



Global Environment Facility

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Agenda Item 5

**RESPONSES FROM THE IMPLEMENTING AND EXECUTING
AGENCIES AND THE GEF SECRETARIAT TO ISSUES RAISED
BY COUNCIL MEMBERS WHEN REQUESTING
CONSIDERATION OF PROPOSED PROJECT PROPOSALS AT
THE SPECIAL COUNCIL MEETING TO BE CONVENED IN
AUGUST 2006**

INTRODUCTION

1. The 16 proposals that comprise the August 2006 work program were initially included in the June 2006 intersessional work program submitted for Council review on June 12, 2006. On the basis of comments received from five Council Members, these 16 proposals were deferred for discussion at the special Council Meeting to be held in Cape Town on August 28, 2006.

2. Council Members raised two corporate policy issues,¹ as well as a number of project-related technical and policy issues with regard to the 16 proposals. The Secretariat's response to the corporate policy issues are contained in the Cover Note (GEF/C.29/4) submitted to the Council as part of the August 2006 work program. This document (GEF/C.29/Inf.6) is a compilation of responses from the Implementing and Executing Agencies and GEF Secretariat to comments raised by Council Members requesting that the projects be considered by the Council at its special meeting in August 2006.

3. In accordance with standard practice, the Implementing and Executing Agencies will take into account all other project-related technical and policy issues raised by Council Members in the further development of the project proposals and will inform the CEO how they have responded to the comments when submitting the project proposals for CEO endorsement prior to final approval by the agency. All agencies will be present at the special Council meeting to respond to any other comments that Council Members may wish to raise and discuss at the meeting.

¹ Approval of subprojects by the CEO under delegated authority, and comparative advantage of UNEP to undertake investment activities.

**Biodiversity: Global : Critical Ecosystem Partnership Fund, Phase 2 (World Bank)
(GEF Grant : \$20.00 m)**

Comment from Council Member from the United States

The United States seeks postponement of the project proposal.

The United States strongly supports efforts to protect the critical ecosystems that are the focus of this partnership fund. However, we note numerous problems with this fund. These include excessive administrative expenses, delegated authority (with no apparent limit on the size of projects that can be put forward), an inefficient delivery mechanism, serious conflicts of interest in the governance structure and a lack of fraud or complaint mechanisms. We were also surprised to see that the independent evaluation of this fund explicitly did not evaluate results, consistent with its terms of reference, and that there is still no exit strategy, even though this was supposed to be done in the first year of the fund. In addition, we are disappointed that there has been so little engagement of the private sector, and are concerned that the IPR provisions appear biased towards the manager of the fund and could pose a serious impediment for local private sector groups (e.g., ecotourism operators) and others seeking to replicate global environmental benefits.

World Bank Response

Duration of Project

The CEPF-2 program, with a total investment of \$100m is expected to run from 2007-2014 and target at least 14 hotspots. The GEF project will be a five (not four) year project funding a time slice of that program, beginning in 2007. CEPF would continue to share monitoring results and lessons with the GEF and the World Bank throughout the program duration.

Administrative expenses

Component 4 covers administrative expenses of the CEPF Secretariat, as well as subcomponents such as grants for global programs across multiple hotspots; knowledge management, including the website; and analytical reviews to derive lessons learned and good practice to improve quality and effectiveness of the sub-grants. Thus the component covers both administrative costs and program-related outputs.

CEPF-2 includes a commitment for the administrative expenses of the CEPF Secretariat not to exceed 13 percent of the total project costs. These administrative expenses are directly and solely reflected in Component 4c of the Project Costs (for CEPF Secretariat) on page 9 of the GEF Executive Summary. These expenses are estimated to be \$12.5 million or 12.5 percent of the total \$100 million project, of which GEF is requested to contribute \$2.5 million or 2.5 percent. Other donors, including CI, will contribute on the same percentage ratio. As detailed in the project documents, the administrative expenses are utilized by CEPF Secretariat for strategic and financial oversight of the global program, due diligence for financial management, overall information management, and global outreach and communications. The administrative expenses are reviewed each year by the CEPF Donor Council before approval of the Fund's annual spending plan. Expenses are reported in quarterly reports to the donor partners, and also independently audited by Pricewaterhouse Coopers LLP each year to ensure accuracy and compliance.

The cost-effectiveness of the CEPF administrative arrangements is a key factor in the decision of AFD to join the CEPF partnership as a new donor for CEPF2 – see cofunding commitments and comments from the French GEF Council member.

Delivery mechanism

The CEPF is designed as a streamlined, agile fund to enable civil society groups, including the private sector, to act as essential partners in conserving the hotspots. It directly benefits national and local groups that many traditional funding mechanisms and donors have found difficult to reach.

The 2005 independent evaluation of the first phase of CEPF, accepted by the Donor Council earlier this year, found “ample evidence that the CEPF model is sufficiently flexible to effectively identify and support a range of civil society organizations of different types in varying contexts. Few of these grantees, particularly the less experienced emerging organizations, have access to alternative sources of funding.”

The CEPF mechanism is highly participatory, involving all relevant stakeholders in design of ecosystem profiles and priorities and highly transparent. Information about profile priorities, calls for proposals, grants awarded, and final reports are available on the CEPF website. www.cepf.net.

Conflict of interest

The issue of potential conflict of interest was explicitly recognized in the independent evaluation, is well recognized by CEPF management, and has been addressed in detail in the new institutional arrangements. All grants will be awarded on a competitive basis. In line with recommendations from the independent evaluation, CEPF2 will devolve further decision-making for grants up to \$20,000 to Regional Implementation Teams (RITs), comprised of locally based civil society groups. These teams will be selected through a transparent, competitive process and endorsed by the CEPF Donor Council. To avoid conflict of interest, the organizations that comprise the RIT (whether CI or other international NGO or local civil society group) *will not be eligible* for additional grants in that hotspot. For grants above \$20,000, the RITs and local advisory committees as well as CEPF Secretariat staff will be involved in decision-making for grants within each hotspot. Additional external independent review, including review by the Bank under a time-bound no objection process, will be required for all grants above \$250,000. *All* proposals from international organizations (including CI) will also be subject to additional external review, including review by the Working Group. These arrangements, as well as other checks and balances to guard against conflicts of interest, will be further elaborated in the CEPF Operational Manual, to be approved by the Donor Council.

Complaint mechanisms

CEPF has transparent, and globally consistent, eligibility criteria and decision-making processes, which are approved by the CEPF Donor Council and widely publicized. The ecosystem profiles for each region clearly set out the parameters for investment. All CEPF decision-making will be guided by these parameters.

The Bank’s environmental and social and fiduciary policies will be applicable to CEPF. The program will also be covered by the Bank’s complaint mechanisms, such as the Inspection Panel and Department of Institutional Integrity.

Independent Evaluation

The independent evaluation was conducted on behalf of the Donor Council, which includes CI and four other partners, including the World Bank and GEF Secretariat. A short list of potential evaluation teams was selected by an independent advisor to the Donor Council, following a competitive process and TORs that required high standards of professional competence and experience in evaluation tasks. The team selected by the Donor Council already had considerable experience in undertaking evaluations for the

GEF. The Donor Council accepted the evaluation which recommended that the partners continue to fund and further expand the program. Recommendations from the evaluation have been incorporated into the design of CEPF-2.

Due to the large number of ongoing subprojects (approximately 600), the evaluation team was asked to evaluate whether the regional portfolios were meeting a stated strategic mission rather than assessing outcomes of individual subprojects. The evaluation team made field visits to 10 of the 15 hotspots and had numerous interactions with local CEPF coordination units and interviews and workshops with CEPF grant recipients and other stakeholders. The evaluation team's report was overwhelmingly positive and found that CEPF investments were in line with ecosystem profile priorities and strategically targeted to ensure cumulative impact. Global as well as project-specific results are referenced in various parts of the final evaluation report as described below (see especially pages 17-18):

- Protected areas: Project portfolios in all hotspots have supported the expansion, consolidation, and improved planning and management of protected areas, including more than 8 million hectares of expanded or newly created protected areas.
- Species conservation: CEPF grants have established research and educational projects at the local level, and have supported community organizations in participatory monitoring activities, to prevent species extinctions.
- Capacity building and training: Grants to the national offices of international NGOs help provide formal training as well as employment for promising local individuals who represent the next generation of national conservation leaders.
- Community development. A significant number of CEPF grants have provided the basis for improving the incomes and economic well being of poor communities.
- Building Conservation into Development Planning: Grants have equipped decision makers and planners with tools and knowledge to harmonize conservation with economic development.
- Private sector: Several hotspots have achieved significant conservation contributions from national and international companies in private sector industries.
- Multinational hotspots: CEPF has demonstrated that conservation planning and implementation can take place on a regional, multi-country scale.
- Long-term conservation financing: CEPF grants have helped establish conservation trust funds and leverage partner support in several regions.

At project completion of the first phase of CEPF (in FY07) the Bank will prepare an Implementation Completion Report (ICR) which will also be subject to the Bank's evaluation procedures involving the Independent Evaluation Group (IEG). As several ecosystem programs come to a close, the Bank and CI have made an explicit commitment to review the impact of small grants in effecting conservation (see paragraph 16, component 3b). It is expected that the review of Small Grants to be undertaken by the GEF Office of Evaluation will also review the CEPF program.

Exit strategy and Sustainability

The request for a second phase of CEPF is to consolidate and build on achievements under the first phase program, expand the program to new hotspots and ecosystems and/or additional regions within targeted hotspots.

As part of the assessment process for "completed" ecosystem programs, the CEPF Secretariat and Working Group will develop explicit criteria for exit and/or re-entry strategies into hotspots which have

already received five years of CEPF investments. The criteria will be prepared for CEPF Donor Council consideration by the time of CEO endorsement.

Paragraphs 26 and 27 in the Executive Summary emphasize that the CEPF commitment to build the capacity of local actors to design and implement conservation activities and acquire a positive stake in sustainable development programs will contribute to sustainability for CEPF efforts. CEPF has demonstrated considerable capacity to leverage additional co-funding, both in phase 1 and again for CEPF-2 where a minimum \$80 million of co-funding is expected against the requested \$20 m of GEF funding. The capacity of CEPF to attract other donors, both within and beyond the partnership, will contribute to financial sustainability as will piloting of specific innovative financial mechanisms, such as payments for ecosystem services and market transformation initiatives that would also contribute to sustainability.

Engagement of private sector

The CEPF definition of civil society is broad and includes the private sector. The CEPF-2 project design includes a number of subcomponents, such as 1b (Consolidation of biodiversity conservation corridors) and 1d (Innovative financial mechanisms for sustainability), that will result in scaled-up collaboration with the private sector, building on experiences from the first phase of CEPF

During the first phase of CEPF, at least five CEPF ecosystem profiles contained strategic directions that targeted the private sector (Atlantic Forest, Cape Floristic Region, Madagascar, Succulent Karoo and Sundaland). The independent evaluation found that this focus, identified as an important need and opportunity during the strategy development process for each region, resulted in several of these regions “achieving significant conservation contributions from national and international companies in the mining, agribusiness, wine production, forestry and ecotourism sectors.” In the Atlantic Forest Hotspot, for example, CEPF support has helped private landowners create 8 Private Natural Heritage Reserves (RPPNs) that were incorporated into Brazil’s National Protected Areas System, while 22 existing private reserves have received support for creating management plans to ensure sustainability. In the Cape Floristic Region Hotspot, CEPF support to the South African Brandy and Wine Company has helped winemakers set aside over 20,000 hectares of highly threatened lowland fynbos and renosterveld habitat on estates across the Cape Floristic Region and Succulent Karoo hotspots. Known as the Biodiversity and Wine Initiative (BWI), the scheme now covers more than 20 percent of South Africa’s total vineyard footprint. Additionally several hotspot grant programs worked with the private sector, for example on ecosystem service payments in the Metro Manila watersheds in the Philippines.

IPR provisions

The intellectual property provision in the current CEPF Financing Agreement, and as passed down to CEPF grantees, aims to achieve the widest possible dissemination and use of information. In negotiating the CEPF legal agreements, the Bank will ensure that U.S. concerns about IPR of the private sector are addressed.

Monitoring

Specific monitorable indicators will be prepared and agreed for each selected ecosystem profile. Additional strengthening of monitoring indicators will be undertaken as part of further project preparation prior to CEO endorsement. New hotspots for investment will be selected according to needs and opportunities, with the first hotspots expected to be Western Ghats and Sri Lanka, Polynesia-Micronesia and Indo-Burma as the ecosystem profiles for these regions are complete and pending implementation

funding. It is expected that at least two of these four profiles, with indicators, will be submitted for Donor Council approval by the time of CEO endorsement.

GEF Secretariat Response

The approval of sub-projects by the CEO under delegated authority is one of the two corporate issues that was addressed by the Secretariat in the Cover Note (GEF/C.29/4) submitted to the Council as part of the August 2006 work program.

**Biodiversity: Global : Institutionalizing Payments for Ecosystem Services (UNDP)
(GEF Grant : \$5.69 m)**

First Comment from Council Member from Switzerland

Policies and PES

Existence and development of policy regulations on PES are a must for a successful project implementation. However, this crucial issue is not yet sufficiently addressed by the project: The project brief does not give an analysis of the current situation of the legal frameworks in the target countries. Thus, an appraisal on opportunities and possible obstacles is not possible. We are also concerned that the importance of this issue has so far been neglected by the project proponents.

The establishment of adequate regulations usually requires several years. Thus, it might become an obstacle for implementing PES in the target countries of the project. As long as no legal regulations exist to require payments for services all over a targeted territory, most potential buyers will look for lower cost solutions instead of considering PES seriously (exception: CO₂ market). Without legal regulations, market rules will not encourage potential buyers to complete negotiations.

The provision of information on international experiences on PES to policy makers, and even training courses, will not be a sufficient condition on its own to guarantee an enabling policy environment for PES.

UNDP Response

Overall

In the proposed project, the objective of providing assistance to specific PES initiatives is strategic—to “prove the concept” of diverse policy approaches and operational models of PES addressing priority biodiversity threats and opportunities; to derive design lessons, principles and methods; and to motivate interest and buy-in by key actors (businesses, land stewards, policymakers) in scaling up investment in PES for biodiversity conservation. The three components are designed to achieve this in an integrated strategy: the market information service for PES will inform policy and transactions at multiple scales; the regional networks of PES leaders in tropical America and East and Southern Africa will support regional and country innovation and capacity-building in PES; and four promising operational models for PES will be evaluated: agri-environmental payments with landscape-scale biodiversity impacts; biodiversity offsets for business investments; forest enterprises with portfolios including payments for biodiversity conservation; and coastal biodiversity payments for flood protection. The achievement of tangible local biodiversity benefits will be an important indicator of the effectiveness of the policy and operational models, rather than the principal project outcomes.

Policy frameworks are central in driving PES to large scale. A key part of the rationale for developing the regional networks to be supported by this project is the critical need for sound policy frameworks for PES to achieve both environmental and social objectives. Project planning included national inventories of policies and institutions in six countries, which identified key weaknesses, including lack of a regulatory framework, lack of property rights for ecosystem services, weak linkages between PES projects and broader conservation policies, and others. Adequate policy support will be provided to ensure at least eight key policy innovations are developed and adopted in selected countries, sufficient to enable specific markets to emerge. The project addresses policy challenges in three ways:

- (a) ***Direct support for policy formulation.*** The experts assembled as advisors for this project have strong policy experience and expertise, and have provided strategic input in the

development of PES policies at both national and international levels. These include design support in the development of Mexico's public system of watershed service payments; supporting South Africa's exploratory work on regulation-based (cap and trade) conservation banking in the U.S. and analysis for the UNFCCC in identifying models for land-use-related carbon offset projects that provide rural livelihood and biodiversity benefits. There are policy elements in all components of the project, including the four sets of operational models. For example, the biodiversity offsets component will support the UN CBD, who during the 2006 COP agreed to develop guidelines for biodiversity offsets (UNEP/CBD/COP/8/25/Add.1) The Agri-environmental Payments component will collaborate with FAO to advise Ministers and senior policymakers around the world on 'best practice' for effective and equitable design.

This project is about capacity-building and the regional networks will build the capacity of NGOs, practitioners and policy makers--through seminars, resource materials, case analyses and access to specialized expertise--so that they can in turn work to strengthen the PES policy framework in their countries, focused on specific policy issues. The regional networks will assist national leaders to design policies for PES that coordinate strategically with broader rural development and conservation objectives, and provide a forum for leaders to share lessons learned and examine new policy designs adapted to different political, economic and institutional contexts. The priorities for network activities will be established by a Coordinating Group of national leaders in PES in each region. This will support a nationally-led policy process that should be much more effective than the transfer of policy models from other countries that characterizes much current PES investment support. Small teams of PES experts with relevant experience will visit selected countries to provide input into policy design processes for selected PES programs, and lessons learned will be discussed with the regional networks.

- (b) ***Learning from voluntary markets.*** Meanwhile, important experiences point to value of voluntary action during the development stage of PES markets. In carbon markets, the pioneering work of the Biocarbon Fund and Community Carbon Fund, initially in non-regulated environments, has been critical to development of standards for regulated markets. Recent research from the *Ecosystem Marketplace* finds at least 10-12 million tons of voluntary carbon offsets were being marketed for \$150-200 million in 2005; much of this activity oriented to land use-related projects. Presently, voluntary markets offer more scope than regulated markets for integrating social and biodiversity objectives into carbon projects. The Forest Stewardship Council voluntary forest certification program for sustainable forest products offers an example of impact outside formal policy frameworks. A similar approach is being used in the Biodiversity Offset project, with voluntary offsets by national and international corporations, such as Anglo-American and Rio Tinto. The Biodiversity Offset "learning network" is developing standards that can lay the foundation for later regulatory approaches to biodiversity offsets, and teams from the network have already been invited by the governments of Mexico, China, Madagascar, France, Ghana, and Uganda to support legislation on compensation schemes in those countries.
- (c) ***Mobilize advocates for policy change.*** Will regulatory barriers limit the success of this project and PES more broadly? It is a valid point that policy development can be tricky and outside the influence of a small program like this. But the history of policy reform illustrates the role of pilot on-the-ground action in informing and empowering advocates to mobilize for policy change, and to provide legitimacy and trust in new policy

approaches. The regional PES networks will encourage and develop coalitions of experts and actors to seek policy support for PES that genuinely benefit biodiversity, and to work out problems of policy design.

Thus, the project has developed a coordinated strategy of creating a global market clearinghouse that disseminates information broadly and aggressively, plus a regional capacity-building strategy promoting and providing hands-on support to policy development in these regions, complemented by demonstrating new business models for PES on the ground. Clearly, changing policy is difficult, but this coordinated strategy provides a robust approach.

Second Comment

Scale/Level of PES Activity

Potential service buyers of PES usually look for local benefits. Thus, it seems rather doubtful how this link will be achieved through the project's scheme of an "international" promotion of PES offers:

Unless no direct relation exists between services to be paid for and benefits of the potential buyers, it is difficult to believe that project goals will be achieved.

Most potential buyers are ready to pay for environmental services if they get some economic benefits instead (e.g. clean water). Such a local involvement of potential buyers is essential for most PES types. The question must at least be raised whether the proposed scheme of PES promotion may not be working at the wrong level.

It seems that the project proponents are aware of this type of project risk. However, their response of covering more countries and several PES schemes, hoping that if one or another do not develop as expected, there would be at least some other schemes or countries with better results, may be considered rather questionable.

UNDP Response

This point raises two central issues regarding scale—the scale at which ecosystem services are provided to buyers, and the scale at which strategic support is provided to assist PES working at diverse ecosystem scales.

This project will work with PES initiatives providing ecosystem services for buyers at a range of scales: local (such as biodiversity important to local eco-tourist lodges or wild pollinators for local farmers), regional (such as urban watershed protection) and international (such as carbon market buyers seeking biodiversity-friendly offsets). Proposed analytical and enterprise development work focuses explicitly on honing the link between payments and ecosystem service benefits at the appropriate scale of buyers and sellers. For example, selected PES systems will be supported to develop institutions to aggregate numerous small-scale ecosystem stewards to sell services to large-scale buyers, and others to aggregate numerous buyers to buy stewardship services from a large resource (e.g., coastal resource users).

The program is also designed to influence the development of PES at local, regional and international scales. The Biodiversity Offset and Forest Enterprise models will operate at the local/project enterprise level. The agri-environmental and coastal ecosystem protection PES will operate at the landscape/region-specific level. The *Ecosystem Marketplace*, managed at the global level, will make transparent information and best practice models (for different ecological scales) available to PES policymakers and practitioners around the world. The international and regional networking activities recognize the value of connecting and sharing PES experiences across scales and across sites, as well as building regional and

national institutions that will support the further development of PES at multiple scale of ecosystem service demand and supply.

The project proposal identifies a number of risks that PES initiatives working with the project may not all be successful in delivering ecosystem services to buyers, or benefiting buyers, as expected. Technical and business support provided by the project is expected to significantly reduce those risks.

Third Comment

Ensuring Ecosystem Services Paid for are Delivered

The follow-up on service sellers to guarantee that the services are correctly achieved seems not to be part of the current project. Ongoing GEF projects on PES spend a considerable effort on the follow-up on service sellers. This is not yet the case for this project. It needs to be adapted in this regard. The follow-up on the implementation of the negotiated services and the achievement of biodiversity outcomes cannot be left with the sellers and buyers of the services.

UNDP Response

Ensuring the ecosystem services paid for by buyers are actually delivered is critical to the success of individual projects and to the credibility of PES generally. Regional network activities will, as a priority, provide technical support to sellers and other market actors in assessing project performance in terms of ecosystem services. All of the operational projects—on Biodiversity Offsets, Forest Ecosystem Enterprises, Agri-environment and Coastal marine—emphasize methodology development and testing in collaborating project sites to track ecosystem benefits. Each operational model is not only piloting, but developing best practice in the industry. The *Ecosystem Marketplace* is a strategic response to widely articulated need of ecosystem service buyers and sellers for information about such methodologies in the context of inadequate technical services. The EM identifies and disseminates best practices and tools, and state-of-the-art monitoring approaches. The regional networks will build capacity of institutions within the regions to provide ongoing technical expertise and independent verification services over time, not dependent upon special projects.

Fourth Comment

Tangible Activities and Indicators for Outcome on Operational Models

Outcome 3 (Operational Models) is not very tangible:

Outcome 3 is the one which is related to activities in the field, and thus to possible biodiversity outcomes. From the point of view of GEF objectives, it is the most crucial one. Therefore, we particularly regret that the **activities** and **indicators** described are not yet very tangible.

Consistent and Tangible Outcome Indicators

The indicators are not sufficiently consistent. The promissory statements made below “contributions to key indicators of the business plan” (“would directly affect thirty projects; improve biodiversity outcomes directly of at least one million hectares in the two regions, and indirectly of at least two million hectares globally” - see above in our general comments) are not reflected in the project logical framework. This inconsistency needs to be tackled.

UNDP Response

The achievement of tangible local biodiversity benefits is a primary indicator of the effectiveness of the operational models. Direct biodiversity benefits in production landscapes (mosaics of production and conservation land uses) are anticipated on at least 1 million hectares, while indirect benefits are expected on at least 2 million hectares, and improved management practices for biodiversity conservation will be achieved on at least 600,000 hectares. These targets were indicated in the Prodoc Annex 13 on “tracking,” but were left out of the log-frame. This has now been remedied, in the amended log-frame, under the section on Objectives.

The scale of on-the-ground activity related to the operational models is described below for each sub-component. Note that the number of PES initiatives for which support will be provided is higher than the number anticipated to have significant biodiversity benefits, in order to be conservative, in light of non-project factors influencing success. Sites selected or in the pipeline are in areas of high biodiversity value.

Furthermore, indicators on outcome 3 are so far as intangible as the description of the outcome itself (see our comment above).

Agri-Environmental Payments

The Agri-environmental Payments project will work directly to support design improvements and landscape-scale assessments in agri-environmental PES projects in 2-4 landscapes of high biodiversity value in Mesoamerica, Kenya and Uganda (candidate landscapes listed in Prodoc Annex 15d, which has been appended to the original Prodoc). Strategically sited, these are expected to conserve or restore biodiversity across large landscapes by providing ecological connectivity between fragments of natural habitat, and reducing ecological damage from agricultural production practices. A global learning network for PES in farming landscapes will include another 6 to 10 new and on-going projects (involving FAO, GEF, Katoomba Group members, and others) paying farmers and farming communities for ecosystem services to achieve landscape-scale biodiversity objectives, comparing different institutional models. Other details on the operational of the program may be found in Prodoc Annex 7.

Business and Biodiversity Offsets

The Biodiversity Offsets project is working initially in 6 sites (Annex 15c), where its direct impact will be to ensure that there is no net loss of biodiversity at each of these sites. Additionally, each pilot developer is looking to mainstream biodiversity offsets into company-wide policy and therefore use the tool of offsets as a vehicle to achieve good biodiversity management across operations. The second phase of the program will incorporate another 6-8 pilot projects with “direct footprint offsets” – i.e. those (like those in the current pipeline) whose main impact on biodiversity arises from the conversion of habitat caused by their operations; and also pilot projects of “supply chain footprint offsets” – i.e. projects whose main impact on biodiversity arises from their supply chains, sourcing products (e.g. food producers and retailers, and general retailers). Details on the mechanism of the work may be found in Prodoc Annex 8.

Forest Ecosystem Enterprises

The Business Development Facility has a pipeline of projects with over a million hectares of tropical forest ecosystems (see Annex 15a), for which new enterprises are being developed to enhance financial returns from biodiversity conservation. The BDF will bring business and market expertise to assist ongoing enterprises or organizations, including linkages to ecosystem service buyers, to develop and implement business plans. The pilots are expected to demonstrate the increased profitability arising from multiple ecosystem management approach to natural resource businesses. The project will screen and

investigate other potential forest company clients (including community-based operations) in new regions in: West Africa, with a focus on Ghana; Mesoamerica, with a focus on Costa Rica; Southeast Asia and SW China, and India (see Annex 15b). More details on the mechanism of the work may be found in Prodoc Annex 9.

Coastal Marine Ecosystem Service Payments

The coastal project will work directly to design, implement and evaluate 2 new PES projects to protect marine protected areas. The pipeline of candidate sites is being developed with a focus on high-biodiversity-value coastal areas of Mesoamerica and Eastern/Southern Africa, with at least one tentatively linked to an Agri-environmental PES project with anticipated coastal benefits. Other details may be found in Prodoc, Annex 10.

Annex 15a. Pipeline of PES Forest Enterprises with Business Development Facility

Latin America – Amazon Region			
1	Precious Woods	Brazil Amazonas (311,000 ha)	Sustainable botanicals extraction in the Amazon with community involvement
2	Orsa Florestal	Brazil Para (545,000 ha)	Multiple asset approach assessing all ecosystem services opportunities, focusing on wastewood applications – biofuel, and botanicals
3	Yawanawa Indigenous Community	Brazil Acre (150,000 ha)	Introduce the use of an innovation fund to support enterprise investments and other measures (such as the formation of a trading company, perhaps) that would help to ensure the successful implementation and scaling up of new revenue opportunities. Other assistance provided by BDF will be paid for by other donors.
Africa – Southern, Central and Western			
4	Global Forest Products	South Africa Mpumalanga (200,000 ha)	<ul style="list-style-type: none"> • Renewable Energy generation using biofuel, ensuring emission reductions (fuel switch and methane avoidance). Carbon credits financing and possibly TRECs (Tradable Renewable Energy Certificates). Potential to feed into the grid in a market which is being deregulated • Re/Afforestation of degraded land with indigenous species with high medicinal value for a GFP/ community venture to extract botanicals. New reforestation model with multiple benefits and revenue streams – carbon, botanicals, other NTFPs, selective harvesting • Biodiversity real estate offset and methodology development in South Africa with GFP and a real-estate developer • Eco-tourism development – including ancient historic, archaeological and spiritual sites
5	Precious Woods/Other	Congo DRC (tbd)	Assess the opportunities for generating bio-diesel to reduce reliance on fossil fuel. Explore botanicals and avoided deforestation.
6	TT Timber/CIB – now DLH	Congo Brazzaville (tbd)	Multiple asset approach assessing all ecosystem services opportunities, focusing on wastewood applications – biofuel, botanicals, other, conservation and reforestation

Annex 15b. Enterprises in Asia to be evaluated for BDF, Ecosystem Service enterprises

<u>Country</u>	<u>Region</u>	<u>Business Type</u>	<u>Forest Operator</u>	<u>Size (ha)</u>
China	China	Integrated Timberland Management and Processing	Livelong Corporation	Community Land
Indonesia		Natural Forest Management	PT Dasa Intiga	170,000
Indonesia	East Kalimantan	Natural Forest Management	PT Daisy	35,000
Indonesia	Central Kalimantan	Natural Forest Management	PT Hutanindo	98,000
Indonesia	Kendal District, Central Java	Teak Plantation	Perhutani	20,000
Indonesia	Kebonharjo District, Central Java	Teak Plantation	Perhutani	17,000
Indonesia	Kendari District, Sulawesi	Teak Plantations (7 communities)	Kendari Community	6,000
Vietnam	Central Highlands	Natural Forest Management	Huong Son	42,100
Lao PDR	Khammouane Province	Natural Forest Management	Lao Village	10,900
Lao PDR	Savannakhet Province	Natural Forest Management	Lao Village	3,900
Malaysia	Perak State, Peninsula	Natural Forest Management	PITC	9,900

Annex 15c. Potential Biodiversity Benefits of Biodiversity Offset Projects

Country	Region	Company	Direct Impact of Development	Biodiversity Offset Benefits
Qatar	North field	Shell Corp	<p>302 has of land (terrestrial), 700 has offshore pipeline (coastal), 2 offshore platform locations (marine)</p> <p>Indirect impacts still being measured</p>	<p>While the specific parameters of the biodiversity offset project are still being negotiated with the company, it is clear that the offset project will affect at least five times as much area as the direct impact of the development as well as compensate for the indirect impacts of the project. Several options for the conservation activities include setting aside a conservation zone near the industrial site, on-site coastal restoration in the northern cape of Qatar, and investment in two proposed UNESCO sites (including a biosphere project and a lagoon).</p> <p>Shell has made a commitment to biodiversity offsets at the corporate level, as a tool to compensate for the biodiversity impacts of all its new operations. The company is currently exploring and producing oil and gas in 38 countries around the world.</p>
South Africa	Mokapane	Anglo-American	<p>2400 ha platinum mine extension</p> <p>Indirect impacts still being measured</p>	<p>While the specific parameters of the biodiversity offset project are still being negotiated with the company, the biodiversity offset will affect at least two times the direct impact of the mine as well as compensate for the indirect impacts of the project. Options for the offset include rehabilitation and introduction of game at three mixed bushveld sites (400 ha; 2,260 ha; and 2,270 ha respectively).</p> <p>Anglo American is South Africa's largest mining company. It is looking to integrate biodiversity offsets in its corporate strategy on biodiversity management and mainstream the BBOP methodology across business units. Anglo American currently operates in 60 countries.</p>
Uganda	Mabira	Gyelloba	<p>5 ha ecotourism lodge on 40 ha rainforest concession</p> <p>Indirect impacts still being measured</p>	<p>Gyelloba's biodiversity offset project will affect twenty times the direct impact of the project. It will seek to address some of the underlying causes of deforestation in the Mabira rainforest concession, including fuelwood consumption by local communities by developing woodlots for communities and distributing 'cleaner burning stoves.' It will also restore degraded habitat in the 40 ha of rainforest.</p>

				Gyelloba has pledged to mainstream biodiversity offsets across business units. Gyelloba currently operates 6 lodges in 3 countries around the world.
Kenya	Southern rift	Southern Rift Landowners' Association	1,800 ha road and 100 ha ecotourism construction	<p>The biodiversity offset activities will support biodiversity projects among Massai communities in the 8,450,000 ha of land in the South Rift Valley.</p> <p>SORALO is seeking to integrate biodiversity offsets in all new community development projects in the Southern Rift as well as influence landowner associations in other parts of Kenya and Tanzania to take up the BBOP methodology.</p>
Ghana	Akyem	Newmont Mining	<p>2091 ha goldmine</p> <p>Indirect impacts still being measured</p>	<p>While the specific parameters of the biodiversity offset project are still being negotiated with the company, the biodiversity offset will affect at least three times the direct impact of the mine as well as compensate for the indirect impacts of the project. Options discussed include restoration and protection of Key Biodiversity Areas in Ghana, which span 117,332 hectares.</p> <p>Newmont has made a commitment to mainstream biodiversity offsets in all its new operations. Newmont is the largest gold mining company in the world, operating in 8 countries and manages about 900,000 square hectares of land.</p>

Annex 15d. Priority Landscapes for Agri-Environmental PES Initiatives

Country	Region	Key Collaborators
Kenya/Uganda	Lake Victoria Basin (freshwater aquatic biodiversity)	World Agroforestry Centre (ICRAF) FAO TerrAfrica Landcare-Uganda/Kenya
Kenya/Uganda	Mt. Elgon Transboundary Region	World Agroforestry Centre (ICRAF) FAO TerrAfrica WWF African Highlands Initiative PEMA
Uganda	Bwindi International Protected Area Virunga Conservation Area and Bwindi Impenetrable National Park	World Agroforestry Centre (ICRAF) Landcare-Uganda NEMA
Costa Rica/Panama	La Amistad Biosphere Reserve Gandoca-Manzanillo National Wildlife Refuge/San Pondsak National Wildlife Refuge	The Nature Conservancy FAO CATIE APPTA (smallholder farmer ass'n) World Bank Rainforest Alliance
El Salvador/ Honduras/Guatemala	Gulf of Fonseca (dry tropical forest to coastal marine biodiversity)	The Nature Conservancy CATIE Rainforest Alliance CONAP-Guatemala
Mexico	Chiapas-- La Sepultura, El Triunfo and La Encrucijada Biosphere Reserves (highland dry forest to coastal wetlands).	The Nature Conservancy CATIE Union de la Selva

Biodiversity (Biosafety): Regional (Benin, Burkina Faso, Mali, Senegal, Togo) : West African Regional Biosafety Project (World Bank) (GEF Grant : \$5.40 m)

First Comment from Council Member from Germany

Germany objects to the project proposal and asks to defer it for consideration at the next regular meeting of the Council. A core project part - the development and harmonization of IPR regimes - is not element of the Cartagena Protocol on Biosafety and thus not eligible for GEF funding.

World Bank Response

The project team of the World Bank appreciates the comments from the German Council Member on the West Africa Regional Biosafety Project. It is our pleasure to respond to each of the concerns raised by the Council Member to clarify the rationale of the project and the urgent and imperative need of the West African countries for this regional biosafety project. Hopefully this note, together with the explanation from the GEF Secretariat concerning funding eligibility, will facilitate consideration of this project at the next meeting of the Council, to be held in Cape Town.

It is important to note that the five African countries have strong ownership of the project. During the pre-appraisal mission undertaken by the project team in May/June 2006, country representatives confirmed their strong willingness to execute the project and brought important changes to it. The following response incorporates these and other changes made by the participating countries in Dakar, Senegal, from May 29 to June 1, 2006, as well as modifications made by the team to address shortcomings identified after submission of the Project Brief in May 2006. Comments from the German Council Member are copied below in italics and followed by our team's response.

Project Intent

Second Comment

We are of the opinion that the project aim is not primarily to support the countries to implement the Cartagena Protocol on Biosafety but to complement the current biotechnology resp. Bt cotton activities of USAID and the private sector in West Africa which appear to be implemented prematurely and to secure their investments.

Response

It is indeed the objective of the project to support the countries to implement the Cartagena Protocol on Biosafety (CPB). It is an important and urgent reality that activities involving agricultural biotechnology are already an existing dynamic in the region with the potential for benefits, but also harm if risks are not addressed comprehensively. The objective of the project is to address the risks inherent to this technology and protect the region from possible environmental damage while allowing member states to harness the benefits of the technology as they see fit. It is not the intention of either the West African Economic and Monetary Union (WAEMU) or the World Bank to make or imply a judgment through this project as to the ultimate value of agricultural biotechnology in West Africa.

The project objective will be accomplished through capacity building at the national and regional levels and through the design, establishment, and implementation of a regional biosafety framework developed in accordance with the Cartagena Protocol on Biosafety through the cooperation of WAEMU member states and their constituent stakeholders. Communication and dialogue inclusive of the perspectives of all stakeholders are crucial aspects of the project's development and implementation because they help to improve the project and build consensus on its capacity building and legal harmonization efforts. The project seeks collaboration with a number of donors to avoid duplication and confusion, but does so without implying any judgment of the intent or purpose of those efforts^a.

Funding of non-eligible activities

Third Comment

The project proposal itself mentions that funding of a regional observatory for modern agricultural biotechnology and the creation of a regional IPR framework is not eligible for GEF funding. The proposed sharing of the necessary funds between the GEF, the World Bank and other project partners cannot overcome this fundamental problem.

Response from the GEF Secretariat

In submitting this project for work program approval by the Council, the GEF Secretariat confirmed that only activities that fall under the Cartagena Protocol on Biosafety (CPB) and, more precisely, activities contemplated in *Decision BS-III/3 on Capacity Building and the updated Action Plan for Building Capacities for the effective implementation of the Biosafety Protocol* are proposed to be funded by the GEF contribution. Therefore, it is the GEF Secretariat's assessment that these activities fall within the GEF mandate under the Protocol.

Other needs, such as risk assessment for food and feed safety and capacity building in IPR negotiation will be provided through other co-financing partners, and potentially a regional IDA allocation. This is clearly stated in page 4 and 38 of the project brief and consequently reflected in the GEF amounts allocated to component C.

With regard to the regional observatory, the institution will contain a regional Biosafety Clearing House mechanism and perform the essential functions of monitoring compliance with the Cartagena Protocol and evaluating the impact of agricultural biotechnology on biodiversity and on socioeconomic issues, should the countries adopt transgenic crops. This will provide countries with the capacity to implement several articles in the Protocol, including Article 25 on illegal transboundary movement, Article 26 on socioeconomic considerations, and Article 33 on monitoring and reporting. Therefore, the GEF Secretariat believes that the observatory is eligible for funding. We understand that the Project Brief being prepared for CEO endorsement has been updated by the World Bank to clarify this.

Focus on Regional Harmonization of Legal Frameworks

Fourth Comment

One core element of the proposed project is the suggested harmonization of biosafety legislation and ultimately the centralisation of GMO approvals mainly through activities of the West African Economic and Monetary Union. WEAMU has been chosen as project partner not because of its expertise in protection of biodiversity and the environment or in biosafety matters but - as stated in the project proposal - because it is known of its "fast track adoption of compulsory harmonized regulation and sector policies". The proposal notes that WEAMU recently started to deal with environmental issues and is going to suggest a biosafety initiative. We could not find any respective documents on the WEAMU web page. Being aware of the growing critique of farmers' and civil society organizations with regard to the introduction of Bt cotton in West Africa and the respective USAID activities promoting biotechnology in the region we do not feel that WEAMU is the appropriate body to deal with the harmonization of legal issues in the field of biosafety.

Response

The institutional effectiveness and current and future trajectory of WAEMU make it the appropriate regional body to implement this project. Two of the WAEMU main objectives include:

- To promote the coordination and implementation of national sectoral policy in the areas of agriculture, environment, transport, infrastructure, telecommunications, human resources, energy, industry, mining and crafts; and
- Where necessary for the smooth operation of the common market, to harmonize legislation across member States.

In addition, a 2002 IMF Survey Supplement states that:

Of all the regional groupings in Africa, WAEMU is the furthest along the path toward integration. In addition to successfully maintaining their 52-year-old currency union, WAEMU members have implemented macroeconomic convergence criteria and an effective surveillance mechanism, adopted a customs union and common external tariff (in early 2000), harmonized indirect taxation regulations, and initiated regional structural and sectoral policies^b.

Carrying out its objective to coordinate national sectoral policy and implementation in the areas of agriculture and environment, WAEMU adopted a common agricultural policy^c in December 2001 with the goal of achieving food security, strengthening the common market of agricultural products, and improving the livelihood of producers. On the environmental side, a common policy^d is being prepared and will be examined by the Heads of State Council at the end of 2006 (please see endnotes for references to the WAEMU policies). The proposed project to develop a regional biosafety framework represents a continuation of this process, and WAEMU has created a budgetary line for 2006 for this purpose.

The use of WAEMU is also strategic because it will help to integrate environmental and biosafety issues into the larger development objectives of the region. The Third Meeting of the Parties to the Cartagena Protocol on Biosafety (COP/MOP3) articulated this as a priority when it said in Decision BS-III/3 that it “urges Parties and other Governments to integrate biosafety in their broader sustainable development strategies and approaches and programmes”^e.

Moreover, WAEMU’s ability to adopt compulsory harmonized regulation and sector policies does not come at the expense of national sovereignty or stakeholder participation. To the contrary, WAEMU adopts regional regulations only as a result of negotiations by representatives of the member states. Regional harmonization is meant to address issues that are common to the region, cross boundaries, and can be most effectively and efficiently addressed collectively. As each member country wields veto power, only those regulations that have unanimous support may be adopted. Once adoption occurs, countries are given the time they need to implement the regulation before it becomes applicable.

In the process of elaborating a regional regulation, WAEMU consults widely and seriously with national stakeholders, including the public sector, civil society, producer organizations and the private sector through national and regional workshops. These workshops give civil and political stakeholders the opportunity to discuss their opinions and concerns with the organization during the drafting of the regulation.

The need for a regulatory environment for LMOs that complies with international standards for environmental safety is one that is common to the member states. Development of a common framework, it is hoped, will help ease the demand for scarce financial and technical resources and improve the regulatory capacity of each individual country. The need for a regional approach is also driven by the fact that farmers share seeds across national boundaries.

For the above reasons, the participating countries unanimously chose WAEMU to be their lead project partner. This support for WAEMU was clearly underlined in individual consultations during project preparation with each of the Ministers of Environment, who noted that WAEMU is well-respected in the region (see the following response on the Ministries of Environment).

Finally, the project does recognize that local and international controversy surrounding transgenic crops may in some cases translate into opposition to the organizations involved in implementing the CPB. As such, the

Project Brief rates the reputational risk for the project as ‘substantial’ and has taken measures to address it. These include building extensive stakeholder participation into the project and recruiting a communication specialist to prepare a strategic communication plan (pp. 14).

Fifth Comment

Furthermore, the project document does not clarify if the respective Ministries of Environment of the five states have been involved in the project planning and will be involved in its execution. In all five states those Ministries harbour the national biosafety focal points and are/were implementing the GEF NBF projects. It is not acceptable if these ministries would be by-passed by the regional GEF biosafety project which might build up parallel biosafety structures.

Response

The Project Brief identifies the Ministries of Environment as a ‘major’ stakeholder group (pp. 11), and they have been and will continue to be an integral part of project activities. An important preparatory study for the project is a “stocktaking assessment within each country to identify the existing regulatory and institutional framework on biosafety and biotechnology and the level of capacities” in each country to help the project build on and reinforce national measures (pp. 46).

During the first preparation mission in Burkina Faso (September 25-30, 2005), the project team met with Mr. Laurent Sedego, the Minister of Environment, to brief him on the mission and to express the project’s eagerness to involve him from the outset of the project. He asked us also to involve Ms. Zourata Lompo, the Director of the National Biosafety Agency for Burkina Faso, and she has since become the project’s Regional Project Coordinator within WAEMU. This is an important development, as Ms. Lompo’s leadership experience with the UNEP-GEF project in Burkina Faso will help the current project build upon work that has already been done in the region.

During the second preparation mission in the five GEF beneficiaries countries (January 8-26, 2006), the team met with Mr. Issifou Okoulou-Kantchati, Minister of Environment for Togo, Mr. Francois Noudégbéssi, Cabinet Director of the Ministry of Environment for Benin, Mr. Laurent Sedego, Minister of Environment for Burkina Faso, Mr. Nancoman Kéita, Minister of Environment for Mali, and Mr. Mamadou Tall, Cabinet Director of the Ministry of Environment for Senegal.

During the third preparation mission in Burkina Faso (April 1-8, 2006), the team met again with Mr. Laurent Sedego, Minister of Environment.

During the last preparation mission (May 22 - June 2, 2006), held in Burkina Faso and then in Senegal, a workshop was organized in Dakar with the National Coordinators of the Project (the project also again met with Mr. Mamadou Tall, Cabinet Director of the Ministry of Environment of Senegal). All of the National Coordinators have been designated by the Minister of Environment of each country as representatives to the West Africa Regional Biosafety Project^f. The National Coordinators for Benin and Senegal are also the Cartagena Protocol National Focal Points for those countries.

Mr. Malick Diallo, the Director of Environment for WAEMU, also feels strongly about the active involvement of the Ministers of Environment in the project, as they will all be responsible for adopting and implementing the biosafety framework. In turn, the Ministers of Environment unanimously support WAEMU's role as their implementing partner, as noted previously.

To ensure coordination and communication with the Ministries of Environment and all relevant stakeholders, the Project Brief being prepared for CEO endorsement calls for a Steering Committee to monitor and guide activities. The committee, which will be formed in October for appraisal, will report directly to the Ministers of Environment of WAEMU during meetings of the Council of Ministers that take place at least once a year, and will be composed of (a) representatives of the ministries in charge of

environment, agriculture, trade, industry and research in the WAEMU countries; (b) project partners, such as research institutes, the private sector, civil society, and national biosafety committees; and (c) beneficiaries like regional and national producer organizations. In addition to this formal committee, a secretariat will be established permanently in the Regional Coordination Unit to receive comments, including claims and complaints, from stakeholders.

Sixth Comment

In addition to these concerns, the delegates of African States at MOP-3 have explicitly rejected the provision of the draft decision on biosafety capacity building that called for support to "Coordinate and harmonize biosafety regulatory procedures and mechanisms at the regional and subregional levels". African delegates and with them all Protocol member states agreed that regional harmonization should only cover the non-binding national biosafety frameworks. The World Bank proposal does not reflect this decision of MOP-3.

Response

The final version of Decision BS-III/3 "invites developing country Parties and Parties with economies in transition ... to coordinate and harmonize biosafety frameworks at the regional and sub-regional levels"^g. Similarly, Decision BS-III/5 "requests ... an assurance from the Global Environment Facility that the introduction of the Resource Allocation Framework will not in any way jeopardize eligible Parties' access to funding for biosafety-related activities including regional activities where appropriate,"^h and Decision BS-III/16 recalls that "a Party of transit has the right to regulate the transport of LMOs through its territory ... and that parties may enter into bilateral, regional and multilateral agreements and arrangements with other Parties or non-Parties regarding transboundary movements of living modified organisms in accordance with Articles 14 and 24"ⁱ.

Moreover, in the updated Action Plan annexed to Decision BSIII/3, under *Implementation*, a series of indicative tasks to be undertaken to implement the elements identified in the Decision, are identified. Among the tasks to be implemented at subregional and regional levels, paragraph (c) includes the *establishment of mechanisms for regional and sub regional coordination and harmonization of biosafety frameworks, where appropriate*.

Taken together, these statements are not understood by WAEMU countries as restricting their choice to harmonize their national biosafety frameworks. During pre-appraisal, the countries re-affirmed their commitment to an overall regional regulatory mechanism to facilitate the fulfillment of CPB obligations by each individual country (the three other WAEMU countries have also requested to participate in the regional project). Harmonization of frameworks may be at different levels, including at the regulatory level, and this is a choice that rests with each sovereign nation. Article 14 of the Cartagena Protocol allows countries to apply multilateral systems to manage biosafety activities as long as they are consistent with the Protocol's objectives and do not result in a lower level of protection.

In addition, the important role that regional and sub-regional approaches should play in overall GEF country capacity building for CPB implementation is identified in the "Final Draft of the Evaluation on GEF's Support to the Cartagena Protocol"^j and in "Elements for a Biosafety Strategy"^k, both reviewed by GEF Council in November 2005. The latter was also welcomed as a basis for developing a strategy to guide the provision of GEF assistance to support the Cartagena Protocol on Biosafety, taking into account the comments made at the Council meeting. These documents identified the advantages of employing regional approaches to facilitate regional harmonization efforts and maximize resources.

Seventh Comment

The project seems to be developed in the context of the USAID biotechnology support for West Africa as an outcome of the three USDA- and USAID-sponsored biotechnology conferences in Sacramento in 2003, Ouagadougou in 2004 and Bamako in 2005. It consequently deals with biosafety capacity building as an element of the promotion of genetically engineered crops linked additionally to IPR issues.

Response

The “Final Draft of the Evaluation on GEF’s Support to the Cartagena Protocol on Biosafety,” submitted to the GEF Council in 2005, states that “The GEF Strategy’s requirements for coordination and collaboration with other multilateral and bilateral projects is important because, in its absence, there is the risk of promoting competing subnational priorities or creating confusion and/or misunderstanding regarding the relative roles of different projects within the national strategy” (pp. 40). The regional biosafety project reflects this in its Project Brief by stating that it “would seek to collaborate with, and not duplicate, other ongoing donor-supported biosafety investments, notably those of the USAID, the [French Development Agency], the French Ministry of Foreign Affairs and the Swiss Development Corporation” (pp. 10).

In this context, the project team has attempted to be aware of the efforts of all relevant donor partners, including USAID’s efforts in West Africa with regard to biosafety, and has attempted to keep these partners informed of the project in order to reduce duplication efforts and confusion in the region, as previously stated.

During the Sixth Annual Donor Meeting on Rural Development in Western and Central Africa, held in Rome from May 9-11, 2006, the project Task Team Leader described the West Africa Regional Biosafety Project to the participating donor agencies and said that it had been “inspired by the Cartagena Protocol on modern biotechnologies”¹. The donors, in their recommendations, recognized the ‘reality’ of the ongoing dynamic in the region regarding agricultural biotechnology, and affirmed the region’s need to establish the risk assessment and monitoring capacity mandated by the Cartagena Protocol^m. Following this meeting, the French Development Agency pledged to earmark funding from their annual budgetary support to WAEMU for the project. In addition, the European Commission’s Environment and Rural Development Unit told the project in an email that WAEMU had approached the Commission for co-financing, and that the Commission would be eager to do so.

It bears repeating amid this discussion that our collaboration with other donor agencies, unless otherwise stated, does not imply an endorsement of their respective efforts, and that biosafety capacity building does not imply support for or promotion of the introduction of LMOs. Moreover, intellectual property rights issues have been included in the project at the strong request of the project countries, who seek to protect and register domestic crop varieties and competently negotiate technological fees. This is an important concern for the long-term sustainability of the project, as stated in the Project Briefⁿ.

It is also worth noting that comments from the United States on the work program express concern for “the lack of clarity about the relationship between this project and other ongoing efforts in the region to develop a regional biosafety system.” This underscores the importance of donor consultation to the donor agencies themselves, and the project will continue to uphold its responsibilities in this area.

Eighth Comment

According to the proposal the project "will drastically improve the investment climate in biotechnology for cash and food crops in the WAEMU area because of the reduced number of administrative requests from private companies." The private sector, which activities should be regulated, approved and maybe restricted through the results of the project, is envisaged as a project partner itself. Neither the Cartagena

Protocol nor the current GEF biosafety strategy support such an approach which is prone to conflicts of interest.

Response

We agree that statements like the one quoted from the Project Brief by the German Council Member may be misinterpreted as implying project support for the introduction of LMOs, and this is not the purpose or intent of the project. The purpose of the project is to protect the region from possible environmental damage through the establishment of a regional biosafety framework to implement and govern risk assessment and management processes. Statements like the one quoted above have therefore been slated for removal from our project documents in order to eliminate any confusion about the purpose of the project.

A fundamental aspect of this capacity building project is broad-based stakeholder participation. This participation includes the private sector among others, in line with the Cartagena Protocol, which requires parties to “cooperate in the development and/or strengthening of human resources and institutional capacities in biosafety... including through existing global, regional, sub-regional and national institutions and organizations and, as appropriate, through facilitating private sector involvement” (Article 22, the Cartagena Protocol). Although the private sector is recognized as a potential stakeholder in the project, it is one among many, and the beneficiaries of the project are the WAEMU countries. Centralization of the regulatory process will reduce the administrative strain on the individual countries, and their pooling of resources will strengthen their ability to regulate biotechnology.

Ninth Comment

Already the evaluation report of the UNEP/GEF Pilot Biosafety Enabling Activity Project notes that many countries "had not separated their role in promoting the technology from that of audit and safety assessment. The report suggests that it is important, in order to maintain public acceptance of a Government's objectivity, that a clear separation of duties/activities is maintained and the consequential necessary national capacities developed for the execution of the respective roles"; the Indicative framework for capacity-building under the Cartagena Protocol on Biosafety of the SCBD points out that there is "the need for decision-making by entities that are independent of the promoters and direct users of biotechnology, including living modified organisms."

Response

The project team completely agrees with these statements and will work with the countries to incorporate the lessons of the evaluation report into the project design. The regional approach and the capacity building efforts adopted by the project will strengthen the region's ability to independently assess and manage risks based on scientific methods in line with internationally established standards.

Tenth Comment

We strongly recommend that all GEF biosafety projects follow the neutral attitude of the Cartagena Protocol on Biosafety towards the application of GMOs in agriculture and food production and concentrate on biosafety issues as outline in the Biosafety Protocol.

Response

It is the primary aim of the project to support each country to implement the Cartagena Protocol on Biosafety. The project design is mindful of the current dynamics in the region surrounding agricultural biotechnology and seeks to provide the countries with the capacity and institutional mechanisms necessary to most effectively meet the Protocol's requirements. It is not the intention of either WAEMU or the World Bank to make or imply a judgment through this project as to the ultimate value of agricultural biotechnology in West Africa.

In conclusion, a recent biosafety Q&A posted to the World Bank external website reaffirms the Bank's role as a facilitator and neutral party. The World Bank's approach is to enable countries to take necessary measures to minimize environmental and health risks and meet their treaty obligations; to promote capacity building among all stakeholders to allow informed decision-making; and to tailor projects to address country needs and priorities for long-lasting and sustainable results^o.

The project team would once again like to take the opportunity to thank the German Council Member for her comments. We hope that we have adequately addressed Germany's concerns, and look forward to the next GEF Council meeting in late August.

^{a)} This is clearly in line with GEF policy. The "Final Draft of the Evaluation on GEF's Support to the Cartagena Protocol on Biosafety," published in 2005, states that "The GEF Strategy's requirements for coordination and collaboration with other multilateral and bilateral projects is important because, in its absence, there is the risk of promoting competing subnational priorities or creating confusion and/or misunderstanding regarding the relative roles of different projects within the national strategy. In this context, coordination and collaboration imply more than merely sharing information on respective project activities" (pp. 40). The regional biosafety project reflects this in its Project Brief by stating that it "would seek to collaborate with, and not duplicate, other ongoing donor-supported biosafety investments, notably those of the USAID, the AFD, the French Ministry of Foreign Affairs and the Swiss Development Corporation (SDC)" (pp. 10).

^{b)} *IMF Survey Supplement on the Fund*, Vol. 31, September 2002, pp. 2-3.

See <http://www.imf.org/external/pubs/ft/survey/2002/092002.pdf>.

^{c)} Acte additionnel n° 03/2001, portant adoption de la politique agricole de l'UEMOA.

See http://www.uemoa.int/actes/2001/acte_additionnel_03_2001.htm.

^{d)} Politique Commune d'Amélioration de l'Environnement (PCAE). For more information, see the 2003 or 2005 *Rapport Annuel de la Commission sur le Fonctionnement et l'Evolution de l'Union*, Section 2.4.7 (2003) or Section 2.5.5 (2005), available at http://www.uemoa.int/Publication/2003/rapport_activites_2003.pdf and http://www.uemoa.int/Publication/2006/Rapport_UEMOA_2005.pdf, respectively. Press coverage can also be located by googling "Politique Commune d'Amélioration de l'Environnement" with the quotation marks.

^{e)} See the *Report of the Third Meeting of the Conference of the Parties to the Convention on Biological Diversity Serving as the Meeting of the Parties to the Cartagena Protocol on Biosafety*, pp. 36, available at: <http://www.biodiv.org/doc/meetings/bs/mop-03/official/mop-03-15-en.pdf>.

^{f)} Their names are: Mr. Raphael Ogouchi (Benin), Mr. Adama Compaoré (Burkina Faso), Mr. Lourenço Abreu (Guinée Bissau), Mr. Moulaye Farota (Mali), Mr. Ali Harouna (Niger), Mr. Mandiaye Ndiaye (Sénégal), Mr. Kudadzé Kodjo (Togo) and Mr. Patrick Léon Pedia (Cote d'Ivoire). Unfortunately, Mr. Patrick Léon Tedia was unable to participate in the Dakar workshop.

^{g)} *Ibid* (endnote 6), pp. 37.

^{h)} *Ibid*, pp. 45.

ⁱ⁾ *Ibid*, pp. 86.

^{j)} From the document: "Given the Cartagena Protocol's overall objective of managing the transboundary movement of LMOs—coupled with the fact that many countries may lack the technical and financial ability to develop, staff, and operate the full range of administrative institutions and mechanisms generally thought necessary to fully comply with the protocol—the CPB supports and encourages regional cooperation, coordination, and harmonization on biosafety issues. The protocol text touches on this aspect in numerous places. For example, article 14, Bilateral, Regional and Multilateral Agreements and Arrangements, specifically discusses aspects of regional cooperation, stating that parties may enter into these types of agreements regarding the international transboundary movement of LMOs, as long as such agreements do not result in a lower level of protection than is consistent with the protocol" (pp. 29).

^{k)} From the document: "Based on: (i) CBD COP Guidance, (ii) GEF's mandate, operational strategy, Council decisions, and procedures, (iii) the findings of the OME Evaluation, and (iv) the GEF-4 Programming Document, it is proposed that the ... GEF Biosafety Strategy for the Implementation of the Protocol ... emphasize regional approaches when suitable to the group of participating countries. Regional cooperation will allow for the pooling of resources of countries, can ease the resource demands of each one and will promote harmonization. Regional approaches will have flexibility in terms of issues addressed to target specific needs of countries within a region. Under some circumstances, and based on clear criteria, single-country projects, will be allowed" (pp. 6).

^{l)} Draft synthesis of the *VIth Annual Donor Meeting on Rural Development in Western and Central Africa*, Rome, Italy, May 9-11, 2006, pp. 23.

^{m)} *Ibid*, pp. 23-24.

ⁿ⁾ The Project Brief states: "Possible economic gains from the production of Bt cotton or other transgenic plants may be offset by the fact that the countries have not been able to negotiate issues related to intellectual property rights (IPRs).

Through other co-financing, support [will be] provided for legal and technical advisory services to assist countries with IPR negotiations and with the setting up of a regional IPR legal framework” (pp. 14).

^o) “The World Bank and Biosafety: Questions and Answers” (2006). Available at:

<http://web.worldbank.org/WBSITE/EXTERNAL/TOPICS/ENVIRONMENT/EXTBIODIVERSITY/0,,contentMDK:21007108~menuPK:2794906~pagePK:210058~piPK:210062~theSitePK:400953,00.html>.

Climate Change: Global (Bangladesh, Bolivia, Niger, Samoa, Guatemala, Jamaica, Kazakhstan, Morocco, Namibia, Vietnam): Community-based Adaptation (CBA) Programme (UNDP) (GEF Grant : \$4.53 m)

First Comment from Council Member from Germany

Generic Programme

The proposed CBA Programme covering 10 countries constitutes rather an UNDP/CBA Facility than a programme specifying what will be actually done with the requested GEF Resources. Most of the description is therefore rather generic, defining a process of identifying adaptation as opposed to describing and analysing these measures directly. This limits the scope for comments to the process and the proposed organisational arrangements.

UNDP Response

Guidance from Council on “GEF Assistance to Address Adaptation” (GEF/C.23/Inf.8/Rev.1, May 11, 2004) as outlined in paragraph 23 of the CBA Executive Summary states: “Recognizing that small communities are often the most severely affected, yet the least equipped to deal with the impacts of climate change, it is proposed that *up to 10% of the resources under the strategic priority will be allocated to the Small Grants Programme which will work with the GEF Secretariat and the Implementing Agencies to pilot community adaptation initiatives through its existing small grant programmes.* The SGP will: (i) develop community based capacity and tools to respond to the adverse impacts of climate change; (ii) finance diverse community-based adaptation projects in a number of selected countries; and (iii) capture and disseminate lessons learned at the community level.”

Therefore, implicit Council guidance on the SPA is the following:

- (a) Council considers that the SGP mechanisms, together with input from the GEF Secretariat and the IA, is an effective conduit to facilitate adaptation to climate change at the community level.
- (b) Projects funded under the Special Programme on Adaption (SPA) must deliver global benefits in a GEF focal area as well as improvements in adaptive capacity of communities and/or ecosystems to climate change.

Following Council guidance on the SPA, UNDP, has partnered with GEF SGP, and proposed a framework to generate, select, develop, implement and monitor community-based projects that not only improve the resiliency of communities (and by direct extension, ecosystems) to climate change, but also deliver global benefits. As recommended by Council guidance on the SPA, the use of the *existing* global GEF SGP mechanism for identifying, developing, implementing and monitoring community based adaptation projects (para 2, Executive Summary) avoids the creation of a new facility.

The selection of 10 countries for the CBA programme is based on key criteria such as vulnerability to climate change, diversity of ecosystems covered through the programme, SGP experience and capacity in working in different countries, among others (for example, balanced regional distribution). Based on UNDP/Bureau of Crisis Prevention and Recovery (BCPR) criteria for vulnerability to climate change, Bangladesh, Bolivia, Guatemala, Morocco, Niger, and Vietnam are classified as high risk countries to climate change impacts, while Jamaica, Kazakhstan, Namibia, Samoa are classified as medium risk. One country (Bangladesh) is also included to provide lessons on how CBA projects can be implemented in countries where SGP is not active. This is important in the context of developing UNDP’s portfolio of adaptation projects in countries where established institutional arrangements may not be available to support project implementation.

In addition, as outlined in para. 30-60 of the Executive Summary, the proposal actually outlines criteria for selecting sites (para. 33 including need to address global benefits issues), screening criteria for the approval of project proposals (para 34(a—g)-36), modality of selection (through existing SGP national selection

committees in addition to oversight by the project management team and implementation (through Community Based Organizations; para 37-40)) and monitoring (at the project and programme level; para. 83-96). By definition, the eligibility criteria for global benefits will resemble those in typical GEF focal areas and will be distinct from projects funded under the Special Climate Change Fund (SCCF) and Least Developed Country Fund (LDCF).

The Executive Summary also outlines (para. 78-82) a systematic mechanism for ensuring that the SGP mechanism delivers global environmental benefits and improvements in adaptive capacity (including ecosystem resilience) as required by the Council guidance on the SPA. The systematic mechanism involves oversight at the national level as well as from HQ (SGP) as is common practice in all SGP projects. In this case, however, there is the additional but complementary oversight that will be provided by UNDP/GEF/Climate Change & Adaptation Team to ensure that projects proposed using the existing SGP national steering committees deliver improvements in adaptive capacity as well as global benefits in a relevant focal area.

The guidelines outlined in the CBA proposal (para. 34 of the Executive Summary) include a series of criteria for M&E including that each project must track global environmental benefits. Attachment 1 of the Project Document suggests the use of Council accepted indicators for assessing global benefits in biodiversity, international waters and climate change. Furthermore, the project proposal screening criteria (para. 34 of the Executive Summary) will not permit the selection of proposals which do not deliver global benefits (see further details below). Annex A of the Executive Summary further describes the incremental cost analysis for global benefits, as well as for the adaptation benefits. This response to the Council guidance on SPA is packaged beyond the detail normally required for SGP replenishment and is consistent with UNDP's internal programming procedures for adaptation projects.

Examples of project types that will improve adaptive capacity to climate change and realize global benefits (see Annex 1; see also attachment 2 of the UNDP Project document). Based on preparatory work in four pilot countries, examples of projects that are, or not, likely to qualify for SPA funding are outlined in Annex 2).

Action:

- Clarification of the rationale for the selection of 10 countries is outlined in para. 11 and 12 of the Executive Summary;
- List of projects likely to qualify (or not) for SPA funding under CBA included in the Executive Summary is included in Annex C3.

Second Comment

Implementation Structure:

The implications of the 10 country approach are that the overall project structure is relatively heavy with plenty of potentially costly UNDP involvement without clarity of the value added of this approach (pp. 26-29). It is critical that the bulk of the resources actually go into actual implementation practical adaptation initiatives and not into process and implementation structure.

UNDP Response

It is not the intention of the CBA programme to have any additional structure for implementing CBA projects in the 10 countries. The CBA programme (as outlined in para. 37 and 78-82 of the Executive Summary) uses a decentralized *existing* GEF SGP infrastructure (including existing national steering committee, existing national coordinator, and existing office space, etc). No significant additional costs are likely to be involved in terms of UNDP involvement. The only additional resource is the voluntary contribution made by a national specialist on climate change and adaptation as part of the national steering committee (as is standard practice within the GEF/SGP structure). The CBA will use existing infrastructures (i.e. GEF SGP mechanisms).

The proposed budget for the CBA (see Executive Summary, para. 98; see also Annex 3 below), indicates that 86% of the GEF allocated SPA funds will be used for the implementation of CBA projects in the 10 countries. This will be in the form of grants for implementing CBA projects. 8% of the SPA allocation will be used for developing a framework, criteria, knowledge, capacity, forming partnerships, raising co-financing, and other preparatory and implementation costs (including M&E of adaptive capacity). The remaining 6% will be for UNOPS execution based administrative costs applicable for SGP. Moreover, in contrast to conventional GEF Full Size projects, the CBA programme will not incur additional administrative costs such as salaries of National Coordinators given that this is already covered under GEF SGP's global budget.

Action:

- Indicative Budget for CBA Programme included (see page 26)
- Detailed budget to be included at CEO endorsement

Third Comment

Evaluation and Results

The benefits of what the document calls “a programmatic approach” are not entirely clear given that replicability and upscaling of projects in adaptation to climate change are limited by the site specificity of any climate adaptation problem (reference is made to STAP Review of Barry Smits, p. 54).

While considerable room in the text is devoted to the issue of monitoring and evaluation it is not clearly spelled out how this will be done in cost effective and meaningful way. The importance of evaluation cannot be overstated as the CBA is being introduced as “pilot approach” which will only make sense if there is a chance for meaningful results beyond the initial cases. The document claims CBA is “a results-based approach” with “results based management”. What that actually means beyond having a “Goal, Objective, and a set of Outcomes” (p. 13) is not spelled out in the document. Great care is required to apply a coherent monitoring and evaluation system in order to have meaningful results.

UNDP Response

We agree that the reference to a “programmatic approach” lacks the necessary clarity for a proposal such as this. We also agree with the comment that replicability and up-scaling of the projects in adaptation will be limited by site specificity.

The revised Executive Summary and UNDP Project Document now refer to the CBA Programme as a strategic approach. As outlined in paragraphs 17-19 and 24-26 of the Executive Summary, a “strategic approach” permits a consistent long-term strategy to address climate change to be adopted at the programme level. Instead of the alternative ad-hoc approach, which is having a set of distinct CBA projects each addressing overlapping priorities or realizing global benefits in a single or variety of focal area in a number of different countries, a systematic approach to adaptation based on country driven priorities is more conducive to cost-effectively addressing climate change impacts and global benefits in practice. In addition, as the CBA Programme will generate lessons on adaptation to climate change, a strategic approach permits lessons to be captured in a more organized, balanced and coherent way and is likely to be more useful when up-scaling adaptation to climate change projects (keeping in mind context specific details) within a country or across new countries.

The CBA programme is designed to reflect the national priorities (based on national communications, etc) for adaptation to climate change. The advantage of using the GEF-SGP modality, and a strategic approach is to facilitate a national priority set of adaptation responses as opposed to a set of ad-hoc community projects. This is the intention of developing a Country Programme Strategy (CPS) for improving adaptive capacity of ecosystems/communities in each of the countries. The CPS will, in turn, guide the design,

implementation and analysis of a portfolio of CBA projects. A strategic approach, that utilizes the existing GEF-SGP infrastructure permits a coherent and strategic approach to underpin the selection of CBA projects based on criteria that includes vulnerability to climate change (as articulated in the national communications) and priority global environmental benefits. Since adaptation is currently defined very broadly, it is the intention of this programme to provide a more organized approach to CBA.

The CBA Program is designed to use existing GEF-SGP M&E indicators (for monitoring global benefits—see Annex 4) as well as a CBA specific M&E approach for measuring improvements in adaptive capacity (note: the latter approach has been approved by STAP reviewer). The details of how the monitoring will be done in a cost effective way is outlined in the Project Document (*pages 31-36*). This includes details of the approach (based on UNDP-GEF's Adaptation Policy Frameworks approach), responsibilities and key milestones, programme monitoring reporting, etc. The Project Document also outlines the anticipated lessons that are likely to emerge from the implementation of the CBA including the type of lessons on temporal scale of adaptations, best practices in integrating climate change concerns into development and/or project design, sharing knowledge etc. A coherent structure is presented for monitoring and evaluation to guide the implementation of the CBA projects in each of the 10 countries.

On the issue of a results-based approach, para. 12-60 in the Executive Summary provides a detailed explanation of what the results based approach/management entails, what is expected and how the results will be achieved. This detail is in fact reinforced with additional details in the Project Document.

Action:

- Reference to Programmatic Approach is clarified. See text in yellow throughout the text.
- Based on work by UNDP on developing an M&E framework for its adaptation portfolio, including SPA funded projects, an updated M&E framework will be circulated at the time of CEO endorsement. In addition, project development guidelines will also be included.

Fourth Comment

Dissemination

As Pilot Programme in community based adaptation little effort has been invested into information dissemination on the expected lessons and also in terms of reaching out to communities. Only standard dissemination methods are listed and little creativity (new media apart from websites, radio) is apparent from the document (p. 15).

UNDP Response

The fundamental purpose of the CBA programme is to generate lessons. Each project will generate lessons on project design, using monitoring and evaluation and best practices on adaptation to climate change including delivery of global benefits. Rigorous evaluations, over and above conventional PIRs, will enable the GEF and UNDP (as well as other implementing agencies) to learn how to strengthen the adaptation portfolio. As outlined in para 49, lessons (positive and negative) on methods to increase capacity of communities to adapt to climate change, including variability, will be compiled and disseminating to key stakeholders (at the local and global level). The target audiences will include both communities engaged in CBA projects and policy makers, and the mechanism for dissemination will differ for these two audiences. This process will also feed into the international exchange of lessons. As outlined in the Project document (*pages 35-37*), linkage with existing information sharing networks, in particular, GEF- SGP mechanisms, together with UNDP-GEF's Adaptation Learning Mechanism will drive the learning process. The CBA will be analysed in the context of the entire GEF portfolio.

UNDP has launched the Adaptation Learning Mechanism (ALM) to facilitate the learning process from GEF's adaptation portfolio. Under the direction of the Task Force on Climate Change and Adaptation (which includes GEFSec and the other IAs), lessons learned from projects will be classified into the following criteria, including, (a) the temporal scale of climate change that the adaptation measures address;

(b) whether it address single/multiple sectoral issues and/or socio-economic issues? (c) Whether the measures enhance development activities or ecosystems (or both)? (d) Best practices in integrating adaptation into national and local development policy? (e) Best practices in project design and implementation mechanisms? (e) how to prioritize adaptation options (strategies/policies or operations); (f) the scope of the adaptation project (local, sub-regional, national to sub-regional scales); (g) and capacity development approaches on adaptation, including engaging key stakeholders on adaptation. While not exhaustive, these types of lessons will be invaluable for the GEF family as adaptation projects become a priority.

The method of dissemination of lessons learned is context specific and will be determined with input from the national steering committee in each country, with guidance from the global project management unit including the ALM Project Management Team at UNDP/GEF.

Action:

A template for guiding and capturing lessons based on the finalization of a current draft version (see Annex 5) will be included prior to CEO endorsement.

Fifth Comment

Incremental Costs

Operational Guidelines for the Strategic Priority “Piloting an Operational Approach to Adaptation” (SPA) foresee projects are eligible that “generate both local and (development-focused) and global benefits ...if their benefits are considered primarily global in nature...” (Para 6, page 2). The “incremental cost analysis” (pp 32-33) in the submitted document does not contain any specific analysis due to the generic character of the document. It develops generic scenarios much like a financing mechanism. No reference is made how this mechanism ensures adhering to the “double-increment” criterion in the SPA guidelines.

UNDP Response

The SPA guidelines defines the “double-increment” as (a) the incremental cost for improvements in global benefit, and (b) a second incremental cost associated with reducing vulnerability to climate change of communities and/or ecosystems,. The incremental cost matrix attached to the executive summary outlines the double-increment explicitly.

The reference to how the program will adhere to the “double-increment” criterion, is outlined in para 33-34. As outlined, a multi-step process guided by the principles of the Adaptation Policy Framework (APF) will be relied on to first identify those regions of highest vulnerability to climate change, including variability, and regions having high potential to deliver global environmental benefits. In addition, projects will be first screened for delivering global environmental benefits based on Council accepted standards for the GEF focal areas. Projects will then be screened for the second increment of delivering improvements in adaptive capacity.

As outlined in para. 34, the responsibility of assessing the eligibility of CBA project proposals for funding will be assessed by the National Coordinating Committee on the basis of nationally-developed criteria relating to (a) climate change vulnerability; (b) addressing the adaptive capacity or resilience of a community to climate change including variability; (c) assessment of community vulnerabilities; (d) cross-scale policy potential; (e) Monitoring criteria (including description of the monitoring baseline and activities to monitor indicators of vulnerability); (f) Global environmental benefits; and (g) other priorities at the country level.

Action:

- Examples of projects that will adhere to the concept of double increment are presented in Annex 2.

- Project development guidelines will be included prior to CEO Endorsement.

