

GLOBAL
ENVIRONMENT
FACILITY

WORK PROGRAM PROPOSED
FOR COUNCIL APPROVAL

GEF Council Meeting
Washington, D.C.
May 3 - 5, 1995

DRAFT COUNCIL DECISION

The Council reviewed the proposed work program presented in Document GEF/C.4/3, and approves it. The Council requests the Implementing Agencies to develop the approved projects further, taking into account the comments raised by the Council and any subsequent written comments by the Members. Members are requested to submit their comments to the Secretariat by May 26, 1995.

CONTENTS

SECRETARIAT COVER NOTE ON THE PROPOSED WORK PROGRAM

Introduction 1

Composition of Proposed Work Program 1

Presentation of Project Proposals 1

The GEFOP Review Process 2

Issues and Observations 2

Specific Issues Related to Selected Projects 4

Conclusion 6

PROPOSED WORK PROGRAM

A. Climate Change

Enabling Activities

1. Armenia: Country Study on Climate Change
2. Costa Rica: Building National Technical Capacity to Develop Options for Greenhouse Gas Emissions Reductions and Enhancement of Carbon Sinks
4. Egypt: Building Capacity for GHG Inventory and Action Plans in Response to UNFCCC Communications Obligations
5. Malaysia: National Greenhouse Gas Inventory and Response to the United Nations Framework Convention on Climate Change
6. Mexico: Development of GHG Emission Coefficients From Live Systems in Central Mexico and Development of a Related Information Management System
7. Sudan: Capacity Building to Enable Response and Communications to the UN Framework Convention on Climate Change

8. Tunisia: Emissions Inventory of Greenhouse Gases: National Strategy and Action Plans for Emission Reduction and Fulfillment of National Communications under the UNFCCC
9. Caribbean: Planning for Adaptation to Global Climate Change
10. Global: CC:TRAIN Phase Two - Training Programme to support the Implementation of the UNFCCC

Priority Projects

11. Lithuania: Klaipeda Geothermal Demonstration Project
12. Global: Alternatives to Slash-and-Burn Agriculture (ASB), Phase II

B. Biodiversity

1. Central African Republic: A Highly Decentralized Approach to Biodiversity Protection and Use: The Bangassou Dense Forest
2. Guatemala: Integrated Biodiversity Protection in the Sarstun-Motagua Region
3. India: Eco-Development
4. Indonesia: Kerinchi-Seblat Integrated Conservation and Development
5. Lebanon: Strengthening of National Capacity and Grassroots In-Situ Conservation for Sustainable Biodiversity Protection
6. Mauritius: Marine Protection and Biodiversity Conservation
7. Regional: Sustainability of Amazonian Development: Criteria, Policies, Capacity Building

C. Ozone Depletion

1. Bulgaria: Phase-out of Ozone Depleting Substances
2. Hungary: Phase-out of Ozone Depleting Substances
3. Russian Federation: Phase-out of Ozone Depleting Substances (Phase I)

4. Slovak Republic: Phase-out of Ozone Depleting Substances
5. Slovenia: Ozone Depleting Substance Phase-Out

SECRETARIAT COVER NOTE ON THE PROPOSED WORK PROGRAM

Introduction

1. At its February meeting, the Council requested the Secretariat to regularly prepare a cover note to accompany each proposed work program presented for Council's approval, highlighting the policy issues associated with the proposed work program. The Council also stressed the need for consistency in the format of information presented on project proposals contained in the proposed work program.

Composition of Proposed Work Program

2. For purposes of the Council's May meeting, the CEO issued the following guidance to the Implementing Agencies concerning the level of funding for the work program: the total size of the work program should be about \$130 million, with \$95-100 million for Biodiversity, Climate Change and International Waters, including Land Degradation, and \$30-35 million for phase-out of Ozone Depletion. After reviewing the conclusions and recommendations of the GEF Operations Committee (GEFOP), the CEO is recommending to the Council, for its consideration and approval, the work program presented in this document. It contains 23 projects representing \$106.75 million in GEF financing. The composition of the proposed Work Program is as follows:

- (a) Climate Change:
 - (i) Enabling Activities: \$11.15 million (9 projects);
 - (ii) Priority Projects: \$9.9 million (2 projects);
- (b) Biodiversity: \$47.5 million (7 projects); and
- (c) Ozone Depletion: \$37.2 million (5 projects).

