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COMPILATION OF TECHNICAL COMMENTS
SUBMITTED BY COUNCIL MEMBERS
ON INTERSESSIONAL WORK PROGRAM
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NOTE: This document is a compilation of technical comments submitted to the Secretariat by Council members concerning the project proposals presented in the Intersessional Work Program approved by the Council on March 31, 2006.

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**INTERSESSIONAL WORK PROGRAM: COMMENTS FROM COUNCIL MEMBERS
(REFERENCE TO GEF/IS/14)**

BIOLOGICAL DIVERSITY

1. Global: Supporting Country Early Action on Protected Areas [UNDP]

COMMENTS FROM GERMANY

Recommendation

1. Germany agrees to the project proposal. The following comments should be taken into account during further planning steps and during project implementation.
2. Although already stated in the project proposal, we would like to reinforce that:
 - (a) It is of utmost importance in implementing the project at the national and regional level to consider all experiences available not only from multilateral cooperation but also from bilaterals and NGOs; and
 - (b) Besides pinpointing the gaps in biological information, it is of equal importance to give due consideration to implementation capacities within the government and at community level.

COMMENTS FROM SWITZERLAND

General Comments

3. The project goal is to assist eligible countries meet their commitments under the CBD Programme of Work on Protected Areas (POW on PAs) adopted by COP-7. The project objective is to enable eligible countries in need of assistance to launch early action in response to the COP-7 POW on PAs that complements, but will not be addressed by, other national programmes and projects, including those supported by the GEF, by other official donors, and by international NGOs.
4. To achieve its objective, the project will provide a fast-disbursing and flexible mechanism to assist GEF eligible countries, with an emphasis on Least Developed Countries (LDC) and Small Island Developing States (SIDS), thus generating numerous country-based projects. Based on a needs and feasibility assessment, thirteen activities under the POW on PAs were considered as suitable for support under this project.
5. The project is in line with the GEF Operational Programmes 1-4 and fits into the GEF Biodiversity Strategic Priority 1 “Catalysing Sustainability of Protected Areas”. The responses

provided in response to the comments made by the STAP, the GEF Secretariat and other agencies are to our satisfaction.

6. The framework of the project, consisting of:
 - (a) a restricted set of activities from the POW on PAs eligible for funding;
 - (b) eligibility criteria for funding applications; and
 - (c) selection criteria, which among other things address further co-financing,

is well conceived to give a targeted boost to national implementation of the POW on PAs.

7. We particularly appreciate the direct response provided by the project to the request of the Conference of the Parties of the CBD, the strong alignment of the project to the POW on PAs, and the project focus on LDC and SDIS, especially since few of those countries are likely to get a substantial allocation under the RAF.

Main Concerns

8. We have no main concerns.

Conclusions and Recommendations

9. We recognize that the present project is well conceived and will give a boost to the national implementation of the POW on PAs. Switzerland fully supports the project.

Further Comments

Project executive Summary, p. 12: Co-financing Sources:

10. There may be a misunderstanding concerning Swiss co-financing of the project: The Swiss Federal Office for the Environment had planned to support the elaboration of the present project during PDF B with an in-kind contribution of USD 5000. Eventually, the project elaboration proceeded without further reliance on this Swiss support.

COMMENTS FROM THE UNITED STATES

11. The United States strongly supports the goal of the establishment and maintenance of comprehensive, effectively managed, and ecologically representative national and regional systems of protected areas. While we appreciate the desire to streamline approval of funds for this purpose, expedited approval and fast disbursements cannot be at the expense of accountability. In this regard, the United States has a number of serious concerns with the proposal as structured. First, the results management framework is totally inadequate – the targets measure inputs (how fast projects are approved and money is disbursed) rather than outcomes and impacts. There are not even common indicators for measuring results, which suggests to us that the project does not meet the requirements of GEF’s monitoring and evaluation policy. Second, it effectively proposes to create a new “small” medium-sized project facility (\$50,000-250,000) when there is not yet a GEF policy on such an instrument. In November 2004, the Council approved two pilot programs for fast disbursing, expedited medium-sized projects (MSP) facilities, but set out fairly specific requirements for both pilots (including CEO endorsement and circulation to the Council of project documents) and called for evaluations to take place before extending these mechanisms beyond the two pilots (see November 2004 Council decision and paragraph 22 of GEF/C.24/13). Third, there seems to be excessive emphasis on capacity building and not enough on achieving the goal of creating and maintaining national parks. Fourth, there is inadequate discussion of the criteria for approving projects, the composition of the technical panel, and the internal financial controls for the overall program. Finally, the issues raised by this project suggest that it should not have been presented in an intersessional work program, which is intended for plain vanilla projects. *Therefore, the United States requests that this project be postponed until the June Council meeting so that the Council can discuss these issues. The United States is prepared to work with the Secretariat and UNDP between now and then to try to find an acceptable way forward.*

**INTERSESSIONAL WORK PROGRAM: COMMENTS FROM COUNCIL MEMBERS
(REFERENCE TO GEF/IS/14)**

2. Regional (El Salvador, Guatemala, Honduras): Integrated Management of the Montecristo Trinational Protected Area [IADB]

COMMENTS FROM GERMANY

Recommendation

12. Germany supports the project.

COMMENTS FROM THE NETHERLANDS

13. Excellent proposal. The Netherlands is looking forward to discuss this activity in the ongoing consultations between CCAD and the Netherlands Embassy.

COMMENTS FROM SWITZERLAND

General Comments

14. The project aims at:

- (a) strengthening the protected areas systems in Guatemala, El Salvador and Honduras by incorporating a functional mechanism for tri-national protected area management;
- (b) consolidating the Montecristo Trinational Protected Area (MTPA) and linking it with the Mesoamerican Biological Corridor (MBC); and
- (c) building capacities involving local stakeholders.

