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U.S. AGENCY FOR INTERNATIONAL DEVELOPMENT
POLICY DIRECTORATE
OFFICE OF INTERNATIONAL DONOR PROGRAMS
WASHINGTON, D.C. 20523

FAX TRANSMITTAL

DATE:

September 22, 1993

TO:

GEF Working Group on Climate Change

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NUMBER OF PAGES SENT INCLUDING THIS COVER SHEET: 14 Part I

MESSAGE: Attached are US Parallel financing GEF projects for your review.

Wed 3pm



U.S. AGENCY FOR
INTERNATIONAL
DEVELOPMENT

MEMORANDUM

September 20, 1993

TO: GEF Global Warming Interagency Review Group
See Distribution

FROM: POL/IDP, Thomas F. Hourigan *Tom Hourigan*

SUBJECT: Review of USAID 6th Tranche Parallel Financing GEF Projects

Attached are five Global Environment Facility (GEF) Project Briefs for your review. The projects are:

Mexico - Renewable Energy Project
Bolivia - Renewable Energy Support Project
Philippines - Renewable Energy Finance and Technical Assistance
Indonesia - Outer Islands Wind Power
Nepal - Private Hydropower for Rural Electrification

These projects represent five of the six U.S. Agency for International Development (USAID) parallel financed projects for the Sixth Tranche of the GEF. All five global warming projects are currently being reviewed by outside reviewers and the GEF STAP. A.I.D. will also be resubmitting the "Asia Regional Biodiversity Conservation Network", which was originally submitted for the Fourth Tranche but was withdrawn at the request of the previous Administration. The latter was highly recommended by the STAP and approved by the Implementing Committee. Agencies were informed in the Spring that A.I.D. would like to resubmit this project.

I would like to call a meeting to review these projects:

When: Tuesday, October 5, 1993 at 3:00 PM.
Where: State Dept. Room to be Arranged

Please let me know if you can attend (Tel: 647-5963), or forward written comments to me (fax: 647-5189). Thanks for your assistance in this matter.

Distribution:

Treasury	Michael Kaplan
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USAID	David Jhirad, Ross Pumfrey

Project Briefs: Page 1**GEF FY93 USA Parallel Cofinancing - Sixth Tranche**

GEF Project Selection Criteria Reference Sheet
Mexico: Mexico Renewable Energy Project

Environmental Policy Framework	The GEF, UNCED's Agenda 21, and international donor activities demonstrate growing international support for the use of renewable energy technologies which displace fossil fuel-based electricity generation, resulting in reduced CO₂ emissions. <u>This project will promote sustainable economic development while reducing greenhouse gas emissions through the expansion of the Non-Conventional (i.e. renewable energy) Rural Electrification Program in Mexico, as well as support for AID/Mexico Global Climate Change forestry activities in parks, reserves and surrounding buffer zone communities.</u>
Project Type	Type I primarily, with some Type II aspects. Renewable energy systems selected will generally be least-cost energy options, on a system life-cycle basis. There will be a number of upstream activities and transaction costs involved in the demonstration of these technologies and applications, including: renewable resource assessment; detailed project identification and preparation activities; environmental, project, and program evaluations; policy dialogue, awareness building, and institutional strengthening. In addition, project activities in support of environmentally sensitive areas (parks and reserves) will in some cases have costs that exceed purely national benefits. Expansion of markets for renewable energy systems through demonstration projects of photovoltaic, small wind and microhydro power for productive uses in remote areas can be expected to reduce the costs of both Type I and Type II applications of these technologies, thereby achieving a substantial leveraging effect. Subsidized investment in uneconomic grid extension and subsidized fossil fuel technologies has led to an unfavorable market environment.
Global Environmental Benefit	Primarily Reduction of Greenhouse Gases. There are interlinkages with protection of biodiversity. Generation of electricity from renewable energy systems produces no CO₂ emissions. Installation of off-grid renewable energy systems will avoid or reduce the need for extension of the electric grid and related fossil fuel-generated emissions, and reduce reliance on diesel generators. Global benefits will be derived from the reduction of CO₂ emissions through displacement of fossil fuel-based generation resulting from expanded incorporation of renewable energy systems in Mexico's rural electrification program. Global benefits will also be derived through project support for Government of Mexico and AID/Mexico programs in support of environmentally sensitive areas such as parks, reserves, and biospheres; the project will support the utilization of renewable energy systems in park and reserve facilities (lighting, communications, water pumping etc.) and in meeting the energy and economic development needs of park and reserve buffer zone communities.
Form of Innovation	Mexico is the first country in the world to incorporate multiple renewable energy technology systems into its national social development program and closely coordinate off-grid renewable energy projects with its conventional rural electrification activities. This project's emphasis on private and social productive use applications will help to increase the economic benefits of renewable energy project investments and strengthen the cost-benefit situation for renewable energy investments in Mexico and for other middle-income and developing countries as well.

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Demonstration Value and Replicability	Lessons from the project will be directly applicable to many similar developing country contexts, where thousands of communities remain without electricity due to technical and economic constraints on grid extension. Mexico is already a leader and strong example in Latin America in the area of use of renewable energy systems for household electrification for lighting and communications. Institutional strengthening provided through this project will facilitate the replication of the productive use and household electrification projects throughout the country and region, and will provide an example for other regions of the world.
Contribution to the GEF Portfolio	This project represents an advanced and comprehensive effort to institutionalize the appropriate utilization of renewable energy technologies to date, through bilateral, multi-level cooperation that benefits from both in-country and international field experience, and promises to advance the data and information sharing currently lacking in the field.
Sustainability	Electricity has been widely recognized to be a key factor in economic development. However, electrification through fossil fuel-dependent, economically prohibitive and environmentally deleterious grid extension or isolated diesel generation cannot foster this economic development without incurring serious economic and environmental costs, on both the micro and macro levels. An important premise of this project is that renewable energy technologies can provide a means for sustainable economic development in an environmentally benign manner, and provide higher quality and more reliable energy services as well. This project will support institutional strengthening and capacity building, provide technical assistance and training, and will assist local institutions in the development of credit and financing mechanisms, thereby enabling post-project continuity.
Monitoring, Evaluation, and Dissemination	This project will support the monitoring and evaluation of field projects installed under this specific GEF project, and evaluation of the Mexico renewable program as a whole. Mechanisms will be established for measuring system performance to verify proper system sizing and architecture for given energy resources and loads. Social and cultural adaptation of the technology will be assessed, and pre- and post-installation environmental impact assessments will be performed. The results of these evaluations and project assessments will be disseminated over the course of the project and afterwards.

Mexico Renewable Energy Program

GEF Objective:	Reduction of CO ₂ Emissions
USAID-GEF Parallel Funding:	US\$4. million
Project Type:	Primarily Type I, with some Type II aspects
World Bank Funding:	None as of now
Tentative Approval Date:	

Background. Several million Mexicans lack basic electricity services which are highly valued for their contribution to productive economic activities and social mobility. The Government of Mexico has recognized the importance of electric services to the economic development of these primarily small, remote communities, and has allocated substantial resources to the extension of electric lines to these areas. However, this approach to rural electrification quickly becomes economically prohibitive and environmentally unsound.

In an effort to achieve a more economically and environmentally sustainable program, the Government of Mexico has over the last three years been employing renewable energy technologies in its rural electrification activities and other rural application projects. The utilization of renewable energy systems in place of the two traditional alternatives (grid extension and increased consumption of fossil fueled central station generation, or isolated diesel generation) results in lower emissions of carbon dioxide and other air pollutants, important environmental and global warming benefits.

Renewable energy systems (primarily solar-electric photovoltaics to date) have been used in Mexico to electrify a number of rural communities, totalling approximately 20,000 households, and a small number of productive use projects. In addition to these off-grid rural applications, Mexico shows growing interest in utility scale grid-tied renewable

energy generation projects, using primarily wind, hydro and biomass technologies. The Mexican government is currently considering a major expansion of the rural electrification program utilizing renewable energy.

Project Purpose. The goal of this project to support the expansion of Mexico's renewable energy activities is to promote sustainable economic development in Mexico while reducing CO₂ emissions resulting from fossil fuel-generated electricity. The purpose of the project is to support the substantial expansion currently under consideration by the Mexican Government of its renewable energy rural electrification activities. This project will also seek to support AID/Mexico forestry-related Global Climate Change programs involving parks, reserves and buffer zones, focusing on applications for renewable energy systems for park and reserve facilities, and on provision of energy services to populations in sensitive buffer zone areas.

The U.S. Department of Energy and U.S. Agency for International Development have been supporting the National Solidarity Program (PRONASOL) and state renewable energy activities through the informal working-level cooperation program known as PROCER (Programa de Cooperación en Energía Renovable). To ensure sustainable program expansion, continued technical, institutional and coordination support through cooperative activities will be critical during the interim period.

Countries Eligible. Mexico

Project Components. The Mexico Renewable Energy Project is a three-year project, with the first two years concentrating on project development and the third year primarily on evaluation, documentation and dissemination activities. The project will be further developed and implemented by the U.S. Department of Energy, principally through Sandia National Laboratories. The principal Mexican counterpart is the Secretariat for Social Development (SEDESOL); however, close

*GEF FY93 USA Parallel Cofinancing - Sixth Tranche**Project Briefs: Page 4*

collaboration will also continue with the Federal Electricity Commission (CFE), selected state governments, and research and financing institutions. Field projects will be screened and selected on the basis of criteria including support for productive use applications, use of least-cost technical approach, prospects for broad project replication, and counterpart agencies' priorities.

Demonstration/pilot field project support will be the dominant component of the project, with a focus on socially and commercially productive uses. The renewable energy activities will also support other Environment/Global Climate Change components of the AID/Mexico program, by identifying where renewable energy systems can support projects in park, reserve and buffer zone management. Hence, this project will also support AID/Mexico objectives in areas of reduction of deforestation and protection of biological diversity.

Renewable energy resource assessment, and program and project evaluation and documentation represent the other primary project components. Additional project elements include institutional strengthening, policy dialogue, and awareness-building concerning renewable energy options. These elements represent activities integral to the demonstration/pilot field project identification, development, implementation, evaluation and replication process, and are therefore not discussed here as separate project components.

Component 1: Development of Rural Demonstration/ Pilot Field Projects

This component will support the cooperative development of field projects with high potential for replication, with a focus on productive use projects having significant economic and social benefits. The main purpose of the field projects is to validate and document under local conditions selected innovative technical and institutional approaches to rural application of renewable energy technologies, thereby aiding the establishment of guidelines for decision-makers for selecting standard system packages, design approaches and institutional structures that are appropriate and replicable in

local contexts. In order to maximize project sustainability, economics and demonstration value, these projects will be developed in "clusters" so that a sufficient critical mass of installations exists to foster a sustainable implementation and support infrastructure.

Project development will involve field project identification and preparation, in addition to project procurement. Projects will be identified according to priority applications, regions or sites, and presence of appropriate public and private sector counterparts. Project preparation will include characterization of site-specific productive use-related loads, renewable resource data collection and analysis, site surveys, and collaboration with local counterparts to ensure effective integration of field projects into state project procurement and financing facilities.

Following project identification and preparation, RFPs will be prepared and systems will be procured, generally on a turn-key basis. An effort will be made to procure systems in sufficient numbers and geographic density to enable reduced per system costs and development of installation and service infrastructure. Cost-shared funding of selected individual projects will be considered on a case-by-case basis, including park and reserve-related projects.

Component 2: Resource Assessment/ Confirmation

This activity will increase the knowledge base concerning selected renewable energy resources in Mexico, both on a national scale and particularly in selected priority regions for development of specific field projects. This project component will build on certain ongoing activities, including the Preliminary Wind Atlas and Solar Resource Data Base Assessment being developed with support from AID/Mexico and DOE/EE. A modest amount of microhydro resource assessment will also be undertaken, particularly in environmentally sensitive areas, including certain protected forests and buffer zones.

Project Briefs: Page 5**GEF FY93 USA Parallel Cofinancing - Sixth Tranche****Component 3: Project and Program Review and Evaluation**

Both existing projects and the Mexican program overall, will be evaluated from a technical, institutional, and economic point of view, focusing on system performance and reliability. This project component will support these evaluations, which will serve to identify, clarify and document lessons learned, and assist in the refinement of policies, institutional approaches, and technology guidelines pursuant to sustainable project development and program expansion. Demonstration/pilot field projects supported by this project will be monitored and evaluated, with funding through Component 1.

project sites and local counterparts. Small-scale renewable energy technologies, while least-cost, do face institutional and attitudinal barriers to wider use. This project will help to overcome these barriers. The expected expansion of the Mexican Non-Conventional Electrification Program, along with selected renewable energy projects in areas protected under AID/Mexico's GCC program, will represent a significant expansion of the global market for small-scale renewable energy technologies, helping to result in lower manufacturing costs for these technologies. This project is designed to support this expansion of the Mexican program, and the enhancement of protected areas management.

Component 4: Program Coordination and Development, Liaison and Reporting

This work area involves support for ongoing program development, coordination, and unified reporting, including coordination between the different U.S. and Mexican government agencies and working level counterparts involved in the renewable energy project activities. It supports each of the three components above, and particularly Component 1, Development of Rural Demonstration/Pilot Field Projects. This component will also support policy dialogue and awareness building activities concerning renewable energy applications, through the program coordination and development tasks. Unified reporting tasks will include the compilation of quarterly and annual reports on project activities, addressing progress towards AID/Mexico strategic objectives, planned project outputs, and updates on objectively verifiable indicators.

Rationale for GEF Funding. As stated above, this project results in reduced CO₂ emissions. While the technologies used in the individual field projects are least-cost technologies on a life-cycle basis, the broad implementation of renewable energy technologies for productive use applications will involve funding of certain upstream activities or prerequisites including resource assessment and a detailed process of identifying the best applications,

Project Monitoring and Evaluation. Component 3 above addresses project monitoring and evaluation.

GEF Project Selection Criteria Reference Sheet
Bolivia: Electrification for Alternative Development

Environmental Policy Framework

The Electrification for Alternative Development Project (ADEP), financed by USAID/Bolivia, is currently implemented under a Memorandum of Understanding between the Bolivian Government, USAID, and the National Rural Electric Cooperative Association (NRECA), a USAID-registered Private Voluntary Organization (PVO). NRECA provides technical assistance to the Project under a Cooperative Agreement with USAID/Bolivia. USAID/Bolivia's Environmental Policy Framework states that its strategic objective is to strive to "...reduce degradation of forest, soil, and water resources and protected biological diversity". The renewable energy activities funded under the Project will enhance forest management, sustainable use of the natural resource base, and reduce overall carbon emissions resulting from the energy sector.

Project Type

Type 2. A project of this type would not occur without external grant financing. There have been few projects financed of this type in the past, and they have always been financed by donor agencies. The project provides impressive economic and environmental benefits, but access to commercial capital has been very limited in the past due to Bolivian private sector market constraints. Additionally, implementation of renewable energy systems is constrained by lack of technical assistance and training, which will be provided by this project.

Global Environmental Benefit

Reduction of carbon dioxide emissions. The activities funded under this project will use renewable forms of energy (solar, wind, biomass, and hydroelectricity) that will not produce net greenhouse gas emissions of carbon dioxide and/or monoxide. In some cases, the Project will provide additional local environmental benefits, enabling the implementing agencies to stabilize collateral watersheds by improved land management (this would apply to micro-hydroelectric and biomass conversion projects).

Form of Innovation

The project will establish both institutional and financial models that will demonstrate innovative mechanisms towards the sustainability of renewable energy programs in other countries. One part of the effort will focus on establishment of a private

commercial financing institution to allow costs to be recovered for financing new GEF compatible future energy activities.

**Demonstration Value
and Replicability**

As stated above, this project will both borrow from earlier field efforts and will add to future efforts to establish renewable energy technology programs for rural electrification purposes. The project will work through local suppliers and non-government organizations to provide technical assistance and training, and will establish a financial structure to assure capital recovery and reflow of investment capital to finance future efforts.

**Contribution to the
GEF Portfolio**

This project will establish roles for non-governmental organizations as well as electric utilities to integrate renewable energy technologies into their rural development and electrification strategies, respectively. It will also establish the basis for future efforts through development of a revolving fund facility. These models should be of great use to similar programs in other Latin American electrification programs.

Sustainability

The project has a strong emphasis on development of local industry, local fabrication, installation, and maintenance of all types of systems installed. It will also provide training at many technical levels, including design, selection of equipment, installation, and maintenance of systems. It will work very closely with Bolivian institutions (both public and private) in project implementation and evaluation.

**Monitoring and
Evaluation**

The activities financed by this project will be monitored on a regular basis. In addition, economic impact will be assessed two years after project construction. This will include an analysis of changes in productivity, income, and access to basic services.

Summary Project Description

**Bolivia: Electrification for Alternative Development Project
Renewable Energy Support Program**

GEF Objective Renewable Energy Use

USAID GEF Funding \$2.5 million

Project Type Free Standing

World Bank Funding N/A

Tentative Approval October 1993

Background. Under the terms of traditional rural electrification, utilities provide electric service to rural communities through gradual extension of an electric distribution grid. The grid connects loads to central power stations, and allows users to access the amount of electric energy commensurate with their needs. In areas that have a high population density, this system has served both the electric utilities and end users very well; it allows demand to grow at a natural pace, providing electric energy as one of the inputs to rural economic development.

However, there exist many areas, especially in developing countries where this model has not functioned well. In countries with insufficient capital resources and/or low population densities, a very large percentage of the rural population may be without access to electricity for decades, due to the tremendously high cost of interconnecting these isolated areas with a central national grid.

One solution that has been used extensively in the past has been to establish mini-grids, using diesel engines to power rural communities. The systems are comprised of the traditional distribution grid interconnecting residential, commercial, and industrial customers of the electric utility, however, instead of power provided via a transmission line, power is generated locally by a diesel engine. While on the surface this may seem to be an ideal solution to the problem, use of diesel engines for rural power supply has in fact been very problematic. Problems have occurred at many levels. Most often, the principal point of failure has been in the operation and maintenance of the diesel power plant. Finding and retaining well-trained technicians has been very difficult world-wide. When new technicians are hired and trained, they very often opt to move as soon as they have developed a level of expertise that would allow them to attract a higher salary.

Moreover, these isolated utilities also suffer from very high technical and administrative energy losses. Transformers are seldom selected properly, meters are not installed properly, and theft

levels can reach fifteen to twenty percent of all electricity generated. These technical and administrative losses lead to very high costs as well as unreasonably high rates of consumption of diesel fuel. As a result, this rapidly expanding network of small-scale, fossil fuel powered systems contributes to increased greenhouse gas emissions, while providing an inefficient solution to rural power needs.

Additionally, these same utilities with high loss rates fail to charge the full cost of power to their consumers. When the supply of diesel fuel runs low, they curtail power supply, sometimes to as little as four hours of electric service per day. Tariffs are high, even for those not covering cost of service, reliability and quality of service is very low, and the diesels themselves are problematic due to lack of technical support and access to spare parts inventories. In sum, the experience with isolated diesel engines has been a relative failure. These lessons have led the Project to examine other options for rural power supply, options that will reduce greenhouse gas emissions, provide a higher quality of service, result in lower losses, and will provide electric service on an affordable basis.

USAID/Bolivia has funded a pilot program through the PVO, NRECA, to investigate the potential for greenhouse gas reductions through renewable energy systems in rural areas. The GEF funds will provide the incremental financing to allow this pilot to expand to a demonstration project, and investigate innovative mechanisms for sustainable financing and replication of similar mixed technology systems.

Upon examination of the various renewable energy technologies that are used for a variety of commercial applications, it was decided to initiate a renewable energy program to complement its grid extension program. In areas where there is capacity to pay for electric service but where there does not exist a sufficient load density to justify grid extension, the proposed project will consider using solar, wind, micro hydro, and biomass energy sources to provide the required level of electric service. In the initial program, \$1.7 million was dedicated to fund these projects. The funds were divided more or less equally, and a series of projects were analyzed and financed. This second phase will continue to finance a second group of projects in the same technological areas.

The Pilot: This project will build upon an initial pilot, the Phase I program in Bolivia, which has begun to not only procure equipment, but also to initiate system installation in several cases.

[For example, two hundred twenty solar home systems have been purchased, from which over 150 have already been installed. A project to utilize Brazil nut shells in Riberalta has been designed and the procurement process has begun to install a one to one and one half megawatt system for a community of 50,000 people.

> In addition, the project has signed a formal agreement with the international NGO, CARE, to pursue several renewable energy-based water pumping projects. These projects will provide potable water for drinking and irrigation to communities of 100 to 300 families. CARE will provide the community development support and infrastructure (water resource) support, while NRECA will provide technical expertise for the energy systems required. The agreement is

based upon the understanding that a minimum of 6 projects will be developed in the first phase using appropriate solar or wind technologies. The procurement process is nearing completion, and the systems should be installed by the end of 1993.

In a separate agreement, ADEP has signed a formal agreement with the Radio Learning Project to develop solar powered battery chargers to remote radios used in this program. The Radio Learning Project is a USAID-funded activity to provide primary education services to remote areas via interactive radio-based communication. At present, the radios are powered with D-cell batteries that are expensive relative to the amount of power provided to the users. ADEP is working collaboratively to develop systems that will provide the power required. Samples of the radios have been sent to the suppliers to allow them to test them, determine actual loads, and provide the Project with test results prior to the purchase of the first group of systems. The plan is to purchase a group of 50 to 100 systems from the suppliers (in total), and to test them under field conditions. Once it is determined that these systems are adequate, or what combination of technical and user management changes are necessary, ADEP will purchase a larger number of systems from it's 1992 monies. A total of \$50,000 has been budgeted for this activity.

A study was recently performed to identify several micro-hydro sites for development. The study determined that three of the sites reviewed should prove to be financially and economically feasible. The most attractive site at present is a 200 kW site in Concepción, Santa Cruz. This site will cost approximately \$400,000 to develop, but will be co-financed by the pilot project and the Cooperativa Rural de Electrificación de Santa Cruz. The pilot project has dedicated \$300,000 for the development of this site. CRE will finance the balance and provide funds for the rehabilitation of the local distribution system. The other sites will require more work to complete the development process and will be reviewed in detail by the project development team over the coming six months.

At least two additional biomass generation sites are also under investigation. These sites include dual-fuel system in Cobija and a wood-fired power plant in San Ignacio. Both sites will require the establishment and management of a wood lot. At present, both appear to be very promising; however, the project will provide analyses to identify institutional barriers to sustainable management of woodlots before proceeding with implementation..

Finally, ADEP continues to develop a solar photovoltaic lighting program in areas that are beyond the economic reach of the grid. The two pilot projects are proceeding well and are on schedule. Both of these projects appear to have a capacity to absorb at a minimum 1000 additional systems. However, the size of the systems will be reduced to accommodate the capacity of the end users to be able to afford capital recovery payments.

Current Proposal: This proposal will amplify the program described above. The GEF funding will allow increases in expected carbon benefits from the Phase I program. These include reduction in carbon emissions due to the biomass project of 75,000 tonnes of carbon; 15,000 tonnes of carbon reduction from the micro-hydro project; 2,500 tonnes of reduced emissions due to the water pumping projects; and 5 tonnes of reduced carbon emissions due to the Radio

Learning pilot project. It is estimated that these reductions will occur over a 20-year life of these projects.

Potential projects differ not only by technology but also by potential capacity. Micro-hydro and biomass resources, for example, can economically provide electricity on a twenty-four basis to drive residential, commercial, and industrial loads. Wind power can be used to generate significant loads, but usually must be supplemented by a conventional technology or inter-tied to a grid due to high variations in daily and seasonal wind speed. However, this is often an ideal technology for specialized loads, such as water pumping. Solar photovoltaic systems have been used quite successfully for a number of applications, but generally are best suited for small loads such as communications, lighting, and water supply. For this reason, the project has adopted a strategy to use small photovoltaic systems to provide electric power for households and remote communication systems; to use wind and solar photovoltaic systems for village water supply; and to use micro-hydro and biomass technologies to generate power for larger communities where hydroelectric and biomass resources exist sufficiently close to load centers.

The second phase will be similar in many respects to the first, and will in fact allow NRECA/ADEP to generate enough reflows to establish a financing facility. The GEF funds will cover the incremental costs of initiating the system. Additional funds will be sought from other sources to supplement the USAID-GEF investment, including funding from bi-lateral, multi-lateral, and local development financing agencies. In all cases, both the communities and the counterpart agencies will be required to cost-share in project financing.

Rural energy use in Bolivia varies in quality and capacity. In most rural areas, electric energy use varies from 30 to 100 kWh's per month. Traditional fuels are used most prominently, including fuel wood, brush, kerosene, and dry cell batteries. The level of use of these fuels in BTU's or kWh's has not been well quantified, but it has been estimated that over 80 percent of rural inhabitants do not presently have access to electricity and consequently use these traditional fuels to provide for their energy needs.

To provide rural inhabitants with utility grade electricity will require time, a great deal of development capital, and economic growth. In most areas, if grid electricity is provided to these areas, there is insufficient income to pay for real cost of service. However, as an intermediate or "pre-electrification" effort, these areas can be provided with lighting, communication, and water supply systems through the use of renewable energy technologies.

The Bolivian Environmental Action Plan proposes that the energy sector substitute renewable energy technologies for kerosene, natural gas, and gasoline/diesel currently used by rural households. It further states that this strategy should be implemented in an institutional framework that will lead to the long-term sustainability of the use of these resources.

Project Purpose. The goal of this project is to reduce greenhouse gas emissions, while providing electric service to users in rural areas of Bolivia that is affordable, reliable, and sustainable over time. Moreover, it is hoped that by financing a portfolio of such projects that

the reflows from the loans made to end-users will finance second and third generation renewable energy projects in other parts of the country.

The assumption implicit in this proposal is that there exists a sufficient demand for financing that a program can be established, as well as second and third generation projects. From all evidence examined, including prior programs financed by other bilateral agencies, as well as demographic studies performed recently in La Paz, Cochabamba, Santa Cruz, the Beni, and Chuquisaca, it appears that this assumption is valid.

Moreover, judging from the interest that the first phase of this program has generated, and by the success that has accompanied this interest, it is evident that an annual investment of several million dollars would not begin to satisfy the demand for renewable energy projects for rural electrification purposes.

Project Components. For the amplified USAID/Bolivia program, ADEP is proposing to use the activities that have been initiated under ADEP funding and to expand them greatly. New projects in biomass, hydro electric development, photovoltaic energy use, and wind water pumping systems will be developed. Technical assistance and training will be provided to all users, and some focused design modification will be performed in close collaboration with local suppliers.

The hydroelectric development activities will evaluate previously identified sites, with additional sites added to the current list as they are reviewed. This activity is being executed in collaboration with GTZ and several regional development corporations. Sites of primary interest are located in the Yungas and Cochabamba, but sites have also been reviewed in Chuquisaca and Santa Cruz.

The photovoltaic (PV) expansion program will add additional funds to the existing solar photovoltaic program to fund new projects in the Yungas, Cochabamba, and Santa Cruz. These projects will utilize a standard system design that will be replicated throughout the country. Work with local suppliers to provide the balance of system components to lower cost will be coordinated with GTZ and the suppliers themselves.

As with the Riberalta project, economies of scale usually dictate the cost effectiveness of projects. For this reason, a largest percentage of project funds will be dedicated to biomass power production. Projects ranging between 800 kW and 1,500 kW are required to yield positive financial returns; projects with lower capacities generally are more costly per installed kilowatt and result in unacceptable rates of return on investment.

Two activities will be pursued initially, including sites in San Ignacio and Cobija. However, if these projects are found to be undesirable, there exist several other possibilities in the department of Santa Cruz. With its abundance of biomass and the ability to produce power without harmful environmental impacts, these projects will produce very high economic impacts.

An expanded solar/wind pumping activity will also be initiated under Phase II. This will include design, purchase, and installation of an additional 10 to 15 water pumping systems at sites in the altiplano and high valleys. Several sites have already been identified with CARE and CCH, and several more will be reviewed with other implementation agencies. These sites will provide safe drinking water as well as irrigation water for micro-irrigation schemes to safeguard communities from water-borne diseases and parasites and to increase economic productivity. IN addition to these socio-economic benefits, the systems will reduce potential carbon emissions by an estimated 3,000 tonnes over a twenty-year period.

The impact of the Radio Learning Project was described above. The purpose of adding this project to the list is to allow funds to fully finance the use of photovoltaic battery charging to be used under this project. Previous activities provided monies for a pilot program; the current project funds will be used to finance a major conversion program from non-rechargeable D-cells to solar powered radios. The apparent economic payback for this project will be less than one year. All of these activities will require project development monies to perform the feasibility assessments, coordinate with local industry for local development of balance of system components, and training to users of the equipment.

The development plan will consist of four basic activities. Firstly, project appraisals will be performed for all investments. These appraisals will include a very simple cost/benefit analysis to screen project opportunities. In many cases, this level of analysis has already been performed, but where it has not, the appraisal process will be conducted to insure that feasibility studies are merited.

The second step in the process will be the feasibility studies themselves. These studies will be performed by a combination of project staff and local consultants, outside expertise as required. If additional financing is required, a financial structure for the sources and uses of funds will be designed.

In the third step of the process, specifications will be written for the equipment necessary will be written and the equipment procurement process will commence. If GEF funds are provided for these activities, international competition will be used for the procurement process.

The execution period for these projects will vary, but in general, for projects requiring formal competitive bidding, a gestation period of up to 18 months will be required for procurement, receipt, and installation of the equipment. Settling the legal and institutional arrangements will also require time, but this can be accomplished in parallel with procurement and engineering design activities.

These activities will directly complement current ADEP electrification activities, as they will other economic development activities in target areas. The additional funds will allow ADEP to provide access to electricity for a wide number of rural inhabitants who wouldn't otherwise have access to these services. Total estimated carbon reduction potential from this proposal is 85,000 tonnes of carbon over a twenty-year period. In financial terms, this will result in an

approximate cost of \$30 per tonne of carbon reduction.

Monitoring and Evaluation. All projects will be included in the normal baseline data collection and analysis stages that are used to determine the economic impact of these activities. NRECA has developed a comprehensive methodology for these purposes, and will employ it for the renewable projects just as it would for conventional electric energy projects.

In addition to periodic monitoring of ADEP activities, a formal evaluation of each ADEP activity, including the renewable energy program, will be performed by a third party evaluation team to assess the economic impact of these activities. The evaluation will be undertaken in 1996 according to the current schedule.

The evaluation will also assess the degree to which each activity can be replicated by Bolivian institutions, and the potential for sustainability of the program developed by NRECA/ADEP. Institutional strengthening, training, technical assistance, and other tools used by the project will all be included in this formal evaluation.



MEMORANDUM

September 20, 1993

U.S. AGENCY FOR
INTERNATIONAL
DEVELOPMENT

TO: GEF Global Warming Interagency Review Group
See Distribution

FROM: POL/IDP, Thomas F. Hourigan *Tom Hourigan*

SUBJECT: Review of USAID 6th Tranche Parallel Financing GEF Projects

Attached are five Global Environment Facility (GEF) Project Briefs for your review.
The projects are:

Mexico - Renewable Energy Project
Bolivia - Renewable Energy Support Project
Philippines - Renewable Energy Finance and Technical Assistance
Indonesia - Outer Islands Wind Power
Nepal - Private Hydropower for Rural Electrification

These projects represent five of the six U.S. Agency for International Development (USAID) parallel financed projects for the Sixth Tranche of the GEF. All five global warming projects are currently being reviewed by outside reviewers and the GEF STAP. A.I.D. will also be resubmitting the "Asia Regional Biodiversity Conservation Network", which was originally submitted for the Fourth Tranche but was withdrawn at the request of the previous Administration. The latter was highly recommended by the STAP and approved by the Implementing Committee. Agencies were informed in the Spring that A.I.D. would like to resubmit this project.

I would like to call a meeting to review these projects:

When: Tuesday, October 5, 1993 at 3:00 PM.
Where: State Dept. Room to be Arranged

Please let me know if you can attend (Tel: 647-5963), or forward written comments to me (fax: 647-5189). Thanks for your assistance in this matter.

Distribution:

Treasury	Michael Kaplan
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GEF Project Selection Criteria Reference Sheet
Nepal: Private Hydropower Rural Electrification

Environmental Policy Framework	The environmental policy framework for this project has strong Nepal and international components. Small hydropower is increasingly viewed as more environmentally sound than traditional large-scale approaches, and provides the basis for lower impact decentralized rural electrification. The GEF, the Climate Change Framework Convention, and UNCED's Agenda 21 also demonstrate growing international support for renewable energy alternatives to conventional, fossil-based energy expansion. <u>This project will help Nepal demonstrate and test innovative private sector development of hydropower resources in rural electrification.</u>
Project Type	Type 2. Economic incentives and technical assistance activities for investment in hydropower and related rural electrification are few, outweighed by pressures for centralized fossil energy development. Project activities would not be conducted and benefits not realized without external funding due to insufficient government funds and uncertainties of financial returns on private investment in hydropower projects.
Global Environmental Benefit	Reduction of Greenhouse Gases. Hydropower replaces oil, coal, and gas-based power systems, thereby reducing carbon dioxide and methane emissions, yet has been slow to make additional contributions where hydroelectric resources exist because of significant institutional obstacles. The global and national benefits of developing new hydropower in Nepal and the region will be realized only if additional external funding and technical assistance are provided to help expand private investments which balance economic, rural development, environmental and commercial elements.
Form of Innovation	The project has national and international significance in its innovative use of external grant funds to help demonstrate private sector approaches and investment worthiness of hydropower projects, as well as the viability of decentralized, community-based rural electrification. Cooperation between Nepal and outside businesses, governments, and NGOs is essential in seeking to increase investment in these alternatives.
Demonstration Value and Replicability	Lessons from the project will be directly applicable to similar situations, including GEF core-funded projects in India and Indonesia, where institutional support and financing for private hydropower is considered. The project also will demonstrate innovative low-cost rural electrification, with replicability in numerous off-grid rural locations.
Contribution to the GEF Portfolio	This project is an important GEF effort in the Global Warming component in targetting the collaboration of private, NGO and government sectors to expand the use of renewable energy investments in rural development. It addresses both the additional costs of institutional capacity to implement private hydropower and the incremental costs of innovative rural electrification models which are critically needed to create larger opportunities for hydropower throughout the region.
Sustainability	Renewable hydroelectric resources can supplant depletable fossil sources only to the extent that hydropower projects can be successfully financed and developed. A premise of the project is that lack of experience with private development mechanisms hinders the development of commercial small hydropower systems. Further, the lack of affordable and manageable electrification models limits the market for hydroelectric

*GEF FY93 USA Parallel Cofinancing - Sixth Tranche**Project Briefs: Page 2*

power applications. This project addresses institutional sustainability by providing technical assistance to help Nepal build the market and institutional infrastructure needed for systematic private investment in hydropower, and to demonstrate implementable rural electrification. The project will build on existing financing institutions, hydropower organizations and development NGOs, thereby assuring post-project continuity.

**Monitoring,
Evaluation, and
Dissemination**

The NGO consortium sponsoring a rural hydropower electrification pilot under the project will conduct full monitoring and reporting of progress and performance of the project, including economic comparisons with traditional electrification approaches. These reports will be provided directly to USAID/Nepal and AID/Washington. Technical assistance for private hydropower will also be reviewed as part of the independent monitoring and evaluation which is integral to AID-sponsored project design. Broad dissemination of evaluation results will be also be made an integral function of the project to increase replicability potential of project successes.

Nepal: Private Hydropower Rural Electrification

Background. Nepal faces enormous problems in meeting its electric power deficits and its growing power needs in spite of its tremendous and diverse hydropower resources. With load shedding on the electric power grid of at least several hours per day,

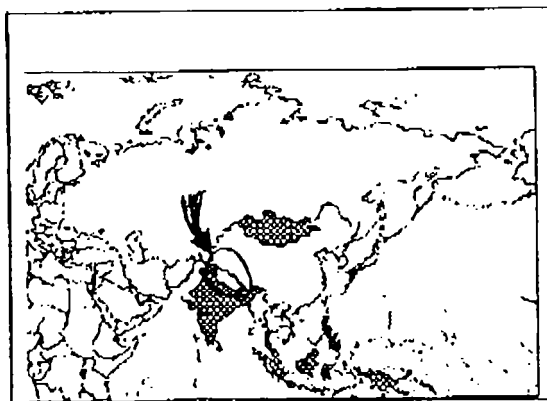
GEF Objective:	Global Warming
USAID-GEF Parallel Funding:	US\$ 2.2 million
Project Type:	Free-Standing
World Bank Funding:	N/A
Tentative Approval Date:	December 1993

electricity supply is becoming the major infrastructural constraint to Nepal's economic development. Development is also hindered by the small portion of the population with access to electricity, a problem made worse by the high cost and poor financial returns of rural electrification. Further, new public sector hydroelectric development has been at a stalemate because of bank and donor reluctance to invest in the face of high public sector debt, high cost and environmental concerns of larger-scale projects, and poor management and financial capacity of the Nepal Electricity Authority (NEA).

New approaches to hydropower financing and development and to expansion of electricity grids are needed to reduce these barriers to development. To address them, the GON passed legislation in 1992 opening the hydropower sector to greater private sector investment in, and management of, the generation and sale of electricity to the national grid. In late 1992, a USAID-funded assessment of Nepal's options for developing its hydropower resources recommended that priority be given to private development of small-to-medium projects as an important mid-term option to meet Nepal's power shortages. Both the GON and World Bank

endorsed the strategy, and USAID responded by reprogramming limited resources to provide immediate short-term TA to begin to design the market mechanisms and institutional frameworks for private investment in hydropower. Complementing this initiative, USAID has been working with several parties in Nepal to find support for expanding the successful pilot efforts by local NGOs in low cost rural electrification in remote areas based on small-scale, off-grid hydropower development.

The Nepal Private Hydropower Rural Electrification Project will support GON efforts to catalyze private investment in hydropower. The project is an untied grant component of the larger Sustainable Income and Rural Enterprise (SIRE) project, a USAID/Nepal program working with the GON, NGOs and Nepal and external private organizations to promote private sector management of rural economic development activities. The Private Hydropower project is needed to provide technical and financial resources for the GON's plan to promote development by the private sector. This approach remains poorly understood in Nepal and with hydropower in general, but the early signs of reform and market demand are encouraging.



Project Purpose. This project seeks to help the private sector and GON to establish and sustain private investment in small-to-medium hydropower projects in the Nepal economy as well as in

innovative lower cost rural electrification facilities based on hydropower. As Nepal faces worsening power shortages with few near-term prospects, the proposed activities are designed to take advantage of recent Nepal legislative and power market developments, to create the necessary market conditions for replicable hydropower projects and an approach to rural electrification which will have national and international benefits for renewable energy.

The project is designed to address the major market and institutional obstacles to the private financing of hydropower and the development of off-grid rural electrification, and thereby demonstrate a strategy which is an effective basis for rural development. It is designed to work in parallel with Nepal's new economic liberalization policies, and specifically its plans to involve the private sector in electricity development. A major assumption implicit in the program design is that despite apparent opportunities for economically viable hydropower, projects will not be developed without targeted technical and financial assistance to demonstrate new private management approaches.

Project Components. The Nepal Private Hydropower Rural Electrification Project is a four-year program focusing on two major activities: 1) Technical Assistance (TA) for development of private power regulations, implementing procedures and institutional capacity, as well as TA for qualified private hydro projects; and 2) private pilot initiatives in hydropower-based rural electrification with a local NGO consortium. These are described briefly below.