Sixth Comment

Global Environmental Benefits

The generic character of the proposal also means that the question whether the projects results in global environmental benefits is being discussed on an abstract level. On this basis it is not possible to assess whether in fact this proposal will result in actual global benefits.

UNDP Response

GEF-SGP projects must deliver GEB as is standard practice. GEF Council, by allocating 10% of SPA resources for the implementation of community based adaptation projects through an IA (in this case, UNDP) and the GEF- Small Grants Programme has conveyed its confidence that SPA resources will be used for projects that will deliver both improvements in global benefits as well as adaptive capacity to climate change.

This proposal has clearly articulated (para. 34 together with para. 102), in its design that CBA project proposals are subject to approval for implementation by the SGP national steering committees, with oversight by the global project team as well as UNDP/GEF's Adaptation Team and SGP Management (at HQ), whether specific criteria are met. Regular consultations with GEFSec will be useful in ensuring that CBA project proposals that are selected adhere to the relevant criteria of deliver global benefits as well as improvements in adaptive capacity. The mechanisms for ensuring that the selected CBA project proposals deliver global benefits as well as improvements in adaptive capacity are therefore in place and the institutional responsibilities are clearly defined.

Action:

- Examples of projects that will adhere to the concept of double increment are presented in Annex 2.
- Project development guidelines will be included prior to CEO Endorsement.

Annex 1: Examples of possible CBA projects (from Attachment 2: UNDP Project Document)

It is anticipated that CBA projects will fall into two broad categories aimed primarily at:

- *increasing the adaptive capacity of a community* (or communities) through ecosystem and natural resource management activities; and
- *increasing the resilience of an ecosystem or natural resource*, often involving measures to engage surrounding communities, and often indirectly building the coping capacity of dependent communities.

While the categories of potential adaptations are much larger, the CBA programme will only focus on those interventions which are similar to those that already qualify for GEF support under one of its OPs with the exception that the interventions must satisfy the concept of additionality. That is, only those interventions that address a climate change, including variability, driven problem will qualify for SPA funds. Interventions that do not address a climate change driven issue are considered baseline and must be funded using alternative sources (e.g. co-financing). In addition, SPA funds will be awarded only when (a) the delivery of global benefits would be undermined under climate change, and (b) if the proposed adaptation measures enhance global benefits of a relevant focal area. This approach would be the basis for developing baseline and incremental reasoning for each project. The following examples illustrate this point.

Example 1 - Community-based resilience building through micro-catchment restoration

- *Increasing the adaptive capacity of a community*
- *Global environmental benefits under OP 15.*

In the drought-prone regions of Maharashtra, India, the Watershed Organisation Trust (WOTR) has helped poor communities reclaim degraded lands through the regeneration and sustainable management of watersheds. In doing so, communities have increased their resilience to dry spells and drought.

Under current climate, WOTR provides support to Village Self Help Groups (VHSG) and grassroots NGOs to help villagers eradicate poverty through watershed regeneration. Conducted on a micro-catchment basis, the watershed development effort emphasizes self-help, ecological regeneration and “catching rain wherever it falls.”

This effort is defined as the baseline scenario, and includes:

- *Establishing Village Self-Help Groups to help guide the watershed effort;*
- *Building hydraulic structures for in-situ water harvesting, aquifer recharge and erosion control;*
- *Planting trees and grasses to stabilize waterways and provide fodder and fuelwood;*
- *Instituting bans on tree felling and grazing for natural regeneration of shrubs and grasses;*
- *Training villagers in new or improved agricultural practices and livelihood activities; and supporting cottage industries and supplemental income generation through micro-lending schemes.*

In all project areas where these suites of activities have been undertaken, the local environment has started to recover and stabilize.

Under climate change, Tropical Asia is expected to experience increased warming and precipitation, as well as climate extremes, perhaps increased droughts. Given these potential changes in climate, the activities undertaken in the baseline scenario may have to be modified to incrementally adapt. Overall, adaptations that promote adaptation benefits in all plausible circumstances would be prioritized. In short, dry climate

conditions no longer signify hunger and migration, as communities have increased their resilience to drought and, in doing so, their resilience to potential climate change conditions.

Example 2 – Community-based rangeland rehabilitation

- Increasing the resilience of an ecosystem or natural resource
- Global environmental benefits under OP15

Since 1992, villages in the drought-prone Bara Province of western Sudan have been implementing community-based rangeland rehabilitation measures to restore overexploited lands and, in the process, enhance local livelihoods. Recognizing that communities were highly vulnerable to the effects of drought and grappling with the effects of degraded soil, failing livestock, dwindling crop production and chronic food insecurity, a group of 17 villages within the Gireigikh Rural Council in central Bara Province engaged in a UNDP-GEF funded pilot project on Community-Based Rangeland Rehabilitation (CBRR). The project sought to (1) implement a simple model of community-based natural resource management to prevent overexploitation of marginal lands and rehabilitate rangelands; and (2) help ensure the success and sustainability of this approach by diversifying local production systems and improving socio-economic conditions.

In designing its activities, the CBRR project emphasized strong community participation structured around local, traditional, social institutions, and the implementation of a range of activities that secured the necessary support of villagers by meeting some of their near-term needs. More than 100 mutually-supportive activities were designed as part of the project, which can be broadly categorized as follows:

- Awareness and institution building to mobilize and organize community groups for project planning and implementation
- Training in a wide range of activities to build local capacity for project implementation and ensure project sustainability
- Rangeland rehabilitation—including land management, livestock improvement, agroforestry and sand dune fixation—to prevent overexploitation and restore productivity of rangelands
- Community development activities – to address immediate needs of communities by diversifying local production systems and income-generating opportunities, thereby reducing pressure on rangeland resources

Under current climate, this project has led to numerous near-term improvements in local livelihoods.

In 2005, the same interventions were reassessed with respect to long-term climate change. In the event of increasing intensity and frequency of recurrence drought, agricultural production systems would have to again shift and adapt to a regime of greater dryness and more extremes. A pilot project could be designed to identify and implement different cropping patterns, yet build on and maintain the local socioeconomic asset base that was created by the initial UNDP-GEF OP 15 project.

Example 3 - Rural indigenous communities and disaster mitigation: micro-basin management in the Mirigua Valley

- *Increasing the adaptive capacity of a community*
- *Global benefits under OP 12*

The devastation caused by Hurricane Mitch in the Mirigua Valley of Guatemala in 1998 is only an example of the destruction of large areas of Guatemala, Honduras, Nicaragua and El Salvador. The socioeconomic and physical conditions of this basin, both prior to Hurricane Mitch and following the event, are

representative of the general situation of vulnerability of the mountainous regions of Central America, and their rural communities.

The catastrophic consequences of concentrated heavy rainfall have been enhanced by many factors, including:

- Widespread deforestation
- Lack of rational management of local drainage
- Progressive occupation of flood prone areas on the valley floors
- Cultivation of zones of underground water recharge and of areas belonging to the high flow regime along the river's course

The resulting degradation of land and water resources in these areas has led to the overall environmental collapse of many watersheds, and an increased loss of biodiversity in forest, aquatic and coastal ecosystems. Transboundary coastal zone habitats and marine ecosystems have been affected by the heavy influx of sediments and water loaded with high concentrations of poisonous chemicals. A myriad of life forms in the region are affected, including those supported by the Mesoamerican Reef System in the Gulf of Honduras.

Contamination problems affecting the effluents of the Gulf of Honduras have a strong impact on the biodiversity of the Caribbean's Mesoamerican Barrier Reef System shared by Mexico, Guatemala, Belize and Honduras. The lower portion of the Mirigua River, affects the quality of water that goes into Lake Izabal.

Under current climate, the project addresses the root causes of vulnerability of this region (which are essentially non-climate related), by aiming to reverse land and water degradation trends. This will be done by raising the awareness of local indigenous communities and the government regarding basic integrated land and water management practices and implementation of specific measures that attempt to redress non-climate driven drivers of land and water degradation.

Under future climate, a series of adaptations will need to be developed and implemented to deliver global environmental benefits:

- (a) In the area of international waters, through the demonstration of ways to reduce climate change induced sediment and pollution loads that contaminate the transboundary waters of the Gulf of Honduras;
- (b) In the area of land degradation, by raising awareness of soil conservation practices, and demonstrating economic and social benefits together with the reduced level of risk that can be derived from the adoption of new behaviours and practices;
- (c) In the area of biodiversity, by introducing measures to reduce the influx of sediments that are threatening the globally valuable biodiversity of the Gulf of Honduras, and by enhancing awareness on the need for, and the advantages that can be derived from the protection of local biodiversity

Such adaptation could also produce development benefits by emphasizing their relation to the loss in property and life during natural disasters, and demonstrating ways to adapt livelihoods to the consequences of climate change. This long-term approach will complement the baseline of emergency assistance and reconstruction efforts that are taking place currently, and build on the initial GEF project.

Example 4 – Strengthening traditional agro ecosystems as a means to conserve biodiversity, generate economic income, and reduce risks from climate change

- *Increasing the adaptive capacity of a community*

- *Global benefits under OP13*

San Juan El Alto is an indigenous community of approximately 2,000 farmers in the altiplano of Bolivia. Current agroecosystems are the product of hundreds of years of adaptive management as farmers seek to reduce risk to variations in weather and climate through a wide variety of techniques and practices. Typically farmers will grow a wide variety of crops in a number of different microclimates to reduce the risk of overall failure of food production from extreme weather events (e.g., frost, storm, and drought). Over time, these risk mitigation practices have resulted in the development of many different species of potatoes and other crops. This development has been so longstanding and of such intensity that areas such as this one – indigenous farmers working over hundreds of years to reduce risks to food production - are known as areas of high genetic diversity of crop species (Vavilov centers).

Under current climate, this project will work with the community's local association of farmers to: identify risk reduction techniques and practices in traditional agroecosystems and their rationales associated with crop species, particularly globally important species; identify potential markets and supply chains for specific species and train farmers and NGOs in commercialization; raise awareness among consumers and sellers regarding the nutritional, cultural and biodiversity values of traditional varieties.

By replacing traditional species of potatoes and other crops with commercial varieties, indigenous farmers may also increase their risks to food production under climate change. Climate change scenarios and crop models predict decreases in yields of several crops, and it is likely that increases in temperature will shorten the crop cycle. To cope with future climate, farmers will need to balance the pressure to produce commercial crops against the risk of increasing their vulnerability to future climate change. Adaptation to climate change would require farmers to continuously develop risk-avoidance and risk-reduction agricultural practices, and maintain adaptive management systems that permit them to meet the challenges of climate change and biodiversity conservation.

Example 5 – Sustainable use of mangrove ecosystems

- *Increasing the resilience of an ecosystem or natural resource*
- *Global benefits under OP 2*

The communities of San Ildefonso, Boca del Cielo, and Ifugao on the coast of the island of Mindanao abut coastal mangrove ecosystems of undoubted global biodiversity value, which they exploit as sources of timber and shellfish. Current pressures on mangroves are a result of the high demand for shrimp and charcoal. Local inhabitants, often with the backing of large corporations, clear areas of mangrove with the prospect of relatively high short-term economic returns. Habitat conversion occurring over large enough areas produces significant impacts on biodiversity.

Under current climate, the OP 12 project will work with local stakeholders to strengthen local, regional and national awareness of the value of mangroves to sustainable development of coastal communities as well as of global biodiversity priorities; to develop sustainable production alternatives that conserve species and habitat over the long-term but which provide a sustained, attractive economic return; to help identify markets and corresponding supply chains and train local stakeholders in commercialization; to zone coastal mangrove areas under their dominion for rehabilitation, protection and sustainable use.

Under future climate, however, sea level rise is expected to place additional stresses on mangrove ecosystems if these are not permitted to adapt. The current OP 2 project does not address long-term adaptation needs stemming from sea level rise. Therefore, coastal planning and protection and rehabilitation practices will need to be maintained, and over the long-term expanded to reduce the vulnerabilities of coastal communities to climate change. This adaptation measure will help to maintain the biodiversity of the coastal mangrove ecosystems.

Annex 2: Examples of CBA project proposals based on preparatory work in Samoa, Niger, Bolivia and Bangladesh.

Typology of CBA projects	Baseline	Criteria underlying selection (double increment)		Implement through CBA (Yes/No)*	Implement with co-financing <i>only</i>
		Improve adaptive capacity to climate change	Global Benefits (LD, IW or BD)		
Samoa					
Mangrove reforestation to reduce coastal erosion due to more frequent storms and higher wave intensity		√	√	YES	
Stabilised coastal erosion (due to more variable coastal climates) through rehabilitation of vegetative cover by promoting indigenous species.		√	√	YES	
Soil conservation measures implemented to reduce runoff caused by increased precipitation over the long term		√	√	YES	
Coastal infrastructure projects	√	√		NO	YES
Niger					
Diffusion of drought tolerant seeds		√	√	YES	
Rehabilitate agricultural land	√	√	√	NO	YES
Promotion of diversified livestock types appropriate for climate change future		√	√	YES	
Monitoring system of agro-silvo pastoral lands	√	√	√	NO	YES
Rehabilitate the pastoral water resource network that is currently under disrepair	√	√	√	NO	YES
Redesign water network to accommodate higher needs in the future through improved water management technologies		√	√	NO	YES
Bolivia					
Diffusion of crops more conducive to changing long term climate in Andean regions		√	√	YES	
Measures to reduce soil erosion caused by sand mining	√	√	√	NO	YES
Reducing overstocking of grasslands as a result of baseline/mal-adaptive agricultural policies	√	√	√	NO	YES
Agricultural policy reform to take into account climate change concerns		√	√	YES	
Bangladesh					
Uninterrupted power supply for irrigation	√	√		NO	YES
Coastal afforestation, bamboo & cane cultivation for protection against increased storms, coastal sea-level rise		√	√	YES	
Diffusion of saline tolerant crop varieties,		√	√	YES	
Reforestation of mangrove varieties to reduce coastal flooding		√	√	YES	
Dredging of canals and rivers	√			NO	YES

**If likely to be funded through the CBA using SPA funds, 1-1 co-financing is required.*

Annex 3: Proposed financing plan for CBA FSP is as follows (in US\$ millions)

Objectives	PDF-B US\$	Percentage of total PDF B	Estimate Full size project (US\$)	Percentage of total Full size project
<i>Objective 1:</i> a framework, including criteria, new knowledge, capacity, partnerships and co-financing to respond to unique community-based adaptation needs	457,000	94%	199,000	4%
<i>Objective 2:</i> CBA financed and implemented in a number of selected countries	0	0%	3,908,000	86%
<i>Objective 3:</i> Readily applicable new knowledge for more effective CBA programming and project support, as well as policy reform	0	0%	162,000	4%
Activities total	457,000	94%	4,269,000	94%
UNOPs Execution costs (6% of Activities total)	27,420	6%	256,140	6%
GRAND TOTAL	484,420	100%	4,525,140	100%

Annex 4: M&E Indicators (from UNDP Project Document, Attachment 3)

Examples of Indicators for Global environmental Benefits, Poverty Reduction, and Empowerment that might be adapted for use within country CBA portfolios

<p><u>I. Global Environmental Impacts:</u></p> <p>A. Improved State of Biodiversity</p> <p>B. Contribution made to Global Effort to Combat/Address Climate Change</p> <p>C. Improved International Waters/Transboundary Water System Health/Protection/Management</p> <p>D. Degraded Land Restored/Rehabilitated or Land/Ecosystems Prone to Land Degradation Preserved/Stabilized</p> <p>E. Reduction/Improved Management of POPs</p> <p>F. Other Global Environmental Impacts</p>	<p>A. -No. of hectares of forests/protected areas/globally significant ecosystems² conserved/protected OR % change in no. of hectares of forests/protected areas/globally significant ecosystems conserved/protected in target area³/country -No. of species/habitats preserved/protected OR % change in no. of species/habitats protected in target area/country</p> <p>B. -Level of GHG emissions (in tones of CO₂) OR % reduction/change in level of GHG emissions (in tones of CO₂) in target area/country⁴ -Amount of energy produced by renewable/clean/efficient energy (in KWHs/MWHs) OR % change in amount of energy produced with renewable/clean/efficient energy in target area/country</p> <p>C. -Pollution levels (e.g. hazardous chemicals) OR % change in pollution levels in shared waterbody/transboundary water system -Level/Quality of coordination between countries sharing waters/Water systems (e.g. Excellent, Good, Marginal, Poor)</p> <p>D. -No./% of hectares of fertile land preserved in areas prone to desertification in target area/country -No./% of hectares of landscapes/land restored/reforested in target area/country -Degree/Quality of land restoration (e.g. Full, Partial, Marginal, Poor) in target area/country</p> <p>E. -% Decrease/change in POPs production in target area/country -% Decrease/change in POPs use in target area/country -No./Type/% of POPs disposed in target area/country</p> <p>F.</p>
<p><u>II. Poverty Reduction</u></p> <p>A. Improved Health of Target Population</p>	<p>A. -% of target population OR % change in target population with access to clean water and sanitation facilities (male/female) -% of target population OR % change in target population with access</p>

	<p>to health services in target area/country (male/female) -Change in level of food security for target population in target area/country</p>
B. Improved Education of Target Population	B. -Gross child enrolment rates OR % change in gross child enrolment rates in target population (male/female) -Quality OR change in quality of education services provided in target area/country
C. Improved Income Levels	C. -Level of income (in dollars per day/month) OR change in level of income (in dollars per day/month) of target population (male/female) -Employment/unemployment rate/ratio OR % change in employment/unemployment rate/ratio in target population (male/female) -% of target population OR % change in target population with sustainable alternative livelihoods in target area/country (male/female)
D. Other Poverty Reduction Impacts	D.
<u>III. Empowerment</u>	
A. Enhanced Civil Society/Local/Community Influence on Laws/Policies	A. -No./% of Communities/NGOs/CBOs and/or targeted population participating at national levels in policy dialogue -Quality of cooperation/collaboration of NGOs and CBOs with the government (Excellent, Good, Marginal, Poor) -No./Type of policies/laws crated/improved through civil society/local level influence/participation in target area/country
B. Increased Voice/Representation and Protection of Marginal/Vulnerable Groups	B. – No./Type of new policies/laws addressing protection of rights of marginalized/vulnerable groups (e.g. women, indigenous peoples, youth) in target area/country -No./Type of new policies/laws addressing protection of indigenous livelihood strategies in target area/country -Change OR % change in level of women’s participation in local/national government in target area/country
C. Other Empowerment Impacts	C.

Attachment 4. Assessment of adaptive capacity

Adaptive capacity is the property of a system to adjust its characteristics or behaviour, in order to expand its coping range under existing climate variability, or future climate conditions. In practical terms, adaptive capacity is the ability to design and implement effective adaptation strategies, or to react to evolving hazards and stresses so as to reduce the likelihood of the occurrence and/or the magnitude of harmful outcomes resulting from climate-related hazards. The adaptation process requires the capacity to learn from previous experiences to cope with current climate, and to apply these lessons to cope with future climate, including surprises.

The expression of adaptive capacity as actions that lead to adaptation can serve to enhance a system's coping capacity and increase its coping range thereby reducing its vulnerability to future climate hazards. The adaptive capacity inherent in a system represents the set of resources available for adaptation, as well as the ability or capacity of that system to use these resources effectively in the pursuit of adaptation. Such resources may be natural, financial, institutional or human, and might include access to ecosystems, information, expertise, and social networks. However, the realization of this capacity (i.e., actual adaptation) may be frustrated by outside factors; these external barriers, therefore, must also be addressed. At the local level, such barriers may take the form of national regulations or economic policies that hinder the freedom of individuals and communities to act, or make certain adaptation strategies unviable.

Capacity development refers to the process of enhancing adaptive capacity, and is discussed as a key component of adaptation. The role of capacity development is to expand the coping range and strengthen the coping capacity of a priority system with respect to certain climate hazards, and thus to build the capacity of the system to adapt to climate change, including variability. Many social service agencies view capacity development as a change management process within a governance framework; in this case, as defined by the determinants of adaptive capacity.

Key Components of adaptive capacity

Information on the nature and evolution of the climate hazards faced by a society – both historical climate data and data from scenarios of future climate change – is key to enhancing adaptive capacity.

On the other hand, information on socio-economic systems, including both past and possible future evolution, is important. Within these evolving socio-economic and developmental contexts, viable adaptation strategies can be designed. Adaptation and capacity development strategies must also be acceptable and realistic, so information on cultural and political contexts is also important.

The implementation of adaptation strategies requires resources, including financial capital, social capital (e.g., strong institutions, transparent decision-making systems, formal and informal networks that promote collective action), human resources (e.g., labour, skills, knowledge and expertise) and natural resources (e.g., land, water, raw materials, biodiversity). The types of resources required and their relative importance will depend on the context within which adaptation is pursued, on the nature of the hazards faced, and on the nature of the adaptation strategy.

Adaptation strategies will not be successful unless there is a willingness to adapt among those affected, as well as a degree of consensus regarding what types of actions are appropriate.

Adaptive capacity, therefore, depends on the ability of a society to act collectively, and to resolve conflicts between its members – factors that are heavily influenced by governance.

Adaptive capacity can be undermined by a refusal to accept the risks associated with climate change, or by a refusal of key actors to accept responsibility for adaptation. Such refusals may be ideological in nature, or the consequence of vested interests denying the existence of risks associated with climate change. Large-scale structural economic factors and prevailing ideologies, therefore, play a vital role in determining which adaptations are feasible.

Risk frameworks for adaptation

The impacts of a climate hazard on an exposed system are mediated by that system's vulnerability. The determinants of vulnerability will depend on how a system is defined – and where its boundaries are drawn – but may include social, economic, political, cultural, environmental and geographic factors. The risk posed to a system may be viewed as a function of the nature of the hazard faced and system's vulnerability. The vulnerability of a system to climate change will be inversely related to the capacity of that system to respond and adapt to change over time; a description of a system's vulnerability to climate change (i.e., vulnerability integrated over time) will therefore require a knowledge of that system's adaptive capacity, in contrast to a description of the instantaneous vulnerability of a system at a given time, e.g., the time of onset of a short-lived hazard event. Risk may be measured probabilistically, in terms of the likelihood of a particular outcome (outcome risk) or the likelihood of a particular hazard event (event risk). Alternatively, risk may be measured in terms of indicators of outcome, e.g., the number of people killed, injured or displaced, or the economic losses resulting from climate hazards over a particular period. The purpose of capacity development and adaptation strategies is ultimately to reduce risk, or to prevent the exacerbation of risk in the face of increasing hazards. Risk indicators are therefore useful in terms of assessing the success of strategies designed to enhance adaptive capacity.

Indicators of adaptive capacity

It is not possible to provide a list of “off-the-shelf” indicators to capture universal determinants of adaptive capacity that are useful at the project level. Appropriate indicators for assessing adaptive capacity may be identified by asking the following nine questions (the four key questions for the identification of adaptive capacity indicators are in bold)

1. What is the nature of the system/population being assessed?
2. What are the principal hazards faced by this system/ population?
3. What are the major impacts of these hazards and which elements/groups of the system/population are most vulnerable to these hazards?
4. Why are these elements/groups particularly vulnerable? An example response may be
5. What measures would reduce the vulnerability of these elements/groups? An example response may be
6. What are the factors that determine whether these measures are taken?
7. Can we assess these factors in order to measure the capacity of the system population to implement these measures?
8. What are the external and internal barriers to the implementation of these measures?
9. How can capacity constraints be removed from key barriers to adaptation?

The development of local-level indicators requires stakeholder participation: local people are generally the best equipped to identify factors that facilitate and constrain their own adaptation. In the project context, pragmatism is paramount when choosing a set of key indicators.

Annex 5: Adaptation Lessons Template

Project Data:

Name of the project:

Project Objective:

Project duration:

Project funding source: SPA/SCCF/LDCF

Climate Change risk: inter annual and/or multi decadal

Project type by target exposure unit: ecosystem/single sector/geographic area development

Project scope: local/national/sub-regional/regional/global

Under each of the following sections provide a short description of the approaches and methodologies that the project applied and the key lessons learned.

Please focus on main challenges, issues and good practices that other projects should be aware of⁵:

Lessons on Methodologies:

Climate change impact and vulnerability assessment

Provide a concise description of sources and methodologies for impact and vulnerability assessment: *what are the sources of data and information? Which methodology has the project used for the baseline assessment: hazard-based, vulnerability-based, adaptive capacity-based, policy-based approach? To assess climate change risks, does the project design use GCMs, synthesis models, analogues, trend analysis, combination of various tools, etc. What methodology is used to assess impacts of climate change in the vulnerability assessment? Please elaborate the reasons for your choice (easily accessible, availability of expertise, other); Do you apply integrated impact assessment?*

Assessment of adaptation measures

Provide a concise description of main approaches and methodologies for identifying appropriate adaptation measures to address climate change. What methods are utilized for designing, selecting (prioritising) and implementing adaptation measures: *do you undertake assessment of maladaptation; current adaptive capacity of the exposure unit (autonomous adaptation versus needs for planned adaptation); cost-benefit analysis and cost-effectiveness?*

Lessons on Process:

⁵ Please follow instructions under each section and note that the italicized questions that follow are not exhaustive and only provide some initial guidance. It is also not obligatory to respond to all questions but only to those that are relevant. Descriptions under each section should not exceed two paragraphs or 150 words.