15. The GEF funding proposed for the project complements a series of baseline investments of the three governments of El Salvador, Guatemala and Honduras, mainly in the framework of the Tri-national Upper Lempa River Basin Sustainable Development Program (PT-CARL). Therefore, the resources of the project shall be dedicated primarily to:

- (a) the protection of the biological resources represented in the Montecristo Massif;
- (b) the maintenance, restoration, and valuation of the environmental goods and services offered by the watersheds of the Upper Lempa River Basins; and

- (c) facilitating connections of the MPTA with those regional biological corridors identified as priorities by the three countries within the framework of the Mesoamerican Biological Corridor.
16. The specific objectives of the project are:
- (a) facilitate the legal, territorial, and institutional consolidation of the MTPA;
 - (b) promote effective integrated on-ground management of the MTPA;
 - (c) enhance sustainable use of natural resources and environmental management in the buffer zone and interconnected biological corridors; and
 - (d) improve capacities for monitoring and research of the ecological and socioeconomic conditions in the MTPA, in its buffer zone, and in the biological corridors.
17. The main threats to the biodiversity of the MTPA are:
- (a) the felling of natural forests for agricultural and livestock uses;
 - (b) forest fires;
 - (c) application of non-sustainable agricultural activities;
 - (d) extraction from and structural degradation of the forests;
 - (e) indiscriminate and illegal hunting and capture of animals; and
 - (f) improper disposal of domestic and industrial solid and liquid wastes.
18. The project area is rich in biodiversity. Furthermore, the water resources from the Montecristo Massif are described as vitally important for the surrounding area (drinking water for approximately 20'000 people in the surrounding municipal centres, irrigation, industrial use, hydropower generation). It is the most important source of water to the Lempa River during the dry season from November to April, and the forest cover of the Montecristo Massif contributes to balancing the water regime of the Lempa River.
19. The project design is sound and the project is well embedded in ongoing efforts. The project description gives a good overview. The characterization of the project area, particularly the socio-economic context, is well done. The information allows for a clear and comprehensive appraisal. We can conclude that the project is consistent with GEF criteria and policy and addresses the basic questions of the GEF Strategic Priority BD-1: Catalyzing the Sustainability of Protected Areas.
20. Although our overall appraisal is clearly positive, we have a few concerns which we outline below.

Main Concerns

(a) Is the legal framework sufficient and / or sufficiently enforced in order to address the threats to biodiversity?

Basically, the project aims at conserving the biodiversity in the project area by consolidating the protected area and enhancing sustainable use of its resources. However, regarding the well-described threats to biodiversity and the vital importance of the project area for water resources, we wonder whether further steps regarding the development of the legal framework and its enforcement are necessary to address the threats to biodiversity and to the maintenance of the water resources. This observation refers mainly to the gradual destruction of natural forests due to the uncontrolled extension of the agricultural frontier and of grazing, due to further non-sustainable agricultural activities, and last but not least due to hunting.

(b) The success of the project in achieving its objectives will depend to a large part on the development of sustainable financing mechanisms to cover the recurrent management costs of the MTPA in the medium and long term.

- The project brief indicates as one target “*50% of the annual recurrent operational costs of the MTPA are met with resources of the Special Trust Fund compared to 0% at the beginning of the project*”. Further information regarding this trust fund would be welcome.
- The payment of tariffs for use/extraction of water for industrial use and for generating hydroelectric power seems to be a highly viable solution to generate locally relevant income. Therefore we wonder whether the legal frameworks of the three countries are sufficiently developed to collect such tariffs.
- Why do the project proponents not consider the option to collect tariffs for domestic use of water resources and for irrigation? Even if only symbolical, such tariffs could be part of an awareness-building effort, and thus of relevance to the various problems faced.

(c) Although the overall design of the set of indicators is good, there is a need to further specify some of the indicators.

We recognize that the overall set of indicators is well designed. Nevertheless, we feel that some of the indicators should be further specified in accordance with the characteristics of the project and its challenges. This concerns in particular:

- Regarding the integration of the project area with the Mesoamerican Corridor, the proposed indicator in the project brief will not allow an appraisal of the project’s achievements. We consider the indicator—as of now—still insufficient.
- The conservation of the water resources of the MTAP is of crucial importance and will also be the main argument to generate income to the

MTAP through tariffs on water consumption. We therefore urgently recommend to further specify the related indicators (e.g. regarding the annual runoff, as well as the water consumption in the surrounding areas for drinking water, irrigation, industrial use, and hydropower generation).

- The sustainability of the project will depend closely on the development of financing mechanisms to cover the recurrent management costs of the MTPA. Tariffs for the use of water resources seem to be the most immediate and viable solution. It would be very appropriate to specify targets and outcome indicators on different types of future income, and to thoroughly monitor their development.
- One outcome indicator refers to “*the number of economically active persons living in the project area with an income from environmentally sustainable productive activities (e.g. ecotourism, sustainable agriculture) has increased 10% compared to baseline established before the end of project year 1*”. In our view, this definition seems rather vague and should not be pursued. As long as no baseline data is available, a determined percentage is inconclusive (if the number is low). Furthermore the formulation “*with an income from ...*” requires further specification to avoid irrelevant or unsustainable incomes being considered as well.

Conclusions and Recommendations

21. The project is consistent with GEF policy and is basically well designed. We recommend that this project is approved by the GEF and expect that our concerns will be considered in the finalization of the project preparation.

**INTERSESSIONAL WORK PROGRAM: COMMENTS FROM COUNCIL MEMBERS
(REFERENCE TO GEF/IS/14)**

3. Chile: Regional System of Protected Areas for Sustainable Conservation and Use of Valdivian Temperate Rainforest [UNDP]

COMMENTS FROM GERMANY

22. Germany supports the project proposal without a need for further comments.

**INTERSESSIONAL WORK PROGRAM: COMMENTS FROM COUNCIL MEMBERS
(REFERENCE TO GEF/IS/14)**

4. China: Conservation and Sustainable Utilization of Wild Relatives of Crops [UNDP]

COMMENTS FROM GERMANY

Recommendation

23. Germany agrees to the project proposal. Changes outlined below should be made during further planning steps and during project implementation.

- The German Technical Cooperation project “Sustainable Management of Agrobiodiversity in Hainan and Hunan” and the planned EU-China Biodiversity Program should be considered.

