

## **SECRETARIAT COVER NOTE ON THE PROPOSED WORK PROGRAM**

### **COMPOSITION OF THE PROPOSED WORK PROGRAM**

1. The Chief Executive Officer (CEO/Chairman), after reviewing the conclusions and recommendations of the bilateral review meetings with Implementing Agencies and the GEF Operations Committee (GEFOP) meeting, recommends to the Council, for its consideration and approval, the proposed work program presented in this document. It contains eleven projects with a total of approximately \$100.87 million in GEF financing and approximately \$532 million in total project costs. This includes one project that was previously circulated to Council Members in July 1997 for review and approval by mail. One Member requested that consideration of this project proposal be deferred until the present Council meeting<sup>1</sup>. The composition of the proposed work program is as follows:

- |     |                       |                               |
|-----|-----------------------|-------------------------------|
| (a) | Biodiversity:         | \$ 55.34 million (7 projects) |
| (b) | Climate Change:       | \$ 19.40 million (2 projects) |
| (c) | International Waters: | \$ 26.13 million (2 projects) |

2. Table 1 provides summary information on the proposed work program and requested level of financing. Table 2 sets forth a cumulative account of GEF financing requested in the work programs presented to Council to date. Table 3 sets out the status, as of September 1997, of the enabling activities approved by the CEO under the expedited procedures approved by Council at its April 1996 meeting.

3. Annex A to this work program contains an enabling activity project proposal on the subject of biosafety that is above the cost norms agreed for application of expedited procedures. This proposed pilot project is described in paragraph 12 of this cover note. The Council is invited to discuss this project proposal and the policy issues it raises, as a separate sub-item to the approval of the work program.

### **PROGRAMMING OF RESOURCES**

4. The Implementing Agencies developed and presented thirteen project proposals for inclusion in the proposed work program. Of these, twelve were recommended for further development as part of this work program: one was withdrawn by the Implementing Agency. In addition, a global enabling activity proposal on biosafety is included as an annex for Council discussion and approval.

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<sup>1</sup> The UNDP proposal is entitled "Regional Conservation and Sustainable Use of Dryland Agro-Biodiversity of the Fertile Crescent".

5. If the Council approves this proposed work program, the GEF will have allocated approximately \$1.051 billion since the restructuring and replenishment of the GEF in March 1994. This would bring the total GEF allocation (including the pilot phase) to approximately \$1.78 billion, of which \$479.50 million has currently been disbursed.

#### **JULY 1997 INTERSESSIONAL WORK PROGRAM**

6. A work program consisting of nine proposals was transmitted for approval by mail in July 1997. This work program was approved with the exception of two proposals, "Vietnam Demand-Side Management" climate change project and the regional Conservation and Sustainable Use of Dryland Agro-Biodiversity of the Fertile Crescent". Consideration of the two projects was deferred until the present Council meeting, since for each project, one Council member was of the view that it raised policy issues that needed to be addressed in the context of a Council meeting. Subsequently, the Vietnam proposal was withdrawn by the Implementing Agency. A bilateral funding source has come forward to fund the component originally proposed for GEF support, and the request for GEF assistance was withdrawn. The Fertile Crescent biodiversity proposal is included in the attached work program.

#### **ENABLING ACTIVITIES**

7. GEF's support for enabling activities has continued in both the biodiversity and climate change focal areas. Efforts have been made to encourage all eligible countries to avail themselves of the assistance the GEF provides. The outreach has been through two modes: (a) *utilization of opportunities presented by international meetings*, and (b) *special regional workshops*.

- (a) *utilization of opportunities presented by international meetings*. In July 1997, a workshop on climate change enabling activities was organized for participants in the meetings of the Climate Change Convention's subsidiary bodies. During the 6th Asia-Pacific Seminar on Climate Change for countries of that region, hosted by Japan in July 1997, and the 3rd SPREP meeting on Climate Change (for the South Pacific countries), GEF representatives made presentations on the assistance available to countries through the GEF and were available to answer questions. In September, a workshop on biodiversity enabling activities and national reports was organized during the Subsidiary Body on Scientific Technical and Technological Advice meeting of the Convention on Biological Diversity.
- (b) *special workshops for regions*. In August, 1997, a regional workshop for Africa was organized in Dakar to address problems countries may be facing in preparing their national communications to the Climate Change

Convention. A similar workshop for Latin American countries was held at the end of September 1997.

