be

dissociated to become a free-standing project. The GEF Coordinator's Office has indicated reluctance to dissociate the GEF project as a free-standing activity due to the important synergy between the IDA and GEF supported project components and the higher administrative costs which would be incurred;

- c. the **Mozambique Transfrontier National Park Project** requires additional time to complete preparation, including activities supported by a PPA, whereas the to-be-associated IDA Rural Rehabilitation project is now moving quickly to Board presentation based on urgent needs for country assistance in this field. In the circumstances, the CD has proposed to associate the GEF component with another suitable Bank project, possibly one for strengthening environmental management in the economy. In these circumstances, ENVGC and the CD have agreed to provide a note - to be circulated shortly - to Participants on project status and the dissociation with the Rural Rehabilitation project;
- d. **Brazil Biodiversity project** was subject to an agreed "bury" date of end-January, 1993, by which time, if agreement was not reached on a project design acceptable to the GEF, funds would be withdrawn from the project. A mission to Brazil in early february to resolve outstanding project design issues has not proven fully satisfactory to the GEF Coordinator's Office and some leeway has been agreed with the CD to take up still unresolved issues relating to satisfactory involvement in the project of the Brazilian corporate sector. The redesigned GEF Brazil Biodiversity Project (see November-December, 1992, MOR) included significant involvement of the Brazilian private sector in decision-making in allocation of resources to biodiversity protection in return for private sector counterpart funding. The project's future remains uncertain. New processing schedules will be announced when outstanding design issues are resolved. If the project is finally endorsed by the GEF Chairman, it will be resubmitted immediately to Participants for review and comment before appraisal;
- e. Board presentation of the **Laos Wildlife and Protected Areas Management Project** has been delayed from March to May, 1993 (see below).

16. Issues Arising During Further Processing: Post-appraisal review of the **Laos Forestry Project** by the CD in consultation with ENV has led to further expansion of documentation on the process of consultation with local communities and NGOs in the course of project preparation; ethnographic studies undertaken and still required for tribal groups living in an around protected and forested areas; and community impact assessment and participation planning. The project had been dormant for much of 1992, and was able to move ahead rapidly after a post-appraisal mission which visited Laos in early December received Government confirmation that the forest decree required as a condition of Board presentation would soon be ready for issuance. With this assurance, the Bank finalized project documentation and proceeded to negotiate the project with the Laotians during February. NGO concerns about GEF funding of the project concerning the treatment of indigenous peoples and affected forest dwelling communities led the Bank to program meetings with NGOs in Washington (April 1st) and in Vientiane in late April to explain more fully the importance of the project and how their reasonable concerns are being addressed through the project.

17. An independent evaluation of key social impact, forest management and biodiversity conservation dimensions of the IFC's **Ecuador Afforestation Project** was completed in February by the reviewer, Mr. Alvaro Umana, former Minister for the Environment in Costa Rica. Mr. Umana will present his final report to the GEF Coordinator's Office on March 17th and present the report to a meeting of interested Washington-based NGOs that same day. The next MOR will contain verbatim Mr. Umana's conclusions and recommendations. Senior management of the IFC and Bank are now considering the policy implications arising from the findings of the review which includes interpretations both the operational directive on indigenous peoples (OD 4.20) and the Bank's Forest Policy (OD still in draft). The project legal documents have not been signed by the IFC and its client, the

Durini Group, and no GEF or IFC monies have been disbursed pending the independent inquiry conducted by the Bank's GEF Coordinator's Office. Following NGO consultations in both Washington (March 17th) and Quito, IFC and Bank-GEF management will decide on the future of the project and on how to address Mr. Umana's recommendations.

B. Processing of Pipeline Projects.

18. Issues Arising During Preparation: No issues of significance arose during February for pipeline projects.

C. Project Concepts under Development

19. A biodiversity project concept for **Nicaragua** has passed internal review and is being developed as a possible reserve project for the operational phase.

A possible pilot phase project to demonstrate the use of teak plantations for both carbon sequestration and buffer zones around biodiversity rich natural forests has been defined for **Guinea** with Government support and is being presented to a technical review panel in March for later possible inclusion in the sixth tranche of the pilot phase.

The IFC has developed a number of new project concepts for possible inclusion in the sixth tranche of the pilot phase, including innovative means of meeting the incremental costs of disseminating energy efficient light bulbs in Poland and a pioneering mechanism to engage the small-scale private sector in GEF-eligible projects.

Some project concepts are yet to be discussed with Governments. If they are still at the identification stage, they may not be described in a complete IEPS. The attached annex (Annex IV) contains tables and graphs on project concepts under development and is not intended to be comprehensive.

D. Pre-Investment Studies

20. **Applications to UNDP-managed Pre-Investment Studies Facility (PRIF).** The following submissions were made by Government with Bank assistance to UNDP New York through UNDP Resident Missions since June 1991 for assistance with project preparation under the GEF's UNDP-managed project Pre-investment Facility (PRIF). The following table represents the status of PRIF requests.

Country	Project Name	Date to UNDP	Status
Uganda	Bwindi Forest	First submitted mid/late June 1991. Re-submitted October 23, 1991 by govt to UNDP.	Request for \$151,000 approved at RBA-PAC meeting of February 10, 1992.
China	Biodiversity	early August 1991	Request for \$1.68 million approved by RBAP-PAC on January 15, 1992.
Thailand	Electricity Conservation	early November 1991	Revised request for US\$ 595,000 was approved by RBAP-PAC in early March 1992.
Indonesia	Biodiversity	early December 1991	Request for US\$ 1.6 million approved by the UNDP AC on April 8, 1992.
China	Sichuan Gas	early December 1991	Request for US\$ 1.4 million approved by the UNDP AC on April 15, 1992.
Thailand	Forest Biodiversity	mid April 1992	Request for US\$ 690,000 approved by the UNDP AC on July 27, 1992.
India	Ecodevelopment	mid August 1992	Request for US\$ 213,000 approved by the RBAP-PAC on October 14, 1992.

Note: The various processing steps between receipt of an application by the UNDP Resident Mission and final approval by UNDP headquarters are not shown in this table.

21. **Applications for Bank-managed GET Project Preparation Advance (PPA).** The GET-PPA became operational in April 1992. The following table represents the status of PPA requests.

Country	Project Name	Date to Country Operations Director	Status
Kenya	Tana River	February 1992	Request for SDR 400,000 approved April 29, 1992
Jamaica	Demand Side Management	May 6, 1992	Request for SDR 90,000 approved June 22, 1992.
Algeria, Morocco, Tunisia	Mediterranean Ports	June 5, 1992	Request for SDR 600,000 approved June 9, 1992.
Zimbabwe	National Parks Rehabilitation and Community-based Environmental Management	May 29, 1992	Request for SDR 300,000 approved June 1, 1992.
Uganda	Bwindi Forest	July 27, 1992	Request for SDR 120,000 approved July 30, 1992.
Latin America Regional	Wider Caribbean Waste Disposal	May 8, 1992	Request for SDR 122,000 approved May 8, 1992.
Latin America Regional	OECS Waste Management	July 6, 1992	Request for SDR 370,000 approved July 6, 1992.
Romania	Danube Delta	October 30, 1992	Request for SDR 140,000 approved October 30, 1992.
Ukraine	Danube Delta	November 11, 1992	Request for SDR 110,000 approved November 11, 1992.
Poland	Coal to Gas	November 4, 1992	Request for SDR 233,400 approved November 5, 1992.
Regional	Aral Sea Action Plan		Request for US\$500,000 equivalent to be submitted to CO Director in May 1993.
Algeria	El Kala National Park	December 4, 1992	Request for SDR 52,850 approved on December 4, 1992.
Jordan	Marine Pollution		Request for US\$ 300,000 equivalent to be submitted to CO Director in March 1993.
Rus/Ukr/Bel	ODS Strategy		Request for US\$ 1 million equivalent to be submitted to CO Director in May 1993.
Russia	Gas Cycle		Request for US\$ 800,000 equivalent to be submitted to CO Director in May 1993.
Tunisia	Solar Water		Request for US\$ 180,000 equivalent to be submitted to CO Director in March 1993.
Romania	Fuel Cells	December 7, 1992	Request for SDR 215,200 approved on December 21, 1992.
Bolivia	Biodiversity Conservation	February 25, 1993	Request for SDR 30,000 equivalent approved February 25, 1993.
Brazil	Biomass Gas Turbine	July 31, 1992	Request for SDR 328,450 approved July 31, 1992.
Peru	Trust Fund	July 7, 1992	Request for SDR 14,161 approved July 7, 1992.

West Africa Regional	Game Ranching		Request for SDR 650,000 to be submitted to CO Director in March 1993.
Congo	Wildlands Protection	August 19, 1992	Request for SDR 80,000 approved August 19, 1992.
Mozambique	Transborder Parks	February 22, 1993	Request for SDR 305,000 approved February 22, 1993.

**RESPONSES TO GEF PARTICIPANT COMMENTS
ON FOURTH TRANCHE INVESTMENT PROJECTS**

Costa Rica - Wind Electric Power Development

- (a) *The least-cost expansion plan should be presented and should indicate the role of windpower.*

At the time the GEF windpower project was first considered by the Costa Rican utility, ICE, windpower had not been included in the least cost expansion plan. The plan has now been re-run to include windpower, and the analysis shows that windpower is a marginally competitive source of power in the Costa Rica setting.

- (b) *The project brief should describe the level of electricity tariffs and their relation to utility costs.*

ICE's tariffs are set on the basis of long-run marginal cost. The rate setting formula, approved by an independent regulatory agency similar to the U.S. FERC, allows for automatic monthly adjustments in tariffs, as needed. Annual revenues cover all utility operating costs plus 17% to cover investments.

- (c) *The autonomy of the utility should be thoroughly assessed.*

The utility is autonomous with a Board of Directors and oversight by an independent regulatory agency.

- (d) *The data on wind resources is based on a very short monitoring period.*

Data on the wind resource is in fact available on a daily basis for a fifteen year period. ICE has been taking hourly wind data at the project site since 1976. Additional monitoring stations (12) were added in January 1990 and for the past two and a half years highly detailed wind data have been obtained. The quality of the data is fairly high and reasonable correlations were made among the stations to permit estimation of missing data and the development of a complete data set. Sufficient data are available from the long term measurements to correlate the 1990-1992 new data. All the required adjustments were made. There is no doubt about the wind resource itself.

- (e) *The integration of wind power to the grid should be thoroughly assessed.*

There is little technical risk associated with integrating windpower into the grid because of the small size of the proposed project relative to the total grid capacity. Problems of integration are a consideration with large windfarm developments, which is not the case in this project.

- (f) *The assessment of costs of windpower generation should be based on developing country experience, not on experience in California.*

The assessment of costs of power generation has two parts. With respect to the cost of the wind machines themselves, the costs will be based on international experience spending on the type of machines selected through competitive bidding. All other costs will be based on Costa Rican experience and cost bases. One of the major contributions of the project to the GEF portfolio is the demonstration of the cost of including windpower into developing country electric grid.

(g) *Technology which is not commercially available and proven in developed countries should not be introduced in this type of project.*

The IDB agrees that the technical specifications for the project will require a proven track record of experience in a private commercial setting, as well as a record of monitoring and evaluation by a reliable independent agency. The choice of technology for the project will be determined on the basis of evaluation of submissions solicited through competitive bidding, and commercial operating experience will be a key criterion

Cote d'Ivoire - Crop Waste Power Project

(a) *The commitment of Cote d'Ivoire to the private power objectives of the project is unclear. One should be careful not to proceed further than the pilot phase prior to the inclusion of this biomass alternative in the National Energy Plan.*

As is clear from the project description the project will be executed in two phases. During phase one, a pilot project will be executed to demonstrate Cote d'Ivoire's interest in co-generation and its willingness to adopt an appropriate regulatory framework. During this pilot phase training of factory staff has been planned. As to the environmental pollution control the project will insist on adequate environmental regulation. Nevertheless, the use of biomass for power by itself has already inherently a positive effect by reducing environmental pollution.

Phase two will only be executed if regulatory, operational and environmental issues have been properly dealt with under phase one. The Government of Cote d'Ivoire, which has privatized power sector management, has recognized the need for a new regulatory framework and is committed to a new incentive policy to stimulate private sector participation in power generation. In October 1992 a Round Table meeting was held on this issue between parties concerned (private, parastatal and power sector representatives). Two working groups have been formed which are looking into technical and regulatory issues with a view to produce a regulatory framework within the time frame required. The Government also has already decided to privatize the parastatal industry with Bank assistance.

(b) *There is nothing in the project design to identify mechanisms for replication, or to support dissemination of findings.*

Given the fact that the Cote d'Ivoire situation is typical for many other countries (e.g., Ghana, Cameroon, Indonesia) a successful project in Cote d'Ivoire may serve as a model for others to follow, who now hesitate because of uncertainty of the private sector co-generation approach.

Mali - Household Energy Strategy and CO₂ Reduction Project

(a) *The project does not appear to tackle a major problem.*

If targeting only the largest sources of greenhouse gas emissions would have been the GEF Pilot Phase's driving principle probably all GEF funds would have been spent in China and India. The decision, rightly or wrongly, has been made to distribute GEF funds geographically. If we then take the case of Africa it is clear that, in most countries, the sector that contributes most to CO₂ emissions is the household sector. Woodfuels (fuelwood and charcoal) are often produced in a non-sustainable manner resulting in net-CO₂ emissions. The approach pursued so far to combat this problem (reforestation, village forestation, etc.) have been very expensive failures.

(b) *Proposals to increase the costs of fuelwood seem impractical.*

As experience in, e.g., Niger and Rwanda shows, using a market-driven approach allows one to control the woodfuel trade, fuelwood harvesting and charcoal production. An independent mid-term review of the Niger project, for example, shows that control of fuelwood flows in Niamey represent 80% of the wood transports, while that figure stood at 10-15% before the project started. In Rwanda, already 25% less wood is consumed due to the introduction of better carbonization techniques and the use of improved stoves.

(c) *The establishment of a market-oriented distribution system for the proposed fossil fuels -- kerosene and LPG -- may be too challenging a task in a country where these products have to be imported and the foreign exchange is scarce. Strategy should be geared to the interests of the forest owners and the modernizing urban population.*

What is the Mali project about? First, to give the authority and responsibility to manage and exploit the forest resources to rural communities. This will also reduce bushfires, another major source of CO₂ emissions. Second, to see to it that only sustainable wood and charcoal production takes place. Charcoal, given the non-sustainable manner in which it is produced in Mali, produces a net CO₂ emission of 9.4 kg of CO₂ equivalent per cooking task -- that is higher than kerosene (3.1kg) or LPG (5.1kg) as was also pointed out in the annex of the Mali project document. This is the reason why the major focus of the [non-GEF financed components of the] project is on sustainable fuelwood and more efficient charcoal production.