COMMENTS FROM THE UNITED STATES

24. While the goal of this project is laudable, the indicators and baselines seem weak and vague. For example, one indicator is the percentage of farmers actively conserving the wild relatives, where baseline is no farmers, and the target value is 75% of farmers modified their farming methods to promote conservation. This indicator is weak because it measures methods used by farmers and not the outcomes in conserving and increasing wild relatives of crops. In addition, we did not see economic or financial analyses in the documents, which we believe are essential to determining whether or not the project is sustainable. Finally, we have questions about the incentive system, specifically about whether safeguards will be in place to avoid perverse outcomes. *Given the number of questions about the project, the fact that this is apparently the first proposal of its kind, and the weaknesses in the indicators, the United States requests that this project be postponed until the June Council meeting so that these issues can be discussed.*

5. Costa Rica: Mainstreaming Market-based Instruments for Environmental Management Project [WB]

COMMENTS FROM GERMANY

Recommendation

25. Germany agrees to the project proposal. Changes outlined below should be made during further planning steps and during project implementation.

(a) Financial Sustainability

Theoretically funds generated from the fuel tax would have been sufficient to finance FONAFIFO. Due to the priority given by the Ministry of Public Finance (Ministerio de Hacienda) for debt repayment, less funding reached FONAFIFO. This lack of financing had been mostly balanced by the World Bank credit under Ecomarkets. The proposal to establish additional financing for FONAFIFO through a new water tariff must be regarded with caution. Hydro power constitutes about 95% of energy production in the country, resulting in hydrological services for this sector through improved management of watersheds an important part of it. What are the impacts of increased water tariffs (resulting in higher electricity prices) for the poor population? What measures are in place to assure that these additional financial resources will not be diverted to other uses? It will be important to clarify the responsibility of the Ministry of Public Finance to assure the financial sustainability of FONAFIFO.

(b) Replicability of market mechanisms

The critical point is if there will be really markets developing, what is Costa Rica promoting under the name of market mechanism and what role the state should have to make such schemes work. With markets fully functioning on their own, the problem of insolvency should not occur. Many schemes in Costa Rica in relation to watershed management are working well on the local level and are integrated on the national level where they not necessarily depend on FONAFIFO.

Replicability of such schemes will only occur in an effective form, if the roles of the different stakeholders are clarified and each of them takes the corresponding responsibility (i.e., Ministry of Public Finance). On the other hand, it must be transparent also for others, that the promotion (or construction of such schemes) are rather costly to achieve, difficult to copy and do not fit in any context.

(c) Support to the poor to enter the Program

Transaction costs for the poor population to enter the program are rather high. The proposal takes into account the costs of FONAFIFO but not the ones of the poor which indicates the need for further improvement. Recent research results indicate that payment of environmental services (PES) for forests is financially attractive for forest owners with more than 40 hectares. However, these owners do not use their forests which puts in doubt the value added by the payment. To make the program more attractive also for the poor, one should not only consider the transaction costs necessary to participate in the programme but also the income through PES in relation to the opportunity costs for not using the forest. This could further reduce negative impacts on biodiversity.

(d) Political changes

Due to recent elections and resulting political changes in Costa Rica, it will be important to assure, also through lobbying by the participating implementing agencies, that FONAFIFO and the proposed project remain a priority and continue to receive the necessary political support, especially by the Ministry of Public Finance.

(e) Coordination with INBIO

The project proposes to implement and capitalize a Biodiversity Conservation Trust Fund for buffer zones of protected areas and biological corridors, promoting the recognition of private protected areas under Costa Rican law. For increased efficiency and reduced transaction costs the project should consider a stronger coordination with INBIO to learn from its experience in managing comparable funds.

COMMENTS FROM THE NETHERLANDS

26. We highly support the proposed activity. We noted however that, to our surprise, no reference has been made to the Dutch Programme for South Cooperation, which tries explicitly to share Costa Rica experience with the participating countries Bhutan and Benin. This is an EUR 11 million programme with a substantial environmental portfolio (mainly on biodiversity).

COMMENTS FROM SWITZERLAND

General Comments

27. The project proposal is designed to reinforce the efforts of the Costa Rican Government during the last decade for the development and application of market-based instruments for environmental management, especially through its 'PSA' Program concerning the *Payments for Environmental Services (PES)*. Currently, the latter program has 250, 0000 ha under *PES* contracts for conservation activities. The new GEF assistance will allow an expansion of the area under contracts for conservation in productive landscapes in the buffer zones of protected areas and biological corridors connecting them (at least 190,000 ha – see commentary below). The most important challenge of the program is to ensure sustainable financing sources for payments to benefit biodiversity conservation through the development of additional funding mechanisms.

28. The project is consistent with the GEF Biodiversity Strategic Priorities SP2 (Mainstreaming BDV in Production Landscapes and Sectors) and SP4 (Generation and Dissemination of Best Practices for Addressing Current and Emerging Biodiversity Issues).

29. The proposal has three components:

- (a) *C1. Developing and implementing sustainable financing mechanisms.* This component seeks to achieve the objectives by capitalizing an already existing Biodiversity Conservation Trust Fund (BCTF), by developing and implementing other financial mechanisms, such as the recently-approved water tariff, and by accessing the global carbon markets and developing voluntary markets for biodiversity conservation.
- (b) *C2. Scaling-up the Environmental Services Program.* This component mainly consists in the strengthening of the PSA program institutions (FONAFIFO) to implement the expanded program, as well as in the strengthening of its technical monitoring capacity.
- (c) *C3. Removing barriers for small landholders' participation in the PSA program.* This component aims to reduce the existent barriers to participation of the poor in the PSA Program, due to the high spatial correlation between areas that supply environmental services and low-income rural areas.

30. In general, the project proposal is well structured and in line with the lessons learned from CRGO experience in the last years concerning market-based instruments for environmental management. In particular, the current project proposal seeks to overcome the weakness and limitations of the PSA Program, especially with regard to the experience of the GEF Ecomarkets Project, which has been developed during the last 6 years. That project is well appreciated at the international level and, following the project proponents, it is widely considered as the most successful environmental services approach worldwide. The necessity to ensure the

sustainability of the funding sources of the payment mechanism is one of the lessons learned by the Ecomarkets project. This is also addressed in this project proposal. The bulk of the GEF funds requested are destined to the project component C2, i.e. to apply the capitalization of the Biodiversity Conservation Trust Fund (approximate 7, 7 million USD, e.g. page 5 in the executive summary of the project).

Main Concerns

Doubts regarding the spatial coverage of the project and the financial sustainability of the project

31. At least concerning the service payments for biodiversity conservation, the PSA program expansion in terms of spatial coverage is not yet clear. For example, in the paragraph on the contribution to key indicators of the business plan, the proponents indicate that through the project intervention, at least 190,000 hectares of land with environmental service contracts will be put in place in buffer zones of protected areas and in biological corridors connecting them. Further, they indicate the same 190,000 hectares as a project outcome indicator (“*at the end of the project 190,000 ha ... in the buffer zones of protected areas and biological corridors ...*”). On the other hand, only 15,000 hectares are indicated as intermediate outcome indicator (“*at the end of the project 15,000 ha located in productive landscapes in the buffer zones of protected areas...*”).

32. In their response to the comments of the GEF Secretariat, the project proponents make the case that using an average figure for service payments per hectare of 45 USD would result in approximately 15,000 ha of conservation “in perpetuity”. Although they also underline that such an estimate is conservative, it is difficult to conceive how the project would successfully achieve long-term financing of the services for the remaining 175,000 ha; considering especially that one of the arguments for the consolidation of the trust fund (and thus the current GEF intervention) is the difficulty in finding long-term financing resources for the payment of services for biodiversity conservation.

33. Based on the explanations given so far by the project proponents, the objective of biodiversity conservation in an area of 190,000 hectares through service payments seems highly ambitious. It also leaves doubts whether the new GEF intervention will achieve sustainability for the targeted surface area of 190,000 ha.

Why not prioritise the improvement of the efficiency?

34. The other sources of income for the PSA program implementation seem to be destined as additional funds to finance the existing areas under environmental service contracts (hydrological services and carbon sequestration) as well as the new areas of PSA program expansion under the same kinds of environmental services (“*at the end of the project, 288,000 ha*”).

35. Regarding hydrological services and carbon sequestration, one key question remains: Why does the present project proposal not primarily address the consolidation of the financing of

the existing PSA program areas and the improvement of its efficiency instead of pursuing the option of an expansion to new areas?

36. This concern is also reflected in one of the recommendations of the independent evaluators (the Blue Ribbon Panel Review) of the Ecomarkets projects (recommendation 8 in annex 19 of the project document).

Conclusions and Recommendations

37. We appreciate the efforts of the Costa Rican PSA program which has led to the implementation of market-based instruments for environmental management over the last decade. We agree with its efforts to secure additional funding mechanisms. We therefore recommend that the GEF approve the project.

38. At the same time, we hope that our concerns regarding the sustainability of the project will be satisfactorily resolved by the agencies involved.

Further Comments

39. Project indicators measuring the effective biodiversity conservation: We would appreciate if the project proponents made available more details on the methodology used to measure biodiversity conservation and the indicator species selected.

**INTERSESSIONAL WORK PROGRAM: COMMENTS FROM COUNCIL MEMBERS
(REFERENCE TO GEF/IS/14)**

6. Cuba: Mainstreaming and Sustaining Biodiversity Conservation in Three Productive Sectors of the Sabana Camaguey Ecosystem [UNDP]

COMMENTS FROM GERMANY

Recommendation

40. Germany agrees to the project proposal. The following comments should be taken into account during further planning steps and during project implementation.

- Due to the importance of tourism development in the proposed project, the Guidelines for "Biological diversity and Tourism" developed by the CBD (<http://www.biodiv.org/programmes/socio-eco/tourism/guidelines.asp>.) should definitely be taken into account.

COMMENTS FROM SWITZERLAND

General Comments

41. Building on phases 1 and 2 of this long-term project (so far realised with GEF support), the proposed final phase 3 intends to consolidate the results of the preceding phases through an integrated approach to the sustainable development and management of key land- and seascapes in one of Cuba's rapidly expanding prime tourist destinations. The project activities are intended to center on mainstreaming biodiversity conservation into the three sectors of tourism, fisheries and agriculture along the 465 km coastline characterizing the study area. The project is expected to establish the enabling framework conditions for the sustainable development of the productive land and seascapes in the target area and to contribute to alleviating the current pressure on the ecosystems due to unsustainable resource use and tourism development.

42. The project complies with the GEF Operational Strategy in the Biodiversity focal area and with Operational Program 2 aiming at the sustainable management and protection of Coastal, Marine and Freshwater Ecosystems. The proposal is consistent with GEF principles regarding stakeholder participation, capacity development, and a holistic approach to integrated and sustainable resource use, land- and offshore-use management. The overall project objectives are highly relevant and meet key national and global priorities. The project will enhance three of Cuba's primary production sectors, which are critical for the country's economic and social development.

43. The proposal is scientifically and technically sound and provides comprehensive background on the local framework conditions. Its objectives and long-term goal are explicit

and logically conclusive, building on the achievements of phases 1 and 2 with a focus on identified gaps. The issue of financial sustainability has been satisfactorily addressed for the different project components and financial sustainability appears to be achievable.

44. The Sabana-Camagüey terrestrial and marine Ecosystems are of recognized global biodiversity importance, fully justifying the proposed GEF support.

Main Concerns

45. A real concern is the short timeline of this final project phase. We consider it unrealistic to expect achieving the highly ambitious goals within a five-year time span, although the \$27 million budget may be sufficient to meet the project's objectives in principle.

46. Other concerns are the large physical size of the target area and the large number of stakeholders involved.

47. Although repeated reference is made to "stakeholder participation", the proposal so far fails to adequately explain how to involve the rural population in the sustainable development and decision-making process.

Conclusions and Recommendations

48. The holistic approach of the project is in line with progressive philosophical concepts on spatial land- and marine planning, combining people needs with long-term conservation objectives for an area that is rich in unique biodiversity, diversified land-/seascapes and traditional lifestyles.

49. Although the project should be fully endorsed, we advise to extend the timeline to a total of eight years and to reduce the size of the target area.