3. Annex A sets forth summary information on each project and the requested level of funding.

Presentation of Project Proposals

4. As requested by the Council, an effort has been made to present the briefs for the projects included in the work program in a standard format, while recognizing specific needs of individual Implementing Agencies. With the benefit of experience, the format for project proposals will be further refined and streamlined, as necessary. Project briefs are, as a rule, accompanied by technical reviews which are carried out by individuals from the STAP Roster of Experts; for some projects only summaries of technical reviews are presented, highlighting any specific recommendations made, or issues raised. In all cases, complete technical reviews are available for reference. In the case of ODS projects, the STAP Roster of Experts was, out of necessity, supplemented by experts from the Ozone Operations Resource Group (OORG) of the Multilateral Fund for the Implementation of the Montreal Protocol.

5. GEFOP has also developed standard formats for reporting PDF Block A grants and Block B and C fund requests. These will also be further refined, with experience. These are presented for information in document GEF/C.4/7 on the Project Cycle. Judicious use of PDF funds in project preparation and development will help improve further the quality of future work programs, will

promote broad-based participation and consultation within countries in the development of work programs, will make the work programs increasingly responsive to the needs of countries, and will achieve global environmental benefits more effectively.

The GEFOP Review Process

6. The Implementing Agencies developed and presented to GEFOP for review over thirty project proposals for inclusion in the proposed work program. The proposals that were not cleared either did not fit the Council's 1995 programming guidance, were marginal to GEF objectives, or were such that their consideration should await the adoption of the long term operational strategy. Substantive guidance for work program development included that contained in the Council document, Guidance for Programming GEF Resources in 1995 (GEF/C.2/5), the preliminary operational strategies for International Waters and Land degradation approved by the Council (GEF/C.3/9 and GEF/C.3/10), the guidance given by the COP to the Convention on Biodiversity, and the guidance provided by the tenth and eleventh sessions of the INC of the FCCC. Regular consultations among the Implementing Agencies, the Secretariat, and the Convention Secretariats have helped to broaden consensus on operational interpretation of available programming guidance. The CEO's guidance has further helped clarify policy and strategy for program development, keeping in mind the challenges of programming resources in the interim period before the adoption of the long-term operational strategy. The Secretariat will work further upstream with the Implementing Agencies to ensure that the project development and review process becomes increasingly cooperative as well as efficient, and results in high quality work programs.

7. The Project Cycle paper (GEF/C.4/7) presents the criteria in accordance with which the GEFOP reviews the project proposals submitted to it by the Implementing Agencies.

Issues and Observations

Consistency with 1995 Guidance and Operational Strategy

8. The Council's programming guidance calls for the following to be taken into account in developing work programs in 1995:

- (a) assisting countries to undertake needed preparatory and planning work to implement the Conventions, and associated capacity building activities;
- (b) supporting high priority country-driven projects in an advanced state of preparation, with demonstration value and potential for leveraging other sources of finance;
- (c) achieving programmatic coherence and impact;
- (d) catalyzing or reinforcing international co-operation at regional levels to achieve global benefits; and
- (e) continuity of GEF funding to ensure outputs of significance for program development from follow-up of Pilot Phase activities.

9. As a general rule, project proposals are included in the work program only when there is consensus in GEFOP that they fall within the scope of the interim guidance on program development. In the case of a question about the consistency with the guidance from the Climate Change or Biodiversity Convention, the advice of the Convention Secretariats has been helpful in clarifying operational interpretation. In some cases, specific policy guidance was sought and given by the CEO regarding the inclusion in the work program of certain projects where no clear cut guidance existed or where specific policy issues were involved.