8. The second quarterly review of climate change enabling activities was carried out in July 1997 with the aim of assessing progress in the preparation of national communications assisted by the GEF. Periodic newsletters on enabling activities are now being published.

9. The results of GEF's support are now beginning to show: Jordan and Argentina, assisted by the GEF, became the first countries, to submit their national communications to the Climate Change Convention. Ukraine, again with GEF support, became the first country to submit its national report to the Convention on Biological Diversity.

10. Since the last summary prepared for the Intersessional Work Program, 20 new enabling activity projects in the climate change focal area and 7 in the biodiversity focal area have been approved (Annex C) for a commitment of US \$ 5.30 million. With these, the total number of projects approved using expedited procedures<sup>2</sup> is 50 for climate change and 85 for biodiversity, accounting for a total commitment of US \$ 27.82 million.

11. The expedited procedures for enabling activities have proved very effective, and have facilitated GEF's coverage of a very large number of eligible countries within the short time since the application of these procedures was started. The initial allocation of US \$ 30 million made by Council in April, 1996 is now nearing full commitment. It is proposed that enabling activity projects for remaining eligible countries that request GEF assistance continue to be processed and approved using the same procedures and that funds be drawn from the GEF Trust Fund as needed.

#### **PILOT PROJECT ON BIOSAFETY**

12. UNEP has prepared a pilot project for capacity building in biosafety, an activity that the last Conference of the Parties (Buenos Aires, November, 1996) to the Convention on Biological Diversity accorded priority. The total GEF funding involved would be US \$2.744 million. The project raises policy issues on how emerging guidance from the Conventions can best be operationalized, and is therefore presented in Annex A, separately from the work program. The recommended approach is a result of detailed discussion among Implementing Agencies, GEF Secretariat and Chairman of STAP.

13. In accordance with guidance from both Conventions, the focus of enabling activities in both focal areas has so far been on the preparation of national

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<sup>2</sup> This does not include projects approved using expedited procedures that do not draw on the \$ 30 million allocation.

communications/ national reports and strategies. New guidance from the Conventions is now calling for strengthened capacity building in more specific areas. To some extent, such capacity building can be accomplished through enabling activities as currently designed, but when there is a lack of operational experience in these areas both in the Implementing Agencies and outside, norms for the preparation and evaluation of such proposals are difficult to formulate. In such cases, an appropriate approach may be to undertake a pilot project in a few representative countries and/ or at the regional/ global level in order to develop norms for project support to other recipient countries.

14. In the biosafety sector, for instance, there are no precedents or norms that could assist in evaluating country level needs, or cost effective methods to fulfill those needs. UNEP has developed International Technical Guidelines for Safety in Biotechnology, but the implementation of these guidelines at the country level, recommended by the COP, poses challenges in the absence of any proven methodology or indicative cost ranges.

15. UNEP's project on biosafety is a pilot effort in more than one sense. Apart from assisting the GEF to understand and assess the level and nature of support for biosafety capacity building that the COP guidance entails, it will test out a methodology for addressing such guidance in other specialized areas also : i.e., the use of a pilot enabling activity project covering representative countries and situations, supported if necessary by a global/ regional project, to develop norms and cost ranges to assist all other eligible countries. On the basis of a detailed evaluation of the outputs of the project, including a special review by STAP, the GEF would then be able to provide technically sound and informed responses to country requests for assistance in that particular field or sector. Again, this is not really a new approach; a number of regional and global projects from GEF's pilot phase provided experience that was crucial in formulating the current methodologies and cost ranges against which enabling activities in both biodiversity and climate change focal areas are assessed.

## **POLICY AND OTHER ISSUES ARISING FROM THE WORK PROGRAM**

### **Policy Issues**

16. *Projects with significant risks and assumptions.* Two project proposals include some enhanced implementation risks. The biodiversity proposal for the Democratic Republic of the Congo will contribute to rebuilding the protected areas system of the country by restoring functioning to the 16 priority protected areas. The Red Sea/Gulf of Aden international waters project contains activity in coastal Somalia. UNDP operates significant active programs in both countries (as described in project briefs) and the proposals are eligible under the Instrument. In the case of both project proposals, it is understood that the political situation in the countries in which the projects are to be executed will be an important factor in the further development of the project

proposals. UNDP at present confirms its full expectations that these project proposals may be successfully developed and implemented. If, however, UNDP should determine that either project proposal should not be developed further or project implementation should be deferred, it shall take the steps necessary to do so (with the same diligence and responsibility it exercises for its regular activities) and will keep the CEO informed of any such decision. The CEO will inform the Council of any such deferral or termination in GEF operations.