Further Comments

50. Page 13: The statements on the "absence of models for biodiversity-friendly alternative livelihoods", "existing barriers to development", "large-scale land conversion into monocultures" etc., appear incorrect:

51. To the contrary, Cuba may serve as a global showcase for its widespread organic crop production, diversification of crop species, small-scale and environmentally friendly land cultivation, the extensive use of house-gardens, etc. Due to outside factors, the country has become more self-sufficient in the food production sector. Within this process:

- (a) large-scale sugar cane monocultures have disappeared;
- (b) in soil preparation, heavy agricultural equipment has been increasingly replaced;

- (c) import restrictions on fertilizers and pesticides have led to the growing use of organic fertilizers and biological pest control; and
- (d) the rural population is now sensitized to sustainable agriculture.

COMMENTS FROM THE UNITED STATES

52. The United States is opposed to this project because it benefits Cuba, and asks that this position be clearly reflected in the CEO's summary.

**INTERSESSIONAL WORK PROGRAM: COMMENTS FROM COUNCIL MEMBERS
(REFERENCE TO GEF/IS/14)**

CLIMATE CHANGE

7. Regional (Dominica, St. Lucia, St. Vincent and Grenadines): Implementation of Pilot Adaptation Measures in Coastal Areas of Dominica, St. Lucia and St. Vincent & the Grenadines [WB]

COMMENTS FROM GERMANY

Recommendation

53. Germany asks for re-submission of the project proposal to the Council prior to the endorsement by the CEO.

- (a) According to the Operational Guidelines for the Strategic Priority “Piloting an Operational Approach to Adaptation” (SPA) projects that “generate both local (development-focused) and global benefits” are eligible, “if their benefits are considered primarily global in nature” (Para 6). The project proposal dividing up local and global benefits does not provide evidence for a primarily global nature of expected benefits. Moreover, many expected outcomes under the column “Global benefits” are too general to evaluate whether they are in fact global.

The “double increment”, developed in the SPA Operational Guidelines, means that it is not sufficient for a project intervention to produce additional benefits only in the “development sectors” like health, agriculture, water or infrastructure – this is the difference from the SCCF and the LDCF.

In the case of e.g., management of a protected area (biodiversity), this means that there are two kinds of incremental costs: One to address the root cause of biodiversity loss due to current stresses, and a second for assessing vulnerability to climate change of ecosystems in the protected area, identification of the adaptation options and their implementation. In practice this distinction is not easy to make, but still there has to be made a good case showing how the project proposal fulfils the guidelines of the SPA. The global benefits listed in the project document like “reduction of ecosystem vulnerability”, “reduction of biodiversity loss” or “control of land degradation” are too general to make that clearly enough or are even local in nature (control of land degradation). In the focal area of e.g. biodiversity the “global value” of the protection of a particular ecosystem has to be established.

- (b) The overall proposal lacks specificity. Especially, it is unclear which methodologies for assessing vulnerability and for planning adaptation will be used. Reference is made to Para 2 of the STAP review.
- (c) Risks (page 12/13): Two to the three identified high risks directly affect expected benefits: Project management and likelihood of adoption of pilots. While the project document mentions measures to mitigate project management weaknesses, there are relatively weak mitigation measures mentioned against the high risk of non-adoption of climate resilient sustainable development policies.
- (d) Right after the risk rating it comes as a surprise to read there are “no controversial aspects related to the project”. Please expand.
- (e) Implementation: In the project document various Project Implementation Units are mentioned. Please explain to what extent these are independent project structures or already existing organisational entities.
- (f) If claiming “global learning values” the replication plan has to be expanded and the “case” strengthened considerably.

**INTERSESSIONAL WORK PROGRAM: COMMENTS FROM COUNCIL MEMBERS
(REFERENCE TO GEF/IS/14)**

8. Ghana: Ghana Urban Transport [WB]

COMMENTS FROM GERMANY

Recommendation

54. Germany objects to the project proposal and asks to defer it for consideration at the next regular meeting of the Council.

55. According to its Operational Strategy, the GEF finances only the agreed incremental costs of measures for achieving agreed global environmental benefits. The project proposal does not meet this principle. The proposed GEF financing covers a lot of the activities of the overall program and does not demonstrate that those measures produce global environmental benefits. Only to take one example: The development of road safety strategy in general does not generate effects on the global environment. Same is true for traffic management. The “improved capacity in the area of traffic scheduling and BRT”, “study tours” and “implementation of urban transport policy” would all be part of a sensible baseline and it remains doubtful to what extent these activities have effects on the global environment. It has to be specified that the GEF grant only finances activities that makes environmental-friendly transport more attractive.

COMMENTS FROM SWITZERLAND

General Comments

56. The objective of the proposed project is to improve the urban transport system in the Greater Accra Metropolitan Area (GAMA) by adding components to a broad road-oriented project. This should ensure that the (urban) transport system is made socially and environmentally more sustainable. The project focuses on three key elements:

- (a) strengthening the policy, institutional, and regulatory framework for managing, coordinating, planning, and monitoring urban transport services;
- (b) implementing traffic management measures in addition to an improved bus transport system; and
- (c) monitoring and evaluation of local and global environmental benefits.

57. These heterogeneous components indicate the multifaceted character of the project: It contains “soft” components focusing on organizational and managerial aspects in setting up and

implementing strategies aiming at reorganising the collective urban transport. At the same time it proposes accompanying measures with the introduction of a bus rapid transit system on pilot corridors (i.e. traffic management and enforcement mechanisms). Finally, the project aims at improving monitoring and evaluation capabilities.

58. In principle, we support this project. In particular, we see the manifold potential long term benefits, socially as well as environmentally (locally, in terms of air quality, as well as globally, in terms of greenhouse gases). Even if these benefits are difficult to assess in the short term, and even if the figures describing these benefits may not be overly impressive, we recognize the urgency of adding this type of support to a “hardware” project (such as the rehabilitation and maintenance of a road network).

Main Concerns

59. The main concerns address the variety and (un)specificity of many elements of the project. Even if we recognize the importance and the fundamental need for setting up the institutional and managerial capabilities, the project lists a whole range of requests (from scheduling and dispatching capacities to developing urban transport policies, from improving fare collection to adapting driver habits, from implementing a new regulatory framework to improving maintenance of vehicles, from changing travel patterns to setting vehicle emission standards, etc.). The main concern is that these manifold requests are very vast, and the actions as well as the expected outcomes are therefore rather unspecific. This means that the outcomes will be hard to monitor. In fact, the list of actions (including the costs associated with the actions) may appear to be somehow arbitrary.

