

Global Environment Facility

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DRAFT ANNUAL REPORT 1999
VOLUME I

Recommended Council Decision

The Council reviewed the draft annual report (Volumes I and II) covering the activities of the GEF during FY99, documents GEF/C.14/7 and GEF/C.14/8, and approves it subject to the comments made by the Council. The Council requests the Secretariat to publish the report and disseminate it widely.

**Global
Environment
Facility**

**Millennium Edition
Annual Report
Volume I**

Safeguarding the Earth

(this page folds out into a 16x22 inch 4-color calendar)
(text is in white, reversed out of a four color photo)

Whether you
measure history
in months
or millennia...

... the time to
safeguard the Earth
is now.

EARTH FOR ALL TIME.

<i>Year 2000 Calendar</i>			
<i>January</i>	<i>February</i>	<i>March</i>	<i>April</i>
<i>May</i>	<i>June</i>	<i>July</i>	<i>August</i>
<i>September</i>	<i>October</i>	<i>November</i>	<i>December</i>

As a catalyst for global environmental solutions, GEF has mobilized more than \$7 billion to combat biodiversity loss, climate change, international waters degradation, and ozone depletion in over 125 countries.

Find out how you can be a part of the GEF.

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Safeguarding the Earth

While people around the world mark the new millennium, Earth itself is, of course, several billions of years old.

Do we really need to be concerned about the future of a planet with staying power of this order of magnitude? Most definitely. As Earth goes, so go the more than six billion people and countless other species on board.

Consider the potential risks associated with just one pressing problem, global climate change.

According to the Oslo-based Center for International Climate and Environmental Research, unless emissions of greenhouse gases are stabilized the probable rise in carbon dioxide concentrations in the atmosphere by the 2080s could mean:

- a global temperature rise of about three degrees Centigrade.
- devastation of the Amazon rainforest
- widespread hunger, water shortage, and an increased risk of floods
- nearly 300 million more people at risk of malaria.

Expanding deserts, a tattered ozone layer, collapsing fisheries, a scarcity of fresh water, and unprecedented levels of plant and animal extinction do not describe the kind of planet we want to leave for future generations.

We can do better, if we all play a part. The Global Environment Facility (GEF) encourages people's participation in safeguarding the global environment through sustainable development measures close to home.

Most nations of the world today are shareholders in the GEF. A total of 166 participate in the GEF, and their input is also channeled through GEF's 32-member governing Council.

Five years after the GEF took its current form, people working in more than 620 GEF projects and over 125 countries are casting a kind of safety net around some of earth's most precious natural assets and the human communities that depend on them. When co-financing from national governments, international agencies, the private sector, and environmental groups is added to GEF funds, this portfolio is valued at more than \$7 billion.

These resources are small in relation to the size of the problems. Our success to date stems from a number of factors, institutional as well as operational:

- An ability to translate vision and concepts into viable actions;
- An emphasis on our role as a catalyst for sustainable development while respecting national priorities;
- Our role in support of the Conventions that emerged from Rio, the Convention on Biological Diversity and the U.N. Framework Convention on Climate Change, and GEF activities that take into account the objectives of the Convention to Combat Desertification and other global environmental treaties;

- Our demonstration of new and renewable energy technologies, specifically for developing countries;
- Our integrated approaches for land, water, and biodiversity conservation;
- Our many tangible partnerships with governments, non-governmental organizations, and the private sector;
- Our institutional arrangement of a streamlined organization that relies on existing, proven organizations for implementing its actions on the ground.

Sections of this report look at each of these critical facets of the GEF. They also provide a means for contemplating what life on our shared planet can be like in the next century and beyond -- if, together, we safeguard the Earth.

Mohamed T. El-Ashry
CEO & Chairman

The Local Benefits of Global Environmental Partnerships

Earlier this year, I listened as a community leader described what a home-grown conservation plan and support from the Global Environment Facility (GEF) have done for the endangered ibex and the low-income people living in mountainous northern Pakistan.

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*"Before the GEF project, influential people used to hunt the ibex and other animals," recalled Farman Baig, vice chairman of the Khyber Imamabad development organization. "Then restrictions on animal hunting and tree felling were instituted, and the people thought that the area would become a national park and they would not benefit from it."*

*"Instead, the people took charge. A newly formed conservation committee gave voice to local people as well as forestry and wildlife experts. Together, they wrote a district conservation plan, which not only controlled hunting, but channeled most of the revenues to a village conservation fund that has already been tapped to bring clean drinking water from a glacier."*

*"Today villagers learn wildlife management from a guide their peers helped produce, and schoolchildren study about the rich collection of more than 300 animals and 1,000 plants that help make their homeland unique."*

*"We are now capable of carrying this conservation project forward on a permanent basis," said Baig. "We can also provide assistance to others, in light of our own experience."*

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As impressed as I was by the community in question, I was also struck at how well so many partners had backstopped their efforts. Among them: the governments of Pakistan and the United Kingdom, the Aga Khan Rural Support Programme, IUCN-The World Conservation Union, World Wildlife Fund-The Netherlands, the European Union, the International Fund for Agricultural Development, and the GEF's implementing agency in this instance, the United Nations Development Program (UNDP).

Mohamed T. El-Ashry

For more examples, see the section on Tangible Partnerships.

Translating Vision Into Viable Action

"The best argument for the GEF is on the ground -- highly relevant and participatory projects that are innovative enough and designed flexibly enough to bring local needs and GEF's global focal areas together."

Delfin J. Ganapin, Jr., former Undersecretary for Environment, The Philippines

Developing countries and nations transitioning to market economies are increasingly looking to the GEF as their principal partner in global environmental problem solving. Projects in more than 125 countries:

- Conserve biodiversity, improving farmland, coastal, mountain, marine, and wildlife management to secure better livelihoods for people who use these resources...
- Save energy and open doors for renewable energy technologies, extending power to rural communities and reducing reliance on less efficient technologies that cause air pollution and contribute to climate change...
- Address over-fishing and the degradation of oceans, coastlines, lakes, wetlands, and rivers caused by the loss of habitats and pollution...
- Assist nations in Eastern Europe and the Russian Federation in phasing out the use of chemicals that deplete the ozone layer...

During fiscal 1999, the GEF Council approved \$517.6 million and mobilized close to \$1 billion more in co-finance from governments, development institutions, the private sector, and NGOs.

The average GEF grant during the past year was \$8 million. However, the amount of funding ranged from a few tens of thousands of dollars in GEF's small grants program (see *Tangible Partnerships* section) to tens of millions of dollars for capital-intensive renewable energy projects (see *Opening Doors for New Technologies* section).

New Project Sampler

With the exception of short-term response measures capitalizing on immediate opportunities to address urgent problems -- GEF's ozone layer protection work, for example -- all GEF projects currently fall into one or more of three focal areas and ten operational programs. Below you will find a sample of full-size projects approved during FY 99. For a complete list of new GEF projects, please see Annex L. Sample small and medium-size grants can be found in the section on *Tangible Partnerships*. For GEF projects addressing land degradation, see section on *Supporting Conventions Emerging from Rio*.

Biodiversity

#1

Arid and Semi-Arid Ecosystems

BOLIVIA: A new \$15 million grant (matched by more than \$30 million in co-finance) will assist Bolivia's efforts to strengthen its protected areas system (ranging from tropical humid forests to high mountain deserts) in harmony with indigenous communities who maintain one of the world's largest reservoirs of agricultural and medicinal plants. In the short run, the project will improve the management of protected areas and establish and capitalize a private trust fund. Its longer term goals include a consensus-based conservation plan and additional mechanisms to achieve social and financial, as well as ecological sustainability. (World Bank)

#2

Coastal, Marine, and Freshwater Ecosystems

INDONESIA: This \$10 million project (GEF contribution: \$6 million) is located on and around four biologically-rich islands in the province of Maluku in eastern Indonesia. It aims to improve management of Manusela National Park and establish Lolabata-Akitajawe National Park, and expand and manage a system of marine protected areas. It will encourage local community participation by providing development grants linked to environmental actions and reviving traditional natural resource management systems. Community groups, non-governmental organizations, and the private sector will be involved in ecotourism development and protected area planning and management. (World Bank)

#3

Forest Ecosystems

SURINAME: This \$18.3 million project (GEF contribution: \$9.5 million) will operationalize protected area management in two globally important and representative sites, the Central Suriname Nature Reserve (the single largest tropical forest reserve in the Guayana shield) and the Sipalwini Nature Reserve in south Suriname. Associated efforts will build Suriname's conservation constituency through targeted awareness and education drives, promote conservation-compatible livelihood alternatives, and create long-term funding mechanisms to ensure the financial sustainability of protected areas management. (UNDP)

#4

Mountain Ecosystems

MALAWI: A \$5.3 million grant from GEF is promoting conservation in the globally significant and unique ecosystems of the Mulanje massif. GEF funds will support efforts to incorporate biodiversity conservation objectives into reserve management, including monitoring populations and distributions of targeted species and other ecological indicators, identify high priority conservation sites and the activities required to protect their biodiversity, and work with local communities to develop alternate sources of products and income to reduce pressure on biological resources and compensate for loss of access to resources in protected areas. (World Bank)

Climate Change

#5

Removal of Barriers to Energy Efficiency and Energy Conservation

LEBANON: This \$5.4 million project seeks to reduce greenhouse gas emissions by improving "demand side" energy efficiency. It will create a Lebanese Centre for Energy Conservation and Planning to remove barriers to energy efficiency and provide energy efficiency services to the public and private sector industries -- in time, transforming itself into a commercially viable, private corporation. (UNDP)

#6

Promoting the Adoption of Renewable Energy by Removing Barriers and Reducing Implementation Costs

MOROCCO: This \$5.3 million project will help develop the market for solar water heaters, by improving the quality of the heaters, making them more affordable, increasing awareness, and establishing a more favorable policy context. GEF funds will finance the installation of 100,000 square meters of solar heating technology over the next four years. (UNDP)

#7

Reducing the Long-Term Costs of Low Greenhouse Gas-Emitting Energy Technologies

PHILIPPINES: This \$7.5 million project will finance a one megawatt distributed generation photovoltaic power plant, which will be integrated into the 80-megawatt distribution network of the Cagayan de Oro Power & Light Company, a private utility operating on the island of Mindanao. This initiative will be the first, full-scale demonstration of the environmental and economic benefits of combining hydroelectric and photovoltaic power, as well as the first significant use of grid-connected photovoltaics in a developing country. (World Bank/IFC)

International Waters

#8

Waterbody-Based Operational Program

Central Europe/Former Soviet Union: This \$18.3 million grant will help identify priority transboundary issues and country-specific actions to address those issues as part of the Caspian Environment Program, which is funded by countries bordering the Sea, GEF, UNEP, and other donors. It will develop regional coordination mechanisms, complete an analysis of transboundary water-related environmental issues to guide actions and investments, formulate and approve a strategic action program, and prepare national action plans. (UNDP, UNEP, World Bank)

#9

Integrated Land and Water Multiple Focal Area Operational Program

Asia/Pacific: This \$20.3 million program (GEF grant: \$12.2) will contribute to the sustainable management of coastal and ocean resources in the Pacific region. Integrated coastal and watershed management efforts will focus on freshwater supplies, including groundwater, marine protected area development, sustainable coastal fisheries, and tourism development in Cook Islands, Federated States of Micronesia, Fiji, Kiribati, Marshall Islands, Nauru, Niue, Papua New Guinea, Samoa, Solomon Islands, Tonga, Tuvalu, and Vanuatu. An oceanic fisheries management effort will target the western Pacific warm pool ecosystem, whose boundaries correspond to the western Pacific tuna fishery. (UNDP)

#10

Contaminant-Based Operational Program

BRAZIL: This \$20.2 million project (GEF: \$4.8 million) develops a watershed management program for the Rio Sao Francisco Basin, which discharges into the southwest Atlantic large marine ecosystem and Brazil current. The project will focus on the use of economic instruments and catalyze activities to restore and sustain the coastal zone through improved river basin management. This is the first of a series of large river basin/coastal zone projects GEF has agreed to help finance under the Global Program of Action for Protection of the Marine Environment from Land-Based Activities. (UNEP)

Two New GEF Operational Programs

The GEF Council took action during fiscal 1999 to expand GEF's climate change work in order to promote environmentally sustainable transport and integrated ecosystem management.

Transport. Initially, this program will emphasize the following measures in ground transport:

- Shifts to more efficient and less polluting forms of public and freight transport through traffic management and increased use of cleaner fuels
- Non-motorized transport
- Fuel cell or battery operated two and three-wheelers designed to carry more than one person
- Hydrogen powered fuel cell or battery operated vehicles for public transport and goods delivery
- Internal combustion engine/electric hybrid buses, and
- Advanced technologies for converting biomass feedstock to liquid fuels.

Integrated Ecosystem Management. Currently under development with broad participation of public and private sector stakeholders, this program will assist local GEF partners in their efforts to encourage integrated ecosystem management approaches.

It is expected these changes will result in multiple global benefits, including sustainable use of biodiversity, carbon sequestration, less land degradation, watershed conservation, and less contamination from persistent organic pollutants.

Sustainable Use of Biodiversity

GEF is expanding activities targeting sustainable use of biodiversity, including developing a new operational program on agrobiodiversity.

GEF's \$11 million (GEF:\$6.2 million) People, Land Management, and Environmental Change project is a global initiative on agrobiodiversity. It aims to pool the best efforts of farmers and scientists and develop improved systems of natural resource management in the tropics and sub-tropics. Villagers and researchers are gathering primary data in on-farm trials in Brazil, China, Ghana, Guinea, Kenya, Papua New Guinea, Tanzania, and Uganda across a variety of ecosystems (semi-arid, mountain, forest, and wetland). Their work will be complimented by biodiversity assessments, participatory rural appraisals, outreach and experimental work, and capacity strengthening (UNEP).

GEF Climate Adaptation Efforts & Small Island Developing States

In addition to its climate change mitigation portfolio, GEF is pursuing a number of projects exploring priorities for climate adaptation.

In two examples involving small island developing states:

- The fragile coastal ecosystems of Antigua and Barbuda, Bahamas, Barbados, Belize, Dominica, Grenada, Guyana, Jamaica, St. Kitts and Nevis, St. Lucia, St. Vincent and Grenadines, and Trinidad and Tobago harbor population and economic centers as well as biologically productive and diverse habitats. With GEF financing, these Caribbean island states are developing

strategies to adapt to climate change, especially sea level rise, and training staff to analyze climate and sea level dynamics and recommend policy options and instruments. (UNEP)

- Cook Islands, Micronesia, Fiji, Kiribati, Marshall Islands, Nauru, Solomon Islands, Tuvalu, Vanuatu, and Samoa are engaged in a technical and policy challenge linked to their common geography. Many of these island states are nearly at sea level and have substantial population and economic activities in coastal areas, making them especially vulnerable to sea level rise. Through their participation in the training, institutional strengthening, and planning activities that comprise GEF's Pacific Islands climate change assistance program, these island nations will be better able to identify their climate change adaptation options. (UNDP)

Catalyst for Sustainable Development

"Our sensibility to global environmental phenomena is growing... we suffer their effects directly. The case most evident is the thinning of the ozone layer and the consequent increase in ultraviolet radiation over the southern cone of Punta Arenas in the Magellan Straits, where a large number of people are exposed to this risk."

Benjamin Concha, Ambassador to India, Chile

"Meeting basic needs must include the environment."

Ibrahim Abdelgelil, Head, Egyptian Environmental Authority

Acting alone, countries can't do all that is required to heal the ozone layer, improve international waters, address climate change, promote clean energy, or stop plants and animals from disappearing. Neither can they overcome the human suffering and lack of development still so apparent throughout the world. By working together, they can.

The GEF safety net is constructed from a web of partnerships, with each partner contributing what they do best at the local, national, and international level. While money is important to accomplishing GEF's mission, cooperation is what counts most in the long run.

The first rule of GEF operations is that they be consistent with, and supportive of, a country's own actions for sustainable development. Each country has designated an operational focal point responsible for acting as the primary contact point for all GEF activities. These operational focal points, listed in annex B, review project ideas and concepts, endorse their consistency with respect to national programs and national priorities, facilitate broad-based as well as project-related consultation, and provide feedback on GEF activities.

During the past year, the GEF worked to strengthen the "country-driven" nature of its portfolio and policies by:

- Providing additional support to operational focal points in their communication efforts
- Developing country dialogue workshops to increase the flow of ideas and funds (see box)
- Pursuing a simpler form for considering what constitutes incremental costs -- i.e., that portion of a project's price tag which is eligible for GEF funding (see box)
- Streamlining the project cycle
- Mobilizing the scientific community at the country level in partnership with UNEP and GEF's scientific and technical advisory panel
- Partnering with UNDP to craft a global capacity development initiative.

Determining GEF's Share

GEF brings limited resources to the table, so the portion it pays is carefully calculated to cover only the added (or "incremental") costs of making planned development projects "globally green" or "Earth friendly." This is a recognition that development undertaken with global environmental protection in mind sometimes, but not always, costs more. Recipient governments are the number one co-financiers of GEF projects, providing well over \$2 billion in additional funding since GEF began. Another key principle that comes into play in all GEF partnerships is the potential to build

on lessons learned in the project area to benefit an entire country. Several new projects illustrate these principles.

Example: A new \$20 million energy conservation project in China, co-implemented by UNDP and UNIDO, is seeking to reduce greenhouse gas emissions from township and village-level enterprises.

The building material, coking, and metal casting sectors provide key inputs to China's economic development and have been a major contributor to China's economic growth over the last 20 years. Township and village enterprises provide more than half of the total output from these sectors but they also account for one sixth of China's total emissions of carbon dioxide, substantial local air and water pollution, and health hazards for employees.

The GEF is contributing \$9 million to address policy and enterprise-level barriers (including lack of access to commercial financing) to increasing energy efficiency in the brick, cement, metal casting, and coking sectors. China's national, village and township, and local governments, the Agricultural Bank of China, and other commercial banks are supplying the remainder. The global benefit is a reduction in greenhouse gases. Locally, enterprises will be modernized to cut pollution, improve workplace safety, and introduce value-adding systems and processes.

Example: A new \$26.9 million GEF project in southeast India will help conserve globally significant coastal and marine biodiversity -- more than 3600 plants and animal species, including 17 species of mangrove and the endangered marine mammal known as the dugong -- and support the development of alternative sustainable livelihoods for many of the 100,000 people living around the Gulf of Mannar biosphere reserve.

GEF funding of \$7.8 million will help expand the park's infrastructure and strengthen its operations (i.e., develop species and habitat management plans, ecotourism, and educational and media outreach programs) and establish a trust fund mechanism for longer term conservation efforts. A portion will also help finance village-based marine conservation plans and a mariculture cooperative marketing venture.

By demonstrating how to integrate biodiversity conservation into coastal zone management plans that address habitat destruction, over-harvesting of marine resources, and civic pollution, the project could become a model for Tamil Nadu and for India as a whole. (UNDP)

Example: A new \$6 million international waters project (GEF: \$3.2 million) will promote environmentally sustainable development within the Bermejo River Basin of Argentina and Brazil, taking into consideration the program of investments being prepared by the Binational Commission for the development of the Upper Bermejo and Grande de Tarija River Basins (UNEP).

Simplifying the Process

While an important principle of GEF's work, the process of determining incremental costs has often proven complicated in practice. In response to the GEF Council's request to "clarify and simplify" this concept, the GEF Secretariat has formed an incremental cost working group in collaboration with country partners, the implementing agencies, and Convention Secretariats. A consultation with key players throughout the project cycle -- including project directors, country focal points, and non-governmental organizations -- was held in spring 1999 in London. Participants considered a number of paths, including focal area specific approaches for incremental cost estimation.

Principles agreed upon include:

- Full involvement at the country level
- Differentiated, but shared, responsibilities along the project cycle for project proposers (and other local actors), the GEF operational focal points in each participant country, and GEF's secretariat and implementing agencies
- Early and substantial feedback from the secretariat
- Transparency in the incremental cost negotiation and agreement process engaged in by the implementing agency and project proposer, and in all secretariat reviews
- An emphasis on the quality of the incremental cost reasoning and not the numbers arrived at
- Integration of incremental cost estimates with the logical framework analysis during project development
- Project proposer access to certain minimum information on the GEF's procedures for calculating incremental costs.

Quick guide to calculating incremental costs

identify the global environmental problem of concern

analyze the root causes and threats which give rise to the problem

identify activities to address the threats and their underlying causes
(to formulate the GEF alternative)

identify activities which address the same threats and underlying causes
and which would occur regardless of GEF involvement
(considered national sustainable development responsibilities)

identify the activities which are incremental
(i.e. , do not form part of the baseline activities)

GEF Country Dialogue Workshops

Good projects depend on good ideas, and the best ideas come from those who are closest to the problems and are in a position to address them.

To strengthen the "ground-up" character of its work, GEF is developing a series of country dialogue workshops. As a joint effort by GEF's secretariat and implementing agencies, this program seeks to:

- Inform a broad-based national audience about the GEF – its mission, strategy, policies, and procedures
- Facilitate country level coordination and sharing of information on country needs and priorities
- Provide practical information on how to access GEF resources and how to propose, prepare, and implement GEF-financed activities, including dissemination of information on best practices and lessons learned.

Fifty workshops -- most national but some regional where efficiencies merit -- will take place over a three-year period, beginning in mid-2000.

