NOTE: This document is a compilation of technical comments concerning the project proposals presented in the intersessional work program approved by the Council in September 2004. These comments were submitted to the Secretariat by the Council members.
I. PROJECTS IN THE PROPOSED WORK PROGRAM

General Comments

Comments from U.S.A.

In general, the proposals appear to have well-developed logical frameworks with clear, monitorable indicators, and a focus on results. A number are also quite innovative, such as the effective management of Zambia’s National Protected Area System, and the China Wetlands Protection Project. Also, we were pleased to see the submission of two projects by the Asian Development Bank under the terms of the new direct access arrangements.

Beginning with this work program, we are increasing our review of the treatment of cost-effectiveness, which is a central principle in the GEF Instrument and is of increasing importance in my government’s review of the effectiveness of U.S. budget programs. Unfortunately, our review found that virtually all of the proposals have inadequate discussions of cost-effectiveness. Most of them confuse cost-effectiveness with financial leveraging. The fact that GEF funds leverage other funds does not mean that the project is cost-effective. Rather, cost-effectiveness can be demonstrated by comparing indicators on unit costs, describing how the project is more efficient in achieving results than previous efforts, indicating how the project aims to increase efficiencies over time, or perhaps noting that project implementation will use open and internationally competitive procurement practices. Therefore, we would request that the Secretariat seek to improve all the projects in this area prior to CEO endorsement, and that it provide clear guidance on cost-effectiveness, including clear comparison metrics on unit costs.

Turning to the specific projects, the U.S. supports the work program, with the exception of four projects:

1) Vietnam: Promoting Energy Conservation in Small and Medium Scale Enterprises;
2) Brazil: Ecosystem Restoration of Riparian Forests in Sao Paulo;
3) Nigeria: National Fadama Development Program II; and
4) Iran: Conservation of Biodiversity in the Central Zagros Landscape Conservation Zone

We will provide detailed technical comments on all projects at a later date.
Biological Diversity

1) Regional (Gambia, Guinea, Mali, Senegal): In-situ Conservation of Endemic Ruminant Livestock in West Africa (UNDP)

Comments from Germany:

The following changes should be made during further planning steps:

• Involvement of German TC projects/programs (rural development, environment, natural resource management) esp. in Mali and in Senegal and relevant supraregional projects (CILSS-MA; “People and Biodiversity”)

• Add an indicator which is describing positive economic and poverty (MDG!) related project impact for livestock keepers (outcome 2 – commercialization and marketing systems)

• Senegal has very difficult framework conditions for the project implementation due to its strong promotion of modern agriculture and livestock production. This fact should be taken into consideration in output 4.

• The division of task between ILRI (executing agency with ITC as partner) and ITC is unclear (official cooperating agency).

• Change of project title: Sustainable management (not conservation) of three globally significant endemic ruminant livestock breeds

Recommendation:

The project is well structured and Germany agrees to the project proposal. We recommend the integration of the aspects raised above during further planning and implementation of the above mentioned project.

Switzerland Comments:

General Commentaries

The project focuses on the conservation of unique genetic traits/habitat complexes of endemic ruminant livestock, which are under increasing threat of genetic dilution and extinction. Its objective is to remove barriers to the in-situ conservation of endemic ruminant livestock (i.e. N’Dama cattle, Djallonke sheep, and the West African Dwarf Goat) through the establishment of effective models for community based management in Gambia, Guinea, Mali and Senegal.

The overall project is based on sustainable development objectives and organized according to five components: (1) improved livestock management; (2) commercialization & marketing; (3) conservation and sustainable management of natural resources, (4) policy, legal & institutional
framework, and (5) establishment of a sub-regional co-operation system. GEF support is foreseen for all components, with exception of component (2) commercialization & marketing.

Within the project, highest priority is given to the conservation and sustainable management of natural resources for the benefit of endemic ruminant livestock, ecosystem services, and human livelihoods (outcome 3 with 13 million USD out of the total of 30 million, or 3.9 out of 10 of the GEF contribution).

The project presents a high baseline funding of 316 million USD, to which the GEF contributes 37 million.

The project objectives seem consistent with the provisions of the Operational Programme 13 and could have beneficial impacts on the implementation of the Operational Programmes 1, 3, and 15.

In general terms, we appreciate that the project is generally well described and documented, with detailed information provided in the annexes and maps; the Logframe is well designed and reasonably structured. Nevertheless, on some specific issues, which are essential for our appraisal, we regret that the information given is not sufficient (e.g. population data of the targeted breeds).

Although we fully support the project rational and objectives, this current project seems mainly oriented towards the development of sustainable management of natural resources for the benefit of endemic ruminant livestock, ecosystem services, and human livelihoods. Thus, the basic question is raised whether concerns regarding natural flora and fauna are sufficiently addressed to integrate the project below the focal area of biodiversity.

Main Concerns

Our concerns are summarized as follows:

• **Threat of genetic dilution and extinction?**
  A severe decline of the N’Dama population in percentage of the total cattle population was observed between 1985 and 1998. However, this decrease is apparently due to a rapid spread of exotic cattle rather than to a decrease in heads of N’Dama cattle. Indeed, according to annex 2K, the heads of N’Dama cattle increased between 1985 and 1998 (4.86 and 5.39 million respectively). Considering the increasing number of heads of N’Dama cattle, as well as the important number of heads of Djallonke sheep and West African Dwarf goats, and considering the existing in-situ and ex-situ pure breeding programs, we must raise the question: how important are the threats of genetic dilution of the important traits? Also: how important are threats of extinction of the unique genetic trait/habitat complexes?

• **Too ambitious?**
  The project’s activities are very diverse and address in-situ livestock conservation in a holistic way. The project design is experimental, developing and testing an integrated approach in four countries, twelve pilot sites, with additional eight secondary sites foreseen for replication of selected activities. Thus, we recognize an imminent risk of dispersing efforts and weakening impact and sustainability.

• **Productivity enhancement through crossbreeding?**
  Crossbreeding is identified and addressed as a major threat to endemic ruminant livestock. However, crossbreeding is probably driven by the need of local farmers to increase productivity (i.e. increase of livelihoods), and to meet the growing demand for milk and meat. Indeed, this demand is expected to double in developing countries by 2020. Therefore,
are the project objectives really in concordance with the will of the local population? Is it sufficiently based on consultation with the local farmers/stakeholders?

Furthermore, the FAO funds a crossbreeding program to supply high milk yielding cattle to local farmers (see pp. 109, 173) and the FED a program for genetic improvement for milk production. Without reviewing the programs mentioned, we feel that there might be some inconsistencies. Are there discrepancies in the objectives of these programs and the present project?

Conclusions and Recommendations

We recognize the efforts made in the preparation, support the project proposal, and recommend its approval by the GEF. However, we feel that the final preparation has to give special attention to provide an estimation of the risks of genetic dilution of the important traits of the targeted breeds and an estimation of the risks of extinction of the unique genetic trait/habitat complexes. Furthermore, we feel that there is a need to prioritize the project pilot sites in order to avoid risks of dispersing efforts and losing the orientation towards the preservation of the unique genetic trait/habitat complexes.

Possible discrepancies between the current GEF project and the FAO-funded crossbreeding program must be further analyzed and, if confirmed, should be necessarily settled. It would not be acceptable that two multilateral projects have contradicting objectives.

Further Commentaries

- In the Logframe, it becomes apparent that the project targets an increase of endemic livestock as a percentage of overall population with the same population levels at the end of the project. This fact should be stressed in the project brief.
- Incremental Costs Matrix (pp. 43-45, 116-118): The Baseline descriptions of the outcomes 2 and 3 describe a (future) situation rather than giving an overview on ongoing activities. Information on global benefits of the baseline is lacking.
- Section 2, table 3 (p. 157): Livestock data are missing.
- Annex 2K (p. 169-171): Why do the number of heads of N’Dama cattle in the text (p. 169, para 4) and in table 1 (p. 170-171) differ?
- Annex 2M, table 2, (p. 177, 2nd row): Are there discrepancies between the creation of protected areas and the present project?
- Acronyms: Some of the acronyms used in the annexes, especially the summary of baseline funding, are not included in the List of Acronyms at the end of the annexes.

Comments from U.S.A.

Summary: The overall goal of this project is to ensure sustainable populations of targeted endemic ruminant livestock breeds in four West African countries (the Gambia, Guinea, Mali, and Senegal) in order to improve rural economies and to ensure the conservation of these breeds and their globally unique genetic traits.

The country strategies of all four participating countries include provision for conservation or development of the livestock sector or something similar. Results will be measured by the increase in population of purebred endemic ruminant livestock and the decrease in cross-breeding, among other indicators. However, there is no indication that this is cost-effective.

While purebreds are sometimes viewed as inferior by livestock owners in terms of productivity (milk, meat), they are the only species resistant to a number of diseases, including
trypanosomosis. The use of trypano-tolerant livestock to reduce this disease in Africa and elsewhere will have a number of environmental benefits. Purebreds are also resilient under adverse climatic conditions, tolerant of high temperature and humidity, and able to utilize low quality diets. For these reasons among others, it is important to conserve endemic room and at livestock.

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U.S. Position: Support.
2) **China: Sanjiang Plain Wetlands Protection Project (ADB)**

**Comments from Germany:**

The major goal of this to restore the global significant wetlands of Sanjiang (North-East China, Heilongjian Province) in order to allow a sustainable management of the natural resources and to promote economic development. Within and around 6 demonstration zones (Nature Reserves) the project focuses on **Watershed Management, Wetland Nature Reserve Management, Alternative Livelihoods and Education and Capacity Building**.

Due to the variety of ecological and economical problems in the region - as severe flooding and droughts, resulting from the 75% decrease of wetlands in the region - the project design is quite comprehensive and in fact very ambitious as large areas, which are now under agricultural use, are to be transformed into either wood- or wetlands.

**Specific Comments**

**Involvement of local groups / Resettlement / Ethnic Minorities**

The transformation of farmland into wetland and forest requires not only technical expertise in landscape planning, monitoring and implementation but also a strong involvement and acceptance of the local population, especially regarding the envisaged resettlement activities. This seems to be one of the most controversial and challenging points of the whole project. Although an entire appendix 10 addresses the resettlement framework, some aspects regarding the participation of the local communities remain still unclear, inter alia:

- How far are the affected people involved in the planning process as a whole?
- Are affected villagers and state farms are equally treated regarding (physical) resettlement?
- Is there a co-management regarding the selection of the replacement areas?
- How far are the local communities involved whether their land will be compensated with (long term economical beneficial) forest-areas or wetlands (only monetary compensation)?
- Guidelines how to use the Village development funds (fed by 30% of the compensations) are very broadly mentioned. Which restrictions do the villagers have to face?

In the proposal it is stated that the project has *no* impact on ethnic minorities or groups. It would be nice to read that there was a *positive* impact, as it is quite likely that indigenous people could benefit from the renaturation of the wetlands.

**Climate Change Aspects**

One of the socially and economically most striking arguments for the implementation of project is the augmentation of the water holding capacity of the plain (specially upper regions) in order to minimize the risks of floods and droughts. Shrinking forest- and wetland was bringing various local climate changes – even that e.g. flood control dikes were by far not able to protect economic goods and human lives sufficiently.

But beyond local causes – which are dealt with in the project – impacts of global climate change will still affect the Sanjiang plain. Unfortunately this dimension, particularly important for wetland regions, seems not to be sufficiently considered in the project proposal. For example:

- Is there a change of precipitation (amount / variability) to be expected in the project region and in the catchment basin of the rivers “feeding” the wetlands?
- Are there any estimations regarding the future seasonal run-off behaviour of the main watercourses?
The planning of the project and in particular of the resettlement should take into consideration possible impacts of climate change and adaptation measures. This includes the selection of the areas to be transformed, the location of settlements, the improvement of infrastructure (roads, wells,...) regarding inundation, landslides, soil erosion, fluctuation of ground water level, etc.

Cooperation with German TC
As forestry and reforestation plays a mayor role in the project (36.000 forest workers for 7 months needed!), there might be an interesting interface with the GTZ Project: “Basic and Further Training in the Forestry Sector”, where one school is located in Heilongian. Furthermore in China three small scale projects regarding the Implementation of the Biodiversity Convention, supported by GTZ are running (2 in Yunnan) or in the pipeline. As it said in the proposal that “…wetlands and biodiversity conservation are relatively new concepts in China...” the Sanjiang Plain Wetlands Protection Project may wish to build on the experiences made, especially in the sector of community involvement and education / capacity building.

Recommendation:

The proposal of this project is remarkably well structured and edited. Few additional aspects should be considered and to be integrated during further planning steps and during project implementation where applicable.

Comments from U.S.A.

Summary: The immediate objective of this project is the protection of the natural resources of the Sanjiang Plain wetlands and their watersheds from continued threats, the promotion of their sustainable use through the integrated conservation and development of selected wetlands and forest areas of the plain, and the improved well-being of local communities.

This project is fully consistent with the GEF Operational Program; the government of China also gives high priority to wetland biodiversity conservation, watershed protection, and management of natural resources. Due to this commitment, capacity developed under this project is expected to will be sustainable. The logical framework matrix details methods of monitoring and evaluation.

