

GLOBAL
ENVIRONMENT
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GEF CORPORATE BUSINESS PLAN
FY97-99

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The Council reviewed the *GEF Corporate Business Plan, FY97-99*, document GEF/C.6/5, which was prepared by the Secretariat on the basis of the business plans submitted by each Implementing Agency, STAP, the Trustee and the Secretariat. The Council requests the Secretariat and the Implementing Agencies to take into account its comments on the business plan when preparing the proposed FY97 budget for approval by the Council at its meeting in April/May 1996. The Council further requests the Secretariat to work with the Implementing Agencies to develop a fee-based structure for determining budgetary resources as described in Part II of document GEF/C.6/5 and to use such structure to prepare the proposed FY97 budget.

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GEF CORPORATE BUSINESS PLAN FY97-99

PART ONE: THE BUSINESS PLAN

INTRODUCTION

1. At its May 1995 meeting, the Council approved a corporate business planning/budgeting approach involving a three-year business planning cycle and an annual budget as proposed in the Council document GEF/C.4/4 ("GEF Business Plan FY96-97 and Budget FY96). That document provided that at the second regular meeting of the Council each calendar year (October/November), a three-year rolling business plan would be presented with corresponding budget estimates for the coming year, and following Council guidance, a detailed corporate budget would be prepared for the coming fiscal year and presented for Council review and approval at the first meeting of the following year (April/May). For fiscal year 1997, as explained in the document, "this would mean that the Council would review in October 1995 the corporate business plan for FY97-99 with budget estimates for FY97; at the April/May 1996 meeting, the Council would have before it for review and approval the detailed FY97 corporate budget" (GEF/C.4/4, para. 6).

2. Part One of this document presents the GEF corporate business plan for FY97-99, covering the three Implementing Agencies (UNDP, UNEP, World Bank), Scientific and Technical Advisory Panel (STAP), Trustee, and Secretariat. Each entity was asked to prepare its anticipated work program of project operations and supporting operational and administrative outputs for FY97-99 taking into account: the existing policy framework under the Instrument, Council decisions and relevant conventions; convention guidance; guiding principles of the draft operational strategy; and country capacity and readiness for GEF-financed activities.

3. Part Two of this document discusses budget planning for FY97, and lays out options and recommendations for phasing in an improved cost-accounting and reporting system to better ensure compatible categories of expenditure across Implementing Agencies (IAs) and better differentiate true administrative from project-related costs. If approved by the Council, this new reporting approach would begin to be implemented in the FY97 GEF Budget Paper, and would be fully phased in during the course of the business plan. This Part also indicates the unnegotiated FY97 budget estimates submitted by the six entities as part of the Business Plan, pending Council guidance and implementation of a new budget system.

4. Annexes to this paper contain the individual business plans of each entity as submitted to the Secretariat, from which this corporate plan was prepared.

THE PLANNING CONTEXT

5. Implementing the Operational Strategy: The Operational Strategy provides guidance for achieving quality projects by elaborating principles and objectives for GEF's work programs, business plans and budgets (see Box 1). The strategy incorporates guidance from the two conventions to which the Facility serves as the interim financial mechanism (the Convention on Biological Diversity (CBD) and the Framework Convention on Climate Change (FCCC)), the GEF Instrument, and GEF Council decisions. A significant thrust of the Operational Strategy is to make the GEF more responsive to country needs and opportunities by ensuring that projects are truly country driven.
6. Setting Priorities through Operational Programs: The Operational Program is a primary tool for program planning within the framework of the Revised Draft Operational Strategy. The Strategy sets out ten initial Operational Programs (see summary in Box 2). While these are still to be developed in detail by the GEF, consistent with Convention guidance, their identification has already provided a framework for better focusing the project pipelines and planning process of this business plan. At the same time, particularly in the early stages of this plan, programming will be managed flexibly in recognition that guidance is still evolving and the project pipeline needs some time to respond to new directions.
7. Improving Project Quality: The overall goal and thrust for the business planning period is to enhance the quality of GEF-financed activities in a cost-effective manner in support of the GEF's overall mission as defined in the Instrument, Council decisions and related guidance.
8. Planning for Cost-effectiveness: This business plan has given special emphasis to planning operations and delivering services cost-effectively. Cost savings opportunities include business process innovations in how costs are accounted and tracked, collaborating in production of common services to better utilize each agency's comparative advantage and avoid duplication, reducing the number of publication programs, increasing use of information technology for project data management, communications and meetings, and where possible mainstreaming GEF operations with IA's non-GEF projects and activities to reduce preparation and supervision costs. Implementation of an improved cost accounting system that better delineates administrative from project costs should also help managers be more cost-effective in management and planning. Some overhead costs continue to be absorbed by the Implementing Agencies further easing that burden on the GEF units.

BOX 1
OPERATIONAL PRINCIPLES

Eight principles will guide the development and implementation of GEF's work program:

1. For purposes of the financial mechanisms for the implementation of the Convention on Biological Diversity and the United Nations Framework Convention on Climate Change, the GEF will function under the guidance of, and be accountable to, the Conferences of the Parties (COPs).
2. The GEF will provide new and additional grant and concessional funding to meet the agreed incremental costs of measures to achieve agreed global environmental benefits.
3. The GEF will ensure the cost-effectiveness of its activities.
4. The GEF will fund projects that are country-driven and based on national priorities designed to support sustainable development.
5. The GEF will maintain sufficient flexibility to respond to changing circumstances, including evolving guidance of the Conference of the Parties.
6. GEF projects will provide for full disclosure of all nonconfidential information.
7. GEF projects will provide for participation of beneficiaries and affected groups of people.
8. GEF projects will conform to the eligibility requirements set forth in paragraph 9 of the GEF Instrument.

Source: Revised Draft Operational Strategy, GEF/C.6/3, p2.

BOX 2
INITIAL OPERATIONAL PROGRAMS

1. Biodiversity: Arid and, Semi-arid ecosystems
2. Biodiversity: Coastal, marine, and freshwater ecosystems (including wetlands)
3. Biodiversity: Forest ecosystems
4. Biodiversity: Mountain ecosystems
5. Climate Change: Removing barriers to energy conservation and energy efficiency
6. Climate Change: Promoting the adoption of renewable energy by removing barriers and reducing implementation costs
7. Climate Change: Reducing the long-term costs of low greenhouse gas-emitting energy technologies
8. International Waters: Waterbody-based program
9. International Waters: Integrated land and water multiple focal area
10. International Waters: Contaminant-based program

Note: In the focal area of ozone layer depletion, all activities are discussed in the sections on enabling activities and short-term response measures.

Source: Revised Draft Operational Strategy, GEF/C.6/3, p. 9.

PLANNING ASSUMPTIONS

9. Project Processing to Become More Effective. It is assumed for this planning period that the guidance provided by the Operational Strategy and operational programs to be developed under the Strategy will reduce the uncertainty formerly experienced by countries and agencies on GEF policies and procedures for eligibility and project priorities. Greater certainty can help manage expectations, better focus early screening and preparation work to enhance relevance of proposed projects for GEF, and improve overall project quality since staff time and resources are concentrated on those projects most likely to be consistent with the Strategy and acceptable for the work program.

10. It also is assumed that improvement and relevance will be further enhanced as information and knowledge about the GEF continue to pass to the agencies' country officers and to country entities through training workshops and other information dissemination activities. Better informed country-level actors should improve markedly the "country-driven" nature of project proposals, as well as their suitability for GEF support.

11. Agencies' Project Pipelines Tailored to Strategy. Each Implementing Agency's work program estimates are based on their mode of operation and in-house capacities, adapted to GEF policies and procedures. Each agency's project pipeline has been constituted in view of the Revised Draft Operational Strategy and ten initial Operational Programs, taking into account both what is already in early preparation and potential additional demand. It is assumed that pipeline estimates will be more certain for FY97 than for the latter two years; as planning moves farther into the future, information about opportunities is more general and distribution among operational programs may be more difficult to estimate.

12. FY97 is Transition Year for The Strategy. Because of the lead-time involved in getting projects to implementation (24-27 months), it also is assumed that FY97 will be a transition year for the new Strategy. Projects put forward will fit within the initial ten Operational Programs as much as possible, but also a small number of other deserving projects in advanced stages of preparation may be considered if consistent with the Operational Strategy. This latter group would fall under the category: short-term response measures, rather than long-term operational programs. Furthermore, it is assumed that portfolio growth will be mostly in the category of long-term operations, with an increasing number of GEF-financed activities being either components of agency mainstream activities or receiving cofinancing from other sources, rather than being free-standing ones. Increasingly, particularly for GEF components attached to large associated projects, there will be cost efficiencies as technologies are main-streamed, and the incremental costs will be able to be limited to those extra processing steps required by the GEF.

13. More Upstream Work and Supervision Expected. In terms of pipeline activity, it is assumed that there will be heightened attention to early upstream work by agency staff

and agency cooperation. This is essential if projects reaching GEFOP are to be better prepared and of high enough quality to pass into the work program to the Council. Increased upstream emphasis should reduce the amount of staff time devoted to projects which do not pass the GEFOP review. To date, GEFOP experience is that only about half of the projects before it at any one meeting are included in the work program, the remainder being deferred due to concerns about eligibility, quality, or coordination. It is assumed by each IA that an average of 18 months will be needed to bring a quality project to GEFOP, at which point the project preparation will be sufficiently advanced so that, assuming the project is accepted into the work program, only another 6 to 9 months will be required to move the project to agency approval stage. Emphasis on more upstream work and more time for preparation also will provide a better window for collaboration and partnerships among IAs on specific projects drawing on the comparative strengths of each.

14. In addition, it is assumed that project supervision demands will increase as the number of projects in implementation grow in the outer years of the business plan, with both pilot phase and GEF I projects.

15. Resources Available. Finally, the FY97-99 projected work program levels assume for planning purposes that resources are available at a corresponding level, including some PDF funds for special preparation needs which will be accounted for as part of the overall project cost. PDF needs will be discussed further in the April/May 1996 budget paper to Council.

PROJECTED WORK PROGRAM OUTPUTS

16. Outputs for this business plan have been divided into four inter-related categories of activities: a) operational project outputs (measured by Council-approved work programs), b) common operational services (non-project specific activities that directly support operations, e.g., country training workshops, best practice papers, communications), c) STAP outputs, and d) administrative/management outputs.

Operational Project Outputs

17. Consistent with the Operational Strategy, GEF operations for the FY97-99 planning period will be programmed by type of activity: long-term operational programs, enabling activities, and short-term response measures.

18. The total volume of operations for FY97 is projected to be about \$642 million (Table 1). This represents a doubling of operations from FY96. UNDP's projected operations are some 2 1/2 times their expected FY96 level, with the World Bank portfolio doubling, and UNEP's holding steady with FY96. FY98 projections are for a further modest growth by about 10%, with FY99 holding relatively constant in real terms.

TABLE 1: Proposed Project Operations by Agency
(Measured by Council - Approved Work Program)¹
(Estimates) (\$ millions)

	FY97	FY98	FY99
<i><u>Implementing Agencies</u></i>			
World Bank*	400	400	400
UNDP	210	275	275
UNEP	32	37	40
Total	642	712	715

¹ The FY96 estimated total project operations are \$312 m., broken down as follows:
World Bank - \$200 m., UNDP - \$80 m., UNEP - \$32 m.

* World Bank includes IFC.

19. Table 2 shows the “best estimate” distribution of FY97 projected operations by type of activity. Consistent with the Strategy, long-term operations comprise the largest share of the work program (some \$560m or 87%), with enabling activities and short-term response measures reflecting much smaller sums (\$12m or 2%, and \$70m or 11% respectively).

20. The proposed FY97 work program by subject (Table 3) would be distributed roughly 30% to programs principally focused on biodiversity, 56% to climate change related programs, 9% to programs principally devoted to international waters and 5% for ozone (only for short-term response measures). These FY97 percentages are relative and should not be extrapolated to the three-year planning allocation for each agency. For instance, the World Bank’s FY97 work program is unusually heavy in climate change projects (at about 68%), whereas the relative distribution over the three years is expected to be roughly 55% climate change, 30% biodiversity, 10% international waters, and 5% ozone. Moreover, these percentages do not fully reflect work in any one focal area because, under the new framework of operational programs, more than one focal area may be addressed in any particular project. For example, some international waters projects will include biodiversity components and, conversely, some biodiversity projects especially dealing with coastal ecosystems will include water components.

21. Finally, the subject breakdown in Table 3 does not reflect numbers of projects nor the associated portfolio that these projects may draw overtime. Biodiversity, for example, has smaller projects in the start-up years, on average, than climate change but may have more leverage in drawing associated projects. In the latter years of the business plan, there is likely to be a strategic shift with biodiversity to larger projects

(technical assistance plus investments) as they are associated with major IA operations in sectors such as agriculture and water resource management.

TABLE 2: FY97 Proposed Project Operations by Type of Activity
(Estimates) (\$ millions)

	L-T Operations	Enabling Activities	S-T Measures	Total
World Bank*	360	0	40	400
UNDP	170	10	30	210
UNEP	30	2	0	32
Total	560	12	70	642

* Includes IFC.

TABLE 3: FY97 Proposed Project Operations by Subject
(Estimates) (\$ millions)

	Biodiversity	Climate Change	International Waters	Ozone	Total
World Bank*	90	272	19	19	400
UNDP	90	85	25	10	210
UNEP	10	6	14	2	32
Total	190	363	58	31	642

* Includes IFC.

22. During FY97-99, the Council will continue to be presented at each of its regular meetings with a specific work program of operations consistent with this framework, which it will be asked to review and approve. The "Work Program Proposed for Council Approval" will continue to be a collaborative effort, prepared by the Secretariat based on projects proposed by the agencies that were cleared by GEFOP and including a Secretariat cover note on the proposed work program, special issues, and conclusions for Council consideration.

23. **Agency-Specific Considerations.** Each Implementing Agency has projected its work program based on the nature of its operations, opportunities for collaboration across agencies, and comparative advantage as noted in the Instrument (Annex D, para. 11). Key considerations for producing quality projects are each agency's in-house capacity (i.e., ability to manage work program size and content) and the capacity of client countries to cope with the level and type of assistance provided by individual projects.

24. The United Nations Development Programme's projected operations are based on the assumption that the comparative advantage in UNDP's case is to play a primary role in the development and management of capacity building programs and technical assistance projects. UNDP's strong decentralized structure of Country Offices and Regional Bureaux provides important channels through which countries may seek GEF assistance to ensure a country-driven approach. At the same time, the GEF's centralized decision-making processes and special project cycle requirements go beyond the agency's traditional way of doing business, and require that UNDP/GEF staff have substantial input from headquarters in guiding project development and overseeing projects. In addition, UNDP's GEF projects are normally smaller than investment projects and are more involved with capacity building as a priority. Their management may be more labor-intensive per unit of funds disbursed than for larger projects.

25. UNDP's projected FY97-99 operations assume a strengthened in-country and Country Office capacity to identify, develop and implement GEF projects consistent with the Operational Strategy. UNDP/GEF staff will continue their screening and guidance role from headquarters to the decentralized units to further ensure that countries are fully informed and knowledgeable about GEF procedures and priorities concerning different types of projects.

26. Taking the above factors into account, UNDP estimates that for this business plan the average size of its long-term operations will be about \$3.5 million per project, while enabling activities and short-term response measures will average about \$0.5 million each. UNDP expects most of the demand for enabling activities to be fulfilled within the period of this plan. It anticipates processing up to 50 long-term operations, some 50 enabling activities and short-term response measures, and about 30 PDF Block B grants (totaling \$4.5 million) through GEFOP/Council review stage in FY97.

27. The United Nations Environment Programme's operational outputs are of two types: 1) a small number of projects within its area of expertise and capacity; and 2) support to other projects within UNEP's area of expertise where UNDP or the World Bank take the lead but UNEP has a strategic role per the Instrument. Drawing on its special strengths, UNEP's own GEF-managed project portfolio in FY97-99 will concentrate on a limited number of projects dealing especially with targeted research to advance environmental management tools and methodologies, convention-related strategic issues to improve information about priority problems and solutions, and projects that promote regional and sub-regional cooperation to achieve global environmental benefits. Some activities will be programmed in all four focal areas, and biodiversity, climate change, and international waters projects may include land degradation components.

28. The average size of long-term operations anticipated by UNEP during FY97-99 will be about \$2.5 million per project, with enabling activities in the range of \$0.1 - \$0.5 million per country and expected to phase out over the planning period.

29. The World Bank's FY97-99 business plan and FY97 budget estimate address (a) the need for GEF projects to be of the highest quality; (b) the manageability of the size of the work program by the Bank, and (c) the capacity of countries to cope with level of assistance provided by individual projects.

30. Quality is assured by the accurate and timely interpretation and communication of the Council's operational policy guidance and their implementation within the Bank, and the extent to which the global environment protection agenda is integral to the Bank's country assistance strategy and mainstreamed in sectoral and macro-economic planning and dialogue on sustainable development. The Bank based its projected operational work program on the level of country demands submitted to the Bank thus far and anticipated needs of client countries. With this projected work program, the Bank is limited only by the number of separate transactions thought feasible for the regions and the Board, not by its technical capacity for assistance. Significantly more than 30 GEF operations per year is expected to challenge the reorganized and streamlined Bank and will be accepted only with caution. However, it is anticipated that the Bank, when joined with the IFC, and in collaboration with other executing agencies such as IFAD and the regional banks, may be able to deliver a work program of up to 40 projects per year.

31. The average size of these projects for FY97 is estimated to be about \$10 million which normally will be associated with a mainstream investment operation. The size is expected to increase in subsequent years due to larger projects in climate change and international waters.

Common Operational Services (Non-Project Specific)

32. A priority for this business planning period is to improve the cost-effectiveness of common operational outputs through more systematic and collective decision-making about priorities and modes of delivery. Toward this end, a new Interagency/Secretariat Committee on Management will be established to oversee programming of several common services for FY97-99. This committee will be guided by the CEO and chaired by the Secretariat. It will meet at regular intervals to address common service issues as well as other management matters. It will provide a mechanism for regular interaction on opportunities for collaboration and avoiding duplication, new initiatives, issues and problems, priorities and which entity might take the lead on different initiatives.

33. The main categories of common operational services are: (a) operational policy guidance, (b) representational travel, (c) internal/external communications, (d) country training workshops, (e) staff development and training, and (f) the working paper series (including best practice papers). These are discussed further below and an indicative list of outputs for FY97 is provided in Table 4.

- (a) Operational Policy Guidance. Operational guidance is of two types: i) short formal statements (OGs) and ii) longer guidance papers. The formal OGs are directly derived from Council decisions on policy and serve as the pragmatic embodiment of such Council decisions to help guide and promote common implementation practices by the IAs. The Secretariat is responsible for their preparation. Over the course of the business plan, some five to eight OGs will be prepared mostly in the initial period of the plan and declining thereafter as the main issues are addressed -- e.g., in public involvement and information disclosure, monitoring and evaluation, and private sector involvement. The second type of guidance, the longer documents, are for the purpose of defining and developing methods and elements for implementing certain aspects of GEF policy. A high priority for the GEF during FY97 will be to develop the initial ten operational programs identified in the Strategy.
- (b) Representational Travel and Associated Costs. Representational travel includes: attendance at conferences of the parties to the conventions, and at other international fora, workshops, or functions where the GEF is invited to speak or otherwise participate. It would not include strictly operational travel. To ensure that the GEF is adequately represented in a cost-effective manner, representational travel for the business plan period will be coordinated through the Management Committee noted above. If the IAs in their capacity decide to attend meetings or functions which are considered as not needing GEF participation, the cost of travel and staff time could be absorbed by the IA budget, not the GEF budget.
- (c) Internal/External Communications Costs. Current practice will continue: the GEF-wide Quarterly Operational Report will remain the flagship external publication for information on GEF operations. In addition, Quarterly Bulletins, GEF "Questions and Answers", special inserts in Our Planet and other publications updating information for GEF stakeholders and highlighting policies and initiatives, will continue to be coordinated and funded by the Secretariat. Publication of individual project documents will continue to be funded by IAs out of their GEF allocation, and efforts will be made to explore cost savings, especially in cases where one IA may have a comparative cost advantage (e.g., on printing). In addition, increased use will be made of electronic data management and transfer in the production and distribution of documents.
- (d) Country Training Workshops. The current system of interagency planning and coordination for country training workshops is established and working well. Costs incurred are only for IA travel and in-country costs, not staff. The planning and funding of these workshops rests with the IAs, especially UNDP and the Bank given that both have significant national field presence, with UNEP playing an important role for region-wide workshops. The Secretariat's role will be limited to a "wholesale" function -- ensuring that the message is fully consistent with policy and the materials are relevant and of high quality. As has been the practice to date, management of planning, design, location and costing will be by the appropriate IA

in collaboration with other IAs. UNDP, which has taken the lead to date on these workshops, estimates the need for 3 to 6 national or regional interagency training workshops during FY97 in each of its five regions as an essential investment in "in-country" capacity building to achieve programming goals.

- (e) Staff Development and Training. During this business planning period, staff development will be needed if the goal of "mainstreaming" the GEF into the Implementing Agencies is to be accomplished. This training will not be directed only at core GEF staff, but also at regular agency staff involved in GEF operations. The Secretariat will provide input to ensure product quality and relevance; the IAs will be "retailers", marketing, organizing, and promoting, with IA GEF core staff participating as speakers, discussants, etc. Key areas for training development may include (i) understanding incremental costs of global environmental issues; (ii) the GEF Information Management System; (iii) the GEF in relation to other international legal instruments; (iv) mainstreaming the GEF: an operational orientation for IA regular staff; and (v) good practice in special issue areas, e.g., public involvement, monitoring and evaluation.
- (f) Working Paper Series. The Working Papers Series offers an important opportunity for the GEF as a whole and staff members individually to produce papers on a variety of topics of interest to the outside world. Such papers should be encouraged within all IAs as well as in the Secretariat. The Working Paper Series could cover: intellectual and policy related topics; analytical tools and methodology development; case studies of single or inter-country projects; best practice papers; interesting evaluation studies; cross-cutting issues of a general policy nature (e.g., endowments, fiscal instruments, social assessment tools). To ensure a relevant and cost-effective program, the GEF will use the management committee to coordinate and collaborate in selection and production of outputs. A strong editorial committee will be constituted to oversee quality and relevance of all submitted papers for inclusion in the Working Paper Series, and to ensure that expert external review is conducted. Appropriate disclaimers will be inserted in any publications to ensure that views do not necessarily mean GEF endorsement. Flexibility will be retained on how such papers are budgeted. It is projected that up to five working papers will be published each year.

TABLE 4: Indicative List of Common Services for Business Planning Period FY97

<u>Type</u>	<u>Possible Examples For FY97</u>
Operational Policy Guidance (OGs and papers)	<ul style="list-style-type: none"> - OGs: Public Involvement, Monitoring and Evaluation, Financing Modalities, Private Sector Involvement in the GEF - Operational Guidance Papers for the initial Ten Operational Programs
Representational Travel	<ul style="list-style-type: none"> - Conference of Parties to the Conventions - Technical Meetings Associated with the work of the Conventions - Other International UN Meetings (e.g., CSD) - International or Regional Seminars/Workshops
Internal/External Communications	<ul style="list-style-type: none"> - Project documents - Quarterly Operational Report - Quarterly Bulletins - GEF Questions and Answers - GEF inserts in Our Planet - Periodic articles in newspapers and magazines
Country Training Workshops (15-20/yr.)	<ul style="list-style-type: none"> - Continuing the activity initiated in FY96 with country-level training workshops on the GEF, eligibility criteria, priorities, procedures, etc.
Staff Training	<ul style="list-style-type: none"> - Understanding incremental costs and other economic aspects of global environmental issues - The GEF Information Management System - The GEF in relation to other international Legal Instruments - Mainstreaming the GEF: Operational orientation for IA regular staff - Good Practices in special issue areas, e.g., public involvement, monitoring and evaluation.
Working Papers	<ul style="list-style-type: none"> - Incremental Costs of Biodiversity Conservation - Information Technology for Country Capacity Building - Risk Assessment as Related to GEF Objectives - Root Causes of Biodiversity Loss

Outputs of the Scientific and Technical Advisory Panel (STAP)

34. The main focus of STAP's work will be to provide strategic advice to the GEF on scientific and technical issues. A smaller part of the work is aimed at the selective review of projects. During FY97-99, priority activities will include contributing to the further development of the GEF Operational Strategy and programs, based on emerging

developments in science and technology; providing written reviews to the GEF Secretariat and Implementing Agencies on draft documents submitted for STAP's scientific and technical advice; preparing brief issue papers on strategic scientific and technical topics (as identified by STAP, the GEF Secretariat and Implementing Agencies) to assist in further developing GEF operational programs; and, a report to the Council on key scientific and technical developments of relevance to the GEF.

35. As part of its mandate, STAP will also contribute to ensuring the scientific soundness and technical quality of GEF projects through selective independent reviews and objective scientific and technical advice. Major areas of emphases in FY97-99 include: participation in the GEFOP and the annual Project Implementation Review in order to advise the GEF Secretariat and Implementing Agencies on scientific and technical issues in the work programme; overseeing the use of the STAP Roster of Experts and further developing the Roster; conducting selective reviews of a small number of projects, including ex-post evaluation of the strategic scientific and technical aspects of project implementation, in accordance with criteria approved by the Council; and reporting to regular meetings of the Council as mandated in its Terms of Reference. STAP will also provide advice on the scientific and technical aspects of the GEF monitoring and evaluation program.

Administrative Outputs

36. Regular administrative outputs from the six entities covered by this plan range from documents to the Council and logistic support for Council meetings, to financial policy management, accounting and legal services, and general coordination/collaboration across institutions. In close collaboration with the other entities, the Secretariat takes the lead in preparing or coordinating a variety of reports and analyses for the Council, some required on an annual or other periodic basis and others the result of special Council requests. Table 5 contains an indicative list of regular reports expected to be provided to the Council during FY97-99 for information or approval, including the corporate business planning and budget documents which the CEO is responsible for negotiating with the agencies.

37. The Secretariat also will continue to be responsible for advice, guidance, and monitoring of GEF governance and legal issues, and undertaking other legal and institutional relations to ensure that the work of the GEF is proceeding properly under the Instrument and Council decisions. Activities will continue to include advising the CEO on the role, policies, and procedures of the GEF; legal and institutional liaison with the IAs, Trustee, convention secretariats, and other international bodies; and follow-up of negotiations on arrangements and agreements with the convention secretariats. This area of work also includes all aspects of organizing conference services, logistics and communications for Council and Assembly meetings.

38. During this business planning period, two special events will particularly draw on the time and energies of GEF staff and produce specialized outputs: the Assembly and

the replenishment discussions. In the FY97-99 period, the first Assembly meeting under the restructured GEF will be convened probably during FY98 (calendar year 1997). This meeting will be considerably larger than regular Council meetings, involving representatives of all participants, and the venue for the Assembly will likely be outside of Washington, D.C. These special features will involve additional logistic and administrative preparations by the Secretariat, along with the other entities. In addition, special reports and presentations will be prepared for the event.

39. Second, activities related to replenishment will involve all entities, under the lead of the Trustee. The World Bank as Trustee of the GEF Trust Fund, in cooperation with the Secretariat, will be managing the replenishment discussions during this business plan, which should begin during FY97. As part of the replenishment effort, it will coordinate with and support donors who have pledged to the GEF to convert those pledges into legal commitments to GEF Trust Fund. The Trustee also will continue to manage donor contributions to the pilot phase and GEF-1 to ensure legal commitment authority is in place and sufficient cash is on hand to meet disbursement needs. An integral part of this activity will be fine tuning, maintaining, and operating the Capital Management System. In addition, the Trustee will provide support to new donors who often need additional information and other assistance in making their contributions available on terms consistent with the Instrument. The Trustee will continue regular reporting of status of contributions as well as the overall status of the Trust Fund, and will coordinate an expanded set of five audited financial statements for Council review on a regular basis.

TABLE 5: Indicative List of Regular Reports to the Council

<u>Document</u>	<u>FY97</u>		<u>FY98</u>		<u>FY99</u>	
	1st half	2nd half	1st half	2nd half	1st half	2nd half
GEF Corporate Business Plan	x		x		x	
GEF Corporate Budget		x		x		x
GEF Midyear Budget Review		x		x		x
Secretariat Budget Expenditure Report		x		x		x
Annual Audit Reports		x		x		x
Status of Commitments and Pledges to the GEF Trust Fund	x	x	x	x	x	x
GEF Annual Report (incl. reporting to Conventions)	x		x		x	
Annual Project Implementation Review		x		x		x

STAFFING AND SKILLS MIX IMPLICATIONS

40. The significant growth in volume of the operations work program for this business planning period, and particularly the sharp rise from FY96 to FY97, can be expected to require some strengthened capacity for project-related work.

41. UNDP. UNDP's GEF program is managed by a central unit located within UNDP's Sustainable Energy and Environment Division (SEED). This unit is composed of 8 professionals, including GEF thematic specialists in biodiversity and climate change, and staff responsible for management, finances, and information systems. For FY97, the UNDP core unit expects to increase technical capacity in international waters, and use consultancies in the other thematic areas to support monitoring of the portfolio, as well as assessments of incremental costs, global benefits and community participation aspects. Over the course of the business plan period, UNDP also plans to strengthen the technical capacity of the Country Offices to oversee development and implementation of GEF projects through training programs and flow of information about GEF eligibility, procedures and administration. Particular emphasis will be placed on enabling governments, Country Offices and executing agencies to fulfill the monitoring and evaluation needs of GEF projects, which are expected to go beyond those that UNDP requires for its traditional portfolio. In view of the significantly increased work load of the restructured GEF over the pilot phase, UNDP will develop and implement a new staffing plan to provide appropriate levels of technical expertise in Country Offices and operational bureaux.

42. UNEP. For this business plan period, the UNEP/GEF Coordination Office staff will continue to consist of four professionals: Executive Coordinator, Administrative/Fund Management Officer, Washington Liaison Officer, and Programme Officer. This core unit will continue to be complemented by three Programme Officers for biodiversity, climate change, and international waters who are assigned to the relevant UNEP Programme units. This staffing arrangement is projected to remain stable for FY97.

43. World Bank. The GEF program in the Bank is managed by a group of staff in the Bank's Global Environment Coordination Division (ENVGC) and in the IFC (see separate budget note circulated to the Council for information, GEF/C.6/Inf.9). The proposed budget for this core unit indicated in Part Two of this Plan (Table 6A) is to cover the costs of 14.5 professionals and long-term consultants (an increase of 4 staff years over the FY96 approved budget), and 7 support staff (an office manager, budget assistant, records assistant, and 4 secretaries) in the Bank, and two professionals and support staff in IFC.

44. Among the other three entities (Secretariat, Trustee, STAP), the Trustee and STAP are expected to remain constant with existing positions. The Secretariat staffing pattern for FY97 will hold steady with that of FY96, and staff training and redeployment

will be used to address new demands. For FY98-99, the cumulative nature of a rapidly expanding portfolio for GEFOP-related review and advice, plus the Assembly, are expected to require some strengthened capacity in the Secretariat on the order of two additional staff years in FY98 and one in FY99.

SPECIAL PROGRAMS AND INITIATIVES

45. Special programs include those limited cases where an Implementing Agency acts as an Executing Agency, and may require a small administrative fee. The Small Grants Programme is an example. Other special initiatives covered by this section relate to a GEF information technology program, and strategic monitoring and evaluation.

46. The Small Grants Programme: UNDP, which administers the Small Grants Programme (SGP), has submitted a proposal for funding replenishment at a level of \$28.9 million for the two-year period January 1996 to December 1997. Over this period, UNDP projects an expansion from the current 33 participating countries to up to 10 additional countries. Direct grant funding over this period will total \$20.08 million. Of this amount, about \$14 million will be allocated for small grants (up to \$50,000 per grant) in the 33 ongoing country programmes. At a projected average project size of \$30,000 (somewhat higher than the pilot phase), this translates to some 470 additional projects beyond the approximately 500 projects already funded in the pilot phase. A projected \$3 million in grant funding will be allocated for larger grants to support the "scaling-up" of successful pilot initiatives and, possibly, inter-country activities. The average total annual funding allocation per country for the 33 ongoing country programmes will be \$300,000, or about a 20% increase over pilot phase levels. New country programmes will be funded at the average pilot phase level of \$250,000. Additional detail on programme plans and proposed resource allocations can be found in the Small Grants Programme paper attached to the work program before this Council (GEF/C.6/4).

47. Information Technology Initiative: For all entities, improved information management through the use of electronic technology is a special business practice initiative for this period. In FY96, a GEF Interagency Task Force on Information Technology, chaired by the Secretariat, was established to serve as the focal point for this work, and has been actively developing joint capacity. An initial task was to establish a shared project database as a tool for GEFOP work and this is expected to be operational during the second half of FY96. This initiative will also have capacity to produce regular and standardized information about administrative expenditures and project disbursements. One of its first formal outputs will be the Quarterly Operational Report (QOR), converted to an electronic data base for easier updating and production from the old report, which was manually assembled each quarter. A related task is developing linkages to other important data sets (e.g., the Climate Change Convention database). These linkages will allow for a more complete picture of global environment projects to facilitate GEF work program development and prioritization.

48. During FY97-99, the Secretariat will continue to lead and coordinate this information technology initiative, and special efforts will be made to build electronic outreach capabilities to broaden participation of users on GEF issues via Internet or electronic mail. This will include linking national and regional focal area research and field monitoring centers as well as grass-roots NGO's. Information technology pilot projects will be developed in some recipient countries to demonstrate how information technology can enhance the development and fulfillment of project goals. GEF also will make more use of the Internet to ensure worldwide distribution of information about GEF initiatives and projects. The GEF already has a "home page" on the World Wide Web, and GEF documents are down loaded to that file for broad public dissemination. In these activities, the GEF will seek information and technology providers in the public and private sectors as partners in order that a viable, low-cost and highly focused effort is maintained.

49. For these initiatives to work, the IAs also need to build and maintain an in-house information technology capacity for project data entry and maintenance, and project technical and administrative tracking. In the World Bank, a GEF project database has been operating in the GEF Coordinating Unit since FY95. This database, which is still being fine-tuned, has provided useful input and experience for the Task Force's work on a common GEF system. During the business plan period, the Bank will make special efforts to increase its local connections between the GEF data base and the Bank's main information management system.

50. In UNDP, pilot databases for GEF projects in Africa and in the Arab States have been operating since 1995. Based on these experiences, the system is being expanded to all regions, and is expected to be operational in FY97. UNDP's experience with GEF project data management also has provided useful input to the joint work of the Task Force. Further maintenance, fine-tuning, and expansion of the UNDP system, as needed for reports and a users network, will continue through FY97 and the remainder of the business plan. In addition, several related initiatives are programmed for FY97-99, including the establishment of a user-friendly electronic communications network among selected Country Offices, executing agencies, UNDP operational bureaux, UNDP/GEF central unit, and the external community at large.

51. The UNEP GEF Coordination Office also has plans to develop a management information system for GEF activities in FY97. This system will provide UNEP, the Secretariat, and IAs with standardized project information compatible with the common system being developed through the Secretariat and task force. It also will have capacity to produce regular, timely and standardized information about administrative expenditures and project disbursements.

52. Monitoring and Evaluation: At the May 1995 Council meeting, the Council recognized the importance of monitoring and evaluation and the need for an efficient system to deal with GEF operational, scientific, and strategic issues. The Council directed that the GEF system for monitoring and evaluation of project operations should

be based on existing systems of the Implementing Agencies, harmonized for purposes of the GEF. The Council further directed that STAP have an important role in scientific and technical evaluation. To guide strategic and cross-cutting issues, the Council authorized the CEO to recruit and nominate, for Council appointment, a senior monitoring and evaluation coordinator. The Council also directed the Secretariat, in consultation with the Implementing Agencies, to prepare for the Council: (a) a strategic framework for monitoring and evaluation; (b) a proposed work program and budget; and (c) a proposal for further methodological work. These outputs require the task management of the new evaluation coordinator who would be responsible for implementing Council decisions flowing therefrom.

53. Subject to Secretariat nomination and Council appointment of a senior monitoring and evaluation coordinator, the FY97 budget to Council in April/May 1996 will include a separate line item covering the costs (salary and overheads) for the coordinator and associated support, including one research assistant and part-time secretary.

PART TWO: BUDGET ISSUES AND PROSPECTS FOR FY97

THE NEED TO IMPROVE COST ACCOUNTING

54. The GEF budget reporting system used in FY95 and FY96 (papers: GEF/C.3/4 and GEF/C.4/4 respectively) made attempts to better differentiate coordination unit costs from project-related costs, but recording differences prevented comparability across the Implementing Agencies. Those budget papers contained a traditional table of costs for the IA coordination units, Trustee, STAP, and Secretariat, and below that another that broke-out Bank estimates of project-related costs. UNEP and UNDP did not itemize their project-related costs "below the line", but incorporated them in the coordination unit table. As indicated when the FY96 budget paper was presented by the Secretariat to the May 1995 Council meeting, more work would be done through the GEF Interagency Budget Committee toward a common, more differentiated system to show coordination unit costs (i.e., true administrative overhead) and project-related costs.

55. The Secretariat and Implementing Agencies, through the Interagency Budget Committee (including the Trustee), have met on several occasions since the May meeting at both the technical and policy levels. They have examined definitions, record keeping systems, and options for more transparent and comparable accounting for GEF budget purposes. As can be seen in Part One of this paper, the FY97-99 planning process reflects significant projected growth in the operations work program, underscoring the need to move quickly to better differentiate administrative from project-related costs. More specifically, with a growing project portfolio the majority of an increase in the budget request would be due to the corresponding rise in project activity while true administrative costs remained relatively lean and constant. In an environment of increasing project-related costs, therefore, retaining the current system would grossly distort the picture by failing to accurately convey the justification for an increased budget. A new system also is needed to give managers and the Council a comparable tool for monitoring project-related costs overtime in order to assess cost-effectiveness and better understand true benefits flowing to the countries.

OPTIONS FOR A NEW BUDGET REPORTING SYSTEM

56. The Interagency Budget Committee's goal has been to find a new system of cost accounting that could serve as an effective and simple management information tool (not change existing, separate general or financial accounting systems) in order to better understand the full costs of delivering GEF projects. Underlying its deliberations were the need for transparency, accountability and equity, and the need to have agency auditors and financial units be part of the process of creating the new design. The Committee considered three options:

- (a) Continue with the FY96 budget format, using a Cost-Basis System with the following improvements -- each Implementing Agency would report two types of cost: 1) administrative costs covering full costs of the core coordination units,

using traditional accounting categories; and 2) project-related costs to be incurred by each IA. Each agency would base its project-related costs on its projections of project operations approved for the work program according to the estimated processing costs of those operations. Project-related costs (including PDF) would be included in project budgets. For presentational purposes in Council papers (both business plan and budget plan), the two types of costs (coordination unit/admin. and project-related) would be separated in different tables associated with their respective texts.

- (b) Initiate a Cost-plus-Fee System: This approach (partial fee-based system) could serve as a transition for one-year to Option C below (full fee-based system). It would continue to reflect the full costs of the core coordination units as true administrative costs, using the traditional accounting categories. To cover project-related costs, the system would move to a fee-based structure, negotiated as some average cost per type of project, size, etc., using real cost data or average cost estimates during the first years until real cost data were available. Again, all project-related costs (including PDF) would need to be included in the project budget. The agencies' projected operations for the coming year (as approved by the Council through the business plan) would be the basis for applying the fee and calculating the estimated budget needed to handle the projects.
- (c) Develop a Total Fee-Based System: This approach would broaden the fee-based system mentioned above to cover also all administrative costs, including costs of any coordination units, using a negotiated fee based on an agreed structure per type of project, size, subject area, etc. Each year, the projected operational outputs per agency would be the basis for applying the fee structure and calculating the estimated budget to be authorized for that agency. Again, all project-related costs (including PDF) would be accounted for as part of the project budget. To ensure predictability, the fee structure would be set for a two to three year period at which point it would be reviewed and adjusted as needed, based on annual audit data. UNEP's coordination unit would have special treatment in the absence of major operations.

PROPOSED APPROACH -- MOVE TO FULL FEE-BASED STRUCTURE

57. Based on experience to date and the fact that the existing budget system is quickly becoming ineffective, it is proposed that future budget submissions move toward a fee-based approach as soon as possible. Following this approach, the annual (Spring) budget paper would contain IA budget estimates for the coming fiscal year based on an approved fee structure applied to the projected work program in the business plan as approved by the Council at its prior (Fall) meeting. The initial fee structure may need to be applied on a trial basis for the first couple of years, to monitor whether fees are generally in line with actual costs. As more real cost data are available, the fee structure could be adjusted. After an appropriate trial period, it should be possible to hold the fee structure steady for three or more years to facilitate predictability. The Implementing Agencies

would maintain a simple cost-accounting system for projects which would not interfere with the agencies' normal financial accounts. This information would be important over time to better understand cost trends and provide information for periodic review of the fee structure.

How to Implement a Fee-based System

58. For FY97, GEF project cost estimates could be used to calculate the initial fee structure where real cost data are not available. The World Bank probably will have some real cost data on which to base its fee system. These actual and estimated costs could be broken down by agency into categories they believe have significant cost differentials. One could hypothesize that different types or sizes of projects may need different fee structures. For example, perhaps one category for the fee structure could be by focal area (project-related costs for biodiversity may vary significantly from project-related costs for climate change). Another category might be project size (in a small project the fee may represent a higher percentage than in a large project). A third category might be by type of project (e.g., investment vs. capacity building). These cost differentials would need to factor in project drop-out rates.

Kinds of Project-Related Costs covered by a Full Fee Structure

59. A full fee-based system for the GEF would cover two types of costs: fixed costs and variable costs. The fixed costs would be all costs of the core coordination units, and remain relatively constant over time. Variable costs would be project-related and vary with project size and type, rising or falling over time depending on the size, nature, complexity of the portfolio.

60. Fixed costs for the GEF core coordination units would include direct costs such as professional staff and support, supplies and office equipment, building rents and maintenance, communications, travel, publications, and indirect costs such as institutional overheads for central services (security, insurance, etc.). Project-related variable costs would include direct costs for staff (including GEF regional bureaux staff), project consultants, and their travel for project preparation, monitoring/supervision, and evaluation, plus indirect costs for their operating expenses and overheads.

Advantages of a fee-based cost-accounting approach

61. A full fee-based approach (Option C) has significant advantages over a cost-basis system (Option A) or a cost-plus-fee structure (Option B):

- (a) Transparency: One of the main purposes of any well-functioning cost-accounting system is to understand full production costs for delivering the desired outputs, and how these costs and outputs are interrelated over time. A full fee-based system allows for transparency on each agency's project cost structure, and will

help the GEF build up cost-accounting data to better monitor project costs and cost-effectiveness.

- (b) Accountability: Because the system is directly linked to work program outputs (which factor in variations across agencies including drop-out rates), there will be better data to compare costs and effectiveness across agencies. Regular audits of each agency's accounts will help to monitor trends and reasonableness of fees over time.
- (c) Feasibility/Viability: The fee-based approach should be feasible for the IAs, without creating new bureaucratic systems. Initial feedback from the Interagency Budget Committee is that the approach is worth trying, and would not need to interfere with other agency-based general or financial accounts. The World Bank GEF unit already has begun the process of converting its project accounts to a real cost-based accounting system for project preparation and supervision. It is anticipated that this system will be in place by FY97 which will make translating their project costs to a percentage fee of the project grant relatively straight forward. UNDP and UNEP already use estimated project costs when they calculate GEF budgets for project preparation, and track executing agency fees through a special line item in their accounts. These data provide a basis for calculating fees for UNDP and UNEP for the initial years until real cost data are available.
- (d) Simplicity of Administration and Review. Once the fee structure is established, the system should be relatively straight-forward to manage and monitor. Each year the budget would be allocated based on the proposed work program approved by the Council through the business plan, applying the corresponding fee structure. Audit reports would be available for Council review. The focus of Council budget approval would shift to relating budget to work program objectives and outputs, based on a fee structure which they would have an opportunity to endorse in advance. The IAs would be judged by their performance in delivering a quality work program, and they could organize their resources however best achieves this result.
- (e) Equity/Fairness: Proposed fees will be negotiated to ensure reasonableness, and the agencies will be involved throughout the process directly and through the Interagency Budget Committee. Everyone will participate in setting the fee structure so it fairly reimburses legitimate costs.
- (f) Predictability: An established set of fees will allow for more secure planning and facilitate more reliable financial forecasting for purposes of project development.

NEXT STEPS

62. The Secretariat, working with the Budget Committee, could recruit an independent financial management specialist from an accredited firm to do the fact-finding for a fee-based structure. This specialist could review cost data (actuals and estimates) and consult with each Implementing Agency (GEF, finance, and audit staff) on costs by project type and size, average drop-out rates, fee arrangements with executing agencies, financial reporting systems, and variations in accounting terminology. Financial firms used by the UN agencies to analyze costs of technical assistance projects also could be interviewed.
63. Based on this research and analyses, the consultant could propose an initially fee-based structure for all costs in terms of a percentage of average project grant per category of the fee structure. The consultant also could research whether regular GEF annual audits already include some monitoring of project cost accounts. If necessary, some supplemental work through the audits could be recommended to ensure monitoring of project cost accounts in relation to the fee structure. The consultant could recommend terms of reference for such an audit supplement so that the agencies understood from the beginning the reporting requirements.
64. The consultant's work could be supervised by the Secretariat, based on guidance from the Interagency Budget Committee, which could meet regularly with the consultant to give feedback. The estimated costs of such a consultant for about 20 days of work plus per diem and travel would be about \$25,000. This sum would include travel and one week in Nairobi working with UNEP, and one week in New York with UNDP. It is anticipated that the consultant's work could be completed by about January 1996, at which time recommendations for an initial fee-based structure could be submitted to the Council for its review and endorsement.
65. If feasible, the full fee-based structure would be used for preparing the FY97 budget estimates. If more time is needed to review and fine-tune the full-fee system, FY97 could be a transition year and Option B could be used for the FY97 budget -- i.e., the core coordination unit costs along with the costs of the Secretariat, Trustee, and STAP would be itemized as before, and project costs could be estimated applying a fee-structure to the Council-approved work program. The existing work program already underway would continue to require some budget support based on historical data.

SPECIAL ISSUES

66. In designing a fee-based system, the following issues need special attention:
- (a) Predictability and stability in flow of funds to IA work programs-- Any new system will need to be linked to the three-year business plan so that budget allocations are approved for the coming year based on projected deliverables and

the Implementing Agencies have some certainty that reasonable funds will be available for the coming year to support their planning and work in progress. Again, as noted above, UNEP's coordination unit would need special attention in the absence of major operations.

- (b) Setting fees to achieve GEF Objectives of Cost-Effectiveness --It will be important to design the fees-structure to avoid incentives or disincentives that could work against the objectives of the GEF. On the one hand, the fee structure needs to provide incentives to encourage ventures into risky projects which are desirable to the GEF; on the other hand, the structure should aim to be as cost-effective as possible with safeguards to avoid inflated fees. How the fee would be calculated for free-standing vs. associated projects would need special attention. By taking averages, any fee structure should normalize peaks and troughs of individual projects and reduce incentives to inflate any individual project size.
- (c) Creating a fee structure that is differentiated -- One flat fee for all projects, whatever size, type, complexity, or risk, would not meet reasonable costs of different projects because costs may vary substantially by project category. While the same fee structure will be applied as between agencies, the structure will need to differentiate by some reasonable categories, (type, size, etc.). At the same time, this differentiated structure should not be so complicated that it defeats the goal of creating a more efficient, administratively simple, and reasonably comparable budget system.
- (d) Clearly defining the reporting and auditing requirements for Implementing Agencies -- It will be important that the financial management specialist include suggestions on reporting and auditing requirements to monitor the system so that each agency knows what data to develop. These reporting and auditing suggestions could be reviewed and refined, as needed, by the Interagency Budget Committee, and could be submitted to the Council for endorsement.
- (e) Projectizing all project-related costs -- It will be important for the GEF coordination units to have a simple, common system of GEF project accounts in order to track project-related costs. This system should include PDF funds used for project preparation, so that the final project grant could be calculated to reflect any PDF advances. This would allow PDF to be more transparent and replenished in a more automatic manner.

BUDGET PROSPECTS FOR FY97

67. The FY97-99 business plan submissions from each entity included preliminary estimates for the FY97 budget needed to deliver its projected work program for that year. These estimates remained unnegotiated, however, because the Secretariat and Implementing Agencies, through their work in Interagency Budget Committee, agreed that the current budget reporting system was becoming increasingly cumbersome for

understanding budget needs in an environment where project-related costs were rising significantly. Therefore the Committee concentrated its efforts on reaching consensus about: (a) a new approach to budget reporting based on a fee structure; and (b) applying this new approach as much as possible to FY97, as outlined above. There also was consensus that the Committee needed guidance from the Council before moving forward along these lines, and that this guidance would have direct implications for the FY97 budget estimates.

68. Lacking other estimates, it was considered that the Council would want some indication of the rough resource envelopes submitted by the agencies for their proposed work programs. Similarly, the Implementing Agencies were concerned that some basis for moving forward with agency planning also was needed until the fee structure was in place. Therefore, Table 6A below contains the unnegotiated submissions of the Implementing Agencies, along with those of STAP, Trustee, and the Secretariat. In an effort to begin to differentiate administrative costs from project-related costs, each Implementing Agency provided rough breakdowns of their submissions by administrative and project cost, taking all core unit costs as administrative costs.

Table 6A: Unnegotiated FY97 Budget Submissions (\$ millions)

	UNDP	UNEP	World Bank*	STAP	Trustee	Secretariat	Total
Admin.	3.5	0.66	4.8	1.03	0.8	5.9	16.7
Project-related	9.5	1.04	19.2	0	0	0	29.7
Total	13	1.7	24	1.03	0.8	5.9	46.4

Table 6B: Rough Breakdown of FY96 Budgets (\$ millions)

	UNDP	UNEP	World Bank*	STAP	Trustee	Secretariat	Total
Admin.	3.0	0.66	3.4	1.03	0.8	5.9	14.8
Project-related	3.0	1.04	12.2	0	0	0	16.2
Total	6.0	1.7	15.6	1.03	0.8	5.9	31.0

* Includes IFC, and financial and legal administration of projects.

69. Comparing these agency submissions with their FY96 approved budgets roughly divided into the same categories (Table 6B), the unnegotiated submissions show FY97 administrative costs for agency core units growing to accommodate some in-house capacity building: UNDP by about 17%, and the World Bank by 40%, with UNEP holding steady with FY96. At the same time, UNDP's and the Bank's estimated project-related costs increase significantly, as this cost is a function of the estimated level of the operational work program. UNEP's project-related costs remain relatively constant for a work program at the same level as FY96. The STAP, Trustee, and Secretariat budget estimates for FY97 remain roughly at FY96 levels in real terms. The unnegotiated result would be a total resource envelope of about \$46.4 million, or about 50% increase from FY96 to FY97.

Annex

Individual Business Plans of the 6 Entities

OUTLINE OF UNDP-GEF'S BUSINESS PLAN FY97-99

1. UNDP's ROLE IN THE GEF

As a partner agency of the GEF, UNDP's primary mission is to help countries build their capacity, both in government and in civil society, to address global environmental problems in concert with national efforts to achieve sustainable human development. To fulfill this role, UNDP provides policy, program and project-level technical assistance, including pre-investment and targeted research, and serves as a convenor and facilitator through its network of Country Offices.

2. ESTIMATES OF OUTPUTS FY97-99

2 (a) Planning Assumptions

In participating in the preparation of this Business Plan, UNDP has based its estimates on the following assumptions:

COMMENTS ON PART I OF BUSINESS PLAN

(1) GEF's Complex, Centralized and Management-Intensive Project Cycle:

It is assumed that the GEF project cycle will remain more complex and centralized than the far more decentralized UNDP cycle in which Country Offices and Regional Bureaux can approve UNDP projects and programs up to \$3 million. The centralized GEF decision-making process poses new demands on UNDP's Country Office and Headquarters operations and these must be taken into consideration in FY97-99, as described here:

Since the beginning of GEF's pilot phase, project eligibility criteria, and all processes and procedures have been evolving steadily, and this has significantly augmented the importance of UNDP-GEF staff guidance and management above the usual UNDP operations. GEF projects also require an entire set of additional phases in the project cycle which preceeds UNDP's project cycle.

UNDP-GEF's technical assistance projects are of a significantly smaller average size than investment projects (averaging \$1.3 million/project for the 20 projects approved so far in GEF I, while the 11 investment projects in GEF I so far average \$9.4 million/project). And, UNDP-GEF's average project size in GEF I is only 29% of the average size of its projects in the pilot phase (\$4 million). Since small and large projects have many of the same requirements in terms of project management costs, a greater allocation of human resources is required from UNDP in managing these projects per dollar than other I.A.s and even greater human resources than UNDP allocated in the pilot phase. It is especially during the "GEF-specific" phases of the project cycle that these additional human resources are required by UNDP-GEF staff.

(2) Costs for GEF Project Development Workshops Assumed To Be Funded From PDF Not Administrative Budgets:

In order to assist countries to prepare the portfolio of projects projected in this Business Plan, UNDP will need to have access to adequate resources to train key people in a number of countries on GEF practices.

procedures and eligibility criteria. The *GEF Project Development Workshop* created by the I.A.s and the Secretariat is the appropriate vehicle for this 'country preparation' work, and the I.A.s have prepared a joint plan for carrying out this training in FY96, as well as in FY97-99. For the purposes of this Business Plan, UNDP is assuming that funding for the *GEF Project Development Workshops* described in the plan will be made available from PDF sources since these workshops are designed to assist countries in project preparation. If costs for these project preparation activities are determined to be most appropriately located under the I.A.s or Secretariat's administrative budgets, then provision will need to be made for this.

(3) Sufficient Resources Available For Project Development:

For the purposes of this Plan, it is assumed that sufficient PDF resources will be available to the I.A.s to assist countries in developing a substantial number of eligible projects. The accomplishments forecasted in this Business Plan cannot be realized if this assumption is not met.

(4) UNDP's Administrative Costs Remain Low:

UNDP's GEF projects are more labor intensive since they are smaller than investment projects, with more capacity building involved. As mentioned above, smaller projects require most of the same administrative processes that very large projects require and thus have a larger overhead relative to the size of the budget. The average administrative cost for undertaking UNDP's core projects and programs is 12%. However, UNDP has been successfully keeping costs at 6% of UNDP's GEF work program allocations [based on figures up to end of FY95]. This is due primarily to the use of existing UNDP infrastructure in Country Offices and Headquarters for GEF operations. UNDP has been cost-effective in managing GEF operations, and, in fact, in the pilot phase UNDP utilized less than 1/4 of GEF's total administrative costs while implementing 1/3 of the entire work program.

It is also worth noting that UNDP already absorbs significant costs in the management of GEF. For example, costs of UNDP's senior management participation in GEF projects (including the Regional Bureaux management, Country Office management, Bureau for Policy and Program Support (BPPS), the Special Office to Combat Desertification (UNSO), and the division responsible for global and inter-regional projects) are fully absorbed by UNDP.

(5) GEF Programming "Mainstreamed" In UNDP:

Given that clear program guidance will soon be available from the Conventions and Operational Strategy, substantial training of government and other GEF stakeholders, as well as of Country Office staff will be undertaken in FY96 with a view to ensure that project development is mainstreamed in countries and UNDP Country Offices. Furthermore, a strong potential exists to consolidate links between UNDP's regular funding and the GEF in 1997 since the new UNDP core funding cycle begins in that year.

(6) Productive Inter-Agency Collaboration:

UNDP anticipates expanded and even more effective cooperation among the I.A.s in which comparative strengths of each agency are built upon, and working relationships are clarified. Each I.A. will become more proficient in its specialty areas, and it is assumed that the I.A.s will fulfill the roles assigned to them in the Instrument, e.g. "UNDP will play the primary role in ensuring the development and management of capacity building programs and technical assistance projects", etc.

(7) Monitoring & Evaluation Program In Place:

An enhanced capacity to carry out thorough M&E will be developed in countries and Country Offices, as well as at headquarters. A strong technical network will be established to strengthen M&E backstopping in countries. GEF projects need additional M&E resources beyond those required for UNDP's normal portfolio. GEF requirements go beyond standard UNDP requirements in terms of: (1) estimates of global benefits, (2) calculations of incremental costs, (3) project implementation reviews, (4) documentation of community and stakeholder involvement in project cycle, etc. Fulfilling these requirements necessitates the close involvement of UNDP-GEF's operational staff, technical advisors, financial management staff, and executive coordinators -- and this managerial work is above and beyond their normal work load.

And, since the pilot phase portfolio is maturing now, the focus for these projects is turning to monitoring and evaluation. In FY97, a greater proportion of UNDP-GEF staff work will need to be directed in this way, requiring a commensurate allocation of GEF resources.

(8) Project Quality and Council Approval Rate Improved:

It is assumed that project quality and the "country driven" nature of projects will continue to increase as a result of the strengthened in-country and Country Office capacity to identify, develop and implement GEF projects that address the Convention and Operational Strategy guidance. Also, UNDP-GEF's proportion of "Council approved" projects is expected to increase with clearer project eligibility guidance and with countries fully informed and knowledgeable about GEF procedures and practices.

(9) GEF's Responsiveness To Country Needs And Opportunities:

To complement the programmatic and policy guidance provided to countries by the Conventions, GEF Council, Secretariat and Implementing Agencies (I.A.), it is important that the GEF remain flexible and responsive to the needs of countries vis a vis the GEF, as well as the opportunities for significant incremental global benefits that may be identified in-country. While giving direction to the work program, the GEF must also learn ongoingly from GEF stakeholders how viable and impactful projects that maximize environmental benefits can be designed and implemented. Another aspect of this point is that the GEF will become more "country-driven" since a critical mass of expertise on developing GEF projects will be consolidated in a significant number of countries.

