

NOVEMBER 2005 WORK PROGRAM – RESPONSE TO CONCERNS RAISED BY THE UNITED STATES COUNCIL MEMBER REGARDING THE COMPOSITION OF THE WORK PROGRAM

1. In June 2005, the Council agreed to the following clarifications regarding procedures for review and approval of work programs: (i) during the four week review period, Council Members may submit questions of clarification or requests for additional information to the relevant Implementing/Executing Agency on any project proposal in the proposed work program; (ii) Implementing/Executing Agencies will make their best efforts to respond to all questions or requests in a timely manner; (iii) all written requests and written responses will be copied to the Secretariat, and the Secretariat will post them on the website to ensure transparency and assist other Council Members in their decision making process; and (iv) notwithstanding any questions of clarification posed during the review period, Council Members may submit technical comments for the agencies to take into consideration in the further development of the project proposals to the Secretariat within the specified time available for such comments. The Secretariat will collate all technical comments, share them with the Implementing and Executing Agencies, and post them on the GEF website.
2. In accordance with those procedures, we have posted on the GEF website the following communications from the US Council Member:(i) comments received on October 20, 2005 on the composition of the proposed November 2005 work program; (ii) comments received on October 20, 2005 on the project *Financing Energy Efficiency and Renewable Energy Investments for Climate Change*; and (iii) questions received on November 1, 2005 regarding specific proposals in the November 2005 work program.
3. This note has been drafted by the GEF Secretariat and the Implementing Agencies in response to the questions and comments submitted by the US Council Member on the composition of the work program, more specifically regarding questions about the request for partial funding of nine proposals in the November 2005 Work Program.
4. As we noted in the Work Program Cover Note, GEF/C.27/6, the GEF is currently facing a situation where the amount of resources available in the GEF Trust Fund is inadequate to fund the complete set of proposals that have been submitted by the Implementing and Executing Agencies, and technically cleared by the GEF Secretariat, for inclusion in November 2005 work program. 32 proposals, including one deferred from the July 2005 Intersessional work program, requesting a total of \$ 407 million were technically cleared by the Secretariat. The amount of resources currently available in the GEF Trust Fund is \$284.1 million (refer to the Trustee Report, GEF/C.27/Inf.3).
5. After consultation with the Implementing Agencies, the November 2005 work program proposed in document GEF/C.27/6 was constituted. In proposing this work program, we chose to request Council approval for nine project proposals with funding reduced from the amount originally proposed for the following reasons:
 - (a) It was deemed important to ensure that the work program had a broad geographical coverage, and that it was preferable to finance a larger

number of projects with reduced funding than to have a smaller number of project proposals addressing the needs of fewer countries; and

- (b) The ceiling on the resources available for Council commitment would be raised shortly since the fourth installments on GEF-3 contributions are to be paid to the Trustee by November 30, 2005.

We still consider these considerations to be valid, and we welcome a full Council discussion on these points and our suggested approach to the funding situation.

6. The comments from the United States raised three specific concerns, which are addressed as follows:

- (a) Precedence. A precedent for partially funding proposals was established in 2001. At the time, when faced with a similar funding constraint, the Council agreed to several tranching proposals. In our experience, that approach did not undermine the financial integrity of the GEF and performance of the projects.
- (b) Contingent liability. The November 2005 work program does not create contingent liabilities for the GEF, since the Council is not being asked to commit more resources than available in the GEF Trust Fund and there is no commitment on the part of the Council to approve the remaining GEF financing for proposals in the work program.
- (c) Impacts on project design. In the case of UNDP and UNEP proposals with reduced funding in the November 2005 work program, if a significant portion of GEF financing is not secured, project objectives cannot be met. These proposals might have to be dropped if the balance of GEF funding were not forthcoming. However, as noted above, we believe that the risk of inadequate funds for these proposals in the remaining work programs in GEF-3 is small.

7. In contrast, the World Bank proposals in the work program -- as currently proposed -- would not be in similar jeopardy. Three out of four affected Bank proposals will co-finance sub-projects that will be reviewed for CEO endorsement. Each proposal's first "tranche" in this work program has sufficient GEF financing for a critical mass of "sub-projects". In the unlikely event that the remaining GEF financing were not to materialize, this would result in fewer subsequent sub-projects (i.e. reducing the scope of the projects), but it would not affect the viability of the first "tranche." The fourth proposal has been downsized and a significant portion of its financing requested through this work program.

8. Should Council determine that it could not accept the risk to UNDP and UNEP proposals of inadequate funds in the two remaining work programs in GEF-3, we can constitute an alternative work program for Council consideration. This alternative work program would include only those project proposals that can be undertaken to produce

their intended objectives even if no additional resources are approved in future work programs. We are circulating this response to the US concerns, including an alternative work program, in advance of the Council meeting so that all Council Members will be able to consider the implications of this alternative approach.

9. Attached to this note is an alternative work program (Annex A) of fully funded project proposals that may be financed within the limit of the resources currently available for Council commitment under the GEF Trust Fund. In reviewing this alternative work program, the Council needs to be aware of the following:

- (a) The following proposals from the World Bank include a smaller request for GEF funding than in document GEF/C.27/6. Annex B of this note includes details of how these proposals remain robust with reduced funding. The Bank intends to request the balance of GEF funding for these proposals in due course, in accordance with the concepts that entered the GEF pipeline and subject to funding availability.
 - (i) Brazil: GEF Sustainable Cerradio Initiative
 - (ii) Brazil: National Biodiversity Mainstreaming and Institutional Consolidation Project;
 - (iii) Regional: Strategic Partnership for a Sustainable Fisheries Investment Fund in the LME of Sub-Saharan Africa, Tranche 1 of 3; and
 - (iv) Regional: World Bank/GEF Partnership Investment Fund for Pollution Reduction in the LME of East Asia, Tranche 1 of 3.
- (b) For the Small Grants Program, Council approved the 3-year Third Operational Phase, covering the FY05-FY07 period, in November 2004. At the time, it was understood that funding would be requested in three installments over the 3-year period. \$25 million is now being requested as part of the November 2005 Work Program, and an additional \$25 million will be requested under the January 2006 Work Program. This approach would lead to the 3-year operational phase being funded through periodic installments rather than through three annual requests.

10. This note is intended to assist all Council Members as they prepare for the discussion on the work program during the next Council meeting. Please do not hesitate to contact the Secretariat if you have any questions.

PROJECT PROPOSALS SUBMITTED FOR COUNCIL APPROVAL

November 2005 (Alternative WP)

All amounts shown in US\$ million.

| # | GEF ID | IA ID | OP Country | IA | Project Title | PDF A | PDF B + PDF C | GEF Project Amount | Total GEF Allocation* | Cofin. | Total Project Cost ** |
|-----------------------------------|-----------|----------|------------|--|---------------|--------------|---------------------|--------------------------|-----------------------------|----------------|-----------------------------|
| <u>Biodiversity</u> | | | | | | | | | | | |
| 1 | 2371 | 3083 | 3 | Regional (Guatemala, Honduras, Brazil, El Salvador, Peru) | UNDP | | 0.640 | 12.000 | 12.640 | 81.613 | 94.254 |
| 2 | 1028 | 1878 | 1 | Regional (Yemen, Lebanon, Palestinian Authority, Djibouti, Egypt, Eritrea, Ethiopia, Jordan, Sudan, Syria) | UNDP | 0.025 | 0.475 | 9.743 | 10.243 | 15.597 | 25.840 |
| 3 | 2641 | 91827 | 3 | Brazil | World Bank | | | 13.000 | 13.000 | 26.000 | 39.000 |
| 4 | 2764 | 94715 | 1 | Brazil | World Bank | | | 22.000 | 22.000 | 66.000 | 88.000 |
| 5 | 2551 | 91932 | 2 | Colombia | World Bank | | 0.350 | 15.000 | 15.350 | 27.500 | 42.850 |
| 6 | 2105 | 2439 | 2 | Croatia | UNDP | 0.025 | 0.297 | 6.988 | 7.310 | 24.334 | 31.644 |
| 7 | 2443 | 89171 | 4 | Mexico | World Bank | | 0.350 | 15.000 | 15.350 | 166.792 | 182.142 |
| Sub total for Biodiversity | | | | | | 0.050 | 2.112 | 93.731 | 95.893 | 407.836 | 503.729 |

* "Total GEF Allocation" is the GEF Project Amount plus previously approved grants for project preparation (PDF A, B & C).

** "Total Project Cost" includes the PDF amount, GEF Allocation and all project co-financing

All amounts shown in US\$ million.

| # | GEF ID | IA ID | OP Country | IA | Project Title | PDF B + GEF Project | | Total GEF Allocation* | Cofin. | Total Project Cost ** | |
|-------------------------------------|--------|-------|--|------------|---|---------------------|--------------|-----------------------|---------------|-----------------------|----------------|
| | | | | | | PDF A | PDF C | | | | |
| 8 | 2619 | | 5 Regional (Belarus, Bulgaria, Kazakhstan, Romania, Russian Federation, Serbia and Montenegro, Ukraine, Macedonia) | UNEP | Financing Energy Efficiency and Renewable Energy Investments for Climate Change Mitigation | | | 3.000 | 3.000 | 9.260 | 12.260 |
| 9 | 2385 | 3085 | 6 Regional (Cameroon, Mali, Central African Republic, Benin, Togo, Gabon, Rwanda, Congo, Congo DR, Burundi) | UNDP | First Regional Micro/Mini-Hydropower Capacity Development and Investment in Rural Electricity Access in Sub-Saharan Africa | | 0.590 | 18.584 | 19.174 | 121.336 | 140.510 |
| 10 | 2107 | 2426 | 5 Belarus | UNDP | Removing Barriers to Energy Efficiency Improvements in the State Sector in Belarus | | 0.195 | 1.400 | 1.595 | 8.370 | 9.965 |
| 11 | 2257 | 2933 | 11 China | UNDP | Demonstration of Fuel Cell Bus Commercialization in China, Phase 2 | | | 5.767 | 5.767 | 12.858 | 18.625 |
| 12 | 2019 | 83075 | SPA Colombia | World Bank | Integrated National Adaptation Plan: High Mountain Ecosystems, Colombia's Caribbean Insular Areas and Human Health (INAP) | | 0.270 | 5.300 | 5.570 | 11.900 | 17.470 |
| 13 | 2543 | 89326 | SPA Kiribati | World Bank | Kiribati Adaptation Program - Pilot Implementation Phase (KAP-II) | | 0.099 | 1.800 | 1.899 | 4.800 | 6.699 |
| 14 | 2386 | 3086 | 6 Mauritania | UNDP | Adrar Solar Initiative and Decentralized Electrification in the Northern Coastline of Mauritania through Hybrid (Wind/Diesel) Systems | | 0.100 | 2.700 | 2.800 | 9.357 | 12.157 |
| 15 | 2780 | 3528 | EA Peru | UNDP | Second National Communication of Peru to the UNFCCC | 0.049 | | 1.800 | 1.849 | 1.013 | 2.862 |
| Sub total for Climate Change | | | | | | 0.049 | 1.254 | 40.351 | 41.654 | 178.893 | 220.547 |

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|---|--------|------------|------------|--|--|--------------|---------------|--------------------|-----------------------|----------------|-----------------------|
| <u>International Waters</u> | | | | | | | | | | | |
| 16 | 2093 | 87411 | 8 | Regional (Africa) | World Bank | | 0.670 | 13.000 | 13.670 | 39.000 | 52.670 |
| | | | | | Strategic Partnership for a Sustainable Fisheries Investment Fund in the Large Marine Ecosystems of Sub-Saharan Africa (Tranche 1 of 3 tranches) | | | | | | |
| 17 | 2454 | | 10 | Regional (Asia/Pacific) | World Bank | | 0.700 | 25.000 | 25.700 | 443.357 | 469.057 |
| | | | | | World Bank/GEF Partnership Investment Fund for Pollution Reduction in the Large Marine Ecosystems of East Asia (Tranche 1 of 3 tranches) | | | | | | |
| Sub total for International Waters | | | | | | | 1.370 | 38.000 | 39.370 | 482.357 | 521.727 |
| <u>Land Degradation</u> | | | | | | | | | | | |
| 18 | 1431 | | 15 | Regional (Gambia, Guinea, Guinea-Bissau, Mali, Mauritania, Niger, Senegal, Sierra Leone) | UNEP | 0.025 | 0.529 | 11.000 | 11.554 | 33.000 | 44.554 |
| | | | | | Fouta Djallon Highlands Integrated Natural Resources Management Project (FDH-INRM) (Tranches 1 and 2) | | | | | | |
| 19 | 2549 | 89289 | 15 | Cameroon | World Bank | | 0.350 | 6.000 | 6.350 | 92.000 | 98.350 |
| | | | | | Sustainable Agro-Pastoral and Land Management Promotion Under the National Community Development Program Support Program (PNDP) | | | | | | |
| 20 | 2437 | 3005/ -/ - | 15 | Cuba | UNDP/UNEP/F AO | | 0.348 | 9.653 | 10.000 | 79.437 | 89.437 |
| | | | | | Supporting Implementation of the Cuban National Programme to Combat Desertification and Drought (NPCDD) | | | | | | |
| 21 | 2355 | 88600 | 15 | Kenya | World Bank | | 0.350 | 10.000 | 10.350 | 72.800 | 83.150 |
| | | | | | Agricultural Productivity and Sustainable Land Management | | | | | | |
| 22 | 2439 | 3138/ -/ - | 15 | Namibia | UNDP/UNEP/ WB | | 0.250 | 10.000 | 10.250 | 51.989 | 62.239 |
| | | | | | Country Pilot Partnership (CPP) for Integrated Sustainable Land Management | | | | | | |
| Sub total for Land Degradation | | | | | | 0.025 | 1.827 | 46.653 | 48.504 | 329.226 | 377.730 |