Component 1: TA for Private Hydropower

USAID has worked with the GON and other donors on a limited short-term basis to help establish the basic framework for private investment in the power sector to help implement the GON mandate to stimulate new hydro development. The GON has asked for longer-term assistance to address the acute shortage of technical and institutional capability, both in the private and government sectors, and in structuring the program consistent with accepted commercial practices. TA funds in this component will be used to provide a resident specialist in private power to work with the

GON and donors active in TA for the water and energy sectors, for training of GON program managers, operational support for project solicitation and review procedures, hydropower technical expertise as needed, and project appraisal services. TA will address energy pricing, power purchase and sale agreements, licensing and permitting of power projects, and financial guarantee requirements among other anticipated aspects of private hydropower development. The objective of the TA is to establish the systems needed to attract private investment in electric power to help alleviate the severe power shortages throughout Nepal.

USAID-sponsored TA will also be available for project sponsors which are seeking project preparation assistance. TA funds will be used on a limited basis to share the costs of project feasibility or planning studies with sponsors which appear to have commercially sound projects but which need assistance to complete "bankable" feasibility studies. High quality projects which best demonstrate or test how rural communities can realize economic benefits in utilizing hydropower resources will receive preference. Criteria will be developed for use in grant announcements and for independent review based on USAID experience with renewable energy feasibility support in a number of countries.

Component 2: Pilot Rural Electrification

As noted, USAID/Nepal has been working to help find support for expanding small pilot efforts in low cost rural electrification based on private hydropower facilities. The United Mission to Nepal (UMN) is a recognized international non-profit NGO consortium active in rural development based on small-scale, off-grid hydropower development and less capital intensive local grid development and extension. Limited pilot results show technical and economic promise for reliable, least cost electrification in the near term while greatly expanding opportunities for hydropower projects in Nepal, and demonstrate the replication potential for remote renewable energy in many developing country settings. UMN's approach also incorporates transfer of local facilities to private sector management through managerial and technical training, increasing the community development

*Project Briefs: Page 5**GEF FY93 USA Parallel Cofinancing - Sixth Tranche*

impact of the strategy.

UMN has solicited support from a variety of sources for expansion of the rural electrification program in the Andhi Khola region. It is USAID's intent to provide approximately \$1 million in grant resources under this project as a cost-sharing contribution to this innovative strategy; a private Nepali company has committed \$700,000, and other support is sought for the five year project.

The cooperative agreement with the UMN consortium will include a waiver to enable them to procure technical services and commodities for hydropower and rural electrification from free world and developing country sources. Responses will be evaluated by the consortium in collaboration with its financial affiliates in Nepal according to announced criteria, which will be consistent with GEF procurement guidelines.

Rationale for GEF Funding. The Project represents the first GEF program to provide direct support to new rural electrification models based on private hydropower. It will seek to harness the enormous potential of hydropower in Nepal and the region. It will seek to build the capacity of public and private sector organizations to evaluate and implement renewable energy solutions to meet severe power shortages. Fossil-based energy use is the only alternative to hydropower in Nepal, and is likely to be employed in the immediate term; however, growing acceptance of private investment in hydro will lead the way to business and public sector partnerships which will increasingly be needed to find environmentally sound energy strategies integrated with this growth.

The Nepal Private Hydropower Rural Electrification Project has been designed by USAID/Nepal to meet GEF criteria for USAID parallel financed projects. This project has the following GEF features:

- greenhouse gas reduction benefits;
- it is a separately designed new component of the SIRE project, to meet the new activity and new funds criteria;
- institutionalizing the commercial development and financing of renewable

energy addresses a major "innovativeness" criteria of the GEF by testing renewable energy solutions to severe energy shortage problems;

- conducting open commodity procurement under the rural electrification component is designed to satisfy open competition criteria;

- funds are truly additional to the FY 93 USAID program for Nepal.

Project Monitoring and Evaluation. The NGO consortium sponsoring a rural hydropower electrification pilot under the project will conduct full monitoring and reporting of progress and performance of the project, including economic comparisons with traditional electrification approaches. These reports will be provided directly to USAID/Nepal and AID/Washington. Technical assistance for private hydropower will also be reviewed as part of the independent monitoring and evaluation which is integral to AID-sponsored project design. Broad dissemination of evaluation results will be also be made an integral function of the project to increase replicability potential of project successes.

Regular progress reports on the Project will be submitted every six months to the USAID Asia Bureau and the central International Donor Programs office of USAID. Copies of all reports and publications prepared under the program will also be submitted to the GEF and USAID's Center for Development Information and Evaluation. Evaluations will be conducted in a manner determined jointly by USAID and the consortium managing the project. An evaluation will occur during the second semester of the second project year. It will analyze the effectiveness of the implementation of the two main program components and address the relative allocation of funds between them and the need for more or less thematic focus. The evaluation will provide the basis for an amended project proposal for the next phase of the program, if it is determined that it should continue. Funding for evaluations is contained in the project budget.

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Project Briefs: Page 1

GEF FY93 USA Parallel Cofinancing - Sixth Tranche

GEF Project Selection Criteria Reference Sheet
Indonesia: Windpower for Island and Nongovernmental Development (WIND)

Environmental Policy
Framework

The environmental policy framework for this project has strong Indonesia and global components. Renewable energy development is an Indonesia priority, especially for rural areas, in part to mitigate the environmental impacts of conventional energy development. The GEF, the Climate Change Framework Convention, and UNCED's Agenda 21 demonstrate growing international support for renewable energy alternatives to conventional, fossil-based energy expansion. This project will help Indonesia demonstrate and test the use of windpower as an alternative to diesel engines in rural areas.

WIND didn't do so yet?

Project Type

Type 2. Economic incentives and technical assistance activities for investment in renewable energy are few and often outweighed by pressures for larger-scale fossil energy development. Project activities would not be conducted and benefits not realized without external funding due to insufficient government funds and uncertainties of financial returns on investment in wind energy projects.

Global
Environmental
Benefit

Reduction of Greenhouse Gases. Wind energy can replace oil and gas-based energy systems, thereby reducing carbon dioxide emissions to the atmosphere, yet wind energy systems have yet to make significant contributions to rapidly expanding energy economies of developing countries. The global and national benefits of wind energy in Indonesia and the region will be realized only if additional external funding and technical assistance are provided to support resource assessments, equipment trials, and the initiation of commercially-oriented enterprises which contain balanced economic, rural development, and commercial elements.

Form of Innovation

The project has national and regional significance in its innovative use of external grant funds to support wind energy resource assessments and local NGO organizations in assessing and selecting test sites, and to help demonstrate the potential for wind technology to cost-effectively meet rural energy requirements. Cooperation between Indonesian governmental and NGO organizations, foreign companies, and development assistance agencies is essential for an endeavor which increases investment in wind energy technologies.

Demonstration Value
and Replicability

Lessons from the project will be directly applicable to the planned World Bank and GEF-funded Rural Electrification II (RE-II) project for Indonesia, where there are gaps in wind energy test information compared to other renewable energy systems targetted under the lending program. Lessons will apply equally to locations where wind energy is being considered under similar situations, including a GEF core-funded project in India.

Contribution to the
GEF Portfolio

This project, under the Global Warming component, is a key test of the utility of wind energy systems in meeting rural development energy needs. The project will test methodologies for wind resource assessment, rapid rural appraisal, and wind system ownership and maintenance which are critically needed to serve wind energy development throughout the region. The project will also provide wind information to parallel that for biomass, small hydro and solar in Indonesia for purposes of the RE-II project which currently plans to incorporate a GEF-funded component.

GEF FY93 USA Parallel Cofinancing - Sixth Tranche**Project Briefs: Page 2****Sustainability**

Wind energy is a sustainable resource that can replace depletable fossil energy sources only to the extent that wind projects can be successfully financed, developed, and operated by local rural groups. The project will provide technical assistance to help build and test the capacity of local NGO institutions to identify and develop sites for wind energy equipment over the long term, and demonstrate the economic return of wind energy projects. This experience will be invaluable to further development of future mechanisms for financing and developing similar projects on a broad scale.

**Monitoring,
Evaluation, and
Dissemination**

Monitoring and evaluation activities with environmental, social, and gender considerations have been included in the project plan. A mid-term project evaluation will be conducted according to USAID guidelines. Individual NGO's involved in project implementation will be trained in monitoring methods and will prepare regular monitoring reports on their activities. The results of the project will be broadly disseminated. Within Indonesia, the project will sponsor a series of workshops and seminars to share findings and disseminate information to organizations participating in the effort as well as to a wider audience of governmental agencies, donors, development programs, private companies, and other NGO's and community groups. The project results will also be shared in regional and international seminars and conferences.

Documentation of actual costs of installation and operation of wind energy systems will overcome one of the major obstacles to widespread introduction of the technology to replace diesel engines where wind resources are adequate.

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Project Briefs: Page 3

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GEF FY93 USA Parallel Cofinancing - Sixth Tranche

Indonesia: Windpower for Island and Nongovernmental Development (WIND)

Background. In response to gradual depletion of petroleum reserves and declining oil production, the Government of Indonesia has adopted policies to conserve petroleum reserves and to diversify domestic energy consumption away from petroleum

GEF Objective:	Global Warming
USAID GEF Parallel Funding:	US\$ 2.9 million
Project Type:	Free Standing
World Bank Funding:	N/A
Tentative Approval Date:	December 1993

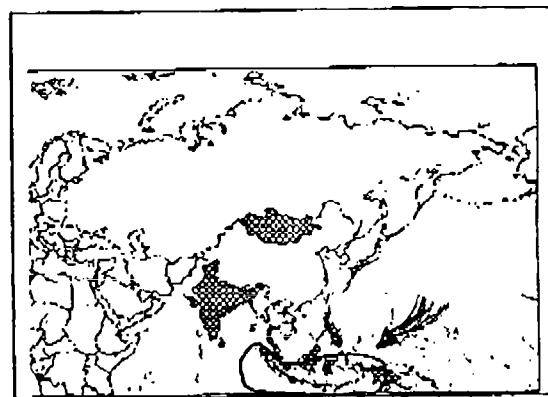
products towards alternative fuels. The planned World Bank and GEF-funded RE-II loan will include a US \$100 million program targetted specifically for renewable energy projects.

Government subsidies have kept fuel prices low and diesel powered generators the most economic option for supplying power to off-grid rural communities. Having made development in the eastern islands a priority, the GOI now intends to build needed infrastructure, including energy installations, in these locations. As these initiatives are launched the private sector is beginning to respond, often with assistance from donor organizations. A number of developers are now conducting assessments of rural electrification needs of the eastern islands, including analysis of renewable energy options.

In 1992 USAID/Indonesia funded a small collaborative project with the OECF (Japan) to test wind electricity as a least cost water pumping method on the Oesao Demonstration Farm in West Timor under the joint Small Scale Irrigation Management Project. Experience in Indonesia with windpowered turbines has not compared with the substantial experience gained with small hydro,

biomass and solar electric development, limited to small-scale installations by the National Institute of Aeronautics and Space (LAPAN) and the Indonesian National Electrical Enterprise (BPPT/PLN). Promising results to date with the wind pilot have increased interest by the GOI, donors and the private sector in expanding windpower pilot experience. This interest extends to the use of windpower for a variety of rural electrification uses in the eastern islands, where wind energy conversion appears particularly appropriate and shows commercial promise for water pumping to meet dry season irrigation needs, for ice-making where fisheries provide employment, for general refrigeration, and battery charging for a wide range of applications.

The Indonesia WIND Project will support GOI and World Bank/GEF efforts to stimulate a full range of renewable energy investments. The project is an untied grant component of the larger Strengthening Institutional Development project, a USAID/Indonesia program working with NGOs and private organizations in economic development of the eastern islands.



Project Purpose. This project seeks to help Indonesian nongovernmental organizations demonstrate, manage, and transfer small-scale wind energy systems in the eastern islands of Indonesia. It is designed to secure the involvement and

waterpumping systems

*GEF FY93 USA Parallel Cofinancing - Sixth Tranche**Project Briefs: Page 4*

commitment of nongovernmental organizations in demonstrating an alternative approach to energy supply in rural communities. The project will establish the technical and economic feasibility of the systems to generate demand and create incentives for private sector investments in the technology.

A major assumption in program design is that, once market entry costs are reduced, small-scale wind energy systems can compete economically with generators using subsidized diesel fuel. Preliminary surveys of the wind resource in eastern Indonesia by Battelle Pacific Northwest Labs in 1992 indicate that wind energy systems would be cost-effective in areas with good wind resources. The project is designed to work in parallel with the new Indonesia RE-II loan program of the World Bank and the GEF.

Project Components. The Windpower for Islands and Nongovernmental Development (WIND) project is a three-year program. The project is composed of two basic components: (1) an assessment of wind resources and establishment of demonstration projects, and (2) strengthening of technical and institutional capacity of nongovernmental organizations to design and implement wind energy projects. These two components are briefly described below:

Component 1: Resource Assessment and Demonstration Projects

The project will, in collaboration with an appropriate NGO, conduct two levels of wind resource assessments. First, it will develop a map of the general wind regime for Eastern Indonesia by integrating existing data from several sources (Indonesian government and Battelle Pacific Northwest Labs). Second, it will conduct at least ten field assessments by installing monitoring stations to determine the site-specific potential for wind energy systems and to refine the larger resource map.

The project will concurrently evaluate the specific energy needs of several communities and determine the most appropriate technology for each proposed application. Using these data, the project will select as many as two sites for demonstration projects and

ten sites for pilot projects. Site selection will formally involve several NGO's and other important institutions in the eastern islands.

Component 2: NGO Strengthening

The project will build the capability in local NGO's to design and conduct on-site assessments of wind resources and energy needs to evaluate the potential for wind energy systems. Since wind energy technology is new to most Indonesians, the project will incorporate a substantial technical training component. Extensive training will include classroom and on-site instruction for NGO's as well as local technicians and community members. The project will seek local NGO or community involvement in and commitment to the servicing of installed wind energy systems. The project will also encourage the development of technical capacity in the local private sector.

The project will work with approximately ten NGO's. Each will develop a strategic plan to identify specific technical assistance and training needs. The project will then provide appropriate training in administrative and financial, technical, and environmental areas through workshops and participation in assessment activities.

Rationale for GEF Funding. The project represents the first GEF program to test and demonstrate the use of wind energy systems as an alternative to diesel generators for rural applications. It will seek to build the capacity of nongovernmental organizations to evaluate and implement wind energy solutions to rural energy supply. Diesel generators, the traditional choice for power supply in rural areas not connected to the electric grid, continue to dominate the market because of subsidized fuel prices and lower upfront system costs than renewable energy alternatives.

While recent analyses now show that windpower can compete commercially with subsidized diesel systems in areas with good wind resources, the costs of market entry continue to hinder the widespread introduction of wind energy technologies. Funding of demonstration and pilot projects is expected to bring these costs down so that wind energy systems can become a commercially attractive option for

*Project Briefs: Page 5**GEF FY93 USA Parallel Cofinancing - Sixth Tranche*

rural energy supply. Widespread displacement of diesel generators by wind energy systems would result in sizeable reductions in net greenhouse gas contributions.

The Indonesia WIND project has also been designed by USAID/Indonesia to meet the GEF criteria for USAID parallel financed projects. This project has the following GEF features (in addition to those noted above related to greenhouse gas reduction benefits):

- it is a separately designed new component of the SID project, to meet the new activity and new funds criteria;
- institutionalizing the capacity for private and NGO development of renewable energy addresses a major "innovativeness" criteria of the GEF by testing renewable energy solutions to energy shortage problems;
- conducting broad solicitations for wind equipment and services is designed to satisfy open procurement and competition criteria;
- funds are truly additional to the FY 93 USAID program for Indonesia.

Project Monitoring and Evaluation. Monitoring and evaluation activities with environmental, social, and gender considerations have been included in the project plan. The project will employ a monitoring and evaluation specialist who will coordinate monitoring activities and impact assessments, and also train NGO staff in monitoring methods. NGO's will receive training in participatory assessment methods so that they will be able to fully involve community members in conducting monitoring activities. NGO staff will also be trained to develop and use their own database monitoring and tracking systems.

Documentation of actual costs of installation and operation of wind energy systems will overcome one of the major obstacles to widespread introduction of the technology to replace diesel engines where wind resources are adequate. Within Indonesia, the project will sponsor a series of workshops and seminars to share findings and disseminate information to organizations participating in the

effort as well as to a wider audience of governmental agencies, donors, development programs, private companies, and other NGO's and community groups. The project results will also be shared in regional and international seminars and conferences.

Regular progress reports on the project will be submitted every six months to the USAID Asia Bureau and the central International Donor Programs office of USAID. Copies of all reports and publications prepared under the program will also be submitted to the GEF and USAID's Center for Development Information and Evaluation. A midterm evaluation of the project will be conducted during the second project year by an independent panel using standard USAID procedures. The panel will analyze the effectiveness of the NGO technology dissemination model and will consider environmental, social, and gender impacts. Funding for evaluations is contained in the project budget.

Project Briefs: Page 1**GEF FY93 USA Parallel Cofinancing - Sixth Tranche**

GEF Project Selection Criteria Reference Sheet
Philippines: Renewable Energy Financing and Technical Assistance

*Promote
Private Financing*

Environmental Policy Framework

The environmental policy framework for this project has strong Philippine and global components. The GEF, the Climate Change Framework Convention, and UNCED's Agenda 21 demonstrate growing international support for renewable energy alternatives to conventional, fossil-based energy expansion. The Philippines has also recently committed resources to help stimulate renewable energy development. This project will help the Philippines demonstrate and test innovative financing approaches for renewable energy in economic development.

Project Type

Type 2. Economic incentives and technical assistance activities for investment in renewable energy are few and often outweighed by pressures for larger-scale fossil energy development. Project activities would not be conducted and benefits not realized without external funding due to insufficient government funds and uncertainties of financial returns on private investment in innovative renewable projects in such areas as biomass waste energy and small-scale geothermal waste heat recovery.

Global Environmental Benefit

Reduction of Greenhouse Gases. Renewable energy supplants coal, oil and gas-based energy systems, thereby reducing carbon dioxide and methane emissions, yet most renewable energy alternatives have yet to make significant contributions to rapidly expanding Asian energy economies. This project will directly supplant some 15-18 MW of fossil energy systems and will help with indirect assistance for another estimated 20-25 MW, with corresponding reductions in GHG's. The global and national benefits of renewable energy in the Philippines and the region will be realized only if additional external funding and technical assistance are provided to support the initiation of commercially-oriented enterprises which contain balanced economic, rural development and commercial elements.

Form of Innovation

The project has national and regional significance in its innovative use of external grant funds to help demonstrate private sector financing, development and investment worthiness of renewable energy alternatives among businesses, governments, and development organizations. Cooperation between Philippine and outside organizations is essential for an endeavor which increases investment in renewable energy.

Demonstration Value and Replicability

Lessons from the project will be directly applicable to other locations, including GEF core-funded projects in Indonesia and India, where financing and technical support for commercial renewable energy development is considered. The project is designed to support the development and adaptation of project appraisal and financing models which are critically needed to serve renewable development throughout the region.

Contribution to the GEF Portfolio

This project is a key GEF effort in the Global Warming component in using collaboration of commercial and public sector interests to develop a private sector approach in renewable energy. It both addresses the additional costs of institutional capacity building and uses financial leverage to expand private investment.

Sustainability

Sustainable, renewable energy resources can replace depletable fossil sources only to the extent that renewable projects can be successfully financed and developed. In terms of institutional sustainability, a premise of the project is that inadequate

GEF FY93 USA Parallel Cofinancing - Sixth Tranche**Project Briefs: Page 2**

familiarity hinders the development of financing mechanisms for commercially viable renewable energy applications. Many past efforts simply financed renewable energy demonstrations without helping integrate them in existing institutional and financing systems. The project will provide technical assistance to build institutional capacity in the public and private sectors for the technical review and financial appraisal of commercial renewable energy projects. The project will build on existing financing institutions, thereby assuring post-project continuity.

**Monitoring,
Evaluation, and
Dissemination**

All renewable energy project sponsors receiving loan or equity financing under the project will be required to incorporate effective monitoring of progress and performance of the project. This will be used to build a database of renewable projects, with which overall program monitoring and project comparisons can be made. Independent monitoring and evaluation of the project is integral to AID-sponsored project design. Broad dissemination of evaluation results will be also be made an integral function of the project.

*Why not
more solar?*

Project Briefs: Page 3

GEF FY93 USA Parallel Cofinancing - Sixth Tranche

Philippines: Renewable Energy Financing and Technical Assistance

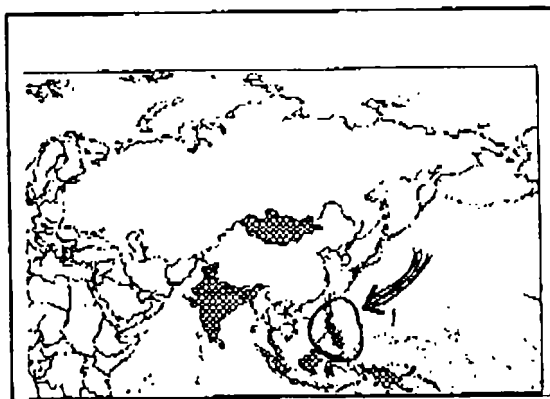
Background. Development of renewable energy in the Philippines was made a government priority in late 1992 when the President directed the GOP to allocate an initial P 500M (approx. \$19 million) in loan funding for new renewable energy investments

GEF Objective:	Global Warming
USAID GEF Parallel Funding:	US\$ 3.5 million
Project Type:	Free-Standing
World Bank Funding:	N/A
Tentative Approval Date:	December 1993

to achieve a 50 MW target by 1996. This has coincided with larger changes in the energy sector which have improved the prospects for private investment. These include the creation of the new Department of Energy (DE, Dec '92) and subsequent Cabinet approval of an aggressive reform-oriented Energy Sector Action Plan. Philippine opportunities for private small hydro, biomass power, small geothermal, and perhaps wind and solar electric development appear to be economically and technically sound in many applications, but are only slowly materializing. Private investment in renewable energy faces a number of significant obstacles: market unfamiliarity with renewable energy; the small size of projects and companies compared to the costs of developing projects; the rural nature of many renewable energy opportunities; the lack of high risk equity and loan capital; and the shortage of technical and institutional capability for project review and implementation, both in the private and government sectors.

The Philippine Renewable Energy Financing and Technical Assistance Project will support GOP efforts to catalyze private renewable energy investment. The project is an untied grant

component of the larger Philippine Assistance Program Support Project, a USAID/Philippines program working with the GOP, Philippine and external companies, and NGOs to promote private investment in important economic activities, especially outside Metro Manila. The Renewable Energy Project is needed to support the best aspects of the GOP's plan to promote renewable energy development by the private sector. This kind of activity remains poorly understood and underfunded, and commercial experience with renewable energy is still limited, but the early signs of market growth are increasing.



Project Purpose. This project seeks to help the private sector and GOP establish and sustain commercial renewable energy investment in the Philippine economy. It is designed to address the major market and institutional obstacles to the financing of renewable energy, and thereby demonstrate its profitability and competitiveness with other sources. The project is designed to work in parallel with the new Philippine Renewable Energy Power Program ("REPP"), in which the GOP will provide P 500 million for lending to private renewable projects. A major assumption implicit in the program design is that despite apparent economic viability in numerous applications, renewable energy projects will not receive equal consideration without targeted technical and financial assistance.

What's the take on this?

In direct cooperation w/ theirs.

*GEF FY93 USA Parallel Cofinancing - Sixth Tranche**Project Briefs: Page 4*

Project Components. The Philippine Renewable Energy Financing and TA Project is a three-year program to be further developed and implemented through a cooperative agreement with a recognized NGO consortium to be selected by USAID/Philippines. The consortium will have capability to provide technical expertise in a range of renewable energy applications and will be able to manage project financing mechanisms in accordance with GEF procurement guidelines. The project is comprised of two basic components: 1) technical assistance (TA) to the GOP for its new Renewable Energy Power Program (REPP), as well as TA for qualified renewable projects which are outside the REPP; and 2) an innovative parallel financing mechanism for sound renewable energy investments. These two components are briefly described below:

Component 1: TA for Renewable Projects

USAID has worked with the GOP to establish the priorities for TA which will help implement the GOP mandate to stimulate renewable energy development with targeted public sector lending. This GOP program (known as the REPP, noted above) focuses on renewable opportunities for electric power to help alleviate the severe power shortages throughout the Philippines. While the REPP provides public sector loan funds, the GOP hopes to demonstrate renewable energy financing suitable for private sector lenders, which is consistent with GOP economic reform policies. Thus the GOP has asked for assistance in structuring the program consistent with accepted commercial project preparation and loan appraisal practices. TA funds in this component will be used for training of GOP program managers, operational support for project solicitation and review procedures, renewable energy technical expertise as needed, and project appraisal services.

USAID-sponsored TA will also be available for project sponsors which are seeking project preparation and/or financial assistance, but which may not be eligible for financing under the GOP REPP program. Such projects may include small geothermal projects, non-electric power projects, and projects under 1 MW, which at this time are not eligible under the REPP. USAID-sponsored TA would be made available through the same

mechanisms used to provide TA to the GOP.

TA funds will also be used on a limited basis to share the costs of project feasibility or planning studies with private project sponsors which appear to be commercially sound but which need assistance to complete "bankable" feasibility studies. Projects seeking both REPP loan funds and USAID-sponsored project finance will be eligible. High quality, renewable projects which best demonstrate or test how rural communities can realize economic benefits in utilizing renewable energy resources will receive preference. Criteria will be developed for use in grant announcements and for independent review based on USAID experience with renewable energy feasibility support in a number of countries. The project expects to cost-share up to 10 feasibility or planning grants.

Component 2: Project Finance

The consortium which USAID selects to manage the project will set up and manage a competitive lending and investment program to support commercial renewable energy ventures which demonstrate strong commercial promise. This component will use the bulk of the USAID funds, or approximately \$3 million, as a source of revolving loan and, in some cases, equity capital to stimulate the renewable energy marketplace and to achieve financial discipline in renewable investments. A major operating objective of the project finance component will be to provide initial high-risk capital for strong projects in order to "leverage" other sources of finance into the selected project. Thus USAID-sponsored finance will be targeted to projects which meet the objectives of both the GOP lending program (REPP) as well as other lenders to energy sector projects in the Philippines.

The finance program will start by issuing a request for pre-proposals that will be announced broadly in the Philippines, the U.S. and international business publications. The cooperative agreement with the consortium will include a waiver to enable them to procure technical services and commodities from free world and developing country sources. Pre-proposal responses will be evaluated by the consortium in collaboration with its financial affiliates in the Philippines according to the

*Project Briefs: Page 5**GEF FY93 USA Parallel Cofinancing - Sixth Tranche*

announced criteria, and full proposals invited from sponsors having the highest quality pre-proposals for possible funding. Pre-proposals and proposals will be solicited bi-annually for the first two years of the program, based on availability of funding. In this way the project hopes to use its project finance to leverage private and public lending, totaling approximately \$15-18 million.

Rationale for GEF Funding. The Project represents the first GEF program to provide equity capital through open procurement systems to harness renewable energy sources in Asia. It will seek to build the capacity of public and private sector organizations to evaluate and implement renewable energy solutions in the dynamic Asian energy economy. Fossil-based energy use is growing rapidly to fuel the economic and population growth of the region, but also as a source of global greenhouse gas emissions. Business and public sector partnerships will increasingly be needed to find environmentally sound energy strategies integrated with this growth.

The Philippine Renewable Energy Financing and TA Project has also been designed by USAID/Philippines to meet the GEF criteria for USAID parallel financed projects. This project has the following GEF features (in addition to those noted above related to greenhouse gas reduction benefits):

- it is a separately designed new component of the PAPS project, to meet the new activity and new funds criteria;
- institutionalizing the commercial development and financing of renewable energy addresses a major "innovativeness" criteria of the GEF by testing renewable energy solutions to severe energy shortage problems;
- conducting broad project solicitations are designed to satisfy open procurement and competition criteria;
- funds are truly additional to the FY 93 USAID program for the Philippines.

Project Monitoring and Evaluation. All renewable energy project sponsors receiving loan or equity financing under the project will be required to

incorporate effective monitoring of progress and performance of the project. This will be used to build a database of renewable projects, with which overall program monitoring and project comparisons can be made. Independent monitoring and evaluation of the project is integral to AID-sponsored project design. Broad dissemination of evaluation results will be also be made an integral function of the project.

Regular progress reports on the Project will be submitted every six months to the USAID Asia Bureau and the central International Donor Programs office of USAID. Copies of all reports and publications prepared under the program will also be submitted to the GEF and USAID's Center for Development Information and Evaluation. Evaluations will be conducted in a manner determined jointly by USAID and the consortium managing the project. An evaluation will occur during the last semester of the third project year. It will analyze the effectiveness of the implementation of the two main program components and address the relative allocation of funds between them and the need for more or less thematic focus. The evaluation will provide the basis for an amended project proposal for the next phase of the program, if it is determined that it should continue. Funding for evaluations is contained in the project budget.

we're developing on our own

**U.S. AGENCY FOR INTERNATIONAL DEVELOPMENT
PARALLEL-FINANCED GEF PROJECTS**

Update Report on Third & Fourth Tranche GEF Projects

The U.S. Agency for International Development (USAID) submitted five projects to the Third Tranche of the Global Environment Facility (GEF) and two in the Fourth Tranche. All but one of these projects have now been approved and have begun implementation. The USAID Projects are:

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1. <i>Eastern Caribbean: Environment and Coastal Resources</i>	2
2. <i>Jamaica: Development of Environmental Management Organizations</i>	6
3. <i>El Salvador: Environmental Protection Project</i>	10
4. <i>Nicaragua: Natural Resource Management</i>	12
5. <i>South Pacific: Profitable Environmental Protection</i>	15
6. <i>Uganda: Action Program for the Environment</i>	19

USAID has withdrawn the Fourth Tranche *Philippines: Natural Resources Management Project* from its list of Parallel-financed GEF projects. The Government of the Philippines did not approve this project for the GEF. Biodiversity conservation activities under this project will continue as part of the U.S. bilateral program.

Semi-annual GEF project updates for USAID projects are included below. USAID will provide semi-annual reports on these and other parallel-financed projects as they are implemented. These reports are designed as an overview of progress, and provide names of contacts for those who would like more in-depth information on any particular project.

In addition to these projects, USAID has worked with the World Bank and UNDP, in the development of several GEF Core-Funded Projects and provided instrumental funding to the initiation of the PRINCE program. A brief update on these activities is attached (p. 21). USAID looks forward to a continuing collaboration with the GEF.

For additional information on USAID parallel-financing GEF projects, please contact the USAID/GEF Coordinator:

Thomas F. Hourigan, Ph.D.
Office of International Donor Programs
U.S. Agency for International Development
POL/IDP, Room 3641 NS
Washington, D.C. 20523
Telephone: (202) 647-5963; Fax: (202) 647-5189

USAID/GEF Semi-Annual Project Report

Eastern Caribbean: Environment and Coastal Resources Project

PROJECT NAME: Environment and Coastal Resources Project (ENCORE)

GEF OBJECTIVE: Conservation of Biodiversity and International Waters

PROJECT MANAGERS:

OECS: Dr. Vasantha Chase
Natural Resources Management Unit
Organization of Eastern Caribbean States
The Morne
P.O. Box 1383
Castries, St. Lucia, West Indies

Telephone: (809) 453-6208
Fax: (809) 452-2194

USAID: Albert L. Merkel
Regional Development Office for the Caribbean
Bridgetown, Barbados

Telephone: (809) 436-4950
Fax: (809) 429-4438,

U.S. Peace Corps: Virginia Wolf
Telephone: (809) 543-6370

COOPERATING PARTNERS: Organization of Eastern Caribbean States
Antigua Environmental Awareness Group
Caribbean Natural Resources Institute
Caribbean Conservation Association
Dominica Conservation Association
St. Kitts-Nevis Historical Society
St. Lucia Folk Research Center
St. Lucia National Trust
St. Vincent National Trust
St. Vincent GEMS
World Wildlife Fund (USA)

CUMULATIVE OBLIGATIONS: \$1,350,000

CUMULATIVE DISBURSEMENTS: \$ 113,081

GEF PROJECT COMPONENTS: Local Site Demonstration Projects
Regional Environmental Monitoring
Environmental Training

PROJECT OBJECTIVE:

The project addresses the conservation of threatened terrestrial and marine biodiversity, specifically, through the development of: terrestrial National Park Development Plans; agriculture, forestry and watershed management for biodiversity conservation; and marine park and coastal zone management. Development and implementation of a system of monitoring and evaluating the effects of the project activities in "Local Sites" is a major part of the GEF activities. Most of the GEF components will be implemented through local community-identified and community-managed projects supported by NGOs and PVOs. The Island Governments will play partnership roles in these activities and will be expected to include project activities as part of their National Development Plans.

ACTIVITIES COMPLETED TO DATE:

A. Local Site Activities:

In August 1992, an environmental assessment of the ENCORE project was conducted, and has now been approved by USAID. The Local Site Management Teams will be trained with regard to environmental guidelines guidelines based on this assessment that have already been prepared in draft. These guidelines will apply to all proposals submitted for funding under ENCORE.

1. St. Lucia:

In St. Lucia, Local Site activities began with consultations held in each of the three major communities, namely Anse-la-Ray, Canaries, and Soufriere. Apart from residents, representatives of government institutions and non-government organizations were also present. The main aim of these consultations was to sensitize the local populace about ENCORE - its goals and objectives, and also to solicit input on how the project could be effectively implemented.

Local Site Management Teams were then established in each of the communities. These teams are formed from a among representatives of community organizations and meet regularly. Workshops and technical assistance activities are being conducted in all the communities in order to train local site participants in the principles of co-management of resources, project proposal design and project selection. In addition to biodiversity conservation activities, such as marine park planning and special ecotourism development areas, various related activities were identified such as beautification; soil conservation, establishment of propagation centers, establishment of community woodlots for charcoal, and nature trails.

A Management Plan is currently being prepared for the entire site. This will include a series of overlay maps identifying the specific distribution of the following: 1) physical characteristics (soil types, topography, isoheys, isopleths, etc.); 2) present land use; 3) all known habitats and breeding grounds for rare and endangered species; 4) environmental reserves, national parks, archeological and historical sites, and special ecological zones with high ecotourism potential; and 5) infrastructure (e.g. roads, piers, towns and villages).

A number of proposals have been submitted by local groups at the site. These fall primarily in three classes: 1) Agricultural/Income Generation, including integrated crop/livestock production with low levels of chemical inputs, with minimum tillage and mulching; 2) Beautification of the environs; and 3) Public environmental awareness, particularly with respect to solid waste disposal.

2. Dominica:

The Dominica National Coordinator and the Local Site Management Teams have been formally established at both the Portsmouth and Scotts Head/Soufriere Local Sites. Workshops and training have been held, and Management Plans are being developed for the both Sites, similar to those described above for St. Lucia.

The Division of Forestry of the Ministry of Agriculture in Dominica received funding to host the annual planning meeting of the Jacquot magazine. This annual meeting was attended by representatives from Grenada, St. Vincent, St. Lucia, and Montserrat. This resulted in an issue of the Jacquot Magazine highlighting the importance of maintaining the forest reserves in the OECS region in order to conserve biodiversity and to show the critical linkages between forestry, agriculture, tourism, and the natural resource base.

Public awareness activities have also begun through school programs, emphasizing the importance of the biodiversity in the Local Sites.

A number of proposals have been submitted by local groups at the sites. These include projects in the following categories: 1) Training in sustainable management of natural resources, including improved fishing methods to prevent the depletion of near-shore fish stocks; 2) Training in crafts using sustainably harvested natural resources available within the site; 3) Inventories of mangroves and migratory birds found at one of the sites; 4) Ecotourism activities including the preparation of brochures on the biodiversity of one of the sites and trail development.

The project has also catalyzed the organization of the Indian River Jetty Boys into an association for the management and conservation of the Indian River and its environs.

B. Environmental Monitoring:

National consultations are being held in each of the Organization of Eastern Caribbean States (OECS) member states to assess individual country requirements for environmental monitoring. The objectives of these consultations are to:

1. Document existing environmental monitoring capabilities in the OECS member states;
2. Assess the national needs for effective environmental monitoring;
3. Design a program for training and short-term technical assistance for national environmental monitoring;
4. Develop a monitoring system based on the above assessment;
5. Develop a cost-effective long-term monitoring program in Local Sites in the region.

The development of environmental monitoring techniques will be field tested at the Local Sites. The Local Sites are therefore beginning to identify variables that will need to be monitored over time. To date it appears that the most important variables that will require monitoring in the local sites relate to coral reefs, surface water, coastal water quality, and an inventory of flora and fauna.

C. Regional Training

ENCORE has sponsored training opportunities for a number of individuals from the OECS region involved in natural resource management and biodiversity conservation. Eight participants attended the IUCN World Parks Congress in Caracas, Venezuela in February 1992. A Dominican from the Economic Development Unit was sent to the University of Idaho to attend a six-week course on community forestry and natural resource development. The course has provided this candidate the knowledge and skill to define, analyze, and evaluate land-use planning. In the context of natural resource policy and management, preparations are now underway to hold this course in the OECS region in the summer of 1993.

ENCORE financed an environmental education workshop (Learning for Environmental Action Programme) that was organized by the Forest and Lands Department in St. Lucia. The objective of this workshop was to train teachers in an action oriented, research skill development methodology in environmental education. The material that was developed in this program will also be converted into textbooks on the environment. These textbooks will first be tested out in the project's Local Sites in Dominica and St. Lucia.

A training seminar on Environmental Impact Assessments and Guidelines for the Eastern Caribbean was held in March 1993.

A public awareness assessment of a number of national, regional and international public awareness campaigns has been completed. The recommendations of this assessment will be used in the design of two multi-media modules: 1) Solid waste disposal; and 2) Use of agricultural chemicals. These modules will be field tested in the local sites.

ACTIVITIES PLANNED FOR NEXT SIX MONTHS:

- A. Development and implementation of five Local Site community-managed projects.
- B. Marine Park Development Plan with sites identified.
- C. Finalization of Local Site management plans in St. Lucia and Dominica.

RELATIONSHIP OF THE USAID GEF PROJECT TO OTHER CONSERVATION ACTIVITIES:

The ENCORE Project staff are working with the World Bank in arranging for the development of National Environmental Action Plans in most of the Member States of the OECS. The ENCORE National Coordinating Committee has taken a lead role in the preparation of the National Environmental Action Plan in Dominica.

ENCORE will also be working closely with the GEF Investment Project: OECS - Ports Waste Reception Facilities, in developing modules for its campaign on solid waste disposal.

ENCORE received a small grant from UNEP to prepare an inventory of Land-Based Point-Sources of Marine Pollution for the Eastern Caribbean. This inventory is now complete; the report will be published in July 1993.

USAID/GEF Semi-Annual Project Report

Jamaica: Development of Environmental Management Organizations

PROJECT NAME: Development of Environmental Management Organizations (DEMO) Project

GEF OBJECTIVE: Conservation of Biodiversity

PROJECT MANAGER: Stephen Reeve, Environmental Advisor
USAID/Jamaica, Kingston Jamaica
Telephone: (809) 926-3645
FAX: (809) 929-3750

COOPERATING PARTNERS: Natural Resources Conservation Authority (NRCA)
Jamaica Conservation and Development Trust (JCDDT)
National Environmental Societies Trust (NEST)

PROJECT COMPONENTS: Percentages of total DEMO Project costs for individual components included as part of the GEF:

Component	GEF Percentage	GEF Obligation
PARC II	100	\$3.00 Million
NRCA	50	\$1.48 Million
NEST/NGOs	50	\$0.76 Million
SITE	25	\$0.82 Million
Total		\$6.06 Million

CUMULATIVE

DISBURSEMENTS: The DEMO Project Agreement encompassing the NRCA, NEST/NGOs and SITE components was signed in late September, 1992 and commenced during this period. The PARC II component is under design and is not expected to be authorized until June, 1993.

