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# **ANNUAL REPORT OF THE GLOBAL ENVIRONMENT FACILITY**

**Fiscal Year 1997**

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USA

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## Chapter One: Overview

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### ***The GEF Council***

As the main governing body of the GEF, the Council is responsible for developing, adopting, and evaluating operational policies and programs. Its members are drawn from 32 constituencies (14 developed countries, 16 developing countries, and 2 countries with transitional economies). A list of Council members (as of June 30, 1997) is contained in Annex A.

The Council met twice during fiscal year 1997 (FY 97): October 8-10, 1996, and April 30 - May 1, 1997 in Washington, DC. At each meeting, the Council chose from among its members a chair person to serve with the CEO/Chairman at that meeting. These elected chairs were Mr. David Turner and Mr. M. Mahmoud Ould El-Ghaouth. All decisions of the Council were adopted by consensus.

### ***Decisions of the Council***

During FY 97 the Council approved:

- The convening of the first GEF Assembly in India in the spring of 1998.
- A GEF corporate budget for FY 98 totaling \$US 33.76 million.
- Three work programs, adding \$US 374.0 million in GEF funding.
- A work program and budget for the GEF monitoring, evaluation, and dissemination program.
- Expedited procedures for preparation and approval of medium-sized projects.
- *Principles for GEF Financing of Targeted Research* as the basis for considering GEF funding of targeted research.
- The report of the GEF to the third meeting of the Conference of the Parties to the Convention on Biological Diversity.
- The reappointment of Mr. Mohamed T. El-Ashry to serve for three additional years as Chief Executive Officer/Chairman of the Facility.

Further detail on these and other FY 97 actions and activities follow.

## ***The GEF Assembly***

The Council welcomed with appreciation and accepted the offer of the Government and people of India to host the first GEF Assembly in the spring of 1998. The Assembly consists of representatives of all participating states and is responsible for reviewing the GEF's general policies. The current list of 161 states participating in the GEF is found in Annex B.

## ***Monitoring, Evaluation, and Dissemination***

The GEF continued to take a close look at its performance in preparation for the Assembly. Two studies got underway during FY 97: one to generate and synthesize project lessons and the other to gauge overall performance. Both initiatives will serve to reinforce and supplement data collection and analysis associated with the GEF's annual project implementation review. For further details, see Chapter 6: Cross-Cutting Activities.

In approving the budget and terms of reference for the GEF's overall performance study, the Council called for the creation of an expert panel to advise the ongoing evaluation and to present its own findings at the end of the process. The composition of this panel, chaired by Mr. M.S. Swaminathan, and the study team, led by Mr. Gareth Porter, is described in Annex C.

## ***Medium-Sized Projects***

GEF investment or technical assistance projects typically average \$5.5 million in GEF financing. To increase flexibility in programming of resources and to encourage a wide range of interested parties to propose and develop project concepts, the Council approved procedures to expedite the processing and implementation of medium-sized projects -- projects for which the requested GEF financing does not exceed US\$1 million.

As with all initiatives in the GEF portfolio, medium-sized projects must be based on the national priorities of the countries in which they are to occur. They must also reflect the GEF's operational policies and principles and respond, where indicated, to convention guidance. The Council further directed that the approval process include: STAP review of project proposals on a selective basis; monitoring and evaluation criteria and indicators; flexibility in time allocated to national operational focal points to endorse any project idea in writing; and Council review of the implementation of these procedures and their effectiveness in 1998.

The CEO/Chairman was given responsibility for approving project proposals requesting no more than \$750,000 in GEF financing. Proposals requesting more than \$750,000 are to be approved by the Council.

An task force was set up to facilitate the early application of these procedures. A medium-sized projects information kit, detailing the grant application process, was prepared during the reporting period. Its distribution is ongoing.

### ***GEF Focal Areas***

Through its implementing agencies -- the United Nations Development Program, United Nations Environment Program, and World Bank -- the GEF provides funding to developing countries and those with economies in transition for projects and activities targeting global benefits in one or more of four focal areas -- biological diversity, climate change, international waters, and the ozone layer. Activities concerning desertification and deforestation, as they relate to the focal areas, are also eligible for GEF funding.

Throughout FY97 the secretariat and implementing agencies collaborated to operationalize guidance from the Council and from relevant conventions in each of the focal areas. Chapters 2-5 summarize the considerable progress made on these fronts.