60. In addition, the “baseline” project already contains “institutional strengthening components”. The proposal is unspecific also with respect to the responsibilities of the protagonists: Who is in charge of implementing the different elements of the project? How are the tasks split between the “Baseline” and the “Alternative”? (see Incremental Cost Matrix). In addition, there still appear some inconsistencies in the sense that elements listed under “activity components” (chapter 3.2, i.e. pilot trials of CRT) do not show up in the incremental cost matrix—examples which should and could be designed and assessed rather precisely.

Conclusions and Recommendations

61. Despite these –as of now still remaining– shortcomings, the project merits support: We strongly back the underlying rationale that managerial and organisational adaptations are indispensable for bringing “hardware” investments in the transport sector to sustainable success. However, the credibility of the project could be enhanced by making the intended actions yet more specific and precise, adding clear work programmes to the individual actions, indicating who shall be responsible for the actions, and specifying the expected products and outcomes per action.

**INTERSESSIONAL WORK PROGRAM: COMMENTS FROM COUNCIL MEMBERS
(REFERENCE TO GEF/IS/14)**

9. Mexico: Integrated Energy Services for Small Localities of Rural Mexico [WB]

COMMENTS FROM GERMANY

Recommendation

62. Germany agrees to the project proposal. Changes outlined below should be made during further planning steps and during project implementation.

- (a) The extension of energy supply in rural areas matches current priorities of the environment and development cooperation with Mexico. The “multi stakeholder approach” of the project is convincing. The review and improvement of the regulatory framework is considered an important part of the project. Long-term perspectives should be included;
- (b) Given the incremental cost nature of GEF funding, the share of project management costs is high: GEF’s contribution to management amounts to 20% of GEF funding. With a 15% share of overall project costs, GEF covers almost one third of project management. This ratio is not acceptable;
- (c) Co-financing commitments seem rather weak and should be improved;
- (d) The Phasing out of GEF support is not yet convincing;
- (e) Financial analysis should expand on sustainability of subsidy dependency and arrangements for maintenance after five years; and
- (f) Very low trust in PV technology by both government and beneficiaries needs to be addressed.

COMMENTS FROM SWITZERLAND

General Comments

63. The proposed project “Integrated Energy Services for Small Localities in Rural Mexico” (IESRM) aims at increasing access to efficient and sustainable integrated energy services in rural areas of the Southern States of Mexico. The Project will be fully blended with an IBRD / Government of Mexico (GoM) investment operation and consists of the following five components:

- (a) Strengthening of strategy, policy, and regulatory frameworks;
- (b) Investment in rural electrification sub-projects;
- (c) Technical assistance and capacity building activities necessary to ensure the success and sustainability of the Project at different stages of implementation;
- (d) Technical assistance to increase productive uses of electricity and improve quality of life; and
- (e) Project management.

64. The global environmental objective of the IESRM is to reduce greenhouse gas emissions through increased utilization of Renewable Energy (RE) in rural areas for the provision of electricity. The proposed project is consistent with the GEF Operational Programme 6 "Adoption of renewable energy by removing barriers and reducing implementation cost". The project is also in line with the related GEF Climate Change Strategic Priorities 1 "Transformation of Markets for High Volume Products and Processes", 3 "Power Sector Policy Frameworks Supportive of Renewable Energy", and 4 "Productive Uses of Renewable Energy".

65. We consider the IESRM to be very well conceived and developed. The intervention logic of the project is well balanced and addresses the key issues and challenges of energy supply in remote rural areas. The proposed delivery models for the deployment of the renewable energy systems are adapted to the specific requirements of rural areas. Due to the blending of the GEF grant with a combined IBRD loan and GoM investment program, significant co-financing could be mobilized.

Main Concerns

- (a) *Operation and maintenance cost of RE systems:* A key challenge for renewable energy systems in remote rural locations around the world is the high cost of operation and maintenance in relation to the typically low consumption and income of the majority of rural households. The remoteness of the locations – with often difficult and time-consuming access– requires decentralized support services. At the same time, only limited technical capacities are usually available in rural areas. This is due to the generally limited economic activities and labour migration. We consider the delivery models proposed for the project, which are based on medium-term Build, Operate, Train, and Transfer (BOTT) service contracts with output based subsidies, to be suitable to address these challenges. To lower transaction cost and thus further increase the chances that the selected private service suppliers will actually be able to sustain their operations, it may be advisable to bundle a larger number of smaller communities for the bidding process. Further, the selected service suppliers should be encouraged to cooperate with each other (e.g. in the form of an association). This would allow

them to yield synergies and for example save costs on procurement and delivery of spare parts, trainings, logistics, etc.

- (b) *Productive use of electricity:* The promotion of productive uses of electricity is crucial not only in view of rural development and poverty alleviation, but also in view of improving the sustainability of the renewable energy systems so that more revenues are generated to cover operation and maintenance costs of the systems. This aspect is addressed with component 4 of the project, under which technical assistance will be provided to increase productive uses of electricity. In order to further strengthen this project component cooperation with other donor or government initiatives in the field of rural development may be sought. This would allow the capitalization of existing structures with regard to micro-financing, business planning, community development, etc. Experience with similar initiatives has also shown that potential productive uses of electricity should be taken into account at an early stage of planning of renewable energy systems to ensure technical compatibility and functionality.

Conclusions and Recommendations

66. We recommend that the project is approved by the GEF.

67. The project is very well conceived and adopts strategic choices, which are fully consistent with GEF priorities. The targets of the project with regard to RE based rural electrification are ambitious, but we consider them achievable.

68. The main challenge of the project will be the establishment of sustainable support services for RE systems in rural areas, taking into account the relatively high operation and maintenance costs of the systems and the widespread poverty in rural communities. While the related risks are addressed in the project design, further measures may be required, as described above, to ensure sufficient involvement and commitment of support service suppliers. We further recommend that the project proponents cooperate as much as possible with other rural development initiatives for the promotion of productive uses of electricity and the related business development activities.