The proposal is innovative by combining the river basin approach involving integrated water management and catchment reforestation, nature reserve protection and wetland restoration, community development through community-based funding and credit mechanisms as well as forestry/inter-cropping systems. As a result, the project will have a high demonstration value for the rest of China as well as other countries. It is feasible and has a good focus, although cost-effectiveness depends on replication.

U.S. Position: Support
3) Iran: Conservation of Biodiversity in the Central Zagros Landscape Conservation Zone (UNDP)

Comments from Germany:

The concept of Conservation Zones which has been introduced by the project document, perfectly fits the concept of “Biosphere Reserves” promoted by the Man and Biosphere (MAB) Program of UNESCO. In particular as Iran is a party to that program, and has already established some biosphere reserves over the country, it remains unclear why a different label is used for the purpose of this proposal.

Two main threats to biodiversity have been identified in the proposed Conservation Zone:
- Land conversation;
- Unsustainable harvesting of biodiversity products.

It is for example estimated that the there are up to six times more livestock in the Conservation Zone than can be sustainably carried with present grazing practices. These threats put an enormous challenge for the project, taking into account that unemployment, low income, relatively poor infrastructure and poor communications have at the same time been identified there as the main socio-economic challenges. The project documents precisely describe and analyse the situation and define a general frame for solutions. The documents are, however, not concrete enough to describe solutions and ways how to achieve them.

To give an example: If livestock in the Conservation Zone is six times higher than the sustainable level, solutions have to be found either to reduce the number of livestock, or to find alternative ways to feed them – and any interventions have to take the poor living conditions of the local population into account. Managing livestock and over-grazing must therefore be a key element in the project design. Searching the project documents for possible solutions to be applied by the project, one finds only relatively general statements such as “mainstreaming of biodiversity into agriculture”, community-driven participatory development plans, etc. The log frame not even mentions livestock specifically. The project thus pushes the problem of solution-finding to the implementation level, partly also to village level. The project documents do not give an idea which solutions are available and appropriate, and how to operationalise them. This is surprising, as sustainable livestock management is a general issue, and experiences have been gained in many parts of the world. When solution-finding is pushed to implementation level, one runs the risk of going through an extensive process of learning, without benefiting sufficiently from others’ experiences (“inventing the wheel again”).

What was said here for sustainable livestock management can likewise be applied also to other fields of intervention. It would be in particular interesting to learn what kind of interventions are foreseen in the field of biodiversity-friendly income generation. The project is, for example, to help design and create a Biodiversity Enterprise Centre (BEC). This is an encouraging innovative instrument, but the project still has to prove that there are actually enough possibilities for private sector investments in biodiversity friendly, income-generating activities, which would thereby lower investment risks and entry costs. One would expect from the project preparation phase that
a set of possible key investments would be developed, to demonstrate the feasibility of this instrument.

Financing: At present, the Department of Environment (DoE) is spending annually some US$ 91,400 in the Conservation Zone, mainly for protected areas management. We cannot comprehend how DoE funding in the coming years would be sum up to US$ 12,350,000 as baseline activities, and additional US$ 4,030,000 as incremental funding (figures taken from the incremental cost analysis). This would mean an annual input by MoE into the Conservation Zone of approx. US$ 3.3M, or an increase of the input by the factor 36. If these figures are correct, GEF contribution reveals to be comparatively modest, and GEF’s role and function should be assessed.

Baseline Funding: The project document gives the extraordinarily high amount of US$ 82,960,000 of baseline funding, which is all derived from national sources, mainly from various ministries. It is not comprehensible how this figure has been found. The total value of those projects listed in Annex 2.9 (key projects used for baseline activities) is much lower than this value, and also includes projects which are not confined to the Conservation Zone.

The Persian Squirrel has been selected indicator species for monitoring the success of biodiversity conservation efforts; however, the Persian Squirrel is a highly adaptive species, occurring even in parks of large cities. This species is therefore not suitable as indicator species.

Recommendation:

It is recommended to take these considerations into account during further planning steps and project implementation process.

Comments from U.S.A.

The U.S. objects to the Conservation of Biodiversity in the Central Zagros Landscape Conservation Zone in Iran and asks that this be clearly reflected in the CEO’s summary of Council Members’ views on the work program.
4) Mozambique: Transfrontier Conservation Areas and Tourism Development Project (World Bank)

Comments from Germany:

General Comments
The proposal builds on the lessons learned from the first phase of implementation. These lessons are basically negative experiences, which according to the proponents are fully addressed in the 2nd phase proposal. This statement is difficult to verify as the proposal describes in a rather general manner the intended outcomes. The outcome indicators as given in the Results and Monitoring Framework (Technical Annex 3) rather describe the outcomes of the project than indicating impacts of the project on the ground as well as on the policy level. Without a log-frame planning matrix, which has been already asked for by the GEFSEC review for greater clarity, it is impossible to understand how the project intends to achieve its outcomes and goals. The additional information provided by the proponents upon the request of GEFSEC is not sufficient for this purpose.

Since 1996 German ODA (GTZ and KfW) is supporting SADC and Mozambique in improving livelihoods of communities in and around the Limpopo National Park (LNP), which is the largest of the National Parks forming the TFCAs (more than 5.8 Mio Euro since 2002 with a recently agreed increase to 12 Mio. Euro). Furthermore the French Development Cooperation (AFD) is planning to support CBNRM in the Greater Limpopo TFCA with 7 Mio. Euro starting 2005. The interventions of these project are based on a detailed management plan and state of the art business plan which was developd together with the management of the LNP and approved by the Ministry for Tourism (MITUR). Practically all components of the proposed WB project are covered by these projects.

Technical Annex 2 remains unclear to what extent the proponents intend to cooperate with and draw upon the lessons of these projects as well as with the USAID funded activities in the Greater Limpopo TFCA. Without clarity on agreed cooperation mechanisms double funding and counterproductive allocation of funds and support is unavoidable. Furthermore, taking into consideration the funds and support made available through bilateral cooperation, the budget volume of the proposed project has to be questioned. Overfunding of protected areas during the investment phase drives protected areas usually directly into the trap of financial sustainability (i.e. investments cannot be maintained after the end of the project).

Cooperation is also envisaged with other GEF funded projects in the region, such as the Southern Africa Biodiversity Support Program (UNDP), The Costal and Marine Biodiversity Management Project (WB) and two other projects in the pipeline. However, how this intention is going to be operationalized is not elaborated.

Specific Comments:
The proposal clearly states that the Implementation Completion Report (ICR) for the first phase project, which was implemented in three TFCAs, identified significant failures of the first phase in the delivery of the intended outcomes. As reason poor infrastructure in the TFCAs (Component
2: Habitat and Wildlife Management; and Component 3: Community Mobilization and Pilot Programs) and poor implementation (Component 4: Monitoring and Evaluation) is mentioned. Indeed, during the lifetime of the first phase the project was not visible neither at the provincial nor the district level for the above mentioned GTZ and KfW projects. Furthermore, the role of the first phase of the project for the establishment of the three TFCAs should be explained in more detail.

It remains unclear how the project intends to address the poorly developed infrastructure in the TFCAs. Developed infrastructure will be one of the keys to achieve the intended increase of tourism and on this basis to support alternative livelihoods of the local communities living in and around the TFCAs. Without improving infrastructure it remains rather speculative, that Mozambique – despite increasing arrivals in the last years – will be competitive to established destinations in South Africa (e.g. Krueger NP) and Tanzania (Selous Game Reserve), sharing the same TFCAs.

The failure of Component 3 might explain, why in the current proposal participatory approaches completely missing to involve local communities and other stakeholders already in the project development are. The project intends to involve stakeholders only through the Integrated Development Planning process, which has been successfully used in the South African context. Considering the obvious problems of the first phase it is more than questionable, whether such top-down planning approaches are still viable. Based on experiences of the German cooperation in the Limpopo National Park, the technical process of involving local communities should be reflected in more detail (question of transparency). Local project support groups, representing the different involved communities within the TFCAs, should be elected and formally recognized (guidelines for elections to be drafted during implementation in coordination with local government and NGOs operating on the ground). It is crucial that these support groups will reflect the traditional power, dynamics and hierarchy of each community. In order not to exclude woman and youth from decision-making gender issues have to be addressed on an early stage. These support groups will have a great need for capacity building prior to be able to effectively participate on forums like the proposed liaison committee.

Recommendation:

At this stage Germany cannot support the proposal yet. We ask for re-submission of the project to the Council for review prior to CEO endorsement. Major revisions in the project design seem to be required to avoid repeated failure to achieve the project goals. A clear link between the failures outlined in the ICR of the first phase and activities, outputs, outcomes and measurable impact oriented indicators for the second phase of the project is required to be able to assess the quality of the proposal and whether the project has a realistic chance for success. It might be worthwhile to limit the activities of the project to the same TFCAs as during the first phase and extend activities to other TFCAs only in a third phase if success stories and positive lessons can be delivered during the second phase.

Switzerland’s Comments:

General Commentaries

The concept of Transfrontier Conservation Areas (TFCAs) is not a new. However, as of late it has received a lot of attention, globally and specifically in the Southern African realm. The rationale: to establish ecological linkages that span national borders and consolidate neighbouring protected areas and to improve the livelihood of people residing in such areas (mostly through nature-based
tourism and CBNRM projects). Capitalizing on the international donor interests in TFCAs, their establishment has become one of the focal development areas for the SADC Region, Mozambique not being an exception. In this light the proposed project is of relevance and of high priority in terms of sustainable biodiversity conservation to be achieved through a socially and culturally acceptable land use planning and management approach that is designed to involve the private and public sectors alike.

Building on phase I of this 15 year, three-phased project, the GEF proposal intends to intensify the efforts of phase I, that will concentrate on: (a) expanding the legal and policy framework and the system of TFCAs in Mozambique, (b) elaborating locally-led Integrated Development Plans (IDPs) in each TFCA, (c) developing sustainable, nature-based tourism for the benefit of the local poor, and (d) strengthening the designated protected areas located inside the TFCAs. The proposed activities that are designed to reach the overarching goals of sustainable land use and biodiversity conservation in the targeted TFCAs, emphasize stakeholder involvement and community participation for all project components. The proposal sufficiently addresses the issue of capacity development as an important requirement by GEF.

The background information provided is sufficient to understand the project’s context and to appreciate the addressed issues, the threats to biodiversity conservation and their root causes. In general, the proposal complies with GEF’s Focal Area “Biodiversity” through the targeted protection of Semi-arid Ecosystems (OP1), Coastal, Marine and Freshwater Ecosystems (OP2), Forest Ecosystems (OP3) and Mountain Ecosystems (OP4). As signatory to the Biodiversity Convention (ratified in 1995) Mozambique qualifies for GEF support.

The successful establishment of TFCAs will be of global benefit by providing sustainable protection to widely recognized and globally important ecological hotspot areas shared by Mozambique and its neighbours.

Main Concerns

Although the conceptual design of phase II of the project appears logically conclusive, the proposed mechanisms for achieving its ambitious goals are too unspecific and too loose, a key shortcoming noticed already in context with phase I of the project. Lessons learnt from phase I failed to mention that creating a special entity responsible for TFCAs within the Ministry of Tourism (MITUR) has actually weakened the status of the DNAC which holds the mandate for Mozambique’s protected area system as a line agency of MINTUR. The proposal also fails to address DNAC’s current efforts to decentralize the management of protected areas and the currently promoted change of governance. Lessons learnt also fail to mention the past lack of synergies and cooperation with international donors in context with phase I of the GEF sponsored project.

The forecasts regarding expected returns from tourism appear to be overly optimistic. This has created false expectations in the past, in particular amongst the rural poor, resulting anger and unwillingness to cooperate in the establishment of new conservation areas in Mozambique.

The proposed private sector and community involvement in the development of a complex tourism industry and Integrated Development Planning for the TFCAs will be a long-winded process that will exceed the proposed time frame of seven years and by the allocated budget of 3.2 million USD for the five targeted TFCAs. In this context it also should be noted that tourism destinations have to be created first before the proposed activities can be implemented.
Provisions made for infrastructure development and enhancement needs of PAs within phase I of the project were dramatically underestimated, a lesson well recognized but insufficiently addressed by this proposal. Furthermore, the potential for private sector involvement in the tourism sector linked to TFCAs appears to be vastly overestimated as may be learned from the GLTP model in Mozambique and phase I of the project. There are many other valuable lessons to be learned from the on-going GLTP-TFCA donor funded project that are not taken into consideration by this proposal.

Conclusions and Recommendations

Despite the shortfalls, the proposed project is highly relevant and timely but needs major streamlining and conceptual changes. In the form it is proposed now, it will be as superficial as phase I. The project duration should be extended to 10 years and it would benefit from concentrating on one or two TFCAs for more depth and meaning. In summary, the project should be supported in principle but not without due consideration given to the raised concerns.

Further Comments

Page 15, par.3: how will the community participation for biodiversity conservation be achieved?

Page 15, par.4: how does the IDA loan interphase with the GEF project regarding IDPs?