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|---|--------|--------|------------|------------|--|--------------|---------------|--------------------|-----------------------|------------------|-----------------------|
| <u>Multi-focal Areas</u> | | | | | | | | | | | |
| 23 | 2899 | 3658/- | Global | UNDP/UNEP | Country Support Program for Focal Points and Council Members | | | 11.865 | 11.865 | 0.270 | 12.135 |
| 24 | 2900 | | EA Global | World Bank | GEF- Development Marketplace Partnership | | | 5.000 | 5.000 | 7.600 | 12.600 |
| 25 | 2592 | | 3 Global | UNDP | Small Grants Programme (Third Operational Phase), Tranche 2 | | | 25.000 | 25.000 | 25.000 | 50.000 |
| Sub total for Multi-focal Areas | | | | | | | | 41.865 | 41.865 | 32.870 | 74.735 |
| <u>Total for New Submissions</u> | | | | | | 0.124 | 6.562 | 260.600 | 267.286 | 1,431.182 | 1,698.468 |
| <u>Grand Total</u> | | | | | | 0.124 | 6.562 | 260.600 | 267.286 | 1,431.182 | 1,698.468 |

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^: M - Denotes multi focal area project.

PROJECT PROPOSALS IMPLEMENTED THROUGH THE WORLD BANK**– DETAILS OF REVISIONS**

1. Proposals to be further developed and implemented through the World Bank would not be in jeopardy with request for reduced funding.
2. Three out of four "partially-funded" Bank projects will co-finance sub-projects that will be reviewed for CEO endorsement. Each project's first "tranche" in this work program has sufficient GEF financing for a critical mass of "sub-projects". In the unlikely event that the remaining GEF financing were not to materialize, this would result in fewer subsequent sub-projects (i.e. reducing the scope of the projects), but it would not affect the viability of the first "tranche".
 - (a) Brazil: Cerrado Initiative: "The resources from this grant will be used to support four to six sub-projects (with a 1:2 match) each with separate grant agreements, for state and federal agencies and NGOs selected according to pre-established criteria defined by the Initiative. Each sub-project will undergo the typical Bank project preparation, including aspects such as financial issues, procurement and safeguards. There would be specific Quality Enhancement Review (QER) Meetings for each sub-project as well as Decision-Making Meetings and Appraisal Missions. Once the project is appraised, the entire package will be submitted to GEF's CEO Endorsement. After negotiations, the final package for each sub-project would be approved by the RVP, who would authorize the signing of the Grant Agreement and the beginning of implementation."
 - (b) Brazil Mainstreaming, was reduced from \$30 million to two requests of \$22 million and \$3 million. Therefore, a "significant portion of its financing" has been secured.
 - (c) Strategic Partnership for a Sustainable Fisheries Investment Fund in the Large Marine Ecosystems of Sub-Saharan Africa: "The GEF will create a Sustainable Fisheries Investment Fund, or Partnership Investment Fund, of US\$60 million to be disbursed as grants, which will be available in three tranches over a ten-year period. This Partnership Investment Fund will be available to co-finance, together with IDA credits and IBRD loans from the World Bank and/or funds from other interested donors, country-level projects. As mentioned previously, this regional GEF funding mechanism is based on the Danube/Black Sea Basin Strategic Partnership model, in which the GEF Council would approve the overall funding mechanism described in this Brief, and more specifically the criteria that each project must meet in order to be eligible to receive co-financing from the Partnership Investment Fund, so that the subsequent individual project proposals will not have to go back to the GEF Council provided they meet the eligibility criteria, but will only need approval by the GEF CEO."

- (d) GEF Partnership Investment Fund for Pollution Reduction in the Large Marine Ecosystems of East Asia: "The Fund would co-finance the implementation of individual investment sub-projects up to a maximum of approximately \$5 million of GEF grant financing per sub-project. The primary difference between the Fund procedures and normal WB/GEF processing procedures is that, following GEF pipeline entry, sub-projects under the Fund would not be submitted to the GEF Council for approval through standard work programs at Council Meetings or Intersessionals. Rather, upon completion of sub-project preparation, the World Bank would submit eligible sub-projects directly to the GEF CEO for endorsement. The GEF CEO would approve individual sub-projects on a rolling basis until the funding limit of each Fund tranche had been reached."