COMMENTS FROM THE UNITED STATES

69. Clearly, there is a great need to extend electrification to rural areas without such services in Mexico, and thereby promote small business creation and poverty reduction. GEF funds can help do this in a way that minimizes CO2 emissions. However, we found the results measurement framework disappointing. The indicators themselves seem solid enough, but there are virtually no baseline data, and many of the target values are either blank or questionable. For example, the targeted dollar costs per household new connections are meaningless – merely listed as “least” for each year. While some indicators have annual target values (e.g., number of households electrified, number of households electrified with renewable energy, and KW of new renewable energies), we don’t know whether these are solid target values. We also have

questions about cost-effectiveness. The economic analysis shows a 21% IRR over a 15-year period for solar home systems and a 16% return for wind home systems. The financial analysis shows that subsidies of about 90% of capital costs will be required to make the model financially viable. We have doubts about whether such a huge subsidy of capital costs would in the end be the most cost-effective way to bring electricity to these residents. We are also mindful of the lesson of some previous off grid renewable energy projects – renewable investment fell into disuse. *Therefore, the United States requests that this project be strengthened with a stronger results management framework and better analysis of the cost effectiveness of grid versus off grid connections, and asks that the project be recirculated to the Council prior to CEO endorsement.*

**INTERSESSIONAL WORK PROGRAM: COMMENTS FROM COUNCIL MEMBERS
(REFERENCE TO GEF/IS/14)**

LAND DEGRADATION

10. Argentina: Sustainable Management of Arid and Semi-arid Ecosystems to Combat Desertification in Patagonia [UNDP]

COMMENTS FROM GERMANY

70. Germany supports the project proposal without a need for further comments.

**INTERSESSIONAL WORK PROGRAM: COMMENTS FROM COUNCIL MEMBERS
(REFERENCE TO GEF/IS/14)**

11. Mauritania: Community-based Watershed Management Project [WB]

COMMENTS FROM GERMANY

Recommendation

71. Germany agrees to the project proposal. Changes outlined below should be made during further planning steps and during project implementation.

- (a) The proposal claims participatory approaches as being at the base of the project; at the same time the proposal comes along with methods and tools which are not easy to marry with bottom-up participatory approaches (masterplanning of watersheds which will be at national and regional level, municipalities instead of villages in the driver's seat für natural resources management and community ownership of public investment, GIS based overall monitoring of project impact). It will require an extremely skillful and attentive management to avoid the risk of falling back into classical top-down patterns of project implementation.
- (b) Adapting the pastoral code to characteristics of rainfed areas is listed under the development challenges although is not foreseen to be addressed by the project.
- (c) A whole range of existing national strategies and related documents are given at the outset of the document but very few efforts are visible to mainstream the project into the ongoing activities and programmes which are implemented under these strategies.

COMMENTS FROM SWITZERLAND

General Comments

72. The objectives of the project are highly relevant with regard to the problems described. The objectives of the project also fit well with GEF objectives. The proposed approach is in general clear and corresponds well to the project's objectives. Three major components of the project are described: (a) Capacity Building; (b) Investment Funds; and (c) Project Management.

Main Concerns

73. Two major concerns arise:
- (a) the short project duration; and
 - (b) a weakness in the description of the concrete measures that would lead to an improved management of the watersheds concerned.

Project duration

74. The short project duration of five years is in contradiction to the project's ambition of promoting sustainable and participative development processes.

75. The description of the project indicates a complex and difficult context in which the project will intervene (scarce natural resources, conflicts, tensions between stakeholder groups, deficit in mutual trust, insecurity in land tenure, etc.) .

76. The expected results of the project cannot be achieved through technical and organisational measures alone. Changes in perceptions, attitudes, and behaviour of all involved stakeholders will be necessary. Time consuming societal negotiation processes will determine whether the proposed objectives can be achieved or not. Intensive communication, training, trust-building, and attractive results will be needed over a rather long period of time. Experience from similar projects shows that time pressure from the project management side can lead to negative reactions of stakeholder groups and will endanger project success. We consider that for such a project a minimum duration of 10-15 years is necessary.

Weaknesses regarding the description of the concrete measures

77. In principle, the proposed "demand driven" approach is promising and will yield results. Nevertheless, local communities often do not have all the knowledge and information necessary for the sustainable management of watersheds. Therefore, it will be important to supplement the "demand driven" approach with "external" and scientific inputs. These inputs shall be provided in an adapted form that corresponds well to local needs. Whether the proposed measures are useful and adapted to the local context can often only be evaluated based on a solid database. However, the database described or referred to in the project document appears to be mainly of qualitative nature. While these data are certainly useful, quantitative information, based on longer-term observation and research, is needed for watershed management. Without such data, it will often not be possible to implement the right measures at the right location, thereby running the risk of making the wrong investment choices.

Conclusions and Recommendations

78. We recommend that the project is approved by the GEF.

79. At the same time, we recommend the following adaptations:
- (a) extension of the project duration;
 - (b) completion of the description of the project;
 - (c) complementing the “demand-driven” approach with a “project-driven” component, that will lead to the availability of more data and knowledge on the watersheds;
 - (d) clear indication in the project document which data are already available (particularly with respect to climate, hydrology, vegetation, and socio-economic data); and
 - (e) inclusion of maps in the project document, indicating project area and the communities concerned.

**INTERSESSIONAL WORK PROGRAM: COMMENTS FROM COUNCIL MEMBERS
(REFERENCE TO GEF/IS/14)**

**12. Pakistan: Sustainable Land Management for Combating Desertification (Phase I)
[UNDP]**

COMMENTS FROM GERMANY

Recommendation

80. Germany agrees to the project proposal. Changes outlined below should be made during further planning steps and during project implementation.

- (a) Outcome 1 targets the creating of an enabling environment for SLM. Nevertheless the understanding of “enabling environment” is limited to the certainly needed mainstreaming of NAP into national policies. More attention should be paid the driving forces of the land degradation: policies in agriculture, social, institutional and economic factors. They should be described and properly addressed at the level of activities and indicators.; and
- (b) The rational and the users of the GIS based decision support system should be further explained. An operational link to the participatory land use planning that needs to be done at the level of local communities has to be established.