Third, substitution of woodfuels, through import of kerosene or LPG, therefore should be limited to a quantity that is equal to the amount of fuelwood that otherwise would be consumed in a non-sustainable manner. Substitution using imported fuels will only take place where it is the least-cost solution. Borrowing money to plant trees often is a more expensive solution than doing so for importing limited quantities of modern fuels. Not importing these fuels may lead to faster deforestation and degradation of the soils having undesirable environmental effects that would cost more to correct, if it were possible.

Fourth, care will be taken that the household fuels will attain price levels that recognize their environmental impact, that are affordable to consumers, while encouraging conservation and/or interfuel substitution. This means that relative prices of the different household fuels should reflect their economic cost. This will be achieved, amongst other things, through fiscal means, with a view to [a] discourage the use of charcoal (which is an energy inefficient use of fuelwood leading to high net CO₂ emissions) [b] as well as to promote the use of fuel-efficient stoves. Further, to [c] avoid that fuels are not properly priced (e.g. LPG is currently being subsidized as are wood and charcoal, while kerosene is heavily taxed) which leads to a non-sustainable use of a particular fuel and thus more unnecessary CO₂ emissions.

Morocco - Repowering of Existing Power Plants

(a) *Repowering of existing thermal power plants should be a financially profitable project and compete with other least-cost generations options without GEF support.*

We believe that the proposed repowering projects fits very adequately with the objective of GEF funding which is to reduce Global Warming as some of the direct benefits associated with the repowering technology applied to existing steam based power plants using topping cycle (combined cycle), include: (i) reduction of greenhouse gas emissions (the amount of carbon dioxide emissions per additional kWh. produced at the modified plant is expected to be reduced by about 35%--at least 139,000 tons per year); and (ii) improvement of efficiency in energy usage by reducing petroleum based products consumption (plant efficiency will increase from 33% for the existing steam-based plant to 43% for the proposed combined scheme).

Furthermore, one of the main thrusts of the proposed project and for which some subsidy is fully justified (as detailed in the paragraphs below) is that the developing countries have been very reluctant to adopt combined

cycle technologies due sometimes to lack of familiarization with these schemes, misleading perception that these innovative technologies are not fully proven, and finally, suspicion that their power utilities will become experimental undertakings for promotion of new equipment manufactured by developed economies. We fully acknowledge that repowering technology using a current design combustion turbine which to certain extent is a relative new and innovative technology, has been commercially used in some developed countries during the past years and that second generation high efficiency advanced combustion turbines are becoming available for commercial orders. However, as we mentioned above, the developing countries have been very reluctant to adopt combined cycle technologies despite their proven record in developed countries.

One of the highlights of the proposed project (and also one of its justifications) is to demonstrate the benefits of modern repowering technology in order to encourage not only its replicability but also promote the adoption of highly efficient integral combined cycle schemes in developing countries, which until now they have been reluctant to adopt by reasons mentioned above. Morocco and several other developing countries are exhausting rapidly their fossil energy sources. Furthermore, the negative impact on the atmosphere derived from the emissions of CO₂ and other pollutant gases by the combustion of fossil fuels is reaching alarming levels. It is now becoming increasingly important that developing countries, where the cost of energy is expensive as a result of the short supply and/or where the levels of gas emissions is substantial, take the initiative of reviewing their planning and adopt new technologies to address the above problems. The proposed project is considered as one that fits and addresses the above issues. Through the detailed monitoring program being established under the project, detailed and real information (technical/financial) would be available to demonstrate and prove the soundness and benefits of combined cycle power generation technology. The proposed project will provide unequivocal data which is expected to be disseminated through the developing countries in order that their power utilities take the initiative to repower their existing power plants utilizing the proposed technology.

The total estimated cost of the project is U.S. \$38.0 million and the amount of the GEF funding is U.S. \$6.0 million. The amount of GEF grant justified as the project cost (including engineering, equipment and administration) reflects a tailor-made project for which a great amount of technology transfer is to be made and the bulk of its components are to be imported. This cost estimate is larger than the equivalent cost for a project implemented in a developing economy where the technology already exists and has been implemented. The GEF contribution has been calculated as the amount of subsidy to capital investment (due to higher costs as mentioned above) required to increase the project's rate of return from about 9% (without GEF funding) to about 12% (equivalent to Morocco's opportunity cost of capital). The remaining cost of U.S. \$32 million will be financed by the Government of Morocco and ONE (by securing foreign financing from Japan). The incremental cost (to be financed by the GEF grant) would partially cover the cost of : (i) the feasibility study; (ii) the contractor's field support expense; (iii) the contractor's fee; and (iv) start-up support and operation/maintenance training of power plant personnel.

Mozambique Transfrontier Conservation Areas

- (a) *The resettlement component will have to be addressed carefully.*

In response to the concern raised over the issue of resettlement, it should be clarified that there will be no involuntary resettlement in this project. The exodus of most of the rural population in the last fifteen years to safer zones along the coast and in cities has afforded Mozambique a unique opportunity to design and implement land use plans for abandoned lands which are tailored to the current needs of the population. The aim of the project is to guide the settlement of these abandoned areas and allow for the appropriate gazetting of a system of protected areas.

- (b) *The political situation renders the project very risky in certain zones.*

We are aware of the instability of the political situation of the country and the risk involved in undertaking a project such as this. With this recognition we have made the project contingent on peace in the region and are encouraged by the progress made towards this end since the peace treaty was signed in October 1992.

- (c) *A concept to consider for adoption in certain zones is the biosphere reserve model.*

The suggestion about the appropriateness of the biosphere reserve model is accepted and will be looked into.

Nigeria - Flared Gas Utilization (Reduction) Project

- (a) *It might be advisable to delay the project until the GEF is fully operational.*

We believe a delay would not be advisable for the Nigeria Gas Flaring Project, because its financing is closely tied to policy changes being implemented by the Government to make recovery of flared gas an attractive proposition to petroleum producers. GEF participation is seen by the Government as offsetting the fact that this gas will actually be more costly than the dry (non-associated) gas it will displace for the production of electric power. If GEF financing is withdrawn at this stage it is likely that the Government will delay or cancel its policy changes and Nigeria would continue to flare its gas.

- (b) *Other More Commercial Financing Should be Sought for the Project.*

Other more commercial financing has been found to complement the GEF grant. As a matter of fact the GEF component makes up only about 5% of total financing. Other sources are: equity from project sponsors; IBRD; IFC; EIB; and the Caisse Française de Développement of France.

- (c) *Why the project cannot be self-financing.*

A self-financing commercial venture of national priority with national benefits would correspond to the project under consideration, but rather to an alternative project, where the liquids (butane and propane) would be stripped out from the associated gas (natural gas which is a by-product of oil production) which would then be flared. This is because associated gas is significantly more expensive to recover than non-associated gas contained in high-pressure dry gas fields, due to the cost of treatment and compression. Nigeria would have a direct economic interest to use its dry gas fields and continue to flare its associated gas.

The GEF component of \$25 million (5% of total financing) "switches" the economic decision to the use of the associated gas for power generation instead of non-associated gas. No level of commercial financing could obtain this switching, because the direct economic optimum excluding externalities would involve flaring the associated gas. Only the GEF grant associated with the obligation to switch to flared gas would obtain this result.

(d) *GEF would provide support for energy pricing reform.*

While reform of energy pricing is a priority in Nigeria, the GEF contribution to the project does not provide direct leverage for such reform. In fact, the conditions for preparation of the loan includes a sales agreement which is based on prevailing energy prices, with a clause indexing these to overall prices in Nigeria, to ensure that the gas recovered does not price itself out of the market at the outset.

Naturally, however, any move toward more rational utilization of energy resources in Nigeria does reinforce the underlying logic of a rational energy pricing system, and it is hoped that the Gas Flaring Project would contribute in this regard.

(e) *GEF subsidizes the private investor.*

It should be noted that the GEF subsidy of \$25 million is provided to Nigerian National Petroleum Company (NNPC)--a Nigerian Public Enterprise--as a contribution to the equity it must provide as shareholder in the project, not to the private investor. The private shareholder (Chevron Nigeria Ltd.) will finance its own share through commercial sources, IFC in particular.

(f) *The project may not actually lead to a reduction in overall CO2 emissions because the gas will displace other fossil fuels currently being burned.*

The project will lead to a direct one-for-one reduction in CO2 emissions because it will eliminate gas currently being flared at the well-head. This gas will be used for power generation in Nigeria and will therefore displace other fossil fuels currently being used for this purpose. It will therefore reduce the global demand for fossil fuels worldwide and lead to a direct reduction in corresponding CO2 emissions.

(g) *If gas recovery projects are not cost-effective in purely economic terms, then the policy, regulatory or pricing frameworks need special emphasis to ensure that they become economic.*

This is a valid point. The project will be accompanied by a change in the fiscal framework which is intended to modify the incentives for gas flarers, to encourage them to recover the gas for sale to the domestic and international market. These incentives involve: depreciation of associated investments against existing income from oil production taxed at 85%; accelerated depreciation; and a reduced tax rate (40%) for income from gas sales. This package of incentives offsets the higher cost of producing, treating and compressing flared gas compared to dry gas.

OECS Port Waste Demonstration Project

(a) *The actual impacts of the port and marine wastes into regional waters is not well established, and should be confirmed before final decision on the project.*

The proposed OECS Waste Management project is intended to be a demonstration project to guide the implementation of MARPOL 73/78 Annex V in the Wider Caribbean Area. Thus, it is expected that mechanisms developed for the project will be replicated in the Wider Caribbean Area through the proposed GEF supported Wider Caribbean Initiative for Ship Generated Solid Waste Project (WCISW).

The impact of the port and marine wastes in the Caribbean region has been well documented by a number of initiatives. Since 1990, the Intergovernmental Oceanographic Commission (IOC) has been implementing a marine pollution research and monitoring programme in the Caribbean region entitled IOCARIBE. Beach stations were periodically sampled in Mexico, Colombia and Puerto Rico for 12 months. The data collected corroborate that the debris is an important region-wide problem.

"Port Reception and Disposal Facilities for Garbage in the Wider Caribbean", a study carried out by Environmental Resources Limited for the International Maritime Organisation and the World Bank in 1991, surveyed 23 ports in the Wider Caribbean in order to assess the immediate needs of these ports for reception facilities for wastes specified by Annex V of the MARPOL 73/78 Convention. The report estimates that by 1995 the mass of waste will be about 55,000 tons per annum for the 23 surveyed ports of which three OECS ports account for 14,300 tons per annum. Such large amounts of waste are significantly degrading the coastal and marine resources in the OECS countries and threatening the future of the islands' principal and employment-generating activity, tourism.

(b) *In view of the experience with a project that was implemented via GTZ with the executing agency OECS it seems to be important, in the face of OECS being unable to enforce decisions at the state level within the various OECS countries, to identify institutions which are responsible, in the form of an executing agency, for the project.*

The national components of the project will be implemented by the respective governments. To that end, agreements will be reached with the Governments as to the composition and mandate of their implementing agency during negotiations. The Regional component will be implemented by the OECS Secretariat based on a special mandate to be agreed with the respective Governments. The implementation plan for the national components will be linked to the implementation plan for the Regional component. Thus, a slippage in the regional component would result in delaying the implementation of the national components.

(c) *We also welcome that the GEF project is addressing the so-called Wider Caribbean Region (i.e. not only smallest islands states, but also the bigger neighboring states of Barbados and Trinidad). One should think about whether Guyana, too should be included.*

The proposed OECS Waste Management project is intended to be a demonstration project to guide the implementation of MARPOL 73/78 Annex V in the Wider Caribbean Area. The Wider Caribbean initiative includes the larger Caribbean countries such as Barbados, Trinidad and Tobago, and Guyana.

West Africa - Game Ranching Extension Project

(a) *The depth of institutional capacity is somewhat in question based on previous CIDA experience.*

This is indeed a valid point: Institutional capacity at all levels. In the Sahel this is a problem for virtually all sectors, and is not limited to rural development, wildlife management and the conservation of biodiversity. It will therefore be very important to plan the projects so that they take this reality into account. There are a number of key factors here. Firstly, the preparation team will have to make a careful analysis of existing national, regional and local institutional capacity-public, private and community levels. It will be important to build on existing potentials and to expand project operations as capacity increases. Furthermore, the decentralized, participative land management (*gestion de terriors*) strategy to be used in the sites will ensure that local communities are empowered and supported to make appropriate local management decisions. The relevant Government services are, by their own admission, technically and institutionally weak. In all three countries, however, there is agreement on the strategy of mobilizing local (and if necessary international) private sector and Non-Governmental Organizations' skills to supplement areas of particular weakness.

(b) *An exchange of information with long-term experts on the GTZ "Forest Management and Nature Protection" programme in Cote d'Ivoire is recommended.*

The German interest in Forest Management and Nature Protection Project adjacent to the Comoe National Park in Cote d'Ivoire is noted with considerable interest. Initial contact will be established between the World Bank

and GTZ offices in Abidjan, and the WAGREP Preparation Mission will need to explore possible complementary and cooperation between the two operations. GTZ staff would be welcome to participate in the preparation and appraisal phases.

(c) *The rationale for launching two separate but juxtaposed projects [i.e., the UNDP TA activity and the World Bank investment project] on approximately the same issue is not clear.*

While the two projects are complementary, they are also significantly different types of operations. The support for Nazinga is essentially a training and institutional building project, while WAGREP has the accent on the development of new operations on a regional basis. The two projects will have very different rhythms of development and will have different constraints and conditions. To envisage a merger at this stage would greatly complicate the implementation of these two important operations.