### ***GEF Operational Strategy and Programs***

The GEF operational strategy was developed by the secretariat and implementing agencies to steer the development of work programs, business plans, and budgets. It also guides the GEF Council in approving these activities. As a tool for guiding project development, the strategy defined ten initial long-term operational programs.

Operational programs 1-4 address biodiversity conservation in arid and semi-arid zone ecosystems, coastal, marine, and freshwater ecosystems, forest ecosystems, and mountain ecosystems.

Operational programs 5-7 deal with climate change by removing barriers to energy efficiency and energy conservation, promoting the adoption of renewable energy by removing barriers and reducing implementation costs, and reducing the long-term costs of low greenhouse gas-emitting energy technologies.

The last three (operational programs 7-10) address international waters issues through a waterbody-based operational program, an integrated land and water/multiple focal area operational program, and a contaminant-based operational program.

During FY 97, two more operational programs were under initial development: transport energy and carbon sequestration.

### ***Work Programs***

During FY97 the Council reviewed and approved three work programs, consisting of 44 GEF projects, at a total cost of US\$ 374.0 million.

**Table 1.1 GEF Financed Projects by Focal Area (as of June 1997)+**

With the exception of PRINCE, an incremental costs measuring program managed by the secretariat, all GEF projects are implemented by UNDP, UNEP, or the World Bank. A breakdown of the GEF portfolio by implementing agency follows.

**Table 1.2 Summary of GEF Financed Projects by Implementing Agency  
(as of June 30, 1997)**

### ***Project Preparation and Development Facility (PDF)***

The GEF provides grants in sequence and on an ascending scale for preparation of project proposals and preparation of projects. Block A grants (up to \$25,000) for elaboration of initial project ideas. Once a project concept is deemed eligible and feasible, parties may apply for Block B (up to \$350,000) or C funds (up to \$1 million) to develop the projects. During FY 1997, a total of 38 PDF proposals were approved at a cost of US\$11.64 million. Detailed summaries of these PDFs can be found at the conclusion of each focal area chapter.

### ***Enabling Activities***

Enabling activities lay the foundation to design and implement effective response measures to achieve the objectives of the Framework Convention on Climate Change and the Convention on Biological Diversity. In April 1996 the Council responded to the Conventions' sense of urgency about national communications and reports by approving expedited procedures for the approval of enabling activities in the climate change and biodiversity focal areas. The Council also approved an initial allocation of \$30 million.

In July 1996 the CEO consulted with the implementing agencies and agreement was reached on speeding up the internal scrutiny and approval procedures to the greatest extent possible. It also was decided that 15 percent of the approved amount could be made available for in-country use immediately on approval of the project by the CEO.

Throughout FY 97 efforts were made to encourage all eligible countries to avail themselves of the assistance the GEF provides. The expedited procedures were followed by a consistent outreach effort, including letters to recipient countries from the CEO and special workshops. A quarterly review mechanism was established, in coordination with the Climate Change Secretariat, to assess the progress of enabling activities in that focal area.

The results of GEF's streamlined procedures and financial support are now evident. Jordan and Argentina became the first countries, assisted by the GEF, to submit their national communications to the Framework Convention on Climate Change. Ukraine became the first country, again with GEF support, to submit its national report to the Convention on Biological Diversity. The total number of expedited enabling activity projects approved during FY 97 is 36 for climate change and 78 for biodiversity, accounting for about US\$23.3 million. For a complete listing of enabling activities, please see Annex D.

### ***Land Degradation***

The environmental, economic, and social consequences of land degradation are not confined to the countries where it occurs. Its impacts in terms of loss of biodiversity,



reduced atmospheric and subterranean carbon sequestration, and pollution of international waters can be significant and global.

Upon reviewing the course of action contained in *Follow-up Action to the STAP Workshop on Land Degradation*, the Council requested the implementing agencies and the Secretariat to take appropriate steps, consistent with the recommendations and in full consultation with interested recipient countries, to identify, prepare, and implement GEF-financed land degradation activities as they relate to biodiversity, climate change, and international waters, and report back to the Council on a regular basis.

A number of land degradation initiatives are underway in the four focal areas. GEF prepared and during FY 97 distributed *A Framework for GEF Activities Concerning Land Degradation*.