Page 16, par.3: explain “tourism development” in this context. It all sounds excellent in theory the reality proves different as learnt from the GLTP model. This can only be achieved if the destination exists and the corresponding infrastructure/know how is in place; that is impossible to achieve within the next five years.

Page 17, par.2: …"encourage CBNRM projects etc.”: all very vague..

Page 17, par.3: what is the “tourism grant’s facility” and where would the funds originate from? To give out grants (for what) without prior capacity development?

Page 17-18: 6.3 million GEF funds to be spent on biodiversity conservation without spelling out in detail what this figure is based on is not acceptable. The proposal does not provide details on the PAs involved and is not based on a proper need assessment regarding infrastructure needs in the targeted PAs.

Page 18: Instead of strengthening the DNAC in its current model, efforts should be made to support a decentralized PA system, the creation of PA specific local management boards and to promote more appropriate governance models.

Page 19: …”to create a community-based tourism, management plans, land use plans enforcement mechanisms etc”. will not be achieved within seven years.

Page 19, comp.5: Again, this is very vague . What exactly is an “effective monitoring of conservation impacts”?

Page 15, par.3: Key lessons learnt should include: don’t create economic expectations from tourism that cannot be met; focus on one model but do it right and in depth; don’t spread resources too thinly, rather concentrate on one site; cooperate with other donors and develop a common model that all can adhere to.
Page 23: How exactly will phase II translate the “vision of phase I” into reality? Impossible to achieve a fully established/functioning TFCA within a seven year period!

Page 24: What exactly will the IDA credit be used for?

Page 15, par.3: To achieve economic sustainability through this project (and that within seven years) is a misleading illusion!

Page 30: The risks do not address the need to create attractive tourist destinations first that require massive investments.

Page 31: Why develop another “Resettlement Policy and Process Framework” which has been developed already as a generic model for the GLTP in 2003?

The development of IDPs is very complex, requiring layers of thematic maps and different scales. This is not feasible to achieve within seven years.

Comments from U.S.A.

Summary: The overall goals to which this project will contribute are: (i) to maintain large globally significant transfrontier ecosystems, with their biodiversity and ecological linkages, involving some of southern Africa’s most important natural areas and (ii) to enhance local livelihoods and support economic growth in these areas on a sustainable basis.

This project is in line with the 2003 CAS for Mozambique, which stresses the need to prevent degradation of natural resources and promote sustainable development, through decentralization and local empowerment, improved governance, increased local community participation and benefits.

As a second phase project, it builds on the lessons learned from the first phase. It is well-planned for meeting realistic goals within the time period of the project. The results matrix is clear and detailed. However, the cost effectiveness discussion is inadequate.

5) Nepal: Conservation and Sustainable Use of Wetlands (UNDP)

Comments from Germany:

The proposal is comprehensive and seems to be adequate to achieve a significant contribution for the conservation and sustainable use of globally significant wetlands in Nepal. However, few critical points have to be raised.

Specific Comments:
Key indicators: To be meaningful, a clear baseline has to be provided for all indicators using percent reductions or increases.

The main assumption “National Financial Strategy is feasible and secures funding for ongoing support to wetlands” contradicts the earlier statement “Currently, long-term financing beyond this Project’s end relies on Government budgets, which are already extremely low and under heavy competition from other sectors of the economy, and hence may decline still further, and are limited in scope and diversity” (Executive Summary, p.7). The budget constraints are even listed in the section on risks. This question was already raised by the STAP reviewer. As response the proponents included in the logframe an indicator on sufficient budget inputs from the government, however, none of the activities under outcome 2 are designed to ensure that the indicator can be met. Furthermore, the elaborations on the financial sustainability of the numerous bodies created under the project remain rather vague and general.

Most of the assumptions seem to be outcomes of the project and therefore cannot be called assumptions. E.g., the project aims to establish a National Wetlands Committee and to raise awareness and increase intersectoral planning capacity, therefore, the assumption “Adequate intersectoral participation in National Wetlands Committee” should be considered as an outcome of the project. Careful reconsideration of the project planning matrix seems to be required to clearly differentiate between outcomes and assumptions. Possibly some assumptions should even be classified as risks – such as declining government budgets.

The Maoist insurgency is listed as a major risk for successful project implementation. With the recent developments in mind the final CEO approval should be conditioned to an updated risk assessment with reasonable measures elaborated to counter the risk of project failure and especially personal risks to project staff.

Recommendation:

Further changes outlined above should be made during further planning steps and project implementation.

Comments from Switzerland:

General Commentaries

The proposed project addresses the root causes of wetland biodiversity loss and degradation in Nepal by mainstreaming wetland biodiversity concerns into national development agenda through
policy reforms, joint learning and action and capacity building. It will foster multi-sectoral partnership and demonstrate wise wetland use at two demonstration sites. Its overall goal is "to ensure the maintenance and enhancement of wetland biodiversity and environmental goods and services for improved local livelihoods in Nepal" and its immediate objective is “to strengthen national and local capacity in ecosystem management and sustainable use of wetland biodiversity”. This is accomplished by following 3 outcomes / interventions: (1) wetland biodiversity conservation values integrated into national policy and planning framework, (2) strengthening national institutional, technical and economic capacity and awareness for wetland biodiversity conservation and sustainable use, and (3) enhanced collaborative management of wetlands resources for conservation and sustainable livelihood. Management activities will concentrate on two Ramsar sites. The project has a five-year time horizon.

The Secretariat’s Cover Note underlines that the project is consistent with the biodiversity strategic priority (2) “mainstreaming biodiversity in productive landscapes”, as most wetlands in Nepal fall outside protected areas and within productive landscapes.

Following the GEF project database (available on internet), the country’s portfolio on biodiversity integrates so far only 2 single country projects for a total of 7.35 million USD of GEF financing; furthermore Nepal is involved in one global project regarding biodiversity. The newly proposed project on wetland biodiversity fully complements the ongoing GEF efforts in Nepal.

The project seems fully consistent with GEF operational principles and criteria. Basically we follow the STAP reviewer’s conclusion that “the Project Brief is well written and presents a coherent, balanced package of interventions targeting the conservation of globally significant biodiversity”.

We particularly appreciate that:

- the proposed project interventions (or outcomes) are soundly embedded in a systematic analysis of threats to Nepal’s wetland biodiversity, their root causes and the subsequent impacts (particularly the summary table gives a good panorama),
- there is significant proportion of co-financing by the national government,
- the proponents pay considerable attention to the issue of project sustainability (differentiating well between institutional, financial, economic and social aspects);
- institutional capacity building activities have been designed to clarify and strengthen existing institutional structures and mechanisms rather than establish new institutions (among others, in order to be cost-effective and to achieve institutional sustainability),
- there is a sound combination of efforts towards the improvement of the legal framework (e.g. regarding environmental services and wetlands) with those in the field,
- attention is paid to economic and financial instruments aiming at the inclusion of fiscal sources such as user fees and damage charges, market sources such as payment for environmental services, bonds and deposits,
- emphasis is given to capacity building (at national and local level), and a capacity needs analysis will be done,
- the outline of the long-term financing mechanism of biodiversity conservation activities beyond this project’s end seems to be a balanced combination of international and domestic sources,
- detailed information on project activities (including their implementation schedule) as well as on the indicators for monitoring and evaluation are given.

We also take positive note of the fact that IUCN participates directly through co-financing.
In our review we didn’t identify major concerns but only some minor commentaries.

Conclusions and Recommendations

We recommend this project for approval by the GEF.

Further Commentaries

- **Scarcity of funds:**
  The project brief indicates that “the long-term financing relies on governments budgets, which are already extremely low and under heavy competition from other sectors of the economy, and hence may decline still further, and are limited in scope and diversity”. On the other hand, the project will intend to allocate more funds from the government for wetland conservation and sustainable use by year 3 of the project. We feel that even more attention to the risk of unavailability of governmental funds should be paid. Last but not least, the attraction of additional funds for wetland biodiversity should not affect other conservation issues or plans for the social development.

- **Financial and economic instruments:**
  As described above, we fully support the intention to use financial and economic instruments for conservation purposes. Environmental services, user charges and damage fees can meet the objectives of correcting existing price and market distortions, and internalize current externalities. Nevertheless, considering the socio-economics of the target population, the application of such instruments is a challenging task and there are considerable risks of failure.

- **Concerning the use of flagship species as indicator:**
  Basically the outline of key indicators for monitoring and evaluation seems appropriate. However we would like to transmit our reservations concerning the use of flagship species as indicator for monitoring purposes. This criticism is shared by international experts, as in the following example: “Although flagship species can be effective public relations tools for conserving particular sites or areas, they have limited scientific value in serving as conservation targets in regional planning and should be used with caution.” (Craig R. Groves, 2003, Drafting a conservation blueprint. A practitioner’s guide to planning for biodiversity).

Comments from Canada:

The project is fully policy oriented with a focus on reform, capacity building and institutional strengthening. The project directly supports National Biodiversity Strategy and Wetland policy. However it has weak link with the Tenth Plan focus on poverty reduction and social inclusion. We suggest that the project should have a livelihood support as an outcome, and a significant proportion of the resource goes for it.

The project has a heavy and complex central structure with the addition of new institutions and mechanisms. The proposed Project Management Unit seems project-oriented with a non-sustainable set up. This project should learn from several past projects in Nepal including CIDA’s 30 years support to Water and Energy Commission Secretariat that just providing more capacity to central structure does not produce policy reform and retain institutional knowledge. Such initiatives should have a close link with local development for poverty reduction and policy feedback.
The project has identified several assumptions and risks. However, no mitigating strategies have been suggested to work on and are in conflict with the government agencies as the main implementing partners. Many such risks fall between medium and high, not low and medium as mentioned in the document and require serious thinking and strategizing implementation with a new outcome for livelihood support.

Comments from U.S.A.

Summary: This project aims to ensure the maintenance and enhancement of wetland biodiversity and environmental goods and services for improved local livelihoods in Nepal, with an immediate objective to strengthen national and local capacity in ecosystem management and sustainable use of wetland biodiversity in Nepal.

It supports Nepal’s key national and sectoral development plans, policies, and strategies and has been designed to be institutionally, financially, economically, and socially sustainable. This project is based on lessons learned from other related projects in Nepal and globally. Monitoring and evaluation will conform to UNDP-GEF requirements and procedures. Cost effectiveness discussion is good, but would be strengthened with comparison of unit costs/net costs.

Although focused on wetlands within Nepal, this project has regional importance. Firstly, this is because of the importance of Nepal’s wetlands in supporting migratory bird species, mostly from northern and central Asia. Also, secondly, many of the major rivers in northern India are fed by Nepali streams.

U.S. Position: Support. [Please comment on whether security situation is project risk and, if so, how this will be mitigated. However, the security situation in Nepal has changed rapidly. Please indicate how this increased risk will be mitigated.]
6) Philippines: Integrated Coastal Resources Management Project (ADB)

Comments from Germany:

In general, the proposal contains too diverse components, which are difficult to be implemented under the proposed project set-up and staff situation (including DENR staff). For example, the entire complex of enterprise development and income diversification is a programme on its own. In addition, we see most of the stated targets as too ambitious and therefore realistically not achievable.

Specific Comments
Size, location and management of the MPAs
No figures are provided on envisioned sizes for individual management areas. Though, from the figure for the envisioned total size for management areas (50,000 ha of Coral Reef areas and 5,000 ha of no-take core-zones) in comparison to the mentioned number of about 50 planned marine management areas, an average of 1,000 ha per MPA and an average of 100 ha of no-take core zone in each can be assumed. Will it be possible to manage areas of such a large size? Furthermore it’s not clear on which level the management of the MPAs will be carried out (municipal level or national level). This gains even more in importance, as some parts of the selected areas are not directly situated at the coast. In our opinion the different settings would require different management approaches. No details of the management approaches of the MPAs are provided neither in the Executive Summary nor in the RRP document. We recommend describing the different management approaches for MPAs directly at the coast and those located a bit away from the coast.

Sustainability
The project document proposes the rehabilitation of about 35 and the creation of about 15 new marine protected areas. This seems highly desirable in reference to the creation of marine corridors. Although this has been largely discussed within both the STAP and CBD secretariat reviews, the responses to these questions, concerning the sustainability of these projects activities, still do not fully convince us. In accordance with the comments already made by the World Bank, we think that large investment of about $63 million, with $9 million from GEF in a context of institutional weakness raises questions about the project’s sustainability. (Bantay Dagat, ICRM centers, ICRMUs, enterprise development units). E.g. past experiences have shown that for sustaining a successful Bantay Dagat it is not sufficient to provide training, boats and equipment. To sustain the Bantay Dagat it would require a concept to maintain the boat and equipment as well as the motivation of the members in the long run, e.g. by including the Bantay Dagat as program component of local government units. Furthermore, the project has to think of the necessary networking of the Bantay Dagat with the Coastguard or local police, which in many cases suffer severely from financial constraints and lack of capacity.

