

COMPILATION OF TECHNICAL COMMENTS
SUBMITTED BY COUNCIL MEMBERS
ON INTERSESSIONAL WORK PROGRAM
APPROVED IN
APRIL 2005

NOTE: This document is a compilation of technical comments concerning the project proposals presented in the Intersessional Work Program approved by the Council in April 2005. These comments were submitted to the Secretariat by the Council members.

**WORK PROGRAM: COMMENTS FROM COUNCIL MEMBERS
(REFERENCE TO GEF/IS/12)**

General Comments:

COMMENTS FROM USA:

I am writing to convey the U.S. position on the March 2005 Intersessional Work Program.

At the outset, let me say that we take our oversight of the GEF work program quite seriously. My staff reviews all of the project documents. As part of that process, we focus on key issues and list questions that need to be answered prior to determining a U.S. position.

We did that in this case, and forwarded to your staff a reasonable set of questions and concerns related to core GEF principles of sustainability, cost effectiveness, transparency, etc., that we believe needed to be resolved before we could determine our position on a number of these projects. We are very appreciative of the prompt and helpful responses that we received from the Implementing Agencies, particularly given such a short notice, and believe that they resolved nearly all of the issues raised.

However, I strongly disagree with the Secretariat's apparent assertion that GEF procedures do not allow for the Council to ask questions about projects in an intersessional work program. My staff is not aware of any such Council agreement to this effect. Such a prohibition does not even make sense, since the only recourse that a Council member would have if there were questions about a project would be to postpone it until the following Council meeting. More generally, prohibiting Council from asking questions about projects, or indeed any matter for which it is being asked to take a decision, is simply unacceptable. I hope this is simply a misunderstanding on our part, and not what the CEO or Secretariat staff intended to propose.

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

- 1. Turkmenistan: Conservatory of Sustainable Use of Globally Significant Biological Diversity.**
- 2. Regional: Removing Barriers to Invasive Plant Management in Africa.**
- 3. Removing Barriers to Large Scale Commercial Wind Energy Development (Iran).**
- 4. Bay of Bengal Large Marine Ecosystem (World Bank, \$12.8 million).**

On another general issue, the treatment of cost-effectiveness continues to be unsatisfactory. Projects continue to confuse cost-effectiveness with financial leveraging, although there were exceptions (e.g., the Kazakhstan energy efficiency project). The fact that GEF funds leverage other funds does not mean that the project is cost effective. Rather, cost-effectiveness can be demonstrated foremost by comparing indicators on unit costs. Therefore, we again request that the Secretariat

seek to improve all the projects in this area prior to CEO endorsement, and that it provide clear guidance on cost-effectiveness, including clear comparison metrics on unit costs. Beginning with the November 2005 work program, the U.S. reserves the right to oppose any project that does not adequately address cost-effectiveness.

In closing, I want to express my appreciation for those who prepared and reviewed the projects, and responded to our questions. We recognize that the process can be hard work, but it is an essential part of the due diligence owed to our taxpayers.

Additional Comments

I would highlight in particular the need for additional work on the Namibia project, where the quality of results measurement was viewed as only adequate by our reviewers.

WORK PROGRAM: COMMENTS FROM COUNCIL MEMBERS
(REFERENCE TO GEF/IS/12)

BIOLOGICAL DIVERSITY

Regional (Ethiopia, Ghana, Uganda, Zambia): Removing Barriers to Invasive Plant Management in Africa (UNEP)

COMMENTS FROM USA:

There are a number of concerns about inadequate outcome indicators and global benefits indicators. We appreciate the assurances of UNEP on this issue, and request that the revised project document be recirculated to the Council prior to CEO endorsement.

COMMENTS FROM GERMANY:

1. Project rationale and objectives

The project's development objective is to conserve ecosystems, species and genetic diversity in Africa by protecting it from the threat of invasive alien species. It aims to reduce barriers to the management – i.e. prevention and control - of invasive alien *plant* species (IAS) in 4 African pilot countries: Ethiopia, Ghana, Uganda, Zambia. During project preparation (PDF A and B) four categories of barriers to effectively managing IAS in these countries were identified and four corresponding project components/outcomes identified:

- (1.) Enabling policy and institutional environment for cross-sectoral prevention and management of IAS strengthened;
- (2.) Appropriate information on risks, impacts and management of IAS utilized by key stakeholders and awareness levels raised;
- (3.) Strategies for the prevention and management of priority IAS implemented (in 9 pilot sites)
- (4.) Capacity built for multisectoral prevention & management of IAS
- (5.) Project managed and coordination.

2. Existence of impact indicators and their relation to the GEF Business Plan (GEF/C.22/6)

Appropriate indicators for the development objective and immediate objective are still subject of ongoing debate. So far, these indicators are based largely on the provisional targets and indicators discussed at COP7 (document UNEP/CBD/COP/7/20/Add.3: “..Evaluation of progress towards the 2010 biodiversity target..”). The indicators in the Logframe Matrix are supposed to be finalised during the project inception phase and to feed into a Project Benefit Monitoring and Evaluation System.

The project will contribute to Strategy Priority 2 in Biodiversity for GEF Phase III (BD-2 Mainstreaming Biodiversity in Production Landscapes and Sectors) and to Priority 4 (BD-4 Generation and Dissemination of Best Practices for Addressing currently and Emerging Biodiversity Issues). With pilot sites in semi-arid, freshwater

and forest ecosystems, it covers the Operational Programs 1, 2, and 3. At these pilot sites the project will contribute to biodiversity conservation in a *production environment* of 2,111,690 hectares, comprising 268,524 hectares of *protected areas*.

3. Application of the incremental cost principle and identification of the „global environmental benefit“

In Annex A the baseline of each project component is described and costs are estimated¹ (total baseline expenditures amount 11,990,1890 US\$). The project will provide a “global environmental benefit” by (i.) protecting globally significant biodiversity in the pilot sites from the invasive plants; (ii.) through replication of innovative approaches to other sites and countries in Africa; (iii.) by linking project outputs/websites in the pilot countries with global and regional IAS websites and resources.

The incremental cost to achieve the project’s global environmental objectives through the GEF alternative has been estimated 10,392,980 US\$, of which 5,000,000 US\$ are requested from GEF (48,1 % of the total cost alternative).

4. Amount and quality of cofunding

Governments of the four pilot countries provide 4,392,980 US\$ of cofinancing (in cash and in-kind). Cofunding of US\$ 1,000,000 (500,000 in cash) is provided by the two international executing agencies CABI (750,000 US\$ in-kind and in cash) and IUCN (250,000 US\$ in-kind and in cash). So far, there are no other sources of cofunding assured for the full size project.

[For the PDF-A and –B phases a total of 58,400 US\$ of cofunding has been provided by the US Dept. of State and others that are not specified]

5. Relationship, complementarities and synergies with German activities

In the past there have been a couple of German projects (BMZ/GTZ) in Africa dealing specifically with the issue of invasive alien species: For instance, a project to combat Water Hyacinth in Sudan (PN 1976.2159.2), or projects focussing on the prevention of agricultural pests (e.g. “Post harvest protection in small farming systems in Africa”, PN 1994.2153.8). But there are also links and complementarities to ongoing projects dealing with the sustainable use and conservation of biodiversity – even though these are not specifically concerned with IAS management:

- Within the context of International Agricultural Research (PN 2003.7860.4) BMZ supports IPGRI’s “*Genetic Resources Policy Initiative*” (GRPI), which aims to support developing countries (including Ethiopia, Zambia, and Uganda) to design comprehensive policy frameworks for genetic resources (<http://www.grpi.org>).
- In Ethiopia, GTZ is implementing the projects “Forest Genetic Resources Conservation” (PN 2001.2011.3) and “Sustainable utilisation of natural resources for improved food security” (PN 2004.2060.4).
- In Ghana’s Volta region, GTZ is implementing the project “Forest Protection and Resource Use Management” (PN 1996.2041.0).
- The GEF project is complementary to the work of the BMZ/GTZ Sector Projects “People and Biodiversity” (PN 2003.2256.0) and “Implementing the Biodiversity Convention”(PN 2002.2174.7) which also works towards the conservation and

¹ For component 2 and 3 baseline costs have erroneously been specified in pounds (£) (pages A-14, A-15)

sustainable use of biodiversity, the development of appropriate policy and law, and the development of public awareness material.

Other related initiatives

Another initiative not mentioned in the project brief that should be considered by the coordinators of the GEF project is the *Forest Invasive Species Network for Africa* (FISNA). Its new website on forest invasive species in Africa is hosted by FAO (see <http://www.fao.org/forestry/site/26951/en>)

6. Participation of local communities and contribution to sustainable development

Provision for stakeholder involvement at pilot site level is made for through stakeholder workshops, community based meetings, application of participatory assessment tools and establishment of site management committees to ensure ownership of site-specific management plans. It is recognized that many invasive plant species have been introduced because of anticipated benefits, and that this is likely to present conflicts when control is proposed. Therefore, resolving misunderstandings and conflicts between different stakeholders is supposed to be a key aspect of the project. During the project inception phase guidelines for stakeholder participation will be developed, with indicators to monitor the quality of participation and to address issues relating to conflict resolution.

The project's objectives are focussed mainly on conservation of biodiversity and ecological sustainability (improvement of status of threatened species; maintenance of biodiversity indices for protected areas, reduced invasion of alien species etc.). Moreover, it is assumed that the project can lead to a reduction of socio-economic costs of existing invasions and that it will indirectly impact on a range of economic activities (e.g. more effective addressing of invasives of agricultural importance; improvements in production, ecosystem services or tourism). The project's contribution to all aspects of sustainable development (including socio-economic aspects) will basically depend on the quality of (local) stakeholder participation.

7. Final Assessment:

The proposal is well elaborated and in line with the principles and goals of Germany. Minor changes should be made during further planning steps and during project implementation. These include:

- More concrete elaboration of the project's strategy (1.) to address conflicts between different stakeholders around the management of IAS and (2.) to contribute to improved livelihoods of local communities. An increased emphasis on these aspects should also be reflected in the impact indicators, which still have to be refined.
- As mentioned in the STAP review, four years is too little time for the project to achieve its objectives. The project logframe - particularly its indicators - should be adjusted according to the progress realistically achievable in this period.

The participation and commitment of different stakeholders – including the private sector – should also become manifest in the provision of additional co-funding.

Recommendation:

Taking into account the above comments, Germany supports the proposal. Changes should be made during further planning steps and project implementation.

COMMENTS FROM SWITZERLAND:

General Commentaries

The project's development goal is the conservation of biodiversity in Africa by protecting it from the threat of invasive alien plant species (IAS). Its immediate goal is focused on removing barriers to the management of IAS in four sub-saharan pilot-countries, i.e. Ethiopia, Ghana, Uganda and Zambia.

The project is organised according to the following four components (i) strengthening policy environment, (ii) information management, (iii) implementation of control and prevention programmes, and, (iv) capacity building.

The proposal appears consistent with the GEF focal area "Biodiversity", addressing Operational Programs 1, 2 & 3 and GEF Strategic Priorities BD-2 and BD-4.

The project has been carefully designed following sound technical principles. Full use is made of the guidance provided by the Convention on Biological Diversity to address alien species (COP decisions VI/23 and VII/13). The project could provide a meaningful contribution to the implementation of article 8(h) of the Convention.

We particularly appreciate the strong commitment by recipient countries as reflected in the provision of substantial co-financing, the strong institutional embedment of the project on national, regional and international level and the thoroughly consideration of existing guidance and empirical knowledge.

The project is very ambitious, especially with regard to the tight timeframe of only four years. It could be a challenge to streamline the interests of the stakeholders, which today are contradictory, to reach consensus. However, this challenge is recognised and well addressed in the project documents.

Main Concerns

We have no main concerns regarding this soundly designed project.

Conclusions and Recommendations

We support the project proposal, and recommend its approval by the GEF.

**WORK PROGRAM: COMMENTS FROM COUNCIL MEMBERS
(REFERENCE TO GEF/IS/12)**

Regional (Costa Rica, El Salvador, Guatemala, Honduras, Nicaragua): Central American Markets for Biodiversity [CAMBio]: Mainstreaming biodiversity conservation and sustainable use within micro-, small, and medium-sized enterprise development and financing (UNDP)

COMMENTS FROM GERMANY:

General Comments

The CAMBio project document is an innovative proposal to remove barriers to biodiversity conservation such as limited market perceptions of the value of biodiversity, adverse impacts of non-sustainable production procedures in the private sector and counter-productive governmental policies and incentive structures.

Specific Comments

With the proposed project, biodiversity conservation in Central (Meso-) America gains strong partners by including new sectors to the issue: finance, policy and private entrepreneurs.

The project's outline seems to be a logical follow-up to the efforts of Biodiversity Conservation in the region in terms of establishing national and regional policies, institutions and projects. Main stake holders in the five Central American Countries and within the Central American Integration System as well as the relevant regional projects are involved.

By creating incentives for the Biodiversity Friendly SMMEs with a set of tools including technical assistance and financial measures SMMEs practises can be transformed.

There is a good potential of transferring the new experiences gained through the manifold project activities among the five countries as well as in other places of the world.

As regards sustainability of the project there might be the risk that the initial grant might not be replaced within the Partial Guarantee Facility. The challenge of the project will be to build up consciousness of the incremental improvement in the contribution that the private sector can make to Biodiversity Conservation in Mesoamerica and by creating good practises throughout the seven years of the project's duration.

Recommendation:

Taking into account the above mentioned comments, Germany fully supports the proposal.

COMMENTS FROM SWITZERLAND:

General Commentaries

The project goal is to ensure that micro-, small- and medium-sized enterprises in Central America increasingly contribute to sustainable development and environmental protection by incorporating biodiversity concerns in their products and services, and the project objective is to remove barriers in banking, business, and enabling environment to catalyse biodiversity-friendly investments in micro-, small- and medium-sized enterprises in Central America.

The UNDP Honduras Country Office will act as the lead implementing country office. The Central American Bank for Economic Integration (CABEI) will be the key organization involved in increasing biodiversity impact through its commercial financing to eligible projects and eligible SMME users. It will be both, the executing agency for the GEF contribution and the main co-financier. The Comisión Centroamericana de Ambiente y Desarrollo (CCAD) will be among the project's core strategic alliances.

The project envisages 4 outcomes, which are summarized as follows: (1) CABEI and its Financial Intermediaries (FI's) provide loan financing, (2) Small- and Medium-sized enterprises (SMMEs) are enabled to develop biodiversity-friendly business ventures and access new markets, (3) enabling environments have been modified to create greater incentives, and (4) learning, feedback and adaptive management.

The project refers to Operational Programs 2 (coastal, marine and freshwater ecosystems), 3 (forest ecosystems) and 4 (mountain ecosystems) and aims at enhancing the conservation effectiveness of the Mesoamerican Biological Corridor (MBC) and the Mesoamerican Barrier Reef System (MBRS).

The project appears consistent with GEF criteria and operational principles. We fully agree with its objectives and feel that it tries to develop an interesting approach on biodiversity conservation and sustainable use through micro-, small, and medium-sized enterprise development and financing.