### ***Scientific and Technical Advisory Panel (STAP)***

The GEF's Scientific and Technical Advisory Panel (STAP), administered and supported by UNEP, produced two key papers during FY 97: one dealing with land degradation (referenced above) and the other with targeted research.

A STAP Expert Group Workshop on Land Degradation as it relates to the GEF focal areas was convened in September 1997. It formed the basis for the GEF paper on this issue.

The Council approved *Principles for GEF Financing of Targeted Research* as a basis for considering GEF funding of goal-oriented research that supports the GEF operational strategy. It stressed that the highest priority for GEF financing is to be given to project activities in recipient countries and that targeted research should be integrated with the project activities of the GEF and be consistent with GEF operational programs and Convention guidance. Research components funded by the GEF should primarily involve experts and institutions from recipient countries.

In an effort to draw on the widest possible expertise in support of GEF operational work in the climate change focal area, STAP organized a number of workshops. These included: "Options for Improving Coal Systems to Reduce Greenhouse Gas Emissions" and, as a contribution to the Secretariat's development of a new operational program on the transport sector, "Options for Mitigating Greenhouse Gas Emissions in the Transport Sector" in March 1997. Participants in the latter workshop identified three priorities: integrated transport planning and associated information/data needs, institutional innovation that engenders long-term commitment and consensus, and ecological assessment/absorption capability and demonstration initiatives.

Two brainstorming sessions were convened by STAP, in collaboration with the GEF secretariat and implementing agencies, for the purposes of identifying areas for short, medium, and long term work. One focused on biodiversity and the other on incremental

costs and global benefits in relation to land degradation. The results of the brainstorming on biodiversity formed the basis for STAP's work program for FY 98.

STAP also undertook three selective reviews of GEF projects: the Lake Victoria Environmental Management Project, involving the countries of Kenya, Tanzania and Uganda; the Rajasthan Solar Thermal Electric Project; and the Alternative to Slash and Burn project, involving Brazil, Indonesia, and Cameroon.

### ***NGO Consultations***

Two NGO consultations were held during FY 97 -- one before each of the Council meetings -- with as many as 50 NGO representatives in attendance. These consultations were also attended by Council members and government, Secretariat, and implementing agency representatives. The April 1997 consultation included a lengthy exchange with the CEO on a wide range of strategic issues.

The consultations also included discussions on:

- NGO participation in GEF programming and projects.
- Developing and disseminating information about medium-sized projects.
- Streamlining and focusing GEF's monitoring and evaluation strategy.
- The knowledge management role of STAP.
- The need to strengthen GEF NGO focal points.
- National environmental funds.
- A number of GEF projects and project case studies.

The Council reviewed the experience with the GEF voluntary fund, created for the purpose of financing global NGO consultations and other consultations in relation to Council meetings. Recognizing their valuable contribution to the Council's work, the Council agreed that the GEF administrative budget be used to finance the costs of two NGO consultations in connection with regular council meetings. Remaining funds and additional contributions to the trust fund are to be used to finance the costs of GEF-related regional consultations in recipient countries.

### ***Replenishment***

In March 1994 an agreement was reached to replenish the resources of the GEF with \$2 billion (as well as to restructure the GEF pilot phase arrangements). It was envisioned that the first replenishment would provide resources for 3-4 years of GEF programming. Prospective donors to the second replenishment met in Paris in March 1997 and agreed to initiate negotiations with an eye to completing their considerations by late 1997 or early 1998. The target for the current (second) replenishment is \$2.5 billion to \$3.5 billion.

## Chapter Two: Biological Diversity

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### ***GEF FY 97 Project Portfolio***

During FY 97, the GEF Council approved the allocation of US\$ 162.2 million for 23 projects and US\$ 4.2 million for 16 proposals for project preparation financing (PDFs) in the area of biodiversity. Tables providing details on these PDFs and projects can be found at the end of this chapter.

### ***Related Council Actions***

As noted in chapter one, the GEF Council met twice during FY 97 and approved a number of items of relevance to GEF biodiversity activities. These included the report of the GEF to the third meeting of the Conference of the Parties to the Convention on Biological Diversity, three biodiversity work programs, and the *Memorandum of Understanding between the Conference of the Parties to the Convention on Biological Diversity and the Council of the Global Environment Facility*.

### ***Fulfilling Convention Guidance***

The GEF Secretariat and implementing agencies cooperate closely with the secretariat of the Convention on Biological Diversity in order to craft policies, procedures, programs, and projects that respond to the biodiversity needs of recipient countries.

The Conference of the Parties to the Convention on Biological Diversity convention has met three times. At each meeting, the Conference of Parties adopted guidance to be followed by the GEF in its role as the operator of the convention's financial mechanism on an interim basis.

Guidance from the first meeting was incorporated into the operational strategy approved by the GEF Council in October 1995. Guidance from the second meeting -- concerning national programs and reports, the need for expedited procedures, public involvement, means to support the convention's clearing-house mechanism, general measures for conservation and sustainable use and for in-situ conservation, and sustainable use of components of biological diversity -- continues to be applied, especially in the area of enabling activities.

During the third meeting (Buenos Aires, November 1996), the GEF organized, with support from the governments of Argentina and Switzerland, two workshops on GEF activities for the conservation and sustainable use of biological diversity together with an exhibition and project visits. Project directors from three GEF-financed activities presented their experiences in preparing and implementing the projects and answered questions.

Some 80 people attending the Conference of the Parties visited two GEF projects in the Patagonia region of Argentina and the eastern wetlands of Uruguay.

This third meeting of the Parties adopted terms of reference for a review of the effectiveness of the financial mechanism to be undertaken at its fourth meeting in May 1998. It also adopted further guidance to the GEF. The Parties:

- Urged the implementing agencies to enhance cooperation to increase efforts to improve the processing and delivery systems of the GEF.
- Called for priority to be given to activities for capacity building for biosafety, taxonomy, the clearing-house mechanism, and indigenous and local communities embodying traditional lifestyles.
- Called upon the GEF to support efforts for the conservation and sustainable use of biological diversity important to agriculture.
- Reconfirmed the importance of GEF support for incentive measures and requested the GEF, in preparing projects, to include, when relevant to the project's objectives, components addressing targeted research and promotion of the understanding of the conservation and sustainable use of biological diversity.
- Urged the GEF, along with governments, regional economic integration organizations and component international, regional and national organizations, to support capacity building programs promoting the development and implementation of legislative, administrative and policy measures and guidance on access to genetic resources, including scientific, technical, business, legal and management skills and capacities.
- Requested the GEF to collaborate with the secretariat of the convention in preparing a proposal on the means to address the fair and equitable sharing of benefits arising out of genetic resources. This measure is to be considered by the fourth meeting of the Conference of the Parties.

This guidance is now being fully integrated by the GEF into existing strategies and systems. Operational criteria for enabling activities and the four operational programs in biodiversity are being modified, and specific items added to the operational policy work program of the GEF. Preparatory work needed to define longer term approaches is underway, including broad-based consultation within and outside the GEF.

Now included in the general scope of the revised operational criteria for enabling activities are provisions to:

- Assist Parties in the implementation of Articles 6 and 8 of the convention.
- Identify priority issues specifically related to those components of biological diversity under threat.
- Build capacity in biosafety.
- Build capacity for initial assessment and monitoring programs, including taxonomy.
- Support conservation and sustainable use of biological diversity important to agriculture.

- Support implementation of the clearing-house mechanism to facilitate the exchange of information so as to enhance technical and scientific cooperation.
- Support incentive measures.
- Build capacity to implement measures on access to genetic resources.
- Examine support for capacity building projects for indigenous and local communities embodying traditional lifestyles.

The secretariats of the CBD and GEF are collaborating in the preparation of a joint paper in response to the Convention guidance on benefits sharing. Advice is being sought from a wide range of stakeholders.

Priority has also been given to the conservation and sustainable use of agrobiodiversity. This took the form of including it in GEF operational programs in biodiversity, revising the operational criteria for enabling activities to include basic agrobiodiversity awareness, encouraging the implementing agencies to assist with country-driven short-term response measures in agrobiodiversity, and using the outreach of the GEF Small Grants Programme to assist developing country NGOs and community-based organizations in initiating agrobiodiversity pilot projects.

The operational criteria for enabling activities were also revised to include support for the clearing-house mechanism. A line item for these funds will provide for hardware, software, modems, Internet access costs, and training in the use of electronic communication, including the Internet for purposes of participating in the mechanism. The first series of enabling activity proposals based on clearing-house mechanism provisions are now reaching the GEF Secretariat for review.