Stakeholder Involvement

Provide a concise description of the project's stakeholder engagement strategy: *how does the project identify relevant stakeholders? What are the methods of their engagement? How participatory the project is? What are the mechanisms for transparency and access to information?*

Policy dialogue

Describe main approaches and levers for undertaking effective policy dialogue: *How does the project achieve the national ownership? what is the level for initiating the policy dialogue (departmental, ministerial, local authority, etc)?*

Institutional and individual capacity building

Describe main approaches to capacity building for adaptation: *what capacity issues are prioritized by the project to achieve effective adaptation responses?*

Tools and approaches for mainstreaming

Describe main entry points and methods for mainstreaming climate change and adaptation needs: *what are the key options the project offers to support decision-making on adaptation? Does the project use indicator framework as a tool for mainstreaming? Other?*

Lessons on Outcomes:

Impact

Describe progress on targets and indicators: *what are the main results of the project that will have a short and long term impacts?*

Sustainability

Provide a short description of sustainability of project outcomes: *what are the means and mechanisms by which the project will achieve a long-term sustainability?*

Innovation

Describe main highlights of the project that introduces innovation in achieving adaptation needs: *has project introduced the innovation in design and implementation of adaptation measures? adaptive capacity building? policies to facilitate adaptation? adaptation mainstreaming? Other?*

Replication

Describe main elements of the project's replication plan: *what are the policy, legislative, financial and other parts of replication plan?*

Lessons on Operations:

Execution modality

Provide a short description of the project execution modality: *Has the execution modality proved appropriate? and why?*

Project implementation infrastructure

Provide a short description of the project implementation structure: *what is the representation at the project steering committee? What is the core team of the project? Does the project have an advisory committee or expert/thematic teams?*

Main recommendations to contribute to other adaptation projects:

- 1.
- 2.

Climate Change: Global: Solar Water Heating Market Transformation and Strengthening Initiative, Phase 1(UNDP/UNEP) (GEF Grant : \$12.00 m)

First Comment from Council Member from the United States

How many phases are anticipated?

UNDP/UNEP Response

Only two. The first phase, for which WP entry is will support: i) the establishment of a global knowledge management component; and ii) a bundle of specific country programs for 6 countries. The second phase will consist of additional country programs. The funding requests for these additional country programs will be presented for GEF work program entry on a rolling basis (under the procedures governing GEF-4 in the climate change focal area which is under the RAF) for additional countries who have expressed an interest and have requested that they join the global project. The preparation and approval of these additional country proposals will follow the normal GEF project cycle requiring Council approval for full-size projects exceeding US \$1 million and expedited MSP procedures with GEF Secretariat review and CEO endorsement for up to US \$1 million.

Second comment

Please provide details on the subprojects, for example, criteria for selection, fiduciary standards, common global environmental indicators, Council oversight, etc.

UNDP/UNEP Response

At this moment the documents for the subprojects in Algeria and Albania are finalized and are available on request and will also be posted next week on the web at this location:

http://www.unep.fr/energy/swhi_unofficial/ .

The **criteria for country selection** are discussed in paragraphs 55-58 of the Executive Summary, quoted below in italics for ease of reference:

“55. For countries seeking to enter the project during phase 2, the final selection will be made during the implementation of the first phase of the project. Once a request is received, a country assessment will be carried out that beside the outcome of the pre-screening exercise, statistical and other general country information will review the following (to be fine-tuned by the CEO endorsement):

- *existing policy framework*
- *tariff structure and other determinants of energy prices*
- *current size of the SWH market (\$ and m2)*
- *market potential across different sectors (domestic, hotels, public buildings, industry, etc)*
- *commercial maturity of the SWH value chain (manufacturers, importers, wholesalers, retailers, service organizations)*
- *local SWH system costs*
- *technology availability (flat plate, including selective surface, cover materials, vacuum tube, etc)*
- *standards and codes in use or under development*
- *economic comparison with electric, natural gas, LPG and other water heaters*
- *end-user profiles (water heating needs, habits, volumes), etc*

- *level of finance sector engagement (are domestic banks lending for SWH systems or to SWH vendors and, if so, under what terms and conditions; are they lending/leasing for other similar goods; are they interested in SWH lending; are they risk adverse to SWH; are they well capitalized; how indebted are their customers)*
- *available public incentives or other promotional policy measures for supporting the SWH market adopted by the Government; and*
- *existence of local NGOs, trade associations or governmental entities, who can act as local champions for the project.*

56. *Based on the country assessment and associated consultation process by building on the draft screening criteria discussed above, the project management team, together with the local stakeholders, will elaborate the country specific support needs to effectively support the SWH market growth. The government or other key local stakeholders (including, as applicable, the private sector) will be expected to provide cost-sharing for these activities with the overall, cost sharing ratio of at least 1:1.5, which is to be confirmed by letters. This applies also for the countries seeking to enter phase 1 of the project.*

57. *The overall funding to be leveraged by the project during its implementation for SWH investments is expected to be significantly higher - in the range of 1:10.*

58. *All the country specific funding requests will also need to be endorsed by the GEF Operational Focal Point of that particular country.”*

The criteria are used to determine whether the country provides an opportunity for barrier removal to trigger a market expansion contributing to the project’s global target. i.e. is the policy framework adequate or can it be changed? Is there a fossil fuel subsidy that can be removed or equally applied to SWH?

The **common global indicators** that are applied for the program as a whole and for the individual country programs are discussed in paragraph 44 of the executive summary as well as in the draft log-frames attached to the executive summary. Annex B-1 applies primarily for the global knowledge management component and the program as a whole, while Annex B-2 presents a template for defining consistent indicators for monitoring the progress and rate of success of the individual country components. On the basis of the available market information, the installed SWH capacity and the country specific penetration rates (measured as m2 per 1000 inhabitants) have been selected as the most accurate indicators to measure the market transformation rates that can be attributed to the project. These figures can, however, be easily transformed to avoided GHG emissions by using internationally agreed formulas and which information will be included into the annual Project Implementation Reviews.

As regards the question on the **fiduciary standards**, UNDP and UNEP standard financial management guidelines will be applied for the project. Concerning the Council oversight, please see the response under the previous question about the different project phases.

Third Comment

We don't agree that because this is a global project it doesn't need country endorsement letters. Other "global" projects have such endorsements, especially when there are only a few countries identified as being in the initial phase.

UNDP/UNEP Response

Country endorsement letters for three countries (Algeria, Albania and Chile) are on file and the ones for all the other countries seeking to participate phase I of the project are required and will be provided at the CEO endorsement together with the final project and country program documents, while for the countries seeking to join the project under Phase 2 (GEF-4), country endorsements are requested at the time they seek work program entry. Four country endorsements have been received to date Chile, Algeria, Palestine, and Albania. These will be posted at http://www.unep.fr/energy/swhi_unofficial/

Fourth Comment

How would countries be added to Phase 1 in the future, e.g. would there be standard criteria for selection? Why wouldn't the Council be asked to approve the addition of new countries?

UNDP/UNEP Response

Please see the responses under the previous questions. The preparation and approval of the additional country proposals will follow the normal GEF project cycle requiring Council approval for full size projects exceeding US \$1 million and expedited MSP procedures with GEF Secretariat Review and CEO endorsement for up to US \$1 million.

Fifth Comment

Finally, in light of recent events, will the Palestinian Authority participate in this project?

UNDP/UNEP Response

The existing policy framework is one of the key review criteria to judge the feasibility to proceed with the project activities in any particular country. The final decision, in the case of the Palestinian Authority, will be sought at the time of the CEO endorsement. We do note that there has to date been general acceptance by the UN Security Council that programs that directly benefit the population should go ahead – we see this project as specifically falling in that category.

Sixth Comment

This is an interesting project, but it also raises the same delegated authority issue. The responses to our questions suggested that the six country programs funded under this project would not be seen by the Council, but that additional country programs would follow normal project cycle requirements – requiring approval for full size projects exceeding \$ 1 m and expedited MSP procedures with the GEF Secretariat review and CEO endorsement for projects up to \$ 1m. We believe that the subprojects in the current project should also be seen by the Council. Therefore, we like to have greater clarity on this point. In addition, we object to including the Palestinian Authority as a beneficiary of this project.

UNDP/UNEP Response

It is expected that fully detailed work plans and project documents for each participating country will be ready at CEO endorsement. The first candidate countries for this are Algeria, Chile, India, Mexico and Lebanon, for which an initial market analysis has been conducted and with which, as

applicable, the negotiations on the finalization of the country components can be concluded on the basis of the criteria discussed later in this proposal. Co-financing commitments from many of these countries have already been received (see section “Financial Modality and Cost Effectiveness”). Initial discussions at various levels have also taken place with other interested countries.

With respect to the “delegated authority issue,” we defer to the GEF CEO since we understand this issue is to be discussed at the August 2006 Council Meeting. With respect to removal or substitution of countries from the global project, we would follow the decisions taken by the GEF Council and the GEF CEO.

GEF Secretariat Response

The approval of sub-projects by the CEO under delegated authority is one of the two corporate issues that was addressed by the Secretariat in the Cover Note (GEF/C.29/4) submitted to the Council as part of the August 2006 work program.

Climate Change: Regional (Ethiopia, Kenya, Malawi, Swaziland, Tanzania, Uganda, Sudan) : Cogen for Africa (UNEP) (GEF Grant : \$5.25 m)

Comment from the Council Member from the United States

The United States seeks postponement of the project proposal.

This project is aimed at promoting a self-sustaining cogeneration industry in Africa. As we understand it, the project plans to partially fund the implementation of 40 megawatts of modern and efficient cogeneration capacity as Full-Scale Promotion Projects over the next 6 years. It also proposes to support an additional 20 megawatts of projects through the provision of advice, services and training. While the United States supports the goals of the project, a number of activities appear to be outside of UNEP's mandate, e.g., developing cogeneration investment packages and promoting them; implementing full-scale promotion projects; putting together a portfolio of financing sources; creating/opening up innovative financing schemes, designing and recommending financing structures appropriate for cogeneration projects. Therefore, we believe that the project should be scaled down to focus on UNEP's core business or a joint implementation arrangement should be worked out with one of the multilateral development banks. In addition, we are opposed to including Sudan as a beneficiary of the project.

UNEP suggests that the Council may wish to approve the project with the following understanding:

“The Council's approval of this project is contingent upon UNEP securing agreement prior to CEO endorsement from the World Bank/IFC or one of the regional development banks with direct access to the GEF to jointly implement the project. If after one year UNEP has not found a partner from among such GEF financial institutions, the project is to be removed from the work program and returned to the pipeline until an appropriate partner can be found”.

GEF Secretariat Response

The comparative advantage of UNEP to undertake investment activities raised above is one of the two corporate issues that was addressed by the Secretariat in the Cover Note (GEF/C.29/4) submitted to the Council as part of the August 2006 work program.

Climate Change: Regional (Burundi, Kenya, Malawi, Mozambique, Rwanda, Tanzania, Uganda, Zambia) : Greening the Tea Industry in East Africa (UNEP) (GEF Grant : \$2.85 m)

Comment from the Council Member from the United States

The United States seeks postponement of the project proposal.

This interesting project would seek to promote investments in small hydropower projects for the tea industry through the creation of a \$24 m fund (Clean Energy Fund for Agroindustry in Africa), under the potential leadership of the Triodos Bank of the Netherlands and other institutional investors. While the project appears to be well thought through and structured, we are concerned that it is beyond UNEP's mandate and therefore request that UNEP narrow the scope to focus solely on technical advice or work on a joint implementation arrangement with one of the multilateral development banks to ensure adequate fiduciary oversight. In addition, we do not believe that the monitoring and evaluation framework, as laid out in the logical framework, is adequate since it does not specify targets and is not time bound.

UNEP Response

As far as the project logframe is concerned, UNEP is liaising with the US Council Member and has provided the draft updated logframe with quantitative indicators. This updated logframe will be provided at submission of the project document for CEO endorsement.

UNEP suggests that the Council may wish to approve the project with the following understanding:

“The Council's approval of this project is contingent upon UNEP securing agreement prior to CEO endorsement from the World Bank/IFC or one of the regional development banks with direct access to the GEF to jointly implement the project. If after one year UNEP has not found a partner from among such GEF financial institutions, the project is to be removed from the work program and returned to the pipeline until an appropriate partner can be found”.

GEF Secretariat Response

The comparative advantage of UNEP to undertake investment activities raised above is one of the two corporate issues that was addressed by the Secretariat in the Cover Note (GEF/C.29/4) submitted to the Council as part of the August 2006 work program

Climate Change: Argentina : Energy Efficiency (World Bank) (GEF Grant : \$15.16 m)

Comment from the Council Member from the United States

The United States seeks postponement of the project proposal.

It seems premature to move forward with this “demand-side” energy efficiency project until the Government implements the promised 2006 increases in electricity and natural gas prices. The price mechanism should play an essential role in giving businesses and residential consumers strong incentives to use energy more efficiently. Before GEF moves forward with the proposed guarantee facility and contingent grant facility to encourage commercial bank lending for energy efficiency investments by businesses, it needs more time to get a more complete understanding of the status of proposed price increases and the price increase’s impact on energy usage patterns.

World Bank Response

Energy retail prices that reflect the costs of service are a key incentive to induce efficient use of energy by consumers, as well as to support adequate investment levels in the energy sector. Given the scale of funding, the project does not and cannot address overall sector issues - in particular energy price adjustments. The proposed energy efficiency project would strengthen and complement price incentives by addressing non-price related barriers, i.e. financial, regulatory, information and market barriers and by supporting the development of the market of energy efficiency services and products. The resulting improvements in energy use would contribute to mitigate the impacts of ongoing and future energy tariff adjustments on customers and the economy at large, and to improve the sustainability of the energy sector.

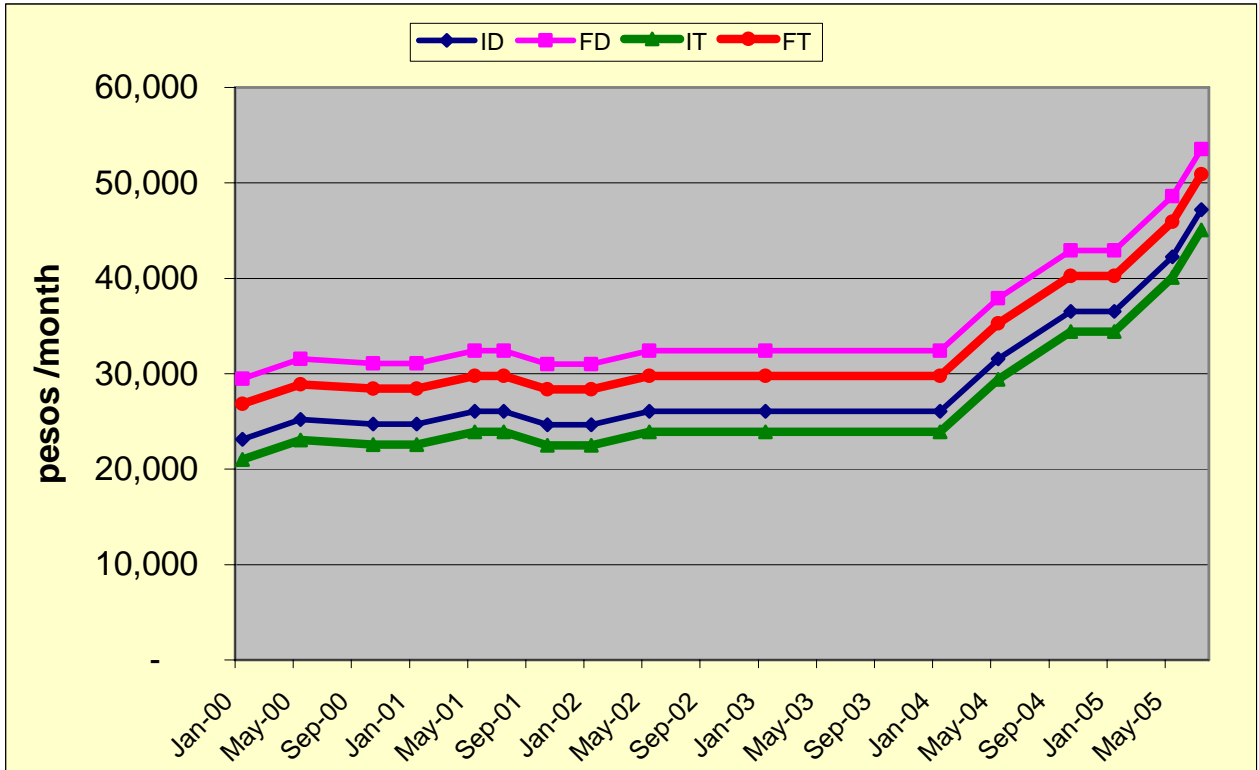
It is worth noting that electricity and gas retail prices have already increased significantly since 2002 in the industrial and commercial sectors which are the target of the main component of the project through the Energy Efficiency Guarantee Fund. Nominal retail prices of natural gas have about doubled for industrial consumers (see graph 1 in the annex, for the Buenos Aires area). Nominal retail prices of electricity have increased by about 50% for industrial and commercial consumers, and even more in provinces than in the Buenos Aires area (see graphs 4 to 8). This is the result of significant increases in real prices of natural gas at wellhead and generated electricity (see graphs 2 and 3).

The Government established in 2004 a reward and penalty program to provide incentives for electricity and natural gas savings, which applies to most consumers.

The EE project component that targets residential consumers will be essentially financed and fully implemented by the two major private electricity utilities (Edenor and Edesur), which have expressed in writing their commitment to that effect.

Annex
Data on energy prices for the GEF Council review

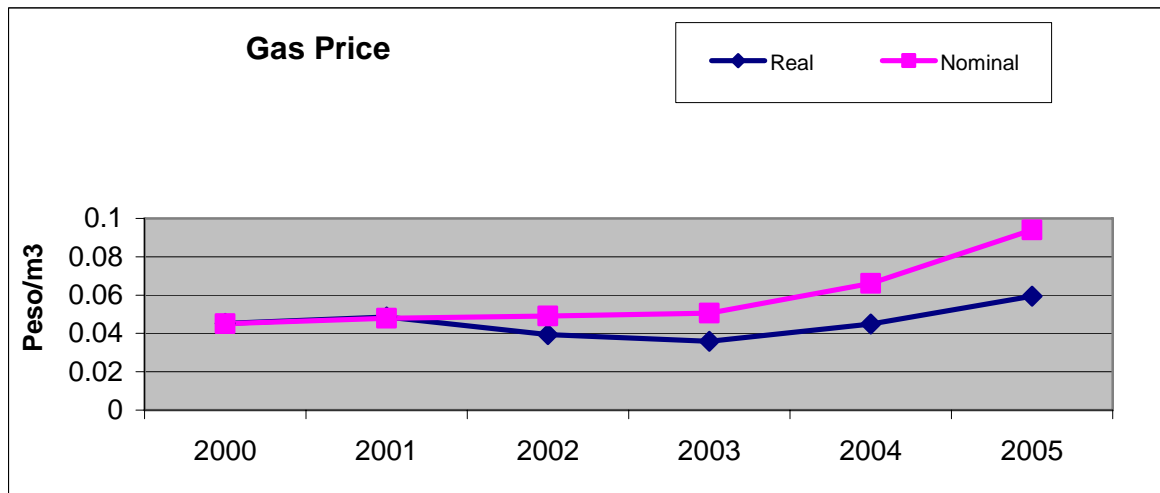
**1. Natural Gas Monthly Bill (nominal), per category of industrial consumers (Pesos) –
 Metrogas (Buenos Aires)**



Source: ENARGAS

Notes: 1/ I refers to interruptible supply and F to firm supply, while D refers to supply from a distribution company and T to supply directly from the transport network. 2/ Monthly bill based on a consumption of 10,000 m³/day

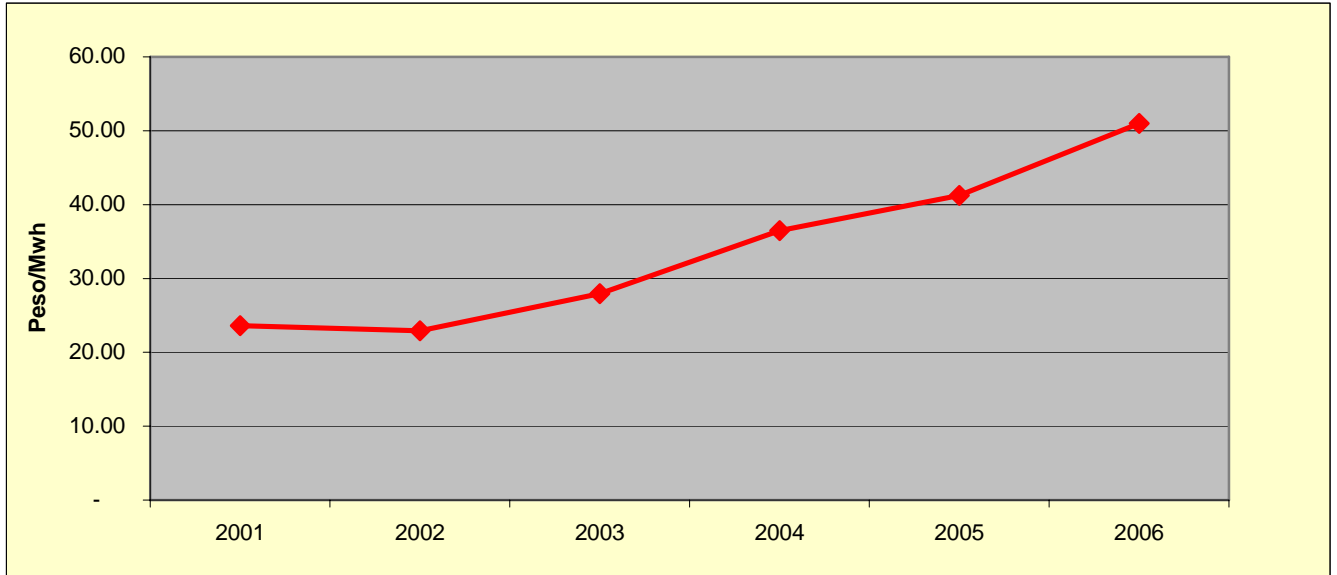
2. Natural Gas Prices (nominal and real) – Metrogas (Buenos Aires)