## **Other Issues**

17. *Incremental costs in investment projects.* Incremental cost estimates in GEF investment projects often have significant error margins, because of the long economic lifetimes of relevant investments, and associated uncertainties in market and revenue development. Innovative financing arrangements, such as guarantee mechanisms, or capped contingent grants, are needed to help ensure that GEF grants closely match the actual net incremental costs over the economic lifetime of relevant investments. The World Bank recognizes this need. This issue was raised in the Hungary renewable energy proposal, and in response, the Bank's appraisal mission will explore the following alternatives: (i) an innovative GEF financing mechanism; and (ii) an agreement with the project beneficiary to reinvest any incremental cost savings in the further enhancement of the Biomass technology thus generating additional global benefits. In addition, the Bank is currently in the process of examining new financing tools and modalities for global environmental management, including contingent financing arrangements which could be used in future GEF Operations. When the proposal is submitted for CEO endorsement, the Secretariat will prepare a policy note on the financing modality being proposed, and this note will accompany the proposal that is mailed to Council members for their comments.

18. *Project brief format, content, length.* Following the July intersessional work program, the Secretariat held the final in a series of interagency meetings with Implementing Agencies as part of the process to shorten the length of project briefs and harmonize their contents. As reported in the intersessional work program, agencies advised that a transition period is needed, and the proposals in this work program continue to represent this transition. Some have been reduced in length at the Secretariat's urging but many are still too long. At the September 23 GEFOP meeting, the commitment of Executive Coordinators of the Implementing Agencies was secured to include the new, abbreviated format based on the logical framework in all project briefs submitted to Council beginning with the next intersessional work program.

## **PROGRAMMATIC CONTEXT**

19. Almost all projects, with the exception of the climate change project in Hungary, utilized GEF PDF preparation financing. Preparation costs of a little over \$1.6 million generated close to \$100.0 million in new projects for this work program. In addition, preparation has led to development of innovative activities and broad-based stakeholder involvement in projects. The biodiversity portfolio, for example, has increased funding for regional, cooperation in the management of large and diverse types of ecosystems and a growing number of activities that include various modes of sustainable use of resources, some of which are NGO-executed and community based. There are also increased investments in renewable energy in the two climate change projects where the major beneficiaries are middle- and low-income households in rural areas. These projects provide examples of creative applications of financing mechanisms that would effectively reflect possible changes in net incremental costs over the economic lifetime of projects.

20. The GEF project portfolio has also matured in terms of attracting other donors and increasing in-country commitments. As shown in Table 1, for this work program alone, more than \$430 million have been generated as co-financing from non-GEF sources. Of this, close to 35% are in-country counterpart financing, including contributions from sub-national government agencies, NGOs, and the private sector. In addition, the South Africa Cape Peninsula, Democratic Republic of Congo, and Southern Africa biodiversity projects contain significant contributions from non-governmental organizations. The two climate change projects are expected to mobilize significant investments from the private sector and local energy utilities. As a result, GEF funding represents, on average, less than 20% of total project cost (see Table 1).

## **Biodiversity**

21. The percentage of GEF-financed biodiversity projects in the work programs has grown since the pilot phase. The types of projects have also shifted due to longer time periods for preparation to accommodate more consultations with key stakeholders and experimentation with new programs that combine protected area conservation with sustainable use approaches. For example, there are more projects looking at transboundary concerns, improving regional collaboration, and enhancing in-country commitments by linking biodiversity to rural development and poverty alleviation programs (e.g., Mesoamerica, Southern Africa, Central Asia). More and more NGOs are investing resources (human and capital) using various forms of project co-execution arrangements. Two of the largest regional NGOs are working closely with local counterparts in the South Africa and Democratic Republic of Congo projects.