### ***Land Degradation***

As noted in the overview, the GEF has operationalized Council direction to incorporate land degradation throughout its policies and programs. Operational program 1 on arid and semi-arid zone ecosystems is fully devoted to addressing activities associated with land degradation in drylands. Three other programs involving biodiversity conservation -- forest, marine and inland waters, and mountain ecosystems -- have also devoted considerable resources.

**Pilot Phase Project Update:** Under pilot phase procedures, a GEF grant of US\$30 million was approved for the Mexico Protected Areas Program to finance the implementation of emergency plans, management plans, and operating plans in up to 17 protected areas with unique biodiversity. In 1993, the number of protected areas addressed by the project was reduced to 10 and the GEF grant was correspondingly reduced to US\$25 million. In May 1997 the project was restructured to use the remaining funds (\$16.3 million) to capitalize a trust fund for support of the same objectives.

## Chapter Three: Climate Change

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### ***GEF FY 97 Project Portfolio***

During FY 97, the Council approved the allocation of US\$ 133.7 million for 13 climate change projects and US\$ 1.71 for 5 PDFs. Tables providing summaries of these PDFs and projects can be found at the end of this chapter.

### ***Related Council Actions***

As noted, the GEF Council met twice during FY 97 and made a number of decisions relevant to the Framework Convention on Climate Change, including approving the *Annex on the Determination of Funding Necessary and Available for the Implementation of the Convention to the Memorandum of Understanding between the Conference of the Parties to the United Nations Framework Convention on Climate Change and the Council of the Global Environment Facility*.

### ***Fulfilling Convention Guidance***

The second session of the Conference of the Parties (Geneva, July 1996) adopted additional guidance to the GEF as the interim operating entity of the financial mechanism of the Framework Convention on Climate Change. GEF was asked to:

- Implement strategies on enabling activities which facilitate endogenous capacity-building, including data collection and archiving.
- Facilitate the financial resources needed by developing country Parties to meet the agreed full incremental costs of implementing measures under the Convention.
- Accord priority to supporting the preparation of national communications by countries not included in Annex I of the Convention.
- Consider country specific cases and other approaches for a number of countries with similar needs.

The second session of the Conference of the Parties also requested the Convention's Subsidiary Body for Implementation (SBI) to undertake a review of the GEF as the convention's financial mechanism and to report on the outcome at the third session (Kyoto, December 1997).

The fifth meeting of SBI (Bonn, February-March 1997) began the review process. As background, the GEF Secretariat prepared an update to the information concerning its

climate change activities. GEF also led two workshops on preparation of initial national communications by non-Annex I countries and procedures for accessing GEF funds.

In developing policies and preparing projects, the GEF Secretariat and three implementing agencies fully consider the guidance provided by the Conference of the Parties. The views of the FCCC Secretariat are solicited on each climate change project moving through the project cycle. This includes consultation at the point of GEF Operations Committee review, prior to work program submission to the CEO.

Climate change operational programs 5 through 7 reflect convention guidance as well as Council governance. Operational program 5 removes barriers to energy conservation and energy efficiency. Operational program 6 promotes the adoption of renewable energy by removing barriers and reducing implementation costs. The seventh operational program reduces the long-term costs of low greenhouse gas-emitting energy technologies.

Two new Operational Programs were under development during FY 97, in line with convention guidance, for Council approval in FY 98: transport energy and carbon sequestration.

### ***Enabling Activities***

As noted in Chapter 2, GEF has taken a number of concrete steps to expedite the preparation and implementation of enabling activities projects. Among these:

- Preparation of operational guidelines for enabling activities related to national communications.
- Expedited approval process for enabling activity project proposals consistent with GEF operational criteria.
- Approval of an initial allocation of US\$ 30 million for purposes of expediting enabling activity projects in both climate change and biodiversity focal areas.
- Concerted outreach to inform eligible countries about the availability of financial resources and expedited procedures to facilitate the approval and implementation of enabling activities.

Shortly after the second session of the Conference of the Parties, the CEO of the GEF convened a meeting of Secretariat and implementing agency staff to determine what more could be done to facilitate early disbursement of funds at the country level. They agreed to expedite task force review of projects proposals, enable approval of enabling activities to occur on a rolling basis, as and when proposals are prepared, and provide up to 15 percent of the total budget to be available for start up work as soon as the CEO approves the project proposal.

By the end of FY 97, GEF had provided support to 30 climate change enabling activities projects at a total cost of \$7.9 million. Support for these activities is likely to continue as more countries address the need to prepare their national communications.



## Chapter Four: International Waters

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### ***GEF FY 97 Project Portfolio***

During FY 97, the Council approved the allocation of US\$ 24.7 million for five projects and US\$ 3.6 million for 14 PDFs in the area of international waters. Tables providing summaries of these projects can be found at the end of this chapter.

As outlined in the GEF operational strategy, the international waters focal area pursues a deliberate approach employing Block B project preparation and development grants and small strategic projects to focus cooperating countries on high priority transboundary water resource issues.

### ***Relevant Developments***

During the next few years, the demand for projects in this focal area will grow, as PDF block B preparation activities mature into projects and more states recognize the need for tackling the root causes of transboundary water problems.

Support for activities reflected in the Global Program of Action for land-based sources that affect marine water also is expected to generate new demand for international waters projects.

## Chapter Five: Ozone Layer Depletion

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### ***GEF FY 97 Project Portfolio***

During FY 97, the Council approved the allocation of approximately US\$23.0 million for one ozone layer depletion project and US\$1.16 for six PDFs. Summary tables are found at the end of this chapter.

The current GEF ozone portfolio covers 11 countries and will phase out an estimated 25,000 tons of annual ozone depleting substances (ODS). This constitutes more than 90 percent of the remaining annual consumption in countries with economies in transition. Project preparation activities are under way in five additional countries. Only a few more ODS countries remain, which could become GEF clients in the near future. It is expected that the core GEF ozone projects will be completed by the year 2000.

### ***Relevant Developments***

The Montreal Protocol of the Vienna Convention for the Protection of the Ozone Layer, concluded in 1987, aims to eliminate the use of substances that deplete the thin layer of ozone in the stratosphere. The Multilateral Fund provides assistance for eligible expenditures to developing countries operating under Article 5, paragraph 1 of the Montreal Protocol. GEF assists otherwise eligible recipient countries whose activities, while consistent with Montreal Protocol objectives, are of a type not covered by the Multilateral Fund. Generally speaking, eligible countries are Parties to the Montreal Protocol, have ratified the London Amendments, and have fulfilled their obligations to report on the production and consumption of ozone-depleting substances and trade.

Although the GEF has no formal link to the Montreal Protocol, the GEF's operational strategy in ozone depletion is fully consistent with the Protocol, its amendments, and adjustments. During FY 97, as in past years, the GEF looked to the Montreal Protocol for information on control measures, the list of controlled substances contained in the annexes to the protocol, and the phase out schedules for ozone-depleting substances, and the amendments and adjustments that are approved by the Meeting of the Parties.

GEF activities that address ozone layer depletion are considered short-term response measures rather than operational programs. In conformity with the principle of complementarity -- avoiding duplication of effort and not substituting for other sources of funds -- the GEF provides only complementary assistance outside the Multilateral Fund.

## Chapter Six: Cross-Cutting Activities

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### ***GEF FY 97 Project Portfolio***

During the reporting period, the Council approved two multi-focal area projects: a replenishment of the Small and Medium Scale Enterprise Program for US\$15.5 million and Central American Fund for Environment and Development: Account for the Global Environment for US\$15 million.

The Council also allocated US\$235,000 for a PDF B -- UNEP's Global Environmental Citizenship Project -- and US\$334,000 for Land Degradation Control -- Development of IFAD Pipeline of GEF Eligible Projects.

### ***Monitoring, Evaluation, and Dissemination***

As noted in Chapter One, two special studies were launched in FY 97 to capture lessons learned in the course of the GEF's work and to gauge overall performance.

The project lessons study aims to assess experience under projects approved during GEF's Pilot Phase to determine what factors most often account for the success of (or problems with) these activities. Following a review of ten proposals received in response to the terms of reference for the study, a contract was awarded in April 1997 to Resource Futures International, based in Ottawa, Canada.

The project lessons team highlighted three preliminary findings which stood out from experience to date and which were identified as high priority by project managers and staff:

- For community-based biodiversity and other projects to succeed, considerable effort and/or time must be devoted to building partnerships and understanding among project implementers and communities.
- Coordination between local interventions carried out by individual projects and national policies and priorities is needed in order to assure that linkages between local efforts and global environmental benefits can be effectively made and sustained.
- Involving private businesses and other organizations engaged in economic activities in the design and implementation of GEF-funded projects can help ensure that project efforts are sustained. This often requires innovative approaches.

