GLOBAL
ENVIRONMENT
FACILITY

FUNDING COUNTRY-BASED PREPARATION ACTIVITIES

GEF Council Meeting
Washington, D.C.
July 18 - 20, 1995

GEF/C.5/12
June 27, 1995

RECOMMENDED DRAFT COUNCIL DECISION

On the basis of its review of the proposals concerning means to fund country-based preparation activities presented in Document GEF/C.5/12, the Council approves the establishment within the PDF of a Block A account to finance country-based preparation activities. The Council also approves an allocation of $5 million for such activities.

INTRODUCTION

1. At its meeting in February 1994, the Council approved the policies on eligibility for, and use of, PDF resources presented in document GEF/C.3/6, *Project Development and Preparation Facility (PDF)*, subject to the comments and revisions agreed to during the Council meeting. One aspect on which there was not complete consensus was the inclusion in the PDF of funding for non-project and non-program activities. While there was general support for the financing of such activities, some Council Members were of the view that the PDF was not the appropriate mechanism through which to finance them, and the Secretariat was requested to identify alternative vehicles for the funding of such activities.

2. This document examines the scope of country-based preparation (non-project/non-program) activities and alternative means for financing them within the GEF.

SCOPE OF COUNTRY PREPARATION ACTIVITIES

3. During negotiations on the restructuring of the GEF, there was widespread support for expanding participation and ownership in the project identification process.[1] Such support was based on the belief that the GEF could best fulfill its unique role if it were to be open to project concepts and ideas from a broad range of actors. An important prerequisite for "casting a wide net" will be to raise the awareness among countries and potential executing agencies as to the purposes of the GEF and the process through which project concepts may be developed.

4. At its meeting in May 1995, the Council approved the GEF project cycle.[2] In approving the project cycle, the Council requested "the Secretariat to inform recipient Governments of the GEF project cycle and to invite them to identify national operational focal points." The Council also noted the importance of country ownership, national consultations and interaction among different actors concerning GEF activities, and noted that the Secretariat should elaborate on ways to assist any recipient country that so requests to strengthen country coordination activities and consultative processes.[3]

5. Country preparation activities will focus primarily on assisting and promoting an effective role for the GEF operational focal point in any recipient country that so requests. It is expected that such assistance will facilitate country ownership of GEF activities and will strengthen a country's ability to identify and develop successful GEF projects. Activities to be undertaken may include initial steps to consult relevant domestic actors important for planning and programming GEF operations, such as local consultations, national hearings, and workshops to inform about GEF purposes and procedures and to discuss program ideas. In this regard, the module for a *GEF Project*

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[1] See paragraph 28 of the *Instrument for the Establishment of the Restructured GEF*.

[2] See document GEF/C.4/7. This project cycle described therein is to be revised in accordance with the comments made at the Council meeting, and is to be updated as necessary to reflect any additional policies approved by the Council as a result of its future work.

[3] *Ibid*, paragraph 13.

Development Workshop developed by the Implementing Agencies provides an important framework for such workshops. Financing may be useful in establishing national GEF contact groups comprised of representatives from ministries responsible for government' activities in the GEF focal areas as well as from organizations or groups representing civil society, such as non-governmental organizations, private sector entities or academic institutions. Financing may also be made available for translation of background documents into local languages so as to facilitate in-country discussions. Country preparation costs may also include communication costs of the operational focal point with in-country groups and experts as well as with the relevant Council Member. Explorative in-country work focused on discussion and identification of common country interest and priorities that may usefully be addressed through regional or global cooperation, including travel costs for local experts to visit neighboring countries for consultations and discussions concerning potential transboundary projects, may also be financed.

6. Country preparation activities may also include some low-cost activities that are directly related to assisting a country to plan for and initiate preliminary activities to fulfill its obligations under the two global environment conventions for which the GEF serves as the financial mechanism. For example, early seed money may be required to identify project opportunities suitable for GEF funding derived from existing national conservation strategies, national environmental action plans or national environmental management programs. Some modest financing may usefully be used to review those plans, to up-date or complete earlier plans, or to integrate existing inventories, studies, draft plans and strategies into more concise strategies and plans to make them more suitable for purposes of the conventions and the GEF. Such preliminary activities should assist a country in identifying the enabling activities that it will require for purposes of the two global environment conventions.[4]

COUNTRY DRIVEN REQUESTS

7. The need for GEF financing to facilitate in-country preparation and coordination activities will vary greatly among recipient countries. Some countries may already have well-functioning GEF operational focal points. Others may not yet have established an in-country operational focal point, and may find it difficult to do so without some financial assistance. It is clearly understood that the GEF would only provide country preparation funding in those cases where the operational focal point specifically requests such assistance.

For some areas and countries, regional activities may be the most cost-effective and appropriate means to carry out country preparation activities. In whatever mechanism is chosen for funding country preparation activities, provision should be made for financing some preparatory activities at the sub-regional or regional level when the countries concerned so request.