22. There is an increase in region-wide and programmatic investments that maximize where inter-country and multi-level coordination. The project executing agencies in Central Asia, Mesoamerica, and Southern Africa engage in cross-country coordination across designated protected areas and where transboundary issues are systematically integrated into national and local conservation activities. In the case of

the Mesoamerica Biological Corridor, such coordination led to the creation of a regional agreement among eight countries. Another regional project in the Fertile Crescent addresses agrobiodiversity and looks at inter-country programs on *in-situ* conservation of genetic diversity in the world's ten dominant domesticated foodcrops.

### **International Waters**

23. The international waters project for the Red Sea and Gulf of Aden supports the incremental cost of priority activities that were identified in the process of formulating a Strategic Action Program for the area. The project adds to the current emphasis on globally significant large marine ecosystems and illustrates that projects in the focal area can have significant benefits for marine and coastal biodiversity. The project is a joint initiative among the three Implementing Agencies with each being responsible for components based on the agency's comparative advantage. It constitutes GEF's near term programmatic approach to the Red Sea along with two other complementary projects previously approved by the Council--the "Gulf of Aqaba Environmental Action" project addressing the top priority area of transboundary pollution in the Sea and the project entitled "Conservation and Management of Eritrea's Biodiversity" (with its coastal biodiversity component), which supports equivalent work in the Red Sea coastal zone of that country. Together, the three projects in three different--but related--operational programs are intended to make a significant difference in protecting the unique Red Sea ecosystem.

### **Public Involvement**

24. A diverse group of stakeholders were involved in the preparation of the project proposals in this work program. GEF PDF funds were used in the conduct of workshops in the regional biodiversity projects in Central Asia, Mesoamerica, Red Sea, and Southern Africa. For example, over 400 individuals and groups participated in national and regional consultations in Guatemala, Belize, Honduras, and Panama, in support of the Mesoamerica project, including the consolidation of 8 national maps by an inter-country panel of government, academic, and NGO specialists from the region.

25. According to available information from 8 projects, more than one-third of total GEF preparation costs went to consultations and participatory rural appraisals (e.g., Lesotho, South Africa). Such consultations will continue throughout implementation. In the Lesotho, Democratic Republic of Congo, South Africa, and Southern Africa biodiversity projects, about 11% of total GEF project funding will be spent for public awareness, stakeholder workshops, and village meetings.

26. Low- and middle-income households are beneficiaries of rural energy projects in the Argentina and Hungary climate change projects. Through public hearings and village meetings, the government and private sector utilities solicited the views of local districts and households in the design of energy pricing and delivery. Similar

arrangements for consultation are planned in the multi-level workshops of the regional Red Sea project. UNEP will conduct broad-based workshops to arrive at a consensus on scientific and policy issues in the global international waters assessment project.

27. There are several projects co-executed with non-governmental institutions. The South Africa project's community based conservation activities will be administered almost entirely by a local NGO (WWF-SA)<sup>3</sup> through establishment of a long-term funding mechanism that would provide small-sized financing to local NGOs and village groups. Such funding represents a substantial (close to 50% ) portion of the entire project's cost. The outreach and environmental awareness components of the Democratic Republic of Congo, Southern Africa, Lesotho, and Mesoamerica projects will be executed by regional (e.g., IUCN-ROSA; TNC)<sup>4</sup> and local NGOs.

28. Social issues are addressed through special studies which will be carried out by academic and NGO specialists. For example, the Democratic Republic of Congo project allocated \$2.15 million for participatory management and community based outreach. Community empowerment and user rights studies will be conducted jointly by government park officials and NGOs in the Lesotho project. The Central Asia project incorporated into its project design the evaluation of property rights, and established mechanisms for dispute resolution, including issues of access to transboundary resources.

29. The needs of disadvantaged groups, such as indigenous communities and women, are taken into consideration through social and participatory appraisals and village outreach activities. Programs affecting indigenous communities are especially important in the Democratic Republic of Congo project, such as issues of transboundary migration, refugee integration, and social adjustments arising from postwar reconstruction. The project is sensitive to these issues, and will provide support to ongoing efforts of UNHCR<sup>5</sup> in the eastern sections of the country. Although there are no separately funded gender components, several projects (e.g., Lesotho, Democratic Republic of Congo, Southern Africa) identify women's groups as key stakeholders.