### ***Public Participation***

An April 1997 analysis of a small sampling of projects considered the GEF's non-governmental stakeholders and groups most affected by GEF pilot projects. In biodiversity, the vulnerable groups were identified as indigenous communities, women,

and landless households. There are 20 biodiversity projects with sites occupied by indigenous groups.

In climate change, the private sector is the major stakeholder group. Based on available documentation for 34 projects, there are more than 42 private firms which are co-executing various activities funded by the GEF. Of these, 18 are known to be locally owned and based.. The other major stakeholders are the direct beneficiaries.

In international waters, data from 10 projects indicated that the key stakeholder groups are international/regional NGOs. Many of such groups have been assisting governments in the region and using their own funds.

### ***Communications and Outreach***

During FY 97 the GEF accelerated efforts to inform as many stakeholders as possible about its policies, activities, and achievements.

A communications/outreach working group, involving representatives from the GEF Secretariat and the implementing agencies, was established and met regularly to agree on communications tools to be produced and the use of these tools in joint presentations at various environmental fora taking place during the fiscal year.

- "Keeping the Promise: The GEF in Action", a half-hour video narrated by Harrison Ford, was produced, along with shorter versions designed for a variety of audiences.
- FY 97 publications took the form of reader-friendly introductory brochures as well as technical publications like GEF Operational Programs. A bimonthly enabling activity newsletter was developed to provide the basics about Convention guidance and GEF procedures. New posters and display materials were produced.
- Quarterly operational reports were prepared in cooperation with the implementing agencies, listing up-to-date thumb-nail sketches of more than 300 GEF projects.
- Recognizing "hard copy" distribution is limited, the GEF Secretariat put a growing proportion of these documents -- including Council decisions -- on the World Wide Web. The GEF secretariat Web site is linked to those of the implementing agencies. These contain more in-depth information and provide details on their GEF financed projects.
- Secretariat staff cooperated with implementing agency representatives to foster effective GEF project development workshops in countries around the world.

Outreach was again the aim when GEF Secretariat and implementing agency staff organized a slate of exhibits, workshops, presentations, and field visits in tandem with

meetings of the Conference of Parties to the Convention on Biological Diversity and the Framework Convention on Climate Change, and other international fora.

The GEF secretariat and implementing agencies collaborated to mount an exhibition during the United Nations Special Session in June 1997, and the CEO addressed the General Assembly.

The implementing agencies continue to collaborate in the delivery of project development workshops at the national and sub-regional levels. These workshops seek to provide information and training to staff from governments, NGOs, and scientific organizations on the GEF's mandate, project cycle, and operational criteria and policies. During FY 97, 10 workshops were organized, involving more than 300 participants.

## CHAPTER SEVEN: FINANCIAL RESOURCES

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This section covers sources of funds, including the total amounts of approved work programs, commitments, and disbursements (by implementing agency), an account of the sources and applications of GEF funds (including investment income), and administration and overhead expenditures.

Table 7.1 shows the value of approved work programs, commitments, and disbursements by agency from inception through FY97:

TABLE 7.1

SUMMARY OF AUTHORIZED WORK PROGRAMS, COMMITMENTS, AND DISBURSEMENTS  
AS OF JUNE 30, 1997  
(US\$ millions)

	Authorized Work Program Funding	Commitments	Disbursements
UNDP	508	342	216
UNEP <sup>1</sup>	42	35	21
World Bank	1,081	727	242
TOTAL <sub>[PC1]</sub>	1,621	1,104	479

1) *Excluding PDFs*

### ***Sources of Funds***

As of June 30, 1997 Instruments of Commitment for contributions to the first replenishment of the GEF had been received for nearly all pledging countries, and amounted to over \$2 billion. Pledges for which instruments were not yet received totaled \$28 million equivalent (Argentina, Brazil). Encashment is on a needs basis, spread out over the period 1996-2005.

Table 7.2 below shows the status of contributions to the first GEF replenishment as of June 30, 1997. The GEF Consolidated Financial Statements are provided in annex D.