Component	GEF Cumulative Disbursements
PARC II	\$ 0
NRCA	\$ 80,000
NEST/NGOs	\$ 10,000
SITE	\$ 75,000
Total	\$165,000

GEF COMPONENT OBJECTIVES:

A. Protected Areas Resource Conservation Phase II (PARC II):

The Protected Areas Resource Conservation Phase II component will build on the successes of an initial phase carried out over the past three years to develop a national parks system for Jamaica. New parks will be identified, related institutions will be strengthened and management plans will be established for the long-term sustainability of the national park system.

B. Natural Resource Conservation Authority (NRCA):

This component will strengthen the lead public environmental management institution, the Natural Resources Conservation Authority, to provide substantive leadership on priority natural resource management policy and regulatory issues, especially in support of national economic growth and the protection of biodiversity. NRCA will be mobilizing and deploying resources more effectively for environmental management, drawing on a growing environmental network of NGOs, community groups, business leaders, government agencies and donors.

C. National Environmental Societies Trust (NEST) and NGOs:

This component will strengthen the national NGO umbrella organization - the National Environmental Societies Trust - to implement NGO training and technical assistance programs in order to enable NGOs and community-based groups to develop and sustain their environmental management missions. Training and technical assistance will be provided by NEST to NGOs participating in the SITE and PARC components of the DEMO project and to NGOs participating in the Environmental Foundation of Jamaica grant program.

D. Strategic Interventions in the Environment (SITE):

The "Strategic Interventions in the Environment" component will focus field activities in four selected areas of environmental concern. The SITE activities will facilitate Government of Jamaica-NGO-private sector collaboration on a range of environmental management and improvement projects within the targeted areas.

ACTIVITIES TO DATE:

The DEMO Project Agreement was signed in late September, 1992 and limited pre-implementation activities have been initiated, including:

A. PARC:

The first phase of the PARC Project is nearing completion with the successful establishment of Jamaica's first two national parks and related institutional strengthening activities. The second phase which will be a GEF component of DEMO is under design and a Project Paper Supplement is expected to be approved in June, 1993.

B. NRCA:

A USAID-supported strategic planning workshop ("NRCA 2000") was held in early September 1992 for public and private environmental management leaders, and a draft NRCA Operational Strategy to guide the agency over the balance of the century has been prepared. Technical assistance is now being provided to the NRCA Executive Director and Directors of key functional units to prepare division action plans for the next two years.

The terms of reference for the Project Management Unit has been finalized and the recruitment for the Manager of that unit has been initiated.

C. NEST/NGOs:

A draft business plan for the National Environmental Societies Trust has been prepared which defines priorities for NGO support, technical assistance and training needs, a staffing plan and fund-raising program.

D. SITE:

A "Local Environmental Management Council" (LEMC) has been established in the first of the SITE areas to receive assistance under this component of the DEMO Project. These councils will prepare "Action Frameworks" to define priority project activities. The Montego Bay LEMC will be the Greater Montego Bay Redevelopment Company (GMRC) whose board is comprised of local leaders in environmental, economic development and social activities. A business plan for GMRC has been carried out; local fund-raising activities have been initiated; and a draft protected areas system was prepared.

RELATIONSHIP OF GEF COMPONENTS TO OTHER PROJECT COMPONENTS:

Each DEMO project component is closely related to the others; activities in each are designed to complement the objectives of other components. For example, when new national parks are to be created under PARC in areas identified for SITE activities, the NEST component will provide supplemental support for NGO training and technical outreach, the SITE component will support park buffer zone management activities, and the NRCA component will support park policy formulation, regulatory enforcement and leadership within government to establish the parks. The percentages of those components deemed to directly contribute to GEF objectives (where only partial attributions of DEMO funds to GEF are made) are seen as integral to the overall success of those components.

ANTICIPATED ACTIVITIES OVER NEXT SIX MONTHS:

A. PARC:

Wrap-up activities on PARC Phase I are being carried out and are expected to be concluded by the end of August, 1993. These include continued support to the pilot parks established under PARC I (Blue Mountain/John Crow Mountain National Park and Montego Bay Marine Park) and determination of long-term institutional arrangements for management and financing of the National Parks and Protected Areas System. The Project Paper Supplement for the design of PARC II is expected to be completed by June, 1993 and approved by both governments in time for a smooth transition to PARC II at the end of August.

B. NRCA:

The next six months will focus on Project start-up activities, including: continued work with the Executive Director and Board on defining Action Plans to guide NRCA division activities over the short and medium term; selection of a Contractor to provide technical assistance to the Project Management Unit (PMU) of NRCA; recruitment of individuals to fill key staff positions; initiation of a protected areas program; and initiation of an update of the Country Environmental Profile which was prepared in 1987 with USAID support.

C. NEST/NGOs:

Project start-up activities will also be the emphasis for this component, including work with the Board of Directors, staff and constituent membership to implement the business plan and to provide initial services to NGOs participating in both the DEMO Project activities and the Environmental Foundation of Jamaica NGO grant program. Additional staff will be added to carry out expanded NGO membership services and conduct training activities. Management and financial information systems will also be installed.

D. SITE:

In the initial focus area for SITE activities--Montego Bay--the emphases over the next six months will be assist the GMRC to prepare the "Action Framework" which will guide Project environmental management activities; to implement priority SITE activities; and to prepare a model protected area management plan (with NRCA staff) for a selected area. In the second SITE focus area--Negril--the emphases will be to form a "Local Environmental Management Council"; carry out environmental baseline studies; prepare a draft "Action Framework" that will guide Project environmental management activities; and prepare a draft protected area system.

USAID/GEF Semi-Annual Project Report

El Salvador: Environmental Protection Project (PROMESA)

PROJECT NAME: Environmental Protection Project
Proteccion del Medio Ambiente Salvadoreno (PROMESA)

GEF OBJECTIVE: Conservation of Biodiversity

PROJECT MANAGER: Peter Gore, Environmental Advisor
USAID/El Salvador, San Salvador
Telephone: (503) 98-1474
FAX: (503) 98-0885

COOPERATING PARTNERS: Secretaria Ejecutiva del Medio Ambiente (SEMA)
AMAR
SALVANATURA
Audubon
(Other NGOs to be determined)

**CUMULATIVE
DISBURSEMENTS:** No disbursements have been made yet on PROMESA.

GEF COMPONENT OBJECTIVES:

The objective of the GEF components continues to be to increase local capacity to conserve biodiversity, to safeguard the remaining biodiversity in selected Salvadoran watersheds, and rehabilitate selected small drainage basins.

The PROMESA Project has undergone extensive revisions since the original proposal was presented to the GEF Participants in the Third Tranche. The size of the project has been decreased based on better estimates of the absorptive capacity of the public and private sector in El Salvador. This has necessitated a decrease in the size of the GEF component (previously estimated at US \$9.5 million), and the removal of the International Waters component. In order to prepare the way for the demonstration activities, the Non-Governmental Organization (NGO) Strengthening activities have been initiated first as an administratively separate component.

The Environmental Policy Component will assist the Government of El Salvador to establish or revise four new laws, each with a major impact on the conservation of biological diversity in the country. The Forestry Law will protect existing and provide incentives for new forests; the Fisheries Law will regulate fisheries to prevent over fishing of species while enhancing protection of marine turtles (the use of Turtle Excluder Devices will be part of the law); the Water Law will promote biodiversity by reducing contamination of rivers and waterways that affects aquatic species; and the Protected Areas Law will preserve biodiversity in ecologically sensitive areas of the country.

The Demonstration Area Component will include conservation activities in the Imposible Park and the Barra de Santiago, the most species rich and ecologically diverse habitats remaining in the country. They are known to contain a high number of endemic species and they will provide examples of sustainable management of diverse ecosystems. The Project interventions in the watersheds will help to preserve the biodiversity of the

mangroves below. Gallery forests established along the rivers will increase habitat and provide a corridor for wildlife from the top to the bottom of the watershed.

The Environmental Education Component of the PROMESA Project remains as originally planned, but is no longer included as part of the GEF parallel co-financing. Nevertheless, this component will have an important influence in increasing public awareness and increasing the sustainability of the project activities.

Percentages of total Project costs for individual components included as part of the GEF:

Component	GEF Percentage	GEF Contribution
Policy Analysis	25%	\$1.8 million
Demonstration Areas	50%	\$3.4 million
NGO Strengthening	20%	\$0.4 million
Total:		<u>\$5.6 million</u>

ACTIVITIES TO DATE:

No activities have taken place to date under Policy Analysis and Demonstration Area components of PROMESA. The Request for Proposals will be distributed soon. The NGO Strengthening component officially selected an initial eight NGOs to be strengthened and at least three of the groups selected have biodiversity conservation as one of their major activities. The three are AMAR which works in mangrove and marine turtle conservation, FESA which is managing the Imposible National Park, and Audubon which works to promote consciousness and preserve avian species in El Salvador. Training activities with these NGOs began in April 1992.

PLANNED ACTIVITIES THROUGH SEPTEMBER 30, 1993:

The next six months will see PROMESA proposals received, judged, and a contract signed with work to begin in October 1993. Strengthening of NGOs will continue during this period.

RELATIONSHIP OF THE USAID GEF PROJECT TO OTHER CONSERVATION ACTIVITIES:

Since the GEF components are percentages of the PROMESA's components, they relate totally with the rest of the Project. The GEF portions fit with the USAID Strategy for Central America and at least the beginnings of the national environmental Action Plan being developed for El Salvador by SEMA.

USAID/GEF Semi-Annual Project Report

Nicaragua: Natural Resources Management

PROJECT NAME: Natural Resources Management

GEF OBJECTIVE: Conservation of Biodiversity

PROJECT MANAGER: Ralph Conley, Natural Resources Officer
USAID/Nicaragua, Managua, Nicaragua
Telephone: (505) 2-670502
Fax: (505) 2-75-711

COOPERATING PARTNERS: Nicaraguan Institute for Natural Resources and Environment (IRENA)
Ministry of Agriculture and Livestock (MAG)
CARE
The Nature Conservancy
Caribbean Conservation Corporation

CUMULATIVE OBLIGATIONS: Percentages of total Project costs for individual components included as part of the GEF:

Component	GEF Percentage	GEF Obligation
Protected Areas	100%	\$3.76 Million
Institutional Strengthening	50%	\$1.63 Million
Policy Development	50%	\$0.15 Million
Environmental Ed.	30%	\$0.19 Million
Plant Protection & IPM	10%	\$0.10 Million
TOTAL		\$5.82 Million

CUMULATIVE DISBURSEMENTS:

The Natural Resources Management project has expended approximately US \$123,400. Disbursements have been slow as some major activities have been delayed in initiation.

GEF COMPONENT OBJECTIVES:**A. Protected Areas and Buffer Zones:**

The objective of this activity is the conservation of biological diversity through participatory management of natural resources. The activities will assist indigenous people to live in harmony with their environment while participating in its protection. Activities take place in the following priority areas:

- 1) The Miskito Cays Protected Area on the Atlantic coast.

- 2) **The BOSAWAS Biological Reserve:** Located in the northern part of the central highlands, this area is the largest intact tropical rain forest north of the Amazon.
- 3) **The Chococente Wildlife Refuge:** This area on the Pacific coast contains the largest remaining block of Nicaragua's tropical dry forest, and faces a beach that is a major nesting area for two species of endangered sea turtles.

In all areas community outreach, training, resource management, and environmental protection will be carried out.

B. Institutional Development and Strengthening:

This component will provide technical assistance to improve administrative and technical capabilities of the Nicaraguan Institute for Natural Resources and the Environment (IRENA).

C. Policy Development, Dialogue and Implementation:

The objectives of this component are the development of clear policies and programs that address priority problems, such as deforestation, deterioration of watersheds, unsound land use, and improper pest management.

D. Environmental Education:

This component will take the environmental protection message to the people as well as to the conservationists, ecologists and biologists. The objectives are: better technical capacity for government workers, and a well informed public, working together to manage natural resources.

E. Plant Protection and Integrated Pest Management:

The GEF objective of this component is the protection of biological diversity, in particular, the fishes, birds and beneficial insects in the region. This objective is complementary to improving human health and increasing the sustainability of agricultural production systems by reducing the misuse of pesticides.

Each of the Natural Resources Management Project components make a direct contribution to the GEF objective of biodiversity conservation. Each project component is closely related and complementary to the other components. For example, strengthening IRENA through technical assistance, training and operational support, improves its ability to promote laws, policies and strategies that protect biological reserves and renewable natural resources in general. Similarly, support to IRENA for environmental education will raise awareness of targeted groups and the general population on the importance of and need for conservation and sustainable use of natural resources.

ACTIVITIES TO DATE:

Since the September 17, 1991 signing of the project agreement, the project has been slow to get started. The last condition precedent to disbursements was met in May, 1992. Technical assistance was provided to IRENA to reform its administrative financial management capabilities. A request for proposals for longer term technical assistance was issued. The USAID Mission and Government of Nicaragua are evaluating proposals and an award is expected by mid June 1993.

A cooperative agreement with the Caribbean Conservation Corporation was signed in early April 1993 for the Miskito Cays Protected Areas activity. An agreement with CARE and The Nature Conservancy for the BOSAWAS protected areas is imminent. These international NGOs will be working closely with local NGOs and indigenous communities.

Plant protection and integrated pest management activities are underway.

PLANNED ACTIVITIES THROUGH SEPTEMBER 30, 1993:

The Protected Areas and Buffer Zone Component will build on existing USAID and Caribbean Conservation Corporation activities in the Miskito Cays Protected Areas. Activities in the remaining two areas will take off with the signing of two cooperative agreements with CARE and The Nature Conservancy.

A technical assistance contract will be signed under the Institutional Strengthening Component, and technical personnel will arrive during this period to advise IRENA. IRENA is expected to hire key management personnel.

The Policy Dialogue Development and Implementation Component will work with IRENA to prepare and work toward approval of a new forestry law.

Environmental Education will move forward with the development of a strategy. Sufficient personnel will be hired to expand field activities.

The Plant Protection and Integrated Pest Management Component will expand activities in research extension, and training. CATIE plans a series of trial plots in coffee to study the major pest: nematodes. Targeted for training are farmers and Government of Nicaragua extensionists. Both CATIE and the EAP will conduct seminars, workshops, and site visits to Costa Rica and Honduras for Nicaraguan producers to observe first hand how coffee and horticulture can be protected using IPM methods.

RELATIONSHIP OF THE USAID GEF PROJECT TO OTHER CONSERVATION ACTIVITIES:

The Government of Nicaragua with the assistance of the World Bank, the United Nations, and several bilateral donors is preparing a National Environmental Action Plan that is to be completed in June 1993. The project support for IRENA, as well as general environmental education and policy assistance will complement this process.

USAID/GEF Semi-Annual Project Report

South Pacific: Profitable Environmental Protection Project

PROJECT NAME: Profitable Environmental Protection (PEP) Project

GEF OBJECTIVE: Conservation of Biodiversity

PROJECT MANAGER: David Leong
USAID/RDO/SP
c/o American Embassy
P.O. Box 218
Suva, Fiji
Phone: (679) 311-399
Fax: (679) 300-075

COOPERATING PARTNERS: Foundation for the Peoples of the South Pacific
(Grantee and Implementor)
Biodiversity Support Program (Sub-Contractor)
World Wildlife Fund
The Nature Conservancy
World Resources Institute
VITA
Environment Research Institute

CUMULATIVE OBLIGATIONS: \$1,543,000

CUMULATIVE DISBURSEMENTS: \$ 572,000

PROJECT GOAL AND OBJECTIVES:

The overall goal of the GEF and associated components of the PEP Project is to promote the conservation and sustainable utilization of valuable but threatened biological resources through private and community enterprises. The project is addressing both terrestrial and marine biological resources. The project will provide technical assistance (both ecological and economic) to promote or develop environmentally sustainable enterprises in biologically important areas, document their conservation contributions, and disseminate this information throughout the South Pacific region to encourage the proliferation of such enterprises. The project will work to ensure that selected enterprises are ecologically sustainable and help such enterprises gain access to technology, markets, and financing.

ACTIVITIES TO DATE:

The PEP project began in the autumn of 1991. The recruitment of the two long term staff, a team leader who is a conservation biologist and an enterprise specialist, was drawn out as every effort was made to involve the interested PEP parties, namely Biodiversity Support Program (BSP) and VITA. By September 1992, the staff

were on board and were stationed at the offices of the implementing organization (The Foundation for the Peoples of the South Pacific, FSP) in Port Vila, Vanuatu. Vanuatu is the first PEP target country.

In September of 1992, PEP held its first planning meeting, which outlined a workplan for the rest of the project, suggested the establishment of a steering committee and explored the need for working level government liaison with the Environmental Unit of Vanuatu.

To date, the project conservation biologist has begun searching for biologically threatened sites where the community has expressed a concern and interest in conservation. On the economic side, the Environment Research Institute in California developed a set of tools by which a general assessment of an enterprise proposal can be made, including a situation assessment and checklist. FSP has begun an enterprise survey in the targeted PEP countries to identify both existing and promising new enterprises that sustainably utilize biological resources.

A primary methodology in the PEP program consists of the identification of Ecology Management Units (EMUs) in threatened, biologically important areas. For each EMU, an extensive survey of both the biological resources and potential sustainable enterprises will be completed. Recommendations will then be made by the team leaders regarding which enterprise to support in terms of technical assistance. The project will help such environmentally sustainable enterprises to gain access to technology, markets, and financing.

The major steps in profiling an EMU are:

- A. Initial discussion with community leaders and other selected contacts in EMUs. These initial discussions act as a screening for PEP enterprises, not selection for enterprise support.
 - B. Facilitation of community assessment of biological resources of EMUs with regard to the degree to which resources are threatened and the extent to which the EMU is a priority for protection.
 - C. Facilitation of community listing of existing and potential PEP enterprises within the EMUs. Lists will also be generated by project personnel. Resource use and potential impacts of these enterprises will be detailed.
 - D. Address social soundness criteria and gender issues of potential enterprises.
 - E. Assessment of the enterprise/environment interaction in order to rank enterprises for potential for conservation impact ("leverages"). Environmental assessments will be carried out for selected enterprises. Two or more enterprises aimed at the same conservation goals (thereby seeking social resiliency, economic resiliency, better monitoring network efficiency, efficiency of social interaction) will be sought for each EMU. Preference will be given to existing enterprises, where they are consistent with maximization of conservation impact. Extensive consultations with the community with regard to enterprise selection will be conducted.
 - F. Consultations with the Steering Committee, government, other interested parties with regard to the program of PEP activity in each EMU.
 - G. Project personnel select the program of PEP activity for each EMU. Implementation and associated monitoring program begins.
-

ACTIVITIES BETWEEN OCT. 1, 1992 AND MARCH 31, 1993:

Vanuatu: The conservation biologist searched for biologically threatened sites where the community has expressed a concern and interest in conservation. Preliminary site visits were undertaken to four potential Ecological Management Units (EMUs). Only one EMU (North Ambrym) was approved for PEP activity while an additional location will require further examination.

In North Ambrym, the following activities were undertaken:

- 1) The PEP project worked in partnership with UNDP's Equitable and Sustainable Human Development Program to conduct a socio-cultural assessment of the area. With the aid of a local facilitator hired by PEP, the UNDP staff member met with local chiefs, representatives of local and national government, teachers, church leaders, and leaders of women's and youth groups. As a result of this linkage, UNDP and the Government of Vanuatu have agreed to have UNDP's project concentrate initially on the North Ambrym site. Discussions are underway to determine how this partnership will function.
- 2) The PEP conservation biologist worked with University of the South Pacific's Professor Randy Thaman and his team on an ethnobotanical investigation of the community's assessment of the resource base. Dr. Art Whistler, a renowned botanist, conducted a botanical assessment of the rainforest at the site.
- 3) The local facilitator conducted a preliminary enterprise assessment in the North Ambrym EMU.

Other countries: In addition to the effort in Vanuatu, a biological and economic survey was undertaken in 6 other countries (Fiji, Papua New Guinea, Solomon Islands, Tonga, Kiribati, and Western Samoa) to identify the second and third country for PEP interventions. USAID's Environmental Advisor, a biologist, surveyed many of the countries to obtain information about the biological resources, potential collaborating organizations and projects, environmental policies, and degree of threat. PEP's conservation biologist surveyed Papua New Guinea. FSP, the implementing organization, continued their enterprise survey in these six countries to identify existing and promising new enterprises that sustainably utilize biological resources.

All countries: A three-day planning, monitoring, and evaluation workshop was held in March with PEP's staff and Barbara Wyckoff-Baird of WWF to: clarify PEP's project goals and methodology, including hypotheses to be tested; introduce monitoring and evaluation, including the development of an initial system; and to discuss methods of undertaking community assessments and participatory project decision-making.

PLANNED ACTIVITIES THROUGH SEPTEMBER 30, 1993:

Vanuatu: The project will continue activities at the North Ambrym site, including mapping of forest cover and assessment of various proposed enterprises such as handicraft sales (the people on this island already produce most of Vanuatu's handicrafts); cultivation of wild yams in the intact rainforest; and ecotourism. It will continue the assessment of other potential EMUs in Vanuatu, followed by the selection and beginning of activities at these sites.

Other countries: At the end of April, a project coordinating committee will systematically compare the six countries which were surveyed and select subsequent countries for PEP activities. The PEP team will then identify potential EMUs in these countries.

All countries: An environmental coordinator (to be located in Vanuatu) will be hired to assist with the required environmental education components of PEP throughout the region. At the end of June 1993, a workshop will

be held by FSP and the Biodiversity Support Program to discuss community-led biological and social monitoring of the project at the different EMUs in Vanuatu and the other countries. Participants at the workshop will include NGO representatives for each site.

RELATIONSHIP OF THE USAID GEF PROJECT TO OTHER CONSERVATION ACTIVITIES:

Linkages between the USAID PEP Project and other biodiversity conservation activities are encouraged wherever possible. Discussions about the possibility of working together have been held with the South Pacific Regional Environment Programme (SPREP), which is implementing the \$10 million GEF biodiversity project titled the South Pacific Biodiversity Conservation Programme (SPBCP). The SPBCP, however, has had a slow start. The project is expected to begin implementation soon with the hiring of a program manager followed by the hiring of additional project technicians.

The relationship of PEP to major environmental strategies has been limited, since PEP is currently only working in Vanuatu, whose National Environmental Strategy is not yet completed. All of the seven countries which are considered possible countries for PEP activities are or have undertaken a National Environment Management Strategy (NEMS) exercise, similar to National Environmental Action Plans (NEAPs) in other parts of the world. The effort is largely being undertaken by SPREP. Funding for SPREP's NEMS effort in different countries comes from various donors, including UNDP, ADB, and IUCN. Fiji's comparable document is being funded directly by ADB, and Papua New Guinea's by the World Bank. The NEMS, or equivalent documents, are completed in the Solomon Islands, Tonga, Western Samoa, and Fiji, but these countries are at different stages of getting the document endorsed by Cabinet. The NEMS for Kiribati and the equivalent for Vanuatu are still being developed. We are unfamiliar with the status of the NEMS equivalent for Papua New Guinea (PNG); however, PNG recently completed a Conservation Needs Assessment (with the support of USAID) which provides a useful overview of the biologically important sites in the country.

In addition, the project works closely with other partners (N.B.: the following two activities are independently funded projects with which we are working where possible):

- ◆ UNDP Equitable and Sustainable Human Development Program; and
- ◆ University of the South Pacific's (Dr. Randy Thaman) project on community assessment of local biological resources. The project is funded by the McArthur Foundation.

USAID/GEF Semi-Annual Project Report

Uganda: Action Program for the Environment

PROJECT NAME: Action Program for the Environment (APE) Project

GEF OBJECTIVE: Conservation of Biodiversity

PROJECT MANAGER: Rob Clausen,
USAID/Uganda,
P.O. Box 7007 (c/o U.S. Embassy)
Kampala, Uganda
Telephone: (256) 41-256-41-258124/235174/242896
FAX: (256) 41-233417

COOPERATING PARTNERS: Uganda National Parks
The Uganda Forest Department
The Uganda Department of the Environment
World Wildlife Fund (WWF)
CARE International
International Council for Research in Agroforestry (ICRAF)
Land Tenure Center
Wildlife Conservation Society.
World Learning
African Wildlife Federation
Tropical Research and Development
Local NGOs
U.S. Peace Corps

CUMULATIVE OBLIGATIONS: US \$12.2 Million

GEF COMPONENT OBJECTIVES:

The APE program consists of two components: a Policy Component and the GEF Rehabilitation and Resource Conservation Component. The latter was approved by the GEF Participants in the fourth tranche.

- A. The Policy Component consists of both project and non-project assistance. Project assistance focusses on support to the NEAP process for Uganda, and on institutional strengthening of the Department of the Environment and Uganda National Parks. APE is providing both long term and short term technical assistance, in addition to material support, to these agencies. The non-project assistance is supporting the start up and completion of the NEAP as well as the upgrading in conservation status of five key protected areas. Non-project assistance is also promoting local community participation in the development and implementation of management plans for national parks and other key protected areas. Finally, it is promoting the privatization of all tourist concessions associated with protected areas, with special consideration being given to local groups. The Policy component is not a GEF component, however, its activities will provide the basis for success and sustainability of the USAID and core-funded GEF activities.
-

- B. The Rehabilitation and Resource Conservation Component will use project assistance to support grants to PVO/NGOs for the implementation of Integrated Conservation and Development Projects as well as for institutional projects focussing on applied research related to improved natural resource and protected area management. It is designed to result in the following: (1) a reduction in the present rate of decline of forest cover in targeted areas; (2) an increase in tourist revenues in target areas; (3) an increase in Uganda National Parks revenues to cover recurrent costs; (4) a decline in the rate of loss of endangered species; (4) changed attitudes and behaviors related to natural resource management (especially in communities adjacent to parks and forest reserves); (5) the promotion of development activities in buffer zone areas, which could include agroforestry, communal woodlots, soil conservation practices and other related development work; (6) increased use of environmental information by the public and private sector; and (7) increased public and private sector expertise in conducting environmental assessments.

ACTIVITIES TO DATE:

The Rehabilitation and Resource Conservation Component of APE focusses to a great degree on key protected areas (national parks and forest reserves) throughout the country and their associated buffer zone areas. The Component will be managed by a Grants Management Unit (GMU). To date the development of a GMU has been slow and the USAID Mission has moved ahead with grant activities by temporarily taking over responsibility of the GMU. Projects thus far funded include: \$3,000,000 to CARE International for the Development through Conservation Project; \$4,000,000 to the Wildlife Conservation Society for the Kibale Forest Project; and \$600,000 to the University of Wisconsin Land Tenure Center for the Land Access Research Project. Other grants have been funded in association with APE but with local currency counterpart funds derived from our PL-480 program. PL-480 funds have been used to a great degree as a tool for testing pilot project efforts that could eventually be funded under the GMU. The first grant approved under APE was in December, 1991, so there has in fact been quite a bit of activity since the APE program began, despite the delay in establishing a GMU. Current estimates have the GMU becoming operational by September 1993. All grants will be consistent with the Uganda National Environmental Action Plan.

PLANNED ACTIVITIES THROUGH SEPTEMBER 30, 1993:

- A. Policy Component: As a result of the NEAP process, the following will be produced during the next six months: (1) Draft Environmental Legislation; (2) Draft Policy Framework and Institutional Framework; (3) a Training Plan for Environmental Officers; (4) Deployment of Environmental Officers in Pilot Districts; and (5) a NEAP Investment Plan. All of these will be a part of the final NEAP document, which will be presented to the Government of Uganda for review and approval in October 1993. Also, a draft report on the State of the Environment for Uganda is to be compiled by the National Environment Information Center.
- B. Rehabilitation and Resource Conservation Component: The GMU will be established by September 1993 and will establish criteria for grant selection, review existing proposals, and make recommendations to the Mission for funding. This will include the review of the Bwindi GEF Trust Fund for possible funding.
-

RELATIONSHIP OF THE USAID GEF PROJECT TO OTHER CONSERVATION ACTIVITIES:

The Government of Uganda is firmly committed to preservation of biodiversity through its system of national parks and reserves and through participatory management with local peoples of the surrounding areas of parks and protected areas. The APE Project is a cornerstone of this process. In addition, it is expected that the project will directly support activities of the Core-funded GEF Investment Project that involves the conservation and management of the Bwindi Impenetrable National Park. The field activities of the core-funded project will be managed by the Trust Administrative Unit. The APE Project and Bwindi GEF also feed directly into Uganda's ongoing National Environmental Action Plan by providing baseline information for monitoring and evaluating progress of the NEAP. Also through the NEAP, District Environmental Officers will be provided assistance to promote land use planning. GEF Bwindi is located in one of the districts where this work will take place.

**USAID Contributions to Global Environment Facility (GEF)
Core-Funded Projects**

POLAND: PROTECTING FOREST BIODIVERSITY (First Tranche Investment Project):

USAID has been coordinating very closely with the World Bank in the implementation of this Poland GEF Project. USAID assistance complements the activities being funded through GEF. In Poland, USAID is undertaking two activities in coordination with GEF:

- (1) **Environmental Trust Fund (Bialowieza National Park):** In close coordination with the World Bank, USAID, through the Biodiversity Support Program, set up an environmental trust fund for the continued funding of the GEF activities in Bialowieza primeval forest.

Obligations to Date: \$17,000

- (2) **General Management Planning (Bieszczady National Park):** In coordination with the World Bank, USAID, through the U.S. National Park Service, will conduct a general management planning workshop for Bieszczady Tri-National Park (Poland, the Slovak Republic, and the Ukraine). Participants were trained in the planning process, development of alternatives, impact assessment techniques, use of public involvement, and plan implementation. Follow-up technical assistance will be provided to aid in implementation of the training towards developing a general management plan for the tri-national park. The GEF project will then provide further follow-up.

Obligations to Date: \$100,000

**CZECHOSLOVAKIA: PLANNING AND MANAGEMENT OF CZECH AND
SLOVAK RESERVES (Second Tranche Investment Project):**

USAID and the World Bank co-designed the GEF project for Czechoslovakia (CSFR). USAID, through the Biodiversity Support Program, has been collaborating with the World Bank to provide assistance in tandem with the activities being carried out under the CSFR GEF. USAID is undertaking the following component:

Strengthening of NGO Participation in the Nature Protection: The CSFR Biodiversity Project is centered around five transboundary protected areas in CSFR. In coordination with this project, USAID is providing technical assistance to promote the constructive involvement of local NGOs in park management planning. USAID initiated a small grants program for local NGOs. This will increase the capacity of NGOs to provide valuable, unique information critical for effective management of protected areas in the regions of GEF funded activities.

Obligations to Date: \$75,000

BULGARIA: BIODIVERSITY CONSERVATION (Potential Sixth Tranche):

In June 1991, USAID, EPA, and the World Bank developed an Environment Action Plan with the Government of Bulgaria. A major recommendation in this Action Plan was focused at the institutional development of nature protection and proposed the creation of an independent Nature Protection Agency. During this same period, USAID and World Bank co-designed a GEF biodiversity proposal for Bulgaria. The project design was completed in early 1992, but was not included in the core fund due to an overabundance of biodiversity projects in the GEF portfolio. However, USAID has recently initiated discussions with GEF representatives at the World Bank to reincarnate the Bulgaria GEF project. USAID has offered to sponsor the project, but the World Bank may wish to sponsor the project itself. Discussions are continuing and a decision is expected soon.

It is important to note that USAID has not based its assistance on the approval of the GEF and is moving forward with several of the proposed activities outlined in the GEF project. These activities include the following:

- (1) **U.S. Study Tour for Parks and Protected Areas Experts:** In June/July 1992, USAID, through the U.S. National Park Service, sponsored a three-week study tour for six Bulgarians from the Ministry of Environment and the Committee of Forests.

Obligations to Date: \$70,000

- (2) **Development of a National Nature Conservation Strategy:** USAID, through the Biodiversity Support Program, sponsored a workshop to develop a national nature conservation strategy for Bulgaria.

Obligations to Date: \$750,000

- (3) **Development of Vitosha National Park Interpretive Program and Visitor Center Project:** USAID, through the U.S. National Park Service, is undertaking an Interpretive Pilot Project at Vitosha National Park. The overall goal of this effort is to lay the groundwork for Vitosha National Park to serve as a model conversation education center, specifically designed to appeal to and interest the nearby urban population. The approach, methodology, and techniques will have application elsewhere in Bulgaria.

Obligations to Date: \$1,000,000

- (4) **Central Balkans Management Plan:** USAID, through the U.S. National Park Service, will provide technical assistance and training to develop a general management plan for the Central Balkans National Park. Training will be provided in the planning process, development of alternatives, impact assessment techniques, use of public involvement, and plan implementation. Follow-up technical assistance will be provided to aid in implementation of the training towards developing a general management plan for the park.

Obligations to Date: \$150,000

- (5) **Higher Education/Training:** USAID, through the U.S. National Park Service, will sponsor two nature protection experts for on-the-job and formal classroom training. One expert will be trained in management and operations and the other will be trained in ranger and visitors services skills.

Obligations to Date: \$100,000

SUMMARY OF CURRENT U.S.A.I.D. GEF PROJECTS

Projects submitted to the 3rd & 4th Tranches and approved:	U.S. \$
Jamaica DEMO (biodiversity)	6.6 million
Nicaragua NRMP (biodiversity)	5.4 million
El Salvador (biodiversity)	5.2 million
Eastern Caribbean (biodiversity & Int. Waters)	7.0 million
South Pacific PEP (biodiversity)	1.7 million
Uganda APE (biodiversity)	20.0 million
TOTAL PROJECTS SUBMITTED:	45.9 million

U.S.A.I.D. ACTIVITIES ASSOCIATED WITH CORE-FUNDED GEF PROJECTS

USAID Contributions to World Bank & UNDP GEF Projects:	U.S. \$
Worldwide - PRINCE	0.4 million
Nepal - UNDP: Makalu Barun Conservation Area	0.8 million
Poland - World Bank: Forest Biodiversity	0.1 million
Czechoslovakia - World Bank: Planning & Mgmt. of Reserves	0.1 million
Regional - UNDP/World Bank: Danube Program	2.3 million
Bulgaria - Biodiversity (Potential 6th Tranche Project)	2.0 million
TOTAL	5.7 million
CUMULATIVE TOTAL	51.6 million

**NEPAL: MAKALU-BARUN CONSERVATION AREA - NATIONAL BIODIVERSITY ACTION PLAN
(Second Tranche Technical Assistance Project):**

USAID/Nepal provided funds in order to facilitate the immediate establishment of a Makalu-Barun National Park and Conservation Area while the UNDP/GEF project is being finalized. Processing of the UNDP project has been slow, but project approval is expected in the next 2-3 months.

The USAID funded activities will assist in the establishment of the Park and integrate a set of programs to address its protection and enhance the sustainable management of natural resources in its surrounding Conservation Area. The project's approach involves a participatory model of land management that balances the needs of local people with the protection of the area's biodiversity. Conservation and development are viewed as mutually reinforcing objectives.

The Project proposal has been approved by the Dept. of National Parks and Wildlife Conservation, Ministry of Forests and Environment, and the Cabinet, and Gazetted as law. A management plan has been approved by the Ministry of Forests and Environment, and plans for community development, scientific research, and tourist development have been developed. The project is working with the NGO, Woodlands Mountain Institute.

Total USAID Contribution:	US \$600,000
Obligations to Date:	US \$200,000
Expenditures to Date:	US \$169,447

REGIONAL: DANUBE DELTA BIODIVERSITY (Third Tranche Investment Project):

USAID, through the Danube River Program of the Environment and Natural Resources Division - Bureau for Europe, has supported activities aimed at reducing transboundary pollution between neighboring countries in Central and Eastern Europe. USAID was the first bilateral country to join the Danube River Task Force and is a key member of the steering committee. USAID has taken the lead in the Danube River Investment Program and is the lead donor in identifying priority investments to clean up the Danube and its tributaries. USAID is collaborating very closely with IBRD, EBRD, and EC PHARE.

USAID provided funds to the USAID WASH project (Water and Sanitation for Health) in FY 92 to support the regional Environmental Program for the Danube River Basin in four countries: Bulgaria, Czechoslovakia, Hungary, and Romania. This program is also being supported by a GEF core program implemented by UNDP in conjunction with several other agencies, including IBRD, EBRD, EIB, the EC countries, and UNEP through a Program Coordination Unit in Brussels. The program was jointly established by the riparian countries in Sofia in September 1991, in order to develop a strategic action plan for water pollution control and carry out institutional strengthening and human resources development activities over a three-year period. The USAID program works closely with the GEF portion of the Danube program.

The objectives of the FY 91 and 92 program have been to identify priority river basins, identify priority investments, and develop and implement the Danube Emissions Management Decision Support System (DEMDESS) model. The objectives of the USAID-funded project in FY93 are to:

- (1) Assess major sources of water pollution in a pilot basin in each of the Danube countries.
- (2) Develop a priority ranking of possible pollution control projects in accordance with criteria that include impacts on human health and the environment.
- (3) Prepare pre-investment studies on high priority projects suitable for consideration by potential donors and investors.

Obligations to Date: \$2.25 million



DEPARTMENT OF THE TREASURY
WASHINGTON

July 23, 1993

MEMORANDUM FOR THE DISTRIBUTION

FROM:

Michael Kaplan *MLK*

SUBJECT:

Final U.S. Position Paper

FYI: The attached is the final version of the U.S. position paper that has been faxed to the attendees and invitees for the New York meeting. The paper, although clearly not classified, is still restricted to government use and the attached distribution.

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DEPARTMENT OF THE TREASURY
WASHINGTON

July 23, 1993

MEMORANDUM FOR THE DISTRIBUTION

FROM: Susan Levine *SL*
Deputy Assistant Secretary
International Development, Debt and Environment Policy

SUBJECT: Follow-Up to June 17 New York Meeting

Thank you again for your participation in our June 17 meeting in New York. We appreciated the opportunity to meet with everyone on an informal basis and believe progress was made in building consensus on the restructuring of the GEF.

As discussed, we have prepared a new paper outlining our views on the GEF in response to the meeting. We would like to continue this discussion and therefore propose that we meet in Washington the day before the next GEF meeting, on Tuesday, September 21. We will contact you in the near future to provide details. If you have any comments or questions, please do not hesitate to contact me by telephone at (202) 622-0153, or by fax at (202) 622-2536. I look forward to seeing you again in Washington.

FOR DISTRIBUTION SEE ATTACHED PAGE

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Mr. R.M. Ainscow, United Kingdom	44-71-917-0679

U.S POSITION ON SELECTED GEF REPLENISHMENT ISSUES

General Principles

The Principles for Restructuring agreed in April 1992 should continue to form the basis for discussion. Specifically, the Global Environment Facility, with necessary improvements, should function as the operating entity of the financial mechanisms of the Climate Change and Biodiversity Conventions by funding the agreed incremental costs of measures that achieve agreed global environmental benefits.

Secretariat

Under the policy guidance of the GEF Participants,¹ the GEF Secretariat should be able to develop and promulgate its own operational policies and standards. It should also be able to coordinate an independent project review process with the assistance of the STAP, and be the central point of contact for all GEF activities.

The GEF Secretariat should be lean and cost-effective, relying to the maximum extent possible on the work and support of the Implementing Agencies. The World Bank should continue to serve as Trustee for the Global Environment Trust Fund, and the GEF Secretariat's employees should utilize the World Bank's personnel systems as regards health, retirement and other benefit plans. The GEF should also be able to rely on the World Bank's building facilities and secretarial support. Due to this special link between the GEF Secretariat and the World Bank, this relationship might aptly be described as "co-location."