Selection of potential business operators
The ICRMP plans to work at the community level. From our point of view it is questionable if this broad-based approach reaches the individuals, which have the necessary enterprising attitude to operate a business. The experience from numerous programmes by various donors shows that the concept of “alternative livelihoods” is diverse and that most of the efforts have failed if these
are implemented as a “side programme” (e.g. without proper monitoring and technical support). Past experiences of GTZ implemented projects for fishing communities, for instance, have shown that only few persons in a community possess a suitable personality and attitude (e.g. opportunity seeking, willingness to take risks, willingness to invest) as well as the interest and commitment to create and run a business successfully. Therefore the selection process and the criteria for the selection of persons with the required business attitude and potential to run a business is one of the most critical success factors. In the proposal the selection process is not mentioned at all. The challenge is not only to select suitable persons but also to support them in such a way that no dependency on the project is created. There is a danger that enterprises become too project driven with the consequence that there is a lack or loss of entrepreneurial spirit. This might happen if projects recommend certain sectors for enterprise creation (e.g. as a result of market studies) instead of the entrepreneurs themselves and if funds are provided through project involvement instead of provision of commercial credits. Generally, we recommend cooperating with professional business development service providers. E.g. in the Philippines there are many organisations, which are professionally applying the CEFE approach. Another possibility is to link to bigger programs which promote the local economy.

External Assistance to the Project
GTZ, together with its main partner BFAR (Bureau of Fisheries and Aquatic Resources), is presently implementing two fisheries related projects in the Philippines: The Visayan Sea Coastal Resource and Fisheries Management (VisSea) Project and a project in South Leyte for the Sustainable Management Silago Bay. The Visayan Sea project is facilitating the development of a fisheries management plan for the Visayan Sea with the active participation of various stakeholders. The “Leyte Island Programme for Sustainable Management of Natural Resources” which is a major programme supported by GTZ/BMZ has generated valuable experience on integrated coastal zone management in the Philippines over the last years. This experience should be of high value for the ICRMP and thus be mentioned along with other donor support given to the sector.

Policy development
In Para 21 of the RRP is mentioned that a comprehensive policy on coastal resources management has been drafted with USAID assistance, which needs to be finalized through a consultative process and enacted into law. Further in that paragraph is said, that a national policy and institutional framework for integrated coastal resource management has been drafted with UNDP assistance. We don’t see the point why the project should focus once more on the development of “a comprehensive national policy on ICRM” (see Para. 25 of RRP), as the above-mentioned frameworks and already developed policies apparently provide this.

Additionally, an index of contents and a list of abbreviations should be added.

Recommendation:
We generally support the project concept and idea. However, the present project proposal has disregarded several essential elements and therefore it should be revised and further information provided with regards to above-mentioned aspects. In principle, we agree to the proposal but some changes should be made (see comments) during further planning steps and during the implementation.

Comments from Switzerland:
General Commentaries

The project appears fully coherent with GEF principles and aims at contributing to the conservation of highly threatened marine ecosystems, for which the Philippines are a key centre of diversity. Its holistic approach through the development of integrated coastal management seems also quite coherent, as well as its design and organisation into four components that address problems at both institutional and ecosystem and resource management levels, as well as by supporting the development of income generation opportunities and social and environmental infrastructure.

The project is embedded into larger efforts by the Government of the Philippines, with the purpose to help implement its policies in the sector of coastal resources management (notably the “ArcDev” Program), re-orientate some of its effects and complements its gaps or find solutions to failures. In particular the project supports the devolution of much power to the local government units that would become the key units for the future management. It includes therefore a solid baseline, the financial volume of which amounts to more than eight times the GEF contribution.

The project is innovative, notably through its “corridor” approach, which is well supported by a good argumentation in spite of the important costs it generates. It is also worth noting that the project has learnt lessons from and complements different past and current large international projects in the same sector (including several GEF ones); in particular, it explores alternative strategies of financial sustainability, comparatively to the partnership with the private sector that is supported by the ACC/ACF project, approved by the GEF council in 2002 but delayed until now.

We finally want to note the existence and availability of good annexes, including a clear table of root causes versus project responses and interventions, clear precise statements on the process of sites selection, a comprehensive logframe with quantitative indicators and milestones, as well as an unusual and solid financial and economic analysis.

Main Concerns

None at this time. It must be noted that much of the long-term success of the project depends on its capacity to deal with the issue of weakness in local governments capacities and resources; this important issue regarding the financial and institutional sustainability seems to be correctly addressed by the project’s design and the challenge of a highly decentralised implementation is definitely worth taking up.

Conclusions and Recommendations

In conclusion, we fully support the endorsement of the project by the Council.

Comments from Canada:

Community based coastal management approaches are a leading form of coastal resources management, throughout SE Asia and the Pacific. In general this area of work is progressive and likely to yield positive results at the local level for the resource users. The project can contribute to poverty reduction, since municipal fisherfolk are considered to be the one of the most impoverished in the country. Inclusion of an enterprise development and income diversification program is welcome, since coastal towns are often subject to harsh weather, limiting the
fisherman’s potential to earn a decent income from fishing alone. In the province of Palawan (not one of the six provinces targeted in this project), for instance, half of the year, fishermen could not go out to fish because of bad weather. Hence, it is not enough that communities are mobilized for the protection of their resources. There must also be some measures to make sure that those who we entrust to protect these resources have food on the table. We therefore strongly support the idea of integrating population management in the project.

Without knowing the size and local specifics of these coastal areas, there could be key risks which are not identified. Is cross boundary exploitation of coastal fisheries an issue? Fishers from other areas within the Philippines or from the region over exploiting these areas, and if so, can community based management approaches and MPAs effectively manage this kind of situation? This concern/risk could fall under the title of ineffective enforcement. We would also be interested seeing outcome and output statements as well as concrete performance targets/indicators.

**Comments from U.S.A.**

Summary: Project supports protection of coastal and marine natural resources, including biodiversity reserves. Project focuses on policy and institutional strengthening for integrated coastal resources management. Project will also develop resource management plans for coastal communities, including alternative livelihood generation. Finally, project will provide social and environmental services among disadvantaged coastal communities.

Project has good indicators of outputs and outcomes. However, there is limited evaluation of cost effectiveness. There is likely to be strong replication benefits from the project.

**U.S. Position: Support.** Please strengthen cost effectiveness section.
WORK PROGRAM: COMMENTS FROM COUNCIL MEMBERS
(REFERENCE TO GEF/IS/11 –August 5, 2004


Comments from Switzerland:

General Commentaries

The proposal addresses the need for improved forest fire management within one of Russia’s most diverse Ecoregions recognized for its high and globally important biodiversity values. The ecological integrity of these forests are coming under increasing threat through catastrophic, mostly human-caused fires that are difficult to control in the light of under-funded und under-staffed state agencies, growing civil in-obedience and social inequality and due to the lack of synchronized fire management policies and guidelines as a recognized root cause. The ever increasing size of forest fires in Russia’s Siberia and the Far East are cause of international concern.

The proposal is scientifically and technically sound, well researched, prepared and presented. The background information provided is comprehensive and sufficient in detail and clarity in order to appreciate the urgent need for interventions aiming at an efficient and effective fire management that recognizes the need to control and combat catastrophic fires, but also acknowledges the ecological role of fires for fire dependent, forest dominated ecosystems. The objectives of the projects are clearly formulated and the proposed activities are logically conclusive. The project is highly relevant, timely and of recognized global priority. The participatory nature of the proposed project and its capacity development components are in compliance with GEF’s strategic approach to sustainable ecosystem management. The proposal is consistent with GEF’s Operational Strategy for Biodiversity Conservation, and with the objectives of its Operational Programs “Forest Ecosystems” (OP#3) and “Integrated Ecosystem Management” (OP#12). If successful, the global benefits resulting from the project will be self-evident.

Main Concerns

The proposed time frame of five years for a complex project covering a very large geographical area and involving public and private sector alike, that aims at a dramatic cultural change in the approach to dealing with forest fires (from total fire suppression to active fire management), that requires substantial training and equipping of technical personnel from different agencies and institutions, and that involves a massive awareness-raising campaign, will be much too short to achieve expected results.

In light of the politically powerful and relatively independently acting Krais the proposed key role of the Federal Line Ministry and its Forestry Service should prudently be shifted to the Regional Fire Center that is part of the Federal Ministry. Also more decision making power in the project should be given to local authorities.

Conclusions and Recommendations
We fully endorse this project. It is relevant, of global priority and significance, addresses an urgent need for action, requires international assistance and qualifies for GEF support. However, it is strongly recommended to prolong the life of the project to 10 years.

Further Comments (GEF Project Brief)

Page 8, par.2: The current lack of understanding/appreciation of the natural fire regime under which the landscapes of Russia’s Far East evolved requires an aggressive awareness building campaign aimed at the public and private sector alike. A successful campaign will extend well beyond the proposed 5 year project cycle in order to show any measurable results.

Page 9: The proposed activities and project components are well structured and complementary to each other. Landscape level zoning into fire management treatment blocks is a critical step in the design process for fire management policies and prescriptions.

Page 14: The emphasis on the need for “restoration policies and restoration work” in this context appears of little relevance. Restoration concerns are more applicable to small-scale fires in areas of high population density and within managed landscapes instead of the immense and mostly untouched hinterlands of Russia. We suggest deleting this component.

Page 17: The eco-regional/landscape level approach by the project appears very appropriate. It shows the underlying holistic approach to ecosystem management that should shape the future Russia.

Page 27.5.: It does not make sense to apply models developed for the inner United States to Russia’s large and mostly undisturbed climax ecosystems. It would be more applicable to look into models and fire management prescriptions as designed for Alaska and parts of Canada that can be adapted to Russia’s Far East and Siberia.

Page 38: Why review ecological restoration efforts in temperate forests? And why restore original pine forests which have evolved as a fire climax? Why interfere with natural recuperation and evolutionary processes in relatively remote and untouched areas?

Comments from U.S.A.

Summary: The objective of the project is to strengthen forest management in a high biodiversity forest area. The project will: a) establish an integrated forestry-management system, b) strengthen the regulatory framework and interdepartmental communication strategies in the event of catastrophic fires, and c) raise public awareness of fire prevention and mitigation strategies.

Most elements of this project are well designed. However, the input and output indicators for this program are not well quantified, and there is no discussion of cost effectiveness.

U.S. Position: Support. Please specify input/output indicators and discuss cost effectiveness.

Comments from Germany:

We support this project without a need for further comments.
8) Uganda: Conservation of Biodiversity in the Albertine Rift Forest Protected Areas (UNDP)

Comments from Germany:

General Comment:
The project pursues an integrated approach to managing the Northern Albertine Forests comprising protected areas and forest reserves and connecting these protected areas through incentives for forest conservation on private land. The project is in accordance with GEF-OP3: Forest Ecosystems, and its strategic priority BD1 Catalyzing Sustainability of Protected Area Systems. There are no ongoing German cooperation activities in the context of biodiversity in Uganda forest areas. Therefore, there exists no overlap or points of contact with projects funded by German ODA (the experience of past projects has been taken into account).

Originally, executive summaries were meant to consist of approximately 10 pages, thus presenting an overview of the project brief. Yet, including its annexes, the executive summary of the project proposal contains 34 pages. It would have been sufficient to refer to identical annexes in the project brief. In general the project proposal shows a high degree of professional project planning.

Specific Comments
The proposal identifies the gap between income generated by the forest reserves and the cost for financing sustainable forest conservation. The intention to increasing income is spelled out in various parts but no major activity refers to the issue of local economic development, market analysis, marketing issues or the potential for further processing existing products. These steps are necessary to equally fortify the two columns of the concept “conservation through sustainable use” and to achieve adequate prices for presently under-valued forest products.

Ensuring the connectivity between the protected areas is an important part of the conservation strategy. The instruments mentioned are delineation of corridors and local land use plans while at the same time regretting the absence of a national land use plan and land use guidelines. To assure complementarity and connectivity of the local land use plans the project should consider as a prior step the formulation of a regional framework for land use planning.

Community based natural resource management is essential for the success of the project (Outcome B, C, D). The difficulties to implement such enabling and empowering schemes in areas where communities have been historically excluded from forest management should not be underestimated. The project should consider some readjustment of budgets (e.g. from M&E) to sufficiently strengthen activities in the field of capacity building, organizational development, adequate incentive systems etc. based on sound participatory appraisals and social analysis.

Recommendation:

Taking into account above comments and those of the STAP review, Germany supports the proposal. Changes should be made during further planning steps and project implementation.
Comments from U.S.A.:

Summary: The project aims to increase by 250,000 ha the area under effective conservation management, including providing incentives for forest conservation on private land, developing a national strategic plan for the entire Albertine Rift in Uganda, and integrating that national plan into the developing regional strategic framework.

The project has an adequate results measurement framework, including qualitative and some quantitative indicators with some baseline values and some target values. The cost effectiveness discussion is not clear or convincing.

9) Zambia: Effective Management of the National Protected Areas System (UNDP)

Comments from Germany:

The project objective is to provide strategic support to strengthen the system of national protected areas in Zambia, a region that is very important with view to global biodiversity. Therefore, the proposal addresses a wide range of activities such as:

- Improvement of legal, policy and governance frameworks for protected area management
- Overall conservation/reclassification plan for the National System of Protected Areas
- Development of new management tools

Recommendation:

The project is well structured and Germany agrees to the project proposal. Regarding the reclassification of the National System of Protected Areas, the developments on the international stage with view to the harmonization of the set of categories should be taken into account during further planning steps and project implementation, in order to avoid duplication of work and to make the available information comparable to other regions.

Comments from Switzerland:

General Commentaries

The project aims at strengthening the protected area system of Zambia through creating enabling frameworks and capacities for the sustainable protection of the country’s globally significant biodiversity. This is expected to be achieved through tourism development and increased private sector involvement in PA management, expected to generate sufficient revenue for the sustainable protection of the PA system. Although more than 30% of the country is included in the PA system, not every ecosystem appears to be properly represented while others are over-represented. This appears to necessitate a reclassification of the country’s PA system and the designation of new candidate areas to complement the current PA System.

The proposal is well researched and provides comprehensive background information on the existing frameworks related to biodiversity conservation and the threats jeopardizing the integrity of the country’s PA System. Over-hunting, over-exploitation of forests and forest products, land conversion for agriculture, deterioration of PA infrastructure, and under-staffed and under-funded State Agencies are listed as main causes for the deteriorating conditions of Zambia’s PA System with wide-spread poverty –Zambia is one of Africa’s six HIPC countries- recognized as one of the key root causes.

The project appears well justified, highly relevant and of priority concern within the SADC Region. The proposal gives due consideration to the need for stakeholder participation in all aspects of PA planning and the implementation of land-use and management plans. It places emphasis on community and private sector partner involvement. It follows the international trend of promoting alternative governance of protected areas and innovative business planning models,
mostly based on tourism, CBNRM projects and sustainable safari hunting in the support zone of protected areas. The project complies with the GEF Focal Area “Biodiversity” and Operational Programs 1-3. It falls into GEF strategic priority “Catalyzing Sustainability of PAs”. Zambia ratified the Biodiversity Convention in 1993 hence qualifying for GEF support. If successful, the project would provide global benefits to biodiversity conservation.

Main Concerns

Although the proposal states that the infrastructure of Zambia’s protected areas is dilapidated and does not meet international standards it fails to provide solutions to the problem. The proposed activities concentrate on (a) generating the policy, regulatory and governance framework, (b) strengthening the institutional capacity (ZAWA) and (c) testing innovative private-public-community partnerships via two case studies. If protected areas are recognized key tourist destinations. Logically, the basic infrastructure to facilitate tourism development has to be in place first. The proposal does not specify infrastructure needs, associated costs, and how the enhancement of tourism infrastructure will be accomplished prior to marketing tourism. The product has to be in place first before revenue can be generated.

The proposed time-frame of six years for the project is too short to produce meaningful results. It is not possible to wisely spend 6 million USD in GEF funds plus additional 22 million USD in co-funding within the six year project cycle.

There also is concern regarding the proposed re-classification of the PA System, in particular regarding the expected down-grading of National Parks in favour of safari hunting. Just because a protected area has low tourist potential does not justify downgrading a National Park into a hunting concession. National Parks are set aside for sustainable biodiversity conservation first.

Although the importance of nature-based tourism in national parks as a critical revenue generator is fully acknowledged, tourism interests should not compromise the ecological integrity of protected areas. In this context it is outright dangerous to cite South Africa’s parks such as Pilanesburg or Phinda as models for Zambia to follow (Figure 1, page 12). Both areas mentioned are small-sized, encircled by a game-proof fence, “ecological” islands, totally artificial and comparable to zoological gardens, They cannot serve as model for global biodiversity conservation.

Although Zambia has an excellent potential for the creation of trans-boundary conservation areas that would strengthen the country’s PA System and dramatically enhance the tourism industry within a regional context, this has not been addressed at all by the proposal.

Conclusions and Recommendations

The project is of priority concern and should be endorsed in principle once the concerns raised have been satisfactorily addressed. This applies in particular to project duration which should be extended to at least 10 years while keeping the same budget. The proposal should also address the problem of how to meet the expressed need for infrastructure development for PAs designated as prime tourist destinations. It is strongly recommended that the proposal explore opportunities for the creation of trans-frontier conservation areas and the potential for regional tourism including Zambia's neighbouring countries. This would imply the generation of an over-arching regional tourism development plan.
Further Commentaries

Paragraph 70: Trophy Hunting in National Parks is highly conflictive. To avoid potential problems, especially with donors who don’t endorse trophy hunting in National Parks, it is suggested to use “zoning” as a management tool that would enable this activity.

Paragraph 29: Figure 1 is misleading and raises false expectations. The parks cited from South Africa should not serve as models for National Parks to be replicated in Zambia by downgrading its national parks.

Paragraph 108: To create Safari Hunting Areas inside National Parks just because the parks have low tourist potential is not justified. Sustainable biodiversity conservation should come first.

Paragraph 126: Business plans and investment/marketing plans for protected areas are excellent ideas and follow current international trends.

Paragraph 166: The proposal provides insufficient evidence for “country-drivenness” of the project.

Paragraph 167: There is some concern regarding the high number of actors involved in the project. That makes it difficult to coordinate the different project components.

Paragraph 201: The risk rating appears too optimistic reflecting the very high expectations that cannot be met by the project as presented.

Paragraph 202: The project appears to develop only the frameworks for investment, but fails to show where the funds for much needed infrastructure developments should originate.

Paragraph 213: The conclusions are correct, but the infrastructure in PAs that enables the proposed tourism, is needed first (chicken-egg situation).

Comments from Canada:

In the Zambian national context, sustainable management of natural resources and wildlife is a cornerstone for tourism development and poverty reduction strategy. Unfortunately, the prolonged economic crisis, external debt obligations and the resultant budgetary constraints have been a hindrance, among other things, to the implementation of measures to effectively protect the environment. As Government of Zambia currently concentrates its effort on reaching the HIPC Completion Point, external support will continue to play a critical role in the overall development of the country before and after the HIPC Completion Point. The GEF project proposal is therefore timely and relevant in the current scenario of the country’s dependence on external resources for development.

The Zambian Government has taken decisive steps since the early 1990s to liberalize the privatize the economy including the lease of tourist sites to private investors in Wildlife Protected Areas previously under state control. This state of affairs does not come out clearly in the project document.

Co-management of wildlife resources in GAME Management Areas between ZAWA and local communities is a positive step towards poverty reduction and empowerment of communities. However, food security and benefits sharing incentives should be clearly stated. On the other
hand, the local communities should not only be beneficiaries, but co-managers of the project. In addition, other potential economic and income-generating opportunities should be encouraged to avoid over dependency and depletion of wildlife resources.

Community participation and ownership of the project for its long-term sustainability should be clearly defined to include devolution of decision-making rights, responsibilities and benefits to local stakeholders, accomplishment of local participation and ownership of projects required for sustainable environmental conservation and natural resource management.

In the past, lack of effective institutional coordination and information flows at both national and program/project level has been a major constraint in the environment sector in Zambia. The GEF Project should therefore identify institutional structures needed to define roles, responsibilities and resolve conflict of interests between stakeholders (traditional leaderships, NGOs, CBOs the private sector and local communities). The GEF project should also clearly define the institutional capacity to assist stakeholders to get fully involved in project activities.

The GEF project should include poverty and HIV/AIDS among the key barriers, which may impact on the sustainability of the project.

In addressing Zambia’s environmental issues, external funded projects should balance global concerns with national concerns including social/economic opportunities in the environment sector. Finally, the GEF project should harmonize the existing Community Based Natural Resource Management systems and come up with a national system of CBNRM.

**Comments from U.S.A.**

**Summary:** This project is aimed at increasing the effectiveness of management of 5.7 million hectares in the national protected areas, and does so in a way that harnesses the private sector. The quality of management of Zambia's large tracts of wild areas has suffered given the country's severe budget constraints, and this dynamic is not viewed as unlikely to change without a more strategic approach. Therefore, the government is trying identify and prioritize sites that might be managed in partnerships with the private sector so that these areas could be financially self-sufficient, thereby eventually freeing up scarce budget resources to improve management in the remaining protected areas that may not be as amenable to tourism.

The project has three basic components: (1) put in place the policies and legislation framework needed (e.g., policies and legislation for reclassification and management of two new protected area categories, and for public/private/civil society/community partnerships for managing protected areas); (2) develop the capacity to prioritize those areas that would benefit from private sector engagement and the obstacles to effective management and those areas; and (3) make investments in the protected area management and infrastructure in the areas identified.

The project appears to be well conceived, with clear benchmarks and means of verifying results. It draws in many stakeholders, including official donors, nongovernment organizations, private sector interests and community groups. The project recognizes that there are quite a few risks, but these appear to be adequately addressed in the document. Perhaps the most critical risk that should be watched closely is the capacity of the newly formed Zambian Wildlife Authority. Please include the increase in area under effective conservation management on the cover page (5.7 million hectares) into the logical framework and indicate whether this is solely in the...
protected areas. Also, please describe how was the management effective index is being adjusted for this project and how the index would be scored.

U.S position: Support. Please include the increase in area under effective conservation management on the cover page (5.7 million hectare) into the logical framework and indicate whether this is solely in the protected areas. Also, please describe how the management effective index is being adjusted for this project and how the index would be scored.
Climate Change

10) Lao PDR: Southern Provinces Rural Electrification (SPRE) II Program (World Bank)

Comments from Switzerland:

General Commentaries

The proposed Southern Provinces Rural Electrification II Program (SPRE II) would help the Government of Lao PDR achieve its electrification objectives in the central and southern provinces (ADB is assisting in the north). SPRE II would be an Adaptable Program Loan (co-financed by two IDA Credits and GEF Grants), delivered in two phases over a period of six years. Under the APL approach, some reform commitments will be phased, with agreements in principle reached at the start of the first phase, and with more specific agreements acting as “triggers” for release of the second tranche of the credit/grant.

Phase 1 of the Program consists of the following main components:

1. Electricity de Laos (EdL) component: electrification of rural households by grid extension, and increasing EdL’s self-financing capability, including initiation of DSM and energy efficiency activities and development of tariff and subsidy policies; and
2. Ministry of Industry and Handicrafts (MIH) component: scaling up the current pilot off-grid program of rural electrification, and establishing the enabling environment to encourage other participants to develop and finance power sector expansion.

The global environment objectives of the program are to: (i) Increase the contribution of renewable energy to Lao PDR’s rural electrification program; and (ii) develop DSM programs that result in reduced need for thermal power production and lower GHG emissions in the region. SPRE II is consistent with GEF’s Operational Programme #5: "Removal of Barriers to Improved Energy Efficiency and Conservation" and #6: "Adoption of renewable energy by removing barriers and reducing implementation cost". The proposed Program is also in line with the related GEF strategic priorities "Power Sector Policy Frameworks Supportive of Renewable Energy and Energy Efficiency"; and "Promote Productive Uses of Renewable Energy".

Main Concerns

1. Electricity tariffs: The general level of electricity tariffs in Laos is still comparatively low and apparently efforts to increase tariffs to a cost-recovering level are causing political difficulties for the GoL (see Response to Comments by GEF Secretariat). The concern is that low tariffs will make it difficult to attract further sources of funding for the ambitious rural electrification targets. This risk and possible mitigation measures are not discussed in the respective section in the project document.

2. Coordination and cooperation with the ADB Northern Area Rural Power Distribution Project II: The project documents mention that ADB and the Bank Group have close cooperation in Laos, and that the proposed project follows previous agreements with the ADB on geographical division of project areas. However, besides the purely geographic aspects (i.e. ADB supports electrification in the north and GEF/WB in the central and
southern provinces) there are other aspects that have a national dimension (e.g. regulatory issues, commercialisation of EdL, etc.) and thus require close coordination and cooperation of the two initiatives. From the project documents, it is not clear how and on which levels such coordination should take place. The concern is that in the absence of clearly defined coordination mechanisms there may be duplication and competition of activities under the two initiatives.

(3) On-grid versus off-grid electrification: Experience with rural electrification in other countries (e.g. Vietnam) shows that villagers often prefer to be electrified by grid connection, rather than by an off-grid source of electricity. A connection to the grid is regarded as a more reliable source of electricity without limitation of consumption levels. Especially villages in some proximity to the existing grid which are selected for off-grid electrification may fear that this means that they will not be connected to the grid for a long time to come. In such cases community mobilization will play a pivotal role, but also close coordination between the two program components, i.e. the EdL component which is responsible for grid extension, and the MIH component which oversees off-grid electrification. Furthermore the perspective that independent hydro-based mini-grids could later be connected to the grid and then serve as a source of income for the local community should be duly considered.

(4) Selection of off-grid electrification technology: In the project documents it is stated that during SPRE I the off-grid component has yielded mostly solar home systems, with unimpressive results for village hydros and other off-grid supply technologies. According to the authors of the document, the reasons for this are a strong villager preference for SHS as against a distrust of hydro and genset systems, general utility of the individual ownership model, as well as ease of implementation. It is also mentioned that there are currently about 37 existing micro hydro systems in Laos, of which 12 are not operational. This could be an indication that there may be a general problem with the quality of hydro systems implemented in the past which resulted in the bad reputation of such systems. In view of consumer acceptance for future implementation of such systems it is thus important to ensure sound planning, design and implementation quality of these systems. For this purpose technical assistance for such systems should go beyond some training provided to local ESCOs, which in many cases may not have sufficiently qualified staff for this demanding task. This especially holds true when it comes to larger, village or even district-level projects, which require a much more sophisticated level of technology.