## **SUMMARY OF PROPOSED PROJECTS**

### **A. BIOLOGICAL DIVERSITY**

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<sup>3</sup> WWF-SA = World Wildlife Fund-South Africa

<sup>4</sup> IUCN-ROSA = International Union for the Conservation of Nature and Natural Resources-Regional Office for Southern Africa; TNC = The Nature Conservancy

<sup>5</sup> UNHCR = United Nations High Commission on Refugees ?????



**Democratic Republic of Congo: Rehabilitation of Protected Areas in the Democratic Republic of the Congo (UNDP)**

**\$6.33 m (GEF); \$1.78 (government counterpart); \$11.86 (other co-financing)**

30. This project falls under *OP #3, forest ecosystems*; contributing the additional dimension to the operational program of a coordinated process of forest rehabilitation within declared protected areas. Forest restoration is a key activity in light of a major change in government and pockets of civil unrest affecting some of the more important protected forests. Many of the sites affected by such unrest are found within a wide range of biomes, including tropical forests, woodland savannahs, grasslands, some mangroves, and seasonally inundated savannas. The project recognizes the regional importance of the country as being the first in the regional ranking of biological diversity, and containing the largest number of taxonomic classes, where more than 70% are considered endemic to the area. Human land uses in the 16 priority protected sites selected by the project will be evaluated. The results of studies done jointly by government and local NGOs, with the assistance of IUCN, FAO, and the World Bank will be used to design park-specific activities. The project will also coordinate its activities with national programs, including the National Biodiversity Strategy and Action Plan (also funded by GEF). Lastly, a significant portion of GEF funding will go to capacity strengthening of the executing agency, the parastatal, Congolese Institute for Nature Conservation (ICCN).

*The expected outputs of this three-year project are: (a) creation of a supportive policy environment for protected areas; (b) a restructured and more decentralized system of operations of ICCN; (c) enhanced capacity to local authorities to manage protected sites; and (d) community-based pilot or demonstration approaches in the 16 identified priority protected areas.*

**Lesotho: Conserving Mountain Biodiversity in Lesotho (UNDP)**

**\$2.51 m (GEF); \$0.28 m (government counterpart); \$4.63 m (other co-financing)**

31. This project addresses *OP #4, mountain ecosystems*; specifically, the conservation and sustainable use of highlands and montane landscape of the Drakensberg-Malou mountain chain overlooking part of neighboring South Africa. This area contains over 1,750 plant species, one-third of which are endemic to the area. Maintenance of vegetative cover is critical for the highland watershed servicing the Lesotho Highlands Water Project, which is a large-scale water resource scheme covering water requirements of hundreds of hectares of agricultural lands in both countries. In addition to ensuring biodiversity in the area, the project seeks to increase the low (less than one percent) rate in which valuable mountains and forests are designated as protected sites. A part of the scheme is to promote, within a few pilot sites, community-managed sustainable use activities. Almost 16% of the project's funding will go to contracts with local NGOs for designing village programs and outreach.

*The expected outputs of this five-year project are: (a) establishment of a network of protected areas; (b) demonstration sites of community-based sustainable use; (c) review of sustainable financing, including income from related water projects and other fees; and (d) development of a bio-regional approach to conservation and watershed management.*

**South Africa: Cape Peninsula Biodiversity Conservation Project (World Bank)  
\$12.4 m (GEF); \$71.1 m (government counterpart); \$3.7 m (other co-financing)**

32. This project falls under *OP# 2, marine and coastal, OP#3, forests, and OP#4, mountains*. It covers globally significant biodiversity resources in the Cape Peninsula and Cape Floral Kingdom of the country, which contains one of the region's most extensive collection of terrestrial biodiversity but is threatened by the rapid extinction of already 39 endemic species. The marine ecosystem contains the Cape's 24 species of resident rockpool fish which are endemic to southern Africa, including many other unique species of continental-shelf fish and marine life. Project activities include clearing of invasive species (in particular, *acacia* and pine trees) and adoption of labor intensive annual management of resources. Environmental awareness and community-based conservation activities will be co-executed by a local NGO, the WWF-SA, which established the Table Mountain Trust Fund to support local initiatives in the area. This fund was set up with substantial cash (\$2.0 m from WWF) and in-kind local counterpart contributions. Outreach and village programs will be designed by WWF-SA in coordination with local government authorities. Eventually, the project hopes to form a network of protected sites in the region, corresponding to a Cape Peninsula Protected Natural Environment park or authority, with substantial involvement of non-governmental groups.