Main Concerns

- **Will there be measurable impact in terms of biodiversity conservation?**
The generation of biodiversity-friendly investments does not imply necessarily that biodiversity conservation targets are achieved, nor that the project contributes to the conservation effectiveness of MBC and MBRS. There is an imminent risk that the numerous efforts of biodiversity-friendly investments are dispersed within the wide landscape of the project area and that it will be impossible to measure the impact of the project activities.
There is a clear need to better define the project's conservation targets, and to establish clear conservation priorities and criteria for future investments.
The fact that the project is mainly of an experimental character and focuses on SMMEs does not free from the burden to define conservation targets and to specify the indicators for measuring the project's impact. With reference to OPS 1 & 2, we

underline the need for well-detailed impact indicators at the planning stage. Nevertheless, this issue is not satisfactorily resolved in the project documents.

- **Very ambitious, with lack of prioritization:**
The project will become active in 5 countries and focuses on a project area of 420'000 km². It targets 200 small and medium producers and service providers, and several thousand micro-producers. It will provide targeted and incremental support for global benefits within the following sectors: agriculture / agro-forestry; sustainable forestry, including NTFPs; ecotourism and marine (including aquaculture and possibly sustainable fisheries).
The scope of the project appears daunting and overly ambitious. We are particularly concerned about the fact that no thematic priorities are established. It implies a challenge for project management (requiring technical competences in several themes). The risk of excessive dispersion and dilution of activities seems real and would make it even more difficult to measure the impact of the project in terms of biodiversity conservation.
- **Complexity of implementation arrangements:**
The STAP reviewer has already pointed out concerns regarding the complexity of the implementation arrangements. In its response to STAP, the project proponents try to show how the challenge of simplifying the implementation arrangements has been resolved, and we appreciate that management arrangements are well specified. But the implementation scheme remains overly complex and may not be conducive for successful implementation.
- **Very low levels of government buy-in as expressed through cofinancing**
It is rather obvious that the project will generate very substantial domestic benefits (among others through income and employment generation in participating enterprises). It is therefore surprising to note an almost complete lack of government co-financing (just 50'000 USD total!). More effort is clearly required on this front. Due to the characteristics of this project there should be significantly higher levels of government cofinancing at the time of final approval. This in turn would boost the prospects for sustainability of this project.

Conclusions and Recommendations

We fully support the project objectives. This project has the potential to complement ongoing activities by GEF and other donors in the Central America Region, but it will require a joint effort to ensure that they are efficient and mutually supportive. We can recommend Council approval at this early stage of project development. The main concerns identified here should however be fully addressed in a satisfactory manner, as a necessary condition for final approval.

Further comments

The project will provide temporary “smart subsidies,” namely partial risk guarantee and biodiversity reward instruments. We would appreciate additional information on:

- the selection criteria,
- the arrangements to guarantee repayment,

- the modalities to resolve conflicts with clients,
- benchmarks to assess the performance of the risk guarantees (and the level of repayments),
- reporting modalities to track progress with the risk guarantee instrument.

WORK PROGRAM: COMMENTS FROM COUNCIL MEMBERS
(REFERENCE TO GEF/IS/12)

Azerbaijan: Rural Environment Project (WB)

COMMENTS FROM USA:

I recommend that you support the \$5 million grant to Azerbaijan for a rural environmental project.

Objective: This project takes a broad look at the biodiversity of Azerbaijan and the challenges that it faces. The main focus is on biodiversity conservation. This is important for the country because their ecosystem profile identified deforestation, overgrazing and hunting as the three greatest direct threats to biodiversity. The end of importation of wood from Russia and elsewhere in the USSR, the collapse of natural gas supply systems and the presence of large numbers of internally displaced people from the war with Armenia all contribute to rapid ongoing deforestation in the project areas. Forest edges are also being pushed back (to higher elevations) as a result of grazing pressure. Also, there is evidence of significant declines in populations of large mammals. So....The project will contribute to the restoration, protection and management of globally significant mountain forest and alpine meadow ecosystems, including a number of endemic and endangered species and transboundary migrants. Specifically there will be a lot of organizing, management plans, and studies done in addition to small scale works projects in targeted villages.

Quality of Measurable Results: Pretty Solid

Risks/Issues: The project will also provide technical assistance and matching grants to local businesses with priority going to activities that are linked to national park objectives, including tourism-related enterprises, alternative energy and energy efficiency, and value-added processing of sustainably harvested (non-threatened) natural products such as fruits and nuts. I don't have a problem with this but it complicates the measurable results. Think of it as a community development aspect to project.

Sustainability: Project has a short time horizon so it really is a catalyst for additional activities. The project aims to put in place systems for more sustainable use of natural ecosystems that are currently being overused and degraded, and to promote economic development that will reduce reliance on mass consumption of natural resources. In the short term this will be mainly through improved protection, but longer term objective is develop community/user-based management systems and to trigger a shift from traditional, low-input livelihoods based on mining of natural resources (forests and pastures) towards ore value-added economic activities that are less dependent on these resources or use them more efficiently. Because of the short time frame, the project can only serve as a catalyst for such a shift, by introducing new approaches, demonstrating opportunities, changing incentives, providing some start-up capital, and improving market access through rehabilitation of key access roads. Will be important to monitor

whether the new approaches are being replicated. What are lessons learned from other projects.

Cost Effective: Not discussed.

COMMENTS FROM GERMANY:

Specific Comments

Component 1 (Park establishment and management):

Financial sustainability:

Although this has been largely discussed within the STAP review and both the World Bank and the GEF secretariat response, the statements, concerning the sustainability of these projects activities, still do not fully convince us. In accordance with the comments already made by the World Bank, we think that the issue of sustainable financing has not sufficiently been explored. It seems unrealistic that the Government of Azerbaijan will be able and willing to invest the full amounts needed for further protected area management and related community activities. We strongly support to establish mechanisms that allow payments for environmental services and private (oil) company investments.

Additionally, the project should seek cooperation with the Conservation Finance Alliance (<http://www.conservationfinance.org/>) to find other possible ways of sustainable financing.

As for the over-reliance on tourism, we share the opinion stated in the STAP review, and think that it is quite unrealistic that critical numbers of western tourists will substantially contribute to financing the national parks.

Protected area classification:

The concept of “Multi-Purpose National Parks” which has been introduced by the project document is somewhat confusing, as it does not match the internationally agreed IUCN/UNEP categories of protected areas. According to them, a “national park” (category II) is a protected area managed mainly for ecosystem protection and recreation and excludes most economic activities. The proposed concept rather meets the category “protected landscape” (category IV) or even better fits the concept of “Biosphere Reserves” promoted by the Man and Biosphere (MAB) Program of UNESCO. So it remains unclear why a confusing label is used for the purpose of this proposal.

Component 2 (Community level investment):

Ecological and agro-biodiversity considerations:

Over-grazing is identified as one of the major causes for land degradation and biodiversity loss. Still, the documents do not indicate clearly which animal species the local population traditionally keeps. Since one can assume that herders have bred sheep and goat over centuries, there might be a high diversity in animal genetic resources, which are very well locally adapted. The projects design has to make sure that agro-biodiversity will not be put at risk by the introduction of hybrid dairy cattle.

Socio-economic considerations:

20% of the households of 55 communities are supposed to adopt modern livestock husbandry, which is mainly sought to achieve by introduction of dairy cattle. This seems quite ambitious given several reasons:

The proposal does not include socio-economic information on traditional livestock husbandry: So, it is not clear how in the past, livestock husbandry has contributed to household economies and satisfaction of elementary needs (dairy products, wool, meat?). During further consultation processes with the local communities, socio-economic and socio-cultural structures should be carefully examined before modern and technical high input interventions (hybrid dairy cattle production involving artificial insemination) take place, due to the fact that the rural communities are conservative and very poor. It is not clear either if there is any experience with dairy cattle in the communities and if the wish for it was expressed during consultations. Nor is it obvious that this kind of modern technology will be self-supporting after four years of project support. It would be helpful to demonstrate possibly existing “best practises” from neighbouring countries.

Throughout the documents, communities are mentioned as if they were a “black box”. With regard to socio-cultural impacts, community consultations should emphasize gender- and age differentiation, and any given social and cultural/ethnic differences within or between communities. Furthermore, it is not clear if market studies have been carried out in order to explore the potential for successful commercialisation of milk and further processed dairy products.

Component 3 (Rural enterprise development):

The experience from numerous programmes by various donors shows that the concept of “alternative livelihoods” is diverse and that most of the efforts have failed if these are implemented as a “side programme” (e.g. without proper monitoring and technical support). Past experiences of GTZ implemented projects for rural communities, for instance, have shown that only few persons in a community possess a suitable personality and attitude (e.g. opportunity seeking, willingness to take risks, willingness to invest) as well as the interest and commitment to create and run a business successfully. Therefore the selection process and the criteria for the selection of persons with the required business attitude and potential to run a business is one of the most critical success factors. In the proposal the selection process is not mentioned at all. The challenge is not only to select suitable persons but also to support them in such a way that no dependency on the project is created. There is a danger that enterprises become too project driven with the consequence that there is a lack or loss of entrepreneurial spirit.

The “Programme for Increase of Competitiveness of Small and Medium Enterprises in Azerbaijan” which is a major programme supported by GTZ/BMZ has generated valuable experience on rural enterprise development in Azerbaijan over the last years. This experience should be of high value for the Rural Environment Project.

Component 4 (Project management and monitoring):

The socio-economic impact assessment for protected area creation and enforcement of regulations should be expanded to activities of component 2 and 3, resp., as they also might have severe effects on social structures.

Recommendation:

We generally support the project concept and idea. However, the present project proposal has not sufficiently regarded several essential elements. With regard to the above-mentioned aspects, further information should be provided and several addendums should be made during further planning steps and project implementation.

COMMENTS FROM SWITZERLAND:

General Commentaries

The project's global objective is the conservation of biodiversity in two globally significant biodiversity areas within the Caucasus and Zangezur mountains and to introduce and to pilot an inclusive model of Protected Areas (PA) management. Its development objective is to introduce improved natural resource management and related economic activities in both mountain areas, to enhance the ecological quality and the sustainable productivity of high elevation forests and pastures.

The project is organized according to the following components (i) National Parks establishment and management, (ii) Community-level investment in sustainable agriculture and natural resource management, (iii) Rural enterprise development, and, (iv) Project management, monitoring and evaluation, and communication.

The project seems to be consistent with GEF's focal area "Biodiversity" through addressing Operational Programs 3, 4 & 12 and the GEF Strategic Priorities BD-1 and BD-2.

The project benefits from a strong commitment of the Government of Azerbaijan, which contributes significant co-financing (2.2 Mio USD) and a credit agreement with the International Development Association (IDA, 6.9 Mio USD) to the "Rural Environment Project".

However, the information base provided in the current project document and executive summary is poor. Basic analyses are not provided or are addressed only superficially (e.g. socio-economic context to promote tourism and rural enterprises, threat analysis for project sites). Co-financing by the Japan Policy and Human Resources Development Fund (PHRD), which is crucial for the establishment/expansion of the NP is not secured yet. Further, the main reservations identified in the STAP report, which we fully support, are not responded to sufficiently (over-ambitious, over-reliance on tourism and missed opportunities for sustainable financing).

To obtain additional information and clarifications we consulted with key WB staff² dealing with this project³.

Our main concerns are as follows:

Main Concerns

- The rationale for the project is not well justified
Information on biodiversity of both selected areas is given in very broad terms only. No specification of the biodiversity categories needed for conservation activities is provided and the threats to biodiversity are insufficiently identified. No analysis of the existing PA system in Azerbaijan is provided. It is essential to clearly identify present shortcomings when presenting a “new” approach. Existing institutional weaknesses are mentioned but not addressed (e.g. through substantial capacity building activities).
Such analysis and information is a prerequisite when planning the establishment of a new park and justifying the introduction of a new management approach. It forms the basis for identification of meaningful outcome-oriented activities for the conservation of biodiversity.
- Inconsistencies between the general project description and the planned activities
According to the project document (p. 5) the project incorporates elements of several GEF OPs. For instance, the project will contribute to the improvement of connectivity of the protected area system (OP 4), and will support the first comprehensive forest inventory and status assessment since 1984 (OP 3). However, no references to these important issues, or activities related to them, are made in the project description. Forms of compensation for local communities for short-term economic losses are addressed repeatedly throughout the document, but without specifying mechanisms or providing meaningful information on related activities.
- Poor sustainability analysis
The alleged sustainability of the project is based on very general assumptions only and appears purely speculative. For instance, the financing of management or essential activities in the remote National Parks are based on the simplistic assumption that revenues from tourism will suffice. No estimate of the range of income from tourism is provided to support this. To our knowledge, the proposed project areas lie in rather isolated regions. The expectation of substantial tourism development in these areas is essentially unfounded in the document. The assumption that the Government of Azerbaijan will adequately finance operation of the National Parks with its petroleum export revenues appears purely hypothetical.
- Lack of indicators to measure biodiversity impact
The indicators identified are not in line with basic requirements identified through GEF OPS 1 & 2: (i) no baseline status information is made available or announced (ii) indicators provided to determine the impact on the status of biodiversity the project intends to conserve are inadequate, and, (iii) other indicators, such as dry biomass, are nice to have but are of very limited importance in assessing the status of biodiversity.

² GEF Regional Coordinator, Europe and Central Asia, the World Bank.

³ Staff from Environmentally and Socially Sustainable Development, Europe and Central Asia, the World Bank.

- The method and criteria for co-financing are not in line with GEF policy
Baseline financing is charged to co-financing, even though it is not obvious why certain listed activities should be essential for achieving the GEF objective. If the whole baselines are co-financing, further explanations are needed to be in line with the GEF's co-financing policy and procedures (GEF/C.20/6/Rev.1), or the amount of co-financing needs to be re-examined.

Conclusions and Recommendations

To foster protected areas within the “Caucasian Hotspot” is a valuable and timely objective, which we fully support.

We therefore regret that this Rural Environment Project appears unbalanced at this stage and fails to provide essential information. The documents provided are a comparatively very poor basis for decision-making by Council. They will have to be vastly improved. We expect the main concerns expressed here, as well as the reservations expressed by STAP, to be fully addressed in a satisfactory manner in the further development of the project.

Based on the additional information provided by WB staff and the strong commitment by the Government of Azerbaijan, we can support Council, but would insist on high levels of scrutiny for the remainder of the approval process.

**WORK PROGRAM: COMMENTS FROM COUNCIL MEMBERS
(REFERENCE TO GEF/IS/12)**

El Salvador: Environmental Services Project (WB)

COMMENTS FROM USA:

Project will work to create payment systems so that people who provide valuable environmental services (land conservation, forestry, biodiversity, etc.) are compensated by the broad public or by the specific consumers of that service. It is a model that has been tested before in Latin America and seems to be having positive results. It is definitely worth supporting in this case.

The quality of results measurement is very good. There is baseline information, targets and indicative targets for most indicators. Global benefit is twofold: carbon sequestration from preserved forests, biodiversity because ES is part of some Central American environmental reserve land bridge. Sustainability is good, much better than if nothing were done, as this is creating economic incentives for efficiency. No discussion of cost effectiveness.

COMMENTS FROM GERMANY:

General comments

The project objective is to establish market mechanisms for payments for environmental services in El Salvador. Given the fact that El Salvador faces many problems (Loss of biodiversity and critical ecosystems, land and forest degradation and poor water resource management) resulting from unsustainable management of natural resources, payments for environmental services by service users are considered to be a promising opportunity to help make sustainable land use practices more attractive.