(5) High Carbon abatement cost: The specific CO₂ abatement cost due to the GEF intervention are, with $120 per ton for the overall Program, relatively high, in particular for the off-grid electrification component with $740 per ton. The question may be asked whether the overall benefits of the project justify such high costs, and whether there are any possibilities of lowering the specific abatement cost.

Conclusions and Recommendations

The proposed SPRE II Program is recommended for approval. It is generally well conceived and adopts strategic choices that are fully consistent with GEF strategies. With the proposed outsourcing of the off-grid planning and implementation functions from MIH, an innovative approach to mitigate the current shortfalls in off-grid electrification is proposed. A main concern is that the potential impact of difficulties with tariff adjustments on the proposed Program are not duly discussed. Further the modalities of coordination and cooperation with the ongoing ADB supported rural electrification initiative in northern Laos remain unclear. Technical shortfalls may have been the reason why hydro technology has been less successful in off-grid electrification than other technologies. It is recommended to the authors of the program to seek further technical
advice on hydro systems in order to avoid this technology again being neglected. A further concern is the relatively high carbon abatement cost of the proposed Program, which however may be justified with additional benefits from the Program.

Further Commentaries
(1) The title of the project suggests that rural electrification efforts under the Program would exclusively take place in the central and southern part of Laos. However, on page 58 of the Project Brief, as well as in the Task Team Response to the STAP Review, it is suggest that also northern provinces would be targeted.

(2) There is a confusion regarding the size of hydropower systems to be applied for off-grid electrification under the proposed program. At some points micro hydro systems with capacities of 10kW to 100kW are mentioned, at other points pico systems are also included. In the response to the comments of the STAP reviewer it is even stated that "the project will seek appropriate and economical off-grid hydro applications from 100W to 100MW". This suggests that the authors of the document may not be aware of the peculiarities of hydropower technology. For example, if a hydropower plant with a capacity of 100MW were to be built, this would require at least USD 100 million investment, take 10 years to implement and would hardly make sense to be operated off-grid.

Comments from Canada:

In general, we believe it is an excellent concept and stands a good chance of being successfully implemented.

The proposal should give some indication of scale. e.g. how many SMEs will be targetted/affected by this project? What kind of technologies will be used to transform SMEs in Vietnam - energy efficiency, fuel switching, others? The project should also provide details on the partnerships in place that will allow it to achieve success in areas such as the creation of tax incentives.

The main concern relates to concerns re: long term sustainability. Particularly given the government's initial low level of interest in this initiative, the GEF needs to ensure there is a strong exit strategy to ensure results are sustainable once funding is no longer available. The project should incorporate policy options or other suggestions to make future work (and the maintenance of project results ) feasible without donor funding. Technical capacity building will also need to accompany the rehabilitation of distribution systems.

The proposal should note what proportion of overall electrification will be accomplished through renewable energy. The proposal mentions the completion of a social impact -type survey/analysis but there is no mention of a similar analysis on environmental impacts. Certainly from a GHG measurement perspective this will be an important component of the project but other environmental benefits and costs should be made explicit and managed in this project as well.

Will the project incorporate any capacity building for DSM at the household level? Building capacity at the industry and institutional level should be sufficient as long as they are left with the information and tools to appropriately address the issue of DSM at the household level (e.g. communications in plain language, communications that are
relevant to households and not just governments and industry). The proposal does not address this.
The proposal should also note how the Renewable Energy Fund will be replenished and remain financially viable beyond the life of this project. Risk management strategies should be noted for each risk. One risk and risk management strategy that should be added are those associated with anticipated climate change impacts on hydro power in the region.

Comments from U.S.A.

Summary: The Council is asked to approve GEF co-financing ($3.75 million grant) for Phase 1 and authorization of the CEO to approve GEF co-financing ($1.25 million grant) for Phase 2 of the project on achievement of the Phase 2 triggers. (Separately, the WB Board will consider 2 IDA credits to support phases 1 and 2 of this APL.)

The program seeks to:
- Increase disposable incomes and improve living standards of about 125,000 rural households through electrification of these rural households;
- Increase the contribution of renewable energy to the Lao PDR's rural electrification program;
- Develop programs that result in reduced need for thermal power production and lower emissions in the region.

The GEF grant financing will support technical assistance for off-grid institutional strengthening, rural electricity sector reform (planning and institutional arrangements and organizational strengthening of the MIH ministry), and demand side management/energy efficiency.

The program has an adequate results measurement framework with outcome and output indicators, baseline values and target values for year 3. However, there is no cost effectiveness discussion.

U.S. Position: Support. Please ensure that GEF funding is solely project related, consistent with the May 2004 decision with respect to the Cameroon program. However, should reiterate that the project is not providing budget support; rather the project is proceeding in stages.

Comments from Germany:

We support this project without a need for further comments.
(World Bank/IFC)

Comments from Switzerland:

General Commentaries

The proposed programme is designed to increase the flow of capital into energy efficiency (EE) projects from Russian financial institutions (FI), thereby catalysing the development of a sustainable commercial lending market for EE investments in Russia. The primary objective is to build capacity in Russian FI through the process of developing and marketing specialised EE finance products that target appropriate market niches. The programme would build upon IFC’s experience in Central Europe, adopting tools developed by IFC in the Hungarian EE-programme and meanwhile replicated in other Central European countries.

The innovative programme has the potential to bridge the gap between the project developers and bankers, who have so far been weak in mobilising finance for EE projects, or have shown little interest in financing EE projects, respectively. The programme is both consistent with the Russian energy efficiency policy and with GEF’s climate change strategic priority SP2: increased access to local finance for renewable energy and energy efficiency. The programme consists of three main elements, combining financial products with a technical assistance (TA) package: a) Dedicated credit lines should reduce the lack of long term liquidity available for investments into EE-projects, b) the perceived high credit risks and the lack of experience with lending for EE-projects is addressed by a partial risk guarantee, and c) TA would help the FI to improve their project preparation skills. Given the vast size of the Russian market, it is conceived as being a pilot programme, focussing initially on two regions and a limited number of FIs. Later on, a third hub will be selected and added to the programme according to market demands.

GEF’s contribution of USD 7 million is expected to leverage a total amount of direct EE investments in the range of USD 30 to 40 million, yielding GHG emission reductions of 6.5 to 9.8 million tons (direct impact, no estimates are available for the indirect reduction potential from the sustained lending market). GEF funds are proposed to serve as the guarantee facility (USD 2 million) and to contribute to the TA-package and implementation (USD 5 million) for a period of five years.

Main Concerns

There are three main concerns:

(1) Reliance on the interest of FI and private investors into financing/investing into EE projects:
One of the key assumptions of the programme is that Russian FIs are willing to engage with the IFC technical assistance team and must be committed to building an EE business. In most parts of the world, however, FIs have been very reluctant to finance EE projects. Having little experience with this type of energy project, they generally perceive a high risk, uncertain development of internal energy prices, and unattractive payback periods thus a significant barrier for the project developers is established. Given the nature of EE projects that generate invisible products, the FI, once they start considering financing energy-oriented
projects at all, will rather provide loans to energy supply projects which normally have higher return rates. Moreover, growing competition in the Russian industry, one of the main sectors for EE applications, will not necessarily promote EE projects. If industries are under pressure to reduce costs, energy normally has a high priority for those companies only of which energy costs are really a substantial part of the annual costs. Particularly for small and medium enterprises, the reason not to invest into EE-projects is often a lack of specific know-how and human resources rather than finance.

(2) Competition and market distortions caused by other internationally funded EE programmes: there are a number of other EE-initiatives and programmes already in operation or to come up soon in Russia. The proposal refers to those as additional leverage factors. High competition for a limited number of good quality projects also sets wrong signals or induces adverse impact. If not properly coordinated, there is a risk that such programmes rather distort the EE-market than supporting the commercial financing of EE-projects.

(3) Need for a quantitative evaluation of results: It is rather difficult to clearly assess the cost savings estimated as a result of EE-investments. As the programme targets to catalyse “indirect EE-investments” beyond the 5-year initial market development initiative, it has to make sure that it can prove and quantify the cost savings due to the investments into EE-projects and generally enhance quality of projects proposed to FI. The issue of baselines and proper monitoring and reporting procedures will therefore become extremely crucial with regard to the impact and sustainability of the programme.

Conclusions and Recommendations

We recommend approving this project. The innovative concept and combined approach (financial products and TA-package) having proven to work successfully under comparable market conditions in Central Europe, justify a significant engagement of GEF. The proposed programme has not only a high potential to catalyse a significant expansion of the lending market for commercial Russian FIs in financing EE projects, but also provides incentives to extend the pipeline of meaningful EE projects and to strengthen the capacities of EE planning and engineering firms. GEFSEC + IA are encouraged to undertake additional efforts with programme developers to adequately address the main concerns outlined above.

Comments from U.S.A.

Summary: The project would aim to transform the energy efficiency market by working with selected financial institutions (drawn from those with relationships to IFC) in selected regions (those with best energy pricing/policy structure), providing technical assistance to help structure energy efficiency loans, extending credit lines, and providing access to a guarantee facility for loans to the Russian industrial sector. A $7 million GEF grant would be used to fund technical assistance and a guarantee facility, with 10% first loss paid by GEF. IFC would provide technical assistance and credit lines ($20 – 30 million). Trade promotion agencies from Denmark and Finland will provide grants for operating cost of technical assistance (totaling just over $1 million) is patterned after a similar project in Hungary, which by many accounts was successful in transforming the market, even if it did not have direct take up of all of the credit lines extended through the project. However, the stalled reform suggests that the fund may not be sustainable or replicable, although we understand that this project would be directed to a need that is quite large (e.g. cogeneration and security of energy supplies to industries). Second, we are not comfortable with GEF providing first loss guarantees to banks for their loans to industry, although we are somewhat reassured that the IFC funds will also be at stake.
However, the stalled energy reform suggests that the fund may not be sustainable or replicable, although we understand that this project would be directed to a need that is quite large (e.g., cogeneration and security of energy supplies to industries). Second, we are not entirely comfortable with GEF providing first loss guarantees to banks for their loans to industry, although we are somewhat reassured that the IFC funds will also be at stake and that the guarantee will be fee based and accompanied by technical assistance.

U.S. Position: Support, please provide but request periodic updates to the Council.

Comments from Germany:

We support this project without the need for further comments.

Comments from Canada:

The proposal should address the extent to which the GEF is familiar with (or confident in) the ability of industry to repay the lines of credit provided. The proposal should also refer to projects or research that demonstrate that a 10% guarantee is sufficient to advance loans in this sector.

The cost of emission reductions seems to be very good. If the GEF had figures on the money that could be saved from energy efficiency measures and the price that could be obtained for the emission reductions through JI, it would certainly offer one quick indication of the likelihood of success of these initiatives.

The quantitative indicators seem to be thorough. The indicator on the number and volume of projects that have been enhanced due to technical assistance needs some development. Perhaps some qualitative indication of the types of enhancements that could be expected would be sufficient. Key Assumptions should include a reference to the likelihood that they are accurate (e.g., how feasible is it for FIs to meet IFCs minimum banking standards?) and address the risks if they are not (e.g., tariff structures are sufficiently high). Each noted risk should be rated on the level of risk for the project and refer to a risk management strategy.

The project seems to be relevant regardless of what happens with Kyoto. However, the proposal should be explicit about whether there any risks associated with the ratification or not of Kyoto by Russia.

What is the energy mix that will be addressed through this project? Are there components that are susceptible to the impacts of climate change (e.g., hydro), where a risk management strategy for climate change should be incorporated?

Comments from Switzerland:

General Commentaries

The proposed Promoting Energy Conservation in Small and Medium Enterprises (PECSME) project is an integrated set of activities designed to address in a holistic fashion the barriers to widespread adoption of energy conservation measures and practices in Vietnam’s SME sector. The PECSME is comprised of six components that work together over the proposed 5 years duration of the project to address the barriers to the widespread adoption of EC&EE in the SME sector: (1) policy and institutional support development; (2) communications and awareness; (3) technical capacity development; (4) energy efficiency services provision support; (5) financing support; and, (6) demonstrations.

The global environmental objective of PECSME is the reduction in the annual growth rate of GHG emissions from the five selected SME sectors (i.e. brick, ceramics, textiles, paper and food processing). The project purpose is the removal of barriers to the taking up of energy conservation technologies, improved management focus on reducing energy costs, enhanced technician training in energy conservation practices and improved operation of energy using equipment by SMEs.

PECSME is consistent with GEF’s Operational Programme #5: "Removal of Barriers to Improved Energy Efficiency and Conservation". The proposed project is also in line with the related GEF strategic priorities "Increased Access to Local Sources of Financing for Energy Efficiency" and "Transformation of Markets for High-Volume Products or Processes".