**Table 7.2**  
**Contributions to the First GEF Replenishment (US\$ millions)**  
**(June 30, 1997)**

Contributing Participants	Pledges	Contributing Participants	Pledges
Australia	29.2	Netherlands	71.4
Austria	20.0	New Zealand	5.6
Bangladesh	2.8	Norway	31.2
Belgium	32.0	Pakistan	5.6
Canada	86.6	Portugal	5.6
China	5.6	Slovak Republic	5.6
Côte d'Ivoire	5.6	Spain	17.3
Czech Republic	5.6	Sweden	58.3
Denmark	35.1	Switzerland	44.8
Egypt	5.6	Turkey	5.6
Finland	21.6	United Kingdom	134.6
France	143.3	United States	430.0
Germany	240.0		
Greece	5.0	Sub-total Commitments Received	2,010.5
India	8.4	Other <sup>a/</sup>	9.1
Ireland	2.4		
Italy	114.7	<b>Total Commitments Received</b>	<b>2,019.6</b>
Japan	414.6		
Korea, Rep. of	5.6	<b>Commitments Not Yet Received <sup>b/</sup></b>	<b>10.6</b>
Luxembourg	5.6		
Mexico	5.6	<b>Total Pledges</b>	<b>2,030.2</b>

*a/ Comprised of the enhanced value of contributions through accelerated encashments.*

*b/ Instruments of commitment for the pledges of Argentina and Brazil were not yet received*

#### Cofinancing Arrangements

Burden sharing with respect to the first replenishment of the GEF was on the basis of core fund contributions. In addition to its core fund contribution, Austria concluded in October 1995 with the Bank as Trustee of the GEF Trust Fund an agreement to set up the Austrian Global Environment Cooperation Trust Fund. This co-financing agreement for up to SDR4.5 million is intended to enhance environmentally sound and sustainable projects and activities in the countries with economies in transition. Such projects or activities are

to benefit one or more of the GEF focal areas. The consultants to be financed by the trust fund shall be of Austrian nationality or employees of Austrian firms, provided, however, that up to 25 percent of the trust fund resources may be used to finance consultants from the countries which will benefit from the technical assistance when working in conjunction with Austrian consultants. As of June 30, 1997 allocation of funds through the World Bank amounted to close to \$1,000,000. The UNDP sub-agreement has now been signed, so that funding from this source of UNDP implemented projects is under way. UNEP was also actively considering activities eligible for financing from the Trust Fund.

### ***Funds Disbursements***

As of June 30, 1996, approximately US\$461 million had been disbursed for projects in the GEF work program: \$216 million through UNDP, \$20 million through UNEP, and \$225 million through the World Bank. Over the past year, the pace of disbursements has started to increase. For the time profile of commitments and disbursements since the start of the GEF in 1991, see figure 1.

### ***Investment Income***

Investment income from the core fund is credited to the GEF, thus enhancing commitment authority. Funds received are held in various currencies and, as of June 30, 1997, had yielded cumulatively the equivalent of US\$94.2 million (See annex D).

### ***Commitment Authority***

The GEF Trust Fund's commitment authority includes contributions received in the form of notes and cash deposits and investment income generated on cash deposits, less actual project disbursements and administrative costs of the trust fund. Based on the notes and cash received and expenditures incurred to date, commitment authority as of June 30, 1997 was US\$816 million. Details of the status of commitment authority are given in annex D.

### ***Administration and Overhead***

The revised Council-approved corporate budget for FY97 was \$34.9 million. Estimated expenditures for FY97 amount to \$32.9 million<sup>1</sup>, a savings of \$1.9 million or 9.4 percent.

In April 1996, the Council approved a FY97 corporate budget for GEF of \$33.0 million. Subsequent amendments to the budget included: (a) an adjustment for the World Bank of

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<sup>1</sup> Actual end-year figures will be available in November/December 1997 following the formal year-end closing and posting of actual expenses against accrued commitments.



\$800,000 during the first quarter due to a projected increase in high-quality projects entering the work program; (b) Council approval of \$718,000 for the Monitoring and Evaluation Program; c) a mid-year adjustment for UNDP of \$314,000 for anticipated over delivery of operational outputs. These adjustments resulted in a total revised FY 97 corporate budget of \$34.9 million.

Table 1 shows a breakdown of estimated year-end expenditures by entity. The corporate end-year underrun of \$1.95 million is significantly larger than projections at mid-year, due to the World Bank's shortfall in delivery of planned operational outputs (\$1.6m) as well as an underrun in the Monitoring and Evaluation (M&E) work program (\$0.3m).