Enabling Activities: Climate Change

10. The Council paper, *Provision of Assistance for Enabling Activities and National Communications concerning the Framework Convention on Climate Change* (GEF/C.3/Inf.2), which was jointly prepared by the Secretariat and FCCC Secretariat, reviewed broad modalities with respect to enabling activities, but did not give specific guidance on how best to program resources. For example, the following elaborations are required for purposes of developing enabling activities: details of specific kinds of activities that should be included within the scope of those contributing to national communications; whether specific sequencing of activities was warranted; how to separate enabling activities eligible for agreed full cost financing from the capacity building activities eligible for agreed incremental cost financing; the relationship of individual country projects with the umbrella project of CC:TRAIN, which also seeks to help countries prepare national communications; how to synchronize various elements of assistance for enabling activities within countries and regions to avoid misallocation of resources; reasonable norms for costs for various elements of enabling activities assistance. The GEF inter-agency Climate Change Task Force and the FCCC Secretariat have agreed to consider how to proceed towards a more coherent and effective programming of GEF assistance for enabling activities in relation to Climate Change activities. The norms and criteria to be developed by the Task Force over the next few months will be phased into the implementation of the CC:TRAIN project that is included in the current work program.

"Enabling Activities": Biodiversity, and Underlying Causes of Biodiversity Loss

11. The Biodiversity projects included in the work program represent a range of promising approaches to conservation of biodiversity and sustainable use of its components, including capacity building, and "enabling activities" type of assistance. Proposals included in the work program reflect notable sensitivity to the social, economic, participatory and managerial aspects of protected areas and ecosystems to achieve biodiversity objectives. An inter-agency Task Force on Biodiversity is currently engaged in developing a coherent and effective approach to delivering "enabling activities" type of assistance (e.g. national inventories, strategies, action plans, and associated capacity building) to countries, within an agreed programmatic framework. There is scope, however, to address more coherently and effectively the underlying causes of biodiversity loss within national contexts. This issue is, in part, linked to the connection of biodiversity to main sectors of economic development and social development policies. The inter-agency Biodiversity Task Force will address this issue as it contributes to the development of the operational strategy.

Incremental Costs Analysis

12. In the case of some projects, notably priority projects relating to climate change, differences of opinion continue to exist on what might be construed a "reasonable baseline" for purposes of estimating incremental costs and appropriate level for GEF financing. In the case of biodiversity projects there were some differences on what should constitute a "reasonable baseline" in so far as the definition takes into account relevant ongoing and planned initiatives in the recipient countries. The Secretariat, in consultation with the Implementing Agencies, has developed a structured approach and a standard format for estimating incremental costs in submissions of project proposals. This is reflected in the Council document on Incremental Costs and Financing Modalities (GEF/C.2/6/Rev.2). The Implementing Agencies are increasingly coming to grips with the operational challenges placed by the principle of incremental costs, as is reflected in several proposals included in the work program. It is also essential that the Secretariat continues to work with the Implementing Agencies to develop case study materials that could provide more complete guidance on the application of incremental costs in project preparation.

Research Projects

13. The 1995 guidance does not mention research as a priority. During the pilot phase participants were not convinced that GEF should finance research. Subsequently, STAP prepared a paper on research which argued that targeted and action-oriented research should be funded. In the proposed work program there are two major research projects: *Alternatives to Slash-and Burn Agriculture*, and *Sustainability of Amazonian Development*. Moreover, there are some other projects that include a strong research component (e.g.: *India: Ecodevelopment*; *Mexico: Emission Coefficients*). An important consideration relating to inclusion of research projects is how well they are linked to the operational needs of program development, and the development, in the context of the projects, of action plans for translating research results into specific activities in the respective countries.

Sustainability of Global Benefits

14. GEFOP discussion often raised issues of sustainability of global benefits arising from the projects. These issues include: financial sustainability, especially where GEF was asked to fund recurrent costs; management sustainability in the face of insufficient capacity within the country to sustain effective action; and ecological sustainability in the face of initial conditions of severe biodiversity loss, and considering the nature and scope of the proposed intervention in relation to the critical mass of effort needed to reverse the trend. There is also the issue of how to ensure sustainable use of the components of biodiversity whose resolution might require policy co-ordination among various sectors of development and levels of administration. The Secretariat will continue to work closely with the Implementing Agencies towards addressing these issues in a satisfactory manner.