Source: Enargas

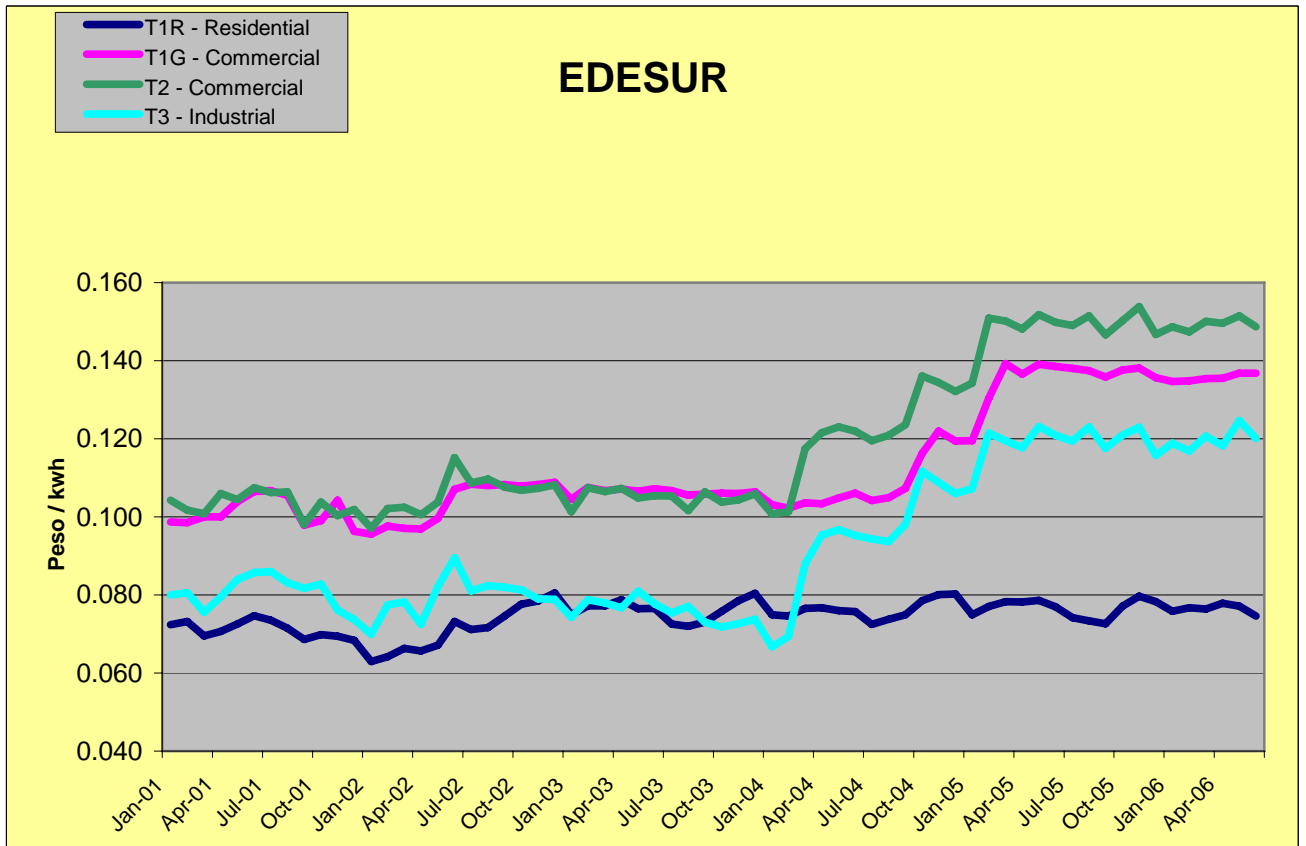
Note: Real prices are deflated by CPI

3. Electricity Generation Average Prices (real)



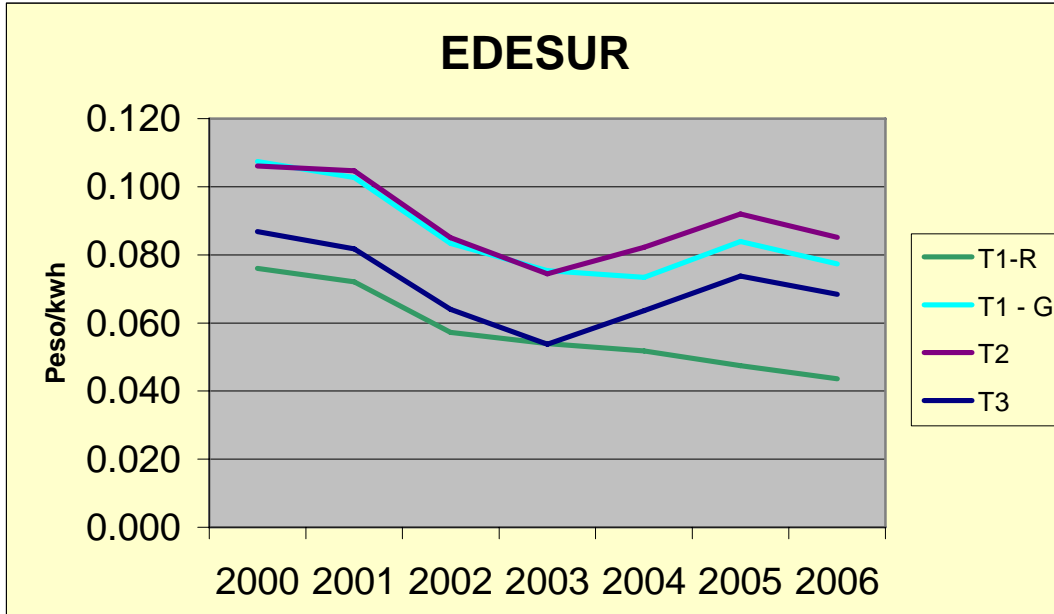
Source: CAMMESA

4. Electricity Retail Prices (nominal), per consumer category – EDESUR (Buenos Aires)



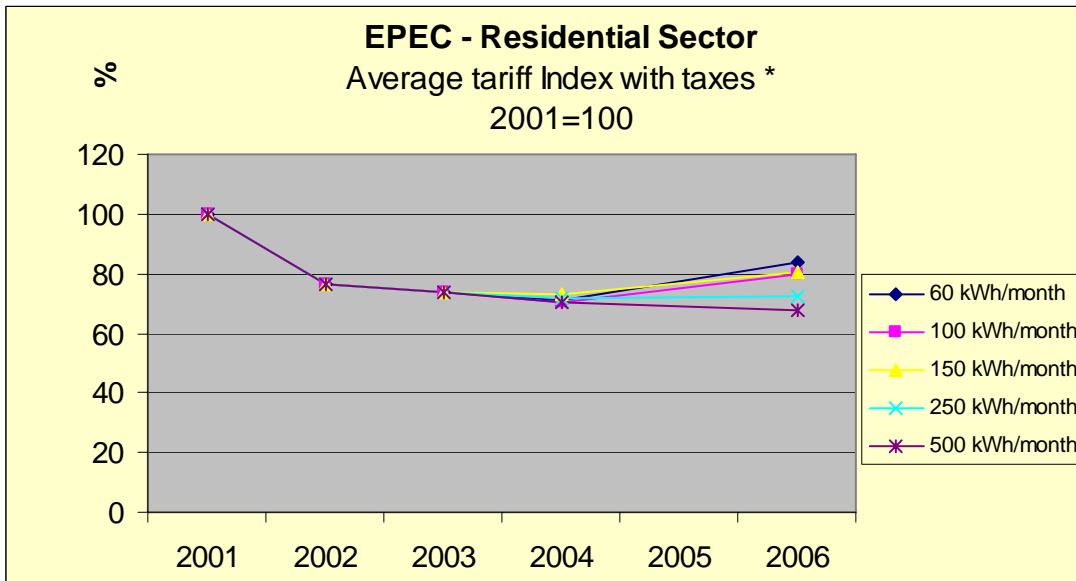
Source: EDESUR

5. Electricity Retail Prices (real), per consumer category – EDESUR (Buenos Aires)



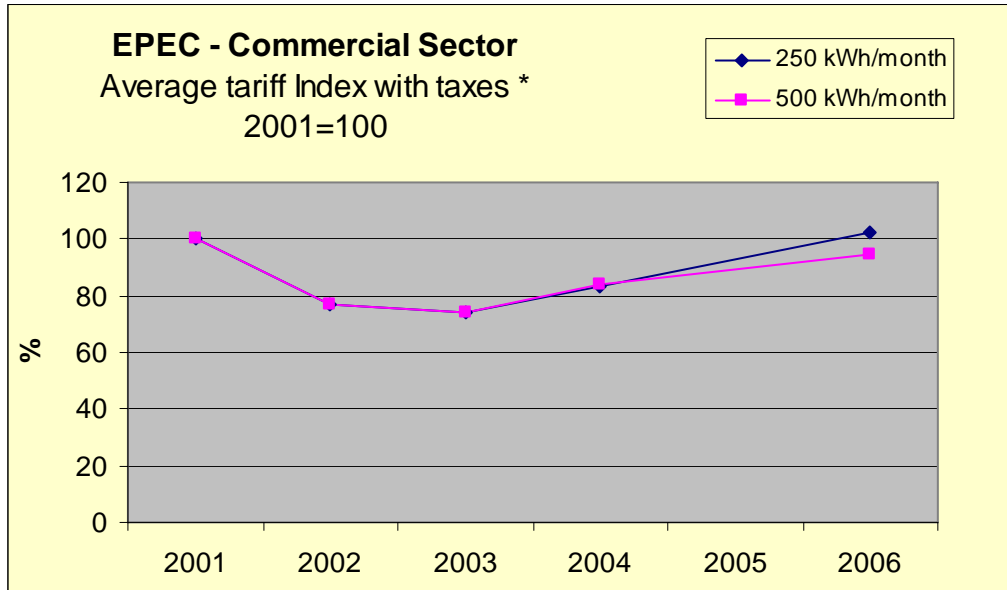
Source: EDESUR

6. Electricity retail prices (real) for residential consumers – EPEC (Córdoba)



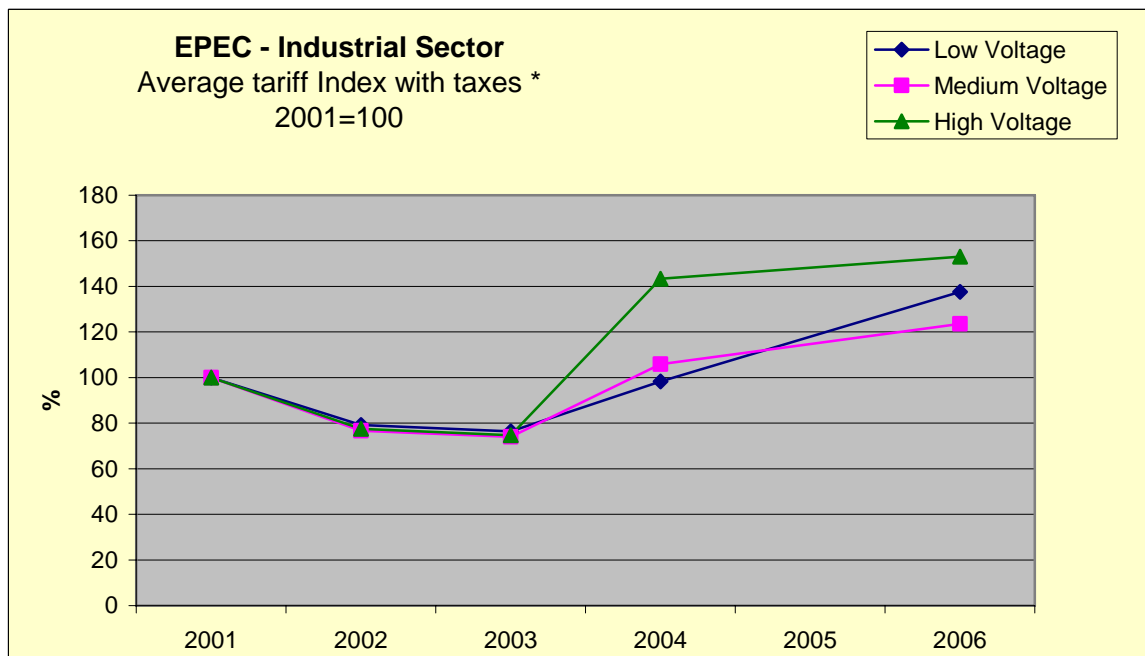
Source: EPEC

7. Electricity retail prices (real) for commercial consumers – EPEC (Córdoba)



SOURCE: EPEC

8. Electricity retail prices (real) for industrial consumers – EPEC (Córdoba)



Source: EPEC

**Climate Change: Egypt : Bioenergy for Sustainable Rural Development (UNDP)
(GEF Grant : \$3.00 m)**

First Comment from the Council Member from France

Rural electrification in Egypt has improved considerably and 92.4% of rural household are now connected to the national grid. The remaining households (about 520,000) mainly situated in the poorest villages of the country are using kerosene or LPG lamps for lighting. At the same time, a significant share of agricultural wastes (straws, rice husk, leaves, shell nuts, etc) are left in the open air or burnt outside generating heavy smokes at the harvesting time. The project proposes to valorize these wastes into energy using biomass energy technologies (BET) such as individual or collective biogas plants, gasifiers or biomass boilers.

The project objective is “to facilitate and accelerate the market development for new BET in Egypt, thereby promoting the sustainable socio-economic development of the rural communities in Egypt and reducing the negative global and local environmental impacts associated with the use of fossil fuels and the environmentally not sound management of the agricultural waste”.

The project address a significant issue for Egypt which is the valorization of large quantities of agricultural wastes using biomass energy technologies which are operational elsewhere in developed or developing countries like India or China. The project document, nevertheless, in its present shape, is not fully convincing for the following reasons:

The project document remains at general levels with limited information and data;

UNDP Response

More detailed information and data has been added into the proposal, in particular with regard to the economic and financial analysis of the biomass technologies. These can be made available if required. The final details of the project implementation and financing arrangements are expected to be finalized by the CEO endorsement.

Second Comment

The project underlines the numerous barriers, which are existing in Egypt to succeed in implementing a large biomass energy dissemination project but does not convince the reader that the proposed approach is relevant to address them;

UNDP Response

Please see the table below.

Identified Barriers (for futher details, see section “Barrier Analysis” of the Executive Summary)	Project Strategy to Address the Barrier
Weak policy framework to promote bioenergy, including low, subsidized prices of competing fossil fuels and electricity.	Outcome 2: An enabling policy framework effectively promoting rural bioenergy development adopted. A main component of the project is to enter into policy dialogue with the key decision makers to develop the existing policy framework to be more favorable for bioenergy. For effectively doing that, however, concrete success stories are required demonstrating

	<p>the social, environmental and economic benefits as well as the financial feasibility of BETs. This is envisaged to be done under Outcome 1 of the project. As stated also in section “Sustainability”, sometimes results at the practical side are needed, before the necessary changes at the policy level can be effectively promoted and implemented.</p> <p>As regards the subsidized prices of competing energy sources, the government has adopted a policy to gradually increase the energy prices, which is expected to improve the competitiveness of BETs. Since 2004, electricity tariffs have gone up by 5% per year. The prices of petroleum products have been raised as well, the latest change being from July 2006 with the price of diesel increased by 25% and the price of gasoline by 30%.</p>
Low level of co-ordination between the different agencies supporting rural development (incl. improved access to energy) and low integration of renewable energy sources in those activities.	Please see section “Stakeholder Involvement” in the Executive Summary and the “Stakeholder Involvement Plan” in the draft Project Document as well the more detailed UNDP response under the comment # 4 about project organization.
Lack of access to longer term (5-10 years) financing options	<p>Co-operation with SFD being a specific and already established financing entity supporting socially and environmentally beneficial projects.</p> <p>With the initial GEF participation, the project is seeking to facilitate the demonstration of the social and environmental benefits and, in particular, the credit worthiness of BET projects, which is expected to gradually encourage the SFD and, as applicable, also other financing entities to develop financing products that are better suited to the needs of BET investments. This is also supported by the project’s TA activities (among others, under output 4.3)</p>
Inadequate capacity and business skills of the local entities to professionally develop the BET market and to leverage financing for that.	Strengthening the capacity and business skills of the local entities belongs to the key activities of the project. For further details, see the outputs under Outcome 3 and 4 in the logical framework matrix.
Lack of information and the associated lack of experience and trust on the performance of BET systems, affected also by the failure of many earlier projects.	The project as a whole, the critical element being the successful implementation of the first investment projects under Outcome 1.

Third Comment

The project does not assess clearly the economics of the proposed biomass technologies and stresses that existing government subsidy on LPG and kerosene will make these technologies unviable without subsidy. It stresses also that their typical pay-back period will be longer (15 years) than usual investment projects in the rural Egyptian sector and that the target population

will meet difficulty in obtaining long term loans taking into account their poverty. Furthermore, the 93% rural electrification rate of Egypt makes the viability of the proposed biomass technologies more difficult;

UNDP Response

The concerns of the French Council member have been noted and will be taken into account. We would like to clarify that:

A. An economic and financial analysis has been made for all the proposed technologies and the results are summarized in Part IV of the project document. To address the comment raised, the following tables will be incorporated into Part IV providing additional data and information on the economic indicators of the BETs to be promoted.

Table IV-2 Main financial parameters for household digester system

	Amount (LE/a)	Unit cost (LE/u)	Units/a
Investment I ₀ (LE)	4,000		
Operation & Maintenance (5% of I ₀)	200		
Biogas (m ³)	603	0.54	3.1
Fertiliser (t)	250	160	1.56
Net annual cashflow	653		
Project lifetime (years)	15		
Simple payback period (years)	6.1		
IRR	14%		

Table IV-3 Main financial parameters for community digester system – gas for electricity production

	Amount (LE/a)	Unit cost (LE/u)	Units/a
Investment I ₀ (LE)	94,560		
Operation & Maintenance (10% of I ₀)	9,456		
Electricity (kWh)	15,485	0.51	30,401
Fertiliser (t)	4,352	27.2	160
Net annual cashflow	10,381		
Project lifetime (years)	15		
Simple payback period (years)	9.1		
IRR	7%		

Table IV-4 Main financial parameters for community digester system – gas as fuel replacement for direct use

	Amount (LE/a)	Unit cost (LE/u)	Units/a
Investment I ₀ (LE)	52,800		
Operation & Maintenance (10% of I ₀)	5,280		

Biogas (m3)	7,092	0.30	65.7
Fertiliser (t)	4,352	160	27.2
Net annual cashflow	6,164		
Project lifetime (years)	15		
Simple payback period (years)	8.6		
IRR	8%		

Table IV-6 Financial parameters of a farm scale digester system

	Amount (LE/a)	Unit cost (LE/u)	Units/a
Investment	500,000		
Operation & Maintenance	50,000	10%	500,000
Manure alternative cost	33,333	75	444
Electricity value	67,528	0.51	132,407
Fertiliser value	33,440	160	209
Net cashflow	17,634		
Project lifetime (years)	15		
Simple payback period (years)	28.0		
IRR	-		

Table IV-8 Financial parameters of biomass gasification system

	Amount (LE/a)	Unit cost (LE/u)	Units/a
Investment	2,500,000		
O&M costs	250,000	10%	2,500,000
Fuel cost	142,857	50	2,857
Electricity value	764,274	0.34	2,250
Income from CERs	61,867	62	
Net cashflow	433,285		
Project lifetime	15		
Simple payback period	5.8		
IRR	15%		

B. In the Executive Summary (pages 3-4), it is stated that “in selected market areas the bioenergy technologies can be economically justified even in the current, quite challenging market environment with subsidized fossil fuel and electricity prices, but the non-availability of suitable long term credits is still posing a barrier to financing BETs”, which is one of the barriers the project is trying to address. Furthermore, it is stated on page 4 that the pay-back period of bioenergy technologies to be supported is typically between 5-10 years, as opposed to 15 years.

As regards the comment on the rural electrification rate, it is true that significant progress has been made in Egypt in electrifying rural areas, but it is also to be taken into account that the capacity of the grid is typically adequate only for lighting purposes leaving, among others, cooking and water heating for other fuels such as kerosene and butane gas. Furthermore, there are still several villages, which either do not have access to even basic electricity services or are suffering severe black and brown outs and thus have been exploring the possibilities to install diesel generators either on their own or with outside donor assistance. These villages will be the targeted by the project by trying to promote more environmentally friendly alternatives.

C. The situation with the fuel subsidies has been taken into account and discussed, among others, in sections “Barrier Analysis” and “Sustainability” of the Executive Summary. The Government of Egypt has recognized the need to reduce the high subsidies for conventional energy sources, but given the sensitivities associated with their removal; this cannot happen “overnight”. The project design reflects these realities by taking into account:

- according to the stated Government policy, subsidies on electricity and fossil fuels are sought to be gradually removed with a decision already taken to increase the electricity tariffs by 5% annually; and
- on the basis of the pre-feasibility studies conducted during the project preparatory phase, there are market areas, in which - even in the current market environment with subsidized fossil fuel and electricity prices - new bio-energy technologies such as biogas can be economically feasible with a payback of 5-10 years⁶;

In parallel, the project seeks to support the development and adoption of a more supportive policy framework to extend the bio-energy market, including:

- recognition of bio-energy technologies (BET) and other renewable systems in official Government documents as the first option to be studied and considered for meeting rural energy needs, whenever technically and economically feasible;
- creation of a more level playing field for BET systems to compete with subsidized fossil fuels and, as applicable, introduction of eventual additional financial or fiscal incentives to support BETs on the basis of their socio-economic and environmental benefits

This is particularly addressed under Outcome 2 of the project.

The project will provide the required platform for entering and continuing the dialogue with the key decisions makers on the required policy changes with the aim to facilitate the adoption of these changes by the end of the project on the basis of their national economic and social benefits. In order to do that, however, concrete and tested technical solutions and institutional and financing models need to be provided, which is supported by component 1 of this project. Recognizing the difficulties in trying to rapidly remove the fossil fuel subsidies and the limited impact the GEF project alone can have there, the goal during the transition period will be to encourage the Government to at least redirect a part of those subsidies for more environmentally friendly technologies such as bioenergy.

As regards the risk that the diesel generators, which are initially installed to run on biogas, are later converted to run on fossil fuels, it is to be noted that the investments costs of the diesel generators will not be covered by GEF financing, but the project is looking forward to work on sites, where they are running or would be installed anyway. In other words, the end user equipment such as diesel generators or gas stoves, which can either use biogas or fossil fuels,

⁶ The economic and financial feasibility of different biomass energy technologies was studied during the PDF-B phase of the project and the results have been summarized in the project document. In summary, proper site selection is essential, including areas currently having problems with access to energy and identification of beneficiaries able to pay for the service provided on the basis of avoided higher costs of competing energy sources such as kerosene, LPG, diesel or electricity produced by diesel generators or purchased from the grid at higher commercial rates. In some locations the people are already paying higher prices, e.g. for LPG, which can go up L.E. 7-10 per cylinder, depending on the availability and distance from the distribution center. The official subsidized price is L.E. 5 per cylinder of 8 kg.

present baseline investments, which would be made even in the absence of the GEF project and for which no financial contribution of the GEF is expected.

Obviously, there is always a risk associated with bioenergy systems that for one reason or another, the targeted communities will go back to using diesel, LPG or kerosene instead of biofuels. This would mean, however, that the development would just follow the anticipated baseline development rather than being counterproductive in terms of actually increasing the GHG emissions compared to the baseline. It is also to be noted that the costs of diesel and other fossil fuels have been gradually increasing, including the latest 25% increase of diesel in July 2006, thereby making the use of these fuels less attractive.

Fourth Comment

The project organization is also not convincing. Apparently, there is no strong leading organization to ensure its success; its decentralized character makes its success even more difficult. The document underlines also the lack of coordination existing between organizations dealing with rural development in Egypt. The involvement of the business industry and the financial sector is not either demonstrated;

UNDP Response

The executing agency of the project is the Egyptian Environmental Affairs Agency, which is effective in what it does. The current, lack of co-ordination between organizations dealing with rural development in Egypt has been recognized as a barrier, but also as something that the project can and is planning to address. As an example, the project is looking forward to close co-operation with the joint UNDP, Egypt, Canada and Netherlands Municipal Initiatives for Strategic Recovery Project taking a more holistic and beneficiary driven approach to rural development. The incremental value of the project lies in bringing the biomass utilization opportunities under consideration, while in the baseline case the rural development initiatives such as MISR would mainly support activities improving rural access to energy by relying on the use of fossil fuels.

As regards organizational co-ordination, the EEAA will have a specific responsibility to liaise with other organizations dealing both with rural development and renewable energy. Before having the concrete framework provided by the project with some basic first step approval by the GEF, however, entering into more concrete discussions on this matter is not likely to yield very high results. For further details about the institutions to be involved, please see the Stakeholder Involvement Plan in Annex IV of the draft project document.

The business industry and the financial sector as well as NGOs will be fully involved and this has been demonstrated in the Stakeholder Involvement Plan as well as by the Letters of Intent attached to the project submission. From the financing perspective, one of the institutions to be involved, namely the Social Fund for Development (SFD), is one of the most potential, long term sources of financing for the type of investments the Project is promoting.

Finally, the project activities are expected to lead to the establishment and strengthened capacity of a Biomass Energy Association (output 4.2), which can continue to serve as a focal point in promoting increasing use of bioenergy also after the project.

Fifth Comment

The financing plan seems in part virtual; it is difficult to understand how a decentralized financing system will be set up practically to support individual projects;

UNDP Response

We are slightly unclear by the term “decentralized financing system” above, as no such terminology is used in the proposal. If it refers to the fact that the project will not rely on single source financing, but seeks to leverage financing from different public, private and semi-private financing sources, this is indeed the case. We believe that this is in line with general GEF objectives as well as with normal business practices in structuring financing for investment projects.

Strong financing partners (such as the SFD) have already been identified. As the negotiations with them are still underway (basically pending some demonstrated progress with the approval of the envisaged GEF participation), it has not yet been possible to present fully fledged financing plans for individual projects at this stage, but additional details can be presented in the final project document to be submitted for CEO endorsement. The basic criteria for the envisaged GEF financing support, however, are discussed on page 16 of the Executive Summary in section “Financial Modality”. We hope this will be considered as adequate at this stage together with the Letters of Intent provided by the envisaged key financing partners such as the SFD to co-operate with the project.

The GEF support will be offered through a specifically established Bioenergy Support Fund (BESF), the management of which will be trusted with an already existing financing entity in Egypt. This entity will be selected at the outset of project operations on the basis of the most competitive offers and fit with the other operations of that entity. SFD will also be one promising candidate for that. If selected, the already well established SFD loan application and lending procedures could be utilized to a great extent.