The GEF Secretariat should be staffed by employees of the World Bank as well as employees of UNDP and UNEP, who would be seconded on a short-term or long-term basis.² The Secretariat should be headed by a Chief Executive Officer (see page 2) who would answer directly to the GEF Participants. Although seconded employees clearly maintain an agency affiliation, in order to avoid conflicts of interest key GEF personnel should work full time for the Secretariat and report directly to the Chief Executive Officer.

¹ As discussed below, the GEF Participants shall be represented by a constituency-based management board. Links to the Participants shall accordingly be carried out through the vehicle of this management board.

² According to current World Bank practice, individuals seconded from the UNDP or UNEP are paid by the Bank and covered by the Bank's personnel plans. Upon completing the secondment, these staff retain their reemployment rights with their home agencies.

The GEF Secretariat must be able to employ individuals of the highest professional caliber with expertise in environmental policy and sciences. It is not clear that this need can be met entirely by drawing on the staff resources of the Implementing Agencies, or by hiring consultants. Accordingly, in special circumstances and after reviewing candidates from within the Implementing Agencies, the GEF Secretariat should have the flexibility, within approved budget levels, to look outside regular channels in order to hire appropriate staff.

Chief Administrator for the GEF Secretariat

The GEF Secretariat should be headed by an individual with strong management abilities as well as extensive professional expertise in environment-related areas. This position might be entitled the "GEF Chief Executive Officer" (GEF CEO). This individual must respond directly to the GEF Participants. Accordingly, candidates for this position should be nominated by the Implementing Agencies and subsequently elected by the Participants. The candidate may or may not be a current employee of an Implementing Agency; current employees of Implementing Agencies would be expected to resign their formal ties to their home agencies during their term as GEF CEO.

GEF Constituency-Based Management Board

A constituency-based management board, which for the purposes of this paper shall be referred to as the CMB, should act as the governing body of the GEF. All decisions on GEF policy, as well as on the projects and activities of the GEF, should be made by this body. The CMB should be composed of 25-30 GEF Directors, who will represent constituencies of all the GEF Participants. We are flexible on the exact number of seats in the CMB, and on how constituency groups and their GEF Directors shall be chosen. The CMB should meet twice a year in Washington, D.C., although flexibility to hold additional meetings in exceptional circumstances should be maintained. The GEF Directors should not receive compensation.

Within the frameworks set by (and pursuant to) the Conventions, the CMB should be able to establish GEF operational policies and standards without prior approval of the management or governing bodies of the Implementing Agencies. The CMB must have the authority to approve the work program as a whole and, on a "non-objection" basis (as described below), individual GEF projects. Provided the CMB has this authority, the review and/or approval mechanisms of the Implementing Agencies for their own project submissions to the GEF can be deferred to the Implementing Agencies themselves.

Periodic Meetings of All GEF Participants

Although the functional responsibilities for the operational and policy guidance of the GEF is located in the CMB, the desire of the G-77 for periodic meetings of all GEF Participants is recognized. Periodic meetings would provide the opportunity for all Participants in the GEF to make their views known with their own voice. Periodic meetings may also provide the opportunity for the Participants to form themselves into constituencies and to elect their constituencies' GEF Director. The periodic meeting could potentially be held in conjunction with another high-profile meeting, such as the World Bank Group's annual meeting, to raise the visibility of the Facility on the international level and within countries' policy-making structures. Such a periodic forum would foster the spirit of international cooperation that is essential to the success of the GEF.

As the CMB would meet only twice a year and would be the forum in which policy and operational matters were determined, the larger meeting could be convened on an infrequent basis. There is flexibility on the interval between meetings; options include holding a larger meeting prior to replenishment meetings, or perhaps on a bi-annual basis.

Project Approval

The operation of the GEF should be as streamlined as possible. Accordingly, project approval should be structured on a streamlined "non-objection" basis. The CMB should approve the joint work program proposed by the GEF CEO as a package. Then, at the completion of the project design cycle, the GEF CEO would circulate the final project document to the GEF Directors for their review for an agreed period of time. If no objections are received, the project shall be considered approved for financing. If a GEF Director has an objection, the GEF CEO could refer the project back to the relevant agency for further development, place it on the agenda of the next CMB for discussion or, in special circumstances, convene a special CMB to discuss the objections raised. If, in rare cases, further discussion does not produce consensus, it would be necessary for the CMB to formally vote to approve the project.

Decision-Making

The GEF's voting system should be based on a combination of membership and contribution-weighted shares, although the Chairman's latest proposal for a double-majority system is also under consideration. Whatever voting system is adopted, however, a special majority of votes for project approval should be required to ensure that the GEF supports high-quality projects that enjoy broad support among the Participants.

GEF Executing Agencies

The GEF needs to strengthen its ability to work effectively with a wide variety of environment and development entities that are capable of executing GEF projects. Such "executing agencies" should include the regional development banks, NGOs, and the private sector, as appropriate. The GEF Secretariat, under the direction of the CMB, should set any needed ground rules for involvement of executing agencies.

However, the GEF Secretariat must not be overwhelmed by project proposals. Also important is that the Secretariat should be able to ensure adequate monitoring and supervision over project implementation. A further exploration of practical ways to increase the involvement of other executing agencies in the work of the GEF will be pursued.

NGO Participation

The GEF can derive great benefit from the participation of NGOs, both in project formulation and execution, and in an consultative role at the governance level. The GEF should establish clear procedures for NGOs, particularly at the local community level, to be involved at all phases of the project cycle. Looking at the experience of UNCED, the Rio Conventions, and other fora, it is evident that clear procedures should be developed to encourage and systematize the participation of NGOs. These procedures should ensure that NGOs will be allowed as Observers into the periodic larger meetings, with the appropriate right to speak; as in UNCED and other fora, a limited number of NGOs would be expected to represent the international NGO community at the periodic meetings.

NGOs should also be entitled to Observer Status at meetings of the CMB; clear procedures must ensure, however, that appropriate discussions may be held in closed Executive Session. Clear guidelines to this effect will help to avoid misunderstandings and increase public support for the GEF.

Access to Information

The GEF should be transparent and accountable to contributors and beneficiaries alike. Accordingly, the GEF must establish clear procedures ensuring that the Participants, NGOs, and the general public have full and complete access to information (with the exception of national security, sensitive or proprietary information) on GEF and associated projects throughout all phases of the project cycle.

Establishment of the GEF

The GEF Participants should agree, at the conclusion of the restructuring and replenishment negotiations, on the text of the founding resolution for the restructured Global Environment Facility. The text of the resolution should then be adopted by the World Bank's Board of Directors and be endorsed by the Governing Councils of UNDP and UNEP, which would authorize participation in the Facility.

The structure of the GEF, including the roles of the Implementing Agencies and the responsibilities of the CMB and periodic larger meetings, should be determined in the founding resolution. Certain general principles which define the GEF, such as transparency and public participation, should also be enshrined in its charter.

**ELEMENTS FOR
ESTABLISHING THE RESTRUCTURED
GLOBAL ENVIRONMENT FACILITY**

Preamble

- I. Basic Provisions
- II. Contributions
- III. Organization
- IV. Principles of Decision Making
- V. Cooperation with Global Environment Conventions
- VI. Cooperation with Other Bodies
- VII. Operational Modalities
- VIII. Reporting
- IX. Transitional and Final Provisions

ANNEXES

- A: Instruments of Participation and Withdrawal
- B: Categories and Voting Power of Participants
- C: Inter-Agency Agreement for Cooperation among Implementing Agencies
- D: Role and Fiduciary Responsibilities of the Trustee
- E: GEF Principles on Transparency and Public Participation

Preamble

- (a) The Global Environment Facility (GEF or the Facility) was established in the International Bank for Reconstruction and Development (World Bank) as a pilot program in order to assist in the protection of the global environment and thereby promote environmentally sound and sustainable economic development, by resolution of the Executive Directors of the World Bank and related interagency arrangements between the United Nations Development Programme (UNDP), the United Nations Environment Programme (UNEP), and the World Bank;
- (b) Agenda 21 (the action plan of the 1992 United Nations Conference on Environment and Development), the United Nations Framework Convention on Climate Change and the Convention on Biological Diversity have called for the restructuring of the Facility;
- (c) States participating at present in the Facility and other States wishing to participate in it have requested that the Facility be restructured in order to take account of these developments, to ensure a governance that is transparent and democratic in nature, to promote universality in its participation and to provide for full cooperation in its implementation among UNDP, UNEP and the World Bank (together referred to hereinafter as the Implementing Agencies), and to benefit from the evaluation of experience with the operation of the Facility since its establishment.
- (d) It is desirable to replenish the resources for these purposes under a restructured Facility which includes a new GEF Trust Fund on the basis of this text;
- (e) It is desirable to terminate the existing Global Environment Trust Fund (hereinafter GET) and to transfer any funds, receipts, assets, and liabilities, held in it upon termination to the new GEF Trust Fund;
- (f) The Implementing Agencies have reached a common understanding of principles for cooperation as set forth in the present text, subject to approval of their participation by their respective governing bodies;
- (g) The States participating at present in the Facility, at their meeting in _____ from _____ to _____ have agreed to the present text.

I. Basic Provisions

Restructuring and Purpose of GEF

1. The restructured GEF will be established by resolutions of the Implementing Agencies giving effect to the present text.
2. (a) This text shall constitute an intergovernmental agreement pursuant to which the GEF shall operate, on the basis of cooperation and partnership amongst UNDP, UNEP and the World Bank
- (b) The purpose of the GEF shall be to provide additional grant and concessional funding for the agreed incremental cost for achieving agreed global environmental benefits in the following focal areas:
 - (i) climate change,
 - (ii) biological diversity,
 - (iii) international waters, and
 - (iv) protection of the ozone layer.
- (c) The agreed incremental costs of relevant activities under Agenda 21 as they relate to these focal areas shall also be eligible for funding.
- (d) Activities concerning land degradation, primarily desertification and deforestation, as they relate to these focal areas, shall also be eligible for financing under the GEF.
- (e) The GEF shall assure the cost effectiveness of its activities in addressing the targeted global environmental issues.
- (f) In partial fulfillment of its purposes, the GEF shall , on an interim basis, operate the financial mechanisms for the implementation of the United Nations Framework Convention on Climate Change and the Convention on Biological Diversity, in accordance with such arrangements or agreements as may be made pursuant to paragraph [18] [20]. In this respect, GEF shall function under the guidance of, and be accountable to, the Conferences of the Parties which shall decide on policies, program priorities and eligibility criteria related to the Conventions. The GEF will be available to continue to serve for the purposes of the financial mechanisms for the implementation of those Conventions if it is requested to do so by their Conferences of the Parties. In areas outside the scope of the Conventions, the GEF may look to Agenda 21 for guidance.

Participation

3. Any State member of the United Nations or of any of its specialized agencies may become a Participant in the GEF by depositing with the Secretariat an instrument of participation substantially in the form set out in Annex A. Any Participant may withdraw from the GEF by depositing with the Secretariat an instrument of withdrawal substantially in the form set out in Annex A.

Establishment of GEF Trust Fund

4. The new GEF Trust Fund shall be established under the Facility, consisting of the contributions received in accordance with the present text, the balance of funds transferred from the GET pursuant to paragraph 21, and any other assets and receipts of the Fund. The World Bank shall be invited to serve as the Trustee of the Fund (Trustee), in accordance with its role and fiduciary responsibilities as trustee as set forth in Annex D.

II. Contributions

5. [Text of this section to be prepared on the basis of the replenishment agreement.]

III. Organization

6. The GEF shall have an Assembly, an Executive Council, and a Secretariat. An Interagency Committee shall coordinate the activities of the Implementing Agencies. The Secretariat shall service the Assembly and the Council. A Scientific and Technical Advisory Panel shall provide appropriate advice as set forth in paragraph 17.

Assembly

7. The Assembly shall consist of representatives of all Participants. The Assembly shall elect its Chairperson.

Each Participant may appoint one Representative and one Alternate in such manner as it may determine. Each Representative and each Alternate shall serve without compensation until replaced by the Participant appointing him or her. The Assembly shall meet once every three years. The Assembly shall have the power to :

- (i) give general guidance on the overall policies of the restructured Facility;
- (ii) review and evaluate the operation of the Facility, including arrangements with the Conferences of the

Parties to international conventions relating to the global environment, on the basis of reports prepared for the Executive Council by the Secretariat or by independent commissions appointed by the Executive Council;

- (iii) keep under review the membership of the Facility;
- (iv) elect the Members and Alternates of the Executive Council as provided in paragraph 9;¹
- (v) increase the size of the Executive Council, pursuant to paragraph 8;
- (vi) approve amendments of the present text.

Executive Council

8. The Executive Council shall be responsible for developing and adopting, in conformity with the present text and the general guidance provided by the Assembly, the specific operational policies, guidelines and programs to be pursued by the Facility. The Executive Council shall consist of ____ Members and an equal number of Alternates, provided that as the number of Participants increases the Assembly may increase the number of Members of the Executive Council to a number not exceeding 30. Each Member of the Executive Council and each Alternate shall serve for three years or until a new Member is elected² by the Assembly, whichever comes first. The Executive Council shall meet semiannually or as it may otherwise decide.

9. The Members of the Executive Council shall be elected by the Assembly, taking into account the need for balanced and equitable representation of all Participants. Each Member shall appoint an alternate Member with full power to act for him or her in his or her absence. The Chief Executive Officer of the Facility shall serve as the Chairperson of the Executive Council.

10. The Executive Council shall:

- (i) review and approve the work program referred to in

¹ See separate paper prepared by the U.S. on electing Members of the Executive Council. Members would presumably appoint alternates.

² See the U.S. paper on electing Members of the Executive Council. Rules (perhaps similar to the MDBs generally) should also indicate what happens if a Member retires or otherwise vacates his or her position. The normal outcome is that the constituency which elected a retiring member can elect a replacement.

paragraph __, monitor and evaluate progress in its implementation of the work program and provide related guidance to the Implementing Agencies and the other bodies referred to in paragraph 19;

- (ii) review and approve projects under expedited procedures;
- (ii) seek to mobilize financial resources and review the availability of resources from the GEF Trust Fund;
- (iii) ensure that GEF activities relating to the conventions referred to in paragraph 2(c) conform with the policies, program priorities and eligibility criteria established by the Conferences of the Parties to those conventions, and report to such Conferences of the Parties on relevant matters;
- (iv) oversee the work of the Secretariat and assign specific tasks and responsibilities to the Secretariat;
- (v) report to the Assembly on the operation of the Facility;
- (vi) keep the UN Commission on Sustainable Development fully apprised of its activities;
- (vii) adopt policies on information disclosure and consultation and participation with non-governmental organizations and local peoples, to implement the principles in Annex E;
- (viii) arrange for periodic internal and/or independent financial and performance audits of the Secretariat and the Implementing Agencies with regard to activities undertaken for the Facility;
- (ix) review, as scientific knowledge expands, the purposes, scope and activities of the Facility; and
- (x) keep under review the experience with the operation of the Facility and the extent to which it is achieving the purposes of the present text and make such recommendations to the Assembly with respect to further replenishment, restructuring or legal arrangements as the Executive Council considers appropriate.

- (xii) frame guidelines and oversee the work of Facility generally, including the Interagency Committee and its work program, and the work of the Scientific and Technical Advisory Panel (STAP) and the Secretariat.

Secretariat

11. The GEF Secretariat shall service and report to the Assembly and the Executive Council. The Secretariat shall be supported administratively by the Bank and shall operate in a functionally independent manner from the Implementing Agencies. The Chief Executive Officer of the Facility (CEO) shall serve as the head of the Secretariat, shall be responsible (under the direction of the Council) for the organization, appointment and dismissal of officers and staff of the Secretariat, and shall be elected for three years on a full time basis by the Executive Council on the joint recommendation of the Implementing Agencies. The CEO may be removed by the Executive Council only for cause. The staff of the Secretariat will include staff members seconded from the Implementing Agencies. The CEO shall be accountable for the performance of the Secretariat functions to the Participants, through the Executive Council, and, pursuant to Annex D, to the Trustee, including in particular those related to:

- (i) the effective implementation of decisions by the Assembly and the Executive Council;
- (ii) cooperation among the Implementing Agencies in accordance with the interagency cooperation arrangements referred to in paragraph 12, coordination of program activities pursuant to the joint work program, ensuring liaison with other bodies as required, particularly in the context of the cooperation arrangements referred to in paragraph 19;
- (iii) coordination with the Secretariats of other relevant international bodies, in particular the Secretariats of the conventions referred to in paragraph 2(c);
- (iv) reporting to the Assembly, the Executive Council and other institutions as directed by the Assembly or the Executive Council; and
- (v) the performance of any other functions assigned to the Secretariat by the Assembly or the Executive Council.

Implementing Agencies

12. The Implementing Agencies of the GEF shall be UNDP, UNEP, and the World Bank. They shall cooperate in developing and performing activities to implement effectively the operational policies, guidelines, strategies and decisions of the Assembly and the Executive Council within their respective areas of competence and under the principles of cooperation set forth in Annex C to the present text. The Implementing Agencies shall cooperate with the Participants, the Secretariat, the States receiving assistance under the GEF, and other interested parties, including non-governmental organizations, to promote the purposes of the Facility.

13. The heads of the Implementing Agencies and the CEO shall meet periodically to promote interagency collaboration and communication, and to review operational policy issues regarding the implementation of GEF activities and shall transmit, through the CEO, their conclusions and recommendations to the Executive Council for its consideration.

14. An Interagency Committee, composed of senior representatives of the three Implementing Agencies and the Secretariat, shall consult on a regular basis as needed to facilitate coordination and the effective development and implementation of a joint work program. Such consultations shall be chaired by the CEO or his or her representative.

14a. The Interagency Committee, when considering projects or programmes submitted by any particular country, may when specially warranted invite the country in question to attend the process in which its program or project is being considered with a view to enable it to more fully assist in the process.

14b. While the three Implementing Agencies consist of the primary tier for implementation, other executing agencies, including regional development banks, national executing bodies, NGOs and from the private sector, should also be utilized in project preparation and execution.

Scientific and Technical Advisory Panel (STAP)

15. UNEP shall establish, after consultation with UNDP and the World Bank, , the Scientific and Technical Advisory Panel (STAP) as an advisory body to the Facility. UNEP will provide the STAP's secretariat and will operate as the liaison between the Facility and the STAP. The STAP shall meet and its Secretariat shall operate at the headquarters of Facility.

IV. Principles of Decision-Making

16. (a) **Procedure.** The Assembly and the Executive Council will each adopt regulations as may be necessary or appropriate to

perform their respective functions, and will determine any aspect of their respective procedure. Such regulations shall, inter alia, assure access and participation by non-governmental organizations.

(b) **Consensus.** Decisions of the Assembly and the Executive Council will normally be taken by consensus, ascertained by the Chairperson as the prevailing sense of the meeting. However, the Chairperson will require a formal vote upon the request of any Representative in the Assembly, or of any Member in the Executive Council, as the case may be. Before a formal vote is taken, the Chairperson will seek to achieve consensus by pursuing such courses of action as he/she deems desirable.

(c) **Formal Vote.**

[Decisions requiring a formal vote will be taken by a [simple] [qualified] majority of the votes cast by Participants. The total number of votes will consist of basic votes (x percent), and contribution-related votes (100-x percent). Each Participant will have (i) the number of basic votes resulting from the equal distribution among all Participants of x percent of the total number of votes, and (ii) one contribution-related vote for each SDR 100,000 of its portion of the total contribution.]

[Decisions requiring a formal vote will be taken by a majority [or two-thirds] of the Participants provided they include Participants contributing more than one-half [or two-thirds] of the total contributions.]

[Decisions of the Participants requiring a formal vote will be taken by a [simple majority] [two-thirds majority] of the votes cast by Participants, provided such a majority includes a majority of the votes cast by Participants from eligible recipient countries (Category I) and a majority of the votes cast by Participants from other countries (Category II). Votes will be allotted in equal proportions to Category I and Category II. Members of each category will choose a formula for distributing votes among them, subject to agreement of the Participants.]

V. Cooperation with Global Environment Conventions

17. The Executive Council will ensure the effective operation of the GEF as a source of funding activities under the global environmental conventions referred to in paragraph 2(c). The use of the GEF resources for purposes of such conventions will be in conformity with the policies, program priorities and eligibility criteria established by the Conferences of the Parties to those conventions.

18. The Executive Council will agree upon arrangements for

cooperation, including reciprocal arrangements for representation in meetings, with the Conferences of the Parties to the conventions referred to in paragraph 2(c). Such agreements shall be in conformity with the relevant provisions of each Convention concerning their financial mechanisms and shall include procedures for determining jointly funding allocations for purposes of each Convention. Pending the establishment of the Conferences of the Parties of each Convention, the Assembly or, intersessionally, the Executive Council shall consult the preparatory or interim bodies, as feasible.

VI. Cooperation with Other Bodies

19. The Secretariat and the Implementing Agencies under the guidance of the Executive Council will cooperate with other international organizations to promote achievement of the purposes of the GEF. The Secretariat and the Implementing Agencies, with the approval of the Executive Council, may make arrangements for access to GEF resources, and the execution of GEF-funded projects by multilateral development banks, specialized agencies and programs of the United Nations, other international organizations, bilateral development agencies, national institutions, the private sector, the academic community and nongovernmental organizations.

VII. Operational Modalities

[Text to be included for November meeting.]

VIII. Reporting

20. The Executive Council will approve an annual report on the activities of the GEF. The report will be prepared by the Secretariat, and will contain information on the activities carried out under the GEF, including a review of the project activities funded by the Facility. The report will contain all the information necessary to meet the principles of accountability and transparency that will characterize the Facility as well as the requirements arising from the specific reporting arrangements agreed with the Conferences of the Parties to the conventions referred to in paragraph 2(c). The report will also be submitted for information to the UN Commission on Sustainable Development and any other international organization as deemed appropriate by the Executive Council.

IX. Transitional and Final Provisions

Termination of the GET

21. The World Bank will be invited to terminate the existing Pilot Phase Global Environment Trust Fund (GET) on the effective date of the establishment of the new GEF Trust Fund, and any funds, receipts, assets and liabilities held in the GET upon termination,

including the administration of any cofinancing by the Trustee in accordance with the provisions of Resolution No.91-5 of the Executive Directors of the World Bank, will be transferred to the new GEF Trust Fund.³

Amendment and Termination

22. The present text shall only be amended or terminated by the Assembly by a ____ majority vote. An Implementing Agency objecting to an amendment may terminate its participation under the present text.

23. The Trustee may at any time terminate its role as trustee in accordance with the provisions set forth in Annex D, and each Implementing Agency may at any time terminate its role as implementing agency, after consultation with the other Implementing Agencies and after giving the Executive Council [six months notice. If the original Trustee terminates its role, the Assembly will be free to make alternate arrangements for appointing a new Trustee.

³ The Ozone Projects Trust Fund, also established under Resolution No. 91-5, will continue in existence as a separate fund until otherwise decided.

ARTICLES OF AGREEMENT

Schedules A and B

SCHEDULE A SUBSCRIPTIONS

	(millions of dollars)		(millions of dollars)		(millions of dollars)
Australia	200	El Salvador	1	Nicaragua	.8
Belgium	225	Ethiopia	3	Norway	50
Bolivia	7	France	450	Panama	.2
Brazil	105	Greece	25	Paraguay	.8
Canada	325	Guatemala	2	Peru	17.5
Chile	35	Haiti	2	Philippine Commonwealth	15
China	600	Honduras	1	Poland	125
Colombia	35	Iceland	1	Union of South Africa	100
Costa Rica	2	India	400	Union of Soviet Socialist Republics	1200
Cuba	35	Iran	24	United Kingdom	1300
Czechoslovakia	125	Iraq	6	United States	3175
*Denmark		Liberia	.5	Uruguay	10.5
Dominican Republic	2	Luxembourg	10	Venezuela	10.5
Ecuador	3.2	Mexico	65	Yugoslavia	40
Egypt	40	Netherlands	275	Total	9100
		New Zealand	50		

*The quota of Denmark shall be determined by the Bank after Denmark accepts membership in accordance with these Articles of Agreement.

SCHEDULE B ELECTION OF EXECUTIVE DIRECTORS

1. The election of the elective executive directors shall be by ballot of the Governors eligible to vote under Article V, Section 4 (b).

2. In balloting for the elective executive directors, each governor eligible to vote shall cast for one person all of the votes to which the member appointing him is entitled under Section 3 of Article V. The seven persons receiving the greatest number of votes shall be executive directors, except that no person who receives less than fourteen percent of the total of the votes which can be cast (eligible votes) shall be considered elected.

3. When seven persons are not elected on the first ballot, a second ballot shall be held in which the person who received the lowest number of votes shall be ineligible for election and in which there shall vote only (a) those governors who voted in the first ballot for a person not elected and (b) those governors whose votes for a person elected are deemed under 4 below to have raised the votes cast for that person above fifteen percent of the eligible votes.

4. In determining whether the votes cast by a governor are to be deemed to have raised the total of any person above fifteen percent of the eligible votes, the fifteen percent shall be deemed to include, first, the votes of the governor casting the largest number of votes for such person, then the votes of the governor casting the next largest number, and so on until fifteen percent is reached.

5. Any governor, part of whose votes must be counted in order to raise the total of any person above fourteen percent shall be considered as casting all of his votes for such person even if the total votes for such person thereby exceed fifteen percent.

6. If, after the second ballot, seven persons have not been elected, further ballots shall be held on the same principles until seven persons have been elected, provided that after six persons are elected, the seventh may be elected by a simple majority of the remaining votes and shall be deemed to have been elected by all such votes.

Secretary's Department
March 1989

Executive Directors and Alternates of the World Bank and Their Voting Power

June 30, 1993

Appendix 2

Executive director	Alternate	Casting votes of	IBRD		IDA	
			Total votes	% of total	Total votes	% of total
Appointed						
E. Patrick Coady	Mark M. Collins, Jr.	United States	243,359	17.46	1,422,274	16.26
Yasuyuki Kawahara	Kiyoshi Kodera	Japan	94,020	6.74	900,671	10.29
Fritz Fischer	Harald Rehm	Germany	72,649	5.21	609,771	6.97
Jean-Pierre Landau ^b	Jérôme Haas	France	69,647	5.00	356,294	4.07
David Peretz	David Stanton	United Kingdom	69,647	5.00	469,316	5.36
Elected						
Bernard Snoy (Belgium)	Nurcan Akturk (Turkey)	Austria, Belarus, ^a Belgium, Czech Republic, Hungary, Kazakhstan, Luxembourg, Slovak Republic, Turkey	68,262	4.90	356,698	4.08
Eveline Herfkens (Netherlands)	Ileana Ionescu (Romania)	Armenia, ^a Bulgaria, ^a Cyprus, Georgia, ^a Israel, Moldova, ^a Netherlands, Romania, ^a Ukraine ^a	68,189	4.89	225,567	2.58
Frank Potter ^c (Canada)	Hubert Dean (The Bahamas)	Antigua and Barbuda, ^a The Bahamas, ^a Barbados, ^a Belize, Canada, Dominica, Grenada, Guyana, Ireland, Jamaica, ^a St. Kitts and Nevis, St. Lucia, St. Vincent and the Grenadines	61,134	4.39	364,986	4.17
Bimal Jalan (India)	M.A. Syed (Bangladesh)	Bangladesh, Bhutan, India, Sri Lanka	54,519	3.91	372,945	4.26
Enzo Grilli (Italy)	Fernando S. Carneiro (Portugal)	Albania, Greece, Italy, Malta, ^a Portugal	54,354	3.90	352,383	4.03
Angel Torres (Spain)	Gabriel Castellanos (Guatemala)	Costa Rica, El Salvador, Guatemala, Honduras, Mexico, Nicaragua, Panama, Spain, Venezuela ^a	50,597	3.63	246,785	2.82
Jorunn Maehlum (Norway)	Helga Jonsdottir (Iceland)	Denmark, Estonia, ^a Finland, Iceland, Latvia, Lithuania, ^a Norway, Sweden	49,166	3.53	421,630	4.82
Wang Liansheng (China)	Zhang Shengman (China)	China	45,049	3.23	176,657	2.02
Ibrahim A. Al-Assaf (Saudi Arabia)	Ahmed M. Al-Ghannam (Saudi Arabia)	Saudi Arabia	45,045	3.23	302,521	3.46
Mohamed Benhocine (Algeria)	Arshad Farooq (Pakistan)	Afghanistan, Algeria, Ghana, Iran (Islamic Republic of), Morocco, Pakistan, Tunisia	43,814	3.14	191,082	2.18
John H. Cosgrove (Australia)	Bong-Hee Won (Republic of Korea)	Australia, Kiribati, Korea (Republic of), Marshall Islands, Mongolia, New Zealand, Papua New Guinea, Solomon Islands, Vanuatu, Western Samoa	42,971	3.08	220,093	2.52
Pedro Malan (Brazil)	(vacant) ^d	Brazil, Colombia, Dominican Republic, Ecuador, Haiti, Philippines, Suriname, ^a Trinidad and Tobago	42,374	3.04	253,854	2.90
Faisal A. Al-Khaled (Kuwait)	Mohamed W. Hosny (Arab Republic of Egypt)	Bahrain, ^a Egypt (Arab Republic of), Jordan, Kuwait, Lebanon, Libya, Maldives, Oman, Qatar, ^a Syrian Arab Republic, United Arab Emirates, Yemen (Republic of)	41,357	2.97	217,318	2.48

Executive director	Alternate	Casting votes of	IBRD		IDA	
			Total votes	% of total	Total votes	% of total
Jean-Daniel Gerber (Switzerland)	Jan Sulmicki (Poland)	Azerbaijan, ^a Kyrgyzstan, Poland, Switzerland, Turkmenistan, ^a Uzbekistan	37,698	2.70	276,558	3.16
Aris Othman (Malaysia)	Jannes Hutagalung (Indonesia)	Fiji, Indonesia, Lao People's Democratic Republic, Malaysia, Myanmar, Nepal, Singapore, ^a Thailand, Tonga, Viet Nam	36,616	2.63	242,261	2.77
O.K. Matambo (Botswana)	Harry M. Maondo (Malawi)	Angola, Botswana, Burundi, Ethiopia, The Gambia, Guinea, Kenya, Lesotho, Liberia, Malawi, Mozambique, Namibia, ^a Nigeria, Seychelles, ^a Sierra Leone, Sudan, Swaziland, Tanzania, Uganda, Zambia, Zimbabwe	30,563	2.19	336,587	3.85
Boris G. Fedorov (Russian Federation)	Alexander N. Doumnov (Russian Federation)	Russian Federation	25,390	1.82	28,202	0.32
Nicolás Flaño (Chile)	Julio Nogues (Argentina)	Argentina, Bolivia, Chile, Paraguay, Peru, Uruguay ^a	24,745	1.78	158,835	1.82
Jean-Pierre Le Boudier (Central African Republic)	Ali Bourhane (Comoros)	Benin, Burkina Faso, Cameroon, Cape Verde, Central African Republic, Chad, Comoros, Congo, Côte d'Ivoire, Djibouti, Equatorial Guinea, Gabon, Guinea-Bissau, Madagascar, Mali, Mauritania, Mauritius, Niger, Rwanda, São Tomé and Príncipe, Senegal, Togo, Zaire	22,913	1.64	246,369	2.82

In addition to the executive directors and alternates shown in the foregoing list, the following also served after October 31, 1992:

Executive director	End of period of service	Alternate director	End of period of service
Fawzi Hamad Al-Sultan (Kuwait)	February 5, 1993	Leonid M. Grigoriev (Russian Federation)	March 2, 1993
Rosario Bonavoglia (Italy)	January 14, 1993	Boris Skapin (Slovenia)	May 31, 1993
		A. John Wilson (New Zealand)	March 31, 1993

Note: Total votes shown in this table differ from those published in the financial statements as certain countries either did not participate in the most recent election of executive directors or became members after that election. As a result, voting power percentages also differ. Cambodia (464 votes in IBRD and 7,826 votes in IDA), Iraq (3,058 votes in IBRD and 9,407 votes in IDA), Somalia (802 votes in IBRD and 10,506 votes in IDA), and South Africa (13,712 votes in IBRD and 25,137 votes in IDA) did not participate in the 1992 regular election of executive directors. Croatia (1,537 votes in IBRD and 13,366 votes in IDA), Micronesia (729 votes in IBRD and 18,424 votes in IDA), Slovenia (958 votes in IBRD and 7,546 votes in IDA), and Tajikistan (1,310 votes in IBRD and 20,568 votes in IDA) became members after that election.

a. Member of the IBRD only.

b. To be succeeded by Marc-Antoine Autheman (France) effective August 4, 1993.

c. To be succeeded by Robert R. de Cotret (Canada) effective August 20, 1993.

d. Marcela Cartagena (Ecuador) appointed, effective July 1, 1993.

100 countries
1000 membership shares
1000 contribution shares

10 member shares
per country

	%	member share	contrib share	total share
U.S.	20.86	10	208.6	218.6
Japan	18.7	10	187	197
Germany	11	10	110	120
France	7.02	10	70.2	80.2
U.K.	6.15	10	61.5	71.5
Italy	5.3	10	53	63
Canada	4	10	40	50
Netherlands	3.3	10	33	43
Sweden	2.62	10	26.2	36.2
Switzerland	1.74	10	17.4	27.4
Australia	1.46	10	14.6	24.6
Norway	1.42	10	14.2	24.2
Denmark	1.3	10	13	23
New Zealand ***	1	10	10	20
Finland	1	10	10	20
Austria	0.9	10	9	19
Spain	0.8	10	8	18
Portugal	0.12	10	1.2	11.2
Brazil	0.2	10	2	12
China	0.2	10	2	12
Cote d'Ivoire	0.2	10	2	12
Egypt	0.2	10	2	12
India	0.2	10	2	12
Indonesia	0.2	10	2	12
Mexico	0.2	10	2	12
Turkey	0.2	10	2	12
Pakistan	0.2	10	2	12
Totals	90.49	270	904.9	1174.9
Remaining	9.51	730	95.1	825.1
# Chairs in E.C.	24 Seats	1 26 28 Seats	30 Seats	
Hurdle Rate	83.33	71.43	66.67	
Non-OECD	9.84	11.48	12.3	
Single OECD	3	5	5	
Mixed/Small OECD	6.37	5.31	5.69	

180.00 countries
 1000.00 membership shares
 1000.00 contribution shares

5.56 member shares
 per country

	%	member share	contrib share	total share
U.S.	15.00	5.56	150.00	155.56
Japan	15.00	5.56	150.00	155.56
Germany	15.00	5.56	150.00	155.56
France	10.00	5.56	100.00	105.56
U.K.	8.00	5.56	80.00	85.56
Italy	6.00	5.56	60.00	65.56
Canada	6.00	5.56	60.00	65.56
Netherlands	4.00	5.56	40.00	45.56
Sweden	4.00	5.56	40.00	45.56
Switzerland	4.00	5.56	40.00	45.56
Australia	2.00	5.56	20.00	25.56
Norway	2.00	5.56	20.00	25.56
Denmark	2.00	5.56	20.00	25.56
New Zealand	1.00	5.56	10.00	15.56
Finland	1.00	5.56	10.00	15.56
Austria	1.00	5.56	10.00	15.56
Spain	1.00	5.56	10.00	15.56
Portugal	1.00	5.56	10.00	15.56
Brazil	0.20	5.56	2.00	7.56
China	0.20	5.56	2.00	7.56
Cote d'Ivoire	0.20	5.56	2.00	7.56
Egypt	0.20	5.56	2.00	7.56
India	0.20	5.56	2.00	7.56
Indonesia	0.20	5.56	2.00	7.56
Mexico	0.20	5.56	2.00	7.56
Turkey	0.20	5.56	2.00	7.56
Pakistan	0.20	5.56	2.00	7.56
Totals	99.80	150.00	998.00	1148.00
Remaining	0.20	850.00	2.00	852.00
# Chairs in E.C.	24 Seats	28 Seats	30 Seats	
Hurdle Rate	83.33	71.43	66.67	
Non-OECD	9.84	11.48	12.30	
Single OECD	5.00	5.00	5.00	-7.00
Mixed/Small OECD	5.06	5.91	6.33	

Access to GEF Resources: NGOs

- ♦ our guiding principle should be to get the best projects to the GEF -- a "competition in ideas."
- ♦ a small sum could be set apart, to be administered by the Secretariat, to finance preparation of deserving projects (with a limit per project of perhaps \$50--100,000). We would object to specially earmarking an amount of GEF resources for actual projects prepared or implemented by NGOs or regional MDBs.
- ♦ to facilitate NGO access to the project preparation cycle, procedures, agreed by the Implementing Agencies, will assure that:
 - full information is available publicly about GEF resource allocation, priorities, constraints, etc.
 - when a country has an idea for a project which needs staffing out, the Secretariat might advertise it, say, in Development Business (biweekly free to the Secretariat.)
 - a NGO representative could have access to project planning meetings, say, in the Implementation or the Interagency Committee. That NGO would be responsible for communicating with his counterparts.
 - an NGO with a project proposal could submit it to either the Secretariat or an Implementing Agency, as it chooses.
 - the Secretariat (which we do not want to be filled with experts in every substantive area) could then submit the project to an Implementing Agency (of its or the NGOs choice.) The Implementing Agency would be charged with evaluating the proposal in light of GEF rules and priorities. If the Secretariat did have a substantive expert in a particular area (perhaps not available in the Implementing Agencies), the Secretariat could itself include it in the work program.
 - after evaluation the Secretariat would then be responsible for deciding whether the proposal is included in the work program.
 - if eventually approved, the Secretariat together with the Implementing Agencies will determine which Implementing Agency will supervise execution of the project, and which will (if any) will do a evaluation on project completion. For example, the Bank would

check a WWF project in Malia when its supervision mission checks its own projects there. Alternatively, the Secretariat could have supervision/execution done by consultants.

♦ to involve NGOs in project execution:

- the procedures set out above should alert NGOs to a possible role in project execution, and hopefully should build cooperation so that Implementing Agencies will turn to expert NGOs.
- the project documentation (in the work program and at the approval stage) should alert NGOs to projects where they may be of assistance.
- we should consider advertising or other techniques for the GEF, both here and in-country, to alert NGOs to possible projects.

9/30 D

○ "Assembly", as noted by El Ashry, should be bracketed throughout the text. We bracket it only in paragraph 6 and the title for paragraph 7) and strike through those brackets.♦

○ We replace "will" with "shall" throughout the text when an action is "mandatory;" "will" sounds like a prediction of the future. "May" is used when tasks are optional.♦

○ Deletions are shown by strike-outs. Additions are double-underlined.♦

**ELEMENTS FOR
ESTABLISHING THE RESTRUCTURED
GLOBAL ENVIRONMENT FACILITY**

Preamble

- I. Basic Provisions
- II Contributions
- III. Organization
- IV. Principles of Decision Making
- V. Cooperation with Global Environment Conventions
- VI. Cooperation with Other Bodies
- VII. Operational Modalities
- VIII. Reporting
- IX. Transitional and Final Provisions

ANNEXES

- A: Instruments of Participation and Withdrawal
- B: Categories and Voting Power of Participants
- C: Inter-Agency Agreement for Cooperation among Implementing Agencies
- D: Role and Fiduciary Responsibilities of the Trustee
- E: GEF Principles on Transparency and Public Participation

Preamble

- (a) The Global Environment Facility (GEF or the Facility) was established in the International Bank for Reconstruction and Development (World Bank) as a pilot program in order to assist in the protection of the global environment and thereby promote environmentally sound and sustainable economic development, by resolution of the Executive Directors of the World Bank and related interagency arrangements between the United Nations Development Programme (UNDP), the United Nations Environment Programme (UNEP), and the World Bank;
- (b) Agenda 21 (the action plan of the 1992 United Nations Conference on Environment and Development), the United Nations Framework Convention on Climate Change and the Convention on Biological Diversity have called for the restructuring of the Facility;
- (c) States participating at present in the Facility and other States wishing to participate in it have requested that the Facility be restructured in order to take account of these developments, to ensure a governance that is transparent and democratic in nature, to promote universality in its participation ~~{and decision-making}~~ and to provide for full cooperation in its implementation among UNDP, UNEP and the World Bank (together referred to hereinafter as the Implementing Agencies), and to benefit from the evaluation of experience with the operation of the Facility since its establishment.
- (d) It is desirable to replenish the resources for these purposes under a restructured Facility which includes a new GEF Trust Fund on the basis of this text;
- (e) It is desirable to terminate the existing Global Environment Trust Fund (hereinafter GET) and to transfer any funds, receipts, assets, and liabilities, held in it upon termination to the new GEF Trust Fund;
- (f) The Implementing Agencies have reached a common understanding of principles for cooperation as set forth in the present text, subject to approval of their participation by their respective governing bodies;
- (g) The States participating at present in the Facility, at their meeting in _____ from _____ to _____ have agreed to the present text.