SUMMARY OF MONTREAL PROTOCOL INVESTMENT PROJECTS IN WORK PROGRAM

<u>COUNTRY</u>	<u>MAIN PROJECT</u>	<u>SUB-PROJECT</u>	<u>AMOUNT</u>	<u>MP/EC APPROVAL</u>	<u>BANK APPRAISAL</u>	<u>RVP APPROVAL</u>	<u>TASK MANAGER</u>
EAST AND SOUTH ASIA REGIONS							
CHINA	ODS Phase Out		9,000,000	Jun-92	Dec-92		Don Brown
		Tianjin CFC Conversion	2,500,200	Jun-92			
		Shanghai CFC Conv.	1,899,800	Jun-92			
		Beijing ABC Powder Prod.	403,300	Jun-92			
		Zhejiang Extling. Conver.	796,700	Jun-92			
		CFC Rigid Foam Red.	2,357,600	Jun-92			
		Zhejiang Extruded Foam	1,042,400	Jun-92			
	Nanjing HCFC-22 Refrigeration Conv.	Proj. Preparation (PPA)	300,000	Oct-92			
MALAYSIA	ODS Phase-out		1,630,000	Feb-92	Feb-92	Nov-92	K. von Ritter
		Halon Recycling	720,000				
		Cons. & recycling of CFC in MACS	910,000				
PHILIPPINES	Controlled Substances Engineering Project		400,000	Jun-91	Nov-91	Jan. 14, 1992	K. von Ritter
THAILAND	Controlled Substances Engineering Project		390,000	Jun-91	Nov-91	Jan. 14, 1992	K. von Ritter
	ODS Phase-out Inv.		1,000,000	Jun-92	May-92		
		MAC CFC Recycling	900,000	Jun-92			
		Thai Airways Non-ODS Metal Cleaning	100,000	Jun-92			
					<u>No. of</u>	<u>No. of</u>	<u>Total</u>
					<u>Main Proj.</u>	<u>Sub-Projects</u>	<u>Amount</u>
INVESTMENT PROJECTS APPROVED BY MP EXECUTIVE COMMITTEE					5	10	12,720,000
TOTAL MP FOR EAST AND SOUTH ASIA					5	10	12,720,000

SUMMARY OF MONTREAL PROTOCOL INVESTMENT PROJECTS IN WORK PROGRAM

<u>COUNTRY</u>	<u>MAIN PROJECT</u>	<u>SUB-PROJECT</u>	<u>AMOUNT</u>	<u>MP EC APPROVAL</u>	<u>BANK APPRAISAL</u>	<u>RVP APPROVAL</u>	<u>TASK MANAGER</u>
LAC REGION							
BRAZIL	ODS Phase-out		2,930,000	Jun-92	Jun-92		D. Rhatigan
		CFC-12 Refrig. Maint. Recovery, Recycling	2,000,000	Jun-92			
		Refrig. Comp. Prod. Conv. to HFC-134a	530,000	Jun-92			
		Refrig. Comp. Prod. Conv. to HFC-134a	200,000	Jun-92			
		Chiller Retrofits to HCFC-123 or HFC-134a	200,000	Jun-92			
CHILE	ODS Phase-out		1,206,000	Jun-92	Jun-92		L. Pisani
		TECHFIN	495,000	Jun-92			
		Ozone Seal	7,000	Jun-92			
		Public Awareness	361,000	Jun-92			
		Specific Training	127,876	Jun-92			
		Ozone Team	215,200	Jun-92			
MEXICO	Ozone Pilot Recycling		180,000	Jun-92			C. Phung/ D. Crisafulli
	Line of Credit		4,000,000	Feb-92	Apr-92		
VENEZUELA	Plasticos Molanca		1,300,000	Jun-92	Jul-92		D. Rhatigan
	Substit. of HFC-134a for CFC-12		1,100,000	Oct-92	3rd Qtr 93		
					<u>No. of Main Proj.</u>	<u>No. of Sub-Projects</u>	<u>Total Amount</u>
INVESTMENT PROJECTS APPROVED BY MP EXECUTIVE COMMITTEE					6	9	10,716,000
TOTAL MP FOR LATIN AMERICA AND CARIBBEAN					6	9	10,716,000

SUMMARY OF MONTREAL PROTOCOL INVESTMENT PROJECTS IN WORK PROGRAM

<u>COUNTRY</u>	<u>MAIN PROJECT</u>	<u>SUB-PROJECT</u>	<u>AMOUNT</u>	<u>MP/EC APPROVAL</u>	<u>BANK APPRAISAL</u>	<u>RVP APPROVAL</u>	<u>TASK MANAGER</u>
EMN/ECA REGION							
EGYPT	MCMC Compressor		2,800,000	Oct-92		May-92	D. Younger
JORDAN	TA & Inv. Proj. for Reduction of Consumption of ODS		1,500,000			Sep-92	Trib Narian
		TA/Line of Grant	800,000	Jun-92			
		LPG Purification	700,000	Jun-92			
TURKEY	Ozone Layer Protection		6,165,000			May-92	TBD
		Recovery & Recyc. CFC-12 fr. Refrigerator Serv. Shops	400,000	Jun-92			
		Recovery & Recyc. CFC-12 at Production Plant	65,000	Jun-92			
		Other Inv. in Foams, Aerosols	500,000	Jun-92			
		Institutional Support	300,000	Jun-92			
		Arcelik Comp. & Refrigerator	4,900,000	Oct-92			
TUNISIA	Ozone Layer Protection		1,790,000			Jul/Aug-92	F. Steininger
		Intro. of Low-CFC & Non-CFC Maint. of Domestic, Comm. & Industrial Refrigerators	300,000	Jun-92			
		Tech. Seminars, Consul.	100,000	Jun-92			
		Demos in Flexible & Rigid Foams	100,000	Jun-92			
		Tech. Sem. Cons. in Aerosols	300,000	Jun-92			
		Eng. Assistance for Design, Testing of HFC-134a	360,000	Oct-92			
		Maintenance of domestic com. & ind. refrigerators	300,000	Oct-92			
		Tech. consultancies in aerosols	50,000	Oct-92			
		Implementation of Gov. action	280,000	Oct-92			
					<u>No. of</u>	<u>No. of</u>	<u>Total</u>
WORKPROGRAM PROJECTS APPROVED BY MP EXECUTIVE COMMITTEE					<u>Main Proj.</u>	<u>Sub-Projects</u>	<u>Amount</u>
					4	15	12,255,000
TOTAL MP FOR MNA/ECA					4	15	12,255,000

**Global Environment Facility Investment Operations Program, FY93
Work Program**

Annex II

Country GEF Component/Project (Associated Bank Project)	Objective/ (Keywords)	Task Manager/ RED Contact	Approximate GET Funding earmark (\$ million)	Appraisal Date	MOD from Director to RVP
AFRICA					
Congo Congo Wildlands Protection (Free-standing)	Biodiversity (Moist and dry tropical forest, institutional strengthening, community participation, poaching control)	Cruveillier/Bertilsson	10.00	Mar. 92	Mar. 93
Uganda Gorilla Reserve/Bwindi Forest (Free standing)	Biodiversity (one-third remaining mountain gorillas, other primates and birds, transboundary reserve)	Kiss/Bertilsson	4.00	Apr. 93	Jun. 93
Kenya Tana River Primates (to be determined)	Biodiversity (endangered primate species, unique lowland riverine forest)	Kiss/Bertilsson	6.20	May-93	Jul. 93
Ghana Coastal Wetland Management Project (Environmental Resources Support Project)	Biodiversity (Migratory birds, coastal wetlands, unique and threatened ecosystems)	Schreiber/Bertilsson	7.20	Feb. 92	Aug. 92 (approved)
Malawi Lake Malawi Biodiversity (Malawi Fisheries Project)	Biodiversity (high endemism for fish species coordination in ecosystem sustainable harvest, education, training)	*Loayza/Bertilsson *Loayza will be TM thru appraisal then it will shift to AF6AG (Jackson)	4.00	Feb. 93	Sep. 93
Seychelles Biodiversity Conservation and Marine Pollution Abatement (Infrastructure and Environment)	Biodiversity/ Marine Pollution (small island ecosystems, high endemism, feral animal control, fishing fleet pollution control)	Grimes/Bertilsson	1.80	Jun. 92	Nov. 92 (approved)
Central Africa Acquisition & Distribution of Comprehensive Landsat TM Satellite Imagery (Free Standing)	Biodiversity (High resolution thematic mapping; baseline data for GEF biodiversity projects; model for cooperation among national & international agencies)	Bertilsson/Bertilsson	1.75	May-93	Oct. 93
Zimbabwe Wildlife Conservation and Environmental Management (Wildlife and Environment Management Project)	Biodiversity (Campfire program, local community wildlife management biological corridors, cohabitation of agriculture, livestock and wildlife)	Ramsay/Bertilsson	5.00	Dec. 93	May-94

**Global Environment Facility Investment Operations Program, FY93
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Annex II

Country GEF Component/Project (Associated Bank Project)	Objective/ (Keywords)	Task Manager/ RED Contact	Approximate GET Funding earmarked (\$ million)	Appraisal Date	MOD from Director to RVP
AFRICA (cont.)					
Mozambique Trans-Border National Parks (Rural Rehabilitation Project)	Biodiversity (transboundary park, rural resettlement, demarcation, management planning, legislation)	Lara-Resende/ Bertilsson	5.00	Sep. 93	Feb. 94
West Africa/Burkina Faso Game Ranching (to be determined)	Biodiversity (game ranching extension, compatible uses options in rural development)	Lewis/Cook	7.00	Jan. 94	Mar. 94
Mali Household Energy (Second Power Project)	Global Warming (Reduction of deforestation and emission of greenhouse gases (GHG), substitution of fuelwood by kerosene & gas)	Floor/Bertilsson	2.50 (\$5 million bilateral co-financing sought)	Apr. 93	Aug. 93
Mauritius Sugar Energy Biotechnology (Sugar Energy Development)	Global Warming (sugar-mill energy efficiency, model cane tops and trash recovery handling and contribution for power generation)	Vidaeus/Bertilsson	3.30	Sep. 91	Mar. 92 (approved)
Nigeria Gas Flaring Reduction (Gas Flaring Reduction Project)	Global Warming (Gas flare reduction, energy efficiency, LPG, major global GHG point source)	Bond/Bertilsson	25.00	Apr. 93	Jun. 94
Cote d'Ivoire Crop Waste Power Project (Biomass Energy Development)	Global Warming (Power generation from palm oil and coffee crop processing residues, private sector power production)	Floor/Bertilsson	5.00	Oct. 93	Feb. 94
Biodiversity Total			51.95		
Global Warming Total			35.80		
International Waters Total			0.00		
AFRICA REGION TOTAL			87.75		

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Annex II

Country GEF Component/Project (Associated Bank Project)	Objective/ (Keywords)	Task Manager/ RED Contact	Approximate GET Funding earmark (\$ million)	Appraisal Date	MOD from Director to RVP
LATIN AMERICA AND THE CARIBBEAN					
Brazil National Conservation Units (National Environment Project)	Biodiversity (wide range of conservation units, megadiversity, endangered species)	Gross/Osae-Addo	30.00	May-93	Nov. 93
Mexico Biodiversity Conservation (Biodiversity and Development Project)	Biodiversity (megadiversity, biological corridors, arid lands, forests coastal wetlands)	Margulis/Osae-Addo	30.00	Sep. 91	Mar. 92 (approved)
Peru Trust Fund for Conservation Unit (free-standing)	Biodiversity (endemism, sustainable protection, endangered species, trust fund)	Alderman/ Osae-Addo	4.00 (\$4.5 million GEF cofinancing sought)	Jun. 92	Sep. 93
Ecuador Biodiversity Protection (T.A. for Environmental Management)	Biodiversity (unique ecosystems, endemism, endangered species, environmental economics and fiscal policy, institutional strengthening, training)	Plaza/Plaza	6.00 (\$4 million GEF or bilateral cofinancing sought)	May-93	Nov. 93
Bolivia Biodiversity Conservation Project (free standing)	Biodiversity (protected areas management, education and training, demarcation, legislation and policy actions, indigenous people knowledge systems for design of ecosystem management)	Girardot-Berg/ Hazelton	4.50	May-92	Nov. 92 (approved)
Mexico Electric Power End-Use Efficiency (Free standing)	Global Warming (compact fluorescent bulbs and tubes, innovative utility financing/ consumer purchase, incentive schemes organizational learning)	Luzuriaga/ Osae-Addo	10.00	Jun. 93	Aug. 93
Ecuador BOTROSA/ENDESA Afforestation Project (IFC Project)	Global Warming (carbon sequestration, indigenous harwood species, mixed plant/multi- purpose trees, private sector)	Younger	2.50	May-92	Jun. 92 (approved)

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Country GEF Component/Project (Associated Bank Project)	Objective/ (Keywords)	Task Manager/ RED Contact	Approximate GET Funding earmarked (\$ million)	Appraisal Date	MOD from Director to RVP
LATIN AMERICA AND THE CARIBBEAN (cont.)					
Costa Rica Grid -integrated Advanced Windpower Project (Inter-American Development Bank Power Sector Loan)	Global Warming (fossil fuel displacement, commercial scale wind turbines, connected to national grid)	Calderon (IDB) Osae-Addo	3.30	May-93	Sep. 93
Caribbean Sea OECS Waste Disposal (OECS Waste Management)	International Waters (Regional pilot port waste reception and disposal)	Dabbagh/ Osae-Addo	14.00	Oct. 93	Feb. 94
Biodiversity Total			74.50		
Global Warming Total			15.80		
International Waters Total			14.00		
LAC REGION TOTAL			104.30		

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Country GEF Component/Project (Associated Bank Project)	Objective/ (Keywords)	Task Manager/ RED Contact	Approximate GET Funding earmarked (\$ million)	Appraisal Date	MOD from Director to RVP
EUROPE, MIDDLE EAST, and NORTH AFRICA					
Algeria El Kala National Park (free-standing)	Biodiversity (RAMSAR site, wetlands conservation, endangered species, migratory birds, deer, archeology)	Ameur/Arif	10.00	Apr. 93	Jul. 93
Poland Forest Biodiversity (free-standing)	Biodiversity (unique forest species, relic stands, air pollution threat, gene banks, preservation)	Schumacher/Arif	4.50	Oct. 91	Dec. 91 (approved)
Belarus Forest Biodiversity (free-standing)	Biodiversity (unique forest species, relic stands, air pollution threat, gene banks, preservation)	Schumacher/Arif	1.00	Jul. 92	Sep. 92 (approved)
Czech Republic Planning and Management of Czech (free standing)	Biodiversity (protected areas networking, economics of ecotourism and park financing, institution building)	Schumacher/Arif	2.30	Apr. 93	May-93
Slovak Republic Planning and Management of Slovak Reserves (free standing)	Biodiversity (protected areas networking, economics of ecotourism and park financing, institution building)	Schumacher/Arif	2.00	Apr. 93	May-93
Romania and Ukraine Danube Delta (free standing)	Biodiversity (wetlands management; rare European migratory birdlife; Black Sea hydrologic/biological filter)	Bromhead/Arif	6.00	Jun. 93	Jan. 94
Turkey Genetic Biodiversity (East Anatolia Watershed Management Project)	Biodiversity (preservation of predecessor genetic stocks of new world cereals)	Bromhead/Arif	5.00	Jul. 92	Feb. 93 (approved)
Ukraine Carpathian Mountains Biodiversity Protection	Biodiversity (transborder counterpart to Czech & Slovak Carpathian Mountains preser- vation component, protected area management, foundation co-financing)	Schumacher/ Wilson	0.50	Apr. 93	May-93
Poland Coal-to-Gas (Heat Supply and Restructuring)	Global Warming (energy efficiency, natural gas, small-scale industry housing apartment complex total energy supply systems)	Benmessaoud/Arif	25.00	Apr. 93	Jul-93