Main Concerns

(1) Coordination and collaboration with initiatives of other donor organizations: The project developers claim that they have consulted and involved the various stakeholders from the Vietnam Energy Conservation Program (VECP) and related activities that have been implemented in Vietnam with assistance from a variety of international donors since 1995. However, there is no mention of the SDC-supported Vietnam – Energy Efficiency Brick Project, initiated in 2001, which aims at identifying and developing efficient and environmentally sound solutions for improvements in the private brick-making sector. Furthermore, in the response to the STAP Reviewer it is claimed that the project envisages strong links with other international programs in Vietnam, in particular cleaner production, and EC&EE for SMEs. However, in the Project Brief no mention of the Swiss-supported Vietnam Cleaner Production Center (VCPC) can be found. It is not clear how activities proposed under PECSME will be coordinated with the aforementioned initiatives to generate synergies and avoid duplications.

(2) Coordination and collaboration with other GEF initiatives: The recently approved UNDP/GEF Vietnam Energy Efficient Public Lighting (VEEPL) project has a similar organizational structure as the PRESME with a Project Management Office and an Advisory
Board. In order to facilitate coordination between the two initiatives, it is proposed that the two Advisory Boards have regular joint meetings.

(3) Institutional framework and implementation arrangements: With Vietnam's highly disaggregated institutional framework any project implementation arrangement becomes complex. This especially applies to projects dealing with SME, due to the large number of ministries and agencies involved in development, promotion and support of this sector. It is believed that this aspect will be one of the major challenges of PRESME and thus should be included in the discussion of project risks and corresponding mitigation measures.

(4) Use of GEF funds: Out of the 6 project components, by far the largest GEF contribution is allocated to component 5 (Financing Support Program). From the incremental cost analysis it is not exactly clear for what these considerable funds will be used. In particular it is not clear whether an injection of GEF funds into the proposed guarantee funding mechanism is planned. If so, the reasons for using GEF funds for this purpose, as well as the sustainability of the mechanism beyond GEF support, should be further discussed.

Conclusions and Recommendations

The proposed PECSME project is recommended for approval. It is generally well conceived and structured, and adopts strategic choices that are consistent with GEF priorities. The proposed bundling of different activities in a single, multi-component project is certainly an ambitious undertaking, but deserves credit as it constitutes an innovative and holistic approach. A major challenge to successful project implementation will likely be the management of the overall project in view of Vietnam's complex institutional framework. The risk of using ESCOs for SMEs has already been addressed by previous reviewers, and the project proponents have responded to these concerns. The project proponents are advised to further explore any potential for cooperation with similar initiatives related to energy efficiency and energy conservation in Vietnam, in particular also with the above-mentioned Swiss supported projects.

Further Commentaries

In the project’s logical framework, the success indicator for reaching the project's global environmental goal is the average annual reduction of GHG emissions for the period from 2005 to 2015. However, in order to allow an evaluation at the end of the proposed project duration of 5 years, a success indicator should be defined for this period only.

Comments from Canada:

Based on analysis of project rationale, objectives and key indicators, we have serious concerns regarding the design of the project. For example, the success indicators specify an annual GHG emissions reduction of 1,004 ktonnes of Carbon Di-oxide from 2005 - 2015 and average annual energy savings of 189.5 KTOe. We believe these figures are highly unrealistic and the project document should have an annex with the calculations to prove how these figures were estimated, the present bench-marks and the estimated future ones. As well, the project document does not present any details regarding the implementation strategy and the monitoring procedures to ensure achievement of its targets.

Comments from U.S.A.

The UNDP energy conservation project in Vietnam appears to be well conceived and structured. However, given the project’s time frame from 2005-2015, there need to be better benchmarks for
work completion and implementation, including clear and monitorable interim indicators. As it stands, much of what will be accomplished are tasks that have no baseline data and are without interim goals, making it difficult to assess progress. In addition, the project utilizes a loan guarantee mechanism that is not adequately justified. More generally, there has been a noticeable increase in the number of loan guarantees using GEF funds. I would appreciate it if the Secretariat would provide a status report to the Council on all such guarantees as well as proposed guidance on their use.

Summary:

This project's results framework is decent. Given the project’s time frame from 2005–2015, 2015, however, however there should be a much better timeframe for work completion and implementation, including interim indicators. As it stands much of what will be accomplished are tasks that have no baseline data and without interim, it will make it hard to assess progress. Also, the cost effectiveness section is inadequate. The project appears to be well conceived and structured. However, given the project’s time frame from 2005 – 2015, there needs to be better benchmarks for work completion and implementation, including clear and monitorable interim indicators. As it stands, much of what will be accomplished are tasks that have no baseline data and are without interim goals, making it difficult to assess progress. In addition, the project utilized a loan guarantee mechanism that is not adequately justified. More generally, there has been a noticeable increase in the number of loan guarantees using GEF Funds.

U.S. Position: Recirculate to Council prior to CEO Endorsement Request recirculation to Council prior to CEO Endorsement and the addition of interim benchmarks. Request Secretariat to provide status report to Council on all such guarantees as well as proposed guarantee in their use.

Comments from Germany:

We support this project without the need for further comments.
13) Vietnam: Rural Energy II (World Bank)

Comments from Germany:

The project on rural energy aims to provide improved access to good quality affordable electricity services for rural communities in an efficient and sustainable manner. The global benefit should be achieved by improving and sustaining the technical efficiency of at least 1,200 local distributing utilities (LDU) and facilitating the replication of its reforms and efficiency improvements throughout the entire national power distribution systems.

Even though the emission reduction per ton of CO₂ between US$ 5 and 6 per ton is achieved through the GEF involvement, one may very well question what the main purpose of the extended technical assistance is.

The project summary states that 906,029 tons of CO₂ reduction will be achieved through the saving of 1,657 million kWh over 20 years. If one assumed that one kWh is worth 5 US cents the economy gain will be around US$ 80 million. This would result in a tremendous economic benefit through the GEF support, actually aiming at global benefit. One may question whether GEF support is that all necessary to achieve this enormous economic benefit.

But experiences tell us that the estimated achievement may in reality be much lower. In general, we would question whether in input of approx. US$ 5,000 per LDU (including IDA, GEF and GoV support) would be sufficient to sustain the gains envisioned in the project summary over a 20-year rehabilitation lifetime.

Recommendation:

The above made comments should be taken into account during further planning steps and during project implementation. The achievement with respect to energy saving and consequently the emission reductions should be explained on a more solid footing taking into account the various experiences with rural electrification programmes.

Comments from Switzerland:

General Commentaries

The proposed Rural Energy II Project (RE II) would on the one hand reform national distribution and system policy and regulations, and restructure at least 1,200 local distribution units (LDUs), and build their capacity to operate efficiently. On the other hand RE II would rehabilitate the distribution system of the selected LDUs to make them technically efficient. The global environmental objective of RE II is to reduce greenhouse gas emissions by improving and sustaining technical efficiency at the selected LDUs and facilitating the replication of its reforms and efficiency improvements throughout the entire national power distribution system.

The proposed project comprises five components over a project duration of 6 years: (i) Low voltage (LV) grid rehabilitation and extension; (ii - iv) three similar but separate components
RE II falls under the purview of GEF’s Operational Programme #5: "Removal of Barriers to Improved Energy Efficiency and Conservation". The proposed project is also in line with the related GEF strategic priority "Power Sector Policy Frameworks Supportive of Renewable Energy and Energy Efficiency". The overarching strategic priority is capacity building to sustain energy efficiency improvements.

Main Concerns

1) Government commitment towards GEF component: A main concern also raised in the comments of the GEF Secretariat is that the relatively small GEF contribution compared to the IDA loan may not be taken seriously enough by the GoV. The project summary also mentions that "the GoV is daunted and unconvincing by the scale of the reform, capacity-building and replication effort that international experience suggests is needed to overcome key “non-technical” barriers to successful reform of its power distribution system". In the response to the comments of the GEF Secretariat it is mentioned that the GoV will have to sign a separate GEF Grant Agreement, which will provide the leverage to ensure that the GEF project components are properly implemented. Actual enforcement of this Grant Agreement (including suspension of the IDA loan in case of non-compliance) will thus be crucial for achieving GEF project objectives.

2) Coordination and cooperation with other initiatives in Vietnam's energy sector: In Vietnam, a number of initiatives supporting development and improvement of the energy sector are currently being planned or implemented, including initiatives supported by the GEF. Some of these initiatives have very similar objectives and activities, and some duplication and/or competition of activities seems almost inevitable. Past experience shows that local participants may be tempted to take advantage of this situation, e.g. local communities that tried to get electrified under a grid extension program which would fund them the connection to the grid, while at the same time applying for mini hydro based off-grid electrification whereby the local distribution network would be funded. This may be an extreme example, but it displays the need for donor organizations and development banks to coordinate their activities as much as possible. This aspect seems not sufficiently addressed in the project documents. The table on page 15 of the Project Brief lists mostly old and already completed initiatives of the late 1990s.

3) Institutional framework: Vietnam's institutional framework can generally be characterised as disaggregated and complex. Various institutions at different levels are involved in energy and electrification issues, which is one of the major reasons for the inefficiency in the sector. At the same time any donor-funded initiative is forced to involve all institutions concerned, with the result that project management becomes a highly complex task. As the proposed institutional arrangement described in Chapter 4 of the Project Brief suggests, this challenge also applies to RE II.

Conclusions and Recommendations

The proposed RE II Project is recommended for approval. It is generally well conceived and adopts strategic choices that are in line with relevant GEF operational strategies. With the leverage of the large IDA loan it should be possible to ensure that GEF project objectives are taken seriously by the Government and implemented properly by the institutions concerned. However, close monitoring of progress made and actual enforcement of the GEF Grant
Agreement will be crucial for the success of the GEF project component. A major challenge will likely be the management of the overall project in view of Vietnam's complex institutional framework. It is further recommended to duly consider any potential for cooperation with similar initiatives in the energy sector in Vietnam.

Comments from Canada:

The project is ambitious and deals with many interrelated and complicated issues. Our main concern about the project is the lack of conviction of the Government of Vietnam for the need to reform the power distribution sector in order to deal with the "non-technical" barriers. As well, the project has the goal of establishing 1200 Local Distribution Utilities (LDUs) and facilitating the replication efforts with another 5000 LDUs. It is not clear from the document at hand if these LDUs at the present "legally" exist or not. However, the distribution networks are presently managed by the Provincial People Committees (PPCs), which based on our discussions with other contacts on Vietnam, are representatives of the governing party. Knowing how politics negatively affect the performance of the power sector in many developing countries, and how these PPCs are micro-managing all aspects of economic development in Vietnam, we have some concerns that they will accept reforms and relinquish the management of the sector to "reformed" technical organizations such as the LDUs. In the section regarding "Main Risks in implementing the program", this risk is well recognized. However the risk mitigation measures suggested are weak and unconvincing. We would suggest that a clear risk management strategy to tie the loan approval and disbursement to specific measures taken by the government to approve strategies and action-programs leading to successful reforms would be more appropriate to ensure a strong political will of the GoV towards implementing reforms.

Some of the other risks identified need to be investigated carefully and risk management should be made clear to deal with them e.g. affordability of electricity to the poorer segments of the rural society. We have concerns to that competitive bidding contracts is insufficient to mitigate this risk. The issues of access and ability to pay should be studied to ensure that rates, payment mechanisms and subsidies are available to help the poorer people will have commercial energy available at reasonable rates within the limit of their financial resources.

Comments from U.S.A.

Summary: This project is intended to rehabilitate and extend Vietnam's rural electricity distribution system, which is poorly constructed and managed, and run by thousands of separate informal local distribution utilities (LDUs). GEF funds would be used to build capacity and provide technical assistance for putting in place the policy framework and regulatory system so that the LDUs can be transformed into legal entities that are commercially, technically and financially sustainable. Funds for rehabilitation would be provided by IDA to the government, which would on-lend these funds for investment.

The potential payoff in terms of energy savings and CO2 omissions avoided are significant (nearly one million tons cumulatively, and more if successfully replicated). The project seems to be well prepared, with clear, measurable performance indicators. However, the cost effectiveness discussion is inadequate. Risk mitigation seems to emphasize moral suasion. Also, the use of GEF loan guarantees is not fully justified, and we have concerns about the adequacy of capacity in this area, where question about the adequacy of experience with GEF loan guarantee
U.S. Position: Recirculate to Council prior to CEO endorsement. Please address concerns listed above.
Multi-focal Area


Comments from U.S.A.

Summary: This three-year program will help countries undertaking their national capacity self-assessments by providing technical operational support. It is intended to respond to the request by the Council to "facilitate assistance to all eligible countries for the preparation of National Capacity Needs South Assessments (NCSA) given their importance in assisting countries to identify priority capacity building activities."

The proposal’s logical framework has some clear and monitorable output indicators. To a certain extent, it could be very cost effective to use this approach, whereby NCSAs would look across all focal areas and see if capacity needs to be strengthened that will benefit all areas, instead of looking at capacity in each focal area and doing separate capacity building projects. However, there are no indicators to measure the quality of the NCSA to be completed, in particular, whether they are adequately prioritized and focused. Moreover, it will be important to manage expectations since there is a limited capacity building that the GEF can fund, and the demand is virtually unlimited.