COMMENTS ON PART II OF BUSINESS PLAN

RE: PROPOSAL FOR A NEW "FEE-BASED SYSTEM"

(1) Fee-Based System Viable With Base Line:

In order to begin implementation of the new approach, it would be important to establish a minimum base-line of I.A. administrative costs which would represent the minimum capacity for management, coordination, and monitoring functions of the current pilot phase and GEF I portfolio, as well as the capacity to prepare the revised FY96 portfolio. In view of the still evolving operational strategy and programs, as well as the recent adoption of a new project cycle and project review system (i.e. GEFOP) in GEF I, cost structures for project development are not yet clear. Therefore, FY97 should be seen as a transition year as GEF moves to this new system, and a minimal base-line, such as the FY96 administrative budget, should be maintained in this period. Over and above this basic level, UNDP is prepared to support the adoption of a fee-based system for the FY97 work program.

(2) Potential Disincentives Of Fee-Based System For Undertaking Challenging Or Difficult Projects

UNDP is reviewing the implications of a full fee-based system recognizing that such a system could serve as a disincentive to work in some particularly disadvantaged countries or on certain kinds of particularly innovative or challenging activities. Under these conditions, project preparation and supervision costs may be considerably higher than a fixed fee and in these cases the ability to charge real costs could be important.

(3) Fee-Based System To Take Project Size Into Account

As referenced in the Business Plan, construction of a fee-based system will need to take special consideration of the fact that small projects require many of the same management and administration services of larger projects and therefore "fees" must be based on the number of projects as well as total amounts.

(4) Costs Of Projects Not Ultimately Approved Need To Be Incorporated:

It is important to ensure that any fee-based system take account of the need for I.A.s to invest a certain level of resources into exploring country-driven project concepts which eventually do not receive GEF funding. When "casting the net widely", project proposals which may not be determined to be eligible after interagency and Secretariat consultations, will still require a significant investment of resources by the I.A.s.

(5) Costs Of Management And Monitoring Of Approved Projects Also To Be Incorporated

A fee-based system will obviously need to account for costs of implementing and monitoring projects that are already approved and in the portfolio, since costs of developing new projects is only a component of the I.A.'s workload.

2 (b) Estimates of Project Outputs

[Administrative resources required for Project Outputs are estimated at 70-75% of UNDP-GEF's total budget.]

ASSUMPTIONS ABOUT OPERATIONAL PROGRAMS:

I. Biodiversity:

A. Long Term Measures -- Operational Programs:

UNDP's potential priority Biodiversity program areas include the following: –

1. Integrating sustainable uses of biodiversity with biodiversity conservation in the management of threatened and biologically important arid and semi-arid, mountain, forested, wetland, and coastal and marine landscapes. Activities will include analyses of policies and legal frameworks, capacity building (including training), search for economic incentives, demonstrations, and targeted research.
2. In situ protection of socially important and endangered agro-biodiversity in wild and productive landscapes, including the protection of the wild relatives of cultivars. Activities will include policy analyses and assessments of legal frameworks, capacity building, demonstrations, search for economic incentives,

and targeted research.

3. Establishing and managing socially and ecologically sustainable protected areas. Protected areas to be selected on the basis of their biological uniqueness, expressed in the species and types of habitats and ecosystems they will help protect. Special attention will be given on a comprehensive range of ecosystem types receiving attention. Activities would include capacity building, search for economic incentives and long-term financing mechanisms, demonstrations, and targeted research.

In general, UNDP expects to place special interest in the following: drylands; mountain ecosystems; agrobiodiversity; coastal and marine ecosystems, national, regional and inter-regional capacity building projects

B. Enabling Activities:

E.A.s in this thematic area currently entail National Biodiversity Conservation and Sustainable Use Strategies and Action Plans. UNDP expects that country demand for these E.A.s will be fulfilled in the next few years, probably within the period of this 3 year Business Plan, and will then phase out.

C. Short Term Measures:

UNDP cannot anticipate at this time the demand, nature and magnitude of these measures for FY97.

II. Climate Change:

A. Long Term Measures -- Operational Programs

A high priority for Long Term projects are the primary GHG emitting countries and other potentially fast growing emitters. Within the identified provisional Operational Programmes, UNDP might envision the following roles: In category 1 (Energy Efficiency), UNDP will focus on capacity building and institutional strengthening for energy efficiency projects and programs. In category 2 (Opening Markets for Renewables) UNDP will play a primary role, and in particular will support decentralized electrification in the rural regions. An example of UNDP's anticipated work in category 3 (Low-emitting Energy Technologies) would be the biomass projects currently in the pipeline. In this category, UNDP would work with countries to lay the foundation for an eligible approach, so that the World Bank and other investors can upscale the approaches to achieve significant regional or global impacts.

B. Enabling Activities:

For those regions in which enabling activities have been completed for many or most eligible countries, a few additional projects can be expected in the coming years. It is in those regions in which half or fewer countries have ratified the Convention that the majority of enabling activities will be generated in FY97.

C. Short Term Measures:

Although it is probably not possible to actually "plan" for these short-term, "urgent" or "too good to miss" projects, [since if they could be anticipated then they would become part of an operational program], we can expect that the kind of methane capture from municipal waste that has been illustrated by projects submitted previously to GEFOP might be good examples. Furthermore, any viable small-scale approaches to GHG reduction that can be demonstrated in one or more of the high emitting countries might be considered a possibility for the short-term category if there is a compelling case for wide upscaling of the technology.

OVERALL PORTFOLIO ASSUMPTIONS:

Based on current pipelines and past track records, UNDP is expected to have approximately 200 projects approved in FY97 for an estimated total ranging from \$210-\$230 million. The following preliminary and draft assumptions are also made:

<u>Estimated Thematic Proportions:</u>	Biodiversity	35-45%
	Climate Change	35-45%
	Internat'l Waters	8-20%
	Ozone	2-10%

Sub-Thematic Proportions:

Biodiversity: [To be determined.]

Climate Change: Opening Markets for Renewables 30-45%
 Energy Efficiency 10-30%
 Low-emitting Technologies 30-45%

Internat'l Waters: Water-body Based Program 25-35%
 Integrated Land/Water Program 25-35%
 Measures-Based Program 25-35%

<u>Average Project Size:</u>	<u>Long-Term</u>	<u>Enabling Activity</u>
Biodiversity	\$3-5 million	\$200-700,000
Climate Change	\$3-8 million	\$350-450,000
Internat'l Waters	\$4-7 million	\$200-350,000
Ozone	\$1-5 million	N/A

Preliminary Portfolio Estimates for FY97 (in \$ million):**Biodiversity -**

Enabling Activities	approx. 20 projects = \$ 4.0
Long-Term	20 projects x \$3.5 = \$70.0
Short-Term	6 projects x \$2.0 = \$12.0
PDF	60 projects = \$ 4.0
	Total = \$90.0

Climate Change -

Enabling Activities	approx. 20 projects = \$ 6.0
Long-Term	16 projects x \$4.0 = \$64.0
Short-Term	4 projects x \$3.0 = \$12.0
PDF	60 projects = \$ 3.0
	Total = \$85.0

International Waters -	
Long-Term	5 projects x \$5.0 = \$25.0
	Total = \$25.0

Ozone Projects -	
Long-Term	5 projects x \$2.0 = \$10.0
	Total = \$10.0

PROJECT DEVELOPMENT WORKSHOP

Although the Secretariat and I.A.s have not yet determined the precise modalities for funding the "country preparation" this is an essential element for the implementation of this and other Business Plans. In 1997, UNDP estimates the need to offer an average of 3-6 national or regional inter-agency training workshops in each of its 5 regions. This kind of investment in 'in-country' capacity building will be necessary to achieve the programming goals described above.

2 (c) Project Support (i.e. 'Non-Project') Outputs

[Administrative resources required for Project Service Outputs are estimated at 5% of UNDP-GEF's total budget.]

In the Secretariat's and I.A.s ongoing work on this Business Plan, the distinction between these three categories of outputs (1. Project Related, 2. Project Support (or "Non-Project"), 3. Services) needs to be made clearer since it is likely that there are a range of interpretations of each one. It would be useful to ensure the I.A.s and Secretariat share an understanding of these terms before finalizing the Plan.

I. Institutional and Technical Coordination

Included in this category is UNDP's work on interagency Task Forces, review and comment on project-related policy issues, strategy papers, procedures, guidelines, etc. In view of the number of new initiatives now being undertaken by the Secretariat, as described in part III of this section below, this figure is likely to increase substantially in FY97.

II. Program Learning

As mentioned above under the assumptions, in FY97 a significant proportion of the GEF I projects will be under implementation and the pilot phase will be mostly completed. Important lessons will be available with which to improve the FY97-99 GEF projects. Although the precise nature of the programs, practices and procedures to be put in place to capture these lessons is not clear at this time, provision will need to be made in GEF's Business Plan for support to the I.A.s for participation in such activities.

In addition, UNDP is responsible for disseminating GEF publications and communications to its 133 Country Offices, 120 UN Information Centres and Libraries, as well as a mailing list of NGOs, academics, research institutions, media and the private sector. Public access at both the country office and headquarters levels of project related documents must be provided by UNDP.

III. Secretariat-Led Initiatives

A new and significant demand on UNDP-GEF time and resources that has evolved in GEF I is the need to provide information to the Secretariat to help fulfill requests of the Council and provisions of the Instrument. UNDP-GEF staff are devoting increasing efforts to assist in initiatives such as Project Implementation Reviews, Participation Guidelines, policy papers on strategies, guidelines, procedures, etc. Given the highly decentralized structure of UNDP for record-keeping and decision-making, provision within UNDP and the other I.A.s to meet these new demands on the central unit must be made in this Business Plan.

2 (d) Service Outputs

[Administrative resources required for Service Outputs are estimated at 20-25% of UNDP-GEF's total budget.]

Since within UNDP the GEF is established as a trust fund, the management of this fund involves, among others, the following services: currency and funding management; detailed financial transaction processing and assembly of financial reports from Executing Agencies and Country Offices; ensuring compliance with UNDP rules and regulations for projects and management of administrative budget; auditing and implementation of audit recommendations; and reporting to the GEF Secretariat and the Trustee.

Although as mentioned above the line dividing "Non-Project" and "Service"-related activities needs to be clarified and agreed upon, UNDP's understanding is that the "Service" category includes, in addition to the financial and budget management described above, endeavors such as: communications and external affairs, operations policy management, periodic reports to Council, business plans, and other administrative or "business infrastructure" functions.

2 (e) Staffing and Skills Mix Implications

In FY97-99, UNDP will strengthen the technical capacity of the Country Offices to oversee the development and implementation of GEF projects through training programs and flow of information about GEF eligibility, procedures and administration. Emphasis will be placed on enabling governments, Country Offices and executing agencies to fulfill the monitoring and evaluation needs of GEF projects. In view of the significantly increased workload of GEF I over the pilot phase, a staffing plan to provide appropriate levels of technical expertise in Country Offices and operational bureaux will be developed and implemented.

3. UNDP's BUDGET

In spite of the numerous outputs expected in FY97 (in terms of Project-related; Project Support -- or "Non-Project"; and Service Outputs), UNDP is committed to maintain a streamlined and cost-effective operation, and to remain within the moderate range of administrative costs described earlier (i.e. approximately \$13 million, or 6% of the work program allocation).

4. SPECIAL PROGRAMS

I. Small Grants Program (SGP)

UNDP, which administers the Small Grants Programme (SGP), has submitted a proposal for funding replenishment at the level of \$28.9 million for the two-year period January 1996 to December 1997. Over this period, UNDP projects an expansion from the current 33 participating countries to up to 10 additional countries. Direct grant funding over this period will total \$20.08 million. Of this amount, about \$14 million will be allocated for small grants (up to \$50,000 per grant) in the 33 ongoing country programmes. At a projected average project size of \$30,000 (somewhat higher than the pilot phase average), this translates to some 470 additional projects beyond the approximately 500 projects already funded in the pilot phase. A projected \$3 million in grant funding will be allocated to the proposed 10 new country programmes. At an average project size of \$20,000, this will support an additional 150 projects. The balance of the \$20.08 million in grant funding, or \$3 million, will be allocated for larger grants to support the "scaling-up" of successful pilot initiatives and, possibly, inter-country activities. The average total annual funding allocation per country for the 33 ongoing country programmes will be \$300,000, or about a 20% increase over pilot phase levels. New country programmes will be funded at the average pilot phase level of \$250,000. Additional detail on programme plans and proposed resource allocations can be found in the Small Grants Programme paper before the Council.

II. Monitoring & Evaluation:

During FY97 UNDP will have established an internal and external M&E program that maximizes project implementation success. Although the nature and details of the initiative will be worked out in close conjunction with the Secretariat in the coming months, UNDP's M&E program will certainly invest substantially in building the capacity for high-quality M&E in the Country Offices and Executing Agencies.

III. Project Information Management System:

The Project Information Management System (PIMS) currently being developed in UNDP is expected to be operational in FY96, although maintenance, fine-tuning, and perhaps expansion of the fields it relies on, the reports it produces, and a users network will be carried out in FY97.

IV. Management and Oversight of the Project Portfolio:

In addition to the PIMS mentioned above, several related initiatives will be implemented in FY97 in order to (1) permit close oversight of UNDP's entire GEF portfolio, (2) be able to widely disseminate lessons learned from project implementation to other projects around the world, (3) comply with UNDP's and GEF's public information disclosure policies for governments, civil society organizations and the private sector, and (4) facilitate Secretariat and I.A. collaborative work on the Project Implementation Review process. Among these initiatives will be the establishment of a viable electronic communication network among selected Country Offices, executing agencies, UNDP operational bureaux, UNDP-GEF central unit, and the world community at large.

5. EXTERNALLY-FUNDED PROGRAMS

Although UNDP mobilized in excess of \$12 million in cost-sharing during the pilot phase, it is committed to expanding such resource mobilization efforts in GEF I by implementing a special initiative in FY97. "Cost-sharing" and establishment of "sub-trust funds" will be pursued to elevate the "baseline" which GEF projects can complement.

6. UNDP/GEF PROJECT PORTFOLIO - FY97 ^{a/}

	<u>FY97 Estd</u>	<u>FY97</u>
<u>Pilot Phase:</u>	<u># Projects</u>	<u>\$Million</u>
Under implementation/monitoring/evaluation in FY97	38	
<u>GEF I: (5-year project life span)</u>		
Identifying/screening of proposals	200	
Development prior to GEFOP clearance/Council approval	100	
Implementing Agency's (IA) own approval and implementation	46	169.0
FY95 projects under implementation/monitoring/evaluation in FY97	20	
FY96 projects under implementation/monitoring/evaluation in FY97	60	
<u>Enabling Activities + PDF + Short Term: (2-year project life span)</u>		
Identifying/screening of proposals	600	
Development prior to GEF Council approval (EA + S.T.)	50	
Development prior to GEFOP clearance (PDF)	250	
I.A.s own approval and implementation (EA + S.T.)	50	34.0
I.A.s own approval and implementation (PDF Block A)	90	2.5
I.A.s own approval and implementation (PDF Block B)	30	4.5
FY96 Block B under implementation/monitoring/evaluation in FY97	10	
Total		\$210.0

a/ Excludes Small Grants Program

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UNEP GEF BUSINESS PLAN FY97-99

Planning Assumptions

1. UNEP's GEF business plan for FY97-99 consists of the following planning assumptions:

2. UNEP as an implementing agency: UNEP will implement a small number of projects within its area of expertise and experience, which build on the existing UNEP programme to capture additional global environmental benefits. The focus will be on catalyzing global and regional research, strategic or pilot/demonstration projects targeted specifically towards the Operational Programmes of the GEF and coordinating their execution by other organizations. To the extent possible and necessary for effective implementation, projects will be implemented jointly with the other Implementing Agencies and/or executed by other partner organizations. UNEP's GEF work programme will address the following priority areas:

- Identifying and promoting linkages between scientific assessments and environmental management;
- Developing methodologies and indicators to assess global progress towards achieving the objectives of the GEF
- Developing, demonstrating, testing and, disseminating of tools and methodologies that assist governments in the preparation of national and regional policies and implementation strategies and the adoption of best practice;
- Mobilizing regional and sub-regional cooperation to achieve global objectives, including development of transboundary strategic action programmes which identify incremental technical assistance and investment needs and priorities, develop and harmonize legal provisions, set up monitoring systems targeted towards specific GEF objectives, and promote coordinated scientific networks.

3. UNEP as a source of new project ideas: Through its networks with environmental and scientific programmes and organizations, UNEP will support the GEF's objective of "casting as wide a net as possible" by assisting countries in identifying project concepts for possible implementation by UNDP and the World Bank. This will include promoting scientifically-and technically-proven and environmentally-sound technologies by providing information on the potential of technologies for achieving global environmental benefits. Within its area of expertise and as part of its role in coordinating the environmental activities of United Nations bodies, UNEP will also seek to encourage the participation of the United Nations systems agencies, scientific community and private sector in GEF activities.

4. UNEP as a source of guidance on relating GEF-financed activities to global, regional, and national environmental assessments, policy frameworks and action plans, and international agreements: As part of the role assigned to UNEP in the GEF Instrument, and as part of the inter-agency collaborative effort in the GEFOP, UNEP will review and offer input on the design of UNDP and World Bank projects by advising on the consistency of the projects with global

and regional agreements, assessments, and programmes, as well as on opportunities for stronger links with them,

5. UNEP as a partner of UNDP and World Bank in project development and implementation: In addition to projects implemented by UNEP, significant emphasis will be placed on effective collaboration with, and support to, UNDP and the World Bank in the development of the GEF-1 portfolio. The objective will be to promote inter-agency synergy in the GEF work programme projects and maximize the benefits projects may derive from UNEP's comparative advantage.

6. UNEP's role at the strategic level: In cooperation with the GEF Secretariat and the other Implementing Agencies, UNEP will help identify priorities and gaps in GEF operational strategies requiring further elaboration, and work through the GEF inter-agency task forces to further refine and develop GEF policies and strategies. On strategic issues, UNEP's inputs are central to its responsibility to relate GEF-financed activities to environmental assessments, policy frameworks and agreements.

7. UNEP's role in GEF programming and awareness: UNEP will participate in and organize activities (particularly at the regional level), in collaboration with the GEF Secretariat and the other Implementing Agencies, to increase awareness about the GEF, including those providing information on designing and submitting projects proposals, as well as on the scientific aspects of the four focal areas and on land degradation as it relates to these focal areas.

Operational Outputs: Projects

8. Although UNEP has a relatively small role in developing and managing the GEF project portfolio, there are some selective and carefully defined catalytic, project-related activities, which have incremental costs, for which UNEP has particular expertise, and which relate to its strategic role in the GEF. During FY97-99, UNEP will develop projects in the following areas.

Enabling Activities

9. Biodiversity: UNEP will focus on the development, refinement, testing and application of tools and methodologies for biodiversity planning. Other activities will include promoting regional interactions to address trans-boundary biodiversity issues within the context of the national biodiversity strategies and action plans. An important part of such efforts will include supporting the formulation national biodiversity strategies and action plans by testing the application of guidelines and planning tools. Pending guidance from the Conference of Parties of the CBD, it is possible that UNEP might initiate enabling activities in the area of bio-safety, including preparations of plans of action.

10. Ozone Depletion: UNEP will assist countries with economies in transition to comply with their obligations under the Montreal Protocol by building sufficient capacity and institutional capability to develop an action plan; fulfill their data reporting requirements for the Montreal

Protocol; and strengthen their capacity to implement their action plans through training and information exchange. In all projects, UNEP will work jointly with UNDP in the preparation of Country Programmes. UNEP will play the primary role in providing relevant information and training, as the basis for country programme preparation and implementation.

11. The number of projects expected in the Enabling Activity category is five (two biodiversity totalling \$9 million and three ozone totalling \$3 million; \$350,000 will be requested from PDF), totalling approximately \$12 million. Two projects (\$2 million) in ozone are expected to enter the work programme in FY97. Two Enabling Activity projects from FY96 will be under implementation in FY97; two projects that entered the work programme in FY95 will be evaluated in FY97.

Long Term Measures (Operational Programmes)

12. Biodiversity: In the focal area of biodiversity, UNEP will seek to undertake targeted research to identify management options in sustainable use and conservation, to demonstrate new techniques, as well as to support capacity-building in areas of its expertise; regional and global information sharing and dissemination on new technologies, social dimensions, and tools and methodologies; and identification of trans-boundary priorities and actions. UNEP expects bring forward around 10 projects (approximately \$30 million, of which \$1 million will be requested from PDF) in the following priority areas during FY97-99:

- invasive/alien species, particularly in island ecosystems;
- coral reefs, including the development and testing of methodologies for rapid assessment;
- regional conservation activities focusing on endangered and migratory species;
- forest dynamics, including better forest management practices;
- multi-rights based systems and community-use;
- targeted research on issues such as sustainable use of biodiversity and fair and equitable sharing of benefits
- coastal and marine biodiversity.

13. During FY97, three projects (\$9 million) are expected to enter the work programme and work will commence on four FY98/99 projects with PDF resources.

14. Climate Change: In the Climate Change work programme, UNEP's objectives will include targeted research, training, and information-sharing that promote the adoption of least-cost emissions-reduction options. The emphasis will be on providing scientific and technical information on opportunities for making technologies commercially viable and defining measures to overcome barriers to implementation. Targeted research projects will seek to enhance scientific, technical, and technological knowledge of relevance to the Operational Strategy and to the implementation of the Framework Convention on Climate Change and improve the ability of decision-makers to evaluate the effectiveness of GEF climate operational programmes. During FY97-99, UNEP will develop an estimated seven projects (\$18 million, of which \$1 million will be requested from PDF) in the following areas:

- country/regional case-studies to improve awareness about options and measures needed to overcome barriers to implementation in specific regions and interventions/markets/technologies;
- establishing regional capacity and promoting regional cooperation in dissemination of technologies and measures.
- improvement of operational guidelines and methodologies for national strategies and country studies;
- improving energy efficiency in industry;
- climate change indicators;
- impact of tropospheric ozone on climate change;
- the relationship between land degradation and climate change, including the relationship between dryland rehabilitation and climate change.

15. During FY97, it is expected that two projects (\$5 million) will enter the work programme and work will commence on four FY98/99 projects with PDF resources.

16. International Waters: Drawing on its work in the regional seas programme and freshwater basins, UNEP will assist in providing the strategic framework for GEF actions in international waters by participating in the preparation of Strategic Action Programmes for the Waterbody-based, Integrated Land, Water, Multiple Focal Area, and Contaminant-based Operational Programmes. This will include the analysis of priority trans-boundary water-related environmental problems, establishment of priorities for GEF assistance, identification of needs from existing country-driven regional plans for incremental interventions, and the formulation of Strategic Action Programmes. Approximately 12 projects (\$40 million, of which \$3 million will be requested from PDF) are expected in FY97-99.

17. The priority projects in the Waterbody-based operational programmes for FY97-99 will include:

- Aral Sea
- Caspian Sea
- Okavango river basin
- Plata river basin (Pilcomayo)

18. Projects will be developed in the following areas in the Integrated Land, Water, Multiple Focal Area Operational Programme:

- Nile river basin
- Limpopo river system
- Ilha Grande Angra dos Reis complex
- waste minimization and pollution prevention in small island developing states of the Western Indian Ocean

- regional strategic action programmes for tourism development as part of integrated coastal zone management for small islands developing states in the Caribbean, South Pacific, and Western Indian Ocean
- marine biodiversity in Western Indian Ocean

19. Land-based sources of water pollution and bio-accumulative pollutants will also be addressed in FY97-99. UNEP will plan to develop projects that focus on classes of pollutants identified in the Washington Programme of Action on Land-Based Sources. These projects would seek to remove barriers to adopting best practices, and include case studies and pilot projects. Priority areas include implementation of the Mediterranean Land-Based Sources Protocol and preparation of strategic programmes for the protection of the marine environment from land-based activities.

20. UNEP's projects in International Waters will be primarily regional or global projects that help meet the particular technical needs or promote dissemination and adoption of best practices in several groups of international waters projects.

21. During FY97, it is expected that four projects (\$13 million) will enter the work programme and work will commence on six FY98/99 projects with PDF resources.

22. Cross-cutting: During FY97-99, UNEP will develop projects addressing land degradation as it relates to biodiversity, climate change and international waters. The emphasis will be on environmental and socio-economic factors contributing to the physical and genetic erosion of dryland resources, including biodiversity, carbon sinks and fresh waters. Development of methodologies and assessment indicators, and their application in sustainable dryland management will remain priorities. About five projects (\$9 million, of which \$700,000 will be requested from PDF) in the following areas are expected:

- pastoralist' traditional knowledge;
- revegetation of upstream dryland watersheds and assessment of trans-boundary environmental effects;
- ecological sustainability of land degradation projects.

23. During FY97, it is expected that one project (\$3 million) is expected to enter the work programme and preparation work will commence on three FY98-99 projects with PDF resources.

24. It is estimated that UNEP will develop 34 projects within the framework of GEF Operational Programmes in FY97-99; the estimated cost would be \$106 million. Of this total, it is estimated that \$6 million will be needed from PDF. Of these, 10 projects (\$30 million) are expected to enter the work programme in FY97; in addition, 10 projects initiated in FY96 will be under implementation in FY97.

Table 1: UNEP GEF Projects by Focal Area, FY, and Project Type

	FY97		FY98		FY99		SUB-TOTAL		TOTAL
	EA	OP	EA	OP	EA	OP	EA	OP	
Biodiversity	0 -	3 \$9m	1 \$4m	3 \$10m	1 \$5m	4 \$11 m	2 \$9m	10 \$30m	12 \$39m
Climate Change	0 -	2 \$5m	0 -	2 \$6m	0 -	3 \$7m	0 -	7 \$18m	7 \$18m
International Waters	0 -	4 \$13 m	0 -	4 \$13m	0 -	4 \$14 m	0 -	12 \$40m	12 \$40m
Ozone	2 \$2m	0 -	1 \$1m	0 -	0 -	0 -	3 \$3m	0 -	3 \$3m
Cross-cutting	0 -	1 \$3m	0 -	2 \$3m	0 -	2 \$3m	0 -	5 \$9	5 \$9
TOTAL	2 \$2m	10 \$30	2 \$5m	11 \$32	1 \$5m	13 \$35 m	5 \$12m	34 \$97	39 \$109m

25. In addition to projects implemented by UNEP, significant emphasis will be placed on effective collaboration with, and support to, UNDP and the World Bank in the development of the GEF-1 portfolio.

26. As part of the role assigned to UNEP in the GEF Instrument, and as part of its participation in the GEFOP process, UNEP will review and offer comments on UNDP and World Bank projects to advise on the consistency of the projects with global and regional agreements, assessments, and programmes, as well as on opportunities for stronger links with them. The analyses will not duplicate the technical reviews by Roster experts and STAP, but rather provide UNEP's perspective and expertise to the GEFOP coordination and decision-making process.

27. During FY97-99, UNEP will respond to requests from countries for assistance in identifying and developing project ideas for implementation by UNDP and the World Bank. In carrying out these catalytic activities, UNEP will draw on its expertise on regional and global

environmental agreements and programmes, the scientific underpinning of the four focal areas, and technology assessment. Possible examples include biodiversity projects on regional approaches to shared ecosystems; climate change projects on cleaner production technologies; and, selected coastal zone management and integrated basin management projects.

28. UNEP will also, on request, play a role in UNDP and World Bank GEF projects by collaborating in developing and implementing projects in order to further inter-agency collaboration and maximize the benefits such may projects may derive from the comparative advantage of the implementing agencies. In areas that UNEP has particular strengths (eg. environmental monitoring, coastal zone management, cleaner technologies, regional seas, etc.), the GEF Coordination Office will promote UNEP's involvement in the projects. It is expected that UNEP will also be invited to participate in scientific and technical advisory or steering groups in selected projects. UNEP will also participate in the development of Strategic Action Programme for international waters projects by UNDP or the World Bank, as well as Ozone Country Programme preparation by UNDP.

Pilot Phase project implementation

29. UNEP is implementing six GEF projects that were approved during the Pilot Phase. Five will have been completed in FY96; one project will be completed during FY97 and its results and management will be evaluated. The GEF Coordination Office will organize, oversee, and provide overall coordination for the evaluation which will be completed in FY97.

30. The management costs (including supervision, monitoring, and evaluation) for all UNEP projects are included in the project budgets. However, the GEF Coordination Office will be responsible for reviewing and approving the terms of reference for evaluators and ensuring that the evaluations follow procedures approved by the GEF Council and Secretariat.

Operational (non-project specific) outputs

Institutional and technical coordination

31. An important priority remains the "mainstreaming" of GEF operations into UNEP's regular activities in order to integrate the objectives of the GEF into UNEP's corporate programming. This will help ensure that UNEP's GEF activities will build on and relate to existing institutional experience and technical expertise. Therefore, the objective of the GEF Coordination Office's business plan and budget is to tap UNEP's full range of capabilities in order to catalyze activities relevant to the Environment Programme which achieve global environmental objectives that are additional to the regular programme of UNEP.

32. The GEF Coordination Office will be responsible for formulating proposals for UNEP's in-house policy and strategy towards GEF operations and management. The Office will also consolidate UNEP's GEF-related activities into a coherent and periodically revised GEF work

programme and ensure that the work programme reflects UNEP's strategy, policy and role as a GEF implementing agency.

33. A central element of these activities is the need to promote staff development and information in order to "mainstream" GEF objectives into UNEP's regular activities. It is expected that the GEF Secretariat and Implementing Agencies will establish a common staff training and development programme during FY97-99. The costs of these activities are likely to be shared among the Secretariat and Implementing Agencies.

GEF governance mechanism

34. The GEF Secretariat has primary responsibility for outputs related to the governance mechanism of the GEF. However, UNEP, as an Implementing Agency, is accountable to the GEF Council for its GEF-financed activities and will therefore participate in the preparation of many outputs related to GEF governance. This includes attendance at Council meetings, seminars, and NGO consultations, and being available to report on UNEP's GEF activities.

35. The GEF's special relationships with the Convention on Biological Diversity, the Framework Convention on Climate Change, the Vienna Convention on the Protection of the Ozone Layer and its Montreal Protocol on Substances that Deplete the Ozone Layer, and the UN Convention to Combat Desertification will require appropriate institutional interactions between UNEP's GEF programme and the convention bodies to ensure that UNEP's GEF work programme adequately promotes the objectives of the conventions.

Programme Learning

36. UNEP's global perspective, regional presence, and catalytic approach, suggest a concentration that is primarily "upstream" in the GEF programming process. UNEP's contributions are central to its responsibility to relate GEF-financed activities to environmental assessment, policy frameworks and agreements. The following outputs on strategic scientific and technical topics are expected in FY97-99, in collaboration with the GEF Secretariat, UNDP and the World Bank, through GEF inter-agency Task Forces:

- Contributions to the GEF Working Paper Series, through best practice papers, evaluation studies, policy-makers' summaries, environmental management and analytical tools or methodology development, and case studies of projects.
- Technical Meetings, including meetings of the inter-agency task forces, convention-related meetings.

37. In addition to UNEP's own outputs, staff time and other resources will be allocated for UNEP's contribution to strategy papers, best practice papers, and operational policy guidelines prepared by the GEF Secretariat. It is also likely that UNEP will be invited by UNDP and the World Bank to participate in the development of selected papers.

38. UNEP will also participate in the annual Project Implementation Review. Reports related to project performance, lessons learned, and project revisions will be prepared for UNEP's GEF work programme.

39. In consultation with the other Implementing Agencies and the GEF Secretariat, and as part of joint Implementing Agency initiatives, UNEP will organize five regional or thematic GEF Project Development Workshops per year in concert with relevant international environmental meetings organized by UNEP at headquarters and regional offices. When appropriate and cost-effective, UNEP will also participate in regional project development workshops organized by UNDP and the World Bank. It will be necessary to ensure adequate administrative budget allocations for UNEP staff travel and in-country costs related to the organization of the workshops.

Service Outputs

Management and Administration

40. Improving management and administrative efficiency will be a continuing priority for UNEP's GEF programme. This will include ensuring cost consciousness, avoidance of duplication, greater effectiveness, and increased productivity in budgeting, financial management and reporting, personnel, and procurement.

41. The GEF Coordination Office will be responsible for allocating programme efforts and resources to GEF-related activities; administering GEF staff and consultants; managing the GEF funds allocated to UNEP; effective application of GEF budget management guidelines to UNEP's procedures for the use of GEF resources; assessing work plan assumptions and preparing budgets; preparing expenditure reports on commitments and disbursement of funds. In order to provide the GEF Secretariat with regular, timely and standardized information administrative expenditures and project disbursement, UNEP will develop a management information system for its GEF activities.

42. The GEF Coordination Office will also be UNEP's focal point on GEF matters -- internally and externally -- and will therefore serve as the main channel of communication between UNEP, the other Implementing Agencies, the GEF Secretariat, governments, international organizations, scientific organizations and NGOs, on all GEF-related policy and strategic issues.

External outreach and communications

43. The Independent Evaluation of the GEF concluded that UNEP needed to develop a cohesive and coherent approach to communications and information dissemination in order to achieve a higher level of awareness of the role of UNEP within the GEF. There is also a need to respond to the GEF Council's request for more and better quality information on programme and project performance. Therefore, UNEP's FY97-99 business plan provides for continuing

improvements in communications with external constituencies, as well as internally with programme managers and staff on GEF policies, strategies and procedures.

44. Outputs proposed in FY97-99 include two semi-annual UNEP GEF Programme Reports, designed to provide detailed information on UNEP's GEF activities, including their objectives, status and results. The report will include summaries of meetings, papers, and reports. It will also provide information on opportunities for NGO participation, the use of PDF resources, proposed project identification and design missions, consultancies, workshops, and consultations, and UNEP's participation in UNDP and World Bank GEF activities.

45. UNEP receives a large number of requests for information on the GEF, its mandate, criteria and procedures, and the roles of UNEP and the other the agencies. Furthermore, the GEF Coordination Office has responsibility for complying with UNEP's policies and procedures for disclosure of information on GEF activities. Therefore, in addition to the specific outputs, resources are also needed to ensure responsiveness to demand for information.

46. During FY97-99, it is expected that UNEP will also contribute to the GEF Quarterly Operational Report and Bulletin, Chairman's Annual Report to the Council, and other internal reports.

Cost Structure and Resource Envelope

47. To date, the average cost of UNEP's GEF projects has been approximately \$3 million. This average cost is expected to remain the same during FY97-99. As a result of enhanced staff capacity, greater mainstreaming of GEF with UNEP's regular programmes, and more certainty in GEF operational guidance, UNEP's commitment rates are expected to improve in FY97.

48. UNEP's GEF administrative budget for FY97 is expected to stabilize broadly at the FY96 level (taking into account inflation) of \$1.7-1.8 million. It is proposed that the GEF Coordination Office staff continue to consist of four professionals in FY97: Executive Coordinator; Administrative/Fund Management Officer; Washington Liaison Officer; and, Programme Officer. This core coordinating unit staff would continue to be complemented by three GEF Programme Officers for Biodiversity, Climate Change, and International Waters, assigned to the relevant UNEP programme units.

49. More than 60% of the administrative budget is devoted to the project portfolio (both of UNEP and those of the other Implementing Agencies). This includes the staff costs related to three programme officers needed to develop the UNEP GEF work programme of projects and to cooperate with UNDP and the World Bank in their projects. An estimated 30-35% of staff time and other costs relate to non-project specific operational outputs, such as institutional and technical coordination generally internally, and with the GEF Secretariat and other Implementing Agencies, STAP, convention secretariats and other organizations; programme learning such as implementation reports, working papers, operations policy and strategy; project development

workshops; and, preparations for Council meetings. Administration and management range between 5-10% of staff time and costs.

50. In the course of conducting a zero base review of UNEP's GEF administrative budget the following issues were considered.

51. Portion of costs absorbed by UNEP's Environment Fund: UNEP recognizes the importance of the GEF's objectives to its mandate and goals as well as the desire of governments to use of existing institutional structures in the implementation of GEF activities. Therefore, UNEP is expected to continue to make substantial in-kind contributions to the GEF. This includes the following:

(i) Absorbing almost all of the costs associated with the GEF Coordination Office's rent, utilities, maintenance of premises, stationary, and translations. In FY97, this is expected to total over \$120,000.

(ii) Not charging a standard overhead fee to cover project supervision and oversight. Project management costs budgeted in project documents do not include expenses listed above.

(iii) Not charging for staff time and most travel of UNEP's programme and regional staff on GEF business. For example, the contributions of UNEP staff in project preparation, analysis of UNDP and World Bank proposals, and review of GEF operational policy and strategy papers, are not charged to the GEF.

(iv) UNEP's GEF programme uses existing UNEP personnel, payroll, travel, and accounting services, and is not charged the full costs for GEF-related work.

52. Independent Evaluation of the GEF Pilot Phase. The proposed FY97-99 business plan seeks to address the Independent Evaluation's conclusions that UNEP's organizational structure and staff complement in the Pilot Phase was minimal and not sufficient for UNEP to play an effective role in the GEF. Adequate GEF staff resources are required to leverage, coordinate with, and draw on the combined expertise and activities of over 250 programme and regional staff in UNEP. This is necessary to capture additional global environmental benefits through the GEF which could not be attained through UNEP's regular programme and to ensure adequate responsiveness to the level of activity created by the GEF Secretariat, UNDP and the World Bank. It should also be noted that a substantial part of UNEP's programme and regional staff time and resources are used for "non-incremental" and research activities not eligible for GEF funding, although they provide the scientific and technical basis for GEF policies, strategies and programmes. Therefore, it will be necessary to continue the arrangement of placing GEF-dedicated staff in relevant programmatic units in UNEP.

53. UNEP's role in the GEF. UNEP's GEF administrative costs cannot be measured merely in terms of percentages of allocations for GEF projects, since UNEP is not a project implementation agency in the same category as UNDP and the World Bank. UNEP's catalytic and strategic role and its contributions to UNDP and World Bank portfolios or to the development of GEF strategies are largely unquantifiable "deliverables" which are fundamental to its role in the GEF.

54. Consultants vs. Staff. In developing staffing plans for UNEP's GEF activities, the relative cost-effectiveness of staff and consultants has been examined in some detail. In most cases, hiring consultants tends to be somewhat more expensive than staff. For example, the average cost of hiring one consultant at the P-4 level for three months is \$36,500. However, a staff member at the same level would be budgeted for \$30,000. Therefore, the FY97 budget will seek to provide for the most cost-effective mix of staff and consultants for UNEP's GEF needs.

55. Economic environment. Despite the stabilization of the Kenya Shilling at its present rate of 55 Shillings to the US Dollar, the inflation rate has not decreased commensurately. Communications costs for telephone and mail services remain high, with a call to the United States still costing approximately four US Dollars per minute. As a result, there has not been a marked decrease in operational costs from FY95.