I. Basic Provisions

Restructuring and Purpose of GEF

1. The restructured GEF will be established by resolutions of the Implementing Agencies giving effect to ~~as specified in the present text.~~

2. { (a) Thise text GEF shall constitute an intergovernmental agreement entity and pursuant to which the GEF shall operate, on the basis of cooperation and partnership amongst UNDP, UNEP and the World Bank ~~while maintaining autonomy from these three agencies.~~ }

~~{ (a) The GEF will be an intergovernmental arrangement that builds upon the proven institutional structures and partnership among UNDP, UNEP and the World Bank, thus avoiding the creation of new institutions}.~~

(b) The purpose of the GEF shall ~~will~~ be to provide additional grant and concessional funding for the agreed full incremental cost for achieving agreed global environmental benefits in the following focal areas:

- (i) climate change,
- (ii) biological diversity,
- (iii) international waters, and
- (iv) protection of the ozone layer.

{ (c) The agreed ~~full~~ incremental costs of relevant activities under Agenda 21 as they relate to these focal areas shall also be eligible for funding. }

○ check Norway.♦

(d) Activities concerning land degradation, primarily desertification ~~{, drought}~~ and deforestation, as they relate to these focal areas, shall ~~will~~ also be eligible for financing under the GEF.

{ (e) The GEF shall ~~will~~ assure the cost effectiveness of its activities in addressing the targeted global environmental issues. }

○ Do we want to add principle V, namely, that the GEF would fund programs and projects which are country driven and consistent with national priorities designed to support sustainable development? The explanation of the principle notes that the costs of incremental local action are influenced by national policies and, in a distorted economy, could be very high.♦

- (f) In partial fulfillment of its purposes, the GEF shall ~~will~~, on an interim basis, operate the financial mechanisms for the implementation of the United Nations Framework Convention on Climate Change and the Convention on Biological Diversity, in accordance with such ~~cooperative arrangements~~ or ~~formal~~ agreements as may be made pursuant to paragraph [18] [20]. In areas outside the scope of the Conventions, the GEF may look to Agenda 21 for guidance.

○ check with State lawyers.♦

In this respect, GEF shall function under the guidance of, and be accountable to, the Conferences of the Parties which shall decide on policies, program priorities and eligibility criteria related to the Conventions. The GEF will be available to continue to serve for the purposes of the financial mechanisms for the implementation of those Conventions if it is requested to do so by their Conferences of the Parties.

○ We might clarify orally that the GEF will function under the guidance of the Conferences of the Parties only to the extent that guidance is provided.♦

Participation

3. Any State member of the United Nations or of any of its specialized agencies may become a Participant in the GEF by depositing with the Secretariat an instrument of participation substantially in the form set out in Annex A. Any Participant may withdraw from the GEF by depositing with the Secretariat an instrument of withdrawal substantially in the form set out in Annex A.

Establishment of GEF Trust Fund

4. The new GEF Trust Fund shall ~~will~~ be established under the Facility, consisting of the contributions received in accordance with the present text, the balance of funds transferred from the GET pursuant to paragraph 21, and any other assets and receipts of the Fund. The World Bank shall ~~will~~ be invited to serve as the Trustee of the Fund (Trustee), in accordance with its role and fiduciary responsibilities as trustee as set forth in Annex D.

II. Contributions

5. [Text of this section to be prepared on the basis of the replenishment agreement.]

III. Organization

~~{6. The GEF shall will have an {Assembly}, an Executive Council, and a Secretariat. The Implementing Agencies shall coordinate their activities in an Interagency Committee. A Scientific and Technical Advisory Panel will provide appropriate advice as set forth in paragraph 15.}~~

~~{6. The Governance of GEF shall be vested in an {Assembly} which shall be responsible for policy issues and in an Executive Council responsible for operational management. An Interagency Committee shall coordinate the activities of the Implementing Agencies. The A Secretariat shall service the work of the {Assembly} and the Council. A Scientific and Technical Advisory Panel shall provide appropriate advice as set forth in paragraph 17.}~~

{Assembly}

~~{7. The Assembly shall consist of representatives of all Participants Member States. The Assembly shall elect its Chairperson. All powers of GEF shall be vested in the {Assembly} as the principal organ of governance. The {Assembly} shall delegate all functions related to operational management of the Facility to the Executive Council as stated in paragraph 10.}~~

~~{7. The {Assembly} shall will consist of Each Participant may appoint one Representative and one Alternate appointed by each Participant in such manner as it may determine. Each Representative and each Alternate shall will serve without compensation until replaced by the Participant appointing him or her. The {Assembly} will elect its own Chairperson from among its Representatives. The Assembly shall will meet once every {two} {three} years. The Assembly shall have the power to will:~~

○ Our assumption is that replenishments and other GEF milestones will occur every three years.♦

~~{(i) give general guidance on the overall policies of the restructured Facility;}~~

~~(ii) review and evaluate the operation of the Facility, including arrangements with the Conferences of the Parties to international conventions relating to the global environment, on the basis of reports prepared for the Executive Council by the Secretariat or by independent commissions appointed by the Executive Council;~~

~~(iii) keep under review the membership of the Facility;~~

~~(iv) elect appoint the Members and Alternates of the~~

Executive Council as provided in paragraph 9;¹

(v) increase the size of the Executive Council, pursuant to paragraph 8;

(vi) approve amendments of the present text.}

Executive Council

8. The Executive Council shall ~~will~~ be responsible for developing and adopting, in conformity with the present text and the general guidance provided by the Assembly, the specific {operational} policies, guidelines and programs to be pursued by the Facility. {The Executive Council shall ~~will~~ consist of ____ Members and an equal number of Alternates, provided that as the number of Participants increases the Assembly may increase the number of Members of the Executive Council to a number not exceeding {30}.} ~~{The Executive Council shall consist of 30 Member States.}~~ Each Member {State} of the Executive Council and each Alternate shall ~~will~~ serve for three years or until a new Member {State} is elected² ~~appointed~~ by the Assembly, whichever comes first. The Executive Council shall ~~will~~ meet semiannually or as it may otherwise decide.

9. The {Members} ~~{Member States}~~ and Alternates of the Executive Council shall ~~will~~ be {appointed} ~~{elected}~~ by the Assembly, taking into account the need for balanced and equitable representation of all Participants. Each Member shall appoint an alternate Member with full power to act for him or her in his or her absence. ~~{The Executive Council shall select its Chairperson from among its Member States.}~~ ~~{The Chief Executive Officer of the Facility shall will serve as the Chairperson of the Executive Council.}~~

10. ~~{The Executive Council shall³ shall exercise the following functions delegated by the Participants' Assembly.}~~ ~~{The Executive Council will exercise all powers under the present text which are not specifically mentioned as those of the Assembly. In~~

¹ See separate paper prepared by the U.S. on electing Members of the Executive Council. Members would presumably appoint alternates.

² See the U.S. paper on electing Members of the Executive Council. Rules (perhaps similar to the MDBs generally) should also indicate what happens if a Member retires or otherwise vacates his or her position. The normal outcome is that the constituency which elected a retiring member can elect a replacement.

³ Note that all the functions of the Executive Council are mandatory.

~~particular, the Executive Council will:~~

- (i) ~~{review and approve the work program referred to in paragraph __,}~~ monitor and evaluate progress in ~~{its}~~ implementation ~~{of the work program}~~ and provide related guidance to the Implementing Agencies and the other bodies referred to in paragraph 19;
- (ii) review and approve projects under expedited procedures;
- (ii) seek to mobilize financial resources and review the availability of resources from the GEF Trust Fund;
- (iii) ensure that GEF activities relating to the conventions referred to in paragraph 2(c) conform with the policies, program priorities and eligibility criteria established by the Conferences of the Parties to those conventions, and report to such Conferences of the Parties on relevant matters;
- (iv) oversee the work of the Secretariat and assign specific tasks and responsibilities to the Secretariat;
- (v) report to the Assembly on the operation of the Facility;
- (vi) keep the UN Commission on Sustainable Development fully apprised of its activities;
- ~~{(vii) ensure that information on GEF activities is {disclosed} {appropriately made available} to all interested parties;}~~
- ~~{(vii) adopt policies on information disclosure and consultation and participation with non-governmental organizations and local peoples, to implement the principles in Annex E;}~~
- (viii) arrange for periodic internal and/or independent financial and performance audits of the Secretariat and the Implementing Agencies with regard to activities undertaken for the Facility;
- (ix) review, as scientific knowledge expands, the purposes, scope and activities of the Facility; and

- (x) keep under review the experience with the operation of the Facility and the extent to which it is achieving the purposes of the present text and make such recommendations to the Assembly with respect to further replenishment, restructuring or legal arrangements as the Executive Council considers appropriate.

~~{(xi) exercise the decision to terminate projects upon the recommendation of the Implementing Agencies.}~~

{(xii) frame guidelines and oversee the work of Facility generally, including the Interagency Committee and its work program, and the work of the Scientific and Technical Advisory Panel (STAP) and the Secretariat.}

○ Are we confusing things by saying that the Interagency Committee reports to the Secretariat but is "overseen" by the Executive Council?♦

Secretariat

11. The GEF Secretariat shall ~~will~~ service {and report to} the Assembly and the Executive Council. The Secretariat shall ~~will~~ be supported administratively by the Bank and shall ~~will~~ operate in a functionally independent manner from the Implementing Agencies. The Chief Executive Officer of the Facility (CEO) shall ~~will~~ serve as the head of the Secretariat, shall be responsible (under the direction of the Council) for the organization, appointment and dismissal of officers and staff of the Secretariat, and shall ~~will~~ be ~~elected~~ for three years on a full time basis by the Executive Council on the joint recommendation of the Implementing Agencies. The CEO may be removed by the Executive Council only for cause. The staff of the Secretariat will include staff members seconded from the Implementing Agencies. The CEO shall ~~will~~ be accountable for the performance of the Secretariat functions to {the Participants, through the Executive Council,} ~~{the Assembly and the Council}~~ {and, pursuant to Annex D, to the Trustee⁴}, including in particular those related to:

- (i) the effective implementation of decisions by the Assembly and the Executive Council;
- (ii) cooperation among the Implementing Agencies in accordance with the interagency cooperation arrangements referred to in paragraph 12,

⁴ The nature of the accountability of the secretariat to the Trustee will be defined in Annex D which will address the role and fiduciary responsibilities of the Trustee.

coordination of program activities pursuant to the joint work program, ensuring liaison with other bodies as required, particularly in the context of the cooperation arrangements referred to in paragraph 19;

- (iii) coordination with the Secretariats of other relevant international bodies, in particular the Secretariats of the conventions referred to in paragraph 2(c);
- (iv) reporting to the Assembly, the Executive Council and other institutions as directed by the Assembly or the Executive Council; and
- (v) the performance of any other functions assigned to the Secretariat by the Assembly, or the Executive Council ~~for the Trustees~~⁵.

○ Presumably Annex D will not allow the Trustee to assign responsibilities to the Secretariat.♦

Implementing Agencies

12. The Implementing Agencies of the GEF shall will be UNDP, UNEP, and the World Bank. They shall will cooperate in developing and performing activities to implement effectively the operational policies, guidelines, strategies and decisions of the Assembly and the Executive Council within their respective areas of competence and under the principles of cooperation set forth in Annex C to the present text. The Implementing Agencies shall will cooperate with the Participants, the Secretariat, the States receiving assistance under the GEF, and other interested parties, including non-governmental organizations, to promote the purposes of the Facility.

13. The heads of the Implementing Agencies and the CEO shall will meet periodically to promote interagency collaboration and communication, and to review operational policy issues regarding the implementation of GEF activities and shall will transmit, through the CEO, their conclusions and recommendations to the Executive Council for its consideration.

14. An Interagency Committee, composed of senior representatives of the three Implementing Agencies and the Secretariat, shall will consult on a regular basis {as needed} to facilitate coordination and the effective development and implementation of a joint work program. ~~{under the guidance of the Assembly}~~. {Such consultations

⁵ See footnote 1

shall be chaired by the CEO or his or her representative}.

{14a. The Interagency Committee, when considering projects or programmes submitted by any particular country, ~~shall~~ may when specially warranted invite the country in question to attend the process in which its program or project is being considered with a view to enable it to more fully assist in the process.}

○ The World Bank Articles permit the Governors to adopt rules that EDs can invite country representatives. They have adopted By laws which permits a member, on a matter specially affecting it, to be heard at a meeting of the EDs. We should be able to accept a clause along.♦

{14b. While the three Implementing Agencies consist of the primary tier for implementation, other executing agencies, including regional development banks, national executing bodies, NGOs and from the private sector, should also be utilized in project preparation and execution.}

Scientific and Technical Advisory Panel (STAP)

15. UNEP shall will establish, after consultation with UNDP and the World Bank, ~~{and after the specific concurrence of the Assembly}~~, the Scientific and Technical Advisory Panel (STAP) as an advisory body to the Facility. UNEP will provide the STAP's secretariat and will operate as the liaison between the Facility and the STAP. The STAP shall meet and its Secretariat shall operate at the headquarters of the Facility.

IV. Principles of Decision-Making

16. (a) **Procedure.** The Assembly and the Executive Council will each adopt regulations as may be necessary or appropriate to perform their respective functions, and will determine any aspect of their respective procedure. {Such regulations shall, inter alia, assure access and participation by non-governmental organizations.}

(b) **Consensus.** Decisions of the Assembly and the Executive Council will normally be taken by consensus, {ascertained by the Chairperson as the prevailing sense of the meeting}. However, the Chairperson will require a formal vote upon the request of {any} {*} Representative{s} in the Assembly, or of {any} {*} Member{s} in the Executive Council, as the case may be. Before a formal vote is taken, the Chairperson will seek to achieve consensus by pursuing such courses of action as he/she deems desirable.

○ The U.S. believes that, if there are questions about whether there is a consensus, one member should be able to call for a vote. That is not a burdensome procedure. A

single Member is unlikely to call for votes if there is a significant prospect of it being outvoted.♦

(c) **Formal Vote.**

- The U.S. is providing a separate paper on decision-making, and has not marked up the text to reflect a proposed voting arrangement.♦

[Decisions requiring a formal vote will be taken by a [simple] [qualified] majority of the votes cast by Participants. The total number of votes will consist of basic votes (x percent), and contribution-related votes (100-x percent). Each Participant will have (i) the number of basic votes resulting from the equal distribution among all Participants of x percent of the total number of votes, and (ii) one contribution-related vote for each SDR 100,000 of its portion of the total contribution.]

[Decisions requiring a formal vote will be taken by a majority [or two-thirds] of the Participants provided they include Participants contributing more than one-half [or two-thirds] of the total contributions.]

[Decisions of the Participants requiring a formal vote will be taken by a [simple majority] [two-thirds majority] of the votes cast by Participants, provided such a majority includes a majority of the votes cast by Participants from eligible recipient countries (Category I) and a majority of the votes cast by Participants from other countries (Category II). Votes will be allotted in equal proportions to Category I and Category II. Members of each category will choose a formula for distributing votes among them, subject to agreement of the Participants.]

V. ~~{Relationship}~~ ~~{Cooperation}~~ with Global Environment Conventions

17. The ~~{Assembly and the}~~ Executive Council will ensure the effective operation of the GEF as a source of funding activities under the global environmental conventions referred to in paragraph 2(c). The use of the GEF resources ~~{for purposes of}~~ ~~{related to}~~ such conventions will be in conformity with the policies, program priorities and eligibility criteria established by the Conferences of the Parties to those conventions.

~~{18. The Executive Council will agree upon arrangements for cooperation, including reciprocal arrangements for representation in meetings, with the Conferences of the Parties to the conventions referred to in paragraph 2(c). Such arrangements will take into account the relevant provisions of the conventions concerning their~~

~~financial mechanisms and will include procedures for determining jointly funding allocations for purposes of the conventions. Pending the establishment of the Conferences of the Parties under such conventions, the Executive Council will consult the preparatory or interim bodies, as feasible.}~~

~~{18. The Assembly shall conclude formal agreements with the Conferences of the Parties of each Convention referred to in paragraph 2(d). Such agreements shall be in conformity with the relevant provisions of each Convention concerning their financial mechanisms and shall include procedures for determining jointly predictable and identifiable funding allocations for purposes of each Convention. Pending the establishment of the Conferences of the Parties of each Convention, the Assembly or, intersessionally, the Executive Council shall consult the preparatory or interim bodies, as feasible.}~~

VI. Cooperation with Other Bodies

19. The Secretariat and the Implementing Agencies under the guidance of the Executive Council will cooperate with other international organizations to promote achievement of the purposes of the GEF. The ~~{Secretariat and the}~~ Implementing Agencies, with the approval of the Executive Council, may make arrangements for ~~{access to GEF resources, and}~~ the execution of GEF-funded projects by multilateral development banks, specialized agencies and programs of the United Nations, bilateral development agencies, national institutions, the private sector, the academic community and nongovernmental organizations.

○ Do we wish the GEF to be able to fund bilateral development agencies? Bilateral development agencies but not from donor countries? Such bilateral development organizations as the proposed Border Environment Finance Facility?

VII. Operational Modalities

[Text to be included for November meeting.]

VIII. Reporting

20. The ~~{Assembly}~~ ~~{Executive Council}~~ will approve an annual report on the activities of the GEF. The report will be prepared by the Secretariat, ~~{considered by the Executive Council}~~ and will contain information on the activities carried out under the GEF, including a review of the project activities funded by the Facility. The report will contain all the information necessary to meet the principles of accountability and transparency that will characterize the Facility as well as the requirements arising from the ~~{specific}~~ reporting arrangements agreed with the Conferences

of the Parties to the conventions referred to in paragraph 2(c). The report will also be submitted for information to the UN Commission on Sustainable Development and any other international organization as deemed appropriate by the Executive Council.

IX. Transitional and Final Provisions

Termination of the GET

21. The World Bank will be invited to terminate the existing ~~{Pilot Phase}~~ Global Environment Trust Fund (GET) on the effective date of the establishment of the new GEF Trust Fund, and any funds, receipts, assets and liabilities held in the GET upon termination, including the administration of any cofinancing by the Trustee in accordance with the provisions of Resolution No.91-5 of the Executive Directors of the World Bank, will be transferred to the new GEF Trust Fund.⁶

Amendment and Termination

~~{22. The present text may only be amended with the approval of the Assembly and the Implementing Agencies.}~~

~~{22. The present text shall only be amended or terminated by the Assembly. An Implementing Agency objecting to an amendment may terminate its participation under the present text.}~~

~~{22. The present text may be amended by the Assembly by a ____ majority vote. An Implementing Agency objecting to an amendment may terminate its participation under the present text.}~~

23. The Trustee may at any time terminate its role as trustee in accordance with the provisions ~~{which, subject to the approval of the Participants, will be}~~ set forth in Annex D, and each Implementing Agency may at any time terminate its role as implementing agency, after consultation with the other Implementing Agencies and after giving the Executive Council ~~{adequate}~~ [six months] notice. ~~{If the original Trustee terminates its role, the Assembly will be free to make alternate arrangements for appointing a new Trustee.}~~

○ We need to have something better on termination. Do we wish to give the Assembly power to terminate the Agreement?♦

⁶ The Ozone Projects Trust Fund, also established under Resolution No. 91-5, will continue in existence as a separate fund until otherwise decided.

Explanation of the U.S. Voting/Constituency Option

- During the OECD consultation during the Washington GEF meeting, DAS Levine offered to prepare a paper on the U.S. view for voting and constituency formation.
 - Although we could accept a double majority voting system with high special majority requirements, this system does not lend itself to constituency formation.
 - The British and the French have said that they would consider an option that mixed the two voting systems.
- The two voting systems on the table are:
 - Weighted Majority: Decisions requiring a formal vote will be taken by a [simple] [qualified] majority of the votes cast by Participants. The total number of votes will consist of basic votes (x %), and contribution-related votes (100 -x%). Each Participant will have (i) the number of basic votes resulting from the equal distribution among all Participants of x % of the total number of votes, and (ii) one contribution-related vote for each SDR 100,000 of its portion of the total contribution.
 - Double Majority: Decisions requiring a formal vote will be taken by a majority [2/3] of the Participants provided they include Participants contributing more than a majority [2/3] of the total contributions.
- The U.S. proposal is as follows:
 - We will accept the double majority system, provided that the special majority of contributions needed is two-thirds and that the special majority of Participants needed is no more than two-thirds (the lower the better).
 - The determination of constituencies, including those countries who have their own Chair, will be determined as though the weighted majority system, with equal weight to membership and contribution, were in effect. The allocation of seats will then proceed by a formula similar to that used in the MDBs (see attached rules for the World Bank).
- The U.S. proposal allows for votes to be counted by a double majority. It also guarantees that the larger donors will have their own Chairs, facilitates alliances of the smaller donors and/or mixed constituencies, rewards recipients who choose to contribute, and allows recipients to form their own constituencies.
 - Recipients are free under this system either to form regional groups or to join issue-area constituencies.

Bank

Some Initial Conclusions:

- The system rewards contributions in constituency formation and in voting, but in different ways.
 - In voting, the larger a donor's contribution, the more important that donor becomes when forming alliances to either block or pass a measure.
 - In constituency forming, the larger donors can effectively "buy" their own seat at the table. Donors unable to reach the threshold for a dedicated Chair nonetheless require a smaller constituency.
- The system provides a rationale for more parity among donor burden-sharing.
 - It is rational for a smaller donor to "buy" the extra shares from those donors that can afford their own Chairs.
- The system encourages recipients to contribute to the GEF at as high a level as possible.



*Time - please read
point me to stuff
of interest.*

DD

DAVID D.

MEMORANDUM

From: Korinna Horta
Date: August 11, 1993
Subject: Info. on GEF evaluation / linkage to INC
~~Confidential~~

Experiences / views from individual members of the evaluation team

The 12 evaluators are currently still conferring. After the Beijing meeting it was decided that there would only be **one** evaluation report for the three implementing agencies. The coordinator, Mr. Haven North, has the task of pulling it all together for the "final interim report" which is scheduled to be presented to the members of the Independent Panel of Experts in late August. The interim report will not be comprehensive. Due to time constraints it will be limited to covering (1) policy framework; (2) Overview of portfolio; (3) project development system.

There is a lot of pressure to meeting the end of August deadline. There was not enough time for a thorough evaluation, but within the short time available a lot of information was gathered raising serious questions about the efficacy of the GEF.

One overriding concern of evaluators is that the current approach of the GEF is too diffuse which makes it very hard to find a locus of responsibility/accountability. A stronger secretariat should provide more focus from the center and ensure that there is an accountability mechanism on how GEF funds are being spent.

Biodiversity. Bank/GEF is not appropriate institution for biodiversity projects. There should be a moratorium on all GEF biodiversity protection projects in protected areas.

The Kenya Tana River GEF project was just the tip of the iceberg. Social issues/ possible resettlement are a factor in all projects in protected areas.

Climate. Evaluators went through 17 project files and visited one project in the field in Costa Rica.

There are three issues of particular importance with regard to the upcoming INC:

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2012-0769-6



(1) Joint implementation.

While the coordinator of the GEF has been a strong promoter of J.I. with the GEF in the role of the "independent broker", the GEF is holding back on it at present in order not to appear to be carving out a predominant role for itself.

Any determination / guidance the INC will provide for J.I. will have a preponderant impact on how the GEF will do business in this regard. INC will decide if private sector can be involved directly in J.I. without much government intervention. This would undercut multilaterals. GEF could potentially be in competition with private utilities.

(2) National Action Plans.

Need for further definition of contents of national action plans and reporting requirements. What will be relation of GEF to these plans? Must GEF simply be consistent with the plans? Or must GEF only fund projects that are a priority of the plans? Plans need to be specific to be useful.

Climate Convention must decide this. A politically very sensitive issue because it can be understood as "conditionality through the backdoor".

(3) Incremental costs.

While it is widely acknowledged that the concept is pretty meaningless with regard to biodiversity, it continues to be generally accepted as relevant for climate projects. It seems, however, to be as much a political as an accounting concept. There are many things wrong with the concept:

In practice it is extremely difficult to segregate global costs/ benefits from local costs/benefits on a consistent basis.

Concept extremely dependent on assumptions... how do you know the costs of wind energy production a few years from now ... For example, there could be a break-even point requiring no GEF funding over other alternatives. There is also the assumption that renewable energy does not have local benefits.

False dichotomy between global and local. A very unhealthy way of thinking. Helps to further reduce interest in global environmental problems of developing country governments.

Increasing skepticism about workability of concept. Even Montreal Protocol, where the concept is arguably easier to implement, is abandoning the idea of incremental costs. The alternative now being practiced by the M.P. is to establish categories of approved costs. This avoids the need for consultants for every single project to identify incremental costs/ benefits and individual negotiations with governments on every project.

Developing countries feel they have no stake in climate projects. GEF is just free money. In addition, very few people in developing country governments have any understanding of the working of the GEF.

Evaluators did not have the opportunity to look into the question of GEF associated regular World Bank loans. There was not much indication of feedback between the GEF projects and the associated loans.

According to STAP criteria, GEF climate projects require favorable policy environment as pre-condition. This concept is too vague and therefore useless.

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REPORT ON AN AUDIT OF
THE GLOBAL ENVIRONMENT FACILITY

March 11, 1993

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Internal Auditing Department

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REPORT ON AN AUDIT OF THE GLOBAL ENVIRONMENT FACILITY

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REPORT ON AN AUDIT OF THE GLOBAL ENVIRONMENT FACILITY

LIST OF ACRONYMS

BAS	Budget Accounting System
CD	Country Department
CODOP	Central Operations Department - Operations Division
CODPR	Central Operations Department - Procurement Division
CGIAR	Consultative Group on International Agricultural Research
EM	Electronic Mail Message
ENV	Environment Department
ENVGE	Office of the GEF Administrator
ENVGC	Office of the GEF Coordinator
ESMAP	Energy Sector Management Assistance Program
FS	Free-standing Projects
GEF	Global Environment Facility
GEF-IEPS	GEF - Initial Executive Project Summary
GEF-FEPS	GEF - Final Executive Project Summary
IA	Implementing Agency
IC	Implementation Committee
IntMF	Interim Multilateral Fund
NGO	Non-Government Organization
OECF	Organization for Economic Cooperation and Financing
OD	Operational Directive
PMS	Procurement Manual Statement
PPA	Project Preparation Advance
PSCAU	Staff and Consultant Appointments Division
PRIF	Pre-Investment Facility
RED	Regional Environment Division
STAP	Scientific and Technical Advisory Panel
SWS	Staff-weeks
TD	Technical Department
TM	Task Manager
TRP	Technical Review Panel
TRS	Time Reporting System
UNCED	United Nations Conference on Environmental Development
UNDP	United Nations Development Programme
UNEP	United Nations Environmental Programme
USAID	United States Agency for International Development

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REPORT OF AN AUDIT OF THE GLOBAL ENVIRONMENT FACILITY

EXECUTIVE SUMMARY

1. As part of our FY92 work program, we have completed an audit of the financial, administrative and operational functions performed by the Bank in its roles as Administrator and as an Implementing Agency of the Global Environment Facility (GEF). The audit reviewed the efficiency and effectiveness with which the Bank performs these two roles as well as the Bank's compliance with the Enabling Memorandum^{1/} and other legal documents which define the objectives and organization of the Facility. It did not review the work program or the individual projects. Detailed terms of reference are included in Annex 1. The auditor-in-charge of this assignment was Ms. Anne Lamond assisted by Mr. Geoffrey Gowen and Ms. Winnie Chee.

2. An overall conclusion was found that the Bank was performing its responsibilities both as an implementing agency and as administrator for the GEF in an efficient and effective manner and in accordance with the policies and procedures established in the Enabling Memorandum and other subsequent procedural documents. Although GEF management have addressed many of the problems inherent in the start-up phase of any new Bank activity, such as the lack of detailed definition of operational and accounting procedures, we noted several areas where further action needs to be taken to improve efficiency effectiveness of GEF operations.

^{1/} Board Paper R91-34 Memorandum to the Executive Directors, Global Environment Facility - Transmittal of Documents, February 22, 1991. Attachment A to the Board Paper entitled "Establishment of the Global Environment Facility" provides details of the objectives and structure of the facility. Throughout the Executive Summary this attachment has been referred to as the Enabling Memorandum.

3. The major issues and related major recommendations arising from this audit are summarized below. The key issues and related recommendations are listed in Annex II and discussed in more detail in the referenced paragraphs of this report. A list of recommendations, by implementation responsibility is provided in Annex IV.

Integration of GEF into Bank Operations

4. The large number of projects being prepared for GEF financing that are either free standing or only loosely associated with Bank lending operations indicates that the GEF is less integrated into Bank operations than was envisaged when the Facility was established and as required by present Bank policy as stated in OD 9.01. While this is partly due to inevitable start-up problems, many of the causes are inherent in the different nature of the projects being funded by GEF (their small size and complexity) and the constraints imposed by the Participants on the contents of the GEF portfolio. The lack of integration has helped to raise project preparation costs beyond original predictions and has made Bank staff and managers less inclined to undertake GEF operations. We recommend the GEF Coordinator should undertake a detailed review of the projects that have been initiated to date and identify GEF-mandated policies as well as Bank organizational factors which limit the integration of GEF into Bank operations. In the light of measures taken to improve integration, the Coordinator should make a realistic assessment of the future cost of project preparation and supervision. (Paragraphs 7-26)

Developing, Processing, and Approval of Projects

5. The Enabling Memorandum provides that the GEF would, to the extent possible, utilize existing institutions and procedures and that the various implementing agencies involved would work closely together. In practice additional processes have been added to Bank procedures to meet the

Participants' requirements for transparency and quality. At the same time the level of cooperation with UNDP envisaged by the Participants has not occurred. The additional procedures increase the preparation time needed for projects and impose timing constraints on Task Managers and the lack of cooperation results in increased administrative costs. These matters have been identified by the GEF Coordinator but have not been addressed to the Participants. We recommend that, as the GEF is beginning to move into the operational phase, the Coordinator and Administrator of the GEF should initiate further discussions with the other IAs and STAP to develop a proposal for streamlining of the project preparation procedures. This proposals should be presented jointly by the Chairman of the GEF to the Participants as part of the discussions on the future of the Facility. The issue of better cooperation between the Bank and UNDP goes beyond GEF-specific issues and it must be recognized that any actions taken by GEF management will address symptoms more than causes. However, we recommend that the GEF Coordinator should consider means of promoting cooperation between the Bank and UNDP particularly at the project identification stage. (Paragraphs 27-46)

Administrative Support to GEF and the Participants

6. The Administrator's Office has effectively provided secretariat support, including the implementation of a communications strategy for the Participants. However, we noted several areas where efficiency could be improved by more detailed planning and increased use of services provided by the External Relations Department. We also noted one instance where a single Participant requested and received special services which if viewed as a precedent by other Participants could become burdensome on both the Coordinator's and Administrator's offices as well as on other Bank staff. We recommend that, based on an evaluation of the efficiency and effectiveness of communications activities that have taken place to date, the GEF Administrator should develop a work program to define in more detail the communications

activities to be undertaken in the next three years and should follow up with EXT management to see what support EXT can provide for GEF. The GEF Administrator should establish a policy that places a limit on the service that GEF provides to individual Participants and provides a basis for refusing requests for excessive service when they occur. (Paragraphs 47-74)

Participants' Share of GEF's Administrative Costs

7. Participants that have chosen to meet part or all of their commitment to the GEF through co-financing arrangements are not bearing a share of the general administrative costs of the GEF and in some cases are not required to reimburse the GEF for a proportion of the project-related costs on projects which they choose to cofinance. We recommend that the manner in which the administrative expenses are deducted from contributions to the GEF should be reviewed by the Administrator and discussed with the Participants to ensure an equitable division of costs. Also, when negotiating future cofinancing agreements with individual Participants, the Administrator should ensure provision is made in the agreements for the cofinancing Participant to contribute to the overhead cost of managing the GEF. (paragraphs 106-109)

Allocation of Administrative Costs

8. The budgeting and control of costs incurred by the Bank as implementing agency and administrator carried out by the GEF Coordinator's Office is generally effective and efficient. However there are several areas where improvements could be made. These include better control over costs incurred by the regions for non-project specific activities, the introduction of an improved system for the regions to monitor GEF costs, the provision of better guidance for the TMs and division chiefs concerning the allocation of costs between Bank projects and associated Bank components. We recommend better control over costs incurred by the regions for non-project specific

activities, the introduction of an improved system for the regions to monitor GEF costs, the provision of better guidance for the TMs and division chiefs concerning the allocation of costs between Bank projects and associated Bank components. (paragraphs 80-105)

Staff Recruitment

9. While the GEF has generally been able to recruit competent and experienced staff, it has been hampered in this effort by the policy that prevents the granting of institutional guarantees of re-entry to Bank staff. Even though the Bank was selected to manage the GEF because it could recruit from the same highly qualified pool of staff as for its own operations, the uncertainty of GEF's future constrains the GEF's access to this pool. We recommend that the Director, Environment Department should explore with senior management and the PMD whether an exception could be made to the Bank's re-entry policy. (paragraphs 75-79)

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REPORT OF AN AUDIT OF THE GLOBAL ENVIRONMENT FACILITY

INTRODUCTION

1. As part of our FY92 work program, we have completed an audit of the financial, administrative and operational functions performed by the Bank in its roles as Administrator and as an Implementing Agency of the Global Environment Facility (GEF). The audit reviewed the efficiency and effectiveness with which the Bank performs these two roles as well as the Bank's compliance with the Board Resolution 1/ and other legal documents which defined the objectives and organization of the Facility. The audit included a review of the related records for a sample of 13 GEF projects, analysis of data relating to the GEF portfolio as a whole as well as extensive discussions with responsible staff and reviews of related documentation. Detailed terms of reference are included in Annex 1.

Organization of the Global Environment Facility

2. The GEF is a three year pilot program to provide grants for investment projects, technical assistance, and a small amount of research to explore how developing countries can better protect the global environment and to promote environmentally sound and sustainable economic development. While the Bank administers the GEF, provides the Chairman (currently the Director of the Environment Department), and is trustee of the related trust funds, responsibility for development and implementing of GEF financed projects is shared between the UN Development Programme (UNDP), the UN Environmental

1/ Global Environment Facility (GEF) R91-34 dated February 25, 1991. Attachment A of the Memorandum, entitled "Establishment of the Global Environment Facility."

Programme (UNEP) and the Bank under a formal agreement between the three agencies signed in March, 1991.

3. The facility was set-up to assist developing countries deal with four priority global problem areas: global warming, pollution of international waters, destruction of biological diversity (such as rain forest elimination), and depletion of the ozone layer. It provides funds to finance environmentally sound projects where the benefits to the recipient countries are not sufficient to induce those countries to undertake the projects on their own with existing sources of finance. According to the Enabling Memorandum^{2/}, GEF investment projects should normally be prepared as components of Bank projects using regular Bank procedures and guidelines. However, additional processing procedures were added for all GEF projects to take account of the Participants' requirements for an increasing level of transparency of the project preparation process including ensuring participation by non-government organizations (NGOs), adequate accountability and cooperation between the various implementing agencies. These included provisions for external technical review of projects and their clearance by the Participants at semi-annual meetings. Procedures for preparing GEF projects in the Bank are detailed in Operational Directive (OD) 9.01, "Procedures for Investment Operations under the Global Environment Facility", (May 28, 1992).

4. Funding for GEF totaling about US\$1.45 billion, has been pledged by 27 countries under four different financial arrangements:

2/ Board Paper R91-34 Memorandum to the Executive Directors, Global Environment Facility - Transmittal of Documents, February 22, 1991. Attachment A to the Board Paper entitled "Establishment of the Global Environment Facility" provides details of the objectives and structure of the facility. Throughout this report this attachment has been referred to as the Enabling Memorandum.

- (a) contributions to a "core" trust fund (the GET) to which US\$903 million has been pledged^{3/};
- (b) the Interim Multilateral Fund (IntMF) that was provided for under a previous international agreement, the Montreal Protocol^{4/}, which is a trust fund for use for ozone depletion prevention projects and administrative costs related to running the Protocol (US\$200 million);
- (c) grant and concessional co-financing by which donor countries fund specific projects developed by the implementing agencies for the facility that now totals about US\$200 million; and,
- (d) parallel financing of US\$150 million provided by the USA through the Agency for International Development (USAID).

5. Projects to be funded by the GEF are prepared in groups or tranches which are presented to representatives of the countries that have provided funding (known collectively as the Participants) at the semi-annual meetings. To date 95 projects in four tranches with a total value of US\$698 million have been approved. Of these, 46 projects (US\$451 million) have^{been} or are being prepared by the Bank. As of September 30, 1992, 19 projects had received final approval by the management of the implementing agency preparing them and disbursements had been made on 13 projects. In addition, 13 project preparation facilities and project preparation advances had been made

^{3/} As of 6/30/92, GEF FY92 Retrospective Review. Excludes announced contribution of \$50 million by the USA as it is not clear whether this is for the pilot or operational phase of the GEF.

^{4/} This audit has not reviewed the process of preparing projects for financing under the Montreal Protocol, nor the related administrative procedures which are quite separate from the rest of GEF.

available from the GEF by UNDP and the Bank respectively. Of the forty-six projects being prepared by the Bank twenty-four are in the area of biodiversity, four are international waters projects, fifteen relate to global warming and one concerns ozone depletion. Two projects have dual objectives - biodiversity and international waters.

Recent Developments and the Future of the GEF

6. The pilot phase of the GEF will end in mid-1994. It was expected, however, that the facility will move into an "operational" phase thereafter. To this end, a working paper, "The Pilot Phase and Beyond", was issued by GEF in May, 1992 after review and approval by the Participants. This paper envisages a future GEF operating along similar lines as the pilot phase though with some restructuring, especially with regard to governance (relating to voting systems for the Participants' Assembly and the composition of constituencies). UNDP, UNEP and the World Bank's role as implementing agencies would continue although the Bank's responsibilities for the administration of the GEF and in providing the Chairman of the facility are still matters for discussion among the Participants and Non-Government Organizations which take an interest in the GEF. Major steps have also been taken to make GEF the principal financial entity for future financing of global environment projects and in May 1992, at the time of the United Nations Conference on Environmental Development (UNCED), the GEF was designated as the interim financial mechanism for the conventions on climate change and biodiversity. Similarly the organization of the GEF within the Bank is currently a subject for discussion. In particular the role and location of regional GEF coordinators located in the Regional Environment Departments (REDs) are currently under review.

DETAILS OF FINDINGS AND RECOMMENDATIONS

Integration of GEF into Bank Operations

Policy on Integration

7. From the time the GEF was first discussed with Participants it was envisaged that the GEF work program, though separately financed, would be closely integrated with that of the implementing agencies. Typically, GEF projects would be components of Bank projects which would focus on global environmental benefits in GEF's priority areas (biodiversity, global warming, etc.) and would be closely integrated with national environmental programs underway in the recipient country. GEF activities were also expected to act as a catalyst for other Bank environmental activities. These expectations were reflected in the Enabling Memorandum and in the Chairman's Report to the Participants' Meeting in May 1991.