*This six-year project is expected to produce the following outputs: (a) clearing of invasive species; (b) environmental education program for local residents; (c) fire management and control schemes; (d) marine protected areas program, building upon existing plans; (e) eco-tourism plans; and (f) knowledge management schemes through establishment of an environmental information system and applied conservation studies.*

**Regional Mesoamerica (Belize, Costa Rica, El Salvador, Guatemala, Honduras, Mexico, Nicaragua, Panama): Establishment of a Programme for the Consolidation of the Mesoamerican Biological Corridor (UNDP/UNEP)  
\$10.94 m (GEF); \$4.0 m (government counterparts); \$12.6 m (other co-financing)**

33. This project addresses *OP#3, forest ecosystems*. It is a joint initiative of two implementing agencies within a region of rich biodiversity, crossing a diverse landscape of approximately 768,990 square kilometers, and containing 8% of the world's biodiversity. In order to control transboundary movements across the corridor, the governments of eight countries signed an agreement to establish the Central American Commission on Environment and Development (CCAD), and later, in 1992, the Alliance for Sustainable Development (ALIDES). Both regional efforts consequently

formed the basis for greater inter-country coordination of activities within the corridor. This project builds upon all regional and in-country initiatives to collaboratively form conservation and sustainable use programs and harmonization of regional policies. Significant budgetary allocations are provided to local and regional NGOs, including more than \$2.2 m of GEF funding for public awareness and outreach schemes.

*The outputs of this eight-year project are multi-level, as well as village-based: (a) establishment of harmonized regional and national policies; (b) strengthening of regional coordination units; (c) development of a Strategic Action Plan for long-term consolidation of the corridor; (d) capacity building; (e) community based conservation sub-projects; and (f) monitoring and information systems, including environmental awareness programs.*

**Regional Southern Africa (Angola, Botswana, Lesotho, Malawi, Mozambique, Namibia, South Africa, Swaziland, Zambia, Zimbabwe): Southern Africa Biodiversity Support Programme (UNDP)  
\$4.5 m (GEF); \$1.6 m (government counterpart); \$4.4 m (other co-financing)**

34. This project covers *all four OPs in biodiversity* and looks at a *short-term measure*, the strengthening of regional biodiversity planning, cooperation, and information exchange. Such cooperation will occur through the existing mechanism of the Southern African Development Conference (SADC). Because of the diversity of conditions within countries, the project will focus on those which are transboundary, including cross-country migration of species, cross-border poaching, commercialization, trade, and inter-country movements of human populations and settlement encroachments. A close tie-up with current programs for national biodiversity strategies and action plans will be augmented with more specialized regional biodiversity information. Regional programs in shared ecosystems will be designed and implemented, for example, in the Zambesi River system, has serious problems of species loss and human encroachments. IUCN will play a major role in outreach and awareness raising. Almost \$1.0 million is allocated for village consultations, national workshops, and regional coordination efforts.

*This five-year project is expected to provide: (a) a regional biodiversity conservation and sustainable use strategy for adoption by participating governments; (b) a shared regional biodiversity information system and expertise network; (c) enhanced capacities of governments to formulate, implement, and monitor national biodiversity action plans; and (d) some form of longer-term funding mechanism to sustain regional and national biodiversity programs.*

**Regional Central Asia (Kyrgyz Republic, Kazakstan, Uzbekistan): Central Asia Transboundary Biodiversity Project (World Bank)**  
**\$10.49 m (GEF); \$2.0 m (government counterparts); \$1.5 m (other co-financing)**

35. This project falls under *OP#4, mountain ecosystems*; specifically, the West Tien Shan Mountain range and the adjacent Karatau range. This region covers a wide variety of biomes, ranging from moist forests and alpine meadows to semi-arid grasslands. As part of the westerly sections of the Himalayan range, it contains Palearctic species as well as species endemic to the southerly subtropical latitudes. Currently recorded by scientists are more than 3,000 species of plants and animals, including 170 which are endemic to the area. This project will support inventory and classifications of local and transborder species and support the unique biological communities in the West Tien Shan range. There will be in-situ maintenance of viable populations in natural habitats through designation of protected areas and programs with adjacent forest production units and farming villages. NGOs will be contracted to engage in environmental awareness and information dissemination, village outreach, and training and capacity building. The community based activities include habitat restoration of native species in and around the protected sites, reforestation in the Pschem valley possibly involving 14 settlements in surrounding sites, and introduction of alternative energy sources to fuelwood.