Supporting the Conventions Emerging from Rio

We have witnessed the GEF's evolution into a dynamic body which has established itself as one of the most important financial mechanisms for redressing global environmental problems.

Ambassador Dan Pillay, South Africa

The GEF has proven to be an efficient mechanism for the implementation of the Rio Conventions. Long before the adoption of operational protocols to the conventions, it facilitated the elaboration of national reports and strategies in recipient countries, as well as the spread of cutting-edge environmental technologies.

Philippe Roch, State Secretary, Swiss Agency for the Environment

As the financial mechanism for the two global environmental treaties signed at the 1992 Earth Summit in Rio de Janeiro -- the Convention on Biological Diversity and the U.N. Framework Convention on Climate Change -- GEF has worked to keep the promise embodied in these conventions.

GEF programs and projects also support the goals of other important global environmental treaties and agreements.

Biodiversity. Since its establishment as a pilot program in 1991, GEF has committed \$991 million in grants and mobilized an additional \$1.5 billion in co-financing (from recipient countries, bilateral agencies, other development institutions, the private sector, and non-governmental organizations) for biological diversity projects. Total financing for 64 new biological diversity activities during fiscal 1999 exceeded \$553 million, of which GEF provided \$193 million in grant financing and over \$360 million was leveraged in co-finance.

Climate change. From 1991 through June 1999, GEF committed \$884 million to 227 climate change projects and enabling activities, matched by more than \$4.7 billion in co-financing. Fiscal 1999 financing for 46 new climate change initiatives exceeded \$543 million, of which GEF provided \$135.9 million in grant financing and roughly \$407 million was leveraged.

International waters. GEF initiatives to reverse the degradation of international waters are informed by, and help to realize the objectives of, a mosaic of regional and international waters agreements. From 1991 through June 1999, the GEF committed close to \$360 million to international waters initiatives. In fiscal 1999, GEF allocated \$116.3 million to 16 new initiatives and leveraged \$150.9 million in co-financing, for total financing of \$267.2 million.

Ozone depletion. From 1991 through June 1999, GEF allocated more than \$155 million to enable the Russian Federation and nations in Eastern Europe to phase out the use of ozone destroying chemicals in partnership with the Montreal Protocol of the Vienna Convention on Ozone Layer Depleting Substances. In fiscal 1999, GEF allocated \$35.1 million to three new initiatives and mobilized \$77.1 million in cofinance, for total financing of more than \$112 million.

Land degradation. More than 50 projects cutting across GEF's four focal areas (collectively valued at more than \$350 million), address land degradation, taking into account the objectives of the Convention to Combat Desertification.

Annex L contains a list of all new GEF projects. Annexes G, H, and I provide funding information by focal area for the fiscal years 1998-2002. See the sections on *Opening Doors for New Technologies* and *Integrating Land, Water, and Biodiversity Conservation* for details on GEF strategies, programs, and projects.

Capacity Development

Without the right combination of people, institutions, and practices at the country level, GEF's global environmental agenda cannot hope to succeed. During fiscal 1999 GEF has paid increasing attention to the capacity development aspects of its portfolio and pursued new opportunities to do more.

Project-Based Capacity Building GEF has found that in many cases there is no better way to build capacity than through projects themselves -- through the doing, as it were.

For example, a fiscal 1999 review of 84 GEF climate change projects found numerous instances of individuals and institutions gaining critical technical, financial/business, and regulatory skills. These projects develop the skilled personnel and institutional capacities that are widely recognized as important for technology diffusion, by targeting capacity building for public agencies, private sector firms, financiers, consumers, community organizations, and non-governmental organizations. A few examples:

- A GEF project in China trained the national Coal-Bed Methane Company to apply coal-bed methane technology. It also trained geology companies, research institutes, and coal-mining administrators in vertical well drilling techniques for coal-bed methane recovery. The Chinese Ministry of Coal has since negotiated joint exploration agreements with a number of companies.
- In Russia, the city of Vladimir, district heating companies, gas companies, and major local private enterprises were trained to conduct financial and economic analysis and feasibility studies of energy-efficiency projects.
- GEF's solar hot-water project in Morocco assisted the government in reviewing the overall policy/regulatory framework and recommending possible changes such as value added tax and import duties, electric utility regulation, energy price changes, public sector procurement guidelines, and equipment standards and codes.
- Peru's Center for Energy Conservation was trained to provide advice and support to clients in the public and private industrial sectors on potential energy efficiency and conservation savings.

Enabling Activities. GEF's enabling activities program continues to grow and evolve, strengthening the foundation for national action to address the loss of biological diversity and the risks posed by climate change.

Biodiversity. These projects support country-driven conservation and sustainable use of biological diversity. This is accomplished through the compilation and assessment of existing information, and the development of national priorities, strategies, and action plans. Activities build national

capacities, enhance public awareness, and assist countries to prepare for the implementation of the Convention on Biological Diversity.

Biodiversity enabling activities covering 26 countries were approved during this fiscal year and additional resources were made available to assist 36 countries to participate in a best practices information clearinghouse.

A 1999 review of biodiversity enabling activities found that, while progress has varied considerably from country to country, most appear to have "undertaken a worthwhile and cost-effective national biodiversity planning process" and that GEF's three "implementing agencies have played major positive roles in supporting the planning and implementation." The full report is available from the secretariat (and on the World Wide Web at www.gefweb.org).

Climate change. Some 21 new enabling activities in climate change were approved during fiscal year 1999. Most eligible countries have now received sufficient financial assistance to prepare their first national communications to the climate change convention, and GEF is also working, through UNDP and UNEP, to provide the necessary technical support by means of its national communications support project.

During fiscal 1999, the Council authorized revisions to allow countries to earmark enabling activity funds for: capacity building for assessing technology needs; participating in systematic observational networks; preparing a national program to address climate change; conducting national activities for public awareness; designing, evaluating, and managing projects; or facilitating access to information.

A review of experience in GEF's climate change enabling activities will be completed in 2000.

Capacity Development Initiative. During fiscal 1999, the GEF Council approved a strategic partnership with UNDP to produce a comprehensive approach for developing country-level capacities to meet the challenges of global environmental action. This 18-month initiative will consider lessons learned in capacity development to date, drawing on the experiences of GEF's three implementing agencies, and numerous other partners. A related effort by GEF's monitoring and evaluation unit is looking at designing capacity development in from the ground up when projects are developed.

Objectives of the capacity development initiative include mobilizing funding from a variety of donors and broadly addressing the need to develop capacity to meet challenges in the biodiversity, climate change, and land degradation areas.

Complementing the Work of the Montreal Protocol

Phasing out substances that deplete the ozone layer is a proven means of achieving global environmental benefits. While developing countries receive assistance from the Montreal Protocol fund to make the transition to more benign substances, the nations of eastern Europe and the former Soviet Union look to the GEF for this critical support.

During fiscal 1999, the GEF Council approved grants to the Russian Federation (for the third of a three-part project), Turkmenistan, and Uzbekistan, bringing the total number of countries receiving GEF funds to 14 (encompassing Azerbaijan, Belarus, Bulgaria, Czech Republic, Hungary, Latvia,

Lithuania, Poland, Russia, Slovakia, Slovenia, Turkmenistan, Ukraine, and Uzbekistan). Together, these countries have received more than \$138 million for 121 initiatives in the solvent, foam, aerosol, halon, and refrigeration sectors. Three more countries (Estonia, Kazakhstan, and Tajikistan) are preparing their country programs and are expected to start implementation in the near future.

IMPACT. A 1999 review of GEF ozone layer protection projects found that, in addition to financial assistance, GEF played "a crucial role in the phase-out process" by "making available technical expertise, supporting learning and dissemination of project lessons within each country and in a regional context, and assisting in establishing suitable legal frameworks. The institutional strengthening components part of each GEF project have been instrumental in this respect."

As a result, participating countries have implemented various supportive and innovative policies and measures. Ten of the 14 recipient countries have either already implemented some kind of economic instruments or are planning to do so (taxes, emission charges, import fees etc.). In addition, other proven policies and measures, including import bans on ODS and products containing ODS, use bans and import and export licensing systems, have been applied widely and are further introduced and developed.

According to Montreal Protocol reports, total consumption of ozone depleting substances in economies in transition has decreased from about 190,000 metric tons in the second half of the 1980s to less than 15,000 metric tons in 1997, a drop of more than 90 percent. GEF's ozone portfolio has played a part in bringing the total number down, helping to phase out more than 18,000 metric tons of ozone depleting pollutant. (The final version of this report will detail country-by-country impacts in reduction of ozone depleting substances.)

Russian Federation. As one of the major consumers of ozone depleting substances worldwide, Russia's GEF project accounts for close to half of all resources committed by the GEF (\$ 60 million) and more than 60 percent of the total GEF impact (11,800 ODP metric tons). It contains 22 subprojects: six subprojects address the aerosol sector, seven the refrigeration sector (including three recovery and recycling subprojects), three the foam sector, and two the solvent sector.

The approach taken by the GEF in the ozone area -- characterized by the development of a country-wide approach to the problem in close cooperation with the government and country expertise, the elaboration of sector strategies, and an integrated environmental assessment of the alternative technologies employed -- provides a model for other global environmental ventures.

Opening Doors for New Energy Technologies

The GEF has a very important role to play in the road towards sustainable development....Countries like Maldives are among the most vulnerable to the predicted impacts of climate change. With over 80 percent of our land area just one meter above sea level, a rise of one meter could entirely submerge our country.

Abdul Rasheed Hussein, Minister of Planning, Human Resources, and Environment

The provision of energy is crucial for development. More than two billion people lack access to modern energy services. We all know what this means for hard-toiling women collecting fuel wood from far away. As long as this situation prevails, there will be no breakthrough out of poverty.

Mats Karlsson, former State Secretary for International Development Cooperation, Sweden

From 1991 to mid-1999, the GEF approved grants totaling \$706 million for 72 energy efficiency and renewable energy projects in 45 countries. The total value of these projects exceeds \$5 billion because the GEF grants have leveraged financing and other resources from governments, other donor agencies, regional development banks, the private sector, and the three GEF project implementing agencies. An additional \$121 million has been approved in grants for 20 climate change “short-term response measures.”

While these resources are still small in comparison with the problems, they are generating a global impact in terms of reduced greenhouse gas emissions -- and making a difference in quality of life at the local level. GEF energy projects are often the first of their kind in the countries concerned. The portfolio as a whole, going back eight years, represents an extensive knowledge base with a diverse range of approaches. In-country experience and expertise are incorporated into project designs, along with substantial technical reviews. Approved projects reflect innovative, experimental attempts to promote technologies through new approaches and best practices.

Programs are designed to build sustainable commercial markets, leverage financing from public and private sources, and facilitate technology diffusion. Direct project beneficiaries include government agencies, private sector firms, community organizations, households, and providers of public services.

IMPACT. A fiscal 1999 review of these projects found impacts particularly visible in GEF-supported solar home systems, grid-connected wind and biomass power, energy efficient lighting, and fuel switching and production/recovery initiatives.

Solar power. Solar home and rural energy systems installed as a direct result of 20 GEF projects promise to put in place more than one million systems over the next few years, significantly expanding the numbers currently installed in developing countries, now estimated at between 300,000 and 500,000.

These projects pilot private sector delivery models and credit mechanisms that make systems more affordable, pay "first cost" subsidies, build capacities of public agencies and private sector firms, enact codes and standards, and put in place certification and testing institutions.

In Zimbabwe, as a direct market impact of GEF's Zimbabwe Photovoltaics for Household and Community Use project, 9,000 solar home systems had been installed by 1997, with all but 300 provided by private sector dealers. In the Sri Lanka Energy Services Delivery project, about 500 solar homes systems had been installed by mid-1999. The project's goal of 30,000 systems by 2002 may be accomplished, with assistance from two larger companies who are considering entering the market.

Three subprojects in Bangladesh, Vietnam, and the Dominican Republic under GEF's small-and-medium-size enterprise program (administered by the International Finance Corporation) are also beginning to show impacts on markets for solar home systems.

Grid-connected renewable technologies. Thirteen GEF projects incorporate grid-connected renewable energy technologies for generating electric power from wind, biomass, bagasse (explain), mini-hydroelectric, and geothermal resources.

These projects:

- Demonstrate technologies and their commercial and economic potential
- Build capacities of project developers, plant operators, and regulatory agencies
- Develop regulatory and legal frameworks that encourage independent power producers and establish transparent, non-negotiable tariff structures
- Create financial mechanisms for project developers.

For example, GEF's India alternate energy project helped catalyze market changes by raising awareness among investors and banking institutions of the viability of wind power technology and helping to push for lower import tariffs for wind systems. In parallel with direct project impacts (more than 270 megawatts of wind power), a total of 968 megawatts of wind farms were installed and operating in India by 1998, of which more than 900 megawatts is privately installed commercial power. New suppliers entered the market. Before the project there were three major companies involved in the wind industry; by 1998, as many as 26 were engaged in the wind turbine manufacturing industry, many with foreign partners.

Efficient lighting. In Jamaica, Mexico, Poland, and Thailand, GEF has funded projects that promoted high efficiency lighting. The Poland and Mexico projects are fully complete, having together sold more than 3 million compact fluorescent lamps (CFLs). The Thailand project has had significant impacts on the Thai market for ordinary fluorescent tube lamps, as well as CFLs. In Jamaica, a CFL sales program by the utility began slowly with mail solicitation only, but participation greatly accelerated once applicants could interact with a customer service representative.

Fuel-switching and production recovery. GEF has approved 15 projects to demonstrate the commercial and technical viability of fuel switching from coal to gas and of fuel production/recovery. Only one (China Coal Bed Methane) is complete, but another three (China Sichuan Gas, India Bio-methanation, and Poland Coal-to-Gas project) are substantially completed with documented impacts.

The Future. GEF continues to pioneer other technologies with particular relevance for developing countries. The proposed work program for consideration by the GEF Council in December 1999 includes support for a new solar thermal plant in Mexico, and the introduction of fuel cell buses in Brazil and electric buses in Egypt -- these last two projects providing mobility while cutting back on health-threatening air pollution in heavily populated urban areas.

Integrating Land, Water & Biodiversity Conservation

The Niger River and its associated ecosystems are dangerously fragile because of the break in rainfall patterns and because of the pressure from low-income people who have no alternatives.

Soumalia Cisse, Minister of Finance, Mali

In Africa alone, 36 countries are affected by dryland degradation or desertification. However, the geography of land degradation is global, leaving no continent unaffected. Its environmental, social, and economic impacts are felt in more than 110 countries, including more than 80 developing countries, where over one billion people are at risk from the effects of serious declines in productivity and livelihood.

More than \$350 million in GEF funds, and additional co-financing of more than twice that amount, are currently combating deforestation and desertification. This funding is supporting dozens of projects addressing land degradation issues in the biodiversity, climate change, and international waters focal areas.

Biodiversity projects include:

A project in Turkey developing on-farm approaches to protect wild crops (wild wheat, chickpea, lentil, barley), and woody species (pear, apple, walnut, chestnut, olive, pistachio) in the semi-arid region of Eastern Anatolia.

In the Fertile Crescent (Lebanon, Jordan, and Syria) and in the oases of the Maghreb countries (Morocco, Algeria, and Tunisia) project activities focus on conserving genetic diversity of important food crops.

The Ethiopia farmer-based approach to conserving African plant genetic resources integrates farm-level conservation efforts with national and international gene bank programs.

In Southeast Zimbabwe, the project supports transborder management of the Gonarezhou National Park located on the border with Mozambique and South Africa, to stimulate community wildlife management and ecotourism.

Wetlands within drylands (e.g., Hadejia-Nguru in Nigeria; El Kala region in Algeria; and Cuatro Ciengas in Coahuila, Mexico) serve as indispensable nesting and breeding grounds for migratory species, but they are vulnerable to land degradation. The El Kala region provides habitat for the white-headed duck, the barbary deer, and migrant waterfowl and sustains the hydrological system critical to the Mediterranean region.

In the Baoule National Park and Biosphere Reserve in Mali, the project addresses problems of overgrazing, burning of vegetation by herders and settlers, and poaching.

Climate change projects include:

Solar home systems and rural energy services: rural energy systems reduce fuelwood dependence by introducing alternative, off-grid energy systems, such as micro hydro mini grids and solar battery

charging in Lao PDR; nine villages and 800 households provided with hybrid PV/solar systems in Ghana, Sri Lanka, and Indonesia; solar thermal-based rural energy in Morocco;

Biomass based energy systems: efficient use of biomass fuels from the sugar industry through construction of a baseload power plant supplied by bagasse during the crop season and coal in the off season in Mauritius; construction of a globally replicable prototype unit on a commercial scale for the cogeneration of electricity based on the gasification of wood chips or sugar cane bagasse in Brazil; medium- and large-scale biomass production facilities in Tanzania;

Biomethanation technologies: biomethanation technologies and utilization of biogas to abate methane emissions from industrial, municipal, and agricultural waste in India; demonstration of methane recovery technologies in agricultural sites in China;

International waters projects include:

Regional seas and transboundary waters: catalytic action and support for inter-country coordination, including agreements and joint programs, to control land-based pollution and water contamination from agriculture and deforestation;

Integrated coastal zone management: community-based and intersectoral approach to management of coastal and marine areas that facilitate linkages with agriculture and watershed management, such as the East Asian Seas Project's two pilot sites in China and the Philippines;

Freshwater management: In North Africa, the Sahel, and Southwest Asia, international aquifers are exploited beyond their recharging capacity and continue to be heavily polluted. GEF support is aimed at increasing sub-regional cooperation in managing shared aquifers, such as the Senegal and Mauritania project.

Watershed management: In the Bermejo River Basin of Argentina and Brazil and in the Zambezi Action Plan and the East African Regional Seas Action Plan, project activities support agreements to manage transboundary watersheds, mountain areas, coastal sites, and drylands.

Recognizing that these steps still fall short of what is required, during fiscal 1999, the GEF Council called for a new approach to defining links between land degradation and the GEF's priority programs. It also requested the secretariat, in consultation with the implementing agencies and the Convention to Combat Desertification secretariat, to identify constraints and develop an action plan and time table for increasing GEF support for land degradation activities (see Annex J).

Tangible Partnerships

Most important will be the need to make environment a people's movement -- with the close participatory involvement of the local communities, governmental bodies, non-governmental organizations, international bodies like the GEF, industry, and economic service providers. History has shown that all good ideas begin to make the desired impacts only when they become mass movements...

Atal Bihari Vajpayee, Prime Minister, India

Partnerships are critical as the GEF continues to explore and adopt new strategic and policy directions. For example, the GEF is considering how to further engage the private sector at both project and strategic levels; contingent financing is being piloted as a way to reduce technology financing risks without the need for direct grants; new strategic partnerships with GEF's implementing agencies and other institutions are being formulated; and new ways for non-governmental organizations and other stakeholders to participate in projects are being considered.

Private Sector. Recent growth of the global economy and ongoing privatization have enormously increased the influence of private sector activities on the global environment. Investments in the energy sector in developing countries, for example, are now estimated to be \$100 billion annually, much of it privately financed. The trend toward privatization of state-owned electric utilities means that decisions about the carbon intensity of power plants will be made on the basis of private sector criteria. Business also affects, and in turn is influenced by, biodiversity concerns, including policies on the use of lands and natural resources critical for habitat, rights to plants with potential application as medicinal drugs, and preservation and regulation of genetic resources for agriculture.

To get the leverage necessary to make significant progress on daunting environmental problems, GEF must work with the private sector as a partner, just as it insists on local public involvement and the involvement of the NGO community. Effective involvement of the private sector results in projects that are commercially viable and replicable -- and support the GEF mission.

Example. GEF's partnership with the International Finance Corporation of the World Bank helped launch the Renewable Energy and Energy Efficiency Fund (REEF) for developing countries and economies in transition in November 1999. GEF resources have already leveraged \$65 million for investments in commercial renewable energy and energy efficiency projects, with GEF co-financing targeting smaller and riskier projects.

During fiscal 1999, the GEF secretariat and its implementing agencies reviewed experience in projects with significant private sector involvement, analyzed road blocks to forming new partnerships, and outlined ways in which GEF and the business community can work together. Four specific means were identified to help increase the range and number of successful private sector experiences. GEF will:

- Continue to stimulate private sector involvement indirectly, through activities that remove barriers to the creation of, entry to, or transformation of markets that support global environmental objectives.
- Pursue a range of non-grant financing modalities, including concessional and contingent finance, loans, and guarantees.
- Concentrate on the front end of investment (namely alternative bankable feasibility studies), leaving the private sector to respond to the financial incentives that those studies reveal.

- Engage private entities in a longer term partnerships, where information is continuously shared, so that individual decisions can be made progressively and expeditiously.

Almost all GEF projects involve the private sector at least as a provider of technology, goods, or services -- typically awarded in a competitive bidding process where they respond to a request for proposal. The private sector significantly co-financed several GEF projects in the December 1999 work program, in particular the China and Mexico climate change projects and the Venezuela biodiversity project.

It is important however to seek opportunities to work with the private sector much earlier and more strategically. The December 1999 work program illustrates some ways in which this can be done.

- The Brazil: Promoting Biodiversity Conservation and Sustainable Use project is being developed with the active participation of all key stakeholders including private sector timber operators. The project is being co-financed by Peugeot and Banco Axial and is supported by commercial timber operators.
- Beyond working with the local Warao communities residing in the biosphere reserve, the Venezuela: Conservation of Biological Diversity in the Orinoco Delta Biosphere Reserve and Lower Orinoco River Basin project establishes an extensive and explicit plan to involve the private sector directly (notably the petroleum, palmito and tourism sectors). The large cofinancing in Venezuela reflects the project's ability to engage two of the largest investors in the region, Petroleos de Venezuela and the Corporacion Venezolana de Guayana, as well as the cooperation of the palmito industry.
- The Costa Rica: Ecomarkets project provides an effective model for a variety of private sector interventions that will help finance conservation and sustainable use. The project implements a program that will develop markets for environmental services provided by forest ecosystems. Key stakeholders directly benefiting from the project are small and medium sized landowners; private sector water and electricity utilities will be paying for ecological services.
- The Thailand: Removal of Barriers to Biomass Power Generation and Cogeneration project will partner with the private sector by establishing a core unit in an existing financial institution. This will ensure that projects are commercially viable and that an entity with a vested interest in replicating project experiences has the capacity to identify and develop additional projects without the need for GEF financing.
- The China: Second Beijing Environment project will directly involve a municipally owned investment company to provide technical and financial intermediation. The project will also aggregate boiler buyers in cooperative procurement arrangements to foster demand-based market pull for more efficient technology.
- The Morocco: Transhumance for Biodiversity Conservation in the Southern High Atlas project involves industry associations in Morocco (mountain tourism companies).
- The Guinea: Rural Energy project very much builds on the lessons provided by earlier GEF rural RE projects, such as Zimbabwe and Argentina. In light of the experience gained, emphasis has shifted to private entrepreneurial activities. Increased initial transaction costs of RE investments have been identified as a key barrier for private sector driven rural RE market development. These barriers could be addressed by providing a declining interest buy-down on mainstream loans in the initial years for RE market development. Innovative means will be explored during appraisal to promote RE market development, which would include blending GEF support with commercial financing.

Small grant program. Geared to grassroots support for non-governmental organizations and community groups, GEF's small grants program (administered by UNDP) provided grants of up to \$50,000 in 46 countries during fiscal 1999. The program recognizes the essential role that households and communities, applying locally appropriate solutions, can play in conserving biodiversity,

reducing the likelihood of adverse climate change, and protecting international waters. Since inception in 1992, it has funded over 1200 projects in Africa, North America and the Middle East, Asia and the Pacific, Europe, and Latin America and the Caribbean. GEF small grants are:

- Supporting conservation and restoration of wild apple forests at the foothills of the Ili Alatau Mountains in Kazakhstan and creating jobs through the manufacture of high quality natural apple vinegar.
- Underwriting low-impact aquaculture Mexico's Bay of Celestun, a protected area and noted bird habitat.
- Promoting solar-powered kitchens in rural Botswana.
- Addressing over-fishing and promoting alternative occupations in Thailand's Mekong River valley.

A workshop for national coordinators was held in San Jose in 1999, providing the basis for coordinators to brief members of the national steering committees upon their return. It was preceded by a field trip to share first-hand some of the experiences of the more than 60 small grant projects in Costa Rica alone.

Medium-size projects. Over \$21 million was allocated by Council to medium-size projects in fiscal 1999. This category of GEF support, developed in partnership with non-governmental organizations, provides funding of up to \$1 million on an expedited basis (approval takes six months on average). These projects receive expedited funding of not more than \$1 million. Examples include:

A new \$750,000 grant will fund activities to redirect commercial investment decisions to cleaner technologies by means of a technology transfer clearinghouse. In developing countries, local and international development and commercial banks provide local investors with venture capital for many energy-related industrial and commercial investments. Most loan officers in these institutions have little practical experience in evaluating applications involving energy efficiency and renewable energy technologies. This project is providing appraisal services for alternative technologies carefully targeted to private sector borrowers and their lenders. This approach could prove replicable in other markets and sectors, and form the basis for a broader strategic partnership between the private sector and the GEF. (UNEP)

A \$750,000 grant to develop best practices and dissemination of lessons learned for dealing with the problem of invasive species, ranked second among global threats to biodiversity. This project leverages substantial cofinancing, twice the GEF allocation, in a joint venture with SCOPE (Scientific Committee on Problems of the Environment) and IUCN-The World Conservation Union (IUCN) to address the loss of biodiversity due to invasive exotic species through a scientifically-based global strategy and action plan. (UNEP)

A \$960,000 grant to develop partnerships to conserve and sustainably use the rich biological diversity of Venezuela's inland prairies known as "los llanos". This project will bring environmental groups, business representatives, and citizens organizations together to coordinate their respective conservation efforts and improve dissemination of information to key actors. (World Bank)

A \$750,000 grant to develop effective and replicable mechanisms for enabling public participation in transboundary pollution reduction in the Danube River basin. (UNDP)

A \$900,000 grant to empower communities in Aleipata and Safata district to protect and manage some of Samoa's finest coral reefs, mangroves, and lagoons -- and thereby conserve local fisheries which are the principal source of protein. Communities will establish and manage small marine protected areas to better conserve marine species and habitat and develop alternative livelihoods consistent with sustainable use of marine resources. (World Bank)

A \$750,000 grant to regulate coffee harvesting in and around Uganda's Kibale forest, confining it to buffer zones and creating incentives to adhere scrupulously to tight control of location, timing, technique, and volume of extraction. The project seeks to conserve the globally important biodiversity of the forest by creating a financially sustainable partnership with local villages. (World Bank)

Scientific community. Meeting in New York in September 1998, GEF's scientific and technical advisory panel (STAP--see Annex D) identified mobilization of the wider scientific and technical community in GEF work as one of its major priorities for fiscal years 1999-2000.

Activities include: convening national, regional and sub-regional meetings with the scientific and technical community in developing countries; sponsoring expert group workshops to contribute strategic advice to the GEF; strengthening relationships with existing scientific and technical networks; and making recommendations to the GEF on how to further integrate science into GEF operations through targeted research and/or regular GEF projects.

STAP's efforts aim to:

- Contribute to the strategic advice which STAP presents on GEF operations and programs
- Contribute to the development of methods of assessing the efficacy of ongoing GEF programs
- Assist in building capacity in and enabling developing countries to design and implement programmes/projects that would further GEF objectives
- Strengthen the scientific underpinning of GEF projects mainly through the inclusion of targeted research and monitoring components in the projects.

The first in a series of meetings was convened in Rio de Janeiro in October, 1998. It took the form of brainstorming sessions, in collaboration with the Brazilian Academy of Sciences and the National Research Foundation of Brazil on the theme, "*Integrating Science and Technology into GEF Work*". The meeting was attended by scientists affiliated to scientific and research institutions in Brazil, Chile, Argentina and Uruguay as well as the Ministries of Science and Technology and of Environment of Brazil and STAP.

A second meeting took place in Chennai, India, in January 1999, held in collaboration with the Committee on Science and Technology Cooperation in Developing Countries (COSTED). This workshop attracted representation from global and regional scientific and technical organizations, associations of scientists, and global research programmes with major activities in developing countries, as well as individual scientists and technologists.

Recommendations from both meetings are helping to shape GEF's outreach efforts.

During fiscal 1999, STAP also led a global effort to outline potential efforts involving production forests and contributed expert advice to GEF's work in the area of freshwater resources.

A Streamlined Organization

An organization which successfully thrives and grows is one that learns, adapts, and constantly strives to better fulfill its objectives. The GEF is such an organization.

Margaret McDonald, Ambassador for the Environment, Australia

GEF as organized today is the product of ongoing experimentation and feedback, beginning with its three-year pilot phase in 1991 and further reflected in its reshaping as the "restructured GEF" in 1994. Five years later, GEF is continuing to develop and refine its structure, strategies, programs, and partnerships to improve performance and increase its cost-effectiveness in support of the global environment.

Governance. GEF is an independent international financial entity. Its Assembly, composed of all 166 participating countries, meets every three years.

GEF's 32-member governing Council convenes twice each year for three days and also conducts business by mail. All decisions are taken by consensus. Sixteen Council members represent developing country constituencies, 14 represent developed country constituencies, and two represent constituencies of countries with economies in transition.

Each Council meeting is preceded by an "NGO consultation". Representatives of non-governmental organizations from all regions of the world gather to consider and comment upon agenda items. They also designate NGO spokespersons to make interventions during the Council meetings themselves.

During fiscal 1999, the Council:

- Approved an action plan to follow up on the findings of *The Study of GEF's Overall Performance* (1998).
- Approved resources for field offices to assist national focal points and Council members.
- Approved elements for an action plan to strengthen country level coordination and a strategy for greater outreach and communication.
- Expanded opportunities for regional development banks to prepare and execute GEF projects and their access to project development resources.
- Considered plans put forward by GEF's three implementing agencies -- UNDP, UNEP, and the World Bank -- to integrate global environmental objectives into their regular programs and operations and called for annual progress reports.
- Approved a series of steps to make the process of determining the incremental costs of GEF projects more transparent and its application more pragmatic.
- Supported the efforts of the GEF secretariat and the three implementing agencies to design strategic partnerships that advance GEF objectives by building on the comparative advantages of each agency and on their commitments to "mainstream" the global environment into their regular work programs.
- Requested the secretariat to submit a plan, in consultation with the U.N. Convention to Combat Desertification, to better define the links between land degradation and the GEF focal areas.
- Welcomed a new inter-agency partnership on land and water degradation.

- Approved the application of a fee-based system to determine implementing agencies' fees with respect to GEF projects (see below).