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[4] The scope of, and means for financing, enabling activities will be defined programmatically as called for in the draft operational strategy (see document GEF/C.5/3, *Draft Operational Strategy*).

COMMON FEATURES

9. No matter which funding vehicle is pursued, certain common features for financing country preparation activities would be required:

(a) Transparency in the approval and disbursement of financing;

(b) Coordination and consultations among the Secretariat and the Implementing Agencies;

(c) Regular and complete reporting to the Council;

(d) given the preparatory nature of the activities, the need to finance country preparation activities is likely to be limited in time to 3 to 5 years;

(e) maximum amount to be distributed to any one recipient country would be capped at $50,000.

(f) an allocation of $5 million is likely to be sufficient to meet requests for in-country preparation assistance; and

(g) country preparation funds would not be used to finance the costs associated with the involvement of the staff of the Implementing Agencies or the Secretariat in country preparation activities. It is expected that these costs will be financed through the GEF administrative budget.

MECHANISMS FOR FUNDING COUNTRY PREPARATION ACTIVITIES

10. The Secretariat and the Implementing Agencies recognize the Council's caution in authorizing a block grant to finance country preparation activities. However, the Secretariat and the Implementing Agencies are firmly of the view that for many countries an initial, modest investment of resources will yield multiple benefits in terms of project quality, ownership, and achievement of global environmental goals. Furthermore, such financing will be most effective if it can be quickly disbursed to those countries requesting such funds, and transaction costs are minimized.

11. Three funding vehicles may be considered:

(a) modifying an existing project or program to include within its mandate country preparation activities and to provide the necessary resources;

(b) a new funding mechanism, similar to the PDF in its construct, but to be used exclusively for country preparation activities: this mechanism may be called the Country Preparation Program; and

(c) establishing clearly delineated accounts under the Block A structure of the PDF, each having its own ceiling for funding and clearance processes.

12. The option of modifying an existing project offers limited opportunities and does not appear feasible on a larger scale. First, there is no obvious project or program that could easily "house" the country preparation activities. Few, if any, projects or programs have objectives that naturally lend themselves to incorporating country preparation activities. Second, the use of country preparation funds should be transparent and closely coordinated among the Implementing Agencies. No existing project or program provides for the type of interagency consultation and coordination in its implementation as would be required for the country preparation activities.

13. A new funding mechanism, the Country Preparation Program, is clearly feasible. The terms of reference and procedures for the Program would be consistent with those approved by the Council for the PDF, incorporating the features listed in paragraph 9 above.

14. The third option would be to establish clearly delineated accounts under the PDF-Block A structure. Country preparation activities could be financed under a country preparation account (Block A_c), and funds would be disbursed in accordance with procedures and criteria similar to those of PDF, incorporating the features listed in paragraph 9 above.

15. The Secretariat and the Implementing Agencies recommend the third option, incorporating country preparation activities under the PDF umbrella, as the most suitable option. Many of the already- established PDF procedures will be useful and appropriate for the country preparation activities. The Implementing Agencies have established internal accounting and reporting procedures for purposes of the PDF that could easily incorporate a country preparation account under Block A. It is proposed that allocation of financing for country preparation activities may be approved by an Implementing Agency, subject to consultation with the Secretariat and the other agencies. Before approving a country preparation activity, an Implementing Agency would inform the Secretariat and other Implementing Agencies of the proposed activity. If the Secretariat or an Implementing Agency raises a concern about the proposed funding, the issue would be referred to the GEF Operations Committee for review.

16. In their consultations, the Secretariat and the Implementing Agencies have also favorably discussed the possibility that this model could provide a useful approach for a parallel sub-account concerned with low-cost, well-defined enabling activities (Block A_e). Such a sub-account, its scope and approval procedures, could be considered by the Council once a programmatic approach to enabling activities, as called for in the draft operational strategy[5], is elaborated.

17. As with the approved procedures for Block A proposals for project preparation (Block A_p), the purpose of all three proposed Block A accounts would be to expeditiously provide modest financing to respond promptly to country requests for in-country activities aimed at better preparing recipient countries to implement measures to achieve global environmental benefits.

18. A diagram briefly illustrating the proposed structure under the PDF is set forth in Table 1.

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[5] See document GEF/C.5/3, *Draft Operational Strategy*.

CONCLUSION

19. Depending on which option the Council wishes to pursue, criteria for the use of country preparation funds based on these elements and the funding structure would be prepared by the Secretariat in consultation with the Implementing Agencies.

TABLE 1

PROJECT DEVELOPMENT FACILITY				
BLOCK A			BLOCK B	BLOCK C
A_c	A_e	A_p		
(funding for country preparation) Ceiling: $50,000 per country Approval: GEFOP	(funding for enabling activities) Ceiling: to be determined Approval: to be determined	(funding for project activities) Ceiling: $25,000 Approval: Implementing Agency after informing GEFOP	Project Preparation in accordance with procedures approved by Council (see Document GEF/C.3/6)	Project Preparation in accordance with procedures approved by Council (see Document GEF/C.3/6)

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