COMMENTS FROM THE NETHERLANDS

81. We are very critical about the merits and added value of this activity, and we do not agree with the proposal in its present form. Our main concerns are:

- (a) The proposal, too much reflects an isolated, project oriented approach from the Ministry of Environment, and lacks a broader orientation on ongoing activities in the water sector in Pakistan. Although the proposal mentions other actors, is not clear were and how other ministries, and non governmental actors in the sector will be involved;
- (b) The added value of this activity totally unclear. For example, we would recommend a reference to the 'Local Governance Ordinance' in Pakistan be included. This Ordinance allows for funding of 'development' initiatives by Citizen Community Boards until a level of 25% of the development budget of districts. These resources are structurally under exploited and it is not clear why the districts 'need' the extra financial means through the proposed activity; and

- (c) The proposal is focusing mainly on policies and too little on implementation. Although the proposal mentions the ongoing efforts from the Government to improve water management in Pakistan, the linkage between the proposal and these ongoing activities are not being made clear. This is a very weak point in the actual proposal. Moreover, we think that the proposal should include references to ongoing activities of other donors in the field of water management, as well as a vision how to link with these activities. The Government of Pakistan, with support of the Asian Development Bank (mainly) and other donors (a.o. The Netherlands) prepares a farmers loan facility for irrigation, for example. The proposed activity tends to neglect these ongoing activities, if not duplicate them.

82. We think (the proposal) needs some redrafting and reorientation before we introduce this activity into the GEF working Programme.

COMMENTS FROM SWITZERLAND

General Comments

83. The project addresses important national concerns: land degradation, deforestation, productivity of farming, and desertification.

84. The pressure of a fast growing population (with 2% population growth, the population will double in the next 32 years) on a fragile ecosystem induces low productivity, loss of farming and grazing land, and acute deforestation.

85. Two thirds of the 153 million Pakistanis must depend upon dry land areas for their livelihood. Eighty percent of the country is located in arid or semi-arid climatic zones.

86. The aim of the project is to protect, in effect, 375.000 ha from degradation through demonstration of best land practices on an estimated 8.000 ha in the first phase (2 years), followed by 40.000 ha in the second phase (5 years).

87. The project will contribute to enhancing institutional and local capacity through better land management practices.

88. The program will deal with arid and semi-arid regions as well as irrigation practices in these areas.

89. The project is well defined, comprehensive, and the aims and means to reach the expected results are clearly designed.

90. Acceptance of funding phase 1 implies acceptance of phase 2.

Main Concerns

- (a) The use of GIS is an important tool for monitoring progress and comparing results during the various phases of the program. The database will take into consideration SLM regions, although Sustainable Land Management SLM is not well defined nor precisely spelled out.

The following questions need to be addressed: How will SLM be achieved? What are the tools and techniques, which will be mobilized to reach the final aims?

- (b) The cooperation of local governments and local communities is not yet assured to implement and disseminate positive results of phase 1.

Local agencies still have to be convinced to share data and results with the central government.

- (c) Who are the people responsible for heading the seminars, which will be conducted to disseminate results? Are they local stakeholders, members of government agencies or members of the program?

This point has to be clarified before organizing these seminars throughout the region. Independent consultants, familiar with Sustainable Land Management, should be hired in order to be credible for the local governments and various stakeholders.

- (d) The replicability of SLM in other countries, as well as in various regions in Pakistan, implies that the examples chosen originate in rural areas and are conducted by farmers, i.e., local stakeholders.

- (e) The gender question is mentioned in the proposal, but the project proponents need to clarify how women would gain and participate in this program.

- (f) Land tenure seems to be a « solved question » as there is no mention of it. Is this really so?

- (g) Several evaluations will be conducted: Evaluations and reports will take an important amount of time in the two-year program. At the same time, very little time seems to be available between the beginning of the program and the various evaluations. The mid-term external evaluation for example, scheduled after only one year, will not be able to evaluate much of the program yet.

A seminar conducted by all members of the program prior to the beginning of the activities could be profitable to all. This seminar would clarify a certain number of questions such as: SLM, relations between central and local authorities, role of stakeholders, etc.

Conclusions and Recommendations

91. We recommend that the project is approved by the GEF.
92. The project is sound, well thought out, and it will succeed if participation at different levels is assured.
93. The general philosophy of the program, i.e., to work from pilot sites and disseminate the results in a subsequent phase, seems excellent, granted that the actions taken in the pilot sites are replicable and economically sustainable for the stakeholders.
94. Pakistan is aware of the necessity to reach better productivity and to implement better land-use practices. A continuation of today's trend leads to severe ecological problems. The stakeholders and authorities are aware of this state of affairs. One could wish for a more explicit integration of the pastoral dimension in the project; herders seem partially left out of the program.
95. In comparison to other programs and taking into account the expected long term results, the proposed project proves to be fairly inexpensive. This statement remains true also when including the second phase with a cost estimate of some 13 million US\$.

Further comments

96. We consider this a very interesting project with promising results; the risks mentioned in the request are probably easily surmountable.
97. The type of intervention and the method, once clarified, should lead to a successful result in fighting land degradation and desertification, and it should enable local populations to earn higher incomes from farming.

COMMENTS FROM THE UNITED STATES

98. This project is aimed at protecting an estimated area of 375,000 ha from land degradation, of which at least 8,000 ha would be protected in Phase 1 and 40,000 ha in Phase 2 will be covered through direct demonstration of sustainable land management practices. The logical framework is too detailed, and should be simplified to focus on priorities and outcomes, rather than inputs. There are also several weaknesses of the project. First, it does not address how government plans to get buy-in from provincial leaders and local groups, which is important in light of some of the areas where the program is planning to operate. Second, there are other GEF-funded projects that are complementary to this effort, but little discussion of how the projects would be linked, or what efforts would be undertaken to ensure consistency with each other. Finally, there is little discussion of how the project would operate in areas of high corruption. *Therefore, the United States requests that this project be strengthened accordingly and recirculated to the Council prior to CEO endorsement.*

**INTERSESSIONAL WORK PROGRAM: COMMENTS FROM COUNCIL MEMBERS
(REFERENCE TO GEF/IS/14)**

MULTI-FOCAL AREAS

13. Global: Small Grants Programme (Third Operational Phase), Tranche 2, Installment 2 [UNDP]

COMMENTS FROM GERMANY

99. Germany supports the project proposal without a need for further comments.

COMMENTS FROM THE NETHERLANDS

100. We support the proposed approach to funding of the SGP.