In addition to the aspects already raised in the STAP review, the following issues need further clarification:

- The establishment of a self-sustaining system for payments for environmental services within 4 years is a very ambitious aim. At the moment, it's not becoming clear how the sustainability of the project will be achieved. Annex 9 provides some information, but there is still a comprehensive overview missing, containing the expected running costs, including salaries, monitoring, training, etc.
- It is expected that the project creates a market for users and providers of environmental services, but there is still a detailed analysis of resource users and resource providers missing. For example, it's not getting clear if all users of these services are in the position to pay for them or if they are going to be excluded from using certain environmental services.

Furthermore, the project core information is still dispersed throughout the main text and in the annexes, e.g. the summary doesn't contain any information about the pilot areas and why they have been selected. It is recommended to sharpen the proposal once more, trying to avoid the high rate of references made to the annexes in order to make the proposal more comprehensible.

Recommendation:

Taking into account the above comments, Germany supports the proposal. Changes should be made during further planning and project implementation.

COMMENTS FROM SWITZERLAND:

General Commentaries

The development objective of the project is to pilot the establishment of market mechanisms for payments for environmental services (PES), which would provide a body of experience and learning to replicate an effective PES program to other areas in El Salvador. The project follows an interesting idea of developing and introducing a system of payments for environmental services in order to change the current poor land use practices, through alternative land uses which generate global and local benefits (improving water quality, regulating ground water and surface water flows, maintaining or enhancing biodiversity and carbon sequestration in at least 12000 ha, which show problems with land and forest degradation, with water resources, and a loss of biodiversity and critical ecosystems).

The project would also address the development of institutional capacities of government agencies and others stakeholders (private sectors, NGO's, others) to support long-term development of environmental services markets in El Salvador.

The project is consistent with the principles of the GEF's OP3 (Forest Ecosystems) and OP4 (Mountain Ecosystems). Still, there are several major concerns, which require further attention. Our concerns refer to several points outlined by the STAP expert review, and which, following our own appraisal, have not been satisfactorily responded to by the project proponents. They focus on deficiencies in the scientific and technical proposal, and also in the sustainability and replicability of the proposed PES mechanism and FONASA fund.

Main Concerns

• **The project is insufficiently defined in technical and scientific terms:**

The information provided does not allow for a meaningful appraisal of the situation at both project areas and of the possible impact of the project. Annexes 18 and 20 do not allow for a clear understanding of the spatial distribution of critical ecosystems, and of the ecosystems which would be subject to the intended change of land use (the 12000 ha targeted). It is also not clear how the project sites will be related to the

Mesoamerican Biological Corridor (MBC) and buffer zones of conservation areas. Therefore it is difficult to assess the project's overall impact in terms of biodiversity conservation.

The indicators for performance and impact are far too general and seem unsuitable for monitoring the project success. With reference to the GEF overall performance studies (OPS 1 & 2), we underline the need to identify project indicators more precisely. In the same spirit, it should be clarified which will be the indicator species.

In order to assess the viability of the project, a basic estimation of targeted environmental services is key, i.e.: tons of carbon sequestrated, quantities of water services, the expected land-use changes, and the expected payments / proceeds of environmental services. We fully agree with the STAP reviewer's comment and disagree with the project proponents, which justify the lack of estimations by the experimental character of the project (by referring to its development objective).

Considering that the project proponents mention existing WB / GEF experience in Colombia, Costa Rica and Nicaragua regarding what quantity of specific land-use changes is needed to produce specific quantities of environmental services, it should be possible to indicate the range of the expected environmental services for the two project areas in El Salvador.

Referring to the WB's own "lessons learned" with a GEF PES project in Costa Rica, the project brief reads: "the identification and quantification of the demand for environmental service must be determined, including identification of key beneficiaries and service providers, the level of charges that should be imposed, willingness of downstream users to pay for the service and the minimum payment level for viability of the market" (page 49). Thus, one should expect information on the target population and at least rough estimates already at the level of the project brief in order to assess the viability of the expected market for environmental services. We regret that the lessons learned from the Costa Rica project are quoted but not applied.

- **Inconsistencies regarding replicability:**

It is unfortunate that existing experience and lessons learned from similar GEF PES projects implemented by the WB in Latin America are not explicitly taken into account. Instead of aiming at the replication of successful experiences in the field of PES, the project proponents opt for innovation, claiming that the approach needs to be developed "site-specifically". At the same time they underline their will to replicate experiences from this project at other sites.

- **Questionable financial sustainability of FONASA fund and PES mechanism:**

The information provided does not allow appraisal of the sustainability of the FONASA fund and of the PES mechanism.

The possibilities to secure the necessary financing after project completion are uncertain and based on a simplistic assumption of the "willingness to pay for services among some of the service users". Thus, as the Executive Summary affirms, financial

sustainability rests largely with the development of PES mechanisms, which will only be implemented at sites at which there is documented willingness to pay for services among service-users (paragraph 24 of the Executive Summary).

In consequence the following two questions must be raised:

- (1) How will the project be replicated on sites where the conditions mentioned are not met?
- (2) If site selection depends on the availability of service buyers, how will the project guarantee that its sites lie within priority areas for biodiversity conservation? The project's dependence on the availability of service buyers might be a risk for an optimal orientation towards biodiversity conservation.

It is mentioned that the project would develop a variety of mechanisms to secure financing from beneficiaries of targeted services and the payment of the operating costs of the program, (paragraph 23 of the Executive Summary), but no further explanation is given later on (except the case of the collection of water tariffs).

- **Project scope and viability of replication:**

Monitoring and measuring of the provided environmental services are crucial for the PES mechanism. Considering the characteristics of the proposed project with its high number of service providers and beneficiaries involved, this seems a particularly challenging task and is therefore part of the experience to be piloted.

If the per hectare operating costs of operating the PES mechanism were relatively high in comparison with the value of the provided environmental services, the viability of a transfer of the experience / PES mechanism to other areas would be lessened. As no estimates on the targeted services are given in the project brief, it is impossible to assess this crucial issue. Or would any further replication depend again on external financing of the relatively high transaction cost?

Conclusions and Recommendations

We support the project objective and conclude that the project is consistent with GEF criteria.

There is a clear and urgent need to explicitly take into account experiences and lessons learned from similar GEF projects. This is even more important given that the project aims at providing a body of experience and learning to replicate effective PES programs in other areas in El Salvador.

Crucial technical issues are currently described only in very general terms and the responses to STAP reviewer's comments are far from convincing. Indicators for monitoring and evaluating project performance are insufficiently developed, despite strong emphasis in OPS 1 & 2 on the need for improvements in this area.

In conclusion, we support Council approval of this project, but would insist that our main concerns and those expressed by STAP be seriously taken into account in the further development of the project.

WORK PROGRAM: COMMENTS FROM COUNCIL MEMBERS
(REFERENCE TO GEF/IS/12)

Namibia: Namib Coast Biodiversity Conservation and Management [NACOMA]
(WB)

COMMENTS FROM USA:

This is a vanilla project of about \$7.5 million to support Namibia's biodiversity and address environment concerns in the coastal region which is growing as an important tourist area. It is also the site of an expanding extractive industry, in particular off shore mining and gas exploration. Therefore the area is growing economically and is drawing an unprecedented migration to the region, bringing with it controlled urban development. This threatens the freshwater resources with its associated increase in industrial coastal and marine pollution.

Namibia does not have the expertise to deal with these increased pressures. The GEF project aims to develop capacity for coastal zone management that will foster conservation and sustainable use of biodiversity at the national, regional, and local levels provide financials support to coastal zone development plans, and among others, encourage diversification of growth sectors.

Quality of results measurements is barely adequate: No quantifiable time line, no time bound results. I recommend support, but the results measurement should be strengthened.

Sustainability - don't think it is much of an issue.

Global benefit -- protect the habitat of migrating birds and local flora, and reduce air pollution in the South Atlantic region.

Cost effectiveness -- this is basically the capacity building and I suspect it is adequate given the expertise in this area by the WB and the woefully lacking in such by the Namibian authorities. However, there is no discussion of this in the document. How does this project compare with those listed on p. 12 in terms of unit costs.

COMMENTS FROM GERMANY:

Specific Comments

Considering the complexity of the four components, the time frame of less than four year is questionable and should be extended.

Detailed comments concerning project components are as follows:

1. Policy, legal and institutional framework for sustainable ecosystem management of the Namib Coast:

Fine

2. Targeted capacity building for coastal zone management and biodiversity conservation:

The achievements seem to be too general and over-budgeted considering the impact to be achieved. Additionally, the sustainability of the activities is questionable unless the ownership (which includes financial support after project closure) of the planned M&E systems and knowledge management network is clearly determined.

3. Targeted investments in critical ecosystems for biodiversity conservation, sustainable use and mainstreaming:

Parts of the funds allocated to Component 2 should be rather spend for 3 due to the tasks to be achieved. The creation of Marine Protected Areas, in particular legal aspects, stakeholder consultation and the establishment of a functional management system (including border zone management, enforcement, revenue sharing systems) will need a longer project implementation period and an increased budget.

4. Project management and performance monitoring

The integration into a national Namibian counterpart institution is not clear, which bears the risk of creating parallel structures which are not sustainable.

Recommendation

Taking into account the above comments, Germany supports the proposal. Changes should be made during further planning steps and project implementation.

COMMENTS FROM SWITZERLAND:

General Commentaries

The overall goal of this project is integrated management of the 1,500 km coastal area of Namibia which encompasses globally unique terrestrial, freshwater and marine ecosystems that are rich in biodiversity and characterized by a high level of endemism. The project area encompasses two recognized global “ecological hotspots”. The ecological integrity of the targeted ecosystems is increasingly threatened by uncontrolled land and resource use as a result of uncoordinated planning, the absence of clear policy guidelines and legal frameworks, and poor administrative capacities on all government levels. The project goal is expected to be achieved through a three-pronged, iterative approach: (a) the creation of an enabling policy, legal and administrative framework, and mainstreaming biodiversity conservation into an integrated planning approach, (b)

capacity development on all government levels and for selected target groups of the civil society, and (c) targeted investments in biodiversity hotspots, that will strengthen and expand the country's protected area system. The proposal appears technically and scientifically sound and provides sufficient background on the project.

The project appears consistent with the GEF Biodiversity Conservation Focal Area, meets the criteria of OP-2 (*Coastal, Marine and Freshwater Ecosystems*), is in line with SP-2 (*Mainstreaming Biodiversity in Production Landscapes and Sectors*) and SP-1 (*Catalyzing Sustainability of Protected Areas*) and appears to comply with national priorities.

Main Concerns

Clarification is needed on which version of the project proposal is valid: the Project Brief listed on the web as "MACEMP" (GEF 10 million USD) or the Project Summary listed as "NACOMA" (GEF 5 million USD). Is this one and the same project? If so, is there an explanation for this major inconsistency?

More than 55 million USD are listed as co-financing. If all this money is allocated to the pledged cause there would be little need for additional GEF funds of 5 million USD. The incremental cost table indicates that 8 million USD baseline funds (+0.9 million GEF) are allocated to creating the enabling policy, legal and institutional framework conditions (result 1), 20 million USD (+1.5 million GEF) to targeted capacity development (result 2), and another 24 million (+1.5 million GEF) to targeted investments in critical ecosystems for biodiversity conservation (result 3). The incremental cost table and the co-financing sources/amounts are misleading (i.e., mostly generic, applied country-wide and not specifically addressing biodiversity conservation concerns) and do not reflect the GEF's new policy and guidelines on co-financing.

From the arguments used in the proposal it may not be automatically concluded that the project will result in incremental global benefits.

The timeline of 5 years for a 61 million USD project appears highly inadequate, given the rather ambitious goals and objectives, the numerous stakeholders involved, the dependency of project success on the willingness of government agencies and line ministries to cooperate closely, the time-consuming process to expand the protected area network in a participatory manner, and the novel integrated regional planning approach.

Is it realistic to expect that the project will lead to the adoption of a national mandate for Integrated Coastal Management that requires a sustainable multi-sectoral Committee and sustainable financing?

Conclusions and Recommendations

The project would benefit from streamlining and improved focus. It is recommended to downscale the project scope, to concentrate on a regional model area for testing of the proposed participatory integrated planning approach, and to extend the timeline to a minimum of 10 years.

Further Commentaries

In the description of the baseline scenario it is stated that “the existing coastal protected areas will result in irreversible biodiversity loss” without GEF intervention. Furthermore, that “the country’s decentralization process is expected to be much slower without GEF intervention”. Both predictions appear to be dramatic overstatements.

The threat analysis does not provide sufficient background on the allegedly fast growing habitat destruction that allegedly affects Namibia’s 1,600 km coastline (used as key argument in defense of targeting the entire coastal area). In this context further clarification is needed on the relative magnitude of the threats listed and on how real and immediate they are in order to justify the requested GEF grant. Threats in reality may be rather localized, concentrated on the few population centers along a generally very sparsely settled and mostly inhospitable coast.

The risk assessment appears overly simplistic.

The costs calculated for administering the GEF grant amount to 20% of the requested grant of 0.95 million USD. It is unclear why all costs related to the administration of the project should be charged against the GEF grant if the total project costs inclusive of co-financing amount to over 60 million USD?

The Project Summary does not specify the economic benefits to be expected for the coastal communities and how the “buy-in” and “ownership” will be achieved without tangible benefits to the key stakeholders.

The MACEMP Project Brief lists numerous activities directed at improving the economic conditions of coastal communities. There is little mention of economic community benefits in the Project Summary. This discrepancy needs clarification.

WORK PROGRAM: COMMENTS FROM COUNCIL MEMBERS
(REFERENCE TO GEF/IS/12)

Tanzania: Marine and Coastal Environment Management Project [MACEMP]
(WB)

COMMENTS FROM USA:

GEF proposes a \$10.33 million grant for Tanzania for the Marine and Coastal Environment Management Project. (Note: World Bank staff is preparing a \$46.38 million operation to co-finance this project.)

The project responds to destruction of critical habitats for fish, marine mammals and seabirds and threats to coastal ecosystems. The project seeks to put in place effective management of marine and coastal habitats and to prevent further overexploitation of fisheries and habitats.

GEF will support 2 project components:

Establishment and implementation of a national common governance regime (for mainland Tanzania and offshore Zanzibar) for sound management of the offshore Exclusive Economic Zone (EEZ); and

Establishment and support for sound management of coastal marine areas, using local governments, and regional, community and private sector partnerships

I believe this is a worthwhile project to support putting in place management systems to protect biodiversity in offshore and coastal areas. I am pleased that the project document has a satisfactory results measurement framework with some measurable indicators, baseline data and intermediate and end-of-project target values for the indicators (e.g., proportion of territorial seas under effective protection or management is forecast to increase from 4% in baseline year to 10% at end-of-project).

It seems to me the Project Global Objectives have adequate targets (given the low starting point):

Daily observations of vessel fish catch entered into Tanzania's Fisheries Information Management System would increase from 1000 in baseline period to 2000 in year 1, 9000 in year 4 and 15000 at end-of-project;

Proportion of territorial seas under effective protection or management would increase from 4% in baseline period to 5% in year 1, 8% in year 4, and 10% at end-of-project.

Cost effectiveness: no discussion.

COMMENTS FROM GERMANY:

Specific Comments

The project with its four components is planned in a very ambitious mode and it is questionable if the projects development objective will be achieved in the planned time frame.

For example, the experience with management of Exclusive Economic Zones (EEZs) and Marine Protected Areas (MPA) has shown that all activities related to establishment, the implementation of monitoring, control and enforcement systems or a revenue generation mode are usually the most crucial factors and thus dependent on a long-term approach and consensus of all stakeholders concerned.

The project should consider this during implementation, in particular also the legal basis for enforcement activities plus the determination of ownership rights of local communities.

However, the proposal seems to be based on a thorough analysis and is worth to be supported (although the “executive summary” is too comprehensive).

Recommendations:

Taking into account the above comments, Germany supports the proposal. Changes should be made during further planning steps and project implementation.

WORK PROGRAM: COMMENTS FROM COUNCIL MEMBERS
(REFERENCE TO GEF/IS/12)

Turkmenistan: Conservation and sustainable use of globally significant biological diversity in Khazar Nature Reserve on the Caspian Sea Coast (UNDP)

COMMENTS FROM USA:

The difficult governance environment in which this project is proposed to operate raises serious concerns about sustainability, basic transparency and adequacy of consultations, and adequacy of fiduciary controls with respect to the project. We would also note that the project document appears to mischaracterize USAID assistance as cofinancing. While we greatly appreciate the assurances and responses from UNDP staff to our questions and concerns, we believe that the project raises fundamental issues that should be discussed by the Council. Therefore, the U.S. requests that this project be postponed until the June 2005 Council meeting, and that UNDP provide an information note to the Council addressing these issues.

COMMENTS FROM GERMANY:

General Comments:

The project builds on the principles of landscape ecology and the landscape species approach. At least on the implementation level, this means nothing else than applying the ecosystem approach which is a primary framework for action under the Convention on Biological Diversity. For reasons of conformity, it would be useful to make the link between the landscape approach and the ecosystem approach, and to adopt the wording where necessary and feasible.

Despite the fact that the project focuses much on ecosystems and the areas beyond the boundaries of protected areas, it is surprising that the project is not allocated to OP#12 (Ecosystem Management).

The project aims at introducing new protected areas categories, and to adopt community participation and landscape ecology principles into law. It would be useful to refer to UNESCO's System of Biosphere Reserves and to examine whether this concept would already provide the necessary framework onto which the project can build. The analysis of the present protected areas system and the identification of gaps and solutions would have been a typical task of project preparation.

The document correctly points out that there is no strong tradition of community involvement and consultation with local people in Turkmenistan's protected area history or in Turkmenistan's natural resource management experience. The project aims at introducing new, more participatory approaches, without taking fully into account the fact that the enabling environment for public participation is weak. Turkmenistan's social and political system is not fully supportive to bottom-up approaches, and considerable

efforts will be necessary to sustain achievements in this field beyond the end of the project. There is thus a risk that the project will be able to initiate and sustain participatory processes; this risk should be classified as high.

The document says that current law and policy hampers the ability of the reserve to work with local civil society. If there are no civil societies to work with, it should be clearly stated. However, the public involvement plan should also clearly show how the project will then work with the local population, beyond their state representatives. At present, such a concept seems to be not available.

The project brief claims that the project will have positive effects on vulnerable coastal communities, especially women and displaced households. As it cannot be seen that the project deals in particular with these groups, it gives the notion that this statement was only made for fulfilling political correctness.

With 43 pages, the executive summary is much longer than what would be expected. It is not considerably shorter than the project brief (72 pages resp. 62 pages, if a general annex is not taken into account).

Recommendation:

Taking into account the above comments, Germany supports the proposal. Changes should be made during further planning steps and project implementation.

COMMENTS FROM SWITZERLAND:

General Commentaries

The proposal is well researched, scientifically and technically sound, provides sufficient background information, is easy to understand, well formulated, well presented and logically conclusive. The Khazar Nature Reserve is the target area for the requested GEF support. As the largest conservation area in Turkmenistan the Reserve protects critical terrestrial and marine ecosystems along the Caspian Sea coastline that are increasingly threatened by habitat degradation resulting from marine pollution and over-harvesting of natural resources. The Reserve is considered an important link for two of the World's major flyways that converge in the target region providing staging areas and over-wintering habitats to numerous migratory bird species. The marine and coastline sections of the Reserve protect critical fish habitat and spawning areas for the endangered Caspian sturgeons.

The objectives of the project are sound and the activities proposed fully address the logical steps necessary to achieve the results identified in the proposal.

The project is consistent with GEF's Strategic Priority #1 (*Catalyzing Sustainability of Protected Areas*), meets GEF eligibility criteria under Operational Program #2 (*Coastal, Marine and Freshwater Ecosystems*) and adheres to the OP-2 stipulations by adopting an ecosystem and transboundary approach to furthering conservation and sustainable use in and adjacent to the Khazar Nature Reserve.

The STAP review of this proposal is very comprehensive and has addressed major concerns in sufficient detail. There is very little to add to this critical analysis that reflects the reviewers' obvious familiarity with the subject matter and geographic target area.

Main Concerns

Key to the project's success are a sound stakeholder involvement in planning and implementation of the integrated management plan and tangible benefits channelled to the stakeholders currently depending on the resources of the Reserve for their livelihood. It is therefore unclear why less than 5% of the requested grant is allocated to community outreach and management participation. It appears doubtful that the overall conservation objectives of the project can be achieved if stakeholder involvement and concrete benefits to the rural poor are not better addressed.

The proposed four years timeline of the project is much too short to achieve the expected results.

The sustainability of proposed interventions largely depends on the good-will of the stakeholders and the financial commitment by the Government in meeting the operational costs of the Reserve. The proposal does not provide convincing arguments that these conditions will be met.

Conclusions and Recommendations

The project appears generally sound and well justified. It is strongly recommended, however, to extend the timeline of the project to 8 years minimum and to allocate more resources to improving the livelihoods of people near the Reserve.

Further Commentaries

Most of the indicators listed on page 5 of the project summary are not very realistic for a 4 year project timeline. Visible results, especially with respect to stakeholder ownership in the conservation project, the implementation of the management plan and law enforcement success, will take time and cannot be achieved within 4 years. It is suggested to select more realistic indicators and to downscale expectations.

Clarification is needed on the availability of local expertise –as suggested by the proposal- regarding the three key elements of the project's innovative approach which are new to Turkmenistan and seemingly alien to its prevalent culture:

- Participatory approach
- Landscape level, inter-sectoral integrated planning approach
- Trans-boundary approach

It is doubtful that these project elements can be successfully implemented without significant levels external technical assistance. Using an international advisor to provide technical backstopping services by e-mail –as proposed in the document- will not be sufficient.

**WORK PROGRAM: COMMENTS FROM COUNCIL MEMBERS
(REFERENCE TO GEF/IS/12)**

CLIMATE CHANGE:

**Regional: Energy Efficiency in El Salvador, Nicaragua, Costa Rica, and Panama
(UNDP)**

COMMENTS FROM SWITZERLAND:

General Commentaries

The proposed Energy Efficiency Project for selected Central American countries aims at removing the barriers to market entry of commercially viable energy-efficient technologies and sharing best practices in the use of electricity in the industrial and commercial sectors in four core countries, i.e. El Salvador, Nicaragua, Panama, and Costa Rica. Three further countries, i.e. Guatemala, Belize, and Honduras would participate in the Project as associated countries in which primarily dissemination information and replication activities would take place.

The proposed Project consists of the following three components: (1) Creating the legal and regulatory basis for removing lowest technologies from the market and promoting high efficient technologies; (2) Building institutional and individual capacity to secure on-the-ground implementation of the above; and (3) Distilling lessons learned and information dissemination as well as enhancing existing opportunities.

The development objective of the Project is to trigger an energy efficiency market in Central America to reduce the overall consumption of electricity in the commercial and industrial sectors, which would improve the competitiveness of the local economies due to reduced energy costs and decelerated demand for increased (thermal) power capacity.

The global environmental objective of the Project is to reduce greenhouse gas emissions produced by thermal power generation in the national inter-connected systems of El Salvador, Nicaragua, Costa Rica and Panama. The project is consistent with GEF's Operational Programme #5: "Removal of Barriers to Improved Energy Efficiency and Conservation". The proposed Program is further considered to be in line with the related GEF strategic priorities CC-1 "Transformation of Markets for High Volume Products and Processes"; CC-2 "Increased Access to Local Sources of Financing for Renewable Energy and Energy Efficiency"; and CC-3 "Power Sector Policy Frameworks Supportive of Renewable Energy and Energy Efficiency".

Main Concerns

- (1) *Regional Intervention Logic:* The proposed project encompasses a regional intervention logic. It is deemed adequate to concentrate on four core countries and at

the same time not to exclude other countries in the region by giving them the status of associated project countries. It is acknowledged that through the regional approach a number of synergies can potentially be yielded, and information and lessons-learned can be shared among the countries. However, in particular with regard to the first component of the Project – improvement of policy and regulatory framework – the current situation is characterized by significant differences between the participating countries. Full understanding of the different frameworks together with the related political context in several countries simultaneously is a demanding task and could overstrain available resources of the Project.

- (2) *Co-financing*: According to the table on page 11 in the Executive Summary by far the largest sources of project co-financing are local banks in El Salvador and Panama (5,500,000 million or 78% out of 7,065,000 million USD). Commitment letters for these co-financing funds have already been secured. Nevertheless, actual availability of these funds may be questionable. Banks (as other private financiers) could refuse to actually provide the committed funds based on reasons on which the Projects have little or no influence, e.g. too low prospective returns on investment or too high perceived risks of actually proposed energy efficiency projects. The Project proposal does not elaborate on strategies and measures to address this risk.
- (3) *Low-quality EE products on the market*: Experience in other countries shows that the proliferation of cheaper low-quality alternatives that are apparently EE products causes unfair competition with bigger and known brands. There is also a risk that EE products will be counterfeited and sold under a label developed under the project, thus undermining the efforts to promote EE products. In the Project Brief the related project risk is rated "low". Depending on the actual situation in the different countries this risk could well be substantial, in particular if such low-quality equipment is (illegally) imported in large quantities. The proposed mitigation strategy consisting of a project activity to enforce and promote strict technical norms for the EE equipment should thus also include support for an effective enforcement of import regulations, including effective control measures at the customs.
- (4) *Complementary Action*: It is understood from the Project Executive Summary that complementary action is contemplated to leverage commercial financing from local sources in the order of 11.7 million USD. However, the current status of the complementary action and the relation to the Project remains unclear.

Conclusions and Recommendations

The proposed Energy Efficiency Project in the countries El Salvador, Nicaragua, Costa Rica and Panama is recommended for approval. It is generally well conceived and adopts strategic choices that are consistent with GEF priorities. The proposed regional approach with four core countries and three associated countries is generally deemed adequate and effective. However, sound management and close monitoring of different Project activities will be crucial to avoid overstraining of project resources, in particular with regard to policy and regulatory framework activities. It is further recommended to develop strategies and measures to be better prepared in case the envisaged co-financing funds from local financiers are not available in the committed amount.

Further Commentaries

- (1) In the Project's logical framework the success indicator for reaching the project's global environmental goal is the reduction of GHG emissions over a period of 20 years. However, in order to allow an evaluation at the end of the proposed project duration of 5 years, a success indicator should be defined for this period only.
- (2) Spell checking, particularly in the Executive Summary, would greatly enhance the reading experience.

**WORK PROGRAM: COMMENTS FROM COUNCIL MEMBERS
(REFERENCE TO GEF/IS/12)**

Guatemala: Productive Uses of Renewable Energy [PURE] (UNDP)

COMMENTS FROM SWITZERLAND:

General Commentaries

The project aims at removing barriers for the dissemination of productive uses of energy generated by Renewable Energy Technologies (RET's) in one of Guatemala's poorest areas. It consists of the following four components: the **mitigation of GHG emissions** through promotion of 4 grid-connected hydropower systems (total 9 MW) and several off-grid RET systems (mainly hydropower, total 1 MW), **income generation and productivity enhancement** through productive uses of energy, **integrated watershed management** practices that reduce vulnerability to climate change and support to relevant **policy making and regulations** and to a national and local **multi-stakeholder dialogue** and long-term collaboration for project replication.

The focus on the promotion of productive uses makes hydropower as main technology for off-grid systems the best choice (instead of SHS, with limited capacities at high investment costs). To warrant long-term sound hydropower generation the integrated watershed management - although often neglected and not easy to realize - is deemed to be a very crucial issue. The general project approach is based on the fact that energy is one of several key inputs, besides credit accessibility, technical assistance, market development etc., to foster rural development. The approach tries to reconcile interests of private and public stakeholders to achieve synergies to support RET's, rural development and environmental protection. It ties up to several other initiatives and projects, aligns with the GoG's rural development strategy and consequentially involves the relevant ministries and the National Association of Renewable Energy Producers (AGER).

Main Concerns

1. With regard to grid-connected privately financed RE systems in Guatemala, serious problems have previously arisen due to conflicts among stakeholders, namely private investors and local (affected but unsupplied) communities. Therefore, the proposal stresses the importance of a "**multi stakeholder arrangement**" and of "projects that benefit both private investors and the communities that own or use natural resources". It recommends the creation of an "appropriate institutional mechanism" to facilitate investment with shared benefit and to conclude "agreements" between the stakeholders to manage the watershed. The proposal states that the driving force for the private sector to invest in such communities is not (strictly) financial but is associated with the "corporate social responsibility efforts" needed to ensure the sustainability of the investment. The project's strategy is to focus on incentives for private investors to make the supply of small (neighbouring) communities attractive to them. This is confirmed when boiling down the content of Outcome 2 from the point of view of private investors:

- private sector will invest in grid-connected systems (16 million USD, expected IRR 12 %)
- their electricity sales are improved by the PURE project and
- the watersheds are better protected (due to stakeholder engagement).

The only *additional* financial contribution from the private sector is a single payment of 1 million USD, accounted for by AGER. From the point of view of local communities Outcome 2 will:

- yield (at least) 10 % of the produced electricity for the region (5,000 persons electrified)
- develop productive uses (1.925 million USD, of which 1 million USD contributed by AGER).

According to the project budget the development of the 9 MW on-grid hydropower systems are subsidized with 1.1 million USD. This is one of the reasons why the question should be raised whether the profit yielded by the systems should not be more equitably shared with the local communities. After all, the latter are expected to manage the watershed well in order to guarantee proper electricity production. Any concept for benefit sharing can be either elaborated on a national level (regulations) or be negotiated in each specific “local sales and benefit sharing contract” or in the “agreement between private developer and local organizations”. The first option, a general national regulation, should definitely be preferred in order to avoid inequities.

In fact, to clarify the situation, **clear property rights** should be defined. Thus, rural dwellers could be enabled to use **hydropower as such for income generation**. With a concession fee, for example, which could be administered by a specific governmental body, the rural population would benefit from each installed kW or sold kWh, as is the case in other countries such as Switzerland. Then, it can be expected that rural communities fully support integrated watershed management and promotion of productive uses since both ensure or even increase electricity sales for their own sake. A concession fee can help to replenish the Rural Electrification Fund. In the project proposal no link is established between the privately owned profitable grid-connected systems and the unprofitable off-grid systems which are left with the public sector. It should be discussed whether a balance (cross subsidization) through concession payments and the establishment of a fund are feasible. Thus, at least part of the **profit from grid-connected systems could be re-invested in off-grid systems**. For long-term sustainability the subsidies needed for off-grid systems must be replaced by e.g. a common investment fund replenished by revenues from profitable (on-grid) systems.

In addition to benefiting as owners of the resource, the possibility for communities to participate as **shareholders of electricity companies** should also be considered. Depending on the legal form, customers, communities, municipalities etc. could possibly participate in profit (and losses) of an electricity company.

2. The four productive chains, namely coffee, cardamom, timber and dairy products, which are proposed for income generation are those which had been identified by the GoG as priorities for its rural development strategies. The question arises whether these are also priorities for the local population in the relevant areas. An important disadvantage of (conventional) coffee and timber is the fluctuating world market price. It must be carefully analyzed whether certification would guarantee finding a

ready market. Processing of timber will require clear regulations and very strict control to avoid deforestation. For productive uses it is recommended to

- allow for more diversity depending on the specific conditions and
- also analyze the local markets (where other interesting products might be requested).

The project should offer facilities (financing, marketing mechanisms, etc.) but not stipulate too much. Since the specific locations are not yet identified, productive uses of energy should not be strictly predetermined. They should rather be specified in close cooperation with the local community, according to the possibilities and the available potential (e.g. by means of a **participatory rural appraisal** in each area of interest). In addition, the **possibilities for marketing** of products should be carefully analyzed. Mostly, off-grid systems are relevant in remote areas where **access** is very difficult. Difficult access is one reason for not being connected to the grid. At the same time this difficult access might prevent the locations from being connected to national and international markets. This again is one more reason to diversify productive uses and to also have a look at local markets.

3. With regard to the **technology** hydro, PV, solar thermal and biomass are mentioned and could entail a **multitude of technical problems**. A high input will be required to train technicians for O&M. In each specific location it should be well considered which technology contributes most to the overall project objective. To reduce firewood consumption, for example, energy saving stoves will most probably contribute more than solar home systems. The ambitious goal to reduce by 25 % the upfront government subsidies required per kW of off-grid RE installed can only be achieved if a clear technology focus is defined. This limitation is also relevant with regard to efficient O&M. Good experience was made with the so-called “district approach”. The latter is mainly based on the experience from Nepal, where it turned out that O&M entities operating out of district towns represent a potential solution for difficult O&M for off-grid (hydropower) systems. This form of centralized O&M is only feasible with a sufficient number of schemes, thus allowing for economies of scale and cost recovery. A **critical mass** of at least 3 technically/economically feasible projects and additional projects for future development should be in the area and ideally also some existing plants to be only rehabilitated as a basis for a good cash flow. A multitude of different technologies, requiring different know-how, would complicate this O&M model.

Conclusions and Recommendations

The proposal describes an excellent interdisciplinary approach linking energy, rural development and environmental protection, by taking into account a multitude of aspects such as financing, legal, institutional issues, marketing, social aspects etc.. The crucial issue, the productive uses of energy, attracts the attention that it deserves and is part of the activities from the very beginning. The project is thus recommended for approval.

Further recommendations are:

- The **legal and political frame conditions** which are to be developed must give the **rights of disposal on natural resources**, such as hydropower, to a legal body which safeguards and attends to the general public’s interest and has the capacity to

capitalize on these rights for the well-being of the population. The latter can either profit by exploiting them on their own or by being paid a resource-, profit- or cash flow-based annuity for conferring the right to a third party, which can be a private investor or a utility. When the right is conferred, it should be considered if and how local communities can become shareholders, as individuals, as Municipalities, as local community organization (“OLAPES”), etc. Obviously, the Municipalities have funds to participate financially. It could also be considered whether their funds are not better invested in profitable grid-connected systems thus generating revenues, which can then be re-invested in off-grid systems.

- The recommendation which is given with regard to **productive uses** is to check how far the four products that form the basis of GoG’s rural development strategy and that ensure broad support (from sources other than PURE project funds) offer opportunities for the relevant locations; the project should try to diversify productive uses based on the results of a participatory rural appraisal. Overall objective should be to establish a **broad and firm basis to minimize risks and dependencies**.
- The project being based on a multifaceted approach is positive in the sense that it has the potential to resolve complex, closely interlinked problems. On the other hand this multitude requires competencies in very different fields (hydro, PV, thermal solar, biomass energy technology, legal aspects, marketing strategies, watershed management, production, processing and marketing of timber, cardamom, dairy products etc.). In order not to overstrain, the **number of RE technologies** should be strictly limited and a **spatial limitation** of the project should also be seriously considered. Otherwise, the project runs the risk of creating too many problems it cannot resolve. Depending on the selected locations, their energy potential and available know-how, it is advisable to first focus on one (or maximum two) energy technologies.

Further Commentaries

- Some **assumptions**, like the identification of minimum 60 isolated sites for the 5 years after project closure, the replacement of biomass use by other energy for 60 % of the related activities in all project sites and the acquisition of 20 million USD additional funds for replication are **quite optimistic**.
- Even if at a selected off-grid location the national grid is not expected to “reach users in at least 10 years”, as soon as a generation plant is installed and the consumption is increased by means of the planned activities, it can become interesting to extend the grid to that area. Therefore, in each specific case, it has to be analyzed in detail if a hydropower plant should not be designed for **later grid-connection**.
- The proposal deplores the lack of **interdisciplinary expertise** to work simultaneously on both rural energy and productive uses. Experience in other countries (e.g. Vietnam) has shown that this expertise is available at lower administrative levels, e.g. at district and commune level. There - due to limited human resources - each staff member has to fulfill a variety of tasks which earns him interdisciplinary skills.

WORK PROGRAM: COMMENTS FROM COUNCIL MEMBERS
(REFERENCE TO GEF/IS/12)

Islamic Republic of Iran: Removing Barriers to Large Scale Commercial Wind Energy Development (UNDP)

COMMENTS FROM USA:

Consistent with US legislation on international terrorism, the U.S. objects to this project because it benefits Iran, and asks that this position be clearly reflected in the CEO's summary.

COMMENTS FROM GERMANY:

General Comments

Observations:

(i) About half of the GEF support (USD 2.5m) will be used for a production bonus to the public wind farm owner/ operator during the first 5 years. The Government is expected to contribute about 70% of the production bonus during the first 5 years and 100% thereafter. Since this demonstration wind farm is expected to be built in any case (Exec.Summary, p.12) the efficiency of using half the GEF funds for the production bonus should be discussed.

(ii) The M&E arrangements are well developed and described in the project document, including a detailed budget.

Recommendation

Taking into account above mentioned comments, Germany supports the proposal. Changes should be made during further planning steps and project implementation.

COMMENTS FROM SWITZERLAND:

General Commentaries

The goal of the project is to reduce greenhouse gas emissions of Iran. The project is designed to integrate wind energy generation into Iran's energy mix through the implementation and operation of the first commercial wind farm in the country. The project aims at removing existing barriers that hinder an efficient wind energy development in Iran, thereby launching a market transformation approach. A public private partnership approach shall be used wherein both the public and private sector are supposed to financially contribute to the project, will receive technical assistance and are

profiting from a comprehensive capacity building process. The 20 MW wind farm to be realised as demonstration of commercial opportunities in a liberalised electricity market (in parallel to a fully government owned wind farm of 28 MW capacity) is thought to be a first step of the national plan to develop a total wind power generation capacity of 2'500 MW by 2020.

The key tool of the project to support involvement of the commercial sector will be a production based tariff support mechanism. While current average real costs of electricity delivered to consumers are at 3.2 US cents per kWh, generation costs of wind energy are estimated to be at around 5.2 US cents per kWh. A premium (production bonus) of 2 US cents per kWh would therefore be required to make wind energy economically feasible. 2.5 million USD (approx. 45%) of GEF's contribution will be used to cover 30% of this premium during the project's 5- year pilot period, with the Government of Iran (GOI) covering the rest 70%. After that, GOI will take over 100% of the production bonus for the remaining 15 years of the power purchase agreement valid for 20 years of operation of the wind park.

The project is fully consistent with UNDP's recently approved country programme for Iran (renewable energy, energy efficiency and energy conservation are key areas of support for UNDP for the period 2005-2009). Moreover, the project is in line with Iran's new policy for the energy sector "to create a basket of energy production from the many energy sources in the country". Finally, the project has an attractive financial leverage of almost 1:10 (GEF contribution: GOI's and private investors' share).

Main Concerns

1. Confidence of private investors/risks: So far, the Iranian government has neither any experience with feed-in-tariff systems nor with commercial wind power generation and independent private wind power producers. This appears to be a weak basis to create confidence among investors (who would, without the production bonus, certainly invest into fossil fuel based power production). In particular, private investors might question the securities they have that the premium tariff scheme will be maintained after the 5-year initial period. Although the STAP reviewer has raised this point, the project proposal gives neither a clear view about the likeliness of generation costs exceeding 5.2 US cents nor what the impacts of an increase of costs would be. The sensitivity analysis done (showing a NPV of zero with a feed-in tariff reduced by 20%) however confirms that this margin is a critical issue.
2. Competition by conventional power generation opportunities/attractiveness: Although the target to increase Iran's total wind generation capacity to 2'500 MW in 2020 is quite ambitious, it compares unfavourably with the yearly increase of Iran's fossil-fuel based generating capacity which is in the range of 2'100 MW. Taking also into account the apparent lack of wind data and hence the uncertainty of the long term replication potential, a prospective investor might likely consider an investment into wind power as not very attractive compared to investments into the well known, established, conventional power generation market. How can the participation of the private sector be ensured and increased during the project?
3. Long term perspective: The economic viability of the plant can only be achieved through the premium tariff scheme which (at least during the first five years) will be

achieved by start-up subsidies from GEF and GOI. However, the project has only the potential to become a model if a fully operational system (be it the guaranteed feed-in-tariff and tax credit system, the mentioned quota based portfolio standard, or a tendering procedure) for the promotion of renewable energy based power generating systems can be implemented during the project. The project proposal is still vague concerning the design and procedures to arrive at a workable and sustainable financing mechanism.

Conclusions and Recommendations

The project offers an attractive opportunity to promote clean energy generation in a fossil-fuel dominated energy market and to gain experience with new market based instruments designed to promote renewable energies. It is therefore recommended for endorsement. However, the project developer is strongly advised to undertake additional efforts to ensure the active participation and commitment of the private sector and to establish a sound and sustainable financing mechanism in the early phase of the project.

WORK PROGRAM: COMMENTS FROM COUNCIL MEMBERS
(REFERENCE TO GEF/IS/12)

Kazakhstan: Removing Barriers to Energy Efficiency in Municipal Heat and Hot Water Supply (UNDP)

COMMENTS FROM GERMANY:

Recommendation

We support the project without a need for further comments.

COMMENTS FROM SWITZERLAND:

General Commentaries

The main objective of the project is to reduce the CO2 emissions of the district heating systems (DH) of the municipalities in Kazakhstan. It addresses the OP5 (Removal of barriers to energy efficiency and energy conservation). The efficiency of these systems is generally low and the energy is paid following a flat fee tariff (amount to be paid independent from the amount of energy consumed). Many of the DH are supplied by essentially coal fired Combined Heat and Power (CHP) systems, while the rest is supplied by Heat Only Boilers (HOB) fired by oil.

The project aims at improving the energy efficiency of DH by assisting the Government of Kazakhstan to improve the frame conditions, to build the capacity of the local heat supply companies, to build the capacity of local tenants and home owner associations, and to introduce and gain experience on new institutional and financing arrangements. The project is logically built, taking into account the experiences of previous projects in European Eastern countries, and considers both supply and demand aspects.

Main Concerns

- Generally the efficiency of HOB systems is lower than modern individual heating systems. DH systems with HOB on a CO2 emission basis, are of interest only when they are using at least part of biomass or energy recovered from wastes (such as municipal waste incineration). The project does not mention these options. Biomass, and/or wastes have not been considered as an option to reduce CO2 emissions.
- Heat recovery from industries has not been mentioned as an option. It would be interesting (if not already assessed) to consider the potential for Integration of DH to industrial processes.
- It is not clear if the energy price of the DH can be competitive against individual boiler systems. If after up-grading the price of the energy supplied by the DH systems goes up, and the oil-gas is at the market price, there is a risk of disconnection from the DH systems and installation of individual boilers. Is there any provision at the policy level to avoid this?

- Energy metering at building level certainly brings a lot of useful information and makes the energy management possible. But it seems that the first priority should be given to the upgrading of control systems at DH and building levels, pumps and control replacement, and monitoring of the global DH performances. The savings achieved could then be devoted to the financing of energy metering and other energy saving measures. It is not clear how the monetary savings at DH level could be transferred to an ESCO for further energy saving financing.
- The nature of Association of Apartment Owners (AAO) is generally not technical. It seems that the project overestimates the potential of such associations to play a key role in energy savings.
- The project document does not mention a priority strategy in approaching the worst systems first (by benchmarking all DH?). It would be beneficial to consider developing a strategy where priorities are established.
- Local pollution levels have not been considered as a criteria for selection of priorities of actions?
- The financing of the ESCOs and their actions after the pilot phase is not clear.
- Strategies such as summer decentralised domestic hot water systems (DHW) do not seem to have been considered (shutting down of the DH in summer?, reducing structural losses significantly).

Conclusions and Recommendations

This project meets perfectly the objectives of the OP5 (Removal of barriers to energy efficiency and energy conservation). The project would benefit from addressing the aspects mentioned above. The project is recommended for Council approval.

**WORK PROGRAM: COMMENTS FROM COUNCIL MEMBERS
(REFERENCE TO GEF/IS/12)**

South Africa: Renewable Energy Market Transformation [REMT] (World Bank)

COMMENTS FROM USA:

This is a project designed to jumpstart private and public investment in renewable energy. There is some question about financial additionality--while one could argue (fairly) that intervention is justified on the basis of the network externalities that surround renewable energy adoption, it's not clear why an MDB and not the government should be the one to intervene. Non-financial additionality is much clearer and I think sufficient to allow us to support.

Quality of results measurement -- pretty solid.

Sustainability -- not much of an issue, as this is more of a one-time, jumpstart type of deal.

Global benefit -- will help to reduce greenhouse gas emissions.

Cost effectiveness -- hard to gauge with any accuracy. Renewable energy is an economically untested product in South Africa, and the project's returns depend entirely on how the market responds to this product. Still, would help to see comparators.

COMMENTS FROM SWITZERLAND:

General Commentaries

South Africa's greenhouse gas (GHG) emissions per capita are the highest in Africa because of the country's strong reliance on coal. The Government is therefore committed to reduce GHG emissions and to promote renewable energy for power generation and non-electric technologies such as solar water heating and bio-fuels.

The project's development objective is to remove the barriers to market penetration of renewable energy technologies, and to reduce the implementation cost of such mitigation measures. This shall be achieved by the establishment of:

- i) The policy and institutional frameworks as well as capacities required for meeting and going beyond the Government's own renewable energy target of 10'000 GWh renewable energy contribution that is 4% of the estimated electricity demand in 2013.
- ii) A commercial solar water heating industry.

Project activities under i) include technical assistance and capacity building in policy setting, promotion, regulation, service provision, and monitoring and evaluation of

renewable energy power generation for concerned institutions and organisations in South Africa.