56. Travel and communications costs. Efforts have been made to reduce travel costs through greater efficiency in travel planning and use of telephone and video conferencing (this has increased communications costs). However, the relatively high costs of travelling to and from Nairobi for UNEP staff and consultants needs to be taken into consideration. Moreover, travel costs also include attendance at meetings organized by UNDP, the World Bank and the GEF Secretariat on issues of relevance to UNEP. There is also a need to strengthen collaboration and coordination with UNDP and the World Bank, which requires greater interaction between staff.

The World Bank

Global Environment Facility

FY97-99 Business Plan

October 1995

The World Bank Global Environment Facility FY97-99 Business Plan

Overview

I. The World Bank GEF Portfolio Status

- o Of the 52 Bank pilot phase projects authorized by the GEF Participants between 1991-1994 (totalling \$454 million), as of September 15, 1995, 44 have been approved, 37 are effective, and 4 remain to be appraised. Since February this year, under GEF1, an additional 11 GEF projects have been authorized by the new GEF Council, bringing the overall portfolio to \$555 million. A firm pipeline of over \$600 million of GEF operations is in place, and concepts under development take the total to almost \$1.0 billion.
- o While in the pilot phase, disbursement delays were substantial and resulted from the practice, now discontinued, of committing resources against initial project briefs, in GEF1, the Bank presents near appraisal quality documents and Board approval follows within 6-9 months. For example, the China Biodiversity project and three of the Bank's GEF ODS projects have been approved by the Bank about 6 months after Council review and are moving quickly to implementation.

II. The World Bank GEF FY97-99 Business Plan Highlights

- o The *strategic objective for the Bank's GEF program* flows from the main strategic objectives of the (draft) GEF Operational Strategy which is to maximize global environment benefits while minimizing the risks of global environmental damage (page 1).
- o *The Bank's GEF planning assumptions, work programs and budgets*
 - a) Focus on quality assurance, Bank's capacity to handle increased volume of work program, and country's absorptive capacity (pages 1-2).
 - b) Planned work program commitments of \$400 million per year for approximately 30-40 projects (page 2).
 - c) Targetted allocation by GEF focal area during the business plan period: 30% in biodiversity, 55% in climate change, 10% in international waters, and 5% in ozone; a further breakdown by operational activities and programs is provided in the plan (pages 3-7).

d) Operational work program outputs per annum include: 100 project concepts for review; 30-40 projects for GEF Council approval; 25-35 projects for Bank approval (allowing for the ramp up in FY96/97 of GEF Council approvals); 60-100 pilot phase and GEF1 operations; proposed budget for this work program is \$19.2 million (pages 7-8); the operational work program includes provisions for partner agencies such as IFC, IFAD and regional development banks (page 12).

e) Non-operational (non-project specific) outputs and service program outputs include internalization of GEF policies and guidance in the Bank (including preparation of operational guidelines, analytical/technical support), programming of investment portfolio, collaboration with GEF Secretariat, implementing agencies, and other partner agencies, operational and financial management and reporting; proposed budget for these work programs is \$4.8 million which includes the Bank's coordination unit, the IFC, and financial and legal administration costs of projects (pages 8-9).

f) Cost effectiveness is a main concern in the Bank and measures have been identified and/or taken to achieve this which would lower the costs from 12% for the pilot phase projects to approximately 10% for GEF1; however the size of the project is a major determinant as there is a minimum fixed cost of undertaking a project. Savings from these cost reduction measures adopted by the Bank will accrue to the GEF (page 9).

g) The Bank's GEF historical costs were used in forecasting the Bank's GEF budget and the methodology (bottom-up approach) used is provided in the business plan (pages 9-10). The current planning and budgeting system used in the Bank and the full transition to a cost accounting system in FY97 should put the Bank in a position to shift to the proposed "fee based" system assuming all the issues presented in the GEF Corporate Business Plan are addressed.

h) The FY96 budget did not support a minimum complement of management and technical skills to effectively oversee the GEF program in the Bank. A recent study on staffing needs assessment for the GEF program coordination work identified additional staffing requirement of 4 professional staff positions and the associated budget (page 11).

The World Bank Global Environment Facility

FY97-99 Business Plan

I. The Bank's GEF Strategic Objectives and Planning Directions

1. The strategic objective for the Bank's work as a GEF implementing agency flows directly from the main strategic objectives of the (draft) GEF Operational Strategy which is to maximize global environmental benefits while minimizing the risks of global environmental damage. The Bank's role in addressing this objective is to develop a high quality and diverse portfolio of investment projects consistent with the operational programs in the four focal areas as defined in the GEF Operational Strategy. The development of such a portfolio will be driven by a commitment to maximize the Bank's contribution to transferring overall available GEF resources to developing countries for eligible activities, while recognizing the limitations of the Bank's capacity to implement the work program required for such transfers.

II. The Bank's GEF FY97-99 Planning Assumptions

2. **Planning Parameters:** While driven by the strategic objectives set out in the previous section, the business plan and budget address (a) the need for GEF projects to be of the highest quality; (b) the manageability of the size of the work program by the Bank, and (c) capacity of countries to cope with level of assistance provided by individual projects.

(a) **Quality** is assured by i) the timely availability of operational policy advice and GEF relevant technical expertise to the Bank and Country counterparts; ii) the design and application of guidance for processes such as public involvement, monitoring and evaluation; iii) developing specific analytical tools and methods to quantify and value global environment benefits; and iv) through the identification of lessons learnt through implementation and their dissemination as good practice. Quality is also defined by the extent to which the global environment protection agenda is integral to the Bank's country assistance strategy and mainstreamed in sectoral and macro-economic planning and dialogue on sustainable development. Finally, a critical dimension of quality is accurate and timely interpretation and communication of the Council's operational policy guidance within the Bank (e.g. operational policy notes, GEF "Source Book" updates, staff training, etc.) and screening of project concepts/activities for GEF funding assistance against agreed operational programs, eligible enabling activities and short-term measures. These tasks determine the minimum critical mass of technical staff in the GEF Coordination Unit, and the need to develop a body of knowledge and understanding of opportunities and methods for countries to align development plans and actions for sustainable development with global environment conventions.

(b) **The Bank's capacity** is constrained only by the number of separate transactions thought feasible for the regions and Board, not by its technical capacity for assistance. Significantly more than 30 GEF operations per year is expected to challenge the reorganized and streamlined Bank, and will be accepted only with caution. It is however conceivable that the Bank, together with IFC, IFAD and regional banks could deliver more than 30 operations per year during the business plan period. Further, the GEF Coordination Unit in the Bank was given a budget in FY96 which did not support a minimum complement of management and technical skills to effectively oversee the GEF program in the Bank. This condition will be severely exacerbated by the doubling of the GEF work program volume in the FY97-99 period and would therefore need to be corrected (see section V on "Staffing and Skills Mix").

(c) **Country capacity** concerns will be addressed in the design of specific operations. In addition, the Bank plans to phase GEF commitments to large programs of assistance based on the recipient country's demonstrated capacity to utilize funds effectively and efficiently. This could be done through the use of "umbrella" legal agreements to reduce processing to little more than the equivalent of one large project, allowing the GEF Council to make commitments in two or more phases based on milestones of implementation performance acceptable to Bank and the developing countries. Under an 'early reward' program, very small amounts of assistance will also be channeled to developing countries, especially local communities, to initiate project supporting activities before larger projects are approved. These innovations are designed to increase country and stakeholder commitment and ownership and reduce the opportunity cost on GEF resources.

3. **Commitment Planning Assumptions:** Based on the level of country demands and anticipated needs of client countries who are also signatories to the Biodiversity Convention and Climate Change Convention, the estimated scale of Bank's GEF portfolio for the FY97-99 period is equivalent to about \$1.2 billion or \$400 million per year. In addition, approximately 5% or \$20 million per year of Project Development Funds (PDF) will be needed to assist countries in preparing GEF eligible projects. As shown in Table 1 below, the business plan addresses a GEF program (of projects) of more than double the volume of the pilot phase with projects presented for Council consideration at near-appraisal quality, which is a significant change over the pilot phase processing whereby projects presented to the Council (formerly Participants) were at the concept stage. The average project size of the estimated FY97 portfolio is \$10 million (compared to \$7 m during the pilot phase). The project size is expected to increase in subsequent years in the business plan period on account of anticipated larger projects in climate change and international waters. With its level of planned GEF administrative resources, the Bank (including IFC and other collaborating partners) should be in a position to deliver for GEF Council approval 30-40 projects per year during the FY97-99 period.

Table 1: **World Bank GEF Work Program Allocation**
(No. Of Operations and \$m)

	<u>Pilot Phase Allocation</u>		<u>GEF Planned Level of Commitments</u>			
			<u>FY96</u>		<u>FY97 - FY99</u>	
	<u>No.</u>	<u>\$Million</u>	<u>No.</u>	<u>\$Million</u>	<u>No.</u>	<u>\$Million</u>
Annual Average	13	\$114	20	\$200*	30-40	\$400*

*Of these amounts, actual and projected Bank GEF1 allocations total \$1.1 billion distributed by fiscal year as follows: FY95-\$0.1 billion, FY96-\$0.2 billion, FY97-\$0.4 billion, and FY98-\$0.4 billion. With PDF, these amounts should be \$210 million in FY96 and \$420 million per year in FY97-99.

4. **FY97-99 Operational Activities and Programs:** The Bank's activities will consist mainly of operational long-term and short-term measures. As summarized in Table 2 below, the proposed work program for FY997 is unusually heavy in climate change projects but over the three-year business planning period, the targetted percentage shares for the GEF focal areas would be 30% in biodiversity, 55% in climate change, 10% in international waters, and 5% in ozone.

5. Based on the guidance provided by the GEF Secretariat, the Bank's projected work program activities were developed using the classification for operational long-term and short-term measures as defined in the GEF Operational Strategy paper. The operational work program presented in Table 2 reflects the profile of the Bank's GEF projects that are currently in the pipeline.

Table 2
Indicative Allocation of Bank GEF Operational Programs

OPERATIONAL PROGRAM ACTIVITIES	FY96 Plan		FY97 Plan	
	<u>\$million</u>	<u>% of Total</u>	<u>\$million</u>	<u>% of Total</u>
<u>Long-Term Measures</u>				
a) Arid and Semi Arid Land Ecosystems	11	5%	16	4%
b) Mountain Ecosystems	4	2%	17	4%
c) Coastal and Marine Ecosystems	9	5%	12	3%
d) Forest Ecosystems *	26	13%	45	11%
e) Renewable Energy	27	13%	95	24%
f) Energy Conservation & Efficiency	25	12%	35	9%
g) Low GHG Emitting Energy Technologies	47	23%	121	30%
h) Waterbody-based Program	9	4%	15	4%
i) Integrated Land/Water Program	1	0%	2	1%
j) Measures-Based Program	-	0%	2	1%
<i>Sub-total Long-term Measures</i>	<u>157</u>	<u>79%</u>	<u>360</u>	<u>90%</u>
<u>Short-Term Measures</u>				
ODS	38	19%	19	5%
Other Short-term Measures	5	2%	21	5%
<i>Sub-total Short-term Measures</i>	<u>43</u>	<u>21%</u>	<u>40</u>	<u>10%</u>
TOTAL OPERATIONAL PROGRAMS	<u>200</u>	<u>100%</u>	<u>400</u>	<u>100%</u>

*Note: Forest Ecosystems includes Agro-Ecosystems as per the GEF Draft Operational Program Guidelines of August 17, 1995.

6. **Operational Long-Term Measures:** As described in the GEF operational strategy, these are activities the effects of which cannot be assessed in isolation but only as part of a program of activities. These operational programs are called "long-term" because their constituent projects have additional or indirect effects beyond the individual project.

a) Arid and Semi-arid Ecosystems - Projects will focus on conservation and sustainable use of biodiversity in arid and semi-arid ecosystems, including Mediterranean-type habitats with high plant endemism through support for ecologically viable protected areas, sustainable agriculture and habitat restoration. This program will pay special attention to land degradation issues and desertification and promote sustainable land use and measures to preserve biodiversity in fragile habitats.

b) Mountain Ecosystems - The program for mountain ecosystems will focus on conservation of biodiversity in montane habitats which are coming under increasing pressure from expanding human populations and land conversion. Projects will focus on support for sustainable agriculture building on local experience, knowledge and use of agrobiodiversity; conservation and sustainable use of montane species, including endemics and establishment and strengthening of representative protected area networks in montane habitats, including transboundary cooperation.

c) Coastal and Marine Ecosystems - This program will focus on conservation and sustainable use of coastal and marine habitats and resources, with special emphasis on mangroves, coral reefs and island ecosystems with high endemism. Projects will focus on protected areas and conservation through local community initiatives, as well as integrated coastal zone management.

d) Forest Ecosystems - The forests operational program will promote conservation and sustainable use of native forests, especially tropical forests, through establishment and strengthening of representative protected area networks, promotion of sustainable harvesting regimes in production forests and measures to ensure long term maintenance of permanent forest cover.

Agroecosystems - Activities under this program will promote in situ protection of socially important and threatened agrobiodiversity in wild and production landscapes, including the protection of wild relatives of cultivars and domestic livestock. This program will also seek to integrate biodiversity conservation and sustainable use into the broader agricultural landscape.

e) Renewable Energy Measures - Major Bank and GEF investments planned in this activity area address market and implementation barriers which limit penetration of the zero carbon-emitting "backstop" technologies. Spurred by rapidly declining prices and growing sophistication in integrating renewable supplies into conventional energy systems, technologies such as rural solar photovoltaic, grid-connected windfarms and biomass cogeneration are increasingly being recognized by planners as least-cost options. Identified barriers targeted in projects under development include high pre-investment and project development costs per unit energy supply, especially in comparison to standard alternatives; affordability constraints due to the high up-front capital investments (but no fuel costs) required for the renewables; and institutional biases which undervalue or restrict grid access for renewable energy outputs.

f) Energy Conservation and Efficiency Measures - Application of GEF funds in this area complements Bank-led pricing, policy and structural reforms which are necessary to the achievement of efficient energy production and end-use. GEF investments aim to capture the large latent "win-win" potentials inherent in many developing country energy markets. A planned coal boiler efficiency program in China, for example, focuses on the barriers to transfer of well-proven Western designs which remain unexploited by the Chinese domestic boiler producers. Another investment

paradigm, also in China, aims to introduce the energy service company “ESCO” model as a means to ferret out industrial energy savings.

g) Low Greenhouse Gas Emitting Technologies - While not yet “win-win” in character, the technologies and applications represented in the program will have in common the characteristics of steep learning curves and strong economies of scale in manufacture or deployment. In most cases, the technologies have been proven in developed country settings, but have yet to be introduced to developing country markets where their application potential is thought to be greatest. Over the coming years, the Bank, with GEF incremental capital cost and risk buy-downs, intends to mount major initiatives in solar thermal electricity generation, cogeneration and distributed generation using fuel cells, and advanced biomass power. The objective in each case is to contribute to reaching a sustainable “take off” point beyond which growth is fueled by private investment.

h) Waterbody Based Program - The purpose of this operational program is to address the priority transboundary environmental issues that exist in a specific waterbody, such as a transboundary freshwater drainage basin, a large marine ecosystem or a particular portion of the high seas. The projects typically would involve support to groups of countries for identifying the particular transboundary water-related environmental priorities and preparing a Strategic Action Program for addressing the priorities.

i) Integrated Land/Water Program - The focus of this operational program is in the integration of land and water resource management as an important component of dealing with the degradation of international waters. This program often involves multiple GEF focal areas and gives special emphasis to the cross cutting issue of land degradation/desertification. While projects may also focus on particular waterbodies, integrated land and water management interventions are often characteristic of the projects. Also in this program are international waters projects that address the special concerns of Small Island Developing States.

j) Measures Based Operational Program - The purpose of this operational program is to help demonstrate ways of overcoming barriers to adoption of best practices that can address priority transboundary environmental concerns. Measures for addressing ship-related environmental concerns and those for dealing with globally significant toxic pollutants that might be transported long distances in the atmosphere, rivers, or ocean currents are often involved in these projects.

7. **Operational Short Term Measures:** These are activities that meet the global environment objectives directly and do not purport to have additional long-term (i.e., “indirect”, “strategic” or “programmatic”) benefit beyond themselves.

a) Ozone Depleting Substances Program - The Bank will continue to prepare and implement projects to enable the phaseout of ozone-depleting substances (ODS) within

the perspective of the GEF Operational Strategy. These projects would provide incentives for phaseout to ODS-consuming enterprises through GEF grants, as well as technical assistance to support the preparation and implementation of these phaseout activities. During FY95, the GEF Council approved one project for the partial phaseout of ODS consumption in the aerosols sector in the Russian Federation. Three more projects, would be prepared and presented during FY97-99 to complete ODS phaseout in Russia. The requested GEF grant assistance for these two projects is expected to be about \$50 million. Projects for complete ODS phaseout in Poland, Belarus and Ukraine will be presented to the GEF Council in FY 96. The Bank will undertake project preparation activities for similar projects in Latvia and Lithuania which could be presented in FY 96-97. It is anticipated that country programs for ODS-phaseout maybe initiated by UNDP in Turkmenistan and Uzbekistan during FY96. These would lead to project preparation, the results of which could be presented to the Council in FY97-98. In addition, as other CIS countries accede to the Montreal Protocol, ODS-phaseout project preparation activities could commence in those countries; these projects would be presented during FY97-98.

b) Other Short Term Measures - These will be carbon mitigation and/or abatement measures whose low unit abatement cost makes them "too good to miss."

III. Indicative Bank GEF FY97-99 Work Program Outputs

8. **Operational Outputs.** The Bank intends to deliver near-appraisal quality projects to the GEF Council for review as opposed to pilot phase projects which were at the concept stage of preparation. Projects should move to approval within 6-9 months after Council review. Projects will typically have benefitted from PDF and other preparatory assistance and have resolved all issues before appraisal (e.g. social conflict mitigation, environmental impacts). Average lead times are the same as the Bank's portfolio: 27 months from identification to Bank approval, and 18 months from identification to Council review. Applying these lead times to the annual delivery volumes enables estimation through time of the administrative resources required through GEF Council approval and subsequent Bank approval.

The projected volume of operational activity per annum over the business plan period is as follows:

- (a) project concepts received and reviewed: over a 100 project concepts per annum, of which 30-40 will be selected for preparation.
- (b) projects for GEF Council approval: approximately 30-40 operations per annum
- (c) projects for Bank approval: approximately 25-35 operations per annum*
- (d) projects under implementation: 60-100 pilot phase and GEF1 operations.

*Reflects the ramp up in FY96/FY97 of GEF Council approvals and includes an allowance for dropped projects and possible slippages.

Beginning in FY96 and continuing in the FY97-99 business plan period, the Bank will undertake an annual review of the implementation performance of its GEF projects (both pilot phase and GEF1 projects), report its findings to the GEF Council and document lessons learned from projects under implementation.

9. In addition, the Bank supervises the implementation of 3-4 UNDP GEF projects.

10. **Non-Operational (non-project specific) Outputs.** The activities which have a direct impact on Bank operations, but not necessarily on specific projects include: accurate interpretation, communication and implementation of the Council's operational policy and guidance within the Bank; programming of the investment portfolio, collaborating work program activities with other GEF implementing agencies (UNDP/UNEP) and partner agencies (IFC, IFAD, regional development banks); and preparing operational guidelines, analytical tools and methodologies and best practice notes to assist in the development and preparation of quality GEF investment projects.

11. **Service Program Outputs.** The GEF Coordination Unit has primary responsibility for internal management, external relations, and operational and financial reporting for the Bank as an implementing agency for the GEF. The focus for the FY97-99 business plan period would be to carry through the initiatives started in FY96 by the Secretariat on: (a) standardizing administrative cost reporting by implementing agencies, and (b) adopting a compatible management information system between implementing agencies and the Secretariat.

IV. Bank GEF Budget for FY97-99

12. **Budget Allocation by Work Program:** Applying the foregoing planning assumptions and work programs, with provisions for quality control and efficient coordination, results in a FY97 Bank GEF budget estimated at \$24 million and a budget of \$26 million in FY98 and \$28 million in FY99. While the portfolio is projected to grow two-fold from FY96, the estimated increase in budget is 50%, mostly for increased operational programs. The budget breaks down into:

(a) Operations Program (about 80% of total Bank budget): GEF reimburses the Bank for the incremental cost of processing GEF projects. GEF processing costs on average are less than half of the Bank's standard costs for project preparation. The Bank recovers its cost for actual expenses incurred in processing of GEF projects through approval and supervising their implementation, which includes the cost of higher level staff salaries and benefits, consultant fees, travel, secretarial support, and divisional and institutional overheads (e.g. telephone charges, translation services, office space, etc.) based on actual time and charge data recorded. In addition, the GEF is charged for the cost of preparing legal agreements for each GEF project approved by the Bank and for the disbursement of GEF project funds. The foregoing reimbursement procedure is in

accordance with Bank cost recovery policy for externally funded programs. Bank management has agreed not to charge GEF for Bank management time spent on the GEF and for other central services such as Personnel and Planning and Budgeting, or for the use of institutional management information systems.

(b) Non-Operations Program (about 5% of total Bank budget): The cost of carrying out the activities described above for non-operations program is accounted for in the budget of the Bank Group's (Bank and IFC) GEF Coordination Unit. While oversight and management of GEF policies, strategies and guidance is provided by the GEF Coordination units' staff, the actual preparation of these papers is undertaken by consultants paid out of the GEF administrative costs, the Bank's own funds, and other cofinanciers.

(c) Service Programs (about 15% of total Bank budget): The budget for this program is not expected to grow significantly in FY97-99.

13. **Cost-effectiveness** in delivery of GEF products is paramount in the Bank's oversight of its role as an implementing agency. The proposed budget as a percentage of work program leads to a containment of administrative costs at below the level of the pilot phase of 12% to approximately 10% over the life of the project for the permanent GEF. If we were to assume a steady state of GEF operations, the FY97-99 plan and budget would result in approximately 7% of annual planned commitments. Any realized cost savings as a consequence of cost-reduction measures undertaken by the Bank will accrue to the GEF. These measures include:

- *integrating global environment dimension in the Bank's country strategies and national environment programs, wherever possible*
- *streamlining administration and process innovation to reduce administrative costs;*
- *shifting administrative cost oversight focus from line-item expenditures to product or output delivery;*
- *mobilizing own funds and other sources in cofinancing of preparation, for example from the Bank's Institutional Development and participation innovation funds, and from the private sector.*

14. Of course, **project size** is a major determinant of annual administrative costs as there is a minimum fixed cost of undertaking any project. Increasing average project size, while enhancing country capacity to deliver small amounts of funding to local beneficiaries, is a key strategic objective for cost-effectiveness and development impact.

15. **Methodology used in forecasting the Bank's GEF budget**: The Bank's proposed budget for the business plan period was constructed on the basis of the GEF

work program assumptions and planned outputs described in the foregoing sections and by applying historical cost coefficients on each work program activity. With the experience gained in the pilot phase on the cost of delivering the GEF work programs, and supplementing this with Bank's standard costs, the budget for the various Bank GEF programs were developed as follows:

16. Operations Program: For project processing costs, the pilot phase experience on average cost coefficients for project preparation was applied to projects in the GEF work program and spread over a 3-year processing period. An additional 18% of these costs is computed for an allowance for the cost of preparing project concepts which do not get included in the GEF Council approved work program and hence dropped. Costs for supervision, on the other hand, were estimated using an average cost per project and an assumed 5-year implementation period. A comparison of the manpower intensity of project preparation and supervision between a Bank project and a GEF project shows that the GEF is charged only for the incremental costs of preparing and supervising a project. The GEF projects incur costs specifically for the extra project processing steps required by the GEF Council as well as the technical content of project work which necessitate pioneering new technology, new policy and financing tools, and new and often specialized expertise.

Table 3
Comparison of Bank and GEF Costs of Preparing and Supervising Projects

<u>Activity</u>	<u>Bank</u>	<u>GEF</u>
Project Processing (in man weeks) a/ (from identification thru Bank approval)	129	60
Project Supervision (in man weeks) (annual average)	18	12
Estimated dropage rate	18%	18%

a/ Based on historical average cost for GEF projects in all four focal areas, and both freestanding and associated projects.

17. Non-Operations and Service Programs: The GEF program in the Bank is managed by a group of staff in the Bank's Global Environment Coordination Division (ENVGC) and in the IFC (budget note on the IFC separately circulated). The proposed ENVGC budget is to cover the staff costs of 14.5 professionals and long-term consultants and 7 support staff (office manager, budget assistant, record assistant and 4 secretarial staff) in the Bank and 2 professionals and a support staff in IFC. In addition to staff costs, the projected budget also includes estimated costs for travel, communications, management information system, translation services, supplies, office space, etc. Additional information on staffing is provided in the following section.

V. Staffing Plans and Skills Mix

18. After a year of experience with GEF implementation, the Bank, in a recent study submitted to senior Bank management, has been able to more precisely determine the nature and relative size of demands on its coordination unit under the permanent GEF. The GEF program coordination group in the Bank is the focal point for overseeing the development and implementation of the Bank's GEF work program, more specifically its role is as follows: (a) manage the GEF project cycle for Bank GEF operations which includes screening of project concepts for eligibility, providing assistance in project preparation and supervision, preparing annual project implementation reports for the GEF Council, overseeing completion of the project, and liaising with and reporting to the GEF Secretariat on each project; (b) promote the integration of GEF objectives and assistance in country dialogue and assistance strategy, improve the leverage of GEF financing on environmentally sustainable development; (c) effect outreach to internal and external constituencies that can collaborate in improving the capacity for and quality and volume of assistance consistent with GEF objectives; (d) integrate the GEF operational policy guidance in the Bank's dialogue; and (e) undertake the GEF business planning and budgeting process, operational and financial reporting requirements, data management and document management.

19. The minimum required capacity for the GEF Coordination unit in the Bank to effectively carry out the work program projected in the Bank's FY97-99 business plan period is 14.5 professional positions (an increase of 4 positions from FY96 but a reduction of one position from FY95), which include the following: program coordination staff (four regional coordinators, one operations specialist and two operations assistants); GEF thematic specialists group (two in biodiversity, one in global warming, one in international waters); and the management staff (division chief, deputy division chief, budget officer, and systems specialist). There are, however, changes in emphasis in the staffing plan from that prepared but under-funded for FY96. It is evident that international waters thematic area needs full-time professional staff given the growth and complexity of this portfolio and its unique stress on inter-agency collaboration. Biodiversity business is also more complex and time consuming than anticipated which warrant additional capacity in this field. Expertise on other thematic areas (ODS, land degradation, social assessment and participation) which are essential to the Bank's work program are expected to be provided by short-term consultants. Noteworthy too is the overall growth in operations assistance and data management transactions which are so substantial and demanding that additional capacity for a regional coordinator and operations assistant is needed.

20. IFC, on the other hand, was provided 2 higher level staff positions in FY96 to oversee the GEF private sector activities and is expected to remain at this level over the business plan period.

VI. Providing for Partnerships

21. Consistent with the Bank's role in bringing in the private sector (mainly involving IFC) and reaching out to regional development banks and other organizations such as IFAD, the Bank's FY97-99 business plan envisions 10-15% of its work program allocated to private sector activities and approximately 5-10% to joint projects with IFAD to address land degradation and cooperative projects with regional development banks. The Bank has outlined in the "World Bank Accountability for Executive Agency Activities" note prepared for the July 1995 Council meeting the steps that will allow the Bank to fulfill its accountability for GEF projects executed by agencies under its sponsorship. The administrative budget resources for the Bank's GEF partners are included in the Bank's estimates.

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STAP BUSINESS PLAN FY97-99

INTRODUCTION

1. STAP's Business Plan derives from its Terms of Reference approved by the Council in July 1995. This document outlines specific products STAP will seek to deliver in the three year period, FY97-FY99, pursuant to its mandate.

2. Paragraph 24 of the GEF Instrument states that "UNEP shall establish, in consultation with UNDP and the World Bank and on the basis of guidelines and criteria established by the Council, the Scientific and Technical Advisory Panel (STAP) as an advisory body to the Facility. UNEP shall provide the STAP's Secretariat and shall operate as the liaison between the Facility and the STAP." At its second meeting in November 1994, the Council agreed that STAP should concentrate on providing strategic advice and selectively reviewing projects.

OBJECTIVES

3. The following objectives will guide STAP's work:

- (a) The main focus will be to provide strategic advice to the GEF on scientific and technical issues. A smaller part of the work is aimed at the selective review of projects.
- (b) STAP's selective review of projects will be conducted as part of the regular GEF project cycle, in close cooperation with the GEF Implementing Agencies (IAs) and Secretariat. The reviews will use the Implementing Agencies' technical reviews of projects in order to avoid adding another layer of steps in the project cycle and additional documentation requirements. The STAP Roster of Experts will be an important tool in the GEF's quality assurance system.
- (c) STAP will establish complementary working relations with the scientific, technical and technological bodies of the conventions and other relevant international scientific and technical organizations. STAP's work will not duplicate the efforts of these bodies. The precise nature of the interactions will evolve as the conventions' subsidiary bodies commence their own work.
- (d) STAP's activities will be integrated with the activities of the GEF Secretariat and IAs and be consistent with GEF processes and procedures approved by the Council.

STRATEGIC ADVICE

4. STAP is charged with advising the GEF on ways to advance a better understanding of the issues of the global environment and how to address them; providing a forum for integrating

science and technology and function as a conduit between the GEF and the natural and social science communities and relevant technologists; and synthesizing, promoting, and galvanizing state of the art contributions from them. In carrying out this role, STAP's advice will complement the existing activities within the conventions.

5. During FY97-99, priority activities will include:

Operational Strategies: Contributions to the GEF Operational Strategies will be part of a continuing process based on experience and lessons learnt.

Written reviews: STAP will provide written reviews to the GEF Secretariat and Implementing Agencies on drafts of documents submitted to it, and participate in meetings to discuss the drafts.

Working Papers: Based on STAP's analysis of the operational strategies and programmes, and in consultation with the GEF Secretariat and Implementing Agencies, additional work might be necessary on various topics. The result of STAP's work on these topics will be presented as working papers. Possible areas of emphasis during FY97-99 include the following topics:

Climate Change

- Systems aspects of greenhouse gas mitigation projects with some case studies (for example, the side-effects of certain intervention activities).

Biodiversity

- Targeted research as it relates to the selected operational programmes.
- Scientific and technical lessons from successful example projects.

International Waters

- Options for a further focusing of the International Waters Programme, including targeted research aspects.

Land Degradation

- A further elaboration of the options for the development of GEF activities in this field within the present mandate given to GEF

Report to the Council on the State of the Science: STAP will also prepare a Report to Council on the state of the science, as it relates to GEF strategies and programmes. The progress on the report will be included in the STAP's Chairperson's report to the Council. STAP might also be requested to prepare a report to the Assembly in the period covered by this Business Plan.

ROLE IN PROJECT CYCLE

6. STAP will contribute to ensuring the scientific soundness and technical quality of GEF projects through independent reviews and objective scientific and technical advice.

GEFOP: STAP, through its Chairperson, will participate in the GEFOPs (held every 4-6 weeks) to review Project Development Facility (PDF) and project proposals.

Project Implementation Review: The Panel's Chairperson will also participate in the annual Project Implementation Review conducted by the GEF Secretariat and Implementing Agencies.

STAP Roster of Experts: STAP will evaluate the functions of the Roster on a regular basis, ensure its effective management, and revise it as appropriate.

Selective Review of Projects: STAP will keep under review the paper "STAP's Recommendations for Selective Review of Projects" as experience is gained in the GEF project cycle. In accordance with Council guidance, STAP's selective reviews of projects will not exceed 5-10% of the panel's time. Overall, STAP is expected to selectively review about 10 to 20 projects per year at various stages of the project cycle. It is estimated that STAP would select about 2 to 3 projects per year for ex-post evaluation of the strategic scientific and technical aspects of project implementation, particularly for those projects that are innovative or contain research, monitoring and assessment components.

GEF Portfolio: STAP will prepare reports to the Council. These reports will highlight key issues in STAP's advice to the GEF Secretariat and Implementing Agencies on scientific and technical effectiveness of the GEF portfolio, as well as on strategic issues raised in STAP's selective reviews of projects and in the project implementation review.

MONITORING AND EVALUATION

7. In accordance with Council guidance on STAP's role in evaluation, STAP will provide advice on the scientific and technical aspects of evaluation. The STAP Chairperson will participate in the proposed GEF Monitoring and Evaluation (M&E) Advisory Group.

BUDGET AND STAFFING

8. The STAP budget is expected to remain constant over FY97-99 at around \$1.1 million per year. The panel will continue to consist of 12 members. The STAP Chairperson will be contracted for six months and other members for two months. The cost of the honoraria for STAP members is \$400 per day (totalling around \$350,000 per year).

9. STAP members are expected to spend approximately 30% of their time reviewing and advising on issues related to GEF operational strategies and programmes; 15% on thematic papers to elaborate on strategic scientific and technical issues identified jointly with the GEF Secretariat and Implementing Agencies; 15% on GEFOP, Project Implementation Reviews, reports to Council etc.; 10% on the STAP Roster; 10% on selective review of projects; 10% on monitoring and evaluation issues; 5% on the report on scientific and technical developments; and 5% on other issues, such as attending meetings of the Council and conventions' subsidiary bodies, as well as travel time for STAP meetings.

10. STAP is scheduled to have four meetings per year at a total cost of \$200,000 per year. The venues will be selected on the basis of STAP members' travel plans, availability of host facilities at minimum cost to the GEF, potential for interaction with IA and GEF Secretariat staff, and minimization of travel costs. Future venues will be selected carefully bearing in mind these criteria and the location of UNEP's headquarters in Nairobi.

11. In addition, the STAP Chairperson is expected to attend Council meetings and the GEF Project Implementation Review. It is likely that there will be reciprocal participation in meetings of convention scientific and technical bodies. The STAP Chairperson is also expected to be invited by other relevant scientific and technical bodies, and travel to a small number of such meetings. Travel costs for these activities is estimated at \$50,000 per year.

WORKING GROUPS

12. STAP will convene about 6 to 9 ad-hoc working groups in FY97-FY99. These working groups will be organized in cooperation with the Subsidiary bodies of the Conventions where relevant. They will permit STAP to obtain specialized technical opinions which might not be adequately represented in the panel's membership.

13. Costs associated with the working groups are estimated at \$100,000 per year. It is anticipated that for some of these activities co-funding from sources other than STAP's budget will be possible.

STAP SECRETARIAT

14. STAP will be supported by a full-time STAP Secretary, responsible for the following tasks:

(a) Acting as the liaison between STAP and the GEF Secretariat and Implementing Agencies;

(b) Assisting the STAP Chairperson in coordinating the work of STAP and its ad-hoc working groups;

(c) Overseeing the development and use of the Roster of Experts;

(d) Assisting the STAP Chairperson in organizing STAP meetings, preparing agendas, and following-up on STAP decisions;

(e) Performing support functions for STAP, such as literature searches, synthesizing/editing documents, and compilation of information; and

(f) Managing the STAP budget.

15. The STAP Secretary will be supported by a professional staff/consultant in the development, management, revision and maintenance of the Roster. This position will also serve as back-up to the STAP Secretary. The core STAP secretariat staff will be assisted and complemented by other staff in UNEP's GEF Coordination Office who are funded from the UNEP GEF administrative budget.

16. Finally, it should be noted that, as in the case of the UNEP GEF administrative budget, UNEP's Environment Fund absorbs a significant portion of the costs related to STAP in order to comply with governments' desire to use existing institutional structures. Approximately 20% of the costs of the GEF coordination office that are absorbed by UNEP are attributable to support to STAP.

TRUSTEE BUSINESS PLAN FY97-99

The responsibilities of the World Bank as Trustee of the GEF Trust Fund can be summarized as (i) Financial Management of donor resources; (ii) Mobilization of resources; (iii) Maintenance of appropriate records and accounts of the Fund and providing for their audit; (iv) Monitoring and reporting to the Council; (v) Coordination of the Trustee responsibilities within the Bank as well as with the Secretariat and outside sources; and (vi) Provision of legal advice.

I. FINANCIAL MANAGEMENT OF RESOURCES

The Trustee manages donor contributions in the form of promissory notes to the pilot phase and GEF-1 to ensure legal commitment authority is in place and sufficient cash is on hand to meet disbursement needs. The Trustee monitors the GEF's commitment authority to ensure its legal limits are not exceeded. The Trustee will also monitor the liquidity requirements of the GEF, preparing estimated encashment schedules and calling note encashments as needed, and ensuring that appropriate policies for investment of GEF's liquidity are in place and implemented. The World Bank has in place a Capital Management System which is used to manage IDA's resources. A separate module has been developed in that system for managing GEF resources. An integral part of the FY97-99 activity will involve fine tuning and maintaining the module. The Trustee will invest all funds in excess of liquidity requirements and will administer a currency management policy to mitigate the risk of foreign exchange fluctuation.

II. MOBILIZATION/LEVERAGING OF RESOURCES

The Trustee will manage the Replenishment discussions/meetings which should be underway in FY97 (for GEF-2). Considerable staff and managerial input and emphasis will be dedicated to this end. As part of this effort as well as an ongoing requirement, the Trustee will be coordinating with and supporting donors who have pledged to the GEF to convert those pledges into legal commitments to GEF Trust Fund. In addition, many new donors often need additional information and other assistance in making their contributions available on terms consistent with the Instrument. The Trustee will be providing this support to donors. In an effort to broaden the GEF funding base, the Trustee will also be following up with potential donors, who have not fully pledged to the GEF or have not yet indicated a willingness to participate in the replenishment discussions. As part of the effort, the Trustee will provide information on possible alternative financing arrangements to potential donors exploring the possibility of making contributions to the GEF. The Trustee also will explore with donors interested in making additional resources available to the GEF in the form of cofinancing arrangements the modalities for such contributions.

III. MAINTENANCE OF APPROPRIATE RECORDS AND ACCOUNTS AND PROVIDING FOR THEIR AUDIT

The Trustee maintains the accounts of the GEF Trust Fund separate and apart from the books of the Bank. The Trustee prepares semiannually a consolidated report of the financial status and activity of the GEF Trust Fund for submission to the Council. Such statement

consolidates reported activity from each of the three implementing Agencies, the Secretariat and the Trustee. The Trustee will continue to arrange for financial audits of the GEF Trust Fund which will now entail separate audits of each of the Implementing Agencies, the Secretariat, and the Trustee and forward the audit reports to the Council. These reporting and auditing arrangements entail a significant amount of coordination between the Trustee, its auditors, the Implementing Agencies, and the auditors for each agency.

IV. MONITORING AND REPORTING TO THE COUNCIL

To fulfill its responsibility for monitoring the application of budgetary and project funds, the Trustee will arrange for external audits of the financial statements of each agency's use of GEF funds (as noted above under audit arrangements). In conjunction with the Financial statements on the overall status and activity of the Fund noted above, the Trustee will continue regular reporting of the status of contributions in terms of Instrument of Commitments, commitment authority, realized pledges, and progress on closing the "unallocated" gap in the Replenishment.

V. TRUSTEE COORDINATION

The Financial Resources Mobilization department of the World Bank serves as the focal point for coordinating the Trustee responsibilities within the Bank. In that capacity it also represents the Trustee at Council meetings and is responsible for arranging the reporting to the Council. It will continue serving as the Trustee contact point with the Secretariat, other agencies, and donors.

VI. LEGAL ADVICE

The Legal department of the World Bank advises the Trustee on all legal aspects of its work as Trustee (and also provides legal advice to the Bank as an Implementing Agency and the provider of administrative support for the GEF Secretariat, including the provision of legal services to the Secretariat). In addition, upon request by the Council, the Legal department would take the lead to ensure that the arrangements or agreements approved by the Council with the Conference of the Parties of the relevant global environmental conventions are consistent with the Trustee's Articles of Agreement, By-Laws, rules and decisions and are duly executed.

VII. ESTIMATED BUDGET ENVELOPE

The estimated Trustee budget needed for FY97 in order to undertake the above programs is \$.84 million, a small increase over the FY96 approved budget.

GEF SECRETARIAT BUSINESS PLAN FY97-99

INTRODUCTION

1. This paper represents the Secretariat's Business Plan for FY97-99, with a budget estimate for FY97. It is organized in four sections: planning assumptions, anticipated work program outputs (with particular focus on FY97), special programs and initiatives, and budget and staff needs. It builds upon the GEF Business Plan FY96-97 (GEF/C.4/4), approved by the Council in May 1995, and the Secretariat Staffing Plan FY96 (GEF/C.5/4) before the Council at its July 1995 meeting. The principal objective of the Secretariat's work program for FY97-99 is to implement the GEF Operational Strategy. Toward this end, the work program will give priority to supporting GEFOP's increased workload, so that the Secretariat does not become a bottleneck, and to providing more upstream advice and guidance to help improve project quality. For FY97, the Secretariat's anticipated resource requirements (including staff) will remain at the FY96 level in real terms, and resources will be redeployed as needed to achieve this objective.

PLANNING ASSUMPTIONS

2. Secretariat's Mission and Objectives Remain As in FY96. As described in the Secretariat's Staffing Plan FY96, the Secretariat's mandate under the Instrument falls into seven broad areas, comprising ongoing activities and special requests by Council that vary over time. During FY97-99, the Secretariat's work program and outputs will continue to be governed by this framework: (a) to service the Council and Assembly (with communications, institutional relations, and logistics support for meetings; (b) to report to the Assembly, Council and other institutions, especially the relevant Conventions; (c) to coordinate and collaborate with all entities of the GEF and other bodies; (d) to develop operational guidance based on Convention guidance and Council-approved policy, and to monitor effectiveness of its implementation, (e) to coordinate joint work program formulation and oversee its implementation; (f) to cooperate with the Trustee on financial management policy, including replenishment; and (g) to undertake other functions as assigned by the Council.

3. Emphasis on Project Quality and Relevance. Among the ongoing responsibilities of the Secretariat, priority for FY97-99 will be given to coordinating the joint work program formulation in order to enhance the quality and relevance of projects being put forth to the GEFOP. This reflects a strategic shift from developing policies and procedures to guide the work of the Council and operations in FY95-96, to preparation and implementation of the work program (both pilot phase and GEF I) for FY97-99. The Operational Strategy will provide the policy base needed to reduce uncertainty in countries and agencies about GEF policies, eligibility, and priorities. The Operational Programs will set the context for GEF support and identify relevant activities. The Annual Project Implementation Reviews will increasingly provide lessons learned and be instructive for improving project design. These instruments combined with more upstream advice and feedback from the Secretariat should facilitate early identification of projects most likely to be consistent with the Strategy, and channel preparation

and interagency coordination so that projects reaching GEFOP are of high enough quality to be cleared for the work program.

4. Planning for Cost-Effectiveness. The Secretariat will continue to keep its activities under review for cost-cutting measures, streamlining, and consolidation. Its staffing plan will be guided by the Council's special concerns about administrative costs, and as indicated by the CEO in the July Council meeting, the Secretariat will keep its staff complement particularly lean for FY96. This level of staffing will remain for FY97. In addition, the Secretariat will initiate a number of measures with production for documents and communications that should increase GEF-wide cost-effectiveness over time through enhanced use of information technology, video and audio conferencing and electronic mail. The Secretariat will take a more active guidance role in ensuring that common operational services under this business plan are produced as cost-effectively as possible.

ANTICIPATED WORK PROGRAM AND OUTPUTS

5. The Table at the end of this paper contains an indicative list of regular outputs prepared by the Secretariat as part of its ongoing responsibilities pursuant to the Instrument and Council decisions, and these will continue to be produced during this planning period, in addition to special initiatives that the Council may request. Following guidance given all agencies on the organization of the Corporate Business Plan FY97-99, the discussion of the Secretariat's work program below is divided into three main categories of outputs: (a) operational project outputs, (b) common operational services (non-project specific), and (c) administrative outputs.

6. Coordination of the Joint Work Program (estimated to increase to some 40% of Secretariat work program). The size of the FY97 operations work program is projected by the IAs to more than double that expected for FY96 (from some \$300 million to over \$600 million). This has significant implications for the GEF Operations Committee (GEFOP), managed and chaired by the Secretariat, because this committee clears projects proposed by the IAs for the work program that is sent to the Council for review and approval. To date, only about half of the projects before GEFOP at any one meeting are included in the work program, the remainder being deferred due to eligibility, quality or coordination concerns. Assuming this improves, some small drop-out rate at GEFOP will still be normal. Thus, it can be expected that a target doubling the proposed work program to be cleared by GEFOP will translate into more than a doubling of proposed projects for GEFOP to review and process. In view of this sharply increased GEFOP workload, the Secretariat expects that for FY97-99, it will need to devote more than double the resources allocated to the GEFOP process in FY96, from about 16% of its work program to about 40%. This will be done through redeployment of staff.

7. The Secretariat's GEFOP tasks will intensify in two respects: (a) technical in-house reviews of every submitted proposal (normally involving more than one specialist per project,

e.g., focal area/incremental cost); and (b) managing the GEFOP process, which involves regular meetings (increasingly on a weekly basis to resolve issues of policy, quality, and coordination), and formal and informal interagency consultations to facilitate decision-making.

8. The Secretariat is responsible for preparing, in collaboration with the IAs, the "Work Program Proposed for Council Approval" for each of the Council's regular meetings. As in the past, this document will continue to contain a description of projects proposed by the agencies that were cleared by GEFOP and an analysis by the Secretariat of the proposed program along with special issues and conclusions for Council consideration.
9. Common Operational Services (Non-project Specific) (about 30% of the Secretariat's work program). A number of outputs involve GEF-wide collaboration. The Secretariat takes the lead on several of them and provides guidance on others. These "common operational services" include operational policy guidance, representational (non-operational) travel, communications, country training workshops, staff development and training, and the working paper series. During this business planning period, the Secretariat will take an active role to ensure that common services are managed cost-effectively through more collective decision-making about priorities and modes of delivery. Toward this end, the Secretariat, in collaboration with the IAs, will establish a new ad hoc Interagency Committee on Management to oversee programming of several common services. The Committee will be guided by the CEO and chaired by the Secretariat. It will meet at regular intervals to address common service issues as well as other management matters, and provide a mechanism for regular interaction to avoid duplication, identify new initiatives, issues and problems, priorities and which entity might lead on different outputs.
10. Of the several common services produced by GEF, the Secretariat takes a substantive lead with formal operational guidance (OGs), institutional relations (discussed under administrative outputs below), and external relations. Operational guidance applies GEF-wide and is of two types: i) short formal statements (OGs) and ii) longer guidance papers. Formal OGs are directly derived from Council decisions on policy and serve as the pragmatic embodiment of such Council decisions to help guide and promote common implementation by the IAs. Some five to eight OGs will be prepared mostly in the initial period of the plan and declining thereafter as the main issues are address. For FY97, the priority for OGs will be public involvement, monitoring and evaluation, financing modalities, and private sector involvement. The second type of guidance (longer papers) is prepared when more guidance is needed on how to apply certain principles, concepts or requirements to GEF projects. For FY97, a high priority for the GEF will be to develop the initial ten operational programs identified in the Strategy, and the Secretariat will advise on and coordinate their preparation.
11. External relations were centralized pursuant to the GEF Business Plan FY96-97 in order to better coordinate, ensure a common message, and maximize cost savings. For FY97-99, the Secretariat will continue to coordinate, disseminate, and fund the GEF-wide Quarterly Operational Report as the flagship external publication for information on GEF operations. The

mailing list for this publication is now over 2000 entries and growing steadily. In addition, the Secretariat will prepare and fund dissemination of the quarterly bulletins, Questions and Answers (Q's and A's), special inserts in Our Planet and other publications on special issues or initiatives. These publications are part of a GEF Communications Strategy that continues to evolve to meet the challenges of the restructured GEF. During this business plan period, special effort will be made pursuant to this Communications Strategy to target important audiences -- participating governments, the news media, NGOs, private sector, and academia -- to gain support for GEF and improve understanding about the restructured GEF as contrasted with the pilot phase. Also, as part of the strategy, the Secretariat will explore ways to make greater use of electronic data management, outreach, and communication technologies both to disseminate documents as well as to receive views and input from GEF stakeholders and other parties interested in the GEF.

12. As part of external relations, the Secretariat will also play a more active role through the Interagency Management Committee, noted above, to maximize relevance, quality, and cost-effectiveness of the Working Paper Series. This series -- which may cover intellectual and policy related topics, analytical tools and methodologies, case studies of single or inter-country projects, best practice papers, and evaluation and cross-cutting issues -- provides an important opportunity for the GEF to communicate to the outside world on a variety of topics. The Committee will be used to coordinate the selection and production of outputs. A strong editorial and oversight process will be established to ensure quality and relevance of all submitted papers for inclusion in the Working Paper Series, and to ensure that expert external review is conducted. Appropriate disclaimers will be inserted in any such publications to ensure that views do not necessarily mean GEF endorsement. Flexibility will be retained on how such papers are budgeted. Illustrative topics for FY97 working papers include: incremental costs of biodiversity conservation, making better use of information technology for country capacity building, risk assessment, and root causes of biodiversity.

13. Regarding other common services, the planning and funding of country training workshops rests with the IAs, especially UNDP and the Bank given that both have significant national field presence, with UNEP playing an important role for region-wide workshops. The Secretariat's role will be limited to a "wholesale" function, to ensure that the message is fully consistent with policy and that the materials are relevant and of high quality. A similar role applies to staff development and training where the Secretariat will collaborate with the IAs on content to ensure product quality and relevance; the IAs will be retailers -- marketing, organizing, and promoting, with GEF core staff participating as speakers and discussants. For FY97, key areas for staff training include: (a) understanding incremental costs of global environmental issues; (b) the GEF Information Management System; (c) the GEF in relation to other international legal instruments; (d) mainstreaming the GEF: an operational orientation for IA regular staff; and (e) good practice in special issue areas, e.g., public involvement, monitoring and evaluation.

14. Administrative Outputs (remaining steady at about 30% of the Secretariat's work program). The Secretariat's ongoing mandate pursuant to the Instrument and Council decisions

includes a number of regular administrative outputs. These are linked to the Secretariat's responsibilities in (a) institutional relations, (b) reporting to the Council, and (c) cooperating with the Trustee on financial management policy.

15. Institutional relations work will continue to include providing advice, guidance, and monitoring of GEF governance and legal issues, and undertaking other legal and institutional relations to ensure that the work of the GEF is proceeding properly under the Instrument and Council decisions. Ongoing institutional liaison activities will continue to emphasize collaboration and cooperation with the Implementing Agencies, Trustee, Convention Secretariats (especially with implementation and follow-up of Memoranda of Understandings (MOUs) and associated arrangements), and other international bodies (e.g., the UN Commission for Sustainable Development). This area of work also will continue to be responsible for monitoring the eligibility of countries to receive GEF funds including eligibility under the specific Conventions, and all aspects of conference services, logistics, and administration for Council and Assembly meetings.

16. During this business plan period, the first Assembly meeting under the restructured GEF will be convened, probably during FY98 (calendar 1997). This meeting will be considerably larger than regular Council meetings, involving representatives of all participants, and the venue will likely be outside of Washington, D.C. These special features will involve additional logistic and administrative preparations by the Secretariat. In addition, it is expected that special reports and presentations will be needed for the event.

17. Reporting to the Council is another dimension of the Secretariat's ongoing work program. The Secretariat takes the lead, in close collaboration with the IAs, STAP, and Trustee, in preparing: Annual Reports (including reporting to the conventions), Annual Project Implementation Reviews, Corporate Business Plans and Corporate Budgets (both of which the CEO is responsible for negotiating with the Implementing Agencies), and midyear corporate budget and Secretariat expenditure reviews (see Table at end of this paper).

18. Related to the Secretariat's mandate to negotiate a corporate budget, the FY96 corporate budget paper presented by the Secretariat to the May 1995 Council meeting indicated that more work would be done through the GEF Interagency Budget Committee toward a common, differentiated system of cost accounting. Since that meeting, the Secretariat and Implementing Agencies have met on several occasions through the Interagency Budget Committee, at both the technical and policy levels. They have examined definitions, record keeping systems, and options for more transparent and comparable accounting of GEF budget resources. The result has been interagency consensus to begin to move to a fee-based system in FY97 to the extent feasible and subject to Council guidance at the October 1995 meeting. Assuming the Council concurs with the Committee's proposal to move forward with this approach, a high administrative priority for the Secretariat for FY97 will be to work with the Interagency Budget Committee to implement a fee-based system for reporting budgetary resources.

19. Finally, financial management activities will continue to be a part of the Secretariat's FY97-99 work program, and beginning in FY97 will involve a cluster of tasks associated with replenishment discussions. As was the case during replenishment for GEF I, this task is led by the World Bank's finance complex, the Trustee, in cooperation with the Secretariat. Activities will include assessing program funding needs, and development of suitable burdensharing options. The Secretariat will prepare background and briefing papers, as needed, for the discussions.

20. This part of the Secretariat's work program also will continue to involve monitoring the level of GEF I funds that remain to be allocated for purposes of financial management of the work program. Special initiatives related to leverage options with private sector and bilateral cofinancing will continue to be explored, and a related initiative will examine the use of national and regional trust funds to support programs aimed at achieving global environmental benefits. Other ongoing activities in this area include work on GEF-specific burdensharing formulas, monitoring constituency groups and the voting mechanism.

21. Information Technology. The Secretariat began an initiative in FY96 to develop, in collaboration with the IAs, an information technology strategy to support administration of the GEF and this effort will become operational during FY97-99. The goal is to make increased use of information technology for more effective project monitoring and assessment, data tracking and analysis, report generation, and communications. In FY96, a GEF Interagency Task Force on Information Technology chaired by the Secretariat, was established to coordinate this work and to ensure that considerations of IA experience and capacity are fully incorporated. The first priority is to develop a common database of project information across the Secretariat and IAs to support GEFOP, administrative and financial reporting, and general project monitoring. The Task Force is aiming for a process where project information can be entered and validated as close to the source of the information as possible; the information technology system will have capabilities for sorting data for various audiences.

22. One of the first formal outputs from this collective work will be the Quarterly Operational Report (QOR), converted to an electronic data base for easy updating and production. This should also generate cost-savings since the report has been manually assembled in the past; shifting production in-house and adjusting the format means that the World Bank print shop will be able to reproduce the document at a much reduced cost than that charged by an outside firm. Over time, an added benefit of this initiative will be the possibility to manipulate the data for special issues and, if demand exists, to upload the document to the World Wide Web for cheaper access to a larger number of users.

23. During FY97-99, the Secretariat will continue to lead and coordinate this information technology initiative for the GEF. The work also will include identifying information technology needs and improved methods for conducting Secretariat in-house business more cost effectively and efficiently. The Secretariat, through the Task Force, also expects to put major emphasis on enhancing its electronic "outreach and receiving" capabilities in order to better mobilize support,

educate constituents, and be receptive to input. Over the course of this business plan, principal objectives will be to:

- (a) Make all GEF public documents available through the Internet;
- (b) Identify and electronically link appropriate national and regional environmental research and field monitoring laboratories; a needs assessment with options for moving forward in this area will be undertaken in FY97;
- (c) Promote greater participation on issues of broad interest through targeted electronic information conferences which allow users to participate in discussions via Internet or electronic mail;
- (d) Work with interested parties to develop and disseminate appropriate materials that foster a better understanding of GEF focal area problems and potential solutions;
- (e) Develop a network of linkages with other information sources such as GIS maps, statistical country data and other data sources through the Internet.

24. Monitoring & Evaluation. At the May 1995 Council meeting, the Council recognized the importance of monitoring and evaluation and the need for an efficient system to deal with GEF operational, scientific, and strategic issues. Among other things, the Council authorized the CEO to recruit and nominate, for Council appointment, a senior monitoring and evaluation coordinator, to guide strategic and cross-cutting issues in monitoring and evaluation. The Council also directed the Secretariat, in consultation with the Implementing Agencies, to prepare for the Council: (a) a strategic framework for monitoring and evaluation; (b) proposed work program and budget; and (c) a proposal for further methodological work. These outputs require the task management of the new evaluation coordinator who would be responsible for implementing Council decisions flowing therefrom.

25. Subject to Secretariat nomination and Council appointment of a senior monitoring and evaluation coordinator, the Secretariat's FY97 budget to Council in April/May 1996 will include a separate line item covering the costs (salary and overheads) for the coordinator and associated support, including one research assistant and part-time secretary.

BUDGET AND STAFF IMPLICATIONS

26. For FY97, the Secretariat's budget estimate to implement the above work program holds relatively constant in real terms with its FY96 budget, at \$5.9 million, excluding monitoring and evaluation and any new initiatives that may be directed by the Council. The Secretariat's staffing pattern also is expected to hold steady with that of FY96 per the Secretariat's Staffing Plan FY96, as amended by the CEO. Staff training and redeployment, supplemented by consultants as needed, will be the strategy for handling work program shifts in emphasis as well new requests. For FY98-99, the cumulative nature of a rapidly expanding portfolio for GEFOP-related review and advice, plus the Assembly, are expected to require some strengthened capacity in the Secretariat on the order of two additional staff years in FY98 and one in FY99.

Secretariat Business Plan FY97-99

TABLE: Indicative List of Regular Outputs
Prepared by the Secretariat

<u>Outputs</u>	<u>FY97</u>		<u>FY98</u>		<u>FY99</u>	
	1st half	2nd half	1st half	2nd half	1st half	2nd half
<u>For Council:</u>						
Work Program Proposed for Council Approval	x	x	x	x	x	x
GEF Annual Report (incl. reporting to Conventions)		x		x		x
Annual Project Implementation Review		x		x		x
GEF Corporate Business Plan	x		x		x	
GEF Corporate Budget		x		x		x
GEF Midyear Budget Review		x		x		x
Secretariat Budget Expenditure Report		x		x		x
Council Meeting Logistics	x	x	x	x	x	x
Assembly Meeting Logistics			x			
<u>For Operations:</u>						
Formal Operational Policy Guidance (OGs) (as needed)	x	x	x	x	x	x
<u>External Publications:</u>						
Quarterly Operational Reports	x	x	x	x	x	x
Quarterly Bulletins	x	x	x	x	x	x
GEF Q's & A's	x	x	x	x	x	x
GEF Inserts in Our Planet	x	x	x	x	x	x