Sixth Comment

There is also no demonstration of the social acceptability of the proposed technologies which are time consuming (water supply for digester, handling and transport of the wastes, storage of the wastes between harvest seasons). The competition of agricultural waste for other uses in particular as fertilizer seems in particular underestimated.

UNDP Response

The social acceptability of the proposed technologies and the small (family) scale biogas digesters, in particular, can be demonstrated by the successful projects supported by the local NGOs indicating that with appropriate technical backstopping, implementation and financing mechanisms in place, the systems will be accepted and operated by the local beneficiaries on a sustainable basis.

As discussed in the project document (paras 65-72), a common reason for the failure of many earlier donor driven bioenergy projects both in Egypt and elsewhere has been that: a) the systems installed have been largely financed by grants without creating the feeling of full ownership and responsibility among the targeted beneficiaries; and b) there has been inadequate follow up and technical backstopping after the construction period, resulting that in the absence of proper maintenance and operation, the performance of the biogas system has started to deteriorate leading later to the abandoning of the system as a whole. The lessons learnt from these earlier activities have been taken into account in the project design seeking to ensure that sustainable mechanisms will be in place for proper technical backstopping and follow-up also after the

construction of the plants, among others, by supporting the establishment of the business of professional “Bioenergy Service Providers”.

Due to the higher nutrient value of the effluent of the biogas digesters compared to the original animal manure, the competition of agricultural waste for other uses such as fertilizers is not expected to become a barrier, as the digester effluent is very suitable and valuable fertilizer in itself and may actually reduce the need to use of expensive chemical fertilizers and/or provide an additional source of revenue for the owner of the digester when selling the effluent as fertilizer.

Seventh Comment

Approval is subject to precisions above listed; on the whole, the project document, while addressing an interesting topic, needs a better focusing with a comprehensive approach taking into account the difficulty of technology dissemination in the rural sector and the failure of many similar projects elsewhere.

UNDP Response

We fully recognize the challenges faced by the project and we are willing to develop the project and its presentation further. We hope that the responses above and the additional information included into the proposal will provide clarification on the comments raised, thereby facilitating Work Program entry and further elaboration of the project’s implementation and financing arrangements for CEO endorsement.

Climate Change: Egypt : Sustainable Transport (UNDP) (GEF Grant : \$6.90 m)

Comment from Council Member from Japan

Among extraordinary number of project proposals, Japan would like to request further consideration in the GEF Council on the project number 35 in particular. It is mentioned in Paragraph 109 of Executive summary that GEF fund will cover some lost revenues. Although this risk sharing instrument will only share risks on 50-50 basis, thereby maintaining the incentive for the selected service provider to minimize the losses, we wonder whether it is justifiable to be included as the incremental cost for global environment.

According to the GEF funding modalities in Paragraph 106, the proposed risk sharing instrument is classified as non-grant (partial risk guarantees) instrument, whereas repayment scheme is not clearly stated in this summary. Therefore, Japan would request detailed explanation on this and to be reviewed by Council for approval.

UNDP Response

In the absence of GEF support and the associated stakeholder mobilization and financial leveraging, no concrete action to promote the proposed public transport improvements is expected to take place. One of the key identified barriers to the successful introduction of the proposed new public transport services are the uncertainties and high financial risks associated with the first year of operation. The project will overcome this barrier by covering up to 50% of the operational risk of the first year of service, only if revenues do not reach the identified threshold. After the first year, the operational risk will be transferred solely to the service provider. In this way, GEF funds will be used in a manner that is catalytic, sustainable and incremental.

With regards to the payment schedule, for the targeted beneficiaries the required payment is made retroactively (after the first year operation) on the basis of an independently verified claim, as elaborated in further detail in Annex I. Any unused funds allocated to the Partial Risk Guarantee mechanism will be returned to the GEF Trust Fund at the project closure. These clarifications have also been added to the executive summary and the draft project document. We would like to refer to Annex I attached to these responses, for a more detailed explanation which we would hope would be adequate at this stage.

ANNEX I

DRAFT CRITERIA AND JUSTIFICATION FOR THE PROPOSED GEF FUNDING ALLOCATION TO OVERCOME THE BARRIERS RELATED TO THE FINANCIAL RISKS OF INTRODUCING THE CONCEPT OF NEW, HIGH QUALITY INTEGRATED PUBLIC TRANSPORT SERVICES FOR CAIRO AND ITS SATELLITE CITIES UNDER OUTCOME 1

Incremental Reasoning of Activities under Outcome 1: Making GHG emission reducing (public) transport modes more attractive. Due to the disintegrated and low quality public transport services with low social status, the people normally switch to the use of private cars as soon as they can afford it. This component is addressing the medium or higher income part of the population, who in principle would be in the favor of using more public transportation instead of a private car, if fast, comfortable and (in the case of connecting journeys) with other transport facilities (and the metro in particular) well integrated public transport services are available. The GEF is requested to share the incremental costs of this effort by covering the costs of selected technical assistance activities discussed in further detail in the body of executive summary (paragraphs 24-36) and by sharing the initial financing risks of introducing these new services with the aim to leverage private sector financing for the actual investments. In the absence of the GEF support and the associated stakeholder mobilization and financial leveraging, no concrete action to promote the proposed sustainable public transport concepts is expected to take place or it will be considerably delayed.

The global benefits: 290,000 tons of CO₂ emissions reduced over the next 20 years as a direct result of successful implementation of proposed pilot projects and an estimated 600,000 tons of reduced CO₂ through successful replication in Cairo, Alexandria and their satellite cities.

On the basis of the studies and consultations conducted during the project preparatory phase, some of the identified key barriers to the successful introduction of the proposed new public transport services were concluded to be the uncertainties and high financial risks associated especially with the first year of operation. Despite the market analysis done, there is no certainty about the actual number of passengers, which the new service can attract, while at the same time the operator is required to provide a satisfactory service with adequate number of premium busses and service interval from the very beginning. In order to overcome this barrier, the GEF is requested to share this financial risk by an arrangement discussed in further detail below.

As an alternative to the proposed risk sharing arrangement, a corresponding grant could have been requested as an up-front market incentive to improve the financial attractiveness of the project, thereby encouraging the operator and private investor to take a higher risk himself. From the GEF point of view, however, the proposed partial guarantee arrangement is considered as more cost-effective with a possibility to continue to use the funds for replication and/or of returning the unused funds to the GEF. The basic criteria and guidelines for the use of the requested GEF contribution are briefly discussed below.

It is also to be highlighted that by its basic philosophy to share the risks and eventual losses of the targeted financiers, who are investing in technologies and/or service models that are in line with the market transformation goals of the GEF, the proposed risk sharing arrangement does not fundamentally differ from the purpose of those other new financing modalities such as contingent grants or partial guarantees, which have been successfully introduced in several other GEF projects as a preferred alternative to direct grant support or GEF investment subsidies.

The draft criteria for the use of the proposed guarantee arrangement are as follows:

- (a) The purpose of the guarantee is to share the risk and thereby encourage the introduction and financing of new high quality, integrated public transport services for Cairo and its satellite cities;
- (b) The involvement of the private sector will follow the established procedures of UNDP and the Government of Egypt, which require a public bidding for any concessions to be given by the public sector. The operating license will be given and the contract will be signed with the service provider, who will meet the requirements and expected level of service set forth in the RFP (Request for Proposals) at the lowest costs (i.e. the tariff and the required risk sharing allocation);
- (c) At a maximum, the GEF funds can cover up to 50% of the first year operational risk of the selected service provider, associated with the uncertainties related to the amount of passengers, who can be attracted to use the new service. In case the number of passengers are lower than the estimated threshold to make the service financially feasible (to be specified in the bidding documents), GEF funds can be requested to cover up to 50 % of these lost revenues. It is important to note that the proposed risk sharing instrument will not assume the whole risk of lower than expected revenues, but will only share this risk on 50-50 basis, thereby maintaining the incentive for the selected service provider to minimize the losses. After the first year, the operating risks will remain entirely with the service provider;
- (d) No payments to the selected service provider will be made upfront, but only on the basis of a justified and independently verified claim providing evidence on the actual number of passengers, who have been using the new service and, as applicable, the related losses. This will also be independently and separately monitored by the project;
- (e) If the first pilots are successful and the GEF resources are not needed for compensation of the losses, the released resources can be used, if needed, to promote replication in other cities (as the guarantee is only for the first year of operation). Any unclaimed resources through the proposed risk sharing arrangement will be returned back to the GEF Trust Fund at the project closure.

Based on the preliminary feasibility study and financial analysis of the proposed new bus services, the funds to be allocated for this risk sharing are US\$ 990,000. This has been determined on the basis of the minimum number of passengers and corresponding revenues that the new service needs to attract to make the service financially feasible, which has been estimated at 6,000 a day for pilot # 1a, 2,500 a day for pilot 1b and 5,000 a day for pilot 1c under Outcome 1.

The annual revenues corresponding with these passenger levels is US\$ 1,040,000 for pilot 1a, US\$ 160,000 for pilot 1b (which together make Output 1.1) and US\$ 780,000 for pilot 1c (which makes output 1.2).

The GEF guarantee is requested to cover up to 50% of the eventual losses, which are due to lower than expected revenues during the first year operation.

Land Degradation: Regional (Kazakhstan, Kyrgyzstan, Turkmenistan, Uzbekistan, Tajikistan): Central Asian Countries Initiative for Land Management (CACILM) Multi-country Partnership Framework, Phase 1 (ADB) (GEF Grant : \$20.00 m)

Comment from the Council Member from the United States

The United States seeks postponement of the project proposal.

This is a very promising proposal and one that we support. However, again this is a delegated authority “umbrella” project and there is not sufficient clarity on whether or not the Council will see the subprojects prior to CEO endorsement. In addition, we think it will be hard for the project to have substantial impacts in Uzbekistan, given the governance concerns in the country. While the Asian Development Bank has agreed to allow the Council four weeks to review subprojects, the Secretariat has not yet agreed to this. Therefore we have no choice but to postpone.

ADB Response⁷

Special attention will be given to ensure that the governance concerns raised with respect to Uzbekistan to not interfere with achievement of both global and local project benefits in that country. The program’s design remains flexible, allowing activities in each country to move forward at a pace consistent with national capacity and progress with other enabling conditions.

GEF Secretariat Response

The approval of sub-projects by the CEO under delegated authority is one of the two corporate issues that was addressed by the Secretariat in the Cover Note (GEF/C.29/4) submitted to the Council as part of the August 2006 work program.

⁷ ADB responded to additional comments made by the United States during the previous Work Program review, and the US response indicates that these issues have been adequately addressed.

Land Degradation: Burkina Faso : Partnership Programme for Sustainable Land Management (CPP), Phase 1 (UNDP) (GEF Grant : \$9.65 m)

First Comment from the Council Member from the United States

The issue on the balance between prevention and restoration of severely degraded lands relates in part to the incremental cost issue, and I appreciate your assurance that GEF would be used to disseminate, extract lessons, monitor results and develop financing mechanisms (will GEF money be in those mechanisms?). But it's also the overall emphasis of the project. Restoration can be costly, even futile, if degradation is severe enough (just look at parts of US dust bowl 50 years after massive restoration). Is there an adequate balance between prevention and restoration so that doesn't come at the expense of prevention efforts in other parts of the country?

UNDP Response

On the issue of land rehabilitation vs. prevention of land degradation: The CPP will follow existing guidance from the GEF Secretariat and the Millennium Ecosystem Assessment that states that GEF funds will not be used directly for investing in land rehabilitation because of the high costs of such investments. The four sub-projects of the Burkina CPP are in zones that are not severely degraded. They are lightly to moderately degraded, but subject to very high pressure and therefore it is important to focus on prevention in these sites. These zones were chosen especially because GEF funds are for prevention not restoration. GEF funds in the Burkina Faso CPP therefore will be used to develop knowledge and capacity for prevention of land degradation, and not to invest in actual large-scale restoration. Furthermore, this will not be at the expense of prevention efforts in other parts of the country. Replication beyond the four sub-programmes is expected to be covered with additional funds to be requested for phases 2 and 3.

On the issue of GEF money being used for financing mechanisms: GEF funds will be used only to cover the cost of preparing trust fund or leveraging other financing mechanisms, not for capitalizing them.

Second Comment

From the US cover letter to the GEF Secretariat “.....Delegated authority may well be an efficient and effective way to utilize GEF resources in certain cases, but only as long as the case for doing so is clear, and compelling, the rules and procedures under which authority is delegated are clear, and there are adequate provisions for oversight, transparency, quality control and accountability. In the meantime, the standard practice has always been that proposals over \$1 million go to the Council for approval.....”

GEF Secretariat Response

The approval of sub-projects by the CEO under delegated authority is one of the two corporate issues that was addressed by the Secretariat in the Cover Note (GEF/C.29/4) submitted to the Council as part of the August 2006 work program.

Multi-focal Area: Regional (Albania, Algeria, Bosnia-Herzegovina, Bulgaria, Croatia, Egypt, Lebanon, Libya, Macedonia, Morocco, Serbia and Montenegro, Syria, Tunisia, Turkey) : World Bank-GEF Investment Fund for the Mediterranean Sea Large Marine Ecosystem Partnership, Tranche 1 (World Bank) (GEF Grant : \$10.00 m)

Comment from the Council Member from the United States

The United States seeks postponement of the project proposal.

This project is an important one that we generally support. However, the project delegates authority to the World Bank and CEO over specific projects, even though the Council directed last November that subprojects for two similar Large Marine Ecosystem Partnerships be sent to the Council for review with four weeks to convey any concerns prior to CEO endorsement. In addition, there was not a STAP review for this framework, which we believe would be useful to ensure that we are targeting the right global environmental indicators. Finally, we object to providing funds to Syria and the West Bank.

GEF Secretariat Response

The approval of sub-projects by the CEO under delegated authority is one of the two corporate issues that was addressed by the Secretariat in the Cover Note (GEF/C.29/4) submitted to the Council as part of the August 2006 work program.

Multi-focal Area: Philippines : National Program Support for Environment and Natural Resources Management Project (NPS-ENRMP) (World Bank) (GEF Grant : \$7.00 m)

Comment from the Council Member from the United States

The United States seeks postponement of the project proposal.

This project appears to be well structured and targeted. However, the leading executing agency, the Department of Environment and Natural Resources of the Philippines, has serious capacity problems and there does not appear to be sufficient government commitment in the form of counterpart funds.

World Bank Response

Context for NRM in the Philippines

A Bank study (“Governance of Natural Resources in the Philippines”) and a “Natural Resources Management Way Forward Action Plan for the Philippines”, prepared with the involvement of both local and donor partners, identified the key weaknesses in ENR management in the Philippines and recommended an integrated ecosystem approach to address ENR priorities in watersheds, protected areas and coastal zones. The Action Plan called for effective inter-agency coordination, prioritization, devolution of power and responsibilities, LGU empowerment and accountability, and greater engagement of the private sector. Consistent with the Action Plan, DENR has one key role to play in this new approach, which is to create an appropriate enabling environment for ENRM by helping plan and coordinate the inputs of the responsible local government entities, NGOs and the private sector (as described in the following section) at the ecosystem level. The Bank believes it should be encouraged and empowered to play that role.

Project Financing Plan, Funds Flow and Accountability

Financing and Funds Flow: The project will be co-financed by two instruments: a Sector Investment and Maintenance Loan (IBRD) and a Sector Investment Loan (GEF). While the IBRD loan proceeds will be used to finance key DENR activities, and therefore will flow through the budget, the GEF grant will not flow through the budget. Its proceeds will be treated as if they were a sector investment loan – kept separate from the budget and accounted for separately. Activities to be supported with GEF funding will be defined up front for the 5 year period (with mechanisms in place to provide this funding directly to LGUs), while those for the loan will be defined yearly. But both will have to contribute to the indicators in the results framework set out in Annex 3 of the project appraisal document. Hence while there is a degree of flexibility in what the IBRD finances through DENR, the DENR activities it finances must contribute directly to project results. This is a conscious design technique to ensure that the funds are allocated efficiently and their results sustained and supplemented after the investment period.

Accountability mechanism – Program Contracts: All project financing - GEF and IBRD - will be allocated to “program contracts” (PC) – annual action plans in which milestones and corresponding tranche payments are defined. The PCs will be prepared by the LGUs and the DENR before the financial year starts to ensure both that there will be adequate budget for the financial year in question and that the funds flow to the agreed activities. If, in the initial year a recipient of money through a PC does not use the funds correctly or does not expend them, they will not be funded in the next round. Those that do so will be able to secure funds for the next set of

agreed activities. The PCs, therefore, have in-built performance and monitoring indicators, which will increase the level of accountability for the activities that are planned and implemented.

To minimize the number of special accounts that are physically opened for the purposes of the project, the GEF funding will be mainly flow through the Field Operation Units (FOUs) of the DENR - regional and provincial offices (RENROs and PENROs) - and not through central DENR. This will be done through tranche payments for the program contracts mentioned above, or through payment requests using Statement of Expenditures (SOEs). Procurement of agreed activities may either be done by the FOUs or the LGUs, depending on their agreed procurement arrangements.

Essentially, DENR will be acting as a coordinating body for the majority of the funds, but not the main implementation agency. As such, only those funds for institutional actions that contribute to the overall enabling environment – beyond the LGU level – i.e. at the watershed management level - would directly benefit DENR, while the bulk of the funds would directly benefit the the LGUs and communities in the selected areas.

Counterpart funding and regularity of funds flow: The fiscal situation in the Philippines has been difficult for a while, and the project has responded to this constraint by adopting an integrated approach whereby the GEF funding and the IBRD loan are complementary, thereby minimizing counterpart flow problems. The intention is to finance GEF activities in watersheds already identified as priority and hence are receiving the assured budget support cash-flow through the Program Contracts – hence GEF funds released are additional. Funds therefore flow in parallel – the various cost sharing between the loan/GEF and the participating LGUs being released in a timely fashion. This means that the counterpart funding is in-built from the beginning of the financial year. This arrangement is pre-built into the program contracts – where the relative share by each partner is spelled out up-front. This would alleviate the current problems experienced by many sector investment loans where counterpart funds do not flow at the same time and pace as the loan, such that implementation is affected. Also, as the loan would be released at the beginning of the year – which allows time for GEF funded activities to be co-financed at the beginning of the year. What would temper implementation would then be the absorptive capacity of the partners, rather than funds availability.

Partnerships - DENR/LGU/other stakeholders and the community:

The ENRMP's implementation strategy is to build action partnerships between locally-based organizations at the watershed management level. The required synergies between them would be emphasized during the management plan preparation/implementation and monitoring phases of the project. All partners will be consulted and asked to participate at the various stages, with DENR coordinating the planning and the LGUs leading the implementation and monitoring stages. In some of the priority areas, NGO-led projects supported by the private sector and international donors are under implementation. In such cases, they would be the NPS-ENRMP's lead partners. Detailed identification of these sub-projects and potential partnerships, and the collaboration, co-operation and co-ordination arrangements, will be worked out during appraisal. The following is a preliminary list of potential partners in each of the targeted watershed areas and their present activities:

Southern Sierra Madre potential partnerships:

A number of stakeholder consultations have taken place as part of the ongoing Japan International Cooperation Agency (JICA) Watershed Characterization Project and the Protected Areas Suitability Assessment process of DENR which identified potential partnership arrangements that could be built on by the NPS-ENRMP. For example, co-management/partnership consultations

have taken place between the DENR, the National Power Cooperation (NAPOCOR), the Metro Manila Water and Sewage Authority (MSWW) and the National Irrigation Agency (NIA).

Bicol River Basin Potential Partnerships

In Bicol no donor projects have been identified. Ten NGOs, as reported by DENR, are providing assistance to different Producer Organizations (PO) and barangays in the area. Assistance from NGOs to POs have included: (i) activities related to spring development, reforestation and tree planting; (ii) livelihood and business related activities; and (iii) activities related to improvement of the barangay's environment profile (clean and green) and infrastructure. Active NGOs include:

- Philippine Rural Reconstruction Movement (PRRM)
- Centre for People Empowerment in the Uplands (FAI)
- Prime Movers for Development Foundation (PMDI)
- Philippine Federation for Environmental Conservation (PFEC)
- Bicol National Park Foundation (BNFI) POs selected under CBFM programs for DENR
- Concerned Environmentalist Group of Sigamot (CEGSI)
- Tible Bantay Kalikasan Organization (TIBKOI)
- Pag-asang Samaan Para sa Kalikasan ng Tancong Vaca (PASAKAT)

In Ligawasan there are several NGOs with a long tack-record of working in the area:

- Ligawasan Youth Association for Sustainable Development Inc.
- Maguindanao Development Foundation Inc.

Persistent Organic Pollutants (POPs): Brazil : Development of a National Implementation Plan in Brazil as a First Step to Implement the Stockholm Convention on Persistent Organic Pollutants (POPs) (UNEP) (GEF Grant : \$1.50 m)

Comment from the Council Member from the United States

The United States seeks postponement of the project proposal.

This is generally a strong project proposal, and we support it. However, it includes chemicals that are not yet included in annexes to the Stockholm Convention. Initiating work on proposed substances not yet agreed to be added to the Convention by the COP could constitute a potentially unnecessary and burdensome amount of work (e.g., if the substances are proposed but not worthy of addition to the Convention) and presumes the outcome of COP decisions on addition of substances to the Convention. For these reasons, we believe that the work on the nonlisted substances should be removed from the proposal or linked to OP10.

UNEP Response

Mindful that postponement of the project would further jeopardize the ability of Brazil to develop its National Implementation Plan, UNEP and the US have worked together to address the concern raised by the US. We are pleased to report agreement following helpful and constructive discussions.

UNEP has agreed that any activities related to the assessment of chemicals proposed for listing in the annexes of the Stockholm Convention will be supported in their entirety from cofinancing and that this will be clearly indicated in the proposal.

Statements to this effect will be included in Annex A: 'Incremental Cost Analysis' of the Executive Summary and in the equivalent text at Section 7.0 'Incremental Costs and Project Financing', paragraphs 152-155, of the project brief. We have also agreed minor changes to bring other text into conformity with the statement. We attach the proposed revised text as Attachment A below.

It follows that the project budget will be organized in such a way that GEF funds are not provided to activities addressing chemicals proposed for listing in the annexes of the Convention.

These changes will be made prior to submission of the project document for CEO approval.

Attachment A: Proposed revised text for the ‘Cofinancing and GEF contribution’ sections of Annex A: Incremental Cost Analysis of the Executive Summary of the proposal and equivalent text in Section 7.0, Paragraphs 152-155 of the Project Brief

Revised text indicated in bold and underlined for Council members convenience

Cofinancing: In assessing the incremental costs of the project, it is recognised that some activities were to have been undertaken by Brazil even without the GEF intervention. For this reason, Brazil confirms its intention to provide cash co-financing of US\$1,500,000, equivalent to 49% of the Full Project phase and 48% of the whole project, in direct support of project activities. This amount is predicted in the Brazilian Government Budget, through the Environmental Quality Programme. This Programme includes activities such as Capacity Building in Environmental Quality; Auxiliary Projects to Improve the Environmental Quality; Support the Structuring of Environmental Emergencies Answers Systems at State Level; Environment Contamination Prevention and Management of Hazardous Chemicals.

The project budget gives a breakdown of the costs of each project activity and the source of funding. The cofinancing to be provided by Brazil represents a majority of funding to those activities related to:

- project management;
- the establishment of an appropriate national infrastructure and policy and regulatory framework;
- the continuation of PCB registration and inventory activities;
- review of guidance and regulatory frameworks in relation to the introduction and promotion of BAT/BEP; and
- the development of R&D and monitoring strategies.

Any activities related to the assessment of chemicals proposed for listing in the Annexes of the Convention will be supported in their entirety from cofinancing.

In addition to this contribution, UNEP, as the GEF Implementing Agency will make an in-kind contribution to the project through the provision of specific technical expertise and advice over and beyond that provided for project supervision. It is anticipated that UNEP’s technical expertise will be engaged in the areas of fitting Brazil to require or promote BAT/BEP in potential sources of unintentional production and release of POPs, and in the area of developing Brazil’s R&D and monitoring capacity. However, UNEP will also respond to requests from Brazil for particular technical help during the course of project implementation.

GEF Contribution: Funding provided by the GEF will be directed to **activities concerning chemicals listed in the annexes of the Convention and that represent obligations required by the Convention, activities identified** by the guidelines for NIP development now adopted by the Conference of the Parties, and by the operation of the project itself. GEF funding thus represents a majority contribution to ‘alternative’ actions, in particular:

- country assessments and inventories of POPs products and articles; of wastes; and of potential sources for the unintentional production of POPs;
- action planning in relation to the phase-out of PCBs and to the reduction of releases and elimination of sources of unintentional production of POPs;
- public awareness and education programmes; and
- monitoring and evaluation.