Project activities under ii) foresee the support of one renewable energy resource, i.e. commercial solar water heating, which is assessed to be near to market reality and would not need further investment subsidies. The support is mainly provided by technical assistance, capacity building and implementation support for companies participating in the proposed “Commercial Solar Water Heating (CSWH) Company Program”.

The project objectives are well in line with the national and international priorities of abating GHG emissions and promotion of near to market renewable energy technologies.

Main Concerns

1. The requested GEF budget for capacity building under i) amounts to USD 2.4 million. This comparatively large request for resources is supported with comparatively few measurable performance indicators. While we fully acknowledge the need for capacity building at the level of national institutions, it is strongly suggested that GEF should link at least a part of such a significant commitment to deliverables in terms of GWh based deal-making outputs or similar measurable performance indicators under objective i). A possibility could be to commit a part of the requested funding only after evidence of successful performance has been provided.
2. The establishment and operation of the CSWH company program demands more than half of the total project cost, i.e. more than USD 10 million. As the planned technical assistance and capacity building support under this activity is not quite clear, the same concern is raised as above under 1).

Conclusions and Recommendations

The project is a welcome initiative in GEF’s renewable energy portfolio and is therefore strongly recommended for approval. However, the proponents are advised to take up the above suggestions to strengthen implementation of this important initiative in a difficult institutional environment.

**WORK PROGRAM: COMMENTS FROM COUNCIL MEMBERS
(REFERENCE TO GEF/IS/12)**

INTERNATIONAL WATER

Regional (Bangladesh, India, Indonesia, Malaysia, Maldives, Myanmar, Sri Lanka, Thailand): Bay of Bengal Large Marine Ecosystem (WB)

COMMENTS FROM USA:

Consistent with U.S. legislation on Burma, the U.S. objects to this project because it benefits Burma, and asks that this position be clearly reflected in the CEO's summary.

COMMENTS FROM GERMANY:

1. Brief description

The overall objective of the project is to promote an ecosystem approach to manage the Bay of Bengal resources on a sustainable basis. This would be accomplished through the development and implementation of a Strategic Action Program whose implementation would lead to enhanced food security and reduced poverty for coastal communities in the Bay of Bengal region. The project has been structured into five components:

1. Strategic Action Program
2. Coastal/Marine Natural Resources Management and Sustainable Use
3. Improved Understanding and Predictability of the BOBLME
4. Maintenance of Ecosystem Health and Management of Pollution
5. Project Management

Components 2 and 3 have been designed in order to address the priority concerns of the Bay of Bengal region (overexploitation of living marine resources, destruction of critical habitats and the need to manage them on a sustainable basis), to create an enabling policy environment, and to promote the development of regional fishery management plans and the collaborative management of critical habitats (fish refugia, marine protected areas). The objective of component 4 is to support activities leading to an agreed on set of environmental indicators to measure the health of the BOBLME. And finally the objective of component 5 is to establish a cost effective project management and information dissemination capacity.

2. Relation to the GEF Business Plan (GEF/C.22/6)

The BOBLME project increases the number of trans-boundary projects where management frameworks will be established and increases the number of countries with national policies, regulations and institutions re-aligned to be consistent with agreed joint actions. Therefore the BOBLME project contributes to the key indicators of the GEF Business Plan.

The BOBLME project objectives and outcomes are also fully consistent with relevant provisions in the GEF Operational Strategy, and specifically with the Waterbody-Based Operational Program (OP # 8). With respect to OP 8, the Project will: (i) serve as a catalyst in the implementation of a more comprehensive, ecosystem-based approach to managing international waters as a means to achieve global benefits associated with countries obtaining a better understanding of the BOBLME environmental issues and working collaboratively to address same; (ii) build capacity in existing institutions (or if appropriate, develop capacity through the establishment of new institutional arrangements); and (iii) implement measures that address priority trans-boundary environmental concerns.

3. Analysis of the incremental costs principle relating to the identification of the global environmental benefit

The Project's global environmental objective is to formulate an agreed on Strategic Action Program whose implementation over time will lead to an environmentally healthy Bay of Bengal Large Marine Ecosystem.

The Project's principal outcomes will include:

- a. a finalized Trans-boundary Diagnostic Analysis including the establishment of a new environmental baseline following the recent tsunami;*
- b. a Strategic Action Program;*
- c. the establishment of permanent, financially sustainable institutional arrangements;*
- d. creation of conditions leading to improved wellbeing of rural fisher communities;*
- e. support for regional and sub-regional activities leading to changes in sources contributing to trans-boundary environmental degradation;*
- f. development of a better understanding of the BOBLME's large-scale processes and ecological dynamics;*
- g. establishment and monitoring of basic health indicators in the BOBLME;*
- h. increased capacity;*
- i. processes leading to a long-term commitment from the BOBLME countries needed to address complex situations.*

4. Quality of Co-financing

The BOBLME Project is a six year project with a total estimated budget of US\$ (30.5 M). Total project costs distributed by funding source are: (i) GEF (US\$ 12.1M), (ii) BOBLME Member States (US\$ 6.3M), (iii) Co-financiers (US \$ 11.3M), and (iv) FAO (US \$0.8M). Funds would be allocated among the components as follows: (i) 12.7 % Strategic Action Program (Component 1); (ii) 42 % for Coastal/Marine Natural Resources Management and Sustainable Use (Component 2); (iii) 14.5 % for Improved Understanding and Predictability of the BOBLME (Component 3); (iv) 4.3 % for Maintenance of Ecosystem Health and Management of Pollution (Component 4); and (v) 27 % for Project Management (Component 5). The type of activities to which the Co-financing is allocated is not made explicit in the project documents.

5. Bi-lateral Cooperation

The project should try to link with the corresponding regional bilateral projects.

6. Local Community Participation and contribution to development

During project preparation the involvement of local stakeholders occurred through participation in: (i) national consultations and workshops, (ii) meetings of the national task forces, (iii) the development of national reports, (iv) regional workshops and technical meetings, and (v) meetings of the Project Steering Committee. During project implementation, stakeholder participation is included in all Project components at varying levels of intervention. At the community level, local participation is specifically identified and costed as key inputs into the: (i) “stocktaking” activities; (ii) local capacity improvements as part of policy “mainstreaming”; (iii) development of all project-supported fishery management and critical habitat plans; and (iv) case studies and development of guidelines associated with assessing the role of fish refugia in the management of fish stocks in the BOBLME.

7. Recommendation

Taking into account the above comments, Germany supports the proposal. Changes should be made during further planning and project implementation.

The following issues need to be addressed and further elaborated:

- The success of the project depends on the commitment of the participating countries. It is important for reasons of sustainability to make sure, that the participating countries permanently contribute to the project.
- Elaborate on the linkage of the project to related projects within the BOBLME region to synergize and minimize overlapping activities.
- Make sure that permanent, financially sustainable institutional arrangements survive in a region that is characterized by inappropriate policies, strategies and legal measures.

COMMENTS FROM SWITZERLAND:

General Commentaries

(a) Introduction

Quoting the summary by STAP:

The project aims specifically at protecting ecosystem health and managing living resources of the Bay of Bengal Large Marine Ecosystem (BOBLME). The main output is a Strategic Action Program (SAP) detailing activities that should improve sustainable management of BOBLME over the long-term. The SAP will include a comprehensive

framework with well-defined institutional and financial arrangements to ensure long-term sustainability of the program itself so that the ultimate goal of a healthy BOBLME can be realized.

Central to regional strengthening of collaborative approaches and co-operation is the establishment of a Regional Coordinating Unit (RCU), considered necessary as none of the existing regional mechanisms is deemed appropriate in terms of mandate, geographical scope, and/or capacity to support an initiative based on a LME approach.

Activities will focus on two major threats which have been identified through preparatory phase consultations. These are living resource overexploitation and continued habitat degradation.

The program is structured into five components, three of which deal specifically with resource management and environmental protection, and the remaining two with project management and sustainability.

(b) Comments

The “BOBLME” initiative is supposed to be envisaged as a long-term, 10 to 15 year program, consisting of two implementation phases (Page 1 of the Project Executive Summary (PES)). The first implementation phase project, as conceived and presented in the 69-page PES document as presently reviewed, is intended to last six years.

Based on previous international experience, we are convinced that 10 to 15 years are both a necessary and realistic time horizon for attempting to make noticeable progress with a project such as BOBLME. However, again from previous experience, a second implementation phase is not at all assured. The question arises therefore whether the first implementation phase may be launched regardless of a possible Phase 2.

Irrespective of this uncertainty, the first implementation phase aims at developing a Trans-boundary Diagnostic Analysis (TDA) and Strategic Action Program (SAP). Other components, including establishment of a Regional Coordination Unit (RCU), are interlinked with the TDA / SAP process. For illustration and better understanding of the present review, the five “Project Components” as given on Page 6 of the PES are repeated hereunder, namely:

1. *Strategic Action Program (SAP)*
 1. *TDA Preparation*
 2. *BOBLME Institutional Arrangements*
 3. *Sustainable Financing Strategy*
 4. *SAP Formulation and Adoption*
2. *Coastal/Marine Natural Resources Management and Sustainable Use*
 1. *Community-based Integrated Coastal Management (stock-taking)*
 2. *Improved Policy Harmonization (mainstreaming)*
 3. *Collaborative Regional Fishery Assessments and Management Plans*
 4. *Collaborative Critical Habitat and Management*

3. *Improved Understanding and Predictability of the BOBLME*
 1. *Large-scale Processes and Dynamics affecting the BOBLME*
 2. *Marine Protected Areas in the Conservation of Regional Fish Stocks*
 3. *Improved Regional Collaboration*
 4. *Establishment of a Geo-referenced Data Base*
4. *Maintenance of Ecosystem Health and Management of Pollution*
 1. *Indicators of a Healthy BOBLME*
 2. *Coastal Pollution Loading and Water Quality Criteria*
5. *Project Management*
 1. *Establishment of the RCU*
 2. *Monitoring and Evaluation System*
 3. *Project Information Dissemination System*

According to the interpretation of the STAP review, the first three components deal with resource management and environmental protection, whereas the remaining two with project management and sustainability. One might use a different characterization, though. According to the Project Executive Summary (PES) Page 7pp, Components 2 through to 4 are to.....”*serve as inputs into the finalization of the TDA and into development of the SAP (Component 1, also named as “Project Outcomes”)*.....”. Component 1 may therefore considered to be of a somewhat overriding nature (as may be expected from an “Outcome”).

Main concerns

No major concerns regarding the first implementation phase of this project. Our recommendations should be taken into account in the further development of the project.

We do feel an urge to put certain comments made by the STAP reviewer into proper perspective, namely:

⚡)Sub-component 1.2: BOBLME Institutional Arrangements:

The STAP reviewer (p.56 of the PES) argues that “*a properly defined institutional mechanism should be established in the early phases of the project so that accountability can be maintained from the start*”. – The response of the project team is somewhat apologetic, but need not be. Defining any institutional mechanism is an intricate task, time consuming and cumbersome. One of the advantages of regional projects such as BOBLME is that they can help foster the establishment of appropriate institutional mechanisms. Therefore, do not neglect or delay the hard-core project work even when the institutional mechanism is not operational yet.

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⚡)Sub-component 1.3: Financial Sustainability:

The STAP reviewer (p. 56 of the PES) recommends that “*the sustainable financing mechanism should be agreed to and be able to sustain program coordination at least...*”. This is an argument favoured all too often, especially when fundraising gets more difficult. We agree that financial sustainability must be sought consistently and continuously. But many expatriate experts seem to forget that if there was financial sustainability in the countries where the projects take place, then there would be no need

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for foreign donor support in the first place. So again, get the work started, and resist saving on co-ordination at too early a stage.

⇒ **Component 5: Project Management:**

The author understands that the STAP reviewer (p. 61 of the PES) opts for “*more convincing justifications, including a cost benefit analysis, for spending 22.5 % of the project funds on the establishment and running of the Regional Coordination Unit (RCU)*”. On the other hand, previous experience with comparable projects has shown that without optimum management tools (of which the RCU is an important part) the success of the project may be jeopardized. Management funds, well utilized, are always a good investment.

Conclusions and recommendations

The Project Executive Summary (PES) is written in clear style, and it is appropriately structured. The authors are to be commended for this work. In our estimation, the work should be started with the first phase as scheduled, irrespective of whether the second phase will ever materialize or not.

However, the following recommendations are added:

- 1) A thorough internal project review should take place after the first project year to allow for possible corrective actions and/or adaptations.
- 2) Utmost importance must be attached to the establishment of a comprehensive data base, which needs to be verified on all the available evidence.
- 3) The second project phase should be defined no later than end of Year Three.
- 4) Parallel with Point 3 above, concrete actions / remedial measures should be defined in the form of pilot projects. Some of these should in turn be implemented during the first project phase, in order to gain valuable experience. Concrete pilot projects may prove to be very beneficial, especially if they are designed and executed during the advanced stages of investigation and planning phase.

Further commentaries

a) Policies, surveillance and enforcement:

On Page 62 of the PES the STAP reviewer and the project team argue about the “*relevance and/or efficacy of policy-design, including (law) enforcement*”. This issue is admittedly crucial and extremely difficult to handle. The advantage of projects such as the present one on the other hand is that they can serve as catalyst for change, subtly but consistently. It is commonly accepted that without pressure, old habits die hard. Project pressure on the other hand plays into the hands of those who genuinely want positive change, including monitoring and control.

b) Early warning system:

On Page 13 of the PES it is stated that... “*A third contribution, dependent on the priorities of the countries, could be the possible inclusion of a second tier Early Warning System (EWS), designed to expedite the transfer of hazard relevant information from national information nodes (typically located in the capital cities) to vulnerable rural coastal communities. Beyond these contributions, there exist a number of Project activities that provide additional opportunities to equip rural coastal communities in the*

BOBLME Region to better anticipate and respond to the occurrence storm surges, cyclones and other natural hazards, including future tsunamis.....”. This and other relevant project activities could be included in the SAP, Sub-component 1.4 according to PES Table 1”.

A word of caution must be added here. Early warning systems require highly sophisticated planning, concepts, testing and – in particular – preparations for speedy and efficient action to combat an impending disaster. A predominantly ecological project should therefore not include such highly technical components as “EWS” as potential project activities. However, should independent EWS project efforts (i.e. by other sponsors, projects and/or government agencies) prove to contain ingredients which contribute to the improvement of BOBLME, then relevant project-links may undoubtedly be established.

c) Warfare and civil strife:

In some of the countries affected by the BOBLME, civil strife / secession movements are active. It in fact concerns some highly sensitive areas, and may pose some serious project risk. The project should take this into account one way or another.

WORK PROGRAM: COMMENTS FROM COUNCIL MEMBERS
(REFERENCE TO GEF/IS/12)

Regional (Cook Islands, Federated States of Micronesia, Fiji, Kiribati, Marshall Islands, Nauru, Niue, Palau, Papua New Guinea, Samoa, Solomon Islands, Tonga, Tokelau, Tuvalu, Vanuatu): Pacific Islands Oceanic Fisheries Management Project (UNDP)

COMMENTS FROM GERMANY:

General Comments

The programme will be engaged in research and management of regional fish stocks in the Western and Central Pacific and is therefore implementing activities in a sector which is crucial for the economy of the Pacific Small Island Developing States concerned.