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Country GEF Component/Project (Associated Bank Project)	Objective/ (Keywords)	Task Manager/ RED Contact	Approximate GET Funding earmarked (\$ million)	Appraisal Date	MOD from Director to RVP
EUROPE, MIDDLE EAST, and NORTH AFRICA (cont.)					
Iran Transport Energy (POAS/Railways)	Global Warming (transport fleet efficiency upgrade, strategic planning, global environment coefficient of urban management systems design)	Tharakan/ Arif	2.00	Apr. 93	Jul. 93
Morocco Repowering Existing Power Plant (Gas Development Network)	Global Warming (Advanced gas turbine, cycle efficiency improvement, plant life extension)	Larrieu/Arif	6.00	Dec. 93	Feb. 94
Russian Federation GHG Reduction in Natural Gas Supply (Petroleum Sector Loan)	Global Warming (Pipeline and compressor efficiency improvement; point of end-use efficiency)	Stuggins/Arif	3.20	May-93	Dec. 93
Mediterranean Seas Program (Components of this program would be included in each of the following projects with possible support to a regional institution for program coordination, monitoring and surveillance)	International Waters (Coordinated regional damage control from oil spills and oil pollution, emergency response planning, strengthening regional cooperation for marine pollution control)		10.00		
a. Algeria Port (Waste Disposal Project)	International Waters (port oily waste reception and treatment, oil spill preparedness, institutional strengthening and training)	Ben-Slimane/Arif		Jul. 93	Nov. 93
b. Morocco Port Waste Disposal (Port Sector Project)	International Waters (port oily waste reception and treatment, oil spill preparedness, institutional strengthening and training)	Ben-Slimane/Arif		Jul. 93	Nov. 93
c. Tunisia Port Waste Disposal (Fisheries II)	International Waters (port oily waste reception and treatment, oil spill preparedness, institutional strengthening and training)	Ben-Slimane/Arif		Jul. 93	Nov. 93
Egypt Red Sea Control Zone Management (Tourism Sectoral Privatization)	International Waters/Biodiversity (ecotourism impact management protection policy and incentives for sustainable use, building block for regional cooperation under Red Sea convention, coral reefs)	Peltekian/Arif	4.75	May-92	Nov. 92 (approved)

**Global Environment Facility Investment Operations Program, FY93
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Country GEF Component/Project (Associated Bank Project)	Objective/ (Keywords)	Task Manager/ RED Contact	Approximate GET Funding earmark (\$ million)	Appraisal Date	MOD from Director to RVP
EUROPE, MIDDLE EAST, and NORTH AFRICA (cont.)					
Czechoslovakia Ozone Depleting Substances Reduction	Ozone Protection (identification of key ODS reduction activities. New technology for production recycling and ODS substitution)	Rahill/Arif	3.80	May-93	Nov. 93
Biodiversity Total			31.30		
Global Warming Total			36.20		
International Waters Total			14.75		
Ozone Protection Total			3.80		
EMENA REGION TOTAL			86.05		

**Global Environment Facility Investment Operations Program, FY93
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Country GEF Component/Project (Associated Bank Project)	Objective/ (Keywords)	Task Manager/ RED Contact	Approximate GET Funding earmark (\$ million)	Appraisal Date	MOD from Director to RVP
ASIA					
Bhutan Trust Fund for Environment Conservation (free-standing)	Biodiversity (training, surveys, management plans, institutional strengthening)	Shen/Rees	10.00 (\$10 million bilateral NGO cofinancing sought)	Oct. 91	May-92 (approved)
Laos Wildlife and Protected Areas Management (National Forestry)	Biodiversity (Management plans, endangered species, institutional development)	Wong/Shen	5.50	Nov. 91	Apr. 93
Philippines Conservation of Priority Protected Areas (SECAL)	Biodiversity (conservation, faunal and floral surveys, support services)	Wiens/Rees	20.00	Mar. 92	Jun-93
Indonesia Integrated Conservation and Development Project (ICDP) (Watershed Conservation and Management)	Biodiversity (buffer zone and protected area delineation and management ecologically sound small-holder production systems)	Van de Poll/Rees	12.00 (10-15 million GEF and bilateral cofinancing sought)	Oct. 93	Feb. 94
China Sichuan Gas Development and Conservation (Sichuan Gas Conservation)	Global Warming (distribution & transmission gas loss evaluation and reduction)	Shum/ Johnson	10.00 (\$10 million GEF cofinancing sought)	Jun-93	Oct. 93
Philippines Geothermal Energy Development (Leyte/Luzon Geothermal)	Global Warming (renewable energy, cost-effective CO2 avoidance)	Fernandez/ Johnson	30.00 (\$40 million GEF cofinancing sought)	Jun. 93	Aug. 93
India Alternative Energy (Renewable Energy Project)	Global Warming (Photovoltaic power, wind- power, financing/ policy innovation)	Manzo/ Johnson	30.00 (\$50 million GEF cofinancing sought)	Jul. 92	Dec. 92 (approved)
Thailand Electricity Conservation (Distribution System and Energy Efficiency)	Global Warming (energy conservation, low cost GHG reduction, innovative demand management technologies)	Mehta/ Johnson	15.00 (\$15 million GEF cofinancing sought)	Dec. 92	Apr. 93
Pakistan Integrated Community Waste-to-Energy Systems (Punjab Urban Development Project)	Global Warming (landfill gas recovery/utilization, major methane source globally)	Halldin/Arif (task management of GEF component under EMTEN)	11.00	Sep. 93	Jun-94

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Annex II

Country GEF Component/Project (Associated Bank Project)	Objective/ (Keywords)	Task Manager/ RED Contact	Approximate GET Funding earmarked (\$ million)	Appraisal Date	MOD from Director to RVP
ASIA (cont.)					
China Marine Pollution (International Ships Water Disposal Project)	International Waters Pollution (oily waste reception centers)	Parthasarathi/ Bruestle	30.00	May-91	Jun. 92 (approved)
Biodiversity Total			47.50		
Global Warming Total			96.00		
International Waters			30.00		
ASIA REGION TOTAL			173.50		

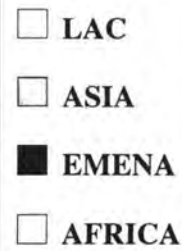
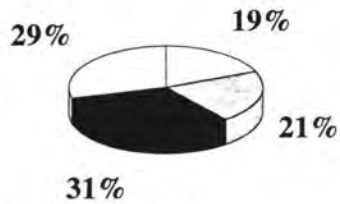
**Global Environment Facility Investment Operations Program, FY93
Work Program****Annex II****Regional Distribution by Number of GEF Projects**

	LAC	ASIA	EMENA	AFRICA	TOTAL
Total Biodiversity Projects	5	4	9	10	28
Total Global Warming Projects	3	5	2	4	14
Total International Waters Projects	1	1	3	0	5
Total Ozone Protection Projects			1		1
Number of Projects in Work Program	9	10	15	14	48

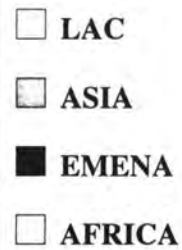
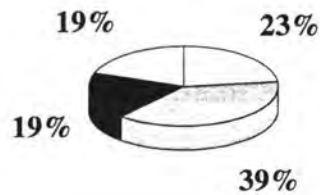
Regional Distribution by Costs of GEF Projects

	LAC	ASIA	EMENA	AFRICA	TOTAL
Total Biodiversity Projects	74.50	47.50	31.30	51.95	205.25
Total Global Warming Projects	15.80	96.00	36.20	35.80	183.80
Total International Waters Projects	14.00	30.00	14.75	0.00	58.75
Total Ozone Protection Projects			3.80		3.80
Costs of Projects in Work Program	104.30	173.50	86.05	87.75	451.60

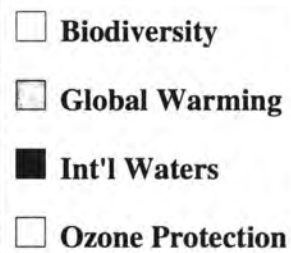
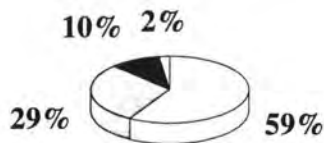
Regional Distribution by Number of GEF Projects



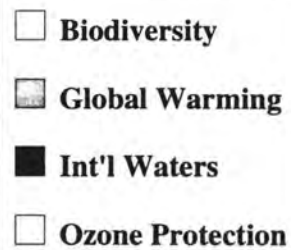
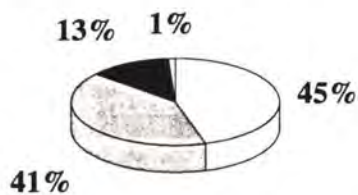
Regional Distribution by Costs of GEF Projects



Number of Projects by Objective



Costs of Projects by Objective



Country GEF Component/Project (Associated Bank Project)	Objective/ (Keywords)	Task Manager/ RED Contact	Approximate GET Funding earmarked (\$million)	Appraisal Date	MOD from Director to RVP
AFRICA					
Cameroon Tropical Forest Project (Forestry Management)	Biodiversity (Nigeria-Gabon-Cameroon evergreen forest, Megafauna Pigmies, endemism)	Quicke/Bertilsson	5.00	Jun. 93	Dec. 93
Zaire Biodiversity Protection (Forestry and Environment Project)	Biodiversity (conservation, community participation, unique forest ecosystems management plans)	Rioust de Largentaye/ Bertilsson	4.00	tbd	tbd
Kenya/Uganda/Kenya Lake Victoria Basin and Lake Ecosystem Management (to be determined)	International Waters (river basin management and riparian cooperation issues, land degradation, biodiversity protection, sustainable use planning)	Vidaeus/Bertilsson	10.00	tbd	tbd
Biodiversity Total			9.00		
Global Warming Total			0.00		
International Waters Total			10.00		
AFRICA REGION TOTAL			19.00		

Country GEF Component/Project (Associated Bank Project)	Objective/ (Keywords)	Task Manager/ RED Contact	Approximate GET Funding earmarked (\$million)	Appraisal Date	MOD from Director to RVP
LATIN AMERICA AND THE CARIBBEAN					
Jamaica Demand side Management (free standing)	Global Warming (absorption chillers, cogeneration) capacity building for private and public sector demand management)	Megateli/ Osae-Addo	3.80	Jun. 93	Dec. 93
Brazil Biomass Gasification/ Gas Turbine Power Generation Project (to be determined)	Global Warming (biomass gasification, gas turbine-fired power generation, private sector participation global demonstration, high replicability)	Jadrijevic/ Osae-Addo	23.00 (\$7 million UNDP GEF TA for engineering design and project financing and management in GEF work program)	tbd	tbd
Wider Caribbean Initiative for Disposal of Ship-Generated Waste (Free standing)	International Waters (Regional framework for disposal, regulations, monitoring, enforcement)	Dabbagh/ Osae-Addo	5.50	Oct. 93	Feb. 94
Biodiversity Total			0.00		
Global Warming Total			26.80		
International Waters Total			5.50		
LAC REGION TOTAL			32.30		

Project Pipeline

Country GEF Component/Project (Associated Bank Project)	Objective/ (Keywords)	Task Manager/ RED Contact	Approximate GET Funding earmarked (\$million)	Appraisal Date	MOD from Director to RVP
EUROPE, MIDDLE EAST, and NORTH AFRICA					
Bulgaria (Free-standing)	Biodiversity (Creation of Nature Protection Agency funded by tax earmark)	Bromhead/Arif	3.50	tbd	tbd
Tunisia Solar Water Heating	Global Warming (Installation of solar panels in institutional hospitals and government-owned hotels, dissemination of technology)	Savorelli/Arif	4.00	Sep. 93	Nov. 93
Romania Fuel Cell Power Plant	Global Warming (Use of cell to improve efficiency and generate electricity for ammonia plant)	Wilczynski Arif	tbd	tbd	tbd
Ukraine Gas Cycle	Global Warming (Gas distribution)	Stephenson/Arif	4.00	tbd	tbd
Bulgaria Integrated Gas Combined Cycle	Global Warming (IGCC attached to refinery using petroleum residue/sludge/coal to improve efficiency)	Moose/Arif	10.00	tbd	tbd
Jordan Marine Pollution	International Waters (Unique marine ecosystem; coral reefs; increasing commercial and industrial activity; threath to ecosystem; land based pollution; strategic management planning)	Glineur/Arif	1.50	tbd	tbd
Aral Sea (CIS) Action Plan	International Waters (Identification & non point sources; sea table lowering; industrial pollution)	Rathnam/Arif	9.00	tbd	tbd
CIS (Russia, Belarus, Ukraine) Ozone Depleting Substances Reduction	Ozone Protection (Identification of key ODS reduction activities. New technology for production recycling and ODS substitution)	Rahill/Arif	tbd	tbd	tbd
Biodiversity Total			3.50		
Global Warming Total			18.00		
International Waters			10.50		
Ozone Protection			0.00		
EMENA REGION TOTAL			32.00		

**Global Environment Facility Investment Operations Program, FY93
Project Pipeline**

Annex III

Country GEF Component/Project (Associated Bank Project)	Objective/ (Keywords)	Task Manager/ RED Contact	Approximate GET Funding earmarked (\$million)	Appraisal Date	MOD from Director to RVP
ASIA					
China Biodiversity Action Plan/ Nature Reserve (Forest Development and Protection Project)	Biodiversity (biodiversity conservation action plan, investment identification and preparation, education training)	Scobey/Shen	20.00 (\$5-10 million bilateral cofinancing sought)	tbd	tbd
Thailand Forest Biodiversity Forest Area Protection, Management and Development Project	Biodiversity (integrated community development and biodiversity protection, endangered forest biodiversity, policy and institutional strengthening)	Chung/Shen	10.00 (\$10-20 million GEF and bilateral cofinancing sought)	tbd	tbd
China Refrigerator Energy/GHG	Global Warming (energy conservation , energy efficiency, alternate energy supply)	Taylor/Johnson	10.00	tbd	tbd
Biodiversity Total			30.00		
Global Warming Total			10.00		
International Waters			0.00		
ASIA REGION TOTAL			40.00		

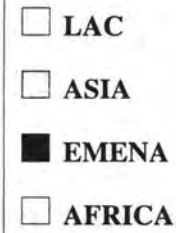
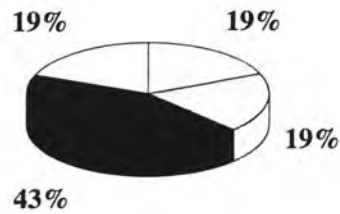
Regional Distribution by Number of GEF Projects

	LAC	ASIA	EMENA	AFRICA	TOTAL
Total Biodiversity Projects	0	2	1	2	5
Total Global Warming Projects	2	1	3	0	6
Total International Waters Projects	1	0	2	1	4
Total Ozone Protection Projects	0	0	1	0	1
Number of Projects in Pipeline	3	3	7	3	16

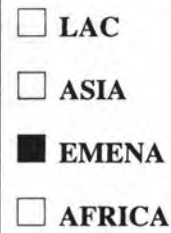
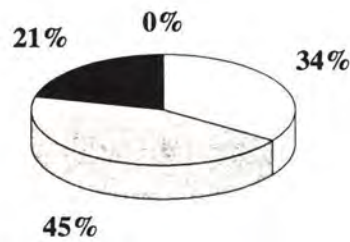
Regional Distribution by Costs of GEF Projects

	LAC	ASIA	EMENA	AFRICA	TOTAL
Total Biodiversity Projects	0.00	30.00	3.50	9.00	42.50
Total Global Warming Projects	26.80	10.00	18.00	0.00	54.80
Total International Waters Projects	5.50	0.00	10.50	10.00	26.00
Total Ozone Protection Projects	0.00	0.00	0.00	0.00	0.00
Costs of Projects in Pipeline	32.30	40.00	32.00	19.00	123.30

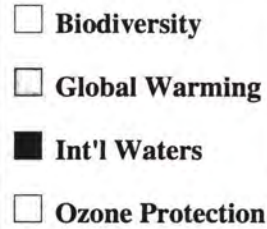
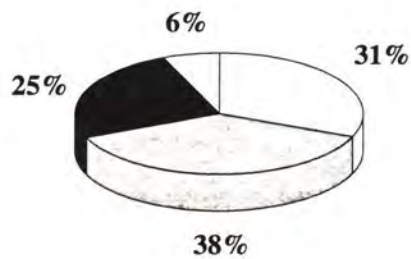
Regional Distribution by Number of GEF Projects



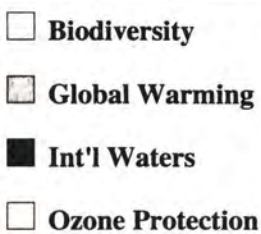
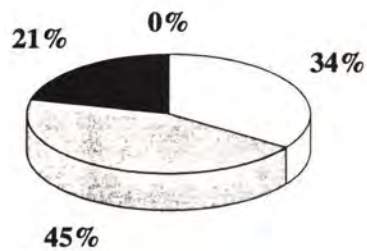
Regional Distribution by Costs of GEF Projects



Number of Projects by Objective



Costs of Projects by Objective



Global Environment Facility Investment Operations, FY93 Project Concepts

Annex IV

Country GEF Component/Project (Associated Bank Project)	Objective/ (Keywords)	Task Manager/ RED Contact	Approximate GEF Funding Required	Status (identification or IEPS)
AFRICA				
Guinea Afforestation for Carbon Sequestration (to be determined)	Global Warming (teak plantations, buffer zones and mozaics or biodiversity, conservation sustainable forestry)	Grant/Bertilsson	10.00	identification (very tentative)
Biodiversity Total			0.00	
Global Warming Total			10.00	
International Waters Total			0.00	
AFRICA REGION TOTAL			10.00	

**Global Environment Facility Investment Operations, FY93
Project Concepts**

Annex IV

Country GEF Component/Project (Associated Bank Project)	Objective/ (Keywords)	Task Manager/ RED Contact	Approximate GEF Funding Required	Status (identification or IEPS)
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LATIN AMERICA AND THE CARIBBEAN

Biodiversity Total			0.00	
Global Warming Total			0.00	
International Waters Total			0.00	
LAC REGION TOTAL			0.00	

**Global Environment Facility Investment Operations, FY93
Project Concepts**

Annex IV

Country GEF Component/Project (Associated Bank Project)	Objective/ (Keywords)	Task Manager/ RED Contact	Approximate GEF Funding Required	Status (identification or IEPS)
EUROPE, MIDDLE EAST, and NORTH AFRICA				
Russia Conservation of Endangered Biodiversity	Biodiversity (Strategic planning, inventory analysis, ranking and detailed project design to protect globally significant biodiversity under threat of imminent loss)	Batstone/Arif	5.00	identification
Biodiversity Total			0.00	
Global Warming Total			5.00	
International Waters Total			0.00	
Ozone Protection			0.00	
EMENA REGION TOTAL			5.00	

**Global Environment Facility Investment Operations, FY93
Project Concepts**

Annex IV

Country GEF Component/Project (Associated Bank Project)	Objective/ (Keywords)	Task Manager/ RED Contact	Approximate GEF Funding Required	Status (identification or IEPS)
ASIA				
India Ecodevelopment Project (to be determined)	Biodiversity (Integrated Conservation and Development Project approach to protected area management, 3-4 widely varied sites of threatened biodiversity, local community, joint management's approach)	Blinkhorn/Jansen	12.00	IEPS
India Env. Educ. Audio-Visual	Biodiversity/Global Warming (Public awareness of global environmental issues)	Blinkhorn/	5.00	identification
Biodiversity Total			12.00	
Global Warming Total			5.00	
International Waters			0.00	
ASIA REGION TOTAL			17.00	

**Global Environment Facility Investment Operations FY93
Project Concepts**

Annex IV

Regional Distribution by Number of GEF Projects

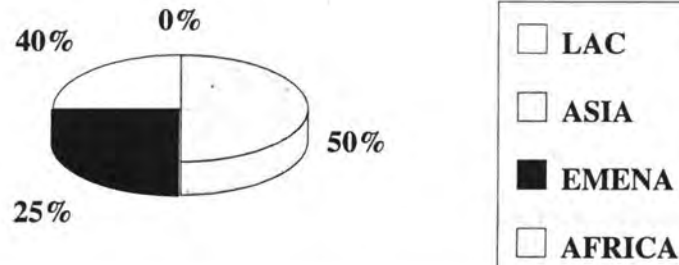
	LAC	ASIA	EMENA	AFRICA	TOTAL
Total Biodiversity Projects	0	1	0	0	1
Total Global Warming Projects	0	1	1	1	3
Total International Waters Projects	0	0	0	0	0
Ozone Protection Projects	0	0	0	0	0
	0	2	1	1	4

Regional Distribution by Costs of GEF Projects

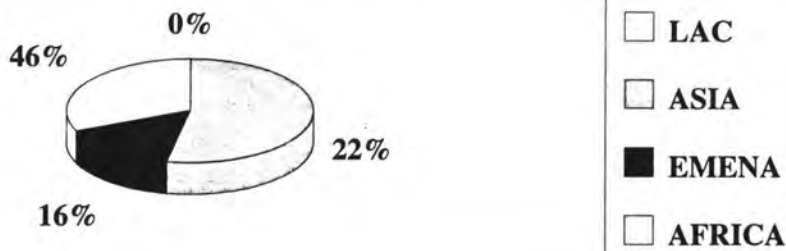
Estimated Project Costs

Total Biodiversity Projects	0.00	12.00	0.00	0.00	12.00
Total Global Warming Projects	0.00	5.00	5.00	10.00	20.00
Total International Waters Projects	0.00	0.00	0.00	0.00	0.00
Ozone Protection Projects	0.00	0.00	0.00	0.00	0.00
	0.00	17.00	5.00	10.00	32.00

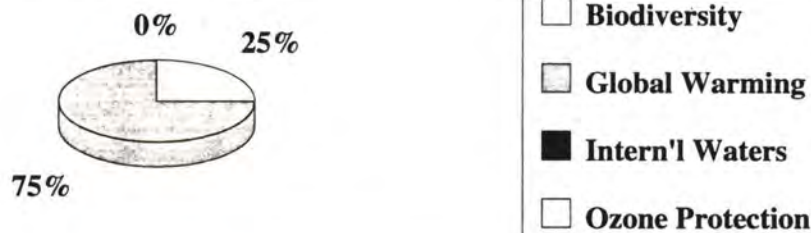
Regional Distribution by Number of GEF Projects



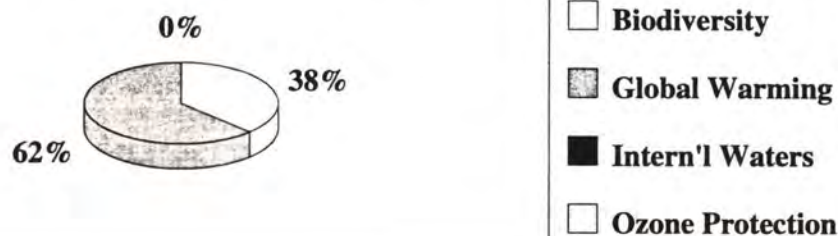
Regional Distribution by Costs of GEF Projects



Number of Projects by Objective



Costs of Projects by Objective



OFFICE MEMORANDUM

① Jones FMI
② File
GEF

Stem

DATE: February 3, 1993

TO: Mohamed Al Ashri

FROM: Jean H. Doyen, Chief, AFTES

EXTENSION: 34760

SUBJECT: Follow-up to GEF Meeting

RECEIVED

93 FEB -5 PM 4:29

OFFICE OF THE DIRECTOR

1. First of all let me say that I very much appreciated the way you brought the various strands together and outlined the way ahead. We have to see coordination as one of the tasks that will be necessary to carry out the Bank GEF work program. We look forward to working with Ken and the Operations Group on this matter.

2. As indicated, I sum up below some of the principles on which I see the collaboration on GEF work program for the Africa Region.

- The Regional Group Team on Environment (GTE) would be the channel for consultations and dissemination of GEF guidelines and policies in the Region; the Central Staff in Ken's team, with particular responsibilities for Africa GEF portfolio would be member ex-officio as well as Ken himself.
- The Africa Region would be represented by the Regional Environmental Adviser (or agreed designate) in GEF-related meetings calling for regional representation; participation would be coordinated with Ken's staff.
- The Region will be primarily responsible for GEF strategies and linkages with NEAP's and country programs with support from the Center. The Region needs special efforts to develop GEF portfolio. If anything AFTES GEF resources would have to increase. This will include resources for participation in the desertification work.
- Budget management should eventually be "banalized", i.e., brought in line with the system used for the regular Bank Budget with input/output contracts, delegation to the Region, and full involvement of the CAO.

3. Some of our discussions revolved around the definition of the coordination function. Francois prepared a very useful table on the matter which I copy below:

Division of Tasks	ENVGC	TD/Region	CD
Interegional Money Allocation	R/C	P	P
General Procedures and Guidelines	R/C	P	P
General M&E	R/C	P	P
Liaison with Participants	R/C	P	
Country Environment Strategy and Planning	S	C	R
Country Capacity Building	S	C	R
Regional Capacity Building (RFE)	S	R	S
Regional Pipeline Development	S	C	R
CD Pipeline Development	S	C	R
CD Project Preparation and Implementation	S	C	R
Project External Review	S	C	P
GEF Regional Committee	S	C	P
Technical Backstopping	S	C	R

R = Responsibility
 C = Coordination
 S = Support
 P = Participation

4. As for FY93 and the planning for FY94 we intend to work with Ken's staff to help us develop an appropriate framework.

cc: Newcombe (ENVGC); Cook, Bertilsson (AFTES); Cleaver (AFTDR), Muhsin (AFRCA)

THE WORLD BANK/IFC/M.I.G.A.

File
GEF

ROUTING SLIP		DATE: December 18, 1992	
NAME		ROOM NO.	
Messrs. S. Sandstrom			
B. Kavalsky			
P. Sand			
I. Johnson			
K. Newcombe			
<input type="checkbox"/>	URGENT	<input type="checkbox"/>	PER YOUR REQUEST
<input type="checkbox"/>	FOR COMMENT	<input type="checkbox"/>	PER OUR CONVERSATION
<input type="checkbox"/>	FOR ACTION	<input type="checkbox"/>	SEE MY EMAIL
<input type="checkbox"/>	FOR APPROVAL/CLEARANCE	<input checked="" type="checkbox"/>	FOR INFORMATION
<input type="checkbox"/>	FOR SIGNATURE	<input type="checkbox"/>	LET'S DISCUSS
<input type="checkbox"/>	NOTE AND CIRCULATE	<input type="checkbox"/>	NOTE AND RETURN
RE:			
REMARKS:			
FROM: Mohamed T. El-Ashry		ROOM NO. : S-5055	EXTENSION: 33202



Record Removal Notice

File Title President Barber Conable - Liaison Files - Global Environmental Facility [GEF] - Correspondence - Volume 1		Barcode No. 1328899		
Document Date 17 December, 1992	Document Type Letter			
Correspondents / Participants To: Mohamed EI-Ashry From: Yasuyuki Kawahara				
Subject / Title Contribution to the GEF Core Fund				
Exception(s) Financial Information iv				
Additional Comments		<p>The item(s) identified above has/have been removed in accordance with The World Bank Policy on Access to Information or other disclosure policies of the World Bank Group.</p> <table border="1"> <tr> <td>Withdrawn by Sherrine M. Thompson</td> <td>Date October 17, 2022</td> </tr> </table>	Withdrawn by Sherrine M. Thompson	Date October 17, 2022
Withdrawn by Sherrine M. Thompson	Date October 17, 2022			

File
GEF

SVEN SANDSTROM
Managing Director

December 9, 1992

Bank Group Vice Presidents

Global Environment Facility

Attached for your information is the Chairman's (i.e., Mohamed El-Ashry's) Summary of the just concluded meeting of the GEF Participants in Abidjan. The meeting went very well, thanks in large part to the excellent work done by Mohamed and his colleagues.

The meeting dealt with the work program under the ongoing pilot phase as well as with the restructuring of the GEF into a permanent facility. The Participants endorsed the proposed approach to the legal framework for the permanent facility, which would essentially be established by a Resolution of the Executive Directors of the World Bank (as was done for the pilot phase). As outlined in the Summary, the Participants also agreed on a program to complete the restructuring during 1993 (dealing with membership, decision-making, replenishment, etc.).



Attachment

cc: Mr. El-Ashry o/r

GLOBAL ENVIRONMENT FACILITY

Chairman's Summary

1. The process of restructuring the GEF has got off to a good start. We have used this first post-Rio meeting of Participants to build upon Chapter 33 of Agenda 21 and the agreed document Beyond the Pilot Phase.
2. While the focus of this meeting was on governance, we also paid due attention to the continued implementation of the Pilot Phase. The Fourth Tranche was endorsed with the proviso that the oral comments of delegations will be taken into account in further project preparation, as will the written comments that we look forward to receiving by January 15. In addition, there was a clear consensus in favour of the implementing agencies providing more information on project implementation prior to approval. We will also be reporting to you on the disbursement of funds and procurement.
3. Back to governance. We have concentrated our energies on the two issues of the legal framework of the restructured GEF and its decision-making arrangements.
4. I am pleased to say that the proposal on the legal framework, as outlined in the Secretariat's proposal, is satisfactory to Participants. It is clearly understood that the final document, complete with annexes, must be endorsed by the Participants prior to adoption and that any future amendments would require consensus by the Participants' Assembly.
5. On decision-making, the sense of this meeting was that the GEF would be best served by a constituency arrangement that maximizes efficiency, harmony and cooperation, and a voting system for exceptional cases, when consensus eludes us. A number of proposals have been made, but clearly more work is needed. An issues paper with illustrative examples and simulations will be prepared for the March 1993 meeting. Any comments should be submitted to the Administrator's Office by January 15th. What we will always keep clear in mind are the principles adopted in Rio and Washington, D.C., particularly with regard to safeguarding the interests of recipients and contributors.
6. Participants reaffirmed the agreed objective of universal membership and its importance for the future structure of the new GEF. The consensus of the meeting was that there would not be a set membership fee. However, administrative expenses could be recovered, taking into consideration countries' ability to pay.
7. STAP's invaluable contribution to the GEF was recognized in many interventions from the floor. Clearly the Panel will continue to play a central role in the future. A number of proposals are on the table for its future structure, composition, and criteria for selection. We have had a first, useful exchange on these proposals and work on them will continue as we move further into the transition phase.

8. With regard to NGOs, I would like to underline the important role the non-governmental sector continues to play in the GEF as evidenced in the consultations that preceded this meeting provided. The consultation also highlighted the need to strengthen our efforts - especially in developing countries - on regional and national outreach and consultations to bring a wider range of organizations into the process, particularly at the grassroots. We will prepare a paper on NGOs and the GEF and submit it to Participants for discussion at their next regular meeting in May 1993.

9. UNDP will prepare for Participants a full progress report on the Small Grants Programme by the end of January 1993, as the basis for the provision of additional resources. Meanwhile, a \$2 million allocation will be made to ensure continuity, subject to the approval of the progress report.

10. Participants recognized the significant contribution that the Regional Development Banks and UN specialized agencies can play in the GEF of the future. They encouraged the implementing agencies to continue to work with both the regional banks and the UN agencies on framework agreements to enable them to act as cooperating and executing agencies in the restructured GEF. They affirmed that the RDBs should work closely with the World Bank on investment projects and the U.N. agencies with UNDP on technical assistance. However, Participants emphasized that the implementation function in the GEF should continue to rest with the three established implementing agencies. They were not in favour of specific earmarking of resources to either the RDBs or UN Agencies.

11. Participants stressed that the linkages with the conventions are the axis about which the restructuring of the GEF must turn. They encouraged efforts already underway to work with the secretariats of the climate change and biodiversity conventions, and to assist developing countries in the formulation of their action programs and strategies under the conventions. We will continue our endeavors on both fronts in the year ahead while at the same time liaising closely with the interim institutions of the conventions.

12. Several Participants referred to the impetus provided by UNCED to the negotiation of a convention on desertification. The GEF would clearly be ready to work with the parties to an eventual convention to see how the GEF might assist them to achieve global environmental benefits. Meanwhile, in line with the April agreement, we have already begun to include land degradation issues, as they relate to the four thematic areas, in the work program of the pilot phase. There are two such projects in Africa in the fourth tranche and a workshop was held in Nairobi in November 1992 to articulate criteria and guidelines on this important issue. Concerns have also been raised about fresh water. The global aspects of this problem cut across the thematic lines of the GEF and should be addressed in the context of the international waters theme in the operational phase.

13. This meeting has made substantial strides towards our goal of completing the restructuring of the GEF by this time next year. The Administrator outlined the work program that we must implement in the course of the next twelve months. It is certainly ambitious but if we maintain the momentum of this meeting we shall succeed. We must make sure that the GEF matures to become a transparent and effective entity that serves its purpose of integrating global environmental concerns into the development process, both as a facilitator and funding mechanism.

14. In order to maintain momentum we will move through a transitional phase, beginning in May 1993, during which we will gradually begin to implement agreed elements of the restructuring. However, the final and complete package will have to be examined and approved at the first full meeting of the Participants' Assembly. We must also complete the evaluation of the Pilot Phase, actively pursue co-financing arrangements, and provide support for convention-related activities.

15. In addition, negotiations on the replenishment should be initiated early in 1993. A broad consensus has emerged that an IDA-like approach should be followed. In this regard, talks on replenishment will be arranged in parallel with, but separate from, our on-going work on restructuring. Thresholds for contributions to the core fund as well as a suitable formula for burden-sharing will need to be considered.

16. We recognize that an impartial evaluation is essential to the successful restructuring of the Facility and its replenishment. We welcome the Swiss delegation's suggestion and Participants' comments on this issue. A proposal and terms of reference for this evaluation will be prepared by the Secretariat for your review.

17. We must now act as expeditiously as possible to carry our plans through to fruition. To this end, we will meet for a one-day session in early March 1993 to continue discussions on decision-making and the priorities for the transition. This session will take place either in Europe or North America, to be followed by the fifth regular meeting of Participants in May 1993. I am pleased to report that the Government of China has extended an official invitation to hold the meeting in Beijing.

Thank you.

5 December 1992.

The World Bank
Washington, D.C. 20433
U.S.A.

SVEN SANDSTRÖM
Managing Director

December 9, 1992

Bank Group Vice Presidents

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Thank you.

5 December 1992.



Record Removal Notice

File Title President Barber Conable - Liaison Files - Global Environmental Facility [GEF] - Correspondence - Volume 1		Barcode No. 1328899		
Document Date 25 November, 1992	Document Type Facsimile			
Correspondents / Participants To: Mohamed EI-Ashry From: Jerome Haas				
Subject / Title Facilite Globale Environnement				
Exception(s)				
Additional Comments Declassification review of this record may be initiated upon request.		The item(s) identified above has/have been removed in accordance with The World Bank Policy on Access to Information or other disclosure policies of the World Bank Group.		
		<table border="1"><tr><td>Withdrawn by Sherrine M. Thompson</td><td>Date October 17, 2022</td></tr></table>	Withdrawn by Sherrine M. Thompson	Date October 17, 2022
Withdrawn by Sherrine M. Thompson	Date October 17, 2022			



THE WORLD CONSERVATION UNION

File
GEF

6 pages
in all

IUCN-US
1400 16TH Street, N.W.
Washington, D.C. 20036
Phone: (202) 797-5454
Fax No: (202) 797-5461

cc: ~~Swan~~, Jan, Ken

FY=

Mohamed
11/16/92

Memorandum of November 16, 1992

To: Mohamed El-Ashry, The World Bank

From: Byron Swift, IUCN-US *BS*

Enclosed for your information is Dr. Holdgate's final letter on the GEF, which was as you can see modified to take into account many of your concerns.

I note that Patrick Dugan of IUCN will be in town on Wednesday and Thursday morning of this week. He has just been named Head of IUCN's Field Programs. I wonder if it would be useful for us to come see you at any time during these days if you have further questions on IUCN's role and position.

To all IUCN members

11 November 1992

Dear IUCN Member,

The Global Environment Facility

In November 1990, I addressed a letter to those State Members of IUCN also contributing to the Global Environment Facility (GEF), setting out IUCN's recommendations on needed reforms in GEF's structure and operations. That letter was very well received and, I am told, contributed positively to the formulation of national positions on GEF. This letter, addressed to the entire IUCN membership, aims to provide you with our point of view on GEF as the pilot phase draws to a close and decisions on implementation are being discussed. I trust it will be useful to you, both in preparing for the GEF Participants' meeting in Abidjan next December, and in formulating your own positions concerning the future of GEF.

Despite a fair amount of criticism and despite sharp recommendations on the need to make it more democratic and transparent, the GEF nevertheless emerged stronger from the United Nations Conference on Environment and Development in Rio. It was agreed that GEF would be the funding mechanism for the Conventions on Climate Change and Biodiversity, both adopted in Rio, for an interim period, and possibly longer term. GEF's standing was considerably enhanced by the many statements of support among the richer countries and by the fact that it received a number of pledges for funding renewal, while other parts of the Rio work programme were left with vague promises.

In spite of the endorsement at Rio, we in the IUCN Secretariat feel that some of the concerns we expressed about the GEF last November remain valid, and must be addressed before firm decisions are taken about the Facility's future. Further, while we believe that the implementing agencies - the World Bank, UNDP and UNEP - are aware of these concerns and have taken steps to reform the GEF, the efforts should go considerably further.

I would therefore like to put forward the following propositions for your consideration, especially if you are participating in the next round of discussions.

1. Now that the pilot phase of the GEF is nearly behind us, there must be a thorough evaluation (as the Chairman of GEF has himself

IUCN members

6 November 1992

Page 2

proposed) so that we learn the lessons from its successes and failures before moving to full implementation. This review should address not only the "product", i.e. the projects funded from GEF but also the process whereby these projects were chosen and decisions on funding taken. Given the strong institutional interests of the implementing organisations in the decisions which will be taken on GEF future operations, it is essential that this review be open and independent. We recommend that this review be completed and discussed before any further funding is allocated by GEF.

2. The brief to be given to the review team should be presented by the Chairman of the GEF for discussion before the review is commissioned. This discussion should include participating countries from North and South as well as leading environmental NGOs. The broader the scope of this discussion, the more likely it is that the results of the review will be accepted as impartial and a solid basis for further action.
3. One subject which the review must address is the extent to which the GEF, in establishing priorities, has been guided by other broadly accepted priority-setting exercises in the environment field. It will be interesting to know to what extent biodiversity spending, for example, matches the priorities set in the Global Biodiversity Strategy or expenditure in the field of protected areas follow the recommendations of the World Congress on National Parks and Protected Areas, and in particular its Caracas Action Plan. At the national level, National Conservation Strategies and National Protected Areas System Plans, among many others, are a useful guide to biodiversity priorities. We strongly recommend that such documents, resulting from the consolidated work of the world's top environment professionals, should be taken seriously as a guide for priority setting and spending of biodiversity funds. A review of the role that the Scientific and Technical Advisory Panel (STAP) has played, and consideration of possible changes in their criteria and guidelines would seem to us a necessary part of the overall evaluation.
4. From our own experience of the GEF in IUCN Headquarters, we would recommend that considerably greater attention be given to the technical review process, beyond the priority-setting role of STAP. Further, we believe that this review should not be limited to project proposals but should extend throughout the projects' life. We recommend that an independent system of technical review be implemented for project proposals, aside from the technical review of project proposals by the implementing agencies themselves. All project proposals should be reviewed by a competent Working Group, whose task would be to solicit the best information from neutral, and possibly anonymous, experts who could review the operational as well as the scientific basis for each proposal.

IUCN members

6 November 1992

Page 3

5. We recognise that the founders of the GEF insisted that no new bureaucratic machinery be established. However, we feel that some of the criticisms that have been levelled at the GEF result from the lack of separation of the GEF process from the other processes of the partner agencies. We strongly recommend that the administration of GEF in general, and the technical review process in particular, be handled in a manner that separates it visibly from the other operations of the implementing organisations. Decisions on GEF spending in any country should be taken following review of the full range of options for activities meeting the GEF criteria and should not be linked to World Bank or UNDP project processes unless the compatibility is evident. Although we are aware that the Participants proposed that GEF projects should be associated with regular Bank and UNDP projects, we still question whether the distinctive role of the GEF is upheld when some 80% of the GEF projects for which the World Bank has responsibility are associated with existing World Bank projects. We similarly recommend a distinct separation between the Scientific and Technical Advisory Panel for GEF on the one hand, and the programme and institutional interests of UNEP on the other. And, there is no reason in principle why GEF funding should not be allocated via an organisation other than the World Bank, UNDP and UNEP, if it is clear that such a procedure would be more effective.
6. We warmly support calls for greater democracy in the operation of the GEF and understand that this must mean a stronger voice for the Group of 77 countries at the expense of the countries providing the bulk of GEF funding. This does not mean, however, that the formula adopted must necessarily be that of "one country, one vote". We instead call for a mechanism which provides appropriate balance between the developed countries and the Group of 77 on GEF decision-making and welcome the analysis of options being done by the GEF administration.
7. We also urge that countries, in putting together delegations for the Participants' meetings, ensure a stronger participation of those sections of government responsible for environment and development assistance. We also recommend that government delegations consider including NGO representatives on the delegations. Finally we believe that appropriately qualified professional Non-Governmental Organisations should be given observer status at Participants' meetings.
8. It is by now well established that biodiversity conservation requires small-scale, locally adapted, sensitive funding. It is also well known that too much funding, too quickly, can badly damage the carrying capacity of weak and fragile institutions. The World Bank custom of allocating large sums of funding to projects is inappropriate for the requirements of most biological diversity priorities, which are on a smaller scale. Even though the Bank controls disbursements carefully, it is surely important

IUCN members

6 November 1992

Page 4

that allocations are realistic, and match both priority needs and recipient spending capacity? We recommend that serious consideration be given to the optimal size of GEF interventions on biological diversity and to the dangers of smothering fragile institutions with too much or too insensitively given funding. The exception to this opposition to mega-projects for biodiversity is the establishment of Trust Fund mechanisms which enable long-term commitments to be made at the appropriate level. We believe that the most appropriate role for the Bank is to attend to sustainable financing of conservation institutions, for example through Trust Funds, and to study and incorporate the lessons learned in biodiversity conservation into its own lending programmes.

9. The GEF should concern itself with the process of biodiversity conservation and not simply with biodiversity projects. It should balance the need for immediate outputs with longer-term aims such as enhancement of national capacity; strategic, legal, financial, policy and management frameworks; institutional strengthening; knowledge; expertise and public awareness.
10. I have heard no valid arguments against the principle of full transparency in GEF operations and welcome the policy of transparency recommended by the Rio conference. We recommend that this transparency apply to the entire project process, from identification through decision making, implementation, review and evaluation. To the extent possible, documentation relating to GEF projects should be made available not only in English but also in the UN language used most readily by the concerned country. It follows that we also recommend that documentation relating to GEF projects should be made available not only in Washington, but equally and especially in the affected countries. The UNDP Resident Representatives' offices could be used for this purpose. Finally and most important, the principle of transparency should extend beyond the concerned GEF project and include all associated projects, especially in the case of the World Bank.
11. The principle of transparency should, we believe, apply also to the consultative processes surrounding GEF programming and implementation.
12. While everyone has recognised the importance of public participation to the GEF there is, we believe, unanimity in the view that the right formula for this has yet to be found. We believe that NGOs can play a most useful role at the country level, in particular participating in and contributing to the consultative and participatory process on programme and project identification. Further, we believe there is a very positive role for the NGOs in programme and project review, again particularly at the country level. It is indeed at the country level that the most important part of the programme and project review process must take place. It follows that we do not find the World Bank

IUCN members

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practice of centralising project review in Washington to be satisfactory. We do, however, welcome the fact that all GEF project documents are now made available in ECONET, and urge IUCN members to take advantage of the opportunity this gives for scrutiny and comment.

13. We strongly recommend that the GEF secretariat become fully independent of the implementing organisations. We also support a clear policy on how members of the secretariat are chosen, by whom, and for how long they serve. Should GEF serve as the funding mechanism for the new Conventions, both the composition and role of the Implementing Committee and the independence of the Secretariat will have to be reviewed. Such measures would contribute in a significant way to the transparency so often called for.
14. IUCN staff have participated in a number of discussions concerning the scope of the GEF. We are thus aware of recommendations suggesting that further topics be added to those already covered by GEF. While this has obvious attractions, after careful consideration, we recommend that the scope of GEF remain the present one, at least until such time as it is clear that GEF can adequately handle the tasks entrusted to it and that it has overcome the different teething problems which bedevilled the pilot phase. Further, if GEF becomes the funding mechanism for the two Conventions, it would be unwise to overburden it with new topics.

We hope that you will take the above recommendations into consideration in your activities in respect of GEF and, in particular, in formulating the positions to be placed before the Participating countries at the forthcoming December meeting.

Yours sincerely,

Martin W Holdgate
Director General

Remarks of Mohamed T. El-Ashry,
Chairman of the Global Environment Facility,
before the Second Committee of the United Nations,
New York, November 13, 1992

Thank you very much Mr. Chairman for your kind introduction and for the opportunity you afforded me here to explain the steps that are being taken to follow up on the Rio agreements and Agenda 21 in terms of the restructuring of the GEF and moving from the pilot to the permanent or operational phase of the GEF. I'm here in my capacity as the Chairman of the Global Environment Facility and in that capacity I speak on behalf of the three implementing agencies of the GEF. The Chairman and I thought it would be a good idea to outline the steps that are being taken for implementing the agreement reached in Washington, DC in April of 1992 by the Participants for the restructuring of the GEF, and the subsequent endorsement of the UNCED conference in Rio as well as the specific elements that have been spelled out in Agenda 21 with regard to the GEF.

The GEF has evolved as the major mechanism for funding global environmental concerns particularly in the areas of global warming, biological diversity, international waters and ozone depletion. As part of the agreements that were reached in April and in June, the scope of the GEF would also be expanded to include land degradation issues, specifically desertification and deforestation, as they relate to the other four areas.

Mr. Chairman, ladies and gentlemen, I strongly believe that we have an opportunity in the GEF to demonstrate a new mechanism for North-South cooperation on the important issues of global environment as they relate to sustainable development in developing countries. I believe we must build upon the momentum and the agreements in Rio and move forward towards finalizing the restructuring and the implementation of the new institutional structure for the GEF.

I'm cognizant of the criticism that was levelled early on with regard to the pilot phase of the GEF and I'm not here to defend it one way or the other. I would rather let the record speak for itself. I personally believe in learning by doing in such a new mechanism. The important thing was to move forward and demonstrate real action. We are planning that prior to going into replenishment of the new GEF in 1993 that we would commission an independent evaluation of the pilot phase. By then we would have had a number of major projects that are under implementation and we would learn from the positive as well as from the negative lessons that we have gone through in the pilot as we structure and as we implement the operation of the new facility.

Let me now tell you what are the steps that are being taken to implement the elements agreed upon in Agenda 21 in Rio regarding the restructuring of the GEF and the time frame for doing that. The two key issues on everybody's mind of course are governance and scope. I have already addressed the scope and we have taken a step toward identifying the means through which we would implement the incorporation of land

degradation issues in the future GEF by holding a workshop of experts in Nairobi under the auspices of UNDP and UNEP and by inviting experts from international organizations as well as others to begin defining how land degradation issues will be incorporated and which land degradation issues, as we say related to the other four thematic areas, would be incorporated in this particular case.

On the governance side, the two major issues relate to the legal status of the GEF as a funding mechanism and the voting or decision-making mechanism in the participants' assembly. The Secretariat of the GEF, with the participation and the collaboration of the three implementing agencies, have drafted a number of proposals on those two fronts that have been sent to all participating governments for the discussion that will take place in Abidjan. So, the Abidjan meeting, as the Chairman of your Committee has indicated, is an important milestone in that transition from the pilot to the implementation phase or the operational phase of the GEF. As a result of these discussions we will then articulate the specific proposals that would stem out of the consensus reached in Abidjan.

Specifically on the voting mechanism, as you recall it was agreed in April, and then in Rio, that whatever voting mechanism or decision-making mechanism that would be articulated would be one that would protect both the interests of the recipients or the developing countries as well as the interests of the donors which would be mostly developed countries. I say mostly because I personally hope that some developing countries that can

afford to contribute to the GEF in its new structure would do so and become active participants in its efforts.

One question that has been raised over and over again that I may as well clarify it now is the membership. Membership was agreed to be universal. What does universal mean? In my view, it means that every country that wishes to participate in the GEF would have the opportunity to do so. Does it mean that there will be a membership fee? That's not my definition of universal. So the major criticism that was levelled on the pilot that only those who can contribute can become participants and participate in decision-making is no longer the case as we move forward on the GEF.

We have held also a number of meetings with other constituencies including the regional development banks, since they will have a larger role as executing and cooperating agencies in order to define the relationship between the regional development banks and the GEF and its implementing agencies (which remain three: UNDP, UNEP and the World Bank). A similar meeting with the specialized agencies of the U.N. will begin this afternoon to talk also about the role of the specialized agencies as executing and cooperating agencies in the GEF. On December 9 and 10 we will have a meeting with the private sector, organized by the Business Council for Sustainable Development that have been very active on the road to Rio and in defining a sustainable development charter for the business community. They are organizing the meeting so that we can talk about the role of the private sector, which I believe is an important role since no matter how much money ends up being in the Global

Environment Facility, it still will not be enough and it will be essential to help mobilize private capital as well.

As to the time frame, as I said we will have the Abidjan meeting in December 3-5 which would be followed up by the regular meetings which are every six months. However, we may find a need for another meeting between the December meeting and the May meeting to help move things forward at a faster pace just like you are all trying to do here in the UN system with regard to the restructuring of the UN system as well as with the follow-up to UNCED. Perhaps we can also capture that momentum and move forward with it in the GEF and have special meetings as needed in between the regular meetings to get the job done.

One last thing I would like to say is that as part of maintaining that momentum, one proposal that has been made and will be decided upon in December as well is that rather than waiting for a magical date to end the pilot phase and start the new operational facility, perhaps we can go through a transitional phase or an implementational phase of about eight or nine months, starting in May or June of 1993. In parallel, we would begin the process of replenishment. Negotiations on the replenishment of the GEF, which knowing how long it takes from the IDA experience, could take somewhere between six and nine months. So rather than just sitting and talking about issues, rather than just preparing papers, we can actually be moving in the direction of implementing the agreements on the new GEF and start to define the relationship with the conventions which is an important one. As you know the

GEF has been adopted as the funding mechanism for the Climate Convention and the Biodiversity Convention, at least in the interim until the first meeting of the conference of the parties. Some discussions to elaborate the modalities of that relationship would have to take place between the Secretariat of the GEF and the Secretariats of the Conventions under the guidance of the participants and until we have the conference of the parties meet for the first time and decide whether the GEF will become their permanent mechanism. We can then finalize these relationships. So we can begin those discussions and the GEF, during that implementation phase, could start assisting developing countries who have signed the conventions and will be preparing country reports, emission inventories, and the like, in these efforts.

So with that in mind, I just would like to end by saying that we have a tremendous opportunity in the GEF as a new mechanism. It has existed only as a pilot, an experiment, and we can learn from the efforts of the pilot and incorporate the good lessons that we have learned as we move forward with the new GEF. It does not have much excess baggage as many other institutions that you are trying to address in the restructuring of the UN, and perhaps we can bill it as the new mechanism for international cooperation in the latter part of the nineties and into the new century.

Thank you very much again Mr. Chairman for the opportunity. I would be glad to answer questions.

DISCUSSION

Q. [India] Thank you Mr. Chairman. My delegation would like to thank Mr. El-Ashry for his very frank and candid expert description of what the GEF is doing and the way we are heading and also the GEF forthcoming meeting in Cote d'Ivoire as well as the agenda for action which the GEF has envisaged over the next year or two years. Mr. Chairman, you will recall that in the context of discussions in the establishment of the Commission on Sustainable Development one of the most important aspects in making the Commission on Sustainable Development have teeth as some delegations have put it is to give it some degree of control over making recommendation regarding financial mechanisms. Now in this the very important question is what will be the interface between the Commission on Sustainable Development and the GEF. Now there could be two points of view, one which we discussed in another context of reform that the independence of certain institutions and mechanisms should be preserved and the Commission on Sustainable Development therefore should confine itself to a purely monitoring role and not make these specific recommendations when it comes to financial resources. Now what in the view of the honorable guest today, Mr. El-Ashry should be the sort of interface between the Commission on Sustainable development and the GEF. Would it be useful to have the Commission on Sustainable Development much stronger by making

recommendations, for example on various aspects of replenishment maybe of decision-making, legal status, etc. to the GEF or does he view it more as something that is totally independent of the process which take place within the Commission on Sustainable Development. Thank you.

ALGERIA: First of all on behalf of the Algerian delegation I wish to thank you for having taken this initiative of inviting Mr. El-Ashry. I'd also like to thank Mr. El-Ashry for his statement to the Committee. Mr. Chairman, it will be recalled that last year Mr. Maurice Strong, the Secretary-General of UNCED, to whom we pay particular tribute indeed for the excellent work that he has done, he said that the financial resources needed for the implementation of Agenda 21 were tremendously great given the scale of the problems now facing the international community. In our opinion, however the reforms are carried out in the GEF, however it is restructured or democratized, and whatever may be the decision-making process that is opted for the machinery may not perhaps be able to achieve the figure estimated by Mr. Strong in terms of financial endowment. Mr. El-Ashry has said himself that new windows will be open, there will be fresh replenishment for the desertification and deforestation. So really we need very large financial resources in order to do this. I should like to know whether the transition that is taking place at the moment from the pilot stage to the operational

stage will offer an opportunity for careful thinking about the question of new and additional resources for GEF. If this is a matter that will be discussed at Abidjan and will those resources for GEF be taking a decision at that time. Is this the plan? Thank you.

EGYPT: I would like to add my voice to those who have expressed appreciation for having this opportunity to have a dialogue with Mr. El-Ashry on this very important issue. Mr. Chairman, I have very specific questions to address to Mr. El-Ashry. We don't have yet a conference on the parties for the conventions so in this interim, this period, how will the GEF respond to the needs of the conventions and how will it establish relationships with the INC. This is one question and related to it also is the funding which will be made available from now in the entry into force of the convention, how the GEF is intended to allocate the funds. Is it under specific windows? Or what will be really the system you will apply for the projects under the conventions and what is the relationship between the GEF scientific and technical advisory panel and the convention? What will be the reporting relationship between the GEF and the INC? What are the proposed schemes for decision-making? Thank you.

CHINA: Mr. Chairman, the Chinese delegation would like to express its thanks to the meeting in which we hear a evaluation of the situation of GEF. We would also like to thank Mr. El-Ashry for his introduction. We welcome that the GEF has included the question of land degradation into its agenda. My question is related to the question put forward by the Algerian delegate. If possible I wonder whether Mr. El-Ashry would talk about the prospect of increasing finances, replenishment? The prospect and the amount of replenishment? And what is his timetable on this?

FRANCE: Thank you Mr. Chairman. I also should like to thank Mr. El-Ashry for having kindly come to talk to the second committee of the prospects for development of the Fund for the world environment and I would like to pick a point in the opening point made by the Chairman of the second committee. The GEF is not the major machinery for financing of Agenda 21. In our view it's the sole machinery for financing of global questions as defined or redefined during the last meetings of the Facility. One question was already raised I think by other speakers: what are the prospects for reconstitution of the resources here particularly given the commitments made by a number of contributing countries during the Rio conference? And then today what are the number of participant countries in the fund for the world environment? Sometimes we forget that this

organization does not solely include donor countries which would lay down the law but they also include a considerable and I understand a growing number of developing countries. I'd like some indications on the stage of the situation today. Thank you.

CHAIRMAN: This is an extremely important question and this is a detailed question. We need to give thought to it. We perhaps hadn't thought of it when this organization was urgently created.

NIGER: I'd like to associate myself with the previous speakers in congratulating you on the initiative for having invited the head of GEF to talk to us and I'd also like to thank the president for his statement shed considerable light on the shadows which were existing in the minds of some delegations. Having said this I have a few questions to ask, first I should like concerning the membership and the extent of the universality of the membership of this organization. In his statement there was stress made here on the rights to accede to it. Now does this mean that after the restructuring there will no longer be a right to join? Will there continue to be such rights. How should we understand that? Second question. The shift from the pilot phase to the operation one for GEF is that going to make the organization become independent of the World Bank or would

the organization still remain under the trusteeship of the World Bank? Third question: The process of disbursing, how will that be done when we will be at the stage of the permanent operational existence of the organization? Thank you.

COLUMBIA: I wanted to thank you for this opportunity. Others have spoken of the question of the new guidelines and it would be particularly interesting to know what would be the link between the World Bank and GEF since clearly there will be a lack of resources in one sense or another. Thank you.

KENYA: My delegation would also like to join the others in thanking you very much for this opportunity. I have two very brief questions. The first one is with regard to the forthcoming meeting in Abidjan. In view of the explanation given by the main speaker I would like to know has it been made clear who will attend this meeting? We have been assuming that to be a participant you ought to have paid a fee. Now this forthcoming meeting is it going to be open so that even those who have not paid or those who have not pledged to pay will be invited to attend? Of course we know that everybody would want to attend but let him enlighten us on this. The second question is on the restructured GEF. It didn't come out very clear to my delegation: has the process of restructuring already

started? If not, is there any set timetable when everybody would know that now the process is started and is being done by so-and-so?

RESPONSE:

EL-ASHRY:

Thank you very much Mr. Vice-Chairman. These clearly are very important and critical questions and I will attempt to answer them to the best of my knowledge as it stands now. Some questions will have to await answering as the discussions continue, but I can give you my best guess if that is what you would like now. During the next few months there will be more questions raised as we go through that process. So let's take the major questions that have been asked here. Some of them overlap, on replenishment for example, and the size of the Fund, they have been mentioned in several places so I will try to answer them in one area and not come back to them again.

On the Sustainable Development Commission and the question of the distinguished delegate from India: I can give you my own personal views and not the GEF's view, because there is no GEF view on that. My own view having been in the business of environment and development for 23 years, and having participated in the preparatory process for UNCED, my thinking about the

Sustainable Development Commission's teeth would be in the context of monitoring and open reporting. Some people may not think that open reporting is enough of a tooth. But just think about it for a moment. The transparency of the process of reporting and publishing is what actually got us here to talk about these issues in the first place. It is what led to Rio. So I really think that's the biggest tooth the Sustainable Development Commission could have is to get reports from governments, from international institutions, from all of those who are major players on the sustainable development front, analyze them, synthesize them, and then publish them. Publish the results, make it available to the public at large and let the world as a whole decide how the implementation of Agenda 21 and of protecting the global environment and of pursuing sustainable development is progressing.

In terms of the specific relationship between the Sustainable Development Commission and the GEF, I would think that the GEF like any other institution or institutional mechanism that exists would report to the Sustainable Development Commission on its activities during the preceding year: how much money has been dispensed? what was it dispensed for? what were the issues related to the implementation of the Facility? what are the difficulties in the financial flows and the replenishment of the Facility so that the Commission

could provide some help in the process of mobilizing and sustaining financial flows? But the one word that was used that I personally would not agree with is the word "control." Why should the Sustainable Development Commission control the GEF or any other funding mechanism or institution for that matter. Every mechanism or institution has its own governance and that governing body is the responsible entity for governing that institution or mechanism. Think about it for a moment as far as the GEF is concerned, what kind of governance will be there? It is not just the Participants' Assembly that is involved in the governance. There is also the relationship with the Conference of the Parties. Who is the Conference of the Parties? It is governments. Who are the participants? It is the same governments. And now we come to the Sustainable Development Commission and we find it's the same governments again. So is that the kind of bureaucracy that we want to establish? The kind of control and hierarchy that we want to establish? I believe the UN is trying to streamline and to restructure the mechanisms for coordination, and for control so to speak, and I don't think it would be a good idea really to talk about "control" here.

In terms of the resources, new and additional resources, and what is the size of it, in all honesty I can only tell you what we heard from the heads of state and the heads of governments in Rio. There has been no further

discussion beyond Rio on the size of financing or the process of financing itself. If we take all the numbers that have been mentioned and put them in a range, I would venture to say that it would be on the order of three to four billion dollars. The current amount of the GEF is \$1.3 billion, including cofinancing and so on and this would be about two to three times as much. What is actually going to happen is going to depend of course on the availability of funding, on the willingness to fund, on the financial situation and climate in the world, and that's what we have to wait on until we initiate the process.

When are we going to initiate the process? jumping to another question that's related, as I said earlier, it has been generally agreed that the process of replenishment for the GEF would not start until the process of replenishment of IDA-10 has been completed. And whatever discussions on Earth Increment, and whether there will be an Earth Increment or not. Right now the best prediction is that that may be on the order of February-March 1993. If that is the case, then my proposal, which has not been adopted by anyone yet, that we go through a transitional or an implementation phase starting around May could be also the right timing for beginning the discussion on the replenishment for the new GEF. It is through that process that we would then get to know the

size of the resources as well as the burden sharing among governments and among donors whoever they are, developed and developing in this case.

In terms of the question of the distinguished delegate from Egypt, we have already begun to respond to the needs of the Conventions, even though this is still the pilot phase of the GEF that remains in effect. The new GEF does not exist yet and we are trying to bridge from the pilot to the new, if everybody agrees. But we have already begun through the pilot to support efforts of developing countries on the conventions' front. There has been support in fact prior to Rio, out of the pilot phase, for biodiversity studies that helped in the negotiations for the Biodiversity Convention. Now as far as the next tranche, which is the fourth tranche to be endorsed in Abidjan, there is going to be funding requests to support the objectives of the Biodiversity Convention because the GEF received such a request. Why there is not one for the Climate Convention? Because we did not receive a request for support from the Secretariat of the Climate Convention. So there is a proposed grant to support the Secretariat of the biodiversity convention which happens to be the United Nations Environment Programme. There is also a couple other items related to studies and efforts on the Biodiversity Convention. In terms of contact, we have already begun contact between the Secretariat of the GEF and the secretariats of

the two Conventions and in fact we believe we will be invited, the GEF will be invited, also to the meeting of the INC when they reconvene and to try and begin the discussions on the relationship. For those who don't remember some of the principle on the relationship, it was agreed that it is the Conference of the Parties that would establish program priorities and funding eligibilities. And the participants would implement the initiatives or the ideas on the program priorities that are coming out of the Conference of the Parties in the context of a work program that is put together by the Implementing Agencies.

As far as the role of STAP is concerned, there is really no definite proposals on it but it so happens that a week from today there is a meeting between the Executive Director of UNEP who heads the Agency that acts as the Secretariat for STAP, the Chairman of STAP (which is the Science and Technology Advisory Panel, made of 16 distinguished scientists from all over the world to advise on the scientific underpinning of the GEF) and myself in Copenhagen, taking advantage of the presence of several entities in the Montreal Protocol meeting in Copenhagen and we will start discussion in preparation for the Abidjan meeting on the new role of the STAP in view of the new relationship that will exist with the conventions and what will the evolving role of the STAP be in view of the specialized advisory panels of the conventions themselves.

Division of labor, that is what has to be elaborated upon. We have only principles on the role of the conventions versus the role of the Participants' Assembly and the roles of the Implementing Agencies. But it is all in the form of principles. These principles now will have to be elaborated through discussion, and through negotiations eventually. I think once the Conference of the Parties is there but at least initially in terms of discussions in this interim period with the secretariats of the conventions themselves and to try to prepare some ideas for both the Conference of the Parties when they convene as well as for the Participants' Assemblies.

Ideas on decision-making, well there are two proposals really. What we did in the paper on decision-making that has been submitted to the participating governments for the Abidjan meeting is to look at all major decision making mechanisms in international organizations, whether it is commodity organizations or international organizations like IFAD or UNDP, the World Bank, IFC, all of them, and we have an appendix that covers all decision-making systems within the international system. Then we came out with a couple of proposals. In relation to the principles that were enunciated, the one that was mentioned earlier, the one that says generally decisions will continue to be made

by consensus, however, in some instances a vote may be required. Well, what kind of a voting mechanism would it be? And here I will tie in the question of membership. When you talk about universal membership, that could mean that you may have 150 member countries or so, right? Now you will not be able to have an efficient decision-making mechanism with 150 members there. So, the proposal has been all along that we would organize, once the numbers get to a point where discussions and decision-making becomes unwieldy, into constituencies. The 150 countries, or whatever, would be organized into let's say thirty constituencies, 15 developed and 15 developing if the principle is to protect both interests and then have a mechanism that respects the majorities within each constituency. So you can have a simple majority of all but also let us say 75 percent of all attending. Or you can weight the votes within the constituencies according to the contributions. And that would be on both sides. Don't get me wrong. It is not just for the developed, it is also for the developing countries if there are going to be developing countries who are contributing to the Facility they also would get some weight for the contribution that they are making. Now whichever mechanism that may arise, would be intended to protect both interests: the interests of the developing, the interests of the developed. The interests of the recipients and the interests of the donors. I cannot really tell you what the

final shape of that mechanism is going to be as long as whatever comes out of the process respects that principle.

Who are the participants right now? At the April meeting that reached agreement on specific elements related to the restructuring of the GEF which have been endorsed and elaborated upon in Rio in Agenda 21, I believe there were 34 or 35 participating governments. And they were split almost equally between developed and developing. Right now we have indication of interest to join the Facility from an additional twelve or so. We anticipate that by the time we go to Abidjan, we would have close to 50. When you have close to 50, those that have indicated interest are predominantly developing countries. Clearly at the Abidjan meeting I expect the number of developing countries to be more than the number of developed countries. The distinguished delegate from Kenya said, well who is going to be invited there. Those who are being invited to attend are those who have been participants so far and those who have indicated interest in participating and contributing to the pilot phase. This still remains the pilot phase. But we are trying to get the transition from the pilot towards the new GEF as I said earlier rather than waiting until that magic day of February, 1994, or whatever it is that people would agree to, is that we build up to it. We maintain momentum, build upon progress achieved so far, and adopt

the elements of the restructuring and move forward. And new issues will arise that will need to be addressed. That's my proposal, we will see what the result of it is going to be.

The right to accede? I'm not really sure what further legal interpretation or legal requirement would be needed. I thought all along that the word universal means every country that is eligible (in the sense of being a UN Member) would join. Now if I am wrong and some lawyer comes up with a major complication to that I guess we'll look into it but I thought it's as simple as that.

How independent of the World Bank will the GEF be and would the World Bank continue as a trustee? I think it has been clear all along that the Bank would be the trustee for the Fund. That's one element. Is being a trustee means it holds the money and administers the money? And then there is the implementation, and the agreement is that there would be three Implementing Agencies. This agreement recognizes that the experiment that has taken place in international cooperation so far by bringing together three quite different international organizations, called UNEP, UNDP and the World Bank, each is contributing and each is implementing part of the GEF based on its comparative

advantage seems to have worked well. And the participants and others have felt that there is no need really to establish new bureaucracies and new mechanisms. Why not build upon that partnership that has been developed and is now a proven quantity. We had many teething problems, don't get me wrong, it has not been perfect, from the beginning and I wouldn't say it's perfect now and there is nothing perfect anyway in life but we have come a long way together as three agencies learning together and cooperating together and help make it happen. So that's on the implementation side.

Beyond that I'm not really sure what is meant by "independence." Maybe some people have in mind about the Secretariat being independent from the World Bank. I really think that is something that can be discussed later on. I think discussing whether the Secretariat ought to be independent of the World Bank or what its nature ought to be is putting the cart before the horse. I think we need to define first what is that institution, what is its governance, how much money it is going to have, what its going to do and then you can figure out the role of the Secretariat and where to place it. But to talk about implementing something we don't have yet I think would be premature and will get us really to work on the margins rather than getting to the heart and the soul of the institution first.

Disbursement of funds and allocation of funds, that's a question that still will have to be settled through negotiations between the conventions and the GEF. Windows, there has been general agreement that it is a unitary fund and no windows as such. But of course you allocate from that unitary fund to the major conventions that are being funded by this mechanism. Right now they are the Climate Convention and the Biodiversity Convention. And should there be a Desertification Convention, it is going to depend of course on how the parties negotiate the funding mechanism for that convention and that is something we cannot really speculate on. For Ozone there is the Montreal Protocol and the GEF only funds those countries that are not eligible to receive funding under the Montreal Protocol but have signed the Protocol. So in that sense how do you allocate based on needs and would there be enough money in the GEF through its replenishment to satisfy all the needs. These are still open questions and the allocation question came up last April during the discussions on the restructuring of the GEF and it was decided that we should not really worry about it until we see first what are the conventions and then we can discuss the relationship between the conventions and the GEF and how to allocate the money based on needs and then how the disbursements would be made.

I think the last question was requesting a clarification on the process. I think the process of the restructuring of the GEF has started in the sense of opening up to hear the views of the different constituencies, whether it's governments, non-governmental organizations, private sector, or international agencies. There has been one workshop with the academic and non-governmental community held in Washington. There is going to be one related to climate in Delhi. There is going to be one sometime early in the year on the Biodiversity Convention that would be organized by UNEP and perhaps IUCN. There is a private sector meeting as I said earlier that will be in Geneva in December. There have been meetings with the Regional Development Banks and the UN Specialized Agencies, and then the proposals on governance particularly the legal status and the voting or the decision making mechanism which will be discussed in Abidjan. Whether they will be decided on in Abidjan or not, at least we would have kicked off the important process of institutionalizing the restructuring of the GEF at the Abidjan meeting and the time table is basically the length of 1993, in the sense that by the end of 1993, which is the end of the pilot phase, one can talk about the new GEF. It is in 1993 that the process of the replenishment would also begin. I don't think that having a shell and then leaving it sitting there empty for a year would be a good idea. So I think getting the two

processes to move in parallel somewhere around May-June time frame would be a good idea.



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cc: ~~Sven, Jan, Ken~~

FYI.

Mohamed

11/16/92

United Nations
Development Programme

UNDP/ADM/92/85

4 November 1992

To: Participating and Executing Agencies of the
United Nations Development Programme
Field Offices of UNDP and UNDP/UNFPA Headquarters Staff

From: William H. Draper III *WHD*
Administrator

Subject: Appointment of Mr. Basem Khader as Executive Co-ordinator
of the Global Environment Facility (GEF) in the Bureau
for Programme Policy and Evaluation

I am pleased to announce the appointment of Mr. Basem Khader (Jordan) as Executive Co-ordinator of the Global Environment Facility (GEF) in the Bureau for Programme Policy and Evaluation.

Mr. Khader joined UNDP in 1958. He has served in a variety of positions both in the Field and Headquarters including Resident Representative for the United Arab Emirates in 1979. In 1982, Mr. Khader was reassigned to New York as Division Chief for Country Programmes in the Regional Bureau for Arab States and Europe, and from November 1989 served as Acting Deputy Regional Director for RBASE. Since September 1990 Mr. Khader has been Deputy Assistant Administrator and Deputy Regional Director, Regional Bureau for Africa.

Mr. Khader is expected to assume his new duties on 1 January 1993.

GEF

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TO: Mr. El-Ashry (S-5029) DATE: 7/23/92

SUBJECT DOCUMENT:

From: Carl-Dieter Spranger
To: ltp
Dated: 6/30/92 Reference No.: EXC920723002
Topic: GERMANY: re financing for GEF programs and their proposed contribution, etc.

ACTION INSTRUCTIONS:

DUE DATE:

- XXX HANDLE
- REVIEW AND RECOMMEND
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No response is required.
M. El-Ashry
7/24

Remarks: ATTN: Please inform EXC if any further response is required and how handled. (Chitra Perera)
cc: Messrs. Sandstrom, Stern, Rajagopalan & Shakow



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