*The expected outputs of this five-year project are: (a) legislative and regulatory reforms arising from a review of policies affecting conservation in the region; (b) trans-national financing schemes to sustain conservation programs; (c) small-sized grants to NGOs and village groups for a number of model programs on sustainable use; (d) local and national capacity building through education and training; and (e) programs for participation of local communities in habitat restoration and reforestation.*

**Regional Fertile Crescent (Lebanon, Jordan, Syria, the Palestinian Authority): Conservation and Sustainable Use of Dryland Agro-Biodiversity of the Fertile Crescent (UNDP)**  
**\$8.2 m (GEF); \$2.1 m (government counterparts); \$10.3 m (other co-financing)**

36. This project, which was presented in the July Intersessional Work Program, falls under *OP#1, arid and semi-arid ecosystems*. It is included in the current work program following clarification of the eligibility of some countries regarding international development assistance. The project addresses sustainable production of the ten globally significant foodcrops, including use of wild relatives of domesticated species. Activities include development of *in-situ* and on-farm collection and inventories of crop-related gene pools and the social, economic, land use, and agricultural policies and practices that affect the production and distribution of these plant species. The species and wild progenitors and wild relatives of the ten foodcrops will be selected in terms of their global significance, high genetic diversity, rare or endangered population, availability of traditional germplasms, and links with ongoing and

nationally executed agricultural development programs. Local farmers and some NGOs will be contracted to document and learn from the indigenous knowledge of farmers' traditional practices, including support for training and capacity building by the International Center for Agricultural Research in the Dry Areas (ICARDA), which is the project's co-executing agency. These activities will be implemented in eight sites in four countries.

*This five-year project is expected to provide: (a) documentation of genetic diversity of crops; (b) on-farm conservation of the genetic stock; (c) establishment of databases and GIS; (d) safeguarding of wild progenitors of wheat, barley, lentils; (e) formulation/adaptation of national policies for agrobiodiversity conservation; and (f) strengthened institutional capacity and increased public awareness.*

## **B. CLIMATE CHANGE**

### **Argentina: Renewable Energy in Rural Markets (World Bank)**

**\$ 13.52 m (GEF); \$57.9 m (government counterparts); \$153.7 m (other co-financing)**

37. This is the first project in GEF's OP#6 that aims to provide basic electricity services for lighting and communications by renewable energy through the award of private concessions. It consists of barrier removing, capacity building and technical assistance activities, and support that helps reduce the high first-cost barrier for solar home systems. Competition in the award of the concessions will be ensured at the bidding stage. The novel feature in the design of this project is the reduction, on a sliding scale, of the first cost buy-down provided, gradually reducing over the duration of the project. This will help assure the continued sustainability of the project after GEF funding has ended.

*The removal of market barriers to the use of renewable energy sources will lead to an estimated abatement of 1.8 million tonnes of CO<sub>2</sub> over the economic lifetime of the investments made possible by the barrier removal. The outputs of the project will include 14 MW of installed capacity in renewable energy systems (solar, wind and micro-hydro) serving 116,000 households and 4,400 public agencies.*

### **Hungary: Renewable Energy and Regional Development Project Szekesfehervar Biomass-Gas CHP Project (World Bank)**

**\$ 5.80 m (GEF); \$35 m (government counterparts); \$19.2 m (other co-financing)**

38. At a projected incremental cost of approximately \$10 per ton of Carbon abated the project meets cost effectiveness criteria for short term response measures in the climate change focal area. The preliminary estimate reflected in the project document slightly exceeds the GEF ceiling. However it is subject to refinement at appraisal, in line with GEF policies. In helping to introduce an innovative straw based Biomass technology for energy co-generation in a medium-sized utility the project could serve

as a model for further replication in Hungary and other regions. The incremental cost calculation suggests that the replacement of a conventional fossil fuel based technology by a new technology using a renewable energy source may cause between 1.5-9% of incremental economic costs over the 20 years lifecycle of the investment. Taking into account that the calculated total economic costs over this period reach \$120 million the absolute margin of error in the incremental cost estimate is quite significant. Therefore the GEF Secretariat has suggested the consideration of innovative financing arrangements, such as contingent financing, to capture these uncertainties more accurately. Even though the project cannot yet benefit from innovative financing tools that are currently under development at World Bank, the IA will explore opportunities for a flexible finance mechanism that would reduce the risk associated with the actual incremental cost deviations from estimated incremental cost. Alternatively the Bank may discuss the possibility of an agreement with the project beneficiary which would enable the reinvestment of incremental cost savings in the further enhancement of the Biomass technology thus generating additional global benefits.