8. The Enabling Memorandum envisaged that there would be relatively few projects that are not associated with Bank projects and are therefore processed separately^{5/}. A limit on the size of free-standing projects of US\$10 million was set, with projects over US\$5 million needing prior approval by the Participants on the basis of expanded documentation^{6/}. These policies were included in OD 9.01. Its introductory section explains that:

^{5/} Enabling Memorandum. Para. 18 in the sub-paragraph on project approval specifically refers to freestanding projects:

"There are likely to be some freestanding GEF investment projects, but these would not be permitted to exceed \$10 million in size." (emphasis supplied).

^{6/} Beginning with the second tranche the Bank has been supplying expanded documentation for all projects reviewed by the Participants. As a result according to GEF staff the distinction between projects that are larger than or smaller than \$5 million has, in practice, disappeared.

"Normally, GEF projects are investment operations and are expected to be components of Bank-financed projects in related fields; on an exceptional basis, however, they can be free-standing investment operations." (emphasis supplied)

Present Practice

9. The actual practice in GEF differs from the expectations set forth above. In the first four tranches 13 projects are free-standing; this is equal to 28% of the total investment projects that the Bank is preparing and/or implementing. An additional project, though not denominated as free standing, has not yet been associated with a specific Bank project and is therefore being prepared independently. In the biodiversity area, nearly half the projects are free standing. Though OD 9.01 gives no quantitative norm for the percentage of free-

BOX 1

GEF Operational Directive

Within the Bank, GEF operations are governed by Operational Directive 9.01 issued in final form May 28, 1992. The key aspects of this documents are as follows:

- (a) GEF projects are investment operations that should normally be components of Bank-financed projects;
- (b) GEF projects are processed in parallel with their associated Bank projects under standard Bank investment lending procedures;
- (c) Additional processing is required to ensure an independent technical review, as well as review and discussion by the other implementing agencies and work program approval by the Participants.
- (d) There is some additional documentation for the GEF but it is limited to the GEF executive project summary, and the Memorandum and Recommendation of the Director of the country department (MOD) concerned, and the standard legal documents.
- (e) Borrowers can obtain financial assistance for project preparation through a separate window of the GET, Project Preparation Advances (PPA), or through the Pre-investment Facility (PRIF), managed by UNDP.

standing projects, the use of the word "exceptional" suggests a level lower than present practice.

10. Moreover, some of the GEF projects that are shown in GEF documentation to be associated have little in common with the Bank project to which they are attached. They deal with different issues, institutions, and cofinancing sources, and require different professional skills and experience to prepare and implement. As part of our analysis we selected a sample of thirteen GEF projects for detailed review. Three of these projects have been designated free-standing. Of the remaining ten associated projects, two could be characterized as having few common features with their Bank counterpart project. Another project (for US\$30 million), though involving the same client agency was otherwise quite separate and might easily have been a free-standing project according to the task manager (TM) but for the US\$10 million ceiling set on such projects.

11. The remainder of the associated projects in our sample typically have required different professional skills to prepare the GEF component and often this had been done during separate missions, even though TMs judged that their association with the Bank project was beneficial to the GEF component. While our sample is not randomly selected it is representative of the GEF projects being prepared by the Bank. The findings from it, together with other statistics presented in paragraph 8, suggests that free-standing projects when taken with GEF components that are very loosely associated with Bank projects comprise 40% to 50% of the total portfolio of Bank GEF projects, possibly more.

12. The lack of association of many GEF projects with regular Bank operations is reflected in comments made by many TMs in the country

departments (CDs) during our interviews. One comment heard frequently was that the ideas for GEF projects still come mostly from the regional environment divisions (REDs) who then try to "tack them on" to Bank projects.

13. As another measure of integration we also reviewed the extent to which CDs have handled task management for GEF projects, specifically the extent to which TMs have been drawn from CDs as compared with the REDs. To assess this we analyzed all GEF projects if reported in the GEF Operational Summary as at least in the concept stage at or before August, 1992. 73% of all projects were eventually managed by TMs in the CDs, 17% by staff in the RED and 10% by staff based on other units. While the Asia Region has tended to be relatively well integrated with 85% of projects with CD task management and only 15% handled by RED staff, EMENA has only 70% of projects with CD task management and 30% of task management remaining in the RED. Moreover, unlike the other regions, the percentage of CD task management in EMENA has decreased while that of the RED has grown. In EMENA for projects started since April 1992, only 57% were undertaken in the CDs. 43% were still in the RED at the end of the analysis period in August, 1992.

14. The above results correlate with the fact that EMENA more than the other regions has chosen to organize for GEF by taking on specialized staff in the RED to work on GEF. Given the availability of this staff there would appear to have been more of a tendency than in other regions to use them rather than encouraging the CDs to develop projects on their own and providing the CDs with the necessary budget to hire outside consultants as needed.

Causes of the Lack of Integration

Short Term Factors

15. Many of the causes of lack of integration are short term and should become less important as GEF matures and moves into its operational phase. GEF project preparation began only two years ago and the Facility was under strong pressure from the start to show results before UNCED. Inevitably ideas for GEF components had to be developed and processed independently of Bank projects which had evolved before the GEF was initiated, particularly in areas that are relatively new to the Bank such as biodiversity. Also, as the Facility is only in its "pilot phase", considerable emphasis has been placed on including a range of different technologies and organizational arrangements in the portfolio of projects so that as wide an area of experience as possible can be studied under GEF. Agreed guidelines for the future GEF make clear that this constraint will be relaxed^{7/} when the Facility moves beyond the pilot stage.

Factors Specific to the Types of Projects

16. The problem of integration differs with the type of GEF project. In the bio-diversity area which constitutes over half the projects in the GEF portfolio we noted:

- (a) A large proportion of GEF projects though small in dollar value are relatively time consuming to prepare because of the large number and nature of institutions involved (local and international non-governmental organizations (NGOs), local

^{7/} "The Pilot Phase and Beyond," Working Paper Series, Number 1 of May 1992, Annex III, page 22.

communities, etc.) and the number and sensitivity of policy issues. Many of the institutions have not previously been involved with Bank lending operations and are additional to the organizations involved in the associated Bank project. At the same time policy issues can result in conflicts between the Bank's role in structural adjustment activities and its role as a GEF implementing agency.

- (b) GEF biodiversity projects tend not to fit easily into the country specific framework of Bank lending: they often concern ecosystems that cover two or more countries. Thus to be effective a project may need the support of two or more operational units in the Bank, sometimes from different departments.

17. These sources of complexity create operational pressures within the Bank to treat the GEF component as one or more separate projects to ensure that the GEF component gets the attention needed. Operational pressures to separate GEF from associated Bank projects also arise when the need to resolve issues holds up either the GEF project or the Bank project but not the other.

18. External to the Bank there is strong pressure from the environmental constituency (NGOs, local Governments and even some Participants) to minimize the association of GEF with Bank projects. This is due to a perceived lack of transparency of Bank procedures, in particular the Bank's policy, recently re-affirmed^{8/}, of limiting access to Bank documents relating to associated Bank projects, as well as concern with the impact of Bank conditionality and other controls. All these factors contribute to a very high ratio of free-standing projects -- 46% of all biodiversity projects.

^{8/} "Disclosure of Information Under the Global Environment Facility (GEF) - Operational Directive", Memorandum from the President to the Executive Directors, dated November 24, 1992.

19. The above factors are less important with respect to global warming projects and perhaps for this reason none are free-standing. However, an integration problem can arise on these projects because of the perception of many Bank staff and managers that they are marginal to the CD's regular operations and may be diverting time and energy from operations that, at least from a country perspective, are of higher priority. In their view the Bank's pipeline often includes projects that GEF will not normally finance because they are economically viable on the basis of domestic benefits even though these projects, referred to as Type 1 projects in the Enabling Memorandum^{9/}, may have greater global benefits than the more marginal Type 2 or 3 projects that GEF will finance^{10/}. Staff find it hard to promote type 2 and 3 projects when seemingly better type 1 projects are not being addressed. According to GEF staff, the Participants remain reluctant to extend the scope of GEF eligibility and finance Type 1 projects that they believe countries themselves, because of high rates of domestic return, should be willing to finance even when there may be good reasons, including lack of financial resources, that they are not undertaken.

20. Not all CDs view GEF projects in this way. One of the four global warming projects in our sample was highly integrated with the associated Bank

^{9/} Enabling Memorandum, para. 16 classifies GEF investment projects into three types of projects. Type 1 projects are defined as follows:

"The project is economically viable on the basis of domestic benefits and costs to the country itself. This type of project should not be eligible for GEF financing unless participants agree in advance by consensus that a compelling case has been made that -- despite the attractive rate of return -- the operation in question would not proceed without GEF involvement."

^{10/} In Type 2 projects, the investment is not justified in a country context if the full costs are borne by the implementing country. In Type 3 projects the investment is justified in a country context but the country would need to incur additional costs to bring about additional global benefits. GEF can finance the incremental costs needed either to raise the return to where the project is justified (Type 2 projects) or to finance the additional costs that bring about the additional global benefits (Type 3 projects). See Enabling Memorandum, para 16.

project. In this instance GEF could be said to have created a Bank project and may have opened up an area for additional Bank or IDA lending for the country concerned and possibly for other countries with the same agro-industry. GEF staff also point out that from a longer term perspective the signing of the global conventions requires the signatory countries now to explicitly address global as well as national environmental issues when developing programs and projects in the environmental area. They emphasize that the Bank needs to begin to address the same issues if it is to assist its client countries meet their obligations under these conventions.

Impact of the Lack of Integration

21. A program high in free standing and therefore small projects or projects which are poorly integrated into the mainstream of the Bank's activities can be expected to be more costly to prepare than regular Bank operations^{11/}. Bank loans and credits for projects in major investment sectors average about \$103 million in size according to a recent study^{12/}. The preparation costs for Bank sector projects averaged about 1.2 swks/\$million of Bank financing. Our analysis of GEF projects, which covered both actual and estimated costs of some 30 projects that were expected to be approved in FY93 had an average size of GEF financing of \$11.7 million. Their preparation costs were 4.1 swks per \$million -- nearly four times the Bank average. The five free standing projects in the GEF group, whose average size

^{11/} Staff weeks/ \$million of funds extended were used as the unit for measuring the relative costs of preparation (identification, appraisal, and negotiation). This unit is used widely in the Bank for measuring the relative costs of different types of projects including by GEF management in evaluating GEF performance.

^{12/} The Cost of Lending, Hans A. Adler, Draft, June 16, 1992. These figures cover Bank projects for the years FY89-FY91.

was only \$7.1 million, cost 6.8 swks/\$million to process, nearly 85% higher than GEF projects that are not associated with Bank projects.

22. The high level of these costs is predictable, however, when one looks at all GEF operations as if they were discrete projects and compares them with similar types of Bank lending operations. Based on a simple linear model developed from Bank project data (excluding GEF) that compares size of Bank loans with costs of preparation and includes categories of projects such as technical assistance that are comparable in size to GEF projects, we found that the level of GEF costs, on average, are broadly within the range of what would be expected given their relatively small size. Bank technical assistance projects, for example, which in the period analyzed (1989-1991) averaged \$15 million of Bank funds had preparation costs of about 3.5 swks/\$million of Bank funds, only 15% less on average than GEF projects.

23. Recent actions by GEF management and the Bank will increase GEF integration into Bank operations. As of FY93 staff-weeks for GEF projects/components have been included in the Country Assistance Management exercise. This ensures that GEF projects are included in the activities planned by CDs and that the staff involved have the necessary time set aside. Also as a way of ensuring CD commitment to a project, the GEF coordinator has refused to accept some projects into the GEF pipeline unless CDs are willing to accept task management responsibility^{13/}. We have been told of recent proposals by GEF management to provide each of the CDs with resources for GEF coordination while centralizing some of the functions now carried out by the REDs, including the role of the regional GEF coordinators. We are not in a position to evaluate these proposals but if they enable greater emphasis on

^{13/} There is no policy statement on this; however, we noted EMs from the Coordinator's Office that said in effect that certain projects would not be included in the pipeline unless a TM from the CD was found.

getting the CDs to take on real ownership of GEF projects they will help to address this issue.

24. Our analysis suggests that one of the most important reasons that GEF costs have exceeded expectations is the larger than expected number of free-standing or poorly integrated projects. As administrator and trustee of the GEF as well as a major implementing agency, the Bank should continue to take measures that will increase the degree of integration of GEF and thus reduce the relative processing costs.

25. Directly increasing the average size of GEF financing would reduce processing costs. If the average size of GEF projects were to increase by 100%, we estimate that processing costs would grow by less than half that amount. GEF could increase size simply by setting a minimum for the size of GEF grants that the Bank would process as suggested at one time by the GEF coordinator^{14/}. However, setting a minimum project size would have other implications. It could eliminate projects whose benefit to the global environment (and to the Bank) justifies the higher processing costs. Also it may leave a gap in global financing needs which would be difficult to fill from other sources. Moreover, the Participants have, at least for the pilot phase of GEF, expressed a preference for smaller projects so that GEF can cover a wide geographic area and as many new technologies as possible.

26. Evaluating these offsetting considerations goes beyond the scope of this audit but would be timely as the Bank begins to consider its role in the operational GEF. Recognizing that the nature of GEF operations as they have now evolved may be different from what was originally envisaged we recommend that the GEF Coordinator should perform a detailed review of the projects that have been undertaken to date and identify GEF-mandated policies

^{14/} EM from Ken Newcombe to Mohamed T. El Ashry dated 7 May, 1992.

as well as Bank organizational factors which limit the likely integration of GEF into Bank operations. In the light of whatever additional measures may be taken to improve integration, the Coordinator should make a realistic assessment of the future cost of project preparation and supervision and either propose changes in the criteria used to select projects prepared by the Bank for GEF financing to ensure that they are more integrated with Bank operations or recommend changes in present Bank policy regarding GEF so that it conforms with the expected degree of integration.

Developing, Processing, and Approval of Projects

27. While the Enabling Memorandum provides that the GEF would work through existing proven institutions utilizing their own procedures, additional structures and processes have been created to meet the Participants' requirements for technically strong projects and accountability as well as cooperation between the various implementing agencies. Some of these structures and processes were envisaged at the time the GEF was established, others have evolved since operations began. They include: a) coordination mechanisms between the implementing agencies (IAs), including liaison with UNDP staff in the field and periodic "Implementation Committee" (IC) meetings between the various IAs to discuss policy issues and review projects prior to their presentation to the Participants; b) a process of project review with NGO's at the project concept stage and by a technical review panel (TRP) including external reviewers selected from a roster provided by the Scientific and Technical Advisory Panel (STAP) at the GEF-Initial Executive Project Summary (IEPS) stage; and, c) semi-annual Participants' meetings to discuss policy and review the work program proposed by the IC. These processes are discussed in more detail below.

Coordination and Cooperation with UNDP

28. The Enabling Memorandum envisaged close cooperation and coordination between the Bank, UNDP and UNEP with respect to the implementation of the GEF and this is reflected in all the basic GEF documents. To facilitate this cooperation, procedural measures have been instituted by the Bank; these included directives from the GEF Operations Coordinator and from the regional GEF coordinators to TMs to involve UNDP in the project process from the earliest stages of project identification. At the GEF-IEPS stage, documentation that goes to the TRP is also sent by the Bank to the other IAs so that their representatives

BOX 2

UNDP in GEF

"UNDP will play a key role in ensuring that the strategic planning maximizes the complementarity between developmental and environmental concerns. It will organize appropriate studies and assessments to serve as a basis for these strategies, and will help organize technical assistance, institution building and training activities needed to create and implement them. UNDP will play the lead role in coordinating pre-investment studies and technical assistance and ensuring their consistency with each country's human resources development strategy and action plan. Special attention is likely to be needed in institution building and training. In both these areas UNDP has extensive experience, and will identify and develop programs, working in close cooperation with UNEP and the World Bank. Like UNEP and the World Bank, it will be involved in extending the country-specific frameworks in those countries where it is already offering technical assistance to develop environmental strategies and action plans. With its expertise and extensive field presence in developing countries, UNDP will participate in the investment project cycle, especially in the early phases of identification of investment opportunities. The UNDP Resident Representative will play a key role in coordinating activities at the country level and in ensuring that the programs being undertaken by the GEF are complementary with other development activities." a/

a/ Enabling Memorandum, Op. Cit., page 11.

can participate in the review process and/or provide comment. There are frequent meetings between the IAs to discuss issues and, prior to the Participants' meeting, to review projects to be presented. Consensus is eventually reached on the projects to be included in the work program for each tranche.

29. Our review led us to conclude that in practice, cooperation, particularly between the Bank and UNDP (which are the IAs principally preparing projects) has been uneven despite these directives and procedures. Specifically:

- (a) Of the thirteen projects we reviewed in depth we noted that on three projects there were significant disagreements between Bank and UNDP staff concerning such matters as project ownership and the objectives and structure of the projects. In only one project was

BOX 3

Bank in GEF

"The World Bank will serve as the Trust Fund Administrator. In this capacity the World Bank would convene periodic meetings with agencies to review progress and any operational problems that might arise. In those countries where the World Bank has already assisted the Government in preparing National Environment Programs or where these are under preparation, the Bank will seek to broaden these to encompass the areas covered by the GEF. The project cycle involves participation of all three agencies. The World Bank will organize the project identification, appraisal, and supervision process with UNDP and UNEP participation. The time-table for processing individual investment projects will be the critical input into decisions on the timing and content of scientific and technological support and technical assistance operations." a/

a/ Enabling Memorandum, Op. cit. page 11.

there significant cooperation. Of the balance, in two or three instances the TM appears to have seriously tried to involve UNDP but was unable to get useful support. In the remaining seven projects, the TMs appears to have made an early judgement that actively trying to involve UNDP was not a worthwhile effort and simply excluded the local UNDP office from active participation.

- (b) At the TRP stage project documentation has been sent by the Bank to the other agencies, but we found only one instance where UNDP or UNEP provided written comment or participated in the review process. Discussions with the regional GEF coordinators suggest that in the same way the Bank generally does not provide comments on UNDP projects even if documentation is received, although we understand that the LAC Region did send some comments to their counterparts in UNDP for a few projects in the first three tranches.
- (c) Our review of the minutes of the IC meetings and discussion with observers and participants of those meetings suggests a process that is often highly competitive and occasionally acrimonious. There is often great difficulty in reaching agreement on process as well as whether individual projects should be included in the work program.

30. The cooperation level varies geographically and is greatly affected by the personalities and backgrounds of the regional coordinators in both organizations. In the opinion of most persons interviewed it has clearly been better in Asia than in other regions. Our analysis of projects dropped by the two agencies confirms this. All projects from Asia that were started by the Bank but went eventually to UNDP were judged to have evolved in a

cooperative mode with UNDP. One, indeed, was "returned" to the Bank to act as the executing agency. These projects constituted three quarters of all the projects in our sample in which cooperation between Bank and UNDP was judged to be high.

31. One of the areas where cooperation has most clearly been difficult is in the area of project preparation financing. The Enabling Memorandum places responsibility for undertaking pre-investment studies with UNDP; to facilitate this a Pre-Investment Facility (PRIF) was established by UNDP. After several attempts by Bank TMs to obtain funds from UNDP for project development work resulted in either no response or delays, the Bank established its own facility to provide such financing (the Project Preparation Advance or PPA) for proposed GEF projects.

32. Our discussions with Regional coordinators and other Bank staff as well as with their opposite numbers in UNDP and in STAP identified three causes for the lack of cooperation:

- (a) The different cultures, organization and processes in the Bank and UNDP. As a result there are very different approaches to the identification and preparation of projects especially with respect to responsibility for prioritization of proposed GEF projects and ensuring their quality. Also, the relationship of UNDP to recipient governments is very different to the relationship between the Bank and those governments.
- (b) The areas in which each agency is supposed to specialize overlap. Technical assistance, the area of UNDP's focus in GEF, is a critical part of most Bank projects and the ability to develop and

manage programs of technical assistance is one of the essential skills of Bank TMs and their managers.

- (c) A perceived history of lack of trust and competitiveness between the two organizations makes it difficult for staff to cooperate on an operation which has a high profile and represents a major new source of financing for UNDP.

33. The costs of lack of cooperation are clear though they are difficult to quantify. One is the time and travel costs of duplicated effort when both agencies are independently trying to prepare similar types of projects or proposing additional projects in countries in which the other agency already has a GEF project under preparation. Another is delays if one or the other agency takes actions (such as delaying approval of preparation loans) that block progress in preparing projects. Moreover, project quality may indeed be improved where genuine cooperation exists from the start: the STAP chairman noted in one of his reports to the Participants that the best projects which STAP has reviewed involved close agency cooperation during preparation.

34. As administrator of GEF, the Bank has a responsibility to continue to try to facilitate a good working relationship with UNDP. In our view, adding new formal procedures at Headquarters would not be an effective or efficient means of improving cooperation and until this issue is addressed at the highest level of the Bank and UNDP, any proposals will only have a marginal impact on the more general underlying problems. However, we recommend that to promote better cooperation, particularly at the project identification stage, the GEF Coordinator should encourage CD staff to solicit UNDP participation in meetings with local NGOs and government agencies when projects are being formulated in the field.

Review of Projects Prior to Inclusion in the Work Program

35. Prior to being presented to the Participants at their twice yearly meeting, GEF projects go through a series of reviews which can take as long as four months (including the time for preparing the Participants' Meeting report) and are additional to regular Bank procedures. OD 9.01 defines the process although, as discussed below, the role of STAP has changed from that envisaged at the start of the GEF and in the OD.

36. The first formal stage of the review process is an independent technical review with at least one external reviewer being selected from a roster prepared by STAP. Overall we found that the procedures for the appointment and reporting of reviewers for the technical review panels (TRP) were being complied with satisfactorily and that the comments of reviewers were being taken into account in the GEF-IEPS. Review of the records maintained by the GEF Coordinator suggests that few projects do not undergo some modification as a result of the TRP although the views of TMs concerning the value of the comments, in particular those made by the outside technical advisors, varied. In some instances TMs informed us that the external reviewers lack familiarity with the countries concerned and with Bank procedures for preparing projects. This resulted in unwarranted negative comments and unrealistic suggestions for improvement.

37. At the same time we noted that, particularly for projects prepared for tranche one and two, the small number of reviewers on the STAP roster made it difficult for TMs to identify reviewers with the necessary technical expertise without using the same person repeatedly. In the last year STAP has increased the number of reviewers on the roster and the difficulty of identifying technically skilled reviewers has decreased. However, on the 32 projects in tranches two to four we found one external reviewer used for three

projects and several others had been used more than once. As the GEF moves into its operational phase, the number of projects and therefore the number of external reviewers needed is likely to increase. It is important both for the Participants and for the continued commitment of Bank staff that these reviews (which are additional to standard Bank preparation procedures) are seen to be useful. Therefore, although we understand that STAP, at the instigation of the Bank continues to identify new reviewers for inclusion on the roster, we recommend that the GEF Coordinator should continue to raise with STAP the issue of external reviewer qualifications to ensure that reviewers with the necessary experience are available.

38. Other than to appoint experts to the roster, the STAP's original mandate was to work through UNEP to address broad technical and scientific issues that affect the GEF including the specification of criteria for projects to receive GEF financing; there was no requirement for them to review individual projects at any time in the preparation process. However, starting with the second tranche, the STAP began to review the individual projects already reviewed by the TRP and to provide additional brief written comments to the IC on each project. These usually consist of a general assessment of the project and a judgement about its priority for inclusion in the work program. From the point of view of the Bank's portfolio of projects, this additional STAP review has had little impact on the projects except to prolong the review process by three weeks while the GEF-IEPS and TRP opinion is forwarded to STAP. In the initial three tranches of some 36 Bank projects only one was seriously questioned by STAP. Indeed, TMs of our sample projects were almost unaware of what STAP had said about their projects.

39. According to the chairman of STAP the change in its role resulted from a need to be able to advise the IAs on the consistency with which they

were applying the GEF selection criteria 15/ and to ensure that the portfolio of projects had suitable balance between and within the priority areas. However, the review has provided unanticipated benefits; as an independent evaluation of project quality the STAP's review has reduced the time required by the IAs to reach a consensus at the IC meeting on the work program to be submitted to the Participants. It is difficult for staff from either IA to criticize the projects of the other given the current relationship between the two agencies; however, the STAP has on numerous occasions identified projects (usually those prepared by UNDP) that require further work or which do not meet the GEF criteria and has recommended their rejection.

40. Discussions at the April 1992 Participants Meeting suggested that the Participants take considerable interest in the results of both the TRP and the STAP reviews. The presence of an outside reviewer provides Participants and outside parties with assurance that the scope and objectives of the project have been reviewed. However, the practice of having two reviews has implications for the Bank in its roles both as an IA and as Administrator. As an IA, the use of external reviewers and the second review by STAP are additional to those used to prepare non-GEF projects. As a result they increase the total amount of preparation time needed for projects and impose timing constraints and additional work on TMs to ensure their projects are ready for one of two annual review cycles leading up to the Participants' Meetings and that all necessary parties have been consulted and their views taken into account. This in turn reduces the incentives for Bank staff to become involved in the GEF and the ease with which GEF components can be integrated into the project cycle of regular Bank projects with which they are associated. As Administrator the additional project preparation time and the meetings at which the various reviews take place result in administrative

15/ First Report by the Chairman of the Science and Technical Advisory Panel of the Global Environment Facility to the Participants' Meeting, April, 1991.

costs to the GEF Trust Fund which ultimately will reduce the funds available to support projects.

41. The key question is the value of these processes and procedures to the quality of the projects included in the GEF work program. As many of the projects have yet to be approved by the management of the IAs involved it is difficult to evaluate quality at this time. However, if the facility moves beyond the pilot phase and the number of projects increases, the long duration and the costliness of the multiple review procedure will become a stumbling block to the efficient operation of the facility.

42. The GEF Coordinator is aware of many of these issues and in January 1992 prepared a paper which was presented at an IC meeting prior to the April 1992 Participants meeting. We understand that the matter was raised informally with the GEF Participants at the December 1992 meeting, however no specific action was proposed at that time. We recommend that the Coordinator and Administrator of the GEF should initiate further discussions with the other IAs and STAP to develop a proposal for streamlining of the project preparation procedures. These proposals should be presented jointly by the Chairman of the GEF to the Participants as part of the discussions on the future of the Facility. If the Participants decide that the second review by the STAP should remain then we recommend that OD 9.01 should be modified by the GEF Coordinator to include this step in the procedures for preparing GEF projects.

Semi-Annual Participants' Meeting

43. A key element of the GEF project preparation process is the semi-annual Participants' Meetings. These meetings provide a forum to discuss the overall policy framework governing the facility as well as allow the

Participants to consider the proposed work programs of the three IAs and to review the progress made in implementing those programs.

44. Our review of the files and discussions with GEF and Bank management has led us to conclude that the role of these meetings in approving individual projects included in the work program impacts upon the efficiency and effectiveness of the process for preparing projects. Before a project can be presented to the Participants it must be reviewed and cleared by the TRP, STAP and IC as well as included in the Chairman's Report. This process takes four months. At the same time, finalization of the GEF-FEPS and the departure of the appraisal mission (at least for the GEF component) cannot take place until after the work program is approved at a Participants' Meeting. The long drawn-out review process can delay preparation of associated Bank-financed projects or result in the need for an additional mission to appraise the GEF component. The requirement to conform to a specific deadline (that only comes twice a year) puts pressure on TMs who cannot necessarily control other parties, such as the recipient country executing agencies or NGOs involved in project preparation, as well as on GEF staff that manage the preparation for these meetings.

45. The Participants' Meetings cover policy formulation matters as well as approving the work program. As happened at the meeting in April 1992 which was intended to consider the third tranche of projects and commence discussions on governance during the next phase of the GEF, policy matters can take an unpredictable amount of time to consider and consequently work program issues have to be postponed. Given the above difficulties, it would be more practical for the policy formulation activities of the Participants' Meeting to be undertaken separately from the process of work program approval. Rather than the current arrangement, all Participants could meet annually to address policy issues and review the on-going work program using a Chairman's Report

as the basis of discussion. In addition, a smaller executive committee, the make-up of which could be approved by the Participants at their annual meeting, would meet more frequently to review proposed additions to the work program.

46. Changing the present set-up is beyond the control of Bank management but initiating discussions with other parties involved in the GEF would be timely before the Facility moves into the operational phase where there will, in all likelihood, be more projects under preparation at any given time. Therefore we recommend that the Chairman of the GEF should consider proposing to the Participants that the frequency and timing of their meetings should be reviewed and that the entry of projects into the work program should be handled separately from (and more frequently than) discussions of policy matters.

Administrative Support to GEF and the Participants

Introduction

47. The Bank has undertaken responsibility for the overall management of the GEF. This includes secretariat support to the Participants (principally arranging the semi-annual Participants' meetings and other meetings with IAs and NGOs), managing a comprehensive communications strategy focused on diverse outside groups that are important to the GEF, and the preparation of policy papers on technical and organizational issues such as GEF governance. The Bank also handles the financial management and accounting of the trust funds through which funds for GEF activities are channeled. This includes the collection of contributions from the Participants, the disbursement of administrative expenses to the other IA and to executing agencies of GEF projects.

48. The administration work of the GEF is handled by the office of the GEF Administrator which includes three higher level staff in addition to the Administrator and three support level staff. The Office of the Administrator constitutes a separate group in the Environment Department located within the new Vice Presidency for Environmentally Sustainable Development; however, the Administrator reports to the Director of the Department in his capacity as Chairman of GEF rather than as Director of the Environment Department. Financial management is handled by the Office of the Trust Fund Administrator previously in the Resource Mobilization Department, but now located in CTRVP since February 1, 1993. Accounting and financial reporting is the responsibility of the Trust Funds Division of the Accounting Department, also within CTRVP.

Communications

49. One of the major functions of the Administrator is to develop and implement a program to prepare and disseminate information about the GEF to Participants, staff at the implementing agencies, NGOs, the press and the world at large. The program includes publication development and distribution, preparation of press releases about GEF, as well as the preparation of a video and a program of talks, attendance at seminars, and one-on-one discussions with constituencies of the GEF. A major part of the Administrator's time is devoted to this activity and he is assisted by a full time communications specialist. Two support staff also spend a large part of their time on this function. In addition, the Bank's External Relations Department (EXT) provides some support. The cumulative direct costs of communications as of the end of FY92 totalled approximately \$222,000 made up as shown in Table 1.

Table 1

	<u>US\$</u>
Video	76,106
Design and Publication of Written Materials	118,153
Translation costs	15,800
Printing Costs	4,320
Distribution of Publication	<u>7,361</u>
	<u>221,740</u>

This excludes costs such as staff time, travel, and telephone and fax charges which are not identified by individual task.

Planning and Monitoring of Communication Activities

50. Our discussions with GEF management, confirmed by our review of the files led us to conclude that this function has expanded faster than was initially envisaged by the Administrator and has reached out to a broader audience. Pressure has come from the Participants, the media, NGOs and the general public generated in response to the UNCED meeting in Brazil as well as by environmental convention negotiations taking place in the preceding months. As the GEF could be the financing mechanism for some or all of these conventions, interest in the facility has been high. Much of the communications activities, therefore, have tended to be reactive, simply responding to a burgeoning demand that was largely unanticipated.

51. To provide a framework within which to respond to this pressure a Communications Strategy was developed and circulated in the October 1991 GEF Bulletin which goes to a mailing list of some 2500 that includes the Participants. Comments on the Strategy from the Participants, received mostly

orally at the subsequent December meeting, are reported to have been largely supportive and the strategy has been under implementation since then. The strategy calls for focus on target groups, with priority to the Participants and their Governments, followed by staff of the IAs, NGOs, the news media, the academic sector, and the private corporate sector. It includes a list of activities to be undertaken to keep each target group informed about the facility.

52. Judging by responses recorded in the GEF files from the key groups targeted by the Communications Strategy Paper, the implementation of this strategy seems to have been effective. Several of the activities proposed in the paper (such as the development of a video, a periodic newsletter and the preparation of a two-volume chairman's report for each Participants Meeting) have been undertaken. However, any judgement on the efficiency, effectiveness and economy of the various activities undertaken and the strategy as a whole are necessarily subjective because a detailed work program has not been developed nor have standards to measure performance.

53. The Communications Strategy makes clear that there is a need for "a broad strategic work program covering the next three years" but this has not yet been prepared nor is it in process. The only follow-up planning and budgeting documents to the strategy paper made available to us was the GEF FY93 Budget Plan submitted to Bank senior management in March, 1992. This is supported by a more detailed document that includes a paragraph on communications, but the latter mostly makes a strong case for an increase in staff. Moreover, the costs of various communication activities already undertaken were only calculated as a result of a request made by us during our audit and the information made available included only direct costs and excluded staff and overhead costs.

54. Without a detailed work program covering several years and a system to monitor costs and assess the effectiveness of different programs, it will be increasingly difficult as GEF grows, to control activities in this area. We recognize that GEF activities are hedged with uncertainty after the pilot phase ends in mid-1994. There is a danger, however, that the communications program could continue to be reactive and fail to anticipate needs both in the coming months when the pilot phase is winding down and the future of the Facility is being discussed as well as when (and if) the Facility moves into a wider operational phase. We therefore recommend that based on an evaluation of the efficiency and effectiveness of communications activities that have taken place to date, the GEF Administrator develop a work program to define in more detail the communications activities to be undertaken in the next three years. This should include criteria for evaluating the effectiveness of various activities to be undertaken.

55. In the course of our audit we identified several areas where there may be scope for improvements in efficiency. These are discussed below.

Relationship with the External Affairs Department

56. GEF management sees the communications strategy as integral to the functioning of the GEF Administrator's office. The level of professional input regarding environmental issues and the specific thematic concerns of GEF demands a full time communications specialist working closely with the Administrator. Also, GEF has to be seen as functioning as independently of the Bank as possible, and the handling of communications is a very visible element of Bank's GEF operations. These considerations moved GEF management from the outset to develop its own communications capability rather than rely on the Bank's External Affairs Department (EXT). The Participants and other IAs supported this approach.

57. While political considerations as well as the specific requirements of the GEF noted above have excluded EXT from any role in the preparation of information for dissemination, the department has experience and contacts which could improve the efficiency of dissemination. In the course of our audit we identified two areas where EXT might usefully provide assistance.

58. EXT periodically arranges press briefings for the Director of the Environment Department in his role as a Bank manager and therefore has a list of persons to be notified when such briefings will take place. EXT has also arranged briefings for the Director in his role as Chairman of the GEF but only on an ad hoc basis because it's staff consider this to be a function to be handled by GEF itself which is how the Consultative Group on International Agricultural Research (CGIAR) and other externally funded programs manage press briefings. However, as both GEF and the Environment Department briefings are for similar target groups concerned with environmental issues it would be appropriate for EXT to assist GEF with the logistical arrangements for such briefings on a regular basis.

59. EXT could also provide assistance in the distribution of publications^{16/}. EXT staff informed us that after the third Participants' meeting in May 1992, the GEF Chairman asked whether EXT could arrange for a wider distribution of GEF publications. The Office of the Publisher in EXT raised issues about the suitability of some of the documents such as the Chairman's Report to the Participants and the GEF appraisal reports, which were felt to be too narrow in scope for EXT to take on distribution. EXT agreed, however, to take responsibility for distribution for the Working Paper

^{16/} The Administrator's office has prepared general information brochures, the 2 volume chairman's report series, a technical working paper series, a newsletter issued roughly every 3 months (now in its 6th edition), a video available in 3 languages, and a set of posters.

Series. At the completion of our audit work there had been no follow up on this initiative by GEF.

60. Distribution through the EXT system offers the possibility, not only of extending the reach of GEF, but if GEF were to charge for some of the publications it could help in defraying the administrative costs of preparing such documents for official users. Based on EXT estimates of the price and distribution that technical environmental publications are likely to receive, earnings from a single publication in the GEF working paper series, after deducting the costs of production, might reach several thousand dollars. Currently EXT does not normally transfer profits from publication sales to other units; however, arrangements have been worked out with other units in special cases with the cooperation of the Accounting Department (ACT) and the Planning and Budgeting Department (PBD).

61. We recommend that the GEF Administrator should follow up with EXT management to explore how EXT can provide support for GEF in the areas of press briefings and publications distribution.

Management of Publications at GEF

62. GEF currently has a significant portfolio of publications and videos in the development of which over two hundred thousand dollars has been invested. Management of their custody and distribution however, is rudimentary. The inventory of publications is kept in a dedicated stock room without shelves or identification. An assistant to the communication specialist periodically checks stock levels and reorders when individual items appear to be low. However, no on-going records to monitor the receipt and dispatch of different items are kept and items are difficult to find for persons unfamiliar with the contents of the stock room. We recommend more

systematic management of publications should be put in place by the staff of the Administrator. Specifically, each publication should be clearly labeled in the stockroom and a simple, computer-based inventory management system should be established so that re-order levels can be established and printing orders made consistent with requirements.

63. The GEF mailing list has now reached 2,500 entries. Anyone contacting GEF for information is automatically added to the list. Distribution to individual entries on the list follows simple rules which have not been set down but appear to be understood by the key people responsible. A core group (that includes the Participants) receives everything; UNEP and UNDP determine their own requirements; and the entire list receives the bulletin which signals the availability of new publications. The latter rule ensures that everyone who hasn't received a publication is informed of its existence and can contact GEF to receive a copy. Generally both Participants and UNDP request additional copies of key documents at regular intervals but no record is kept of the publications which have been sent to organizations or individuals.

64. We recommend that the GEF Administrator should review the mailing list periodically and require recipients to affirm their need for the bulletin so that it does not continue to be sent to persons or organizations that are no longer interested in GEF. Policies for the automatic distribution of the various types of documentation should be documented and notified to Participants in the periodic bulletin.

PROCUREMENT

65. The Administrator needs to obtain goods and services as well as the help of consultants for certain research projects ordered by the

Participants. Under GEF, each implementing agency uses its own procedures for those aspects of GEF for which it is responsible^{17/}. Thus where the Bank hires consultants under GEF its own procurement policies should be used. When the Bank procures services on behalf of the GEF Administrator, Bank authorities on procurement of consultants informed us that the situation is similar to when the Bank is executing agency under a trust fund or UNDP: the Consultant Guidelines^{18/} govern, but with the additional requirements derived from the guidelines used by the Bank in procuring consultants for its own operations set forth in PMS 2.05^{19/}. Contracts of \$100,000 and above require a competitive selection process; if a firm is sole-sourced, justification and prior clearance from the appropriate procurement advisor is required. To make clear that this is an operational requirement of the Bank, an annex is being added to OD 11.10 specifying this threshold and the procedures to be followed for contracts in excess of it^{20/}.

66. Our review of contracts for consultants and related types of services as well as the procurement of goods by GEF indicated that most are well below the \$100,000 threshold. However, we noted one consultant contract for \$100,000 that had been sole sourced. The contract was for a study and report on the costs of different strategies for reducing carbon dioxide. The files indicated that the firm had been sole-sourced because of its prior qualifications and experience in this field, including assignments for the

^{17/} Enabling Memorandum, para 27.

^{18/} Guidelines: Use of Consultants by World Bank Borrowers and by the World Bank as Executing Agency (Washington, D.C.: World Bank, 1981).

^{19/} Personnel Manual Statement 2.05, Employment of Consultants and Researchers. The policies in PMS 2.05 are set forth in the Consultant Employment Handbook issued from time to time by the Personnel Department. According to the Procurement Advisor for Consultants in the Procurement Unit of the Central Operations Department, the latest edition of this Handbook is 1991 but is no longer in print.

^{20/} Draft OD 11.10, Annex E - Use of Trust Funds of August, 1992.

Energy Sector Management Assistance Program (ESMAP) managed by the Bank. The fee had been rounded down from an estimate of about \$116,000 made on the basis of expected man-day costs. There was no evidence that the proposed contract had been cleared by a procurement advisor but it had been submitted to the Staff and Consultant Appointments Division (PSCAU)^{21/} who had processed the contract without comment. This unit, however, does not review procurement procedures; it merely assesses the appropriateness of the fees.

67. While there is nothing to indicate that sole-sourcing of the above contract was not entirely appropriate under the circumstances, given a level of public scrutiny that is even greater than for the Bank's regular operations, GEF needs to be scrupulously careful to ensure that its procurement of consultants' services and goods follow Bank procedures. We therefore recommend that where the Bank engages consultant services to be financed by GEF it should follow Bank policies and procedures that would include (a) establishing a threshold of no more than \$100,000 for competitive selection of consultant services; (b) developing an appropriate procedure to qualify as a "competitive process" of selection under Draft Annex E of OD 11.10; (c) and ensuring that proposed sole source contracts above \$100,000 are cleared with the Consultant Services Advisor in the Procurement Unit (CODPR) and that a record of the clearance is maintained.

MEETINGS

68. Since the initial meeting of parties interested in the formation of the GEF in November 1990, the Bank has provided logistical support for five

^{21/} This unit's designation has been changed to PMDAU under the latest reorganization.

Participants' meetings^{22/} as well as numerous meetings of the IC and NGO's. The GEF administrator estimates that the costs of these meetings has been \$218,000, excluding Bank staff salaries. Overall we concluded that these meetings had been planned in an efficient and effective manner.

Meetings with Individual Participants

69. Prior to each Participants' Meeting, the Administrator's Office provides as part of the Report by the Chairman to the Participants' Meeting details of all projects to be considered at the up-coming meeting. The information provided includes a description of the project, a selection criteria sheet and a project technical opinion. At the meeting, all Participants are given the opportunity to comment on individual projects and the proposed work program as a whole. Approval of the work program is by consensus between the various parties present; no formal vote is taken. If several Participants express concerns about a particular project proposed by the IAs, it will generally be withdrawn from consideration by the agency concerned.

70. Prior to the third Participants' Meeting in April 1992 the Bank held discussions with representatives of the United States government concerning projects to be included in the third tranche which were to be considered at the up-coming meeting. This day-long session took place at the Bank at the request of the United States government and, we were informed, involved staff from the Coordinator's Office and the Regions answering detailed questions concerning individual projects. No similar meeting was requested or held with other Participants; however, we understand similar

^{22/} An additional session of the April 1992 Participants Meeting had to be convened due to delay in completing the meeting's agenda.

meetings were held with the US to discuss the tranche four projects prior to the December 1992 Participants' meeting.

71. The United States is only one of 30 Participants including IBRD. By agreeing to provide one Participant with an additional opportunity to influence the projects to be financed by the GEF, the Bank could give the impression that they are favoring one Participant over another. Moreover, if other Participants chose to make similar requests the project approval process would become unworkable as well as expensive due to the IA staff time involved.^{23/}

72. The Administrator, as part of his communications activities has a legitimate interest on behalf of GEF in meeting with individual Participants and their Governments to better understand their special concerns and discuss pending issues, especially if they are sensitive. However, by acceding to demands from individual Participants for extensive individual attention on project matters that are of interest to all Participants, the Bank could establish precedents that are burdensome to the GEF and could give an impression of favoritism. We therefore recommend that the GEF Chairman should establish a policy that places a limit on the service that the GEF provides to individual Participants (such as extensive one-on-one meetings to discuss work program or policy issues that could impact other Participants) and provides a basis for refusing requests for excessive service when they occur.

^{23/} Moreover, unlike all other Participants except Australia, the United States government had at the time of the meeting, made no resources available to the Global Environment trust fund and was therefore not sharing in the costs of GEF administration (see paragraph 108 below).

REPORTING TO THE PARTICIPANTS

73. In the course of our audit we made use of information contained in the bi-annual Reports of the Chairman to the Participants' Meetings as well as the Monthly Report on Bank-Implemented GEF Operations. Both of these reports, which are made available to Participants (the latter only on request), contain information concerning the current status of projects included in the GEF work program. We noted that data contained in the August, 1992 (and earlier) monthly operations report concerning free-standing projects was inconsistent with the information contained in the Report to the December 1992 Participants' Meeting prepared around the same time. Specifically, the Chairman's report showed fewer free-standing projects than the operational summary. We understand from the staff that the difference related to projects in which their status as free-standing or associated projects was still under review. However, staff in the responsible Region informed us that a decision that the projects were free-standing had been made several months previously. This type of difference also may reflect the extreme pressure under which documents for the Participants' meetings are prepared which makes it difficult to recheck the accuracy of information submitted by the regions.

74. It is the responsibility of the Administrator's Office, nevertheless, to ensure that the information in published reports is accurate and consistent, particularly information provided to Participants or other "outside groups". The Administrator's Office should inform the Participants of changes in the status of projects within a reasonable time after they occur. We recommend that the Administrator should review with the Coordinator the status of free standing projects and take appropriate steps to inform the Participants in cases where the Chairman's Report does not reflect the current status.

Administrative Matters

STAFF RECRUITMENT

75. The long-term success of the Bank as GEF Administrator and as Implementing Agency in preparing projects for GEF financing depends on its ability to attract the most qualified available staff to the offices of both the Administrator and the Coordinator. Staff in both units must be qualified and experienced both technically in environmental and related areas and in the project process as well as familiar with Bank procedures and sensitive to the political environment within which the facility has to operate. Many of the persons to whom we talked both inside and outside of the Bank emphasized that the GEF's success to date has been due in large part to the skill, competence and enthusiasm of the Administrator, Coordinator and their staffs. If positions in GEF are to be attractive to Bank staff the employment conditions must be equivalent to those provided by the Bank for its other activities.

76. At present employment in the Administration or Coordination units of the GEF is governed by the Bank's policy concerning activities funded from outside sources. This policy requires that before the Personnel Department will effect the transfer of a regular staff member to such an activity, that staff member must have a re-entry guarantee from the unit from which he or she originated at an appropriate level - the division, department, or vice-presidency - for the term for which that staff member is committed, or an equivalent commitment from the Environment Department. Bank-wide re-entry guarantees, though available during the 1987 Reorganization when staff were sent for retraining outside the Bank, are not commonly given. Similarly, staff hired from outside the Bank can only obtain a "co-terminous" fixed appointment, an appointment which limits the term of employment to the period

for which funding is available. We understand that similar issues have arisen with respect to ESMAP.

77. This policy places GEF at a disadvantage when seeking the best available Bank staff because few units are prepared to give such re-entry guarantees particularly for periods of more than one year. While it is clear that GEF has been able, thus far, to recruit highly qualified regular Bank staff, GEF management informed us that some positions were difficult to fill because, even though highly qualified regular staff were interested in filling them, the jobs were fixed term and no re-entry guarantee could be obtained either from the staff members own department or from the Environment Department. This led in at least one case to the hiring of outside staff under a fixed term, "co-terminous" appointment instead of qualified Bank staff who were interested in the position. In another case, a regular Bank staff member joined GEF but the timing was delayed while negotiations took place between the GEF Administrator and the department of origin. As a result, skills that were critically needed during the start-up phase of the facility were unavailable.

78. The future funding of GEF is still a matter of uncertainty. Although UNCED and subsequent discussions showed that there is strong support for GEF, funding has not been firmed beyond the present pilot period which will expire in mid-1994 and some governance issues have yet to be agreed by the Participants. However, part of the reason for the Bank's selection by the Participants to manage GEF was that the Bank, as an existing stable institution, can draw on the same highly qualified pool of staff as for its own operations.

79. GEF management has brought this situation to the attention of the Bank's Personnel Management Department on several occasions but has been

unable to obtain an exception to current policy. While funding has not been finalized recent discussions with the Participants indicates a firm long-term commitment to the GEF and the Bank's involvement therein. Therefore, we recommend that the Director of the Environment Department should raise the staffing re-entry issue with the Environmentally Sustainable Development Vice President, as well as with the Personnel and Administration Vice President to see whether an exception to the re-entry policy can be made to allow the Bank to give GEF regular staff an institution-wide re-entry guarantee.

MANAGING ADMINISTRATIVE EXPENSES

Introduction

80. As trustee of the GEF trust fund and administrator of the facility as a whole, the Bank is responsible for the control, monitoring and reporting of the expenditures incurred for the preparation of GEF projects and the administration of the facility. As of September 1992 the administrative expenses incurred to date and budgeted for FY93 were as follows:

Table 2

GEF ADMINISTRATIVE EXPENSES					
	FY91 Actual (\$million)	FY92 Actual (\$million)	FY93 Approved (\$million)	TOTAL (\$million)	(%)
UNDP	.5	3.4	4.1	7.8	20.6
UNEP	.2	1.1	2.2	3.5	9.1
World Bank	2.4	9.9	11.2	23.5	60.5
Administrator	<u>.2</u>	<u>1.4</u>	<u>2.2</u>	<u>3.8</u>	<u>9.8</u>
TOTAL	3.2	15.9	19.6	38.7	100.0

Source: Report of the Chairman to the December 1992 Participants' Meeting

81. In addition to the US\$38.7 million expected to be incurred by the end of FY93, future administrative costs associated with pilot phase operations are expected to be US\$43 million. Total funds committed to the GEF amounts to US\$1,227.24 million with US\$881.93 million being contributed to the core fund. Therefore, as of the December 1992 Participants' Meeting, administrative costs (cost to date, plus estimates of future costs to complete the pilot phase) were expected to be 9.27% of the GEF core fund or 4.67% of the total funds committed for GEF. Initial estimates given by the Bank to the Participants^{24/} indicated that administrative costs would be approximately 3% of commitments for projects.

Analysis of GEF Costs Incurred by the Bank

Project Related Costs

82. Of the almost US\$10 million dollars incurred by the Bank in FY92 for GEF administrative expenses, the largest proportion is used by the Regions to prepare GEF projects. Project related costs (lending and supervision) is the most important single category of GEF expenditure incurred by the Bank; 45% of time spent by Bank staff is spent in the regions preparing and supervising GEF projects.

83. Table 3 below shows regional project preparation costs and compares GEF with the Bank. GEF data is from the 30 project sample discussed earlier (paragraph 21); Bank data is from FY92 and includes non-sector as well as sector lending. The main conclusion from this analysis is that the costs of project preparation in Africa are higher than those for the other regions on both Bank and GEF projects. For Bank projects the cost of preparing a project in Africa is 2.1 swks/\$million, about 90% higher than for the rest of

^{24/}Chairman's Report, GEF Participants' Meeting, May 1991, Para. 58.

the Bank. With GEF projects Africa costs are 7.6 swks/\$million, about 125% higher than the rest of GEF. This difference persists, even when one compensates for the smaller average size of projects in Africa. Africa GEF projects are roughly 30% more costly than non-GEF Africa projects and roughly 55% more costly than GEF non-Africa projects.

84. The cause of the exceptionally high GEF costs in Africa are unclear, however:

- (a) we noted that unlike in EMENA and Asia, travel and consultants costs are not reviewed by the Africa RED^{25/}.
- (b) it was suggested to us by Regional staff that GEF projects require the involvement of new borrower agencies and more NGOs. Given the need, in the Africa Region, to build institutional capability in such agencies as part of project development, particularly at the initial stages of the GEF, project preparation costs could be expected to be relatively high.

Non-Project Specific Regional Costs

85. In addition to the direct costs incurred for preparation and supervision of projects, the regions also incur costs for project identification (called lending development), coordination of GEF project activities and technical assistance. As shown in Table 2, lending development comprised about 31% of the total regional GEF work program in FY92. Technical assistance and other activities comprised an additional 13%. In the FY93 budget, the time allocated to activities in the regions which are not directly

^{25/} As the LAC Region only discontinued review of these costs at the start of FY93 it is not yet clear whether this will have an impact on the level of such costs in that Region.

related to projects is expected to be 33% of total regional GEF staffweek budgets. Most of this non-project specific time (66%) is expected to be used for technical assistance and coordination (TA&C) activities. With respect to the FY93 budget allocations it is noticeable that the variations in budget between Regions is marked. While in EMENA 50% of the region's budgeted staffweeks are expected to be spent on non-project specific activities with 50% spent on TA&C, in Asia the equivalent figures are 14% and 80%.

86. Individual REDs and related Region(s) have defined their own requirements for coordination and technical advisory support and the number and roles of such staff vary considerably between Regions. Generally, Regional GEF Coordinators are responsible for informing staff about the GEF and providing assistance in preparing projects for Participants' review and meeting other special requirements of the facility. They also provide a first level of review to ensure proposed projects meet the GEF criteria and are consistent with the Participants' requirement for a balanced portfolio. During discussions with the GEF regional coordinators we were informed that, particularly at the early stages of the GEF they incurred considerable time explaining the GEF processes to TMs in the CDs and in identifying projects for the pipeline. Currently a majority of the regional coordinators' time is spent reviewing GEF documentation and providing on-going advice. The role of the technical specialists are less clear but generally they assist in the identification of projects and provide advice to TMs. They also take TM responsibility for GEF components of projects and sometimes of free-standing projects although the time spent on this activity is generally charged directly to the project concerned.

87. Review of FY93 budget preparation correspondence showed considerable time was spent by the GEF Coordinator discussing staffweek requirements on individual projects with RED and CD staff but we found little

documentation with respect to the use of non-project specific time. Our discussions with regional GEF coordinators showed that the functions they perform are basically similar; where the additional resources appear to be spent are in the use of additional staff and consultants to provide general technical assistance on environmental matters in one of the areas covered by the GEF. It is not clear what this assistance consists of and therefore it is difficult to draw a conclusion on its reasonableness or whether it could more efficiently be provided from the GEF Coordinator's office or should more appropriately be financed by the Bank rather than GEF.

Table 3

REGIONAL PREPARATION COSTS COMPARISON OF GEF WITH REGULAR BANK PROJECTS			
<u>BANK PROJECTS</u>	<u>no. of projects</u>	<u>average financing size (US\$m)</u>	<u>average swks/ (US\$m)</u>
Africa	77	51.6	2.1
Asia	69	122.4	1.1
EMENA	31	116.9	1.1
LAC	45	125.8	1.0
All BANK	222	97.8	1.2
BANK without AFRICA	145	122.3	1.1
 <u>GEF PROJECTS</u>			
AFRICA	7	60.9	7.6
ASIA	9	50.3	3.2
EMENA	9	34.3	4.3
LAC	5	46.3	2.9
All GEF	30	47.3	4.1
GEF without AFRICA	23	61.7	3.4

88. Particularly as all pilot phase GEF funds have been allocated to specific operations, it would appear that the amount of time needed for lending development will be very limited in the second half of FY93. Moreover as projects are approved and Bank staff become more familiar with GEF procedures the level of technical assistance and coordination activities will decline.

89. We understand that the roles and functions of staff in the REDs including those working on GEF are currently under review and that consideration is being given to moving certain coordination responsibilities to the Coordinator's Office in the Environment Department (ENVGC) while at the same time requiring individual country departments to identify a person to act as a focal point for handling GEF matters. As the resources used for non-project specific tasks are considerable and the tasks performed by the coordinators and technical specialists in the REDs are unclear we recommend that the GEF Coordinator should review the functions being performed by these technical specialists to determine if their efficiency and effectiveness would be improved by moving them either to the CDs or to the GEF Coordinator's office. In future budget discussions, particular attention should be given to the use of staffweeks allocated for non-project specific activities in the regions.

Organization of Budget Monitoring

90. While the Administrator has overall responsibility for coordination of the GEF budget and submission of the budget to the Participants, it is the IAs that prepare the operational part of GEF's budget and control and monitor costs. Within the Bank, overall responsibility for preparing the GEF administrative budget and the monitoring of costs incurred

rests with staff in ENVGC. These staff prepare budget submissions based on information from the REDs after reviewing the reasonableness of budget requests made and following up on deviations from budget projections. As the regional GEF coordinators are from the Environment Divisions of the Technical Departments (TD), the TD administrative officers prepare the budget documents and quarterly reviews of actual expenditures for their related region(s) under their supervision.

91. The location of day-to-day budget monitoring and cost control responsibility varies from Region to Region. In LAC (since the start of FY93) and Africa, the division chief of the TM's division is provided with budget

Box 4

Planning and Budgeting for GEF within the World Bank

Responsibilities and procedures for planning, budgeting and monitoring were first set out in September, 1991 for FY92 a/ in a memo from the Coordinator to the Office of the Senior Vice-President for Operations and have been subsequently modified for FY93. This memo, which summarizes agreements reached among the various concerned units (OPNSV, GEF Operations Coordinator, REDs, and regional Chief Administrative Officer, allocates responsibilities as follows:

- (a) Task managers (TMs) ensure that GEF funds are expensed for the sole purpose of carrying out the GEF work programs;
- (b) Country Departments (CDs), assisted by the REDs oversee the GEF work programs in their respective divisions and ensure efficient and prudent utilization of resources allocated to them for GEF activities;
- (c) REDs are focal points for GEF information in the regions and are responsible for coordinating the GEF work program in the CDs; and
- (d) The Chief Administrative Officers (CAOs), in consultation with the REDs, monitor the utilization of resources for GEF activities across their regions.

a/ Memo from Ken Newcombe, CODGE to Mr. C.L. Robless, OPNSV, dated September 4, 1991, titled "GLOBAL ENVIRONMENT FACILITY (GEF) AND MONTREAL PROTOCOL (MP): FY92 Work Programs and Budget

resources for GEF activities (as defined in the division's work program) and is responsible for ensuring the reasonableness of costs charged to GEF. While project costs are monitored by staff in the RED on a quarterly basis, cost control rests with the TM and departmental and division management. In ECA, MNA and the two Asia vice presidencies, budget monitoring and cost control is more centralized in the TDs. GEF budgets are kept centrally and all travel requests and consultants contracts are reviewed for reasonableness and budget availability by the RED staff. Operational divisions that undertake GEF work are reimbursed quarterly from the GEF budget allocated to the Environment Division of the TD for salary costs of both staff and consultants using a standard cost formula. Budget staff in the REDs keep detailed records and monitor each project to ensure actual costs do not exceed budget allocations.

92. Overall we found that budget administration and cost monitoring activities in ENVGC was handled in an efficient and effective manner however, we noted two areas where additional guidance and support by ENVGC to the regions could improve the quality of budget monitoring in several of the regions.

Allocation of GEF Project Related Costs

93. TMs, in ensuring that expenses charged to GEF are solely for GEF purposes are expected to follow the policy for administrative cost recovery set forth in OD 14.40 concerning Trust Funds and Reimbursable Programs. OD 14.40 states that each trust fund should pay for "the full incremental cost of administration. . ."26/ (emphasis supplied). In the case of free standing projects directly attributable costs are usually easy to determine since all the activities relating to the GEF typically are undertaken independently of

26/ Operational Directive 14.40: Trust Funds and Reimbursable Programs, December 14, 1990, para 22.

other activities. Thus budget expense items (travel and per diem costs, consultants fees, staff time, etc.) can usually be allocated 100% to GEF. For associated projects the staff and consultants time and travel costs need to be allocated between GEF and the Bank administrative budget.

94. There are no guidelines that specify how cost allocations between Bank and associated GEF project should be made. Our discussion with TMs for our sample projects indicated that while most understood that charges to GEF are supposed to reflect only the costs directly attributable to GEF, making a precise allocation can be difficult because of the need to balance accuracy with simplicity and ease of administration. The degree of difficulty depends upon the degree to which the GEF component is an integral part of the Bank project.

95. We found that in practice a number of approaches were being used to allocate charges. In one project where the GEF component is one of three components of the total project, one third of the TM's time and travel costs would be charged to GEF. In another case the TMs time and travel costs were allocated on the basis of the ratio of the total costs of the GEF component compared to the total costs of the project. On other projects the allocation was being made by the TM on an ad hoc basis as and when charges were incurred.

96. While in most cases the allocation appeared to have a common sense rationale we found two projects in our sample where in our view the rationale was inappropriate and as a result staff-time, consultants costs and travel expenses attributed to GEF were too high. Our review of the files and our discussions with the TMs of the two projects indicate that in both cases it was initially thought that GEF would finance the entire project and therefore 100% of the costs were charged to GEF. When, for different reasons, this was found not to be possible and Bank financing was obtained for portions of the

projects the initial basis for cost allocation continued. Our analysis showed that as a result of this the GEF may have been overcharged by approximately 78 staff weeks (or US\$400,000) for the two projects. GEF management noted in the FY92 Retrospective Reviews, this over-charging had been identified and that this would not happen in future projects^{27/}; however, they do not specify the controls needed to prevent such a recurrence.

97. In a third project we found an instance in which the costs of a consultant who was used for a number of different activities, of which GEF was only one had been charged exclusively to GEF. This was discussed with the TM who agreed that part of the consultant's time had been inappropriately charged to GEF. The additional costs to GEF exceeded US\$10,000.

98. While allocating administrative costs on the basis of number of GEF components to the total number of a projects components or some other similar pre-defined mechanism has the advantage of simplicity, it may not be a realistic reflection of actual costs incurred. Moreover, when relative project sizes and the level of association between Bank and GEF components vary the level of allocation would also have to be changed. Accurate cost allocation requires that each time a commitment of expenditure for preparation or supervision is made, the proportion related to the GEF should be separately identified and charged as such. In most cases the only person who can do the allocation with any degree of accuracy is the TM.

99. Particular emphasis has been placed during our discussions with the staff of the Administrator's and Coordinator's offices on the importance that the Bank and Participants place on only incremental costs being charged to GEF. OD 9.01, however, makes no mention of the allocation of costs of

^{27/} GLOBAL ENVIRONMENT FACILITY: FY92 Retrospective Review, memorandum from Mohamed El-Ashry, ENVDR to Robert Picciotto, CBVVP, dated August 3, 1992. See para. 17.

preparing GEF projects or indeed that the Bank as Administrator has to account to the Participants for administrative expenses. Specifically, the OD provides no guidance on the procedures to be used to allocate costs between GEF and associated Bank projects. We therefore recommend that OD 9.01 should be modified by the GEF Coordinator, in conjunction with the PBD and ACT, to provide specific guidance to TMs and others on the processes to be used in allocating time and other costs to GEF, emphasizing the importance of allocating costs to GEF as they are incurred and avoiding the use of standardized ratios.

Availability of Budget Reports

100. All TD Administrative Officers receive a quarterly report from ENVGC which details time charged by staff and consultants (and the related dollar costs) as well as travel and consultant fee costs for each project managed by their region(s). This report shows all expenditure by budget unit and includes a breakdown of time charges by person. Regions are required to review the accuracy of the report which ultimately is used by ACT to transfer funds from the GEF Trust Fund to the Bank to reimburse the staff-week costs incurred on behalf of the GEF by the Bank. In addition, all divisions have since the start of FY93 had access to travel and consultant cost data in the Budget Accounting System (BAS) so these can be reviewed on a more regular basis if deemed necessary. Time Reporting System (TRS) data on staff time charged to GEF codes can also be obtained from TRS coordinators in the regions.

101. The reports provided by ENVGC do not facilitate the monitoring of GEF expenditure by project, in particular comparison of actual costs with budget allocations. Therefore the TD administrative officers have their own system of monitoring budgeted fund allocations against actual expenditures

incurred. These systems have varying degrees of automation but all except the one in EMENA, require data to be re-entered manually. In EMENA regional programmers have developed systems to download cost data from the BAS and time data from the TRS into a spreadsheet program to generate reports on a monthly or more frequent basis as required.

102. Our review of the reports produced by the various TD administrative officers showed that they contain similar budget and cost related information. When data has to be re-inputted from one system to another, in addition to the waste of staff time, it risks inaccurate or incomplete transfer of data. We therefore recommend that to facilitate the accurate reporting and timely monitoring of GEF costs against budgets, the GEF Coordinator should obtain information concerning the programming for automatic downloading of GEF data used in EMENA Environment Division and should make this available to all TD administrative officers and to other staff responsible for monitoring the use of GEF funds.

Monitoring of Costs

103. Costs incurred by the regions for GEF generally are of three main types: salary (and related overheads), travel and consultants. Salary costs are based on staffweeks charged by staff to GEF codes included in the Bank's time reporting system; quarterly staffweeks recorded in the TRS are multiplied by a pre-agreed average staff cost which includes both salaries and overheads. Travel and consultants' costs are committed and expensed in the normal manner using the BAS and when entered are charged directly to the Global Environment Trust Fund (GET).

104. As with Bank projects, staff-time charged to GEF TRS codes is not subject to prior review by divisional or departmental management and time recorded in the system is only reviewed as part of quarterly budget reviews. With respect to travel and consultants' costs, in the EMENA and Asia (and LAC until FY93) Regions the regional GEF coordinator in the REDs monitors the travel and consultant costs being incurred (including the allocation formula proposed for these costs); in the Africa and LAC Regions such reviews do not take place. In these regions, as with regular Bank operations responsibility for approving the allocation of the expenditure rests with the division chief in the country operating division (COD) or sector operating division (SOD) responsible for the project.

105. If the GEF is to be integrated into Bank operations, additional cost control mechanisms are not a feasible way to control GEF administrative expenditure. However, the Bank has a fiduciary duty as trustee of the GET and as the administrator of the GEF to ensure that only reasonable and incremental expenses are charged to the GEF. Therefore we recommend that where charges incurred on a particular project or by a particular division are deemed to be unusually high, the GEF Coordinator should require the regional coordinator to review all costs charged to that project and state why the higher than average costs are justified.

Participants' Share Of GEF'S Administrative Costs

106. Prior to December 1992 28/ all Participants were required to contribute a minimum subscription to the GEF; however, countries did not have to be Participants to receive GEF funds. Contributions from Participants could be made available either to the core trust fund or as cofinancing.

28/ At the December 1992 Participants Meeting the requirement for a minimum subscription was dropped.

While most Participants make all or part of their contribution to the GEF through the core trust fund, two countries (USA and Australia) have made their funds available in the form of bilateral cofinancing. Several other countries have contributed to the core fund but have also chosen to provide additional funds under separate cofinancing agreements (Belgium, Canada, Japan and Switzerland). The following cofinancing arrangements have been made. (See Table 4 below).

107. All administrative expenses incurred for the GEF are deducted on a periodic basis from the GET by ACT. As cofinancing funds are provided directly by the donor to the beneficiary project or through a separate trust fund arrangement, a proportion of the administrative expenses cannot automatically be charged against these cofinancing funds by the Bank.

108. While several of the agreements or letters of understanding between the Bank and individual cofinanciers do provide for the recovery of certain costs, none of these arrangements provide for the cofinanciers to bear an equitable part of the cost of preparing and supervising GEF projects or of undertaking other activities mandated by the Initiating Memorandum (such as those incurred for arranging Participants Meetings attended by the cofinanciers or implementing the communications strategy approved by the Participants). The Canadian and Australian agreements provide for a portion of the cost of project preparation and supervision to be paid by the cofinancier when the cofinancier agrees to provide cofinancing to a specific project; however, there is no provision to meet a proportion of the cost of preparing other projects or for other non-project specific costs. Similarly, in the USA agreement no provision is made to contribute to GEF project or management costs. The Japanese letter of understanding makes no mention of reimbursement of any administrative costs.

109. Administrative expenses relating to the GEF are considerable and therefore the allocation of the costs becomes an important issue. The governance of the GEF as a whole is currently under review; the appropriate allocation of administrative costs between Participants and potential recipients of GEF funds is a side issue in this discussion. Therefore, it may not be appropriate for the Administrator to seek reimbursement from cofinanciers at the current time for costs beyond those of preparing and supervising the projects they have agreed to cofinance. However, once the governance issue has been agreed, we recommend that the manner in which the administrative expenses are deducted from contributions to the GEF should be reviewed by the Administrator and discussed with the Participants to ensure an equitable division of costs. Also, when negotiating future cofinancing agreements with individual Participants, the Administrator should ensure provision is made in the agreements for the cofinancing Participant to contribute to the overhead cost of managing the GEF.

Table 4

Country	Amount Committed US\$m	Amounts Provisionally Committed to Projects US\$m	Terms and Conditions	Contrib- to GET
Australia	21.70	15.8	Joint financing with GEF, untied, grant.	No
Belgium (1)	7.26	-	Expected to be joint financing with GET, grant.	Yes
Canada (1)	11.96	-	Expected to be joint financing with GET, untied, grant.	Yes
Japan	220.00	25.00	Joint financing with GET, untied, OECF loan terms.	Yes
Switzerland	14.4	11.7	Joint financing with GET, untied, grant.	Yes
USA	150.00	N/A	Parallel financing, expected to be untied grant.	No

(1) Agreements not yet finalized

Internal Auditing Department

March 11, 1993

REPORT ON AN AUDIT OF THE GLOBAL ENVIRONMENT FACILITY

OBJECTIVES AND SCOPE OF THE AUDIT

Objectives of the Audit

1. The objective of the audit was to evaluate the extent to which Board Resolution 91-5 and related agreements are being complied with, along with an evaluation of the efficiency and effectiveness of the Bank's activities as Administrator of the GEF and in the preparation of projects to be funded by the Facility.

Scope of the Audit

2. The audit reviewed:

- a. The processes established by Bank management for the preparation of projects for financing by the GEF;
- b. The adequacy of procedures for accounting and reporting to participants for the financial resources pledged to the Global Environment Trust Fund (GET) and the relevant co-financing arrangements;
- c. The adequacy of coordination arrangements with the other implementing agencies;

d. The adequacy of procedures to identify, collect, monitor control and disburse expenses chargeable to the GEF.

e. The role of the Secretariat in arranging meetings, keeping participants and other interested parties informed of GEF activities;

3. The audit included the review of relevant documentation and discussions with: operational staff concerned with project preparation for the Bank, Bank regional staff involved in administration and coordination, staff of the Environmental Department concerned with coordination and administration and representatives of UNDP and UNEP. An in-depth review of a small sample of 13 projects representative of different regions, project category, coordination requirements, etc.. was undertaken.

4. The audit was only concerned with procedures and systems developed specifically for managing GEF activities; it excluded any review of wider issues concerning trust fund accounting and administration and loan preparation and supervision. Also, the audit excluded a detailed review of the administrative costs that have been incurred to date. Rather, an evaluation of the policies and procedures defined by management to identify and collect GEF-related costs was undertaken.

5. The audit excluded projects to be financed under the Montreal Protocol and the administrative matters with respect to the Interim Multilateral Fund.

Internal Auditing Department
March 11, 1993

REPORT OF AN AUDIT OF THE GLOBAL ENVIRONMENT FACILITY

SUMMARY OF RECOMMENDATIONS BY ISSUE

Integration of GEF into Bank Operations

Recommendation

The GEF Coordinator should perform a detailed review of the projects that have been undertaken to date and identify GEF-mandated policies as well as Bank organizational factors which limit the likely integration of GEF into Bank operations. In the light of whatever additional measures may be taken to improve integration, the Coordinator should make a realistic assessment of the future cost of project preparation and supervision and either propose changes in the criteria used to select projects prepared by the Bank for GEF financing to ensure that they are more integrated with Bank operations or recommend changes in present Bank policy regarding GEF so that it conforms with the expected degree of integration. (paragraphs 7-26)

Developing, Processing, and Approval of Projects

Recommendations

- (a) The Chairman of the GEF should consider proposing to the Participants that the frequency and timing of their meetings should be reviewed and that the entry of projects into the work program should be handled separately from (and more frequently than) discussions of policy matters. (paragraphs 43-46)
- (b) The Coordinator and Administrator of the GEF should initiate further discussions with the other IAs and STAP to develop a proposal for

streamlining of the project preparation procedures. This proposal should be presented jointly by the Chairman of the GEF to the Participants as part of the discussions on the future of the Facility. (paragraphs 35-42)

- (c) Although we understand that STAP, at the instigation of the Bank continues to identify new reviewers for inclusion on the roster, the GEF Coordinator should continue to raise the issue of external reviewer qualifications with STAP to ensure that reviewers with the necessary experience are available. (paragraphs 35-37)
- (d) If the Participants decide that the second review by the STAP should remain, OD 9.01 should be modified by the GEF Coordinator to include this step in the procedures for preparing GEF projects. (paragraphs 38-42)

Unresolved issue

The issue of better cooperation between the Bank and UNDP goes beyond GEF-specific issues. Similar problems have been experienced in other cooperative programs. The problems revolve around different institutional cultures, deep seated resentments and jealousies, a relative lack of expertise on the part of UNDP, differences in internal capabilities, and, not least, on personalities. It must be recognized, that any actions taken by the management of the GEF will address only part of the wider issue of relationship between the two agencies.

Recommendation

We urge that the GEF Coordinator should consider means of promoting

cooperation between the Bank and UNDP particularly at the project identification stage. This might include encouraging CD staff to solicit UNDP participation in meetings with local NGOs and government agencies when projects are being formulated in the field. (paragraphs 27-34)

Administrative Support to GEF and the Participants

Recommendations

- (a) The GEF Chairman should establish a policy that places a limit on the service that GEF provides to individual Participants (such as extensive one-on-one meeting to discuss work program or policy issues that could impact other Participants) and provides a basis for refusing requests for excessive service when they occur. (paragraphs 69-72)
- (b) Based on an evaluation of the efficiency and effectiveness of communications activities that have taken place to date, the GEF Administrator should develop a work program to define in more detail the communications activities to be undertaken in the next three years. This should include criteria for evaluating the effectiveness of various activities to be undertaken. (paragraph 49-54)
- (c) The GEF Administrator should follow up with EXT management to explore how EXT can provide support for GEF in the areas of press briefings and publications distribution. (paragraphs 56-61)
- (d) Where the Bank engages consultant services to be financed by GEF it should follow Bank policies and procedures that would include (a) establishing a threshold of no more than \$100,000 for competitive selection of consultant services; (b) developing an appropriate

procedure to qualify as a "competitive process" of selection under Draft Annex E of OD 11.10; (c) and ensuring that proposed sole source contracts above \$100,000 are cleared with the Consultant Services Advisor in the Procurement Unit (CODPR) and that a record of the clearance is maintained. (paragraphs 65-67)

- (e) The Administrator should review with the Coordinator the status of free standing projects and take appropriate steps to inform the Participants in cases where the Chairman's Report does not reflect the current status. (paragraphs 73-74)
- (f) More systematic management of publications should be put in place by the staff of the Administrator. Specifically, each publication should be clearly labeled in the stockroom and a simple, computer-based inventory management system should be established so that re-order levels can be established and printing orders made consistent with requirements. (paragraph 62)
- (g) The GEF Administrator should review the mailing list to ensure that free publications are only sent to persons or organizations with a clear need for such documents. Policies for the automatic distribution of the various types of documentation should be documented and notified to Participants in the periodic bulletin. (paragraphs 63-64)

Participants' Share of GEF's Administrative Costs

Recommendation

The manner in which the administrative expenses are deducted from contributions to the GEF should be reviewed by the Administrator and discussed

with the Participants to ensure an equitable division of costs. Also, when negotiating future cofinancing agreements with individual Participants, the Administrator should ensure provision is made in the agreements for the cofinancing Participant to contribute to the overhead cost of managing the GEF. (paragraphs 106-109)

Allocation of Administrative Costs

Recommendations

- (a) The GEF Coordinator should review the functions being performed by the technical specialists to determine if their efficiency and effectiveness would be improved by moving them either to the CDs or to the GEF Coordinator's office. In future budget discussions, particular attention should be given to the use of staffweeks allocated for non-project specific activities in the regions. (paragraphs 85-89)
- (b) OD 9.01 should be modified by the GEF Coordinator, in conjunction with the PBD and ACT, to provide guidance to TMs and others on the processes to be used in allocating time and other costs to GEF, emphasizing the importance of allocating costs to GEF as they are incurred and avoiding the use of standardized ratios. (paragraphs 93-99)
- (c) To facilitate the accurate reporting and timely monitoring of GEF costs against budgets, the GEF Coordinator should obtain information concerning the programming for automatic downloading of GEF data used in EMENA Environment Division and should make this available to all TD administrative officers and to other staff responsible for monitoring the use of GEF funds. (paragraphs 100-102)

- (d) Where charges incurred on a particular project or by a particular division are deemed to be unusually high, the GEF Coordinator should require the regional coordinator to review all costs charged to that project and state why the higher than average costs are justified.
(paragraphs 103-105)

Staff Recruitment

Recommendation

The Director of the Environment Department should raise the staffing issue with Bank senior management as well as with the Personnel Management Department to see whether an exception to the re-entry policy can be made to allow the Bank to guarantee GEF regular staff an institution-wide re-entry guarantee. (paragraphs 75-79)

Internal Auditing Department

March 11, 1993

REPORT ON AN AUDIT OF THE GLOBAL ENVIRONMENT FACILITY

ORGANIZATION OF THE GLOBAL ENVIRONMENT FACILITY

Introduction

1. This annex describes the organization of the Global Environmental Facility (GEF), and the role and functions of the different organizational units that GEF includes, both within and external to the Bank. It also describes in broad terms the financial organization of GEF.

Historical Background

2. In September, 1989 the French Government made a specific request to the Development Committee of the Bank, to assess the requirements for additional funding and the potential interest from donors in supporting actions to address global environmental concerns in developing countries. After discussions with interested governments in November 1990 a memorandum of agreement prepared by the Bank in consultation with UNDP and UNEP was given to the Board for consideration February 22, 1991 together with a draft resolution for a proposed Global Environment Trust Fund (GET) that would enable the Bank to accept contributions from the participating countries and implement programs for protecting the global environment. Board Resolution 91-11 was approved April 1, 1991.

Organization of GEF

3. Governance of GEF is provided by representatives of its 36 member countries, including 12 from the developing world, known as the Participants. They meet twice annually to approve additions and changes to the work program of projects proposed for GEF financing, to review progress in implementing the work program and to provide policy guidance. Additional meetings are scheduled, as needed.

4. GEF is headed by a Chairman provided by the Bank as administrator of GEF. The Chairman is supported by an Administrator and staff, (now numbering 6 including the Administrator) that provides secretariat support for the Participants (principally handling the semi-annual meetings), develops and executes a communications and public relations strategy for GEF, and facilitates research on organizational, technical, and strategic issues of importance to the Participants and GEF.

5. An important feature of GEF was that it would be implemented through a collaboration of the UNDP, UNEP and the Bank. Procedural arrangements for cooperation among the three agencies were set forth in a document 1/ approved by the Heads of Agency, October 28, 1991. Under this document each is to play a unique role in close collaboration with the other

1/ "Procedural Arrangements among The International Bank for Reconstruction and Development ("World Bank"), the United Nations Environment Programme ("UNEP"), and the United Nations Development Programme ("UNDP") for Operational Cooperation under the Global Environment Facility".

two. The revised memorandum summarizes the responsibilities of each agency as follows:

"UNEP will play a key role in the strategic planning to set the operations of the GEF in the global and national environmental context. As the coordinator for existing and emerging global environmental conventions it will help ensure that the global policy framework for the GEF is consistent with existing conventions and related legal instruments and agreements. It will disseminate information on existing and emerging technological developments. UNEP will play a key role in helping developing countries define their needs to deal with the global environmental issues supported by the GEF. It will work closely with UNDP in providing the scientific and technological support needed in the areas of institution-building and training. It will also help ensure that the GEF operates in areas judged ripe for action, drawing on the best available scientific and technological advice. In this capacity, it will coordinate research and data gathering and will organize the establishment of the Scientific and Technical Advisory Panel (STAP) and serve as the GEF liaison with the Panel.

UNDP will play a key role in ensuring that the strategic planning maximizes the complementarity between developmental and environmental concerns. It will organize appropriate studies and assessments to serve as a basis for these strategies, and will help organize technical assistance, institution building and training activities needed to

create and implement them. UNDP will play the lead role in coordinating pre-investment studies and technical assistance and ensuring their consistency with each country's human resources development strategy and action plan. Special attention is likely to be needed in institution building and training. In both these areas UNDP has extensive experience, and will identify and develop programs, working in close cooperation with UNEP and the World Bank. Like UNEP and the World Bank, it will be involved in extending the country-specific frameworks in those countries where it is already offering technical assistance to develop environmental strategies and action plans. With its expertise and extensive field presence in developing countries, UNDP will participate in the investment project cycle, especially in the early phases of identification of investment opportunities. The UNDP Resident Representative will play a key role in coordinating activities at the country level and in ensuring that the programs being undertaken by the GEF are complementary with other development activities.

"The World Bank will serve as the Trust Fund Administrator. In this capacity the World Bank would convene periodic meetings with agencies to review progress and any operational problems that might arise. In those countries where the World Bank has already assisted the Government in preparing National Environment Programs or where these are under preparation, the Bank will seek to broaden these to encompass the areas covered by the GEF. The project cycle involves participation of all three agencies. The World Bank will organize the project

identification, appraisal, and supervision process with UNDP and UNEP participation. The time-table for processing individual investment projects will be the critical input into decisions on the timing and content of scientific and technological support and technical assistance operations."2/

6. The GEF representatives of each of the implementing agencies, together with the GEF chairman or his representative, constitute the Implementing Committee (IC). The IC is the principal agency by which the actions of the implementing agencies are coordinated. The IC meets semi-annually before the Participants and at other times as needed to discuss issues and to ensure that the proposed programs are coordinated prior to submission by the Chairman to the Participants.

7. The Science and Technology Advisory Panel (STAP), which now includes 15 members that are balanced geographically and to ensure representation from both Part I and Part II countries, has established the criteria by which projects in the work program are selected. These criteria are intended to allow the viability of a wide variety of models to be tested in each of the environmental fields. STAP now reviews projects in each tranche of projects proposed for submission to the Participants, evaluating how well each conforms with the criteria set up, giving each a priority ranking for GEF funding, and commenting upon the amount of GEF funds proposed."

2/ World Bank, "Establishment of the Global Environment Facility", Op. cit. p.11.

Organization Within the Bank

8. GEF operations in the Bank are managed by the GEF Operations Coordinator who reports to the head of the Environment Department -- the same person as the Chairman of the Global Environment Facility. His unit includes^{3/} six higher level staff (including long-term consultants) and an administrative assistant and three support staff. The GEF Operations Coordinator is assisted by staff based in the Regional Environment Divisions (REDs). Each RED has assigned one or more persons the responsibility for promoting, monitoring, and coordinating GEF operations in the regions for which they are responsible.

9. The country departments have the principal responsibility for developing and managing GEF projects, both as free standing projects and as components of Bank projects. Both the REDs and the GEF Operations Coordinator provide them with technical and administrative support for this. In this capacity the REDs occasionally take on task management responsibilities.

10. Within the Bank, GEF operations are governed by Operational Directive 9.01 issued in final form May 28, 1992. The key aspects of this documents are as follows:

- (a) GEF projects are investment operations that should normally be components of Bank-financed projects;

^{3/} As of December 31, 1992.

- (b) GEF projects are processed in parallel with their associated Bank projects under standard Bank investment lending procedures;
- (c) Additional processing is required to ensure an independent technical review, as well as review and discussion by the other implementing agencies and work program approval by the Participants.
- (d) There is some additional documentation for the GEF but it is limited to the GEF executive project summary, and the Memorandum and Recommendation of the Director of the country department (MOD) concerned, and the standard legal documents.
- (e) Borrowers can obtain financial assistance for project preparation through a separate window of the GET, Project Preparation Advances (PPA), or through the Pre-investment Facility (PRIF), managed by UNDP.

Planning and Budgeting for GEF within the World Bank

11. Responsibilities and procedures for planning, budgeting and monitoring were first set out in September, 1991 for FY92^{4/} and have been

4/ Memo from Ken Newcombe, CODGE to Mr. C.L. Robless, OPNSV, dated September 4, 1991, titled "GLOBAL ENVIRONMENT FACILITY (GEF) AND MONTREAL PROTOCOL (MP): FY92 Work Programs and Budget Procedures with accompanying manual, 'GLOBAL ENVIRONMENT FACILITY: PLANNING & BUDGETING PROCEDURES'", August 30, 1991 issued by the Office of the GEF Operations Coordinator (CODGE)

subsequently modified for FY93. This memo, which summarizes agreements reached among the various concerned units (OPNSV, GEF Operations Coordinator, REDs, and regional Chief Administrative Officer, allocates responsibilities as follows:

- (a) Task managers (TMs) ensure that GEF funds are expensed for the sole purpose of carrying out the GEF work programs;
- (b) Country Departments (CDs), assisted by the REDs oversee the GEF work programs in their respective divisions and ensure efficient and prudent utilization of resources allocated to them for GEF activities;
- (c) REDs are focal points for GEF information in the regions and are responsible for coordinating the GEF work program in the CDs;
- (d) The Chief Administrative Officers (CAOs), in consultation with the REDs, monitor the utilization of resources for GEF activities across their regions;
- (e) The GEF operations Coordinator's office (now ENVGC) is responsible for overall coordination of GEF activities in Operations.

12. As it is envisaged that most GEF projects should be associated with Bank investment projects, TMs in ensuring that expenses charged to GEF

are solely for GEF purposes are supposed to follow the policy for administrative cost recovery set forth in OD 14.40 concerning Trust Funds and Reimbursable Programs. OD 14.40 states that each trust fund should pay for "the full incremental cost of administration. . ."5/ (emphasis supplied).

Internal Auditing Department
March 11, 1993

5/ Operational Directive 14.40: Trust Funds and Reimbursable Programs, December 14, 1990, para 22.

REPORT OF AN AUDIT OF THE GLOBAL ENVIRONMENT FACILITY

LIST OF RECOMMENDATIONS

Recommendations for the Chairman of the GEF

1. The Chairman should consider proposing to the Participants that the frequency and timing of their meetings should be reviewed and that the entry of projects into the work program should be handled separately from (and more frequently than) discussions of policy matters. (paragraphs 43-46)
2. The Chairman should establish a policy that place a limit on the service that GEF provides to individual Participants (such as extensive one-on-one meetings to discuss work program or policy issues that could impact other Participants) and provide a basis for refusing requests for excessive service when they occur. (paragraphs 69-72)

Recommendation for the Director of the Environment Department

3. The Director should raise the staffing re-entry issue with Bank senior management as well as with the Personnel Management Department to see whether an exception to the re-entry policy can be made to allow the Bank to guarantee GEF regular staff an institution-wide re-entry guarantee. (paragraphs 75-79)

Recommendations for the GEF Coordinator and Administrator

4. The Coordinator and Administrator should initiate further discussions with the other IAs and STAP to develop a proposal for streamlining of the project preparation procedures. These proposals should be presented jointly by the Chairman of the GEF to the Participants as part of the discussions on the future of the Facility. (paragraphs 35-42)

5. The Administrator should review with the Coordinator the status of free standing projects and take appropriate steps to inform the Participants in cases where the Chairman's Report does not reflect the current status. (paragraphs 73-74)

Recommendations for the GEF Coordinator

6. The Coordinator should perform a detailed review of the projects that have been undertaken to date and identify GEF-mandated policies as well as Bank organizational factors which limit the likely integration of GEF into Bank operations. In the light of whatever additional measures may be taken to improve integration, the Coordinator should make a realistic assessment of the future cost of project preparation and supervision and either propose changes in the criteria used to select projects prepared by the Bank for GEF financing to ensure that they are more integrated with Bank operations or recommend changes in present Bank policy regarding GEF so that it conforms with the expected degree of integration. (paragraphs 7-26)
7. The Coordinator should consider means of promoting better cooperation between the Bank and UNDP particularly at the project identification stage. This might include encouraging CD staff to solicit UNDP participation in meetings with local NGOs and government agencies when projects are being formulated in the field. (paragraphs 27-34)
8. Although we understand that STAP, at the instigation of the Bank continues to identify new reviewers for inclusion on the roster, the Coordinator should continue to raise with STAP the issue of external reviewer qualifications to ensure that reviewers with the necessary experience are available. (paragraphs 35-37)
9. If the Participants decide that the second review by the STAP should remain, OD 9.01 should be modified by the Coordinator to include this step

in the procedures for preparing GEF projects. (paragraphs 38-42)

10. The Coordinator should review the functions being performed by the technical specialists to determine if their efficiency and effectiveness would be improved by moving them either to the CDs or to the GEF Coordinator's office. In future budget discussions, particular attention should be given to the use of staffweeks allocated for non-project specific activities in the regions. (paragraphs 85-89)
11. OD 9.01 should be modified, in conjunction with the PBD and ACT, to provide guidance to TMs and others on the processes to be used in allocating time and other costs to GEF, emphasizing the importance of allocating costs to GEF as they are incurred and avoiding the use of standardized ratios. (paragraphs 93-99)
12. To facilitate the accurate reporting and timely monitoring of GEF costs against budgets, the Coordinator should obtain information concerning the programming for automatic downloading of GEF data used in EMENA Environment Division and should make this available to all TD administrative officers and to other staff responsible for monitoring the use of GEF funds. (paragraphs 100-102)
13. Where charges incurred on a particular project or by a particular division are deemed to be unusually high, the Coordinator should require the regional coordinator to review all costs charged to that project and state why the higher than average costs are justified. (paragraphs 103-105)

Recommendations for the GEF Administrator

14. Based on an evaluation of the efficiency and effectiveness of communications activities that have taken place to date, the GEF

Administrator should develop a work program to define in more detail the communications activities to be undertaken in the next three years. This should include criteria for evaluating the effectiveness of various activities to be undertaken. (paragraph 49-54)

15. The Administrator should follow up with EXT management to explore how EXT can provide support for GEF in the areas of press briefings and publications distribution. (paragraphs 56-61)
16. More systematic management of publications should be put in place by the staff of the Administrator. Specifically, each publication should be clearly labeled in the stockroom and a simple, computer-based inventory management system should be established so that re-order levels can be established and printing orders made consistent with requirements. (paragraph 62).
17. The Administrator should review the mailing list to ensure that free publications are only sent to persons or organizations with a clear need for such documents. Policies for the automatic distribution of the various types of documentation should be documented and notified to Participants in the periodic bulletin. (paragraphs 63-64)
18. The Administrator should ensure that when consultant services are to be financed by GEF Bank policies and procedures should be followed including (a) establishing a threshold of no more than \$100,000 for competitive selection of consultant services; (b) developing an appropriate procedure to qualify as a "competitive process" of selection under Draft Annex E of OD 11.10; and (c) ensuring that proposed sole source contracts above \$100,000 are cleared with the Consultant Services Advisor in the Procurement Unit (CODPR) and that a record of the clearance is maintained. (paragraphs 65-67)

19. The Administrator should review the manner in which administrative expenses are deducted from contributions to the GEF discuss this with the Participants to ensure an equitable division of costs. When negotiating future cofinancing agreements with individual Participants, the Administrator should ensure provision is made in the agreements for the cofinancing Participant to contribute to the overhead cost of managing the GEF. (paragraphs 106-109)

Internal Auditing Department
March 11, 1993



June 10, 1993

**SUBJECT: DISCLOSURE OF INFORMATION UNDER THE
GLOBAL ENVIRONMENT FACILITY (GEF)**

1. The attached draft statement on disclosure of information under the Global Environment Facility (GEF) has been prepared for issuance to Bank staff.
2. The Global Environment Facility was established by Resolution No. 91-5 of the Executive Directors which provided, inter alia, for the Bank to act as Trustee of the Global Environment Trust Fund and, together with the United Nations Development Programme (UNDP) and the United Nations Environment Programme (UNEP), to implement programs and projects which will achieve the objectives of the Facility. The Resolution provides also that the Bank should "administer the Facility in accordance with the applicable provisions of the Articles of Agreement, By-laws, rules and decisions of the Bank, including [the] Resolution, any agreement made pursuant thereto, and such rules and regulations consistent therewith as the Bank may adopt as necessary or appropriate to achieve the purposes of the Facility". The Resolution requires the Bank to report semi-annually to the countries contributing financial resources to the GEF (the Participants) on the progress made in the implementation of the GEF, including the submission of programs and projects intended to further its objectives.
3. In each of the Participants' Meetings held since the inception of the GEF, the Participants in discussing work programs of the agencies, have stressed the importance of having full and timely disclosure of all relevant information relating to such work programs to enable them to appreciate fully the nature, scope and content of the projects and programs included in them. Several Participants have also expressed the view that making information on projects available to the public including non-governmental organizations (NGOs) and community groups may assist in the receipt of feedback and information which might improve the quality of GEF projects. The Chairman of the GEF has been requested to establish a disclosure of information policy which fully takes into account these views.
4. In accordance with the Procedural Arrangements dated October 28, 1991 (Annex C to Resolution 91-5) among the three implementing agencies, the Bank is responsible for managing the project cycle for global environmental investments eligible for financing under the GEF. Normally, GEF projects are processed in parallel with their associated Bank-financed projects under standard Bank investment lending procedures. In such cases, projects are co-financed on a parallel or joint basis with Bank-financed operations. However, such GEF projects may also be processed as free-standing operations, in which case, as decided by the Participants, they may not exceed US\$10 million. The Bank, on May 28, 1992, issued

Operational Directive 9.01 - Procedures for Investment Operations under the Global Environment Facility, to guide the Bank in the preparation of such projects. The statement identifies steps additional to standard Bank investment lending procedures to be followed with respect to GEF operations.

5. The attached statement has been prepared for issuance to staff in light of the views expressed by the Participants and summarized in paragraph 3 of this memorandum. It makes clear that the Bank's Directive on Disclosure of Information -Administrative Manual Statement 1.10 (AMS 1.10) is applicable to the documentation prepared for Bank-financed projects associated with GEF projects. All relevant information related to the components being financed by the Bank, which is necessary to enable the recipients of the GEF documentation to fully appreciate the nature, scope and content of the combined Bank/GEF financed project, will be included in the GEF documentation.

6. In the case of GEF operations themselves, and in light of the Participants' wishes and current practice, the draft statement proposes a process that reflects full transparency and timely availability of information to all interested parties. Virtually all documents prepared for GEF operations are made available outside the Bank through the Bank Public Information Center, except those documents which are related to the Bank's (as Trustee) decision-making process and those of the prospective recipients. Thus, it is anticipated that with adoption of this GEF disclosure policy as well as the new proposals for the disclosure of information generally, GEF and Bank disclosure of information policies and practices will be consistent.

DISCLOSURE OF INFORMATION
UNDER
THE GLOBAL ENVIRONMENT FACILITY (GEF)

I. PURPOSE

1. This statement sets forth the policy of the Bank ^{1/} on disclosure of information held by it in connection with projects financed from the trust funds under the GEF including Montreal Protocol projects financed through the Ozone Projects Trust Fund, as well as associated projects financed by the Bank. It also provides guidance to Bank staff for the implementation of the policy. The Bank's Directive on Disclosure of Information (Administrative Manual Statement 1.10) applies to documents and information held by the Bank in connection with Bank-financed projects associated with GEF projects.

II. POLICY

2. In successive meetings of the countries contributing financial resources to finance activities under the GEF (the Participants), the Participants have indicated that activities under the GEF should be carried out in a transparent manner, with open disclosure policies and with full and timely availability of information. As the Trustee of the Global Environment Trust Fund (GET) and as an Implementing Agency, the Bank is accountable to the Participants and should be responsive to their concerns. The Bank's policy is to be open about projects and

^{1/} In this statement, "Bank" means the IBRD and IDA. The United Nations Development Programme (UNDP) and United Nations Environment Programme (UNEP), which together with the Bank are the Implementing Agencies under the GEF, have their own policies on disclosure of information.

other activities with respect to the GEF and this is consistent with the wishes of the Participants. In the absence of a compelling reason not to disclose, there is a presumption in favor of disclosure, outside and within the Bank. However, important considerations in determining whether to disclose information relating to GET-financed projects include the issue of confidentiality and the interests of recipients and countries in whose territories projects are to be carried out. Thus, information provided to the Bank on the understanding that there will be no external disclosure, or that access within the Bank will be limited, must be treated in accordance with that understanding. Finally, in the case of information held by the Bank in connection with GEF operations that does not fall into any of the categories defined in this Directive, whether and to whom information should be disclosed is a matter of staff judgment, with the indicated presumption in favor of disclosure. Some relevant further general considerations to guide staff are suggested in Part IV of this Statement.

III. GET - FINANCED PROJECTS

3. A GEF Project Information Brief (GEF-PIB) contains the project idea formally proposed by the prospective recipient and includes the objectives, rationale and design of the project. The GEF-PIB and the associated project selection criteria reference sheet are the basis for documentation prepared for the meetings of the Implementation Committee of the GEF ^{2/} (the IC) and for the GEF Participants' Meetings. Also made available at the IC meetings are the technical opinions prepared by the technical review panel established for the

^{2/} The Implementation Committee is composed of representatives of the Bank, UNDP and UNEP.

project in question, as well as the views of the Scientific and Technical Advisory Panel (STAP).^{3/} The GEF-PIB is revised and updated into a GEF Revised Project Information Brief (GEF-RPIB) as necessary to take into account any comments emanating from the IC, any events that have a significant impact on project design, and the views of the STAP. The GEF-RPIB forms the basis of the work program prepared for review by the Participants at their semi-annual meetings. In addition, the Participants receive the Report of the Chairman of the GEF, a summary of the status of the projects in each tranche (work programs) previously reviewed by the Participants at earlier meetings, minutes of the IC Meeting for the work program under consideration, Financial Reports, and a statement by nongovernmental organizations (NGOs) to the Participants at each of their meetings.

4. All of the documents referred to in paragraph 3 above are required by the Participants to ensure the effective implementation of the GEF, and are available to the Participants at each of their semi-annual meetings. In addition, the documents for the Participants' Meeting are made available to the Executive Directors of the Bank, recipient countries, and other development institutions. These documents are also available to NGOs in view of the decision taken by the Participants that the Implementing Agencies ascertain the views of NGOs on the documents and activities under the GEF to be discussed at each of their semi-annual meetings. These documents are available to the public through the Public Information Center.

^{3/} The STAP is an advisory panel established and guided by UNEP to provide technical and scientific advice to the Participants and the Implementing Agencies.

Freestanding GET-financed Projects

5. Following the Participants' Meetings, the projects included in the Bank's portion of the work program and reviewed by the Participants without objection are prepared by the Bank for approval on the basis of the applicable rules. The following paragraphs apply to freestanding GEF Projects.

6. Upon substantial completion of project preparation and after the normal preappraisal mission, the GEF-RPIB is further updated and expanded to a Final Project Identification Brief (GEF-FPIB) to reflect significant developments in project design, its scope, content, costs, as well as implementation arrangements. The GEF-FPIB indicates the basis for appraisal of the project and is distributed within the Bank for the necessary authorization. After appraisal, the GEF-FPIB is converted into a Yellow Cover MOD which, together with the draft legal documents, includes the terms and conditions relating to the proposed project. GEF MODs typically have substantive technical annexes or separate technical reports prepared in parallel with the MOD. The MOD and technical annexes are submitted within the Bank for authorization to negotiate with the prospective recipient. After negotiations, a draft Blue Cover MOD, which reflects the agreements reached between the Bank and the prospective recipient, the draft technical annexes and legal documents are submitted by the Director of the Country Department concerned for approval by the Regional Vice President after obtaining the prospective recipient's approval of the legal documents as negotiated. Once approval is received, the legal documents are signed by authorized representatives of the recipient and the Bank.

7. The GEF-FPIB as well as the technical annexes are available to the public through the Public Information Center. However, because the Yellow Cover and draft Blue Cover MOD, and the associated draft legal documents, are related to the Bank's and the prospective recipient's decision-making process, these documents may not be made available outside the Bank. Inside the Bank, they are made available only on a need-to-know basis. The technical annexes, which provide factual details of project design and implementation, are made available to the public through the Public Information Center at any stage of processing.
8. The final Blue Cover MOD relating to proposed GET-financed projects is made available to GEF Participants immediately following negotiations and to the Executive Directors for their information.
9. Following signature of the legal documents, the legal documents and the final Blue Cover MOD (excluding the introductory paragraph and the paragraph pursuant to which the Vice President's approval is sought by the Director of the Country Department concerned - see para. 6 above) and technical annexes are merged and prepared for publication. Publication takes place only after the approval of the recipient of the GET Grant has been sought and received during negotiations of the project. Where the documents contain sensitive and confidential elements as determined by the Director of the Country Department concerned, the recipient's special attention should be drawn to these elements.
10. Supervision Reports for GEF projects being implemented may contain information which may directly affect the Bank's relationship with the recipient concerned and thus, may not be made available outside the Bank, except that the findings of supervision

missions are communicated to the recipient concerned. The main findings of such reports will be used to prepare the Project Implementation Performance Reports (PIPR) required by the Participants. The PIPR will be available to the public through the Public Information Center.

11. Project Completion Reports prepared in the Regional Offices of the Bank on GEF projects are internal Bank documents which may contain much sensitive information, including critical assessments of performance of the recipient and/or its entities involved in the project and consultants, etc. These reports may therefore not be released outside the Bank, except that the findings of the Regional Offices are discussed with the entities concerned and their comments sought before the Project Completion Reports are made final.

12. Audit reports and studies independently prepared by the Operations Evaluation Department (OED) are also internal Bank documents. They are circulated in draft and final form to the member countries concerned and, where applicable, to cofinanciers in order to ensure factual correctness and impartial representation of relevant points of view. Otherwise, audit reports and studies are not normally released outside the Bank except as required by the Executive Directors in the fulfillment of their functions. The findings of audit studies of general interest to the development community are also made publicly available through the *Precis* series published by OED.

13. Recognizing that global environment projects are new to funding sponsors, recipients and implementing agencies, learning from project experience and the utilization of new scientific and technological developments is crucial. Both retrospective and independent review of GEF project performance are indispensable final elements in the continuum of monitoring and evaluation for a demonstration program of the significance of GEF. To this

end, a GEF Project Evaluation Report is prepared at the end of a project's life, building wherever appropriate on PIPRs, the Project Completion Report and any Audit Report which might be prepared by OED. The final GEF Project Evaluation Report is available to the public through the Public Information Center.

Projects co-financed with the Bank on a parallel or joint basis

14. GEF projects co-financed with the Bank on a parallel or joint basis follow the same project cycle as those processed as GEF free-standing projects. Paragraphs 3 through 13 of this Statement are applicable to such GEF projects except as indicated below.

15. The GEF-PIB for projects co-financed with the Bank on a parallel or joint basis includes all relevant information concerning the Bank-financed aspects of the project in order to enable recipients of the documents to appreciate fully the nature, scope and content of the full project and to make judgments on its feasibility and viability. The PIB for the Bank-financed project also is available separately to the public through the Public Information Center. As the GEF project advances through its project cycle, any significant changes in the Bank-financed part of the project are reflected in the GEF-RPIB, the GEF-FPIB, and the final Blue Cover MOD, in order to meet the objective referred to in this paragraph.

IV. GENERAL CONSIDERATIONS

16. Staff may find it useful to keep the following considerations in mind when determining whether to disclose information which falls into an area not clearly covered by this Statement and which is not placed in the Public Information Center:

- (a) the GEF Participants have emphasized the need for transparency;
- (b) oral transmission is not justified if the information should not be disclosed in written form. Within the broad category of written materials the form may suggest differentiation in treatment. Normally, communications between the Bank and a member country should be treated as confidential; and
- (c) facts relating to the past may be disclosable where current information is not, but the lapse of time does not of itself terminate a "confidential" status. The source of the information may still wish to refuse or confine disclosure to a restricted audience.

V. RESPONSIBILITY FOR DECISIONS ON ACCESS

17. In case of doubt as to the implementation of this Statement, decisions with respect thereto shall be taken by the Director of the Country Department concerned, in consultation with the Director of the Environment Department.

456-2710

INSTITUTE FOR RESOURCE AND SECURITY STUDIES
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CENTER FOR TECHNOLOGY, ENVIRONMENT AND DEVELOPMENT
Clark University, Worcester, Massachusetts 01610, USA

30 September 1993

To: Attendees at the 9 September 1993 workshop, "Learning From GEF
Projects"

Dear Attendees:

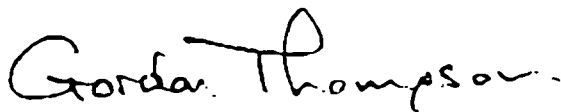
We are grateful that you could join us for stimulating discussions at the 9 September workshop. Your contributions will provide important guidance as we formulate suggestions to the Global Environment Facility regarding the collection, management and dissemination of data on the performance of GEF-funded projects.

Please find attached a brief report on the workshop. We would be pleased to receive comments that are stimulated by this report or that otherwise occur to you. Comments and relevant information will be welcome either in written or oral form.

Our plan is to complete a draft report for the GEF by the end of October, and to distribute copies to a variety of people including yourselves. Comments on that draft will also be gratefully received.

Thank you again for attending and sharing your knowledge.

Sincerely,



Gordon Thompson (IRSS)
phone: 617-491-5177
fax: 617-491-6904



Robert Goble (CENTED)
phone: 508-751-4622
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Attachment: Workshop Report

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Report on a workshop
held at
Center for Strategic and International Studies
1800 K Street NW
Washington, DC, USA
9 September 1993

by
Gordon Thompson (IRSS)
Robert Goble (CENTED)

LEARNING FROM GEF PROJECTS:

**A Workshop on
Options for Collection, Management and Dissemination of
Data on the Performance of Projects Funded by the
Global Environment Facility (GEF)**

Contents

1. Introduction
2. The Workshop Process
3. Issues and Principal Findings

Appendix A: Workshop Agenda
Appendix B: Workshop Attendees
Appendix C: Some Thoughts About Data Management

Workshop Report

1. Introduction

A workshop was held at the Center for Strategic and International Studies (CSIS) on Thursday 9 September 1993. Participation was by invitation, and participants represented government, international institutions, academia, nongovernmental organizations and the private sector. The workshop's purpose was to provide guidance to a study being conducted for the Global Environment Facility (GEF) by the Institute for Resource and Security Studies (IRSS) and the Center for Technology, Environment and Development (CENTED). This study is examining options for the collection, management and dissemination of data on the performance of projects funded by the GEF, with a current focus on global warming projects.

As the world community grapples with the task of sustainable development, it is important to learn from experience. Policies, programs and technologies must be quickly refined and adapted. To make this possible, a representative sample of projects must be systematically monitored and the resulting data disseminated widely. In this context the GEF is important in two respects. First, its projects could provide widely useful data on the performance of new technologies and practices. Second, its project monitoring, evaluation and data dissemination programs could set precedents that are widely followed.

To capture experience with GEF projects and make it maximally useful, the GEF could employ a standardized data management approach that encompasses the prediction of project outcomes, the monitoring of projects to compare actual outcomes with those predicted, and the dissemination of the resulting information. Because of the large number of prospective projects, the anticipated role of the GEF in the implementation of the climate and biodiversity conventions, and the multitude of immediate pressures on GEF staff, it could be difficult to execute this approach internally. An option would be the placing of a contract with a "Data Manager", an entity that would receive and process monitoring data from GEF projects and disseminate the findings. This option and others were examined at the workshop.

IRSS and CENTED extend their thanks to CSIS, in particular to Udi Helman and David Wendt of the CSIS staff, for hosting the workshop. They also extend recognition and thanks to Charles Feinstein of the GEF staff for his efforts to facilitate learning from GEF projects. Finally, they thank the workshop attendees for their time, their courtesy, and the information and perspectives they provided.

2. The Workshop Process

The workshop followed the agenda shown in Appendix A, which was designed to lead discussion from general to particular issues. Two brief

Workshop Report

presentations were made, one by Charles Feinstein on current and potential GEF activities, another by Daniel Reifsnyder on diplomatic, financial and policy issues related to the framework convention on climate change.

Most of the time was devoted to general discussion by the attendees (a list of attendees is provided in Appendix B). In part, this discussion was guided by some preliminary observations provided in advance by the workshop organizers (see Appendix C).

Throughout, attendees were conscious that sustainable development is a global task and that the GEF has global responsibilities. While most attendees represented US-based organizations, the discussion reflected this broader consciousness.

The attendees represented a broad, but not complete, cross-section of the professional communities that might be involved in the generation, management, dissemination and use of project performance data.

3. Issues and Principal Findings

The Demand for Data

Present indications are that the GEF will, in its next phase, fund a greater number of climate-related projects, some of which may count toward parties' implementation of the climate convention. Eventually, the GEF may become the permanent financing arm of the climate convention and other conventions. The private sector has not yet become actively engaged with the GEF. Overall, it is difficult to predict how the GEF's role will evolve.

One view expressed at the workshop was that the primary function of the GEF should be to generate, collect, manage and disseminate information on the potential and actual performance of a wide variety of sustainable development measures. This information would guide a host of public and private investments in sustainable development. A more cautious view of the GEF's role was also evident, namely that GEF-funded projects should be judged according to their direct impact on an environmental problem. This view would dictate the collection of project performance data in a manner primarily intended to improve the effectiveness of the GEF itself. Intermediate views were also expressed, and there was no consensus as to the role the GEF should or will play in catalyzing or guiding investments by other entities.

This issue will be increasingly significant as the GEF and its donors grapple with the cost of monitoring GEF projects. Although detailed estimates are not yet available, it appears that a thorough job of monitoring could consume a significant fraction of the GEF's resources, particularly when the need for

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ongoing monitoring over many years is accounted for. If one believes that the GEF's primary role is to guide and catalyze other sustainable development investments, this expenditure on monitoring will not be a cause for concern. If, however, one believes that GEF-funded projects should be judged on their direct impacts, such a monitoring expenditure could seem excessive. Most workshop participants felt that GEF projects should be monitored more thoroughly than has been the practice for World Bank and other development projects, and that donor governments would support additional expenditure for this purpose. Some doubted that donors would support the level of monitoring that is needed.

Despite this uncertainty there was consensus that there will be a significant demand for data on the performance of GEF projects. Fortunately, it appears that the cost of managing and disseminating data will be smaller than the cost of acquiring data through project monitoring. Also, it appears that the incremental cost of managing an additional stream of data from a given project will be relatively small. Thus, planning for data management can be partly decoupled from planning for project monitoring. A data management system can be designed that will accommodate a range of future roles for the GEF.

Design of a Data Management System

There was consensus that identifying and meeting user needs is critical to the success of a data management system. Data users will generally be 'analysts' (in the technical, policy or financial sense of the word) but will work in a wide variety of organizations, with a corresponding variety in their analytic objectives and needs for information. Potential users of GEF data might work in the GEF, the World Bank, UNDP, UNEP, national government agencies, commercial banks, consulting firms, corporations, NGOs, academia, the media, or elsewhere. Uses for information include GEF program improvement, project replication, guidance for resource allocation, and policy formulation. To the extent that the general goal of sustainable development is satisfied, the community of users will become more global, rather than being concentrated in the industrialized countries as is now the case.

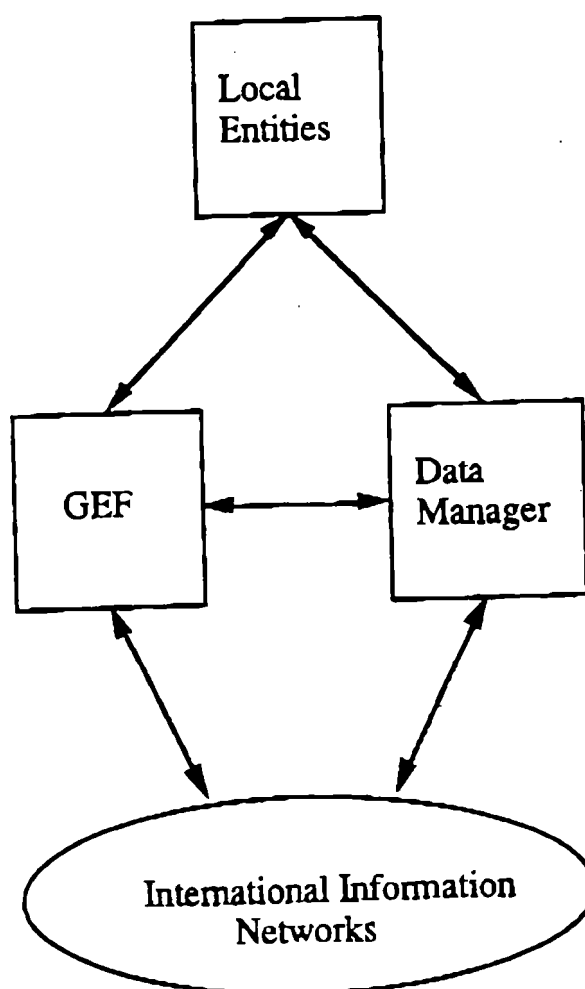
It was agreed that data should address three primary questions: (i) did the project perform according to its design?; (ii) did the design achieve its objectives (eg, reducing greenhouse gas emissions)?; and (iii) were there unexpected outcomes (positive or negative)? The nature of the data needed to answer these questions, and the necessary level of detail, will vary across projects and across data users.

After lengthy debate it was agreed that data management should follow the three-level conceptual model shown in Figure 1. At the local level, monitoring entities (which might include the project implementing entity)

Workshop Report

would acquire monitoring data according to specifications provided by the GEF and the Data Manager. Some of these data would be archived locally and some would be sent to the Data Manager. At the intermediate level, the Data Manager would receive and compile data from all GEF projects, according to specifications provided by the GEF. The Data Manager would provide data, analyzed and aggregated as needed, to the GEF and to the wider community of users. That community would be reached through a variety of international information networks. One such network, the Consortium for International Earth Science Information Network (CIESIN), was represented at the workshop.

Figure 1
A Basic Conceptual Model for Managing Data From GEF Projects



Notes

1. Arrows represent major influences and information flows.
2. Future work by IRSS and CENTED will develop a more refined picture of the influences and information flows.

Workshop Report

Considerable discussion was devoted to the powers and functions that should be allocated to the Data Manager. Ultimately, it was agreed that the Data Manager should primarily be a custodian of information, in the way that a librarian is a custodian of books and journals. One analogy offered was that of an attendant in a parking garage, where the attendant manages cars in the way the Data Manager manages information packages. That analogy is, however, incomplete because it was agreed that the Data Manager needs some additional powers and functions. An important power would be the right to reject a package of data because it does not meet specifications. An important function would be to analyze and aggregate data to improve its usefulness. The analysis could include a search for trends or anomalies but should not include the drawing of any policy conclusions.

It was felt that a wide variety of entities could serve as a Data Manager. Requirements would include: (i) competence in information management and analysis; (ii) linkages to international information networks; (iii) ability to work effectively with a wide variety of local entities; and (iv) flexibility. Meeting the flexibility requirement would demand that the Data Manager is either a unit of a large organization or has rapid access to additional resources. This requirement would hold in the short term, in the sense that the work load may fluctuate rapidly, and in the long term, in the sense that the Data Manager would need to 'grow' to handle larger amounts of information and to provide more information processing services.

Institutional Concerns

A major issue is the tension between the GEF's efforts to be transparent and the traditional reluctance of the World Bank and many governments to disclose information. There was considerable discussion of the prospects for avoiding conflict on this issue by focussing on data that are 'facts' as opposed to 'opinions' and by agreeing on information provision as part of project design. Participants generally agreed that it is worthwhile to attempt to specify non-controversial information and that the fact/opinion distinction, although very difficult to define, could be helpful. Of course, if a government is opposed to disclosure of an incontrovertible fact, the distinction is irrelevant.

It was agreed that the specifications for project monitoring and data submission should be provided and enforced by the GEF itself, not by the Data Manager. However, as mentioned above, the Data Manager should have the power to reject a data package that does not meet its requirements. In addition, the Data Manager should work with similar entities elsewhere, and with international information networks, to establish information conventions and standards.

Workshop Report

It was felt that an advisory structure was needed, to ensure that the perspectives of data users, local project entities and the GEF are reflected in the evolution of the data management system. No agreement was reached on the details of this structure, although it was agreed that the structure should not be elaborate, expensive or unnecessarily duplicative of other structures.

Finally, there was consensus that a systematic effort by the GEF to learn from its projects and disseminate the findings is timely, would provide an important model, would encourage other sustainable development initiatives that involve careful project monitoring, and should be linked with those initiatives.

Appendix A

WORKSHOP AGENDA

9:30 to 10:00: Registration

10:00 to 11:00

Session I: The Context

- Welcome
- Format and objectives of the workshop
- A brief update on the GEF
- Attendees' self-introduction and statements of perspective

11:00 to 11:15

Break

11:15 to 12:30

Session II: Information and Sustainable Development

- A brief update on the INC/IPCC process
- Roles of information in threat analysis and response planning
- Role of the GEF in obtaining data on response capabilities
- The significance of practical experience

12:30 to 1:15

Lunch break (buffet lunch provided)

1:15 to 2:30

Session III: Collecting, Managing and Disseminating Data on Sustainable Development Projects

- What project data are needed?
- Present and potential uses and users of project data
- Present and potential sources of project data
- Players in the data management arena
- International coordination of data management

2:30 to 2:45

Break

2:45 to 4:00

Session IV: Options for Handling Data on GEF Projects

- GEF, World Bank and UNDP transparency
- Monitoring arrangements for GEF projects
- Feasibility and specifications of an external "Data Manager"

Appendix B
WORKSHOP ATTENDEES

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Appendix C

SOME THOUGHTS ABOUT DATA MANAGEMENT

These observations were distributed to attendees before the workshop, and were intended to stimulate discussion. They reflect preliminary thinking by the study team, but are NOT definitive.

Project data that are needed:

- "facts" rather than "opinions" (i.e., draw a distinction between monitoring data and the findings of evaluations)
- primary indicators (e.g., greenhouse gas emissions, land inputs) rather than derived indicators (e.g., global warming potential, incremental cost)
- empirical data that can be compared with predictions

Potential data categories:

(NOTE: Direct and indirect effects should be monitored over time in each category, using both quantitative and qualitative indicators.)

- commercial outputs (e.g., kWh of electricity)
- environmental impacts (including net greenhouse gas emissions)
- capital and operating costs (including material, labor and land inputs)
- social impacts
- relationships and linkages, such as:
 - dependencies (e.g., need for an enabling infrastructure)
 - contributions to other efforts
 - opportunities for synergism
 - sensitivity to external factors (e.g., oil price)
- replicability
- technical problems or lessons learned

Requirements for effective data acquisition:

- the project planning and appraisal process should attempt to predict the parameters that are monitored
- project monitoring should be explicitly recognized as an important function, and capitalized accordingly
- accountability, independence and transparency are essential to the monitoring process
- all elements of a project should be monitored (this is especially relevant to GEF projects)
- standardized monitoring protocols should be pursued, within GEF and more widely

Appendix C

Requirements for effective management, dissemination and use of data:

- data management and dissemination should be explicitly recognized (and funded) as important functions
- information standards and conventions should be pursued, within GEF and more widely, to allow broad exchange of data
- data handling systems should combine full use of modern technology (e.g., Internet) with accessibility by information users worldwide

Potential role of a GEF "Data Manager":

- an external entity would receive a fixed-term, potentially renewable contract to receive, manage and disseminate information on the performance of GEF projects
- the entity might be a national laboratory, university or other nonprofit organization
- the Data Manager would influence project monitoring by requiring that project data meet agreed standards
- the Data Manager would participate in the establishing of monitoring protocols and data standards or conventions, but would not dominate this process

The institutional setting for data management:

- Arrangements will be needed to balance the functions of:
 - the Data Manager
 - local project monitoring entities
 - the GEF secretariat
 - oversight/advisory boards