The project will be implemented by UNDP and hosted by the well established and donor supported Pacific Islands Forum Fisheries Agency (FFA)-a set up which is well chosen as it avoids creation of parallel structures.

The funding-set up with the huge amount of intended co-financing (79,000.000 US\$) seems complicated and will comprise a challenge to the programme managers. The programme documents are well written and seem to be based on a sound situation analysis.

Recommendations:

Taking into account the above comments, Germany supports the proposal. Changes should be made during further planning and project implementation.

COMMENTS FROM SWITZERLAND:

General Commentaries

The project's development goal is to assist the Pacific Island States to improve their sustainable development from improved management of transboundary oceanic fishery resources, and from the conservation of oceanic marine biodiversity generally. A previous GEF International Waters Project on the Strategic Action Programme (SAP) of the Pacific Island States identified deficiencies in management as the ultimate root cause underlying the concerns about, and threats to, International Waters in the region, and grouped the deficiencies into two linked subsets – lack of understanding, and weaknesses in governance.

The immediate objectives of the Project address these two root causes, namely (i) The Information and Knowledge Objective: to improve understanding of the transboundary oceanic fish resources and related features of the Western and Central Pacific Warm Pool

Large Marine Ecosystem; and (ii) The Governance Objective: to create new regional institutional arrangements, and reform, realign and strengthen national arrangements for conservation and management of transboundary oceanic fishery resources.

The structure of the Project is designed to address these two objectives through two major technical components with outcomes on information and knowledge (Component 1) and on governance (Component 2). A third component will provide services necessary for effective implementation with outcome on project management and stakeholder participation (Component 3). More specifically, Component 1 (the Scientific Assessment and Monitoring Enhancement Component) is aimed at providing improved scientific information and knowledge on the oceanic transboundary fish stocks and related ecosystem aspects of the Western Tropical Pacific Warm Pool Large Marine Ecosystems, and at strengthening the national capacities of Pacific Small Island Developing States in these areas. This work will include a particular focus on the ecology of seamounts in relation to pelagic fisheries, and the fishing impacts upon them. Component 2 (the Law, Policy And Institutional Reform, Realignment & Strengthening Component) is aimed at assisting Pacific Island States as they participate in the earliest stages of the work of the new Western and Central Pacific Fisheries Commission, and at the same time reform, realign and strengthen their national laws, policies, institutions and programmes relating to management of transboundary oceanic fisheries and protection of marine biodiversity. Component 3 (the Coordination, Participation and Information Services Component) is aimed at effective project management, complemented by mechanisms to increase participation and raise awareness of the conservation and management of oceanic resources and the oceanic environment.

The project objectives and outcomes seem to be well in line with the Operational Programme No. 10 (International Waters). In addressing the conservation and management of shared oceanic fishery resources, it is expected that the project can also contribute to the objectives of the Operational Programme No. 9 (Integrated Land and Water Multiple Focal Area) and to the Operational Programme No. 8 (Waterbody Based).

We recognise that the project document is well structured, clearly written and comprehensive. We support the STAP Roster Reviewer's view that the proposed project is a logical extension of existing projects, policies and activities in the region, takes on board the relevant conventions that apply to fisheries, both regionally and internationally and, if successful, would provide a model for the rationalisation of a number of wide-ranging international fisheries issues, particularly those involving fishing in international waters and the increasing problem of illegal, unregulated and unreported fishing. Given the constraints on human resources in many of the Pacific Small Island Developing States, we warmly welcome the project's focus on knowledge, ideas, training and institutional change in these countries. We expect that the project will thus help bringing into life the formal agreements made between the Pacific Island States and the Distant Water Fishing Nations.

Major Concerns

None.

Conclusions and Recommendations

We recognise the importance of the targeted ecosystem, its extensive transboundary character, the relevance of the project objectives, the adequacy of the proposed approach, and the efforts made in the preparation of the project proposal, and recommend its approval by the GEF council.

Some specific suggestions for the project are given below.

Further Commentaries

Given the size of the project, sustainability after project end will certainly be a challenging issue. It might therefore be appropriate to place this issue high on the agenda in all three components from the outset.

The sustainability of the project will also depend on whether the project activities will help the Pacific Small Island Developing States to actively participate in the implementation and dialogue on the Western and Central Pacific Fisheries Convention. To steer the project activities during implementation, it might therefore be worthwhile to test applicability of project results by promoting a direct dialogue with Distant Water Fishing Nations from an early project phase on.

WORK PROGRAM: COMMENTS FROM COUNCIL MEMBERS
(REFERENCE TO GEF/IS/12)

Regional (China, Thailand, Vietnam): Livestock Waste Management in East Asia (WB)

COMMENTS FROM GERMANY:

Statement on the form of the Proposal

An executive summary of about 14 pages and 20 pages of Annexes is not an executive summary. The text of the project proposal itself is not much longer than the so call executive summary, but with annexes comes to more than 130 pages. List of abbreviations is not complete.

General comments:

Intensive Livestock production, separated from agricultural land, contributes heavily to the contamination of water with nutrients and potential pathogenic organism. This contamination is caused by all intensive animal production units, but specifically problematic in pig production units. The grade of nutrient contamination is influence by feeding and by waste management techniques and depends also on the availability of agricultural land where the manure can be used as fertilizer. As purchasing power is increasing in the participating countries PR China, PR Vietnam and Thailand, the demand for livestock products will also increase and the tendency to intensify livestock production will rise.

The problems analyzed in the project proposal are real and even more pressing than discussed. The contamination of surface sweet water leads to the contamination of ground water with nitrates, antibiotics and pathogens, to name a few, spoiling the drinking water for huge parts of the population.

Technical methods to improve feed formulation and feeding to reduce the content of nutrients in the manure are available. Waste management techniques to reduce the nutrient content and to eliminate most of pathogens are also well known and are able to transform animal waste into energy and fertilizers. However, some capital investment has to be made by private enterprises and the return on investment may be low and late, depending on the market situation.

Specific comments

1. Livestock waste management technology demonstration component. Very important but too much focused on “End of the pipe” approach waste management. Feed formulation and feeding techniques are just barely mentioned. It is not clear how dissemination will be financed. Only a well functioning technical example and some exchange and visits between farmers is not enough to stimulate the adoption of the technology if investments and mayor management changes are required.
2. Policy and regulatory Development component. This is really the heart of the project. Together with the points mentioned in the text, factors like taxes and fees

for inputs that lead to contamination or output of waste should be taken into account. For example, it is worthwhile to discuss the change of retail prices for nitrogen on the economy of waste management. If nitrogen in fertilizer gets more expensive, the use of manure in agriculture will become more competitive. That makes waste management economically more attractive and is an important incentive for the necessary investments.

Nothing is said about the structural problems of livestock production in the pilot areas. Zoonotic diseases are not only a technical problem but also related to the number of animals kept per surface unit and the number of persons living in the same area. These aspects should not be treated isolated. According to the numbers presented in Annex 10, waste management techniques as proposed put a much higher financial burden on small farms than on large pig operations. There is still a need to identify possibilities to reduce the contamination of the environment for small production units.

3. Project management and monitoring component. Considering the project assumptions and risks and the proposed indicators for project success, this component seems to be relatively weak. There is no backstopping provided on the question of cooperation and conflict management for the three involved countries. LEAD is certainly able to give advice on technical monitoring, but its mandate does not include co-operation and conflict management. It seems not realistic to identify three out of four risks as related to co-operation and co-ordination and not to provide adequate support and management capacities to reduce these risks.
4. Regional support services component. Regional co-ordination and exchange of experiences is important and taken care of by this component.

Overall assessment

The project proposal comes to clear proposals based on a solid analysis. To achieve a sustainable improvement in water quality and to maintain the resources of the South China Sea and the Gulf of Thailand, as well as a balanced rural development, some additional considerations as lined out in the comments should be integrated in the project design. Otherwise a failure of the project or a much reduced impact may result.

Recommendation

Taking into account above comments, Germany supports the proposal. Changes should be made during further planning steps and project implementation.

WORK PROGRAM: COMMENTS FROM COUNCIL MEMBERS
(REFERENCE TO GEF/IS/12)

Bosnia-Herzegovina: Strategic Partnership for Nutrient Reduction in the Danube River Basin and the Black Sea: Water Quality Protection Project (WB)

COMMENTS FROM GERMANY:

1. Brief description

The project would address the environmental degradation of the Neretva (Mediterranean Basin) and Bosnia Rivers (Black Sea Basin), coordinate regional priorities and develop a Wastewater Improvement Plan (WIP) for Bosnia and Herzegovina (BiH). The WIP would clarify the institutional framework for Wastewater Management; formalize the cooperation with institutions in Croatia and Serbia and Montenegro; build a network of public and private institutions needed for effective wastewater treatment; and prepare the groundwork for innovative low-cost wastewater treatment methods.

2. Relation to the GEF Business Plan (GEF/C.22/6)

The project supports priority investments identified in the Strategic Action Plans (SAPs) for the Danube/Black Sea and Mediterranean basins. It also demonstrates low cost wastewater treatment and management practices that can be replicated in the region.

3. Analysis of the incremental costs principle relating to the identification of the global environmental benefit

The global environmental objective is to reduce pollution in the Adriatic Sea and the Danube basins. To minimize the pollution of the wetlands and marine areas, the alternative proposed includes investments that will significantly reduce the nutrient loads of the wastewater discharged into the Neretva and Bosna rivers. The GEF grant will be applied to the following investments/activities which would not have been financed in the absence of the grant:

- Action plan for reduction of river pollution in BiH (\$.450 million- GEF will cover 100%).
- High priority investments in Mostar, Zivice, Trnovo and Odzag (GEF will cover \$6.04 million or about 36% of the total investment in these cities). Investments will cover wastewater improvements in both Neretva and Bosna river basins.
- Wetland conservation (GEF will cover \$1.26 million or about 85%)
- Project management, monitoring and replication (\$0.30 million)
- Replication, Information Dissemination and Implementation (\$0.75 million and GEF will cover \$.45 million or about 53%)

The incorporation of these components into the proposed alternative will ensure the conservation of globally unique biodiversity by integrating biodiversity protection to the improvement of quality of life.

4. Quality of Co-financing

The overall project has an estimated total cost of US\$ 19.87 million with GEF co-financing of US\$ 8.5 million, of which US\$ 4.15 million would be sought under the WB-GEF Investment Fund for Nutrient Reduction in the Black Sea/Danube basin (GEF Strategic Partnership for the Black Sea/Danube basin). GEF Council is requested to approve the remaining US\$ 4.35 million. Co-financing for US\$ 11.37 million is provided by Government, IDA and bilateral donors (Spain is confirmed for approximately US\$1 million as part of overall program; Italy is confirmed for US\$250,000 per numerous meetings held at the Italian Embassy, Sarajevo. Additional financing from the Italians is being sought). The type of activities to which the Co-financing is allocated is made explicit in the project documents.

5. Local Community Participation and contribution to development

A stakeholder plan was prepared that ensures that key stakeholders have been identified, involves key stakeholders in the design and preparation process and provides for a stakeholder role in the implementation and monitoring process. The identification of key stakeholders began with dialogue during project identification with a variety of ministries, local administrative units, utilities and social consultants. Obtaining feedback on quality assurance will be the key to building a sense of local ownership.

6. Recommendation:

Taking into account the above comments, Germany supports the proposal. Changes should be made during further planning and project implementation.

The following issues need to be addressed and further elaborated:

- Make sure that all levels of government are involved and project approval is based on a consensus of state, entity and regions.
- Adequate attention of the benefits of good environmental management should be paid to the general public. Community awareness of the benefits will increase the willingness to pay charges for water supply and waste water to sustain the cost of operation.
- Local Community Participation should seek to solidify and encourage ethnic reintegration.
- Elaborate on the linkage of the project with related projects within BiH to synergize and minimize overlapping activities.

**WORK PROGRAM: COMMENTS FROM COUNCIL MEMBERS
(REFERENCE TO GEF/IS/12)**

OZONE DEPLETION

Ukraine: Methyl Bromide Phase Out Project (WB)

COMMENTS FROM USA:

The proposed GEF grant is for \$4.7 million to the government of Ukraine for the gradual phasing out of production and consumption of the ozone-depleting substance (ODS) Methyl bromide (MBr). Ukraine is in the unique position in that it is the only country in its region with both the capacity to produce MBr and the demand within the country to consume it (primarily to protect grain). The Copenhagen Amendment (2000) called for the complete phase-out of MBr production and consumption by January 1 of 2005, and Ukraine concluded production of the substance in 2002. While official reporting states that consumption no longer exists, unofficial data suggests that there is still unreported consumption of MBr.

This measure seeks to provide adjustment assistance to Ukraine in terms of the production and consumption of MBr. Although production of MBr has halted, there is concern that economic necessity may cause factories to reopen and restart production, and there is additional concern that new bromide-type factories with the potential to produce MBr may begin to do so. The **global benefit** of this measure is obvious in that ozone depletion affects the entire world rather than the local population. Production of the chemical is as equally dangerous as consumption, given that production provides the potential for export and consumption in other nations.

The **sustainability** of this program is achieved by transitioning producers and consumers in a manner such that they no longer have a need for MBr production. By enabling factories to produce alternative products, and consumers to use alternative products, restarted use would be no longer an issue. Sustainability of current environmental goals is more difficult under the alternative of non-assistance.

Cost effectiveness is partially based on similar and highly cost effective efforts completed in Ukraine, Belarus, and Russia to phase out consumption. Cost effectiveness of eliminating production of the chemical seems more difficult to ascertain given that there are no possible comparisons, but it appears that budget allotments are reasonable and have been signed off on by experts.

Proposed conduction of **results measurements** are well documented, highly specific, and quantitative. I have some concern as to whether these results measurements are being undertaken by the state of Ukraine, or an independent body, given that official consumption measurements have been found to be incorrect in the past. But, the volume and specificity of mandated monitoring appears to be appropriately strict.

Overall, I have no major qualms with this proposal. The alternative to the project is unacceptable given the significant incentive for producers and consumers in Ukraine to restart production, unless these two groups are transitioned to the production/consumption of other products. The quality of results measurement seems well developed and appropriate, and in general it appears to be cost effective, sustainable, and a global benefit.

COMMENTS FROM SWITZERLAND:

General Commentaries

Ukraine is the only country in the region that has currently production capacity for Methyl Bromide and also has a large consumption. The project's global objective is to reduce ozone depletion by eliminating Methyl Bromide (MBr) consumption and production as well as the CTC production capacity in Ukraine by assisting the country in maintaining compliance with its obligations under the Montreal Protocol. A number of more specific objectives of the project have been identified:

- a) Permanently eliminate MBr consumption in all applications not permitted under the Montreal Protocol;
- b) Minimize MBr consumption in applications permitted under the Montreal Protocol, specifically for quarantine pre-shipment (QPS) applications with the ultimate objective of its elimination;
- c) Control and monitor any methyl bromide production if re-initiated, in strict compliance with the requirements of the Montreal Protocol and legally binding Monitoring Plans agreed with the Government and enterprise;
- d) Arrange permanent closure of carbon tetrachloride (CTC) production capacity in Ukraine in line with legally binding Closure Plan agreed with the Government and enterprise;
- e) Strengthen institutional capacity directly supporting the above objectives and Country's proactive initiatives respecting ODS elimination; and
- f) Provide assistance to mitigate negative impacts associated with elimination of MBr consumption, particularly within the national grain storage, distribution and processing system.