*The introduction of the Biomass technology will lead to reductions in CO<sub>2</sub> emissions of approximately 2 million MT over the economic lifetime of the investments co-funded by the GEF. At the same time the project will cover domestic needs: (a) delivery of approximately 176 Gwh/yr to grid; (b) delivery of approximately 147 Tj/yr of heat to Szekesfharvar, and (c) financially sound operation of the district heating company.*

### **C. INTERNATIONAL WATERS**

#### **Regional: Implementation of the Strategic Action Programme (SAP) for the Red Sea and Gulf of Aden (UNDP , WB, UNEP)**

**\$ 19.34 m (GEF); \$2.00 m (government counterparts); \$23.65 m (other co-financing)**

39. This project falls under the Integrated Land and Water Multiple Focal Operational Program # 9. The project represents an exemplary collaborative effort among all three Implementing Agencies and participating countries to develop this initiative, building on an existing regional, inter-governmental framework. Implementation of the Regional Strategic Action Program for the Red Sea and the Gulf of Aden can become a model for other OP 9 initiatives. The project complements the existing OP 8 project for the Gulf Aqaba, which is targeted at the top priority geographic area for transboundary pollution in the Red Sea. Together the two international waters projects represent GEF's strategic approach for the Red Sea, in this local area consistent with GEF Operational Strategy. Although Saudi Arabia is not eligible to receive GEF financing, and the main project's GEF-supported activities will primarily focus on other PERSGA member countries, it was agreed in advance with the Government of Saudi Arabia that it will carry out, and finance, its responsibilities under the Strategic Action Program. The project also provides an opportunity to build an effective PERSGA secretariat which can carry on catalytic activities following completion of GEF interventions aimed at protecting the transboundary biodiversity.

Associated project financing for baseline activities in the Red Sea exceeds \$270 million. The project brief includes a table with a list of these expected baseline activities for each of the Red Sea project components that will be undertaken along with the additional activities funded by GEF. [Please note that the \$6 million in co-funding from Saudi Arabia and the \$2 million in government contributions are not yet reflected in the budget table.]

*Project outputs: (i) enhanced regional cooperation and technical capabilities to address transboundary environmental concerns; (ii) national actions at the legislative and program levels; (iii) regional conservation plan for turtles, seabirds, and marine mammals as well as a regional strategy for sustainable management of transboundary fish stocks and invertebrates; (iv) protection of key habitats of mangroves, sea grass beds, and coral reefs (including a network of marine protected areas); (v) increased human capacity as well as a strengthened regional institution for transboundary cooperation; (vi) enhanced environmental awareness; (vii) completion of various site-specific management plans; (viii) integrated coastal zone management initiatives; and (ix) a monitoring and evaluation program harmonized among nations that will develop and track process indicators, stress reduction indicators and environmental status indicators that are characteristic of international waters projects.*

**Global: Global International Waters Assessment (UNEP)  
\$ 6.79 m GEF; \$7.33 m (co-financing)**

40. The overall objective of the Global International Water Assessment is to develop a comprehensive framework for the identification of priority areas for remedial, mitigatory, and preventive actions related to the international waters focal area. The project aims to produce a fully comprehensive and integrated assessment, encompassing the ecological status of and causes of environmental problems of transboundary freshwater basins (including transboundary groundwaters) and their associated coastal and ocean systems. The importance of this project has been highlighted by STAP in that that international waters is the only GEF focal area that has not benefited from having a global assessment. The STAP Chair has discussed this initiative with the Council and the proposal is consistent with GEF Operational Strategy and with part of Operational Program # 10.

*Project Outputs: (i) strategic assessment of the ecological status of transboundary waters; (ii) a framework for GEF projects to decide upon the appropriate management interventions; (iii) identification of more sustainable approaches to the use of water and its associated resources; (iv) protocols for the conduct of casual chain and transboundary diagnostic analyses.*