ANNEXES

Annex A:
GEF Council Members, Alternates
& Constituencies
(as of June 30, 1999)

COUNCIL MEMBER	ALTERNATE	CONSTITUENCY
Ashe, John (Antigua and Barbuda)	Arango Sales, Humberto (Cuba)	Antigua & Barbuda, Bahamas, Barbados, Belize, Cuba, Dominica, Dom. Rep., Grenada, Guyana, Haiti, Jamaica, St. Kitts & Nevis, St. Lucia, St. Vincent & the Grenadines, Suriname, Trinidad and Tobago
Averchenkov, Alexander (Russia)	t.b.d.	Armenia, Belarus, Russian Federation
Bentancour, Carlos (Uruguay)	Garcia-Ghirelli, Jose (Argentina)	Argentina, Bolivia, Chile, Paraguay, Peru, Uruguay
Carruthers, James (Canada)	Parker, Charles (Canada)	Canada
Chipato, Charles (Zimbabwe)	Nchungu, Mushanana L. (Botswana)	Botswana, Lesotho, Malawi, Mozambique, South Africa, Swaziland, Zambia, Zimbabwe
Christensen, Torben Mailand (Denmark)	Holthe, Ole Kristian (Norway)	Denmark, Latvia, Lithuania, Norway
de Fontaine Vive, Philippe (France)	Garreta, Catherine (France)	France
Di Maro, Raffaella (Italy)	Pettinari, Paola (Italy)	Italy
Echirk, Djamel (Algeria)	t.b.d. (Morocco)	Algeria, Egypt, Morocco, Tunisia
Escudero, Javier Moral (Spain)	Cordeiro, Helena (Portugal)	Greece, Ireland, Portugal, Spain
Furui, Toshiyuki (Japan)	Shindo, Yusuke (Japan)	Japan
Haque, Inaamul (Pakistan)	Shamsedin, Ezzedin (Lebanon)	Afghanistan, Jordan, Lebanon, Pakistan, Yemen
Hosseini, Pirouz (Iran)	Asadi, Bagher (Iran)	I.R. Iran
Jayanama, Asda (Thailand)	Ibrahim, Shukri (Malaysia)	D.P.R. Korea, Lao (PDR), Malaysia, Mongolia, Myanmar, Thailand, Vietnam
Johansson, David (Finland)	Jacobsson, Susanne (Sweden)	Estonia, Finland, Sweden
Kambou, Jean Baptiste (Burkina Faso)	Dia Toure, Fatimata (Senegal)	Burkina Faso, Cape Verde, Chad, Guinea-Bissau, Mali, Mauritania, Niger, Senegal, The Gambia
Keah, Mathias B. (Kenya)	Kassami, Chris K. (Uganda)	Comoros, Djibouti, Eritrea, Ethiopia, Kenya, Madagascar, Mauritius, Sudan, Tanzania, Uganda
Kouame, Victor (Cote d'Ivoire)	Adewoye, Raphael O. (Nigeria)	Benin, Cote d'Ivoire, Guinea, Nigeria, Sierra Leone, Togo,

COUNCIL MEMBER	ALTERNATE	CONSTITUENCY
Montoya, Jairo (Colombia)	t.b.d.	Brazil, Colombia, Ecuador
Naah Ondo, Sylvestre (Cameroon)	Doungabe, Gustave (Central African Republic)	Burundi, Cameroon, Central African Republic, Congo, D. R. of Congo
Ochoa, Ricardo (Mexico)	Stagg, Juan Antonio (Panama)	Costa Rica, El Salvador, Guatemala, Honduras, Mexico, Nicaragua, Panama, Venezuela
Rae-Kwon, Chung (R. of Korea)	Muir, Ross (Australia)	Australia, New Zealand, Republic of Korea
Roch, Philippe (Switzerland)	Dubois, Jean-Bernard (Switzerland)	Switzerland
Schipulle, Hans-Peter (Germany)	Biskup, Eckhardt (Germany)	Germany
Schuerch, William E. (USA)	Yeager, Brooks (USA)	United States
Singh, Surendra (India)	Ahmed, Syed (Bangladesh)	Bangladesh, Bhutan, India, Maldives, Nepal, Sri Lanka
Slade, Tuiloma Neroni (Samoa)	t.b.d.	Cook Islands, Fiji, Indonesia, Kiribati, Marshall Islands, Micronesia, Nauru, Niue, Papua New Guinea, Philippines, Samoa, Solomon Islands, Tonga, Tuvalu, Vanuatu
Treppel, Leander (Austria)	Yasamis, Firuz Demir (Turkey)	Austria, Belgium, Czech Republic, Hungary, Luxembourg, Slovak Republic, Slovenia, Turkey
Turner, David (UK)	Taylor, David (UK)	United Kingdom
van Maare, Leo (The Netherlands)	t.b.d. (The Netherlands)	The Netherlands
Xian, Zhu (China)	Jiayi, Zou (China)	China
Yershov, Artemiy (Ukraine)	Sharabidze, Merab (Georgia)	Albania, Bulgaria, Croatia, Georgia, Moldova, FYR Macedonia, Poland, Romania, Ukraine

Annex B:
GEF Country Focal Points

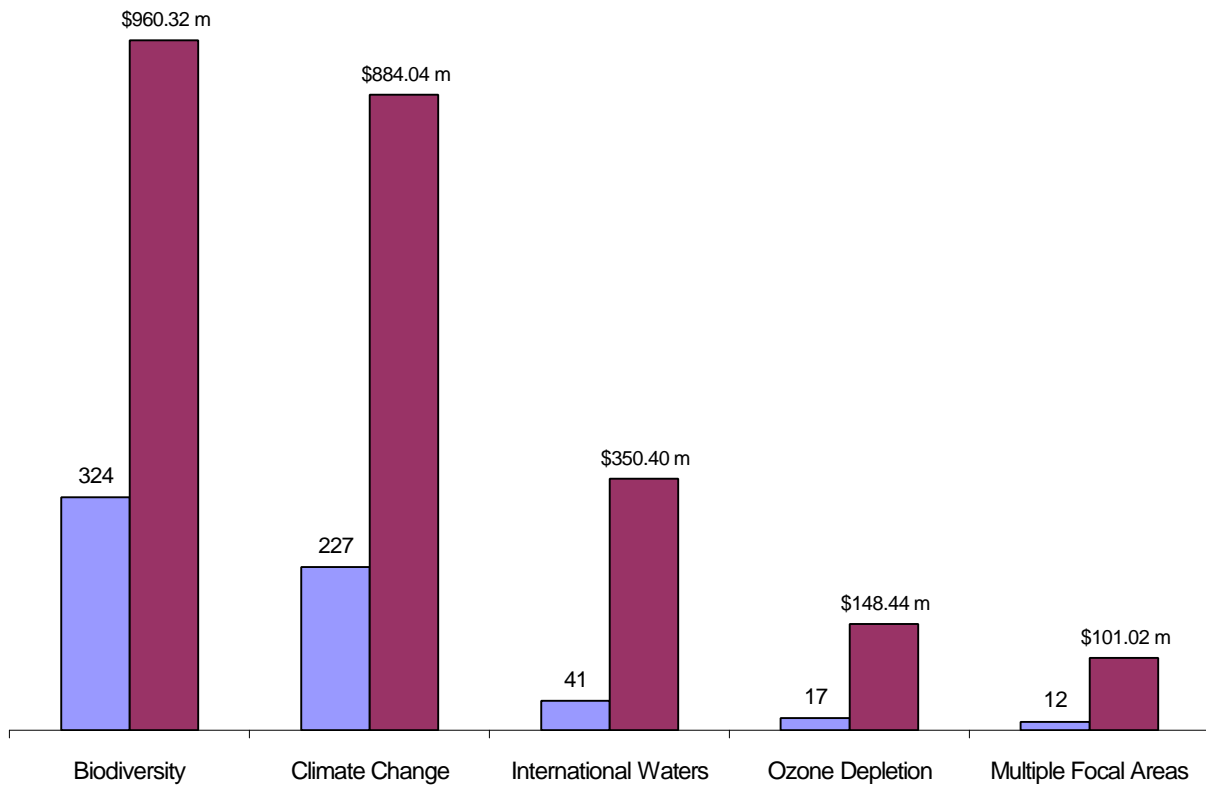
Annex C:
GEF Non-governmental Focal Points

Annex D:
GEF Scientific and Technical Advisory Panel

**Annex E:
GEF Secretariat
&
Implementing Agency
Contacts**

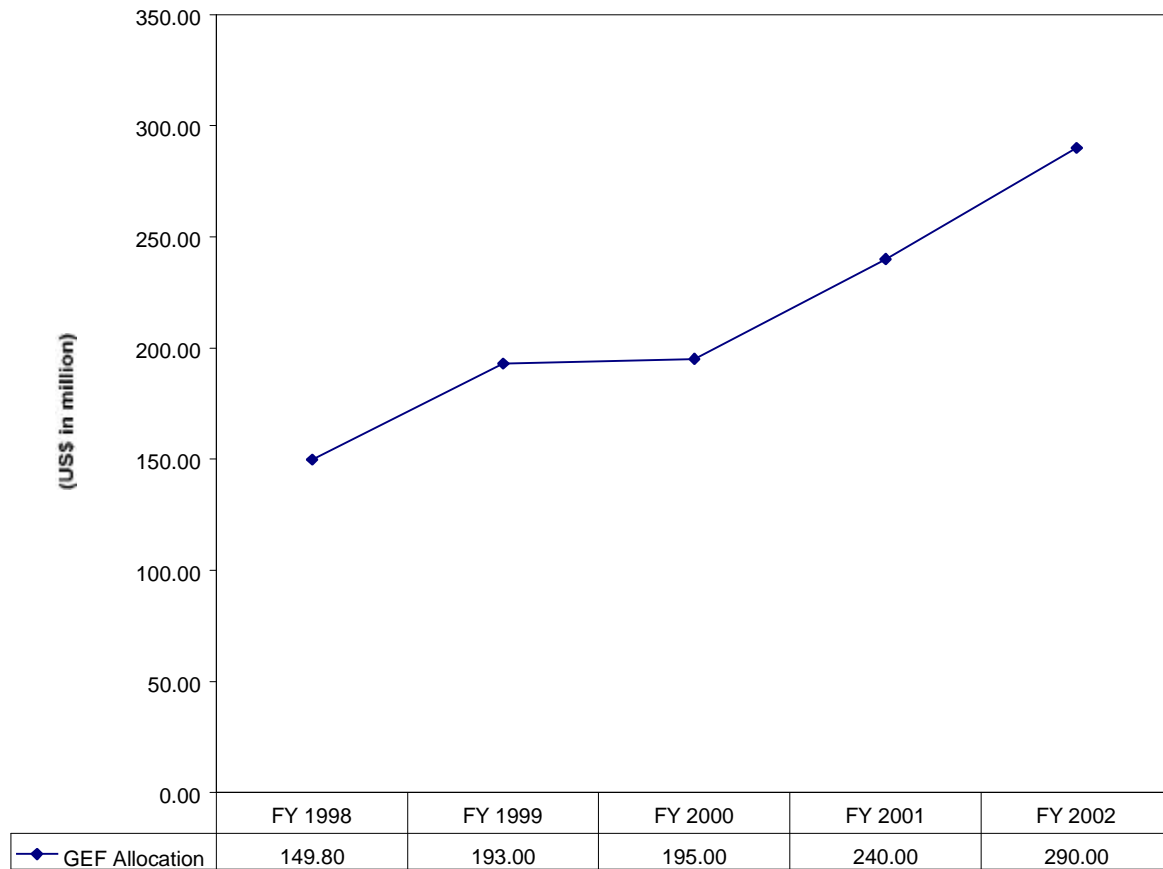
**Annex F:
Cumulative GEF Allocations
& Numbers of Projects
by Focal Area**

Number of Projects and GEF Allocation by Focal Area
(As of June 1999)



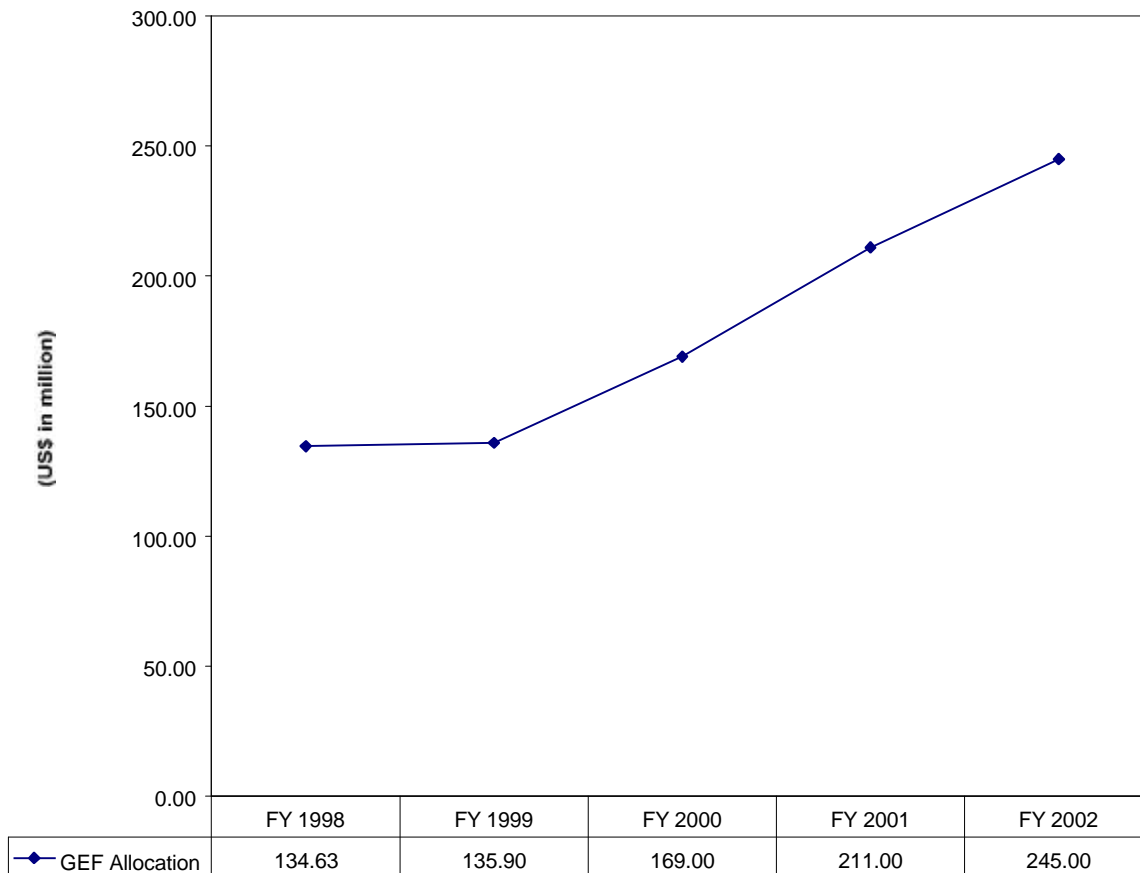
**Annex G:
Funding Overview for
Biodiversity Focal Area**

Biodiversity Spending Current and Projected



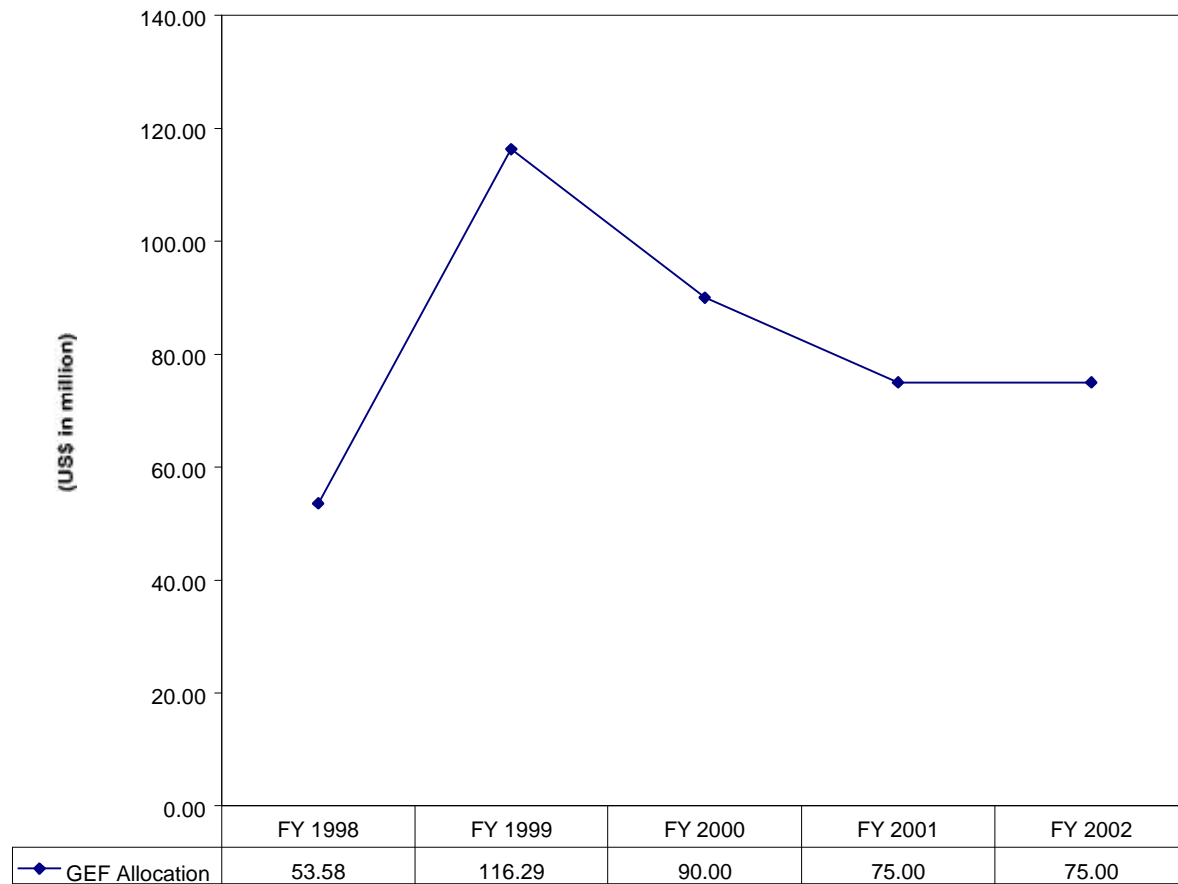
**Annex H:
Funding Overview for
Climate Change Focal Area**

Climate Change Spending Current and Projected



**Annex I:
Funding Overview for
International Waters Focal Area**

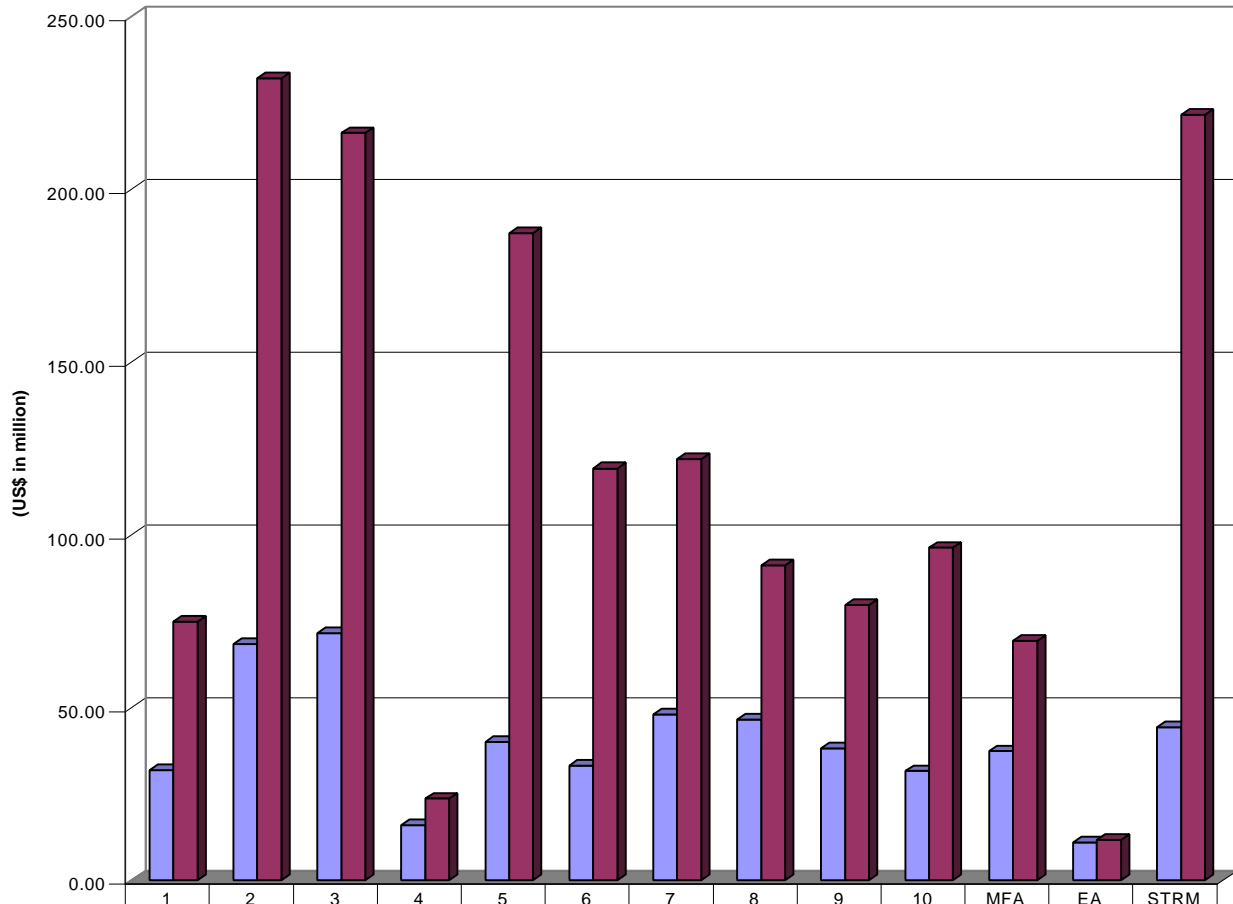
International Waters Spending Current and Projected



Annex J:
Action Plan to Address Constraints
to Developing GEF Projects
with Land Degradation Components

**Annex K:
GEF Allocations
by Operational Program**

GEF Allocation and Total Cost by Operational Program in FY 1999



■ GEF Allocation	31.81	68.44	71.52	15.90	40.07	33.26	47.93	46.54	38.13	31.62	37.34	10.89	44.24
■ Total Cost	74.81	232.19	216.37	23.63	187.33	119.25	121.89	91.19	79.70	96.27	69.35	11.69	221.71