Persistent Organic Pollutants (POPs): China : Alternatives to DDT Usage for the Production of Anti-fouling Paint (UNDP) (GEF Grant : \$11.61 m)

Comment from the Council Member from the United States

This project does not appear to be cost-effective. The amount of GEF funding requested by the project does not appear to be supported by the list of proposed activities. Please clarify the justification for the amount of funding requested. The project document should provide a more extensive description of how other countries have phased out the use of these products and how much money it cost to do so. A number of other countries (developed and developing) have phased out the products without the high expenses indicated in this particular proposal. The documentation on incremental costs should be improved.

UNDP Response

A. Background on the use of DDT as additive for antifouling paint production and rationale of the project

Worldwide antifouling paint formulations have used lime, bitumen, Hg, DDT, TBT, and copper compounds with organic booster biocides to prevent the settlement and growth of marine organisms on submerged structures and ship hulls. Current and past generations of antifouling paint products have never been poison-free, though the newer generations of products tend to be less toxic, and some recent experimental samples from laboratory have proven to be non-toxic.

This project for China to phase out DDT used as an additive for antifouling paint production puts significant emphasis on the environmental soundness of alternatives and is a major effort to ensure the sustainability of DDT phase-out. The precautionary principle taken is to avoid the simple replacement of DDT in antifouling paint by other toxic substances (e.g. TBT or diuron). TBT is banned by the International Convention on the Control of Harmful Anti-fouling Systems on Ships, 2001 (the IMO Convention), and more and more countries are introducing national regulations to ban the use of diuron and other organic booster biocides in antifouling paints.

The project is proposed under the following contexts:

- Historical context: DDT was first used as booster biocide in antifouling paint in the 1950s, and since then DDT-based antifouling paint was produced and used extensively on various types of sea vessels until when it was largely replaced by new generation products such as TBT based antifouling paint and non-TBT self-polishing antifouling paint in 1960s and beyond. However, to-date DDT based antifouling paint remains in use by many small and medium sized fishing boats in China because of its high effectiveness, suitable working life (only 1 year required), and low price in spite of the extreme harm that DDT can cause to the human health and the ecosystem.
- Legal context: In China, while the direct use of DDT in agriculture is illegal and banned, other uses of DDT including use of DDT as an intermediate in the production of dicofol, in the production of antifouling paint, and for disease vectors are regarded as legal under the existing regulatory framework and its use is still ongoing. An exhaustive list of laws and regulations regarding what use of DDT is currently banned in China is provided in Annex I to this document. It can be seen that only The Guiding Catalogue for the Adjustment of Industrial Structure (2005 version) issued by the National Development and Reform Commission (NDRC), lists DDT based antifouling paint into the Class of

outdated technologies for phase out, but the Catalogue only provides guidelines to relevant departments for industrial structural adjustment. It is not legally binding. Phase out of DDT based antifouling paint is dependant on availability of the technical and financial assistances in the framework of POPs Convention implementation. Therefore, in order to stop the use of DDT as additives in the production of antifouling paint, new legally binding bans need to be introduced into the current regulatory framework, and related institutions should be designated with clear responsibility to execute the ban.

- Socio-economic context. The GEF PDF-B survey found that China has 300,000 fishing vessels in its 18,000 km coastline and annual consumption of DDT based antifouling paint stands at 5,000 metric tones (MT). About 250 MT DDT are used by the 19 DDT based antifouling paint manufacturers located in 9 coastal provinces or municipalities. As of 2002, a cumulative total of 10,000 MT of DDT had been used for this purpose. It should be stressed that this project covers 12 million fishermen as the end users. They are a vulnerable and adversely affected group in the context of rapid industrial and agricultural development in the coastal areas of China due to significant deterioration of the coastal marine environment quality and reduction of economic fish species and outputs. It is very difficult for them to afford higher-price alternatives to DDT based antifouling paint.
- Technological context. To phase out DDT based antifouling paint, China lacks feasible alternative technologies and products. The existing alternatives on the market are either too expensive, or their effectiveness or environmental performance is not good enough. Three already available formulations from overseas manufacturers or domestic research institutions, that are either mature or even if somewhat less mature but have been proven to be effective in laboratory or on-ship tests, are found to be promising and can be well promoted by this project to meet the requirements of feasible alternatives, namely accredited organic booster biocides, capsaicine or capsainoids, and alkali silicate based antifouling paints.
- Environmental context. China signed the Stockholm Convention on Persistent Organic Pollutants (POP's) in May 2001, Congress ratified it in June 2004 and it entered into effect on November 11, 2004. DDT is listed in Annex B of the Stockholm Convention. According to Article 3, Provision 1 of the Convention, the Parties shall limit the production and use of the chemicals listed in Annex B. The acceptable purpose or specific exemption on production and use of DDT are limited to disease vector control and intermediate for production of dicofol. Therefore, DDT used as additive in the production of antifouling paint is not considered a permitted use. According to Article 10 and 11 of the Convention, the Parties shall encourage and develop activities to research, develop and monitor POPs and their alternatives as well as other POPs. This project has been prepared specifically in accordance to GEF's Operational Program on Persistent Organic Pollutants (OP#14) which aims to reduce or eliminate release of POPs into the environment. The project design is also in consistence with GEF's Contaminant Based Operational Program (OP#10) in the focal area of International Waters.

B. Project design

The project has been designed with the following principles:

- Precautionary principle. The precautionary principle is taken to avoid the simple replacement of DDT in antifouling paint by other toxic substances (e.g. TBT or diuron).
- Integrated principle: (i) integrate multiple rather than single means to push the supply and pull the demand; (ii) combine forcible execution with incentives for compliance continuous improvement; and (iii) integrate the implementation of Stockholm Convention with that of International Convention on the Control of Harmful Anti-fouling Systems on Ships.
- Concerns for the end users as a vulnerable group: The price of alternatives need to be acceptable to the fishermen.
- Emphasis put on awareness raising to spur change in thinking and behavior.

C. Phase out strategy/approach

The phase out of DDT based antifouling paint is a complex issue and requires an integrated approach and will be successful only when technically feasible, economically viable and environmentally friendly alternatives to DDT based antifouling paint are made available. As a result, the following strategy/approach is proposed in order to guarantee the complete, irreversible and most cost-effective elimination of this DDT use:

- Legal incorporation In order to immediately prevent the serious harm of DDT based antifouling paint, legally binding regulations and complementary standards and monitoring methods will be issued to execute the ban on the use of DDT in the production of antifouling paint by manufacturers and the use of DDT based antifouling paint by end-users. Starting from the compliance with the legally binding regulations, a voluntary certification and labeling program will be established and implemented to encourage the continuous development of more environmentally friendly alternatives. Details are elaborated in pages 7-10 and page 15 in the Project Document.
- Community based and participatory approach to improve awareness and spur change Local governmental officials, antifouling paint manufacturers, local paint stores, ship maintenance plants, and fishermen end users are the key stakeholders to realize the change. Given that most of the end users of DDT based antifouling paint belong to a group having a lower level of income, education and environmental awareness, it is anticipated that their consumption behavior will be hard to change. Thus, the emphasis of the awareness raising and stakeholder mobilization activities will be put on the end users. Please refer to pages 16-17 and pages 20-21 in the Project Document for more details about the specific community based and participatory approach to be adopted by this project.
- Alternative technologies and products Three alternative formulations have been identified for promotion to replace the DDT based antifouling paint. Products using these formulations are technically mature and environmentally friendly, but need to be applied and tested and face the barriers of commercialization and cost reduction. Paragraph f, Part V in Section IV of the Project Document provides details with regard to the techno-economic analysis of the alternative technologies. This project will address the removal of these barriers to commercialization for local production through market based incentives.
- Market-based incentives The project will provide a series of incentives, rather than direct subsidy, to technology vendors, manufacturers, distributors, and end users to push the supply and pull the demand of sustainable alternatives in the

market. During project implementation, specific rules to pass on the incentives to the stakeholders will be enforced to bring on board all the stakeholders and help realize the goal and objectives of the project. By deploying these incentives among the stakeholders, it is expected that the financial sustainability of the production enterprises and the affordability of the end-users (fishermen) can be ensured after the completion of this project. Open bidding processes will be used to organize the incentives. Written and oral co-financing commitments have already been secured from private antifouling paint manufacturing companies in order to guarantee their interest and support in this project. Outcome 4 on page 16 of the Project Document provides the detailed activities that will be undertaken to achieve this Outcome.

In conclusion, the whole project design follows an integrated, systematic, multidisciplinary market-transition approach that will push the supply and pull the demand of technically feasible, economically viable and environmentally friendly alternatives to DDT based antifouling paint by putting an enabling policy environment in place. The objectives of the project will be realized by adoption of multiple means including incorporation of policy, administrative, technological and market based instruments in the initial stage, while letting the market to play a decisive role in the latter stage of the project implementation.

D. Justifications of incremental cost and cost-effectiveness

As the project is orientated towards environmental soundness, it leads to a higher costs associated with applied research and tests of environmentally sound alternatives. The purpose is to select reliable alternatives that can be produced locally at reasonable cost to consumers and applied to large-scale commercial production. Cost experience of previous patch tests, both in China and abroad, were referred to in calculating the cost for the patch test proposed in this project.

As stated in the Project Document, a hallmark of the project is the need to interact extensively with a large number of paint stores, ship maintenance plants, and fishermen as the end users of the alternatives. The successful promotion and acceptability of alternatives by the 12 million stakeholder fishermen is critical as these end users are extremely sensitive to cost, their incomes and environmental awareness being low. The original budget of \$2 million for activities to achieve Outcome 5 has been reduced by \$500,000. The \$1.5 million will be used as follows: (a) holding workshops and seminars to train officials from local governmental departments of economy and trade, finance, product quality supervision, fishing boat inspection, maritime affairs, petrochemistry oceanography and environmental protection, and a general public awareness campaign to conduct interactions with the stakeholders, including improving their environmental awareness, and providing incentives to switch to alternatives (\$700,000); (b) funds for NGOs, local universities and non-profit entities to undertake environmental awareness raising activities and promotion of the alternatives, best practices for environmental protection, and establish sound partnerships for interaction between government, enterprises and end users (\$800,000).

A more detailed description of activities undertaken to achieve the Outcomes, as indicated in Part C of Annex D of the Executive Summary is provided below, for better understanding of the costs related to the specific activities:

<i>Activity 1.1 Establish project management institutions and coordination mechanisms</i>
<i>Amount: \$450,000 from China and \$750,000 from GEF</i>
This activity will involve establishment of 4 project teams (1 at the central level and 3 at the regional level) consisting of 3 full-time managers and 6 technical assistants for each team. Their detailed responsibilities will be specified in a TOR, which should basically include overall managing and supervising the implementation of the project at the central, regional and local levels, organizing

procurement, reporting the progress results, holding or attending meetings/workshops/seminars, etc. The budget will cover for the 4-year project duration, salary, missions and travels, meetings, office rental, office equipment and furniture, consumables, communication, and local transportation.

Activity 2.2 Data collection, analysis, transmission and sharing.
Amount: \$200,000 from China and \$600,000 from GEF

Reporting is an important component of any GEF project, and is also an obligation required by the Stockholm Convention. TORs will be developed for data collection through socio-economic and environmental surveys and monitoring, and analyzed to determine the environmental and socio-economic impacts of the project. The surveys and monitoring will be conducted annually to provide inputs to the reporting. The cost will also support the establishment of a sound information transmission and exchange mechanisms among different departments among the central and local levels. Software and hardware will be deployed and maintained with necessary tools developed. Necessary trainings of the information management staff will be conducted. An information reporting mechanism will be established to ensure long-term information flow to facilitate reporting requirement after completion of the project.

Activity 3.1 Establish or revise related regulations, standards, and rules.
Amount: \$200,000 from China and \$200,000 from GEF

To ensure effective monitoring and enforcement, this activity will involve the revision of General Specification for Antifouling Paint on Ship Bottoms, which is the most important national standard directly addressing antifouling paint and is followed by Fishing Boat Inspection Bureau and China Classification Society in their surveys and certifications. All the antifouling paint manufacturing enterprises must provide proof and evidence to show their compliance with this standard in order to enter the market with certificates from the 2 agencies mentioned above. Complementary technical methods to facilitate the implementation of the standards will also be established. International and domestic experts will be recruited to review the experience, investigate the status, and draft the text of the standard and the complementary methods. Two workshops with 40 participants for each workshop from related sectors will be held to ensure stakeholders consultation.

Activity 3.5 Strengthen capacity and enforcement.
Amount: \$250,000 from China and \$450,000 from GEF

In order to effectively enforce the regulations and standards, monitoring and inspection capacities of related governmental agencies, monitoring stations and associations will be strengthened. Apart from trainings on regulations and technical methodologies, necessary infrastructure is needed. Under this activity, a purchase notification will be prepared according to UNDP guidelines to equip each of the 3 local PMUs with a boat and a car for patrol in sea and on land. The budget under this activity will also cover the cost of transportation and maintenance of the boats and cars. Computers with auxiliary software will also be purchased to support monitoring and data analysis.

Activity 4.1 Test, select and acquire alternative technologies.
Amount: \$1,500,000 from China and \$3,000,000 from GEF

This activity will provide incentives to the technology vendors such as research institutes and large enterprises to participate in the unified ship patch test. Wooden and steel ships in the North Sea and South Sea of China will be deployed to test the performance of the antifouling paints. A panel of international and domestic experts will be established to evaluate the test.

Activity 4.2 Select demonstration enterprises and business plan improvement.
Amount: \$100,000 from GEF

A TOR will be prepared to invite antifouling paint manufacturers to bid for being selected as demonstration enterprises. International and domestic experts will be recruited to select those having

strong technical competence, management experience, and business plan, and help to improve their business plans after selection. It is estimated that 5-6 enterprises will be selected. The experts will also help the CIO prepare agreements and other legal documents with selected enterprises in which responsibilities for phase out of DDT based antifouling paint and production of alternatives, among other activities, shall be clearly defined and agreed upon.

Activity 4.3 Production and distribution of alternatives.

Amount: \$8,500,000 from the Chinese private sector and \$3,000,000 from GEF

The selected enterprises will conduct a feasibility and environmental impact assessment study according to China's regulations and procedures for project construction or expansion. To initiate the production of alternatives, significant financing will be needed to install the capital equipment, purchase raw materials and train the working staff. A list of capital equipment has been developed during the PDF-B phase. A detailed breakdown of the budget was made for each set of tanks, mills, furnace, disintegrator, filter, chromatography, spectrophotometer, etc. A TOR will be prepared to promote the distribution of the alternatives mainly by strengthening the enterprises' distribution channels and providing incentives to other distributors and end users.

Activity 4.4 Conduct environmental sound management of DDT contaminated sites and equipment.

Amount: \$500,000 from China and \$700,000 from GEF

A TOR will be prepared to recruit professional environmental monitoring institutions that are sufficiently equipped and can organize individual qualified experts to identify the levels of contamination in Tianjin Chemical Plant and all 19 DDT-based antifouling manufacturing sites to prepare concrete activities for clean up of contaminated sites and equipment. International and national experts will be employed. The TOR will also specify the type of equipment and methodologies for identification of the level of contamination. The proposed concrete cleaning activities will be incorporated into the framework of the NIP for collective clean up of sites and equipment contaminated by POPs.

Activity 5.1 Train and strengthen government capacity in programme management/enforcement and promote general awareness raising

Amount: \$200,000 from China and \$500,00 from GEF

Under this activity, a promotional campaign of project activities will be initiated; a training workshop will be held each year for each of the local PMUs to train about 40 officials from the local governmental departments of economy and trade, finance, product quality supervision, fishing boat inspection, maritime affairs, petrochemistry, oceanography, and environmental protection and to strengthen their capacity on programme management and enforcement. A general promotional campaign will be conducted to raise general awareness.

Activity 5.2 Mobilize NGOs to promote environmental education and awareness

Amount: \$800,000 from GEF

This is a NGOs driven activity. with "Train the Trainers" workshops held in every two years by convening about 50 volunteers from NGOs in civil society and universities in each of the coastal province to mobilize the trained volunteers to conduct community and fishing culture based education and awareness raising. The NGOs will help to set up focal points in communities and fishermen organizations for long-term promotion of alternatives and awareness raising, conduct environmental education activities in local middle and primary schools, and establish partnership among governmental agencies, enterprises, NGOs, general public and end-users to strengthen interactions. A TOR will be prepared and leading NGOs, including those from international community, will be invited to participate in the bidding for implementation.

<i>Activity 6.1 Conduct meetings to review and monitor progress of project activities</i>
<i>Amount: \$240,000 from GEF</i>
A series of meetings will be held, including an inception meeting by organizing key stakeholders of about 50 persons from the central and local project units, annual steering committee meeting attended by about 15 persons for 4 years, and annual tripartite project review meeting attended by about 50 persons for 4 years. Annual M & E reports will be produced.
<i>Activity 6.2 Launch field investigations and inspections to monitor and evaluate progress of project implementation.</i>
<i>Amount: \$180,000 from GEF</i>
The Convention Implementation Office of China (CIO) and UNDP will organize officials and experts to conduct special inspections on enforcement of regulations, rules, and standards regarding antifouling paint production, distribution and use at least twice during project implementation. In addition, an independent mid-term project evaluation and an independent final project evaluation will be conducted.

The total project budget has thus been reduced from \$24,225,000 to \$23,725,000, with GEF funding reduced from \$11,610,000 to \$11,110,000. Inclusive of the PDF-B phase, the total GEF funding will be \$11,405,000, while co-financing will remain at \$12,320,000, inclusive of \$70,000 at the PDF-B phase.

As provided by the Stockholm Convention, the incremental costs to developing countries of implementing the Convention will be covered by its interim financial mechanism, the GEF. While the Parties to the Convention have not yet established guidelines on identifying and calculating what constitute incremental costs under the Convention, the project's incremental cost calculation is based on the general guidelines in GEF/C.7/Inf.5 on Incremental Cost. Articles 1, 2, 5, 8, 10, 11-13, and 15-17 of that document address the definition and principle underlying incremental cost calculation, describing "incremental cost" as "a measure of the future economic burden on the country that would result from its choosing the GEF Alternative in preference to the course of action would have been sufficient in the national interest."

It is important to emphasize that:

- (a) The China State Council has approved this project for implementation of the Stockholm Convention. The request for government co-financing in cash from the central government has been approved and being processed to make the co-financing available to the State Environmental Protection Administration. The State Council's approval of this project can be a strong signal to show China's commitment to address the DDT based antifouling paint as there is currently no regulatory framework to ban the use of DDT in antifouling paint production.
- (b) This project is very important and challenging and involves the direct economic interests of 19 antifouling paint manufacturing enterprises and more than 12 million fishermen. Extensive and difficult consultations have been conducted during the PDF-B phase in order to have their willingness to participate in the implementation of the Convention. As a result, commitment of significant portion of the co-finance has been achieved by the enterprises. The 3 regional bureaus of fisheries and other related local governmental agencies have also been mobilized to make preparation for this project. Their willingness for cooperation must be supported and strengthened with the necessary technical and financial assistances from the international community and the central government.

Annex I: List of regulations/laws regarding bans of DDT uses in China

Laws and regulations	Issued by	Date came into effect	DDT related requirements
Guidance Catalogue for the Adjustment of Industrial Structure (2005 version)	National Development and Reform Commission	December, 2005	<p>In Article 29: DDT production shall be phased out according to the National Implementation Plan for Stockholm Convention implementation.</p> <p>In Article 28: Production of DDT based antifouling paint shall be phased out according to the National Implementation Plan for Stockholm Convention implementation..</p> <p>In Article 29: Unclosed production of Dicofol using DDT as raw material shall be phased out according to the National Implementation Plan for Stockholm Convention implementation..</p> <p>In Article 38: Closed production of Dicofol using DDT as raw material shall be restricted.</p>
Measure on the Administration of Manufacturing Licenses of Industrial Products	General Administration of Quality Supervision, Inspection and Quarantine	September, 2005	Dicofol that uses DDT as intermediate in its production is included into the List that needs to apply for manufacturing licenses.
Regulations of the People's Republic of China on Fishing Vessel Inspection	Ministry of Agriculture	August, 2003	In Article 9 and 16: Antifouling paint shall be certified before use. The certification shall follow the National Standard General Specification for Antifouling Paint on Ship Bottom (GB/T 6822-1986). DDT is not banned in antifouling paint.
Regulations of Inspection and Certification of antifouling system	CCS	April, 2003	TBT will be measured before granting certification. DDT is not included as an indicator for measurement.
Measures for the Administration of Operating Licenses for Hazardous Chemicals	Former State Economic and Trade Commission	November 2002	In Article 3: Distribution of DDT shall apply for permit.
Measures for the Administration of Registration of Hazardous Chemicals	Former State Economic and Trade Commission	November 2002	In Article 14 and 15: Production, use, and storage of DDT shall be registered.
Notice No. 199 of the Ministry of Agriculture	Ministry of Agriculture	June, 2002	Use of DDT, camphechlor, aldrin and dieldrin as pesticide shall be banned.

List of Prohibited Medicament for Meat and Poultry Export	General Administration of Quality Supervision, Inspection and Quarantine	April, 2002	Feeding poultry with foods containing DDT shall be forbidden.
Regulations on the Safety Administration of Hazardous Chemicals	State Council	March 2002	The management objects are listed into the List of Hazardous Chemicals. DDT is included into the list. Use of DDT in antifouling paint is not banned.
Circular on Import Value-added Tax Credit for Import of Pesticide or Raw Powder of Pesticide	Ministry of Finance/ State Administration of Taxation	2001	Import of pesticides in List of Pesticides Banned or Severely Restricted in the People's Republic of China should not be granted with value-added tax credit. DDT is included in the list.
Regulation on Survey and Inspection of Ships and Marine Structures	CCS	June, 2000	DDT in antifouling paint is not an indicator for survey and inspection of ship use products.
Regulations of the People's Republic of China on Survey of Fishery Vessels	Ministry of Agriculture	April, 1997	DDT based antifouling paint will not be excluded by the rule as it follows General Specification for Antifouling Paint on Ship Bottom (GB/T 6822-1986).
Labor protection rule at Work Place Using Hazardous	State Council	December 1996	DDT use should follow the regulation.
Regulation on Strengthening the Management of Pesticides	Former Ministry of Chemical Industry	March, 1996	Enterprises shall not be granted with new permit for production of dicofol and DDT. No new permit shall be granted to production of those pesticides that have low efficiency, high toxicity and excessive stockpile in order to prevent redundant production. DDT is included.
Notification of arrangement of inspection of pesticide's production without Licenses and illegal production	Former Ministry of Chemical Industry	1995	DDT shall not be used in agriculture.
Environmental Management on the First Import of Chemicals and the Import and Export of Toxic Chemicals	State Environmental Protection Administration	May, 1994	In Article 6: DDT is included into the class of toxic chemicals subject to ban or strict restriction in import of DDT shall be banned.

The Classification and Labeling of Common Hazardous Chemical	General Administration of Quality Supervision, Inspection and Quarantine	July 1993	DDT is included into the sixth class of hazardous chemicals in Annex A for classification and labeling.
Notice on Strengthening the Management of Pesticide and Veterinary Drug	State Council	1991	DDT can be produced only by State designated enterprises for export and other permitted uses. Any other enterprise or individual shall be forbidden to produce and distribute DDT.
Name List for Hazardous Articles (GB12268-90)	Ministry of Communication	1988	The maximum concentration of DDT in air in workshop shall not exceed 0.3 mg/m ³ .
Cosmetics Sanitation Standard	Ministry of Health	October, 1987	DDT as raw material in production of cosmetics shall be banned.
General Specification for Antifouling Paint on Ship Bottom (GB/T 6822-1986)	National Standardization Technical Committee	August, 1987	DDT is not included as an indicator for monitoring in antifouling paint.
Regulations on Safe Management of Hazardous Chemicals	The State Council	1987	Production and use of DDT shall follow the requirements of Law on Environmental Protection.
Decision on the eliminating of HCH and DDT pesticide	The State Council	January, 1983	It decided to stop production of DDT as pesticide from year 1983.
Regulations for Safe Use of Pesticide	Ministry of Agriculture, Pasture, Fisheries/ Ministry of Health	June, 1982	DDT is treated as pesticide of moderate toxicity and dicofol low toxicity.
Management measures on environmental protection of the Supply and Marketing Cooperatives(Pilot)	General Association of Supply and Marketing	January, 1982	Sale of organo-chlorinated pesticides including DDT shall be gradually reduced and other pesticides of high efficiency with low residue and toxicity shall be increased in order to change the existing structure of pesticide use.
The Designed Sanitation Standard for Industrial Enterprises	Ministry of Health	November, 1979	DDT is listed under No. 61876 as toxic and hazardous goods.
Occupational Exposure Limit for Hazardous Agents in the Workplace	Ministry of Health	2002	Concentration of DDT in air in workplace is limited