Conclusions and Recommendations

The project is recommended for endorsement as no major concerns persist. The compensation of an enterprise for permanent closure of an idle plant may be questioned in general as a policy, but is justified for this particular project based on the precedents set with other production phase-out initiatives elsewhere.

WORK PROGRAM: COMMENTS FROM COUNCIL MEMBERS
(REFERENCE TO GEF/IS/12)

MULTI-FOCAL AREAS

Global: International Assessment of Agricultural Science and Technology for Development [IAASTD] (WB/UNEP)

COMMENTS FROM GERMANY:

General comments

This very ambitious project aims at assessing the role of agricultural research in reducing hunger and poverty. It is global in its approach and very demanding on human and financial resources. It is driven by a very energetic and enthusiastic Robert Watson – Senior Economist, World Bank - together with a think-tank of more than 50 individuals. It aims at providing more and especially sound data on ways and means of transferring scientific know-how, technology developments to the ultimate target group, the small farmer.

For this purpose some 10 Mio US \$ are requested – about 7.5 Mio US \$ have so far been promised (GEF resources included). In addition, any invited scientist or advisor from OECD countries, who intends to accept an invitation to participate in a related workshop, seminar or meeting has to cover her/his own participation via his means – usually with support from the own university or government – thus increasing the overall budget substantially. Other in-kind contributions include author (10 per chapter) and reviewer contributions for the various chapters (no honorarium will be paid for authors and reviewers from OECD countries).

All potential contributions so far come from important organisations and co-sponsors – the bi-laterals are somewhat reluctant to show a keen interest.

Since the issues raised by this proposal are very similar to issues debated in various other groups – e.g. in CGIAR meetings, Millennium Ecosystem Assessment – it seems questionable whether all these efforts will lead to any substantive progress. Furthermore, how realistic is it to assess the situation up to 2050? Money invested in specific research programs has a greater chance of leading to some impact.

Final assessment:

We have still serious concerns with the content of the project.

Germany asks for the re-submission of the project to the Council. (Per clarification from Council Member, this project will now be recirculated to the Council prior to CEO endorsement.)

Additional Comments dated June 29, 2005

Germany would like to withdraw its vote for re-submission of the above-mentioned project. Nevertheless we request to take our concerns and objections into account for further improvement of the project's approach.

The issue raised by the IAASTD proposal are similar to issues debated in various other groups, e.g. by the CGIAR and its research centers, the Millenium Ecosystem Assessment, etc. It is unclear whether these efforts are effectively coordinated and will lead to substantive progress. Furthermore, how realistic is it to assess the situation up to 2050? The specified budget of >10 million US\$ does not include expected substantial in-kind contributions from authors, reviewers and meeting participants from OECD countries.

Concerns were also raised about the relation between the global assessment and the five regional assessments. It is expected that the various regional assessments have a different focus, and that it may be difficult to achieve coherence.

Contrary to previous assessments, such as the Intergovernmental Panel on Climate Change (IPCC), Agricultural Science and Technology Development is addressing regional problems that require regional solutions. In that case "regional" has to be seen on a much smaller scale than for instance Sub-Saharan Africa.

It is therefore suggested to start with one region as a pilot assessment, and to learn from this before proceeding to the different regional and the global assessment.

**WORK PROGRAM: COMMENTS FROM COUNCIL MEMBERS
(REFERENCE TO GEF/IS/12)**

Albania: Natural Resources Development Project (WB)

COMMENTS FROM USA:

The project tries to reverse degradation of upland and mountainous erosion-prone lands, and sediment runoff to the Adriatic Sea. It will do so by rehabilitating and sustainably managing natural resources. The project focuses on improving management and governance of forests and pastures and watershed. It should help the population better understand the income-generating potential of sustainable land, forestry, and agricultural practices. Overall, the projects help the government define property rights in the erosion-prone lands so that they will be used more efficiently and in a more environmentally-friendly manner.

Results -- Could have more detailed targets for some indicators.

Global Benefit -- Will create a more sustainable environment for the resources and lower sediment runoff into the Adriatic Sea.

Sustainability -- Improving resource management will support sustainability

Cost-effectiveness -- I think that defining property rights will help the local economy.

WORK PROGRAM: COMMENTS FROM COUNCIL MEMBERS
(REFERENCE TO GEF/IS/12)

LAND DEGRADATION

Dominican Republic: Demonstrating sustainable land management in the Upper Sabana Yegua watershed system (UNDP)

COMMENTS FROM GERMANY:

General Comments

The given GEF project proposal, jointly prepared by the *Dominican Ministry for Environment and Natural Resources (SEMARN)*, the *United Nations Development Programme (UNDP)*, and the Non-Governmental Organization *Sur Futuro*, yields at developing a sustainable livelihood for a substantial part of the population of the Upper Sabana Yegua Watershed System, geographically located in one of the driest, poorest and environmentally most degraded areas of the Dominican Republic.

Susceptible to both prolonged droughts and the negative effects of deforestation and over-exploitation through inappropriate farming and grazing methods (in mountainous terrain), the watershed system belongs to a continuous geographical area at the centre of the island comprising municipalities in which 60 to 90 per cent of the population are considered poor.

High migration rates and the lack of social and human potential characterize the region, which nevertheless plays a significant role in the production of electric energy (Sabana Yegua dam) and the provision of water to the intensive irrigation agriculture practiced in and around the project area.

The four outcomes outlined for a project duration of five (5) years are specified as:

- 1) Application of policies, programmes and planning frameworks and tools favourable to SLM.
- 2) Improved application of SLM in the project area through increased capacities of stakeholders at diverse levels.
- 3) Sustainable long-term financing scheme generating funding for SLM and SLM institutional infrastructure in the upper Sabana Yegua watershed.
- 4) Improvement of livelihoods and wellbeing of the population of the watershed.

This comprehensive project proposal correctly addresses the issue of sustainable land management (SLM) as the main focus of the planned interventions. Given the various programmes and projects already in place in the Central Mountains of the Dominican Republic, the initiative will serve to consolidate existing efforts of land conservation and management.

Regarding its similarities with the joint Dominican-German project PROCARYN (*Sustainable Management of the Watershed of the Río Yaque del Norte*), it is

recommended to identify strong links and coordination mechanisms (concepts / potentials for synergies) focussing on the lessons learned and experiences made in PROCARYN.

As example, in 2002 a country-wide policy and legal framework for the promotion of *Payments for Environmental Services (Pagos por Servicios Ambientales – PSA)* has been developed with backing and support from Germany. The initiative has so far not been ratified by the Dominican Government, but would necessarily be an important baseline for a GEF-project of the suggested scope and objective (in order to specify the approach taken up to implement this innovative financing mechanism).

Given the watershed's limited potential to practice sustainable and economically viable forms of land use (dryland conditions, variability of rainfall, distance to markets, etc.), programmes working in this region should take into consideration the experiences made in other initiatives, such as for instance the GTZ Project "Bosque Seco / Management of Dry Forests" (in the province of Azua), which was successfully completed in 2002 and worked under geographically similar conditions.

Although the stated public-private alliance represents an innovative and interesting alternative to the common state-driven programmes, a stronger inter-institutional collaboration and a coordinated approach in the watershed area would have to be developed before entering the implementation phase (define potentials). This implies also to enforce appropriate and sustainable financing schemes, considering the current critical state of the national budget and the fact that almost 75% of the funds are to be covered by the Dominican government.

In respect to the background of the implementing organizations, certain doubts exist referring to the institutional and financing capacities of the NGO Sur Futuro. Given the extensive geographical area, as well as the complexity of the problems, a clear strategy for the coherent implementation (mechanisms of coordination) of the project is hardly visible.

Similar experiences regarding the demand for coordination between stakeholders have recently been made in the context of the implementation of the *United Nations Convention to Combat Desertification (UNCCD)*. The given GEF proposal does not explicitly mention the Convention as a possible underlying strategic framework for the development of sustainable land use initiatives, but nevertheless stipulates the relevance of the future *National Action Programme (NAP)* currently developed in the country. The project area of the Sabana Yegua watershed does not primarily belong to the demarcated pilot region for the implementation of the UNCCD (the so called PAN-FRO⁴). This Action Plan for the border region (with Haiti) does not apply to the geographical area described in the submitted paper. As the PAN-FRO is regarded a pilot document for the elaboration of the nationwide NAP, this implies the need for further harmonization and exchange within the scope of the UNCCD.

Therefore, the *Grúpo Técnico Inter-Institucional (GTI)*, the active national coordination organ for the UNCCD mentioned several times in the project proposal, should play a more central role in the coordination of the project's implementation and in identifying

links to other existing initiatives. Its relevance regarding knowledge management and transfer, as well as strengthening the local and regional information exchange should be further increased.

Overall Assessment:

The overall conclusion describes the presented GEF-proposal as basically well-structured and consistent with the GEF business plan and OP15. The design and technical as well as scientific outlines are coherent and based on thorough research, addressing relevant and pressing needs regarding the sustainable development in the drylands of the Dominican Republic. Therefore, suggesting certain adaptations within the next planning steps and during project implementation, the project proposal deserves to be supported.

Recommendation:

Taking into account the above comments, Germany supports the proposal. Changes should be made during further planning and project implementation.

COMMENTS FROM SWITZERLAND:

General Commentaries

The area covered by this project includes the Upper Basin of the Sabana Watershed, in the Dominican Republic, which is 1660 sq km.

The region suffers severe land degradation problems due to over grazing and inadequate land use by both cultivators and cattle breeders.

On the other hand the region possesses a biodiversified forestry that should be protected and developed.

The grant from GEF will address those topics indirectly: in order to lift certain barriers to implement a sustainable land management, the socio-political aspect and well-being of people have to be taken into account. The project addresses those issues rather than land reclamation questions.

Some concerns

One weakness of the document is the lack of explicit definition of the different participants in the region. We understand that four different levels of the local and national stakeholders have to be organised in order to perform together in the program. These are not well defined and we would like to see them better spelled out in the project. It is neither clear how the public-private partnership will be introduced nor who the different partners are.

One of the important objectives of the project is to influence and modify the existing Master Plan of the region at least for the next period, in order to obtain a new document that will tackle the real questions of land degradation and induce an amelioration for the well-being of the inhabitants of the region. It is not explicitly spelled out what the four-level coordination structure is, nor what its decision-taking capacity will be. It is very important to build this type of structure into the program but one would like to know more about its composition.

One assumption about risks seems to be underestimated. The major hurricanes in the Caribbean, (one every 5 years according to past data) will probably be more frequent in the close future if we analyse the recent tendency linked to general warming of the seas.

The project addresses the demographic question, and in particular the emigration of young people and of women. The question is of great importance but we do not acquire a clear view of how this problem will be solved nor of how many people will be involved in the various actions planned in the region.

The dissemination of the results and the exchange with other regions, both locally and internationally, is a very strong aspect of the project. But exemplification is insufficient, more should be said about how and when these actions will take place. The storage of data is not sufficient to promote replicability for other project decision-makers.

Sustainability of the project will be achieved by creating an effective policy and a financial structure, which will be reinvested in the region.

A slight concern is the duration of the project: five years is not enough to achieve this goal and the leaders should secure grants for another five to ten year phase. There is no guarantee yet and the general financial situation in the country, combined with the weakness of the US dollar, is a concern that should not be underestimated.

The project addresses SLM questions indirectly, nothing is said in the request about land ownership, land tenure and private or state property. This question could, if not addressed prior to any SLM action, be a great hindrance to the social changes that are foreseen. The maps shown in the annex do not explicitly answer that question.

Strong points of the project

It is an approach which differs from many others, the money will not be invested directly in SLM technical operations, but the chosen way is to structure the various participants in a kind of federation which will better their local environment. Government agents are not involved at first place, they will follow in time and assist the local population.

This approach is fairly new and innovative. It will enable the project leaders to involve the local stakeholders in a very strong way for the various activities planned.

The involvement of university students in the monitoring of the dam capacity is very interesting. Aside from important capacity-building effects, this probably saves an important amount of money and time.

Further

We feel that the submitted proposal is of great interest, is innovative in its approach, and has a fairly good chance to achieve most of its goals.

We are confident that the social approach chosen by the project will produce far better results than a technical SLM project.

COMMENTS FROM NORWAY (SUBMITTED SEPTEMBER 27, 2005):

We realize that it is difficult to claim global environmental benefits from SLM projects. However, to claim that reduced migration to the USA is a global environmental benefit

(para 8 of the Summary) is going too far. There are also other aspects of this project proposal that would need clarifications/explanations.

The project sets the present situation (Annex A and B) as “baseline”, counts all improvements as incremental costs and, as far as we can see, distributes them between GEF and others according to whether they concern “environment”/land degradation or not. Such a method would in principle mean that the GEF should pay for all “environment”/land degradation improvements as incremental costs – which is obviously incorrect, also in light of the large government contribution to the project.

GEF should cover global environmental benefits over and above what follows from business as usual, including what in all fairness could be expected from local authorities with a view to improve conditions for their citizens. It is only after counting the country’s own efforts that you can set the baseline. This was comprehensively covered in the so-called “PRINCE” project in the early days of the GEF. We cannot exclude the possibility that the calculations have been made in this way, but it does not look like it from the tables.

Therefore, we would ask that it be made more clear exactly how this project relates to GEF’s objective. We find it most interesting that the country’s authorities and two foundations give large direct support to this project, and we applaud the fact that much effort is being put into anchoring it locally and securing future incomes. Therefore, a pilot project such as this would merit a close examination of the incremental costs of the global environment benefits.

More concretely, we would ask that:

1. (a) Para 6 (Summary) and para 30 be brought in line with the incremental cost analysis tables: In the former, it is stated that biodiversity and climate change benefits are only incidental and that they will not be used as measures of success for the project. In the tables, however, these benefits are listed as reasons for the project. If the project is to have biodiversity and climate change as part of its justification, this should also be reflected in the text.

(b) If this latter option is chosen, the benefits must not only be mentioned in a general way. They must be specific, verifiable/measurable and be used in the later evaluation of the project.

2. We would like to see the table headings (global/local benefits) and the text throughout the document changed to make it clear that the project is justified by global environment benefits in accordance with the GEF Instrument, and not by any objective that the UNDP would consider global. Also remove the demographic argument. The rest would be OK (if the project is justified in terms of biodiversity and climate change).

3. It should be made clear that incremental costs should not be calculated with today’s baseline, but with a baseline that presupposes action in other areas. Then the costs of further action to achieve global environment benefits should be calculated.

4. It should be made more clear that the project is being planned/organised in a way so as to be sustainable in the longer term, without GEF or other donor support. The

present description is somewhat ambiguous in this respect. In general, it is claimed that the question of the financial flows of the project is thoroughly considered, while at the same time para 9.3 presupposes debt-for-environment swaps, and para 16 presupposes that co-financing will continue, without indicating from whom. Debt-for-environment swaps are complicated matters that take time to set up, and the Summary should clearly demonstrate that efforts in this respect are sufficiently advanced. If the project in fact presupposes long term external financing, this should also be made clear in the Summary. At the same time, the reasons should be given why GEF should become engaged in this particular phase of the project.

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