Annex L:
New Projects in Fiscal Year 1999

New Projects in Fiscal Year 1999

Focal Area	Country	GEF IA	Project Name	GEF Allocation	Total Costs
Biodiversity	Global	UNDP/UNEP	Biodiversity Planning Support Programme	\$3.43	\$4.23
Biodiversity	Africa	UNEP/UNDP	Management of Indigenous Vegetation for the Rehabilitation of Degraded Rangelands in the Arid Zone of Africa	\$9.05	\$13.38
Biodiversity	Bangladesh	World Bank	Aquatic Biodiversity Conservation	\$5.00	\$60.84
Biodiversity	Belize	UNDP	Conservation And Sustainable Use of the Barrier Reef Complex	\$5.36	\$7.37
Biodiversity	Bolivia	World Bank	Sustainability of the National System of Protected Areas	\$15.30	\$46.70
Biodiversity	Cambodia	World Bank	Biodiversity and Protected Area Management Pilot Project for the Virachey National Park	\$2.75	\$5.00
Biodiversity	China	UNDP	Wetland Biodiversity Conservation and Sustainable Use	\$12.03	\$35.05
Biodiversity	Cote d'Ivoire	World Bank	National Protected Area Management Program	\$16.50	\$68.22
Biodiversity	Cuba	UNDP	Priority Actions to Consolidate Biodiversity Protection in the Sabana-Camaguey Ecosystem	\$3.89	\$19.91
Biodiversity	Ethiopia	World Bank	Conservation and Sustainable Use of Medicinal Plants	\$1.91	\$6.81
Biodiversity	Georgia	World Bank	Integrated Coastal Management Project	\$1.30	\$8.10
Biodiversity	Georgia	World Bank	Conservation of Forest Ecosystems	\$9.05	\$33.15
Biodiversity	India	UNDP	Conservation and Sustainable-use of the Gulf of Mannar Biosphere Reserve's Coastal Biodiversity	\$7.84	\$26.93
Biodiversity	Indonesia	World Bank	Maluku Conservation and Natural Resources Management	\$6.00	\$10.60
Biodiversity	Malawi	World Bank	Mulanje Mountain Biodiversity Conservation Project	\$5.30	\$6.83
Biodiversity	Malaysia	UNDP	Conservation and Sustainable Use of Tropical Peat Swamp Forests and Associated Wetland Ecosystems	\$6.30	\$12.97
Biodiversity	Mozambique	World Bank	Coastal and Marine Biodiversity Management Project	\$4.08	\$9.21
Biodiversity	Pakistan	UNDP	Mountain Areas Conservancy Project	\$10.60	\$16.80
Biodiversity	Papua New Guinea	World Bank	Forestry and Conservation Project	\$17.30	\$55.50
Biodiversity	Paraguay	UNDP	Paraguayan Wildlands Protection Initiative	\$9.20	\$12.70
Biodiversity	Peru	UNDP	In situ Conservation of Native Cultivars and their Wild Relatives	\$5.22	\$6.42

Focal Area	Country	GEF IA	Project Name	GEF Allocation	Total Costs
Biodiversity	Peru	World Bank	Indigenous Management of Protected Areas in the Amazon	\$10.35	\$24.35
Biodiversity	Philippines	World Bank	Coastal and Marine Biodiversity Conservation in Mindanao	\$1.25	\$6.05
Biodiversity	Suriname	UNDP	Conservation of Globally Significant Forest Ecosystems in Suriname's Guayana Shield	\$9.54	\$18.33
Climate Change	Global	World Bank/IFC	Efficient Lighting Initiative	\$15.23	\$50.23
Climate Change	Global	World Bank/IFC	Solar Development Corporation	\$10.00	\$50.00
Climate Change	Benin	World Bank	Decentralized Rural Energy Project	\$1.14	\$5.75
Climate Change	China	UNDP	Energy Conservation and GHG Emission Reduction in Chinese Township and Village Enterprises (TVE), Phase 2	\$8.00	\$18.55
Climate Change	Kenya	UNDP	Removal of Barriers to Energy Conservation and Energy Efficiency in Small and Medium Scale Enterprises	\$3.19	\$8.64
Climate Change	Lebanon	UNDP	Barrier Removal for Cross Sectoral Energy Efficiency	\$3.40	\$5.40
Climate Change	Macedonia	World Bank	Development of Mini-Hydropower Plants	\$1.50	\$6.40
Climate Change	Malawi	UNDP	Barrier Removal to Malawi Renewable Energy Programme	\$3.42	\$10.72
Climate Change	Mexico	World Bank	Renewable Energy for Agriculture	\$8.70	\$26.20
Climate Change	Morocco	UNDP	Market Development for Solar Water Heaters	\$2.97	\$5.37
Climate Change	Morocco	World Bank	Solar Based Thermal Power Plant	\$43.90	\$114.36
Climate Change	Philippines	World Bank/IFC	CEPALCO Distributed Generation PV Power Plant	\$4.03	\$7.53
Climate Change	Poland	World Bank	Geothermal and Environment Project	\$5.40	\$84.70
Climate Change	Slovak Republic	World Bank	Chemosvit Cogeneration Project	\$2.20	\$18.40
Climate Change	Slovenia	UNDP	Removing Barriers to the Increased Use of Biomass as an Energy Source	\$4.40	\$12.34
Climate Change	Thailand	World Bank	Building Chiller Replacement Program	\$2.50	\$90.50
Climate Change	Togo	World Bank	Decentralized Rural Energy Project	\$1.14	\$5.75
Climate Change	Tunisia	UNDP	Experimental Validation of Building Codes and Removal of Barriers to Their Adoption	\$4.36	\$8.13
International Waters	Global	UNDP	Removal of Barriers to the Effective Implementation of Ballast Water Control and Management Measures in Developing Countries	\$7.61	\$11.44

Focal Area	Country	GEF IA	Project Name	GEF Allocation	Total Costs
International Waters	Global	UNDP/UNEP /World Bank	Strengthening Capacity for Global Knowledge-Sharing in International Waters	\$5.25	\$10.05
International Waters	Africa	World Bank	Western Indian Ocean Islands Oil Spill Contingency Planning	\$3.16	\$4.29
International Waters	Asia/Pacific	UNDP	Building Partnerships for the Environmental Protection and Management of the East Asian Seas	\$16.22	\$28.55
International Waters	Asia/Pacific	UNDP	Implementation of the Strategic Action Programme (SAP) of the Pacific Small Island Developing States	\$12.29	\$20.35
International Waters	Asia/Pacific	UNEP	Reversing Degradation Trends in the South China Sea	\$18.59	\$35.86
International Waters	Asia/Pacific	World Bank	Mekong River Basin Water Utilization Project	\$11.10	\$17.95
International Waters	CE Europe/ Former Soviet Union	UNDP/UNEP /World Bank	Addressing Transboundary Environmental Issues in the Caspian Environment Programme	\$8.34	\$18.32
International Waters	Latin America/Caribbean	UNDP	Environmental protection of the Rio de la Plata and its Maritime Front: Pollution Prevention and Control and Habitat Restoration	\$6.01	\$10.81
International Waters	Latin America/Caribbean	UNDP/UNEP	Demonstrations of Innovative Approaches to the Rehabilitation of Heavily Contaminated Bays in the Wider Caribbean	\$9.41	\$35.26
International Waters	Brazil	UNEP	Integrated Management of Land-Based Activities in the Sao Francisco Basin	\$4.77	\$20.21
International Waters	Brazil	UNEP	Integrated Watershed Management Program for the Pantanal and Upper Paraguay River Basin	\$6.62	\$16.40
International Waters	Georgia	World Bank	Agricultural Development Project II	\$2.50	\$8.25
International Waters	Poland	World Bank	Rural Environmental Project	\$3.00	\$14.40
Multiple Focal Areas	Global	UNDP	Small Grants Programme (Second Phase)	\$31.62	\$61.62
Multiple Focal Areas	Global	UNDP/UNEP /World Bank	GEF Country Workshops	\$3.51	\$4.62
Ozone Depletion	Russian Federation	World Bank	Ozone Depleting Substance Consumption Phase-Out Project	\$31.30	\$108.20
Ozone Depletion	Uzbekistan	UNDP	ODS Phase-out Programme	\$3.32	\$3.47

\$488.63 \$1,474.44

Global Environment Leadership Award

The 1999 Global Environment Leadership Award was presented jointly to Professor Bert Bolin, former chairman of the Intergovernmental Panel on Climate Change (IPCC), and Ambassador Bo Kjellén, former Swedish ambassador for the environment and chief climate change negotiator for nine years.

In presenting the award, GEF CEO and Chairman Mohamed T. El-Ashry noted that:

"During Mr. Bolin's tenure, the IPCC quickly became the principal actor on the global climate change scene. As chairman, he sought to base findings strictly on scientific evidence and peer-reviewed articles, and to achieve consensus within the scientific community – refusing to be derailed by ideologues on either side. He provided extraordinary environmental leadership in carrying the two IPCC assessments to their conclusions and ensuring that they played a pivotal role in the climate change negotiations..."

"Ambassador Bo Kjellen has played a very prominent role as chairman of numerous working groups within the climate change negotiations. In particular he was instrumental in bridging the gap between developing countries and developed countries to reach equitable solutions... Ambassador Kjellen has also played a pivotal role in the effort to come to grips with the problems of land degradation and desertification. He was elected chairman of the INC for the Convention and became the first chairman of its COP. He has exhibited great environmental leadership during almost ten years in the nexus of global environmental diplomacy."

Nominations for the Year 2000 Award will be reviewed by a selection panel of prominent international environmentalists, including:

Mr. Henrique Cavalcanti, former Minister of the Environment in Brazil and Chair of the UN Commission on Sustainable Development.

Ms. Birgitta Dahl, Speaker of the Parliament and former Minister of the Environment in Sweden.

Dr. Istvan Lang, Science Policy Advisor to the Hungarian Academy of Sciences in Budapest.

Dr. Thomas Odhiambo, Managing Trustee of the Research and Development Forum of Science-led Development in Africa (RANDFORUM), based in Nairobi, Kenya.

Mr. Maurice Strong, Special Advisor to the Secretary-General of the United Nations and Chairman of the Earth Council.

Professor M.S. Swaminathan, Leader of the "Green Revolution" in Asia and Chairman of the M.S. Swaminathan Research Foundation in Madras, India.

Dr. Mostafa Tolba, former Executive Director of the UN Environment Programme and current President of the International Centre for Environment and Development (ICED), in Cairo, Egypt.

Nominations must be received by February 29, 2000, and should consist of a letter describing, in about 1000 words, why the nominee deserves this recognition, detailing specific actions to resolve *global* environment concerns, as well as their impacts and results. A curriculum vitae may be attached in addition to the nominating essay. Self nominations will not be considered. The winner will be announced on Earth Day, April 22, 2000 and the Award presented at a ceremony in June 2000.