US position: Support, but would remind IAs that the Council agreed that the level of support for capacity building should not be preset or anticipated, and should be integrated into PBA, and ask: Please add for greater focus on quality and prioritization.

Comments from Germany:

We support this project without the need for further comments.
Land Degradation

15) Brazil: Ecosystem Restoration of Riparian Forests in Sao Paulo (World Bank)

Comments from Germany:

The project addresses the local-to regional scale problems of watershed degradation, soil erosion on agricultural lands and loss of riparian forests that have global implications. Its aim is to improve land-use productivity and maintain biodiversity by restoring the forest and reducing soil degradation. Thus the project fits very well into the objectives of the GEF OP 15 on Sustainable Land Management.

Specific Comments
The project proposal is ambitious with regard to the ecological and economic objectives. It reflects the need for changes in land use practices and ecosystem management in the state of Sao Paulo, but there are risks concerning the acceptance of these changes by the rural population. These can be considered “normal” risks in a process where approaches with a high degree of intended changes in behaviour and innovative economic instruments are applied. The project design includes a) the establishment of biological corridors and b) the application of incentives and other economic (financial) instruments such as payment for ecological services. These elements shall be further developed during the project implementation. The monitoring of the sustainability and replicability of instruments and the measures carried out in this context is very essential.

The incremental cost principle is applied in the project proposal and the global environmental benefits are identified although it seems difficult to monitor the carbon fixation and the maintenance of biodiversity.

The volume and the quality of co-financing are indicated in the proposal.

There exist already experiences in Ecosystem Restoration of Riparian Forests in the region “Pontal do Paranaapanema” in the state of Sao Paulo in a project carried out by an NGO “IPE”. The GEF project should include and use examples of best practices of this project.

Recommendation:

In conclusion, this project proposal is consistent with the GEF business plan and OP 15. It is well structured and thoroughly designed and deserves to be supported. Further development of some areas such as capacity building and fine tuning should be made during further planning steps and during project implementation.

Comments from U.S.A.:

There are many positive features to tow land degradation projects in Brazil and Nigeria. Both seem well thought out and prepared, and the need for GEF assistance for sustainable land management in these two project areas is very compelling. However, a number of policy issues raised by the projects are not adequately addressed in the documentation. First, there does not
appear to be a clear methodology for calculating incremental cost associated with the global environmental benefits of land degradation projects, since it is not clear where local/national benefits end and the global benefits begin. Second, the Nigerian project, and perhaps to some extent the Brazil project, raise the question of whether GEF funds would be used to mitigate the cumulative environmental impacts of ongoing and previous World Bank programs. It would be helpful to see an explanation from the World Bank on these specific projects, as well as how they relate to the Bank’s own environmental mainstreaming responsibilities. Third, we have serious questions about whether the proposed environmental services payment mechanism for the Brazil project is workable, given the STAP advice that there are few examples of such systems working effectively, especially if they are market-based. Fourth, the blending of funds to undertake nearly identical activities raises the issue of whether it is possible to monitor and evaluate the impact attributable to GEF funds in this focal area. These kinds of issues have yet to be addressed in this early stage in the portfolio for this focal area. Therefore, we request that both projects be recirculated to the Council prior to CEO endorsement, and that the Secretariat issue guidance clarifying the calculation of global benefits for these types of projects, and the criteria for GEF funding of land degradation projects in areas where international financial institutions have ongoing or closed projects.

**Summary:** The project aims to provide methodologies to restore riparian forests throughout the state of Sao Paulo, while providing opportunities for improved livelihoods and economic well-being of rural communities.

The project’s chief components are:
- an attempt to provide payment mechanisms for the environmental externalities of the riparian ecosystems
- reorienting local production and production techniques to more sustainable practices (mostly, changing agricultural crop selection)
- improved models/practices for ecosystem restoration, including better biodiversity mapping and seed collections
- public outreach
- a long-term study of lessons learned and an evaluation of replicability

The sustainability of the first two components, particularly the first, is highly questionable. Staff indicate a lack of certainty regarding the source of cross-national environmental payments. As to the likelihood that local production and techniques will change, GEF proposes to subsidize the transfers of crops to specialty crops with greater environmental sustainability. There is no plan for what happens after that transition occurs, however. In addition, the incremental cost calculation is not clear, it raises the same issues as in the Nigerian project.

The results measurement is inadequate. Current metrics would not indicate the success of either of the first two components, but rather measure processes that might eventually lead to actually successful results of these components.

**US position:** Recirculate to Council, prior to CEO Endorsement Request, and request GEF Secretariat clarification of the general issue raised with respect to this focal area. Please strengthen results measurement.
16) Nigeria: National Fadama Development Program II (World Bank)

Comments from Germany:

The project is aimed at reducing poverty through increasing income of fadama farmers; GEF assistance shall be used to enable Nigeria to maintain the productivity and ecological health of the fadama resource base. The project design includes for components: (i) capacity building, (ii) integrated ecosystem Management at the watershed level, (iii) Community sustainable land management, (iv) project management and M&E.

The project rationale becomes evident particularly in regarding the Country and Sector/Program Background (Technical Annex 1 of the GEF Project Brief) and the Comments from STAP and Response (Annex c of the Project Executive Summary).

The incremental benefit of the GEF contribution is sufficiently well outlined, though more detailed information about global benefits would be appreciated. Benchmarks for the co-financing are clearly defined. The annex A of the Project Executive Summary provides in particular helpful information.

The project proposal fits into GEF operational program 15 and strategic priority.

As to the presentation of the Project Executive Summary, the presentation of the approach remains on a very general level. A formulation such as “The project design addresses … systematic capacity building activities, …, mainstreaming the activities with NFDP II” (section 17) does not give any concrete information on how the activities will be carried out and in which manner they will contribute to capacity building or mainstreaming, hence to project outputs and sustainability. Other statements, for example “This [replication] plan would identify the main lessons learned and requirements to ensure that the main lessons learned … will be taken up at national, state and community level” (section 18) and “GEF component will include monitoring progress in relation to the project’s contribution to global benefits” (section 21) do not provide sufficient information about the methodologies and approaches employed to achieve replicability or an improvement of the M&E system but describe project contributions (inputs) in terms of objectives. In conclusion, the document does not contain the required specific information about how the project will proceed to achieve its goals.

Recommendation:

Thus, we recommend considerable improvements in the project design as well as a more concise Project Executive Summary. Accordingly, appropriate changes should be made during the further elaboration of the project document and during further planning steps.

Comments from Switzerland:

General Commentaries
The project corresponds to the GEF objectives. The objectives are well defined and are well justified.

The approach taken in the economic analysis is quite cautious. With good reason, the calculation of an IRR or other indicator of project profitability was avoided, since this would be impossible, given the data quality available. However, even the basis for this calculation appears to be rather weak. More efforts will be needed in the future to quantify the benefits of such projects, even though this will most of the time be restricted to a cost-effectiveness analysis.

Main Concerns

Two of the STAP reviewer’s comments are not answered satisfactorily. The points raised are not fully addressed by the responses of the task team, and are also not fully reflected in the project document.

Issue No 5. The reviewer asks to differentiate more between subsistence farming and commercial export agriculture. The task team’s answer agrees that a differentiated approach is needed. However it does not elaborate on the relative importance of commercial and subsistence farming in the area covered and whether these different types of activities have different implications for the project. Such questions should be addressed in the project document, since it could have important implications for the project, the design needed and its chances of success.

Issue No 7: The reviewer points to the need to see local communities as differentiated socially and economically. Again, the answer of the task team is not convincing. It is not enough to have a bottom-up approach, but approaches are needed that can deal with power struggles internal to local communities. In this respect, we miss again information in the project document. How can the project deal with the diverging interests that different stakeholder groups have?

The above issues will be important during implementation, and should already be addressed in the planning stage, in order to build up the necessary approaches, skills and tools. However, it is believed that the project should ultimately be able to deal with these issues if the management is well aware of them and disposes of adequate human resources.

Conclusions and Recommendations

The project is recommended for approval.

Comments from Canada:

There is no doubt about the economic and ecological significance of fadama resources as an important safety net for the rural poor in Nigeria. If properly executed, this project would be combining a reversal of ecologically degraded natural systems with poverty alleviation strategies and a measure of concomitant capacity building. The project duration of 6 years practically equates to the period of our upcoming Canada Nigeria Environment Program. Mutual lessons that could be learned would stand both projects in good stead. The good relationship that the World Bank and CIDA have developed so far in the field should facilitate that.

Perhaps, without being over-optimistic there is the opportunity in NFDP II for the Government of Nigeria to demonstrate more practical commitment to the MEAs of the CBD, UNCCD and UNFCCC than hitherto, in particular through promotion of alternative livelihoods and improvement of national economic environments. Furthermore, the involvement of donors in the

NFDP II has to be seen in the context of the outcomes of NFDP I which is a great advantage in respect of risks and their mitigation. For example the proposal admits than even though NFDP I was successful it lacked grounding in sound principles of social and environmental sustainability. In spite of this, and other constraints the proposal projects a 10 and 15 per cent restoration/stabilization of critical watersheds respectively within 6 years, and in this period an increase in the income of fadama users - pastoralists, farmers, fisherfolk, hunters and gatherers. It hopes to achieve this through capacity development for fadama natural resource management, integrated ecosystem management and community sustainable land use management, but is slight in detail as to how this will be done.

Many of these users of fadama resources are landless farmers, itinerant herdsmen and fishermen without any form of land title deeds or tenurial rights. The credibility base of the proposal lacks a solid foundation when so much is said about how to improve the lot of fadama users without consideration of the basic land tenure issue. One of the major causes of negative impacts of land degradation on structure and functional integrity of ecosystems in Nigeria relates to the odium of the 1978 Land Use Act, which largely alienates poor communities and poor people from managing natural resources for reasons of tenurial insecurity.

While governance is indirectly implied in the mode of implementation, i.e. through the establishment of LDPs, Local Development Plans and other management structures there is no mention of gender equality or its mainstreaming into the NFDP II, an area of high salience that CIDA could introduce into the project.

Assuming the above-mentioned concerns are addressed, we are supportive of this initiative.

*Comments from U.S.A.*

There are many positive features to tow land degradation projects in Brazil and Nigeria. Both seem well thought out and prepared, and the need for GEF assistance for sustainable land management in these two project areas is very compelling. However, a number of policy issues raised by the projects are not adequately addressed in the documentation. First, there does not appear to be a clear methodology for calculating incremental cost associated with the global environmental benefits of land degradation projects, since it is not clear where local/national benefits end and the global benefits begin. Second, the Nigerian project, and perhaps to some extent the Brazil project, raise the question of whether GEF funds would be used to mitigate the cumulative environmental impacts of ongoing and previous World Bank programs. It would be helpful to see an explanation from the World Bank on these specific projects, as well as how they relate to the Bank’s own environmental mainstreaming responsibilities. Third, we have serious questions about whether the proposed environmental services payment mechanism for the Brazil project is workable, given the STAP advice that there are few examples of such systems working effectively, especially if they are market-based. Fourth, the blending of funds to undertake nearly identical activities raises the issue of whether it is possible to monitor and evaluate the impact attributable to GEF funds in this focal area. These kinds of issues have yet to be addressed in this early stage in the portfolio for this focal area. Therefore, we request that both projects be recirculated to the Council prior to CEO endorsement, and that the Secretariat issue guidance clarifying the calculation of global benefits for these types of projects, and the criteria for GEF...
funding of land degradation projects in areas where international financial institutions have ongoing or closed projects.

**Summary:** A GEF grant of $10.3 million is requested to complement the World Bank’s National Fadama Development Project II, which was approved by the Bank Board in December 2003. The World Bank project builds on an earlier effort to intensify agricultural production in the Fadamas (flood plains and low-lying areas that have suffered serious environmental damage and significant desertification), with a focus on poverty reduction, sustainable land management and a process to minimize conflicts among fadama users. Both it and the GEF component would use a community demand driven approach to project implementation (i.e., community groups would be formed and would request sustainable land management services).

Project appears to be well structured, and could be enormously beneficial in terms of poverty reduction, conflict prevention/management and environmental restoration. While the indicators are principally output indicators, the front cover indicates the project would result in the 10% of critical watersheds in the GEF co-financed project areas restored/stabilized; and 15% of the degraded areas in the GEF co-financed project areas restored/stabilized. (Please put these targets in the logical framework.) The process for implementing the project relies heavily on involvement of communities.

However, the project also raises some serious policy issues about how GEF resources should be used. We understand that a significant amount of environmental degradation that has occurred in the area may have been the result of the first phase of the underlying World Bank program, and that the second phase of that program will further worsen that environmental situation. Providing GEF resources to mitigate externalities associated with other IFI programs would not be an appropriate use of GEF resources. Moreover, the incremental cost calculation does not clearly delineate what are purely global environmental benefits, as opposed to national and local benefits from greater productivity of Fadamas.

**US position:** Request recirculation to Council, prior to CEO Endorsement and clarification by GEF Secretariat of the generic issues raised. Please add environmental targets to logical framework.