Programmatic framework for International Waters

15. One international waters project was presented to GEFOP for review. It was not cleared on the ground that it had not been placed in a regional programmatic framework to ensure international co-operation to achieve agreed global benefits. UNEP could play an important role in helping the Secretariat and the Implementing Agencies develop strategic regional frameworks for international

waters projects, drawing upon ongoing regional seas and international freshwater action programs, and focusing on global benefits.

Specific Issues Related to Selected Projects

16. The following highlights project-specific operational policy issues that arose in the course of preparation of the proposed work program:

Caribbean (Enabling Activity): Planning for Adaptation to Global Climate Change

17. The initial scope of the project proposal was considered rather wide, transcending the boundaries of Stage I type activities geared to planning for adaptation to climate change. In order to determine the eligibility of activities for agreed full cost financing, it was necessary to separate activities and expenditures that could be considered to be related to planning for adaptation from those that related to capacity building for effective response in the event of climate change. Differences in views on where to draw the line for Stage I activities were resolved with the benefit of guidance from the Convention Secretariat.

CC:TRAIN: Training Program to Support Implementation of the FCCC

18. Assistance is provided to countries for enabling activities by the Implementing Agencies, bilaterally through national projects and also under the umbrella project of CC:TRAIN. The policy issue is how to achieve programmatic cohesiveness and efficiency in the provision of needed assistance for enabling activities without slowing the pace of delivery of such assistance. As mentioned in 8 (c) above, the Inter-Agency Task Force is working towards developing a common framework, methods and criteria, and these programmatic criteria and approaches will be phased into the umbrella project as it is being implemented.

Mexico: GHG Emission Coefficients

19. Although this is a national project to provide assistance for enabling activities, the project's research output relating to emission coefficients will be useful to other countries in the region and to IPCC in relation to its own work on regional emission factors. Consequently, the grant agreement with the recipient country will take into account the potential regional significance of the project's output, and will provide for the sharing of that output with the IPCC and other interested parties.

Lithuania: Klaipeda Geothermal Demonstration Project

20. The project represents a promising approach to a non-carbon energy technology with demonstration value and holds the potential for technology transfer. The level of GEF financing will be determined on the basis of agreed estimates of incremental costs, following standard methodology. The Secretariat and the Implementing Agency will work together to develop reasonable incremental costs estimates.

Mauritius: Marine protection and Biodiversity Conservation

21. This proposal initially contained two distinct components: biodiversity and international waters. Since the international waters component was not part of an agreed regional programmatic framework focusing on global benefits, the project was modified to concentrate on the biodiversity component which is to be developed taking into account linkages to an ongoing GEF initiative in the country. The proposal included in the work program is the modified version which concentrates on biodiversity conservation in two offshore islands of the country.

Russian Federation: Phase-out of ODS (Phase I)

22. This project was recommended by GEFOP for inclusion in the February work program but was withdrawn by the country pending the resolution of a number of important policy issues. These include: (i) development of a comprehensive Country Program; (ii) means for addressing non-compliance; and (iii) arrears in contributions to the Multilateral Fund. A comprehensive Country Program has been adopted by the government and is included in the project documentation. The program acknowledges that Russia is out of compliance with its obligations and proposes a revised phase out schedule. Russia has undertaken to resolve its arrears and will discuss this matter with the Protocol's Executive Committee in May, 1995.

CONCLUSION

23. The work program presented to the Council for approval includes a wide range of investment, capacity building and enabling activities projects in the focal areas of Climate Change, Biodiversity, and Ozone Depletion. These proposals have been subjected to careful review and consultation among the Implementing Agencies, the Secretariat and the Convention Secretariats, as appropriate, apart from review by independent scientific and technical opinion provided by experts from the STAP Roster. Upon the Council's approval of the work program, individual project proposals will be developed further, taking into account GEFOP's and the Council's comments. The CEO recommends the work program to the Council for its approval.