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GLOBAL ENVIRONMENT FACILITY (GEF)

Note by the Secretariat

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INTRODUCTION

The Global Environment Facility (GEF) is recently launched three-year pilot programme providing grants and low interest loans to developing countries to help them carry out programme to relieve pressures on global ecosystems.

The formal approval of the GEF by the three partner agencies (UNDP, UNEP and the World Bank) is now complete. On 14 March 1991, the World Bank's Board approved the resolution for the establishment of the Global Environmental Trust Fund (GET). The Governing Council of UNDP took note of the concept and objectives of the GEF during its thirty seventh Session in June 1990 and gave support to the concept of a partnership among UNDP, UNEP and the World Bank to launch the GEF. The Administrator of UNDP will report to the Governing Council at its thirty-eighth Session in June 1991. The Executive Director of UNEP has expressed the willingness of his agency to participate in the GEF and informed the Governing Council of UNEP accordingly. Affirmation of the tripartite partnership between the Bank, UNDP and UNEP was given in a joint statement of the three Heads of Agencies in September 1990.

The Global Environment Facility consists of the "core" Trust Fund (GET) together with various co-financing arrangements with the GEF. Funds will be committed over a three year period (1991-1994). Implementation of the GEF will be coordinated with that of the Montreal Protocol, which already has an interim multilateral fund as part of a financial mechanism established by the Contracting Parties. Specific procedures for the function of this Fund have already been agreed by the Contracting Parties.

WHAT IS IT ?

The Global Environment Facility (GEF) is a three-year pilot programme providing grants and low interest loans to developing countries to help them carry out programmes to relieve pressures on global ecosystems. The 1.5 billion dollars fund supports international environmental management and the transfer of environmentally benign technologies. The Facility is a co-operative venture among national governments, the World Bank, the United Nations Development Programme (UNDP) and the United Nations Environment Programme (UNEP).

The GEF was established, on an initiative by France, by representatives of a group of industrialized and developing countries in Paris in November 1990. The first projects are set to begin in mid-1991.

The goals which the GEF is established to address are all critical to the management of emerging planetary problems. They include:

- reducing and limiting emission of greenhouse gases which cause global warming;
- preserving the earth's biological diversity and maintaining natural habitats;
- arresting the pollution of international waters;
- protecting the ozone layer from further depletion.

Donor countries recognize that industrialized countries must assist developing countries' efforts to sustain fragile ecosystems. The need for global cooperation is urgent, and all nations must be involved if this is to succeed. Therefore, all nations are welcome to join this effort.

More than 20 countries, five of them from the Mediterranean region (Egypt, France, Italy, Spain, Turkey), have contributed to the GEF, and other nations are expected to participate in the future.

Funds provided through the Global Facility are additional to regular development assistance, offering developing countries the opportunity to demonstrate how development projects can integrate environmental management elements while addressing global environmental concerns.

To qualify for funding from the facility a project must relate to at least one of its four specific areas of concern. A further qualification is that a project would not be economically viable in the particular country without support from the Facility. There is also a provision that only nations party to the Montreal protocol on ozone-depleting substances are eligible for GEF funds addressing ozone protection.

The facility engages expertise from international, governmental and non-governmental organizations (NGOs), and reviews projects to consider carefully the local and global environmental impact of each.

WHO DOES WHAT ?

The participating countries requested the World Bank, UNDP and UNEP to create a tripartite, cooperative means of implementing the Global Environment Facility (GEF).

The facility's trust fund is administered by the World Bank. Projects supported by the facility are carried out by the beneficiary developing country or regional institutions with support from the three co-operating international agencies. Each is responsible for specific tasks which relate to its particular expertise and which make the most of its comparative advantage. A range of non-governmental, regional and specialized organizations will also play an important role.

UNEP provides scientific and technological guidance in identifying and selecting projects; it coordinates research and data collection. A scientific and Technical Advisory Panel (STAP), convened by UNEP, gives advice on broad scientific and technical issues. Experts from industrialized and developing countries serve on the STAP. A 14 member panel of leading international/environmental experts was appointed by the Executive Director of UNEP. The Chairman of the panel is Dr Robert Watson of USA.

UNDP co-ordinates and manages the financing and execution of pre-investment and technical assistance activities. Through the Resident Representatives in its 112 field offices, UNDP plays a key role in identifying projects, communicating with recipient governments, and co-ordinating with donors at the country level. UNDP and UNEP help governments harmonize proposed GEF programmes and projects with other environment and development activities in beneficiary countries.

The World Bank administers the trust fund and is responsible for GEF investment operations. It undertakes identification, appraisal and supervision of investment projects with the participation of UNDP and UNEP. The Bank is experienced in exploring cost-effective approaches to project design and implementation. In countries seeking investment support for their national environment plans the Bank, in addition to its regular lending, considers funding for the four areas endowed by the GEF.

All three agencies are well placed to identify technically skilled non-governmental organizations (NGOs) and other specialized agencies, (including those in the United Nations), to assess impact on local populations, to advise on project design and to implement projects.

Initially, most GEF projects will be associated with regular World Bank and UNDP projects and as such will be subject to the same kind of rigorous planning and design as the agencies' regular projects. Information on the progress of proposed and on-going projects is contained in the Bank's Monthly Operational Summary. This is available from the World Bank bookstore and is published in Development Business, a United Nations publication.

HOW DOES IT WORK ?

To qualify for financial support from the Global Environment Facility (GEF), both the beneficiary country and the project itself must meet strict criteria. The three partner agencies -- the World Bank, the United Nations Environment Programme (UNEP) and the United Nations Development Programme (UNDP) -- review each proposal. As part of this process they consult with other specialized organizations, including NGOs.

The three cooperating agencies determine whether a project qualifies for GEF support. They ensure that it protects the global environment in a cost-effective, technologically sound way, while respecting the interests of the country's people. A project should contribute to the understanding of global environmental problems and their solutions. Training and other human resource development activities are another focus of the Facility.

ELIGIBILITY

Developing countries with per-capita Gross Domestic Product at or below US\$ 4,000 in 1989 are eligible for GEF funding. While most of the GEF funding will be for investment projects, a range of other activities can be supported within the financial limits of the trust fund. These may include technical assistance, pre-investment and feasibility studies, information from the scientific community, and training.

This form of GEF support is intended to strengthen environmental policies and to reinforce the institutions that implement them in beneficiary countries. It will also contribute to sustainable development in the beneficiary countries.

Establishing eligibility for projects is outlined below. Basically, GEF grants and low-cost loans should support a country's programmes and activities which, while they benefit the environment of the world as a whole, would not otherwise be economically viable for that country.

The GEF complements, but does not substitute for, action under existing programmes to achieve its objectives. Thus, a project would not normally qualify, even when it offers significant global benefits in GEF areas of concern, if it is economically viable on the basis of an analysis of domestic costs and benefits. An exception might be made despite an adequate rate of return if, for other reasons, the operation could not go ahead without GEF involvement.

The costs of GEF technical assistance projects can be shared with UNDP or bilateral development agencies and regional development banks. Free-standing projects can receive up to a maximum investment of \$ 10 million from the GEF.

APPROVAL

Once a project's eligibility is determined, it is appraised to determine benefits, costs and risks. The effectiveness of the global environmental component will be determined on the basis of physical rather than strictly monetary benefits. Thus, effectiveness is determined, for example, in terms of how much a greenhouse gas project reduces emissions of carbon dioxide or, in a marine pollution control project, on the increased volume of fuel oil sludge collected. With experience, the monetary cost-benefit effect will become more apparent and measurable.

Projects must meet other broad tests. These include consistency with global environment conventions, like the Montreal Protocol, and with national development and environment strategies. The technical feasibility of a project is crucial to demonstrating that it can realize the benefits sought and whether these benefits are sustainable in the long term. This relates to institutional capacity building, appropriate technology and local community involvement. Non-governmental organizations are well equipped to play a key role here and in other aspects of project design and implementation.

Grants for pre-investment studies and technical assistance projects are financed through a fund managed by UNDP. Investment projects are supported by both grants and low-interest loans. Projects are favored which most increase the leverage of GEF funds by mobilizing a substantial portion of total project costs from the World Bank, regional development banks and other financiers.

IMPLEMENTATION

The recipient of GEF funds, whether a government, an NGO or a specialized agency, will have primary responsibility to make the project work. The World Bank administers the Facility's trust fund and is responsible for investment operations. UNDP manages the pre-investment phase and will administer technical assistance. UNEP is responsible for ensuring that operations are in line with global environmental conventions and will provide scientific and technical advice to all parties involved.

A review meeting of the participating countries in the GEF was held in Washington on 1 and 2 May 1991. The objective of the meeting was to review the GEF's work programme for 1991, including 15 environmental protection projects that will cost US\$ 214 million and 11 technical assistance proposals totalling US\$ 59 million.

Two projects were selected for approval from the Mediterranean region:

- El Kala National Park (Algeria), under the biodiversity component with an amount of US\$ 12 million from GEF and US\$ 30 million from World Bank;
- The Regional Screwworm Control (North Africa), with an amount of US\$ 9 million.

The first projects are expected in the spring of 1991. This will enable experience of the GEF's operations to be shared at the United Nations Conference on Environment and Development in Brazil in June 1992.

MONITORING AND FEEDBACK

Learning from project experience is crucial. The concept of country and regional projects designed to protect the global environment is new. Supervisory teams can use their new insights to refine the GEF's guidelines and procedures. Their work will help define the most effective areas for GEF intervention. Technical innovations and significant developments are submitted to the Scientific and Technical Advisory Panel for review. Its findings are available to all.

TASK: LIMIT EMISSIONS OF GREENHOUSE GASES

The Global Environment Facility (GEF) can help the world community better understand, and slow, the process of global warming through practical, cost-effective pilot projects which reduce emissions of greenhouse gases. Areas for action include the adoption of cleaner fossil fuels and renewable energy technologies in power generation, agriculture, mining and industry.

The GEF can support energy efficiency and renewable energy activities which developing countries may not find economic to undertake. An important focus of support is the management of existing forests on a sustainable basis. Forests hold carbon and growing trees absorb significant quantities of atmospheric carbon, as well as harbor extensive biodiversity.

A variety of projects can be considered for funding. These range from attempts to modify coal consumption patterns to the encouragement of the use of renewable sources of energy. Other project candidates include the reduction of gas flaring in oil fields, limiting methane emissions from coal mining operations, and reducing the burning of wood. The maintenance of undisturbed tropical forests and reforestation are another focus of GEF funding.

For reducing global warming, the direct impact on overall greenhouse gas emissions from GEF pilot operations will be very small. On the other hand, the demonstration effect of projects should be of considerable importance in the longer term. Operationally, the strategy being pursued is to obtain practical experience of a wide array of potentially feasible techniques and technologies to address global warming. The GEF global warming project portfolio will include renewable energy alternatives, such as solar electric and biomass sources; energy efficiency and demand management projects; interfuel substitution from heavily polluting solid to gaseous fossil fuels and substitution by non-fossil-fuel alternatives (e.g. geothermal); and carbon sequestration through forestry projects. An important element of the demonstration effect of these projects will be to systematically identify cost-effective means to ensure build-up of knowledge for low-cost and thus more replicable applications.

TASK: PROTECTION OF BIODIVERSITY

The world's varied ecosystems and the diverse species they contain represent an invaluable global resource. They contribute a wide variety of goods and services, ranging from medicine, through genetic resources for food production, to the regulation of climate and rainfall patterns.

Yet many of these ecosystems and species are under serious threat of disruption and extinction. The Global Environment Facility (GEF) will support the efforts of developing countries to manage specific areas to ensure the protection of their ecosystems and biodiversity.

A number of proposals to protect biodiversity have been made for early consideration by the GEF. These range from the protection of small island ecosystems, watersheds, wildlife and forests to proposals to halt desertification and preserve wetlands. Also included are plans for ecological zoning.

The professional skills and know-how of non-governmental and international scientific organizations will be a valuable resource in preparing and considering proposals on biodiversity.

Under the protecting biodiversity objective, the GEF will give priority to biodiversity "hot spots" and megadiversity countries recognized internationally by the scientific community - in particular by the IUCN - and by special conventions, such as the Ramsar convention for wetlands and the World Heritage convention. The strategy under the GEF is to facilitate rapid learning of successful approaches to biodiversity protection by applying to each major class of biodiversity a range of innovative management and preservation techniques, financing mechanisms, and treatments of difficult socio-economic issues, with a view to establishing a range of "models" suited for wide dissemination. The STAP will play a key role in providing advice on scientific priorities with respect to the biodiversity sites under consideration. To enhance the relevance of this learning experience, the GEF would ensure that activities were undertaken in each of the important sources of biodiversity, including high altitude Himalayan ecosystems; tropical moist rain forests; woodland and savannah ecosystems; arid lands and deserts; mangroves, wetlands and estuaries; coral and marine ecosystems; and rich isolated island ecosystems. Special efforts will be made to consult with local and indigenous groups to ensure that their knowledge and views are utilised fully in the design of projects.

TASK: PROTECTION OF INTERNATIONAL WATERS

Dumping of solid and liquid wastes in oceans and seas is a classic "global commons" problem. Collective action is needed to deal with pollution found in these water systems. Marine oil spills, industrial waste and wastewater pollution affect international water systems and biodiversity.

The Global Environmental Facility, building on the experience of governments and UN bodies in regional efforts, funds improved reception facilities for unloading ship ballast material in the ports of developing countries. It also supports measures to prevent and clean up toxic waste pollution along major international rivers, and to conserve unique bodies of international water.

The following kinds of projects are eligible:

- controlling pollution - such as municipal waste and heavy metals - in major international river systems;
- provision of equipment to protect marine ecosystems in bays and coastal areas;
- protection of oceans through oceanographic monitoring and research;
- contingency planning for oil spills;
- deballasting equipment in ports.

In addressing the reduction of international waters pollution objective, the GEF will seek to demonstrate practical technical and policy interventions for alleviating each major class of pollution, including oily wastes, garbage, harmful and noxious substances and ship's sewage in both fresh and marine waters. In attempting to ensure that GEF-supported infrastructure and environmentally sound waste disposal facilities are fully utilized, special attention will be paid to regulatory and incentive systems, including revenue generation, which would sustain operation and maintenance of waste receiving and disposal, or pollution control systems.

The role of the GEF in facilitating compliance with MARPOL (International Convention for the Prevention of Pollution from Ships), and regional treaties and agreements governing international rivers, lakes and seas, is especially important. Hence, GEF projects are expected to demonstrate effective project support and associated technical assistance to enable developing countries to comply with MARPOL and other regional conventions. GEF investment projects serving this objective would mostly target regional problems, albeit with single country investments and technical assistance, rather than use a compartmentalized approach at the national level. The Caribbean and Mediterranean Seas projects exemplify this approach, each addressing a different class of waste, and set of regulation and incentive issues for the entire sea, rather than piecemeal, port by port.

TASK: PROTECTION OF THE OZONE LAYER

There is consensus in the World's scientific community that the present levels of chlorofluorocarbon (CFC) emissions, halons and other gases contribute significantly to the depletion of stratospheric ozone. This ozone layer acts as Earth's shield against harmful ultraviolet radiation, and its depletion is expected to have adverse consequences for human health and ecological processes.

Developing countries require assistance to make the transition from CFC use and production into alternative technologies.

Prior to the setting up of the GEF, several countries had agreed (June 1990) to make available up to \$240 million under the Montreal Protocol, which regulates the use of ozone-depleting substances such as CFCs. The World Bank, UNEP and UNDP are also the executing agencies for this separate ozone-layer protection effort.

The GEF will only consider funding ozone-related projects in countries that are party to the Montreal Protocol. The general principles on which the Facility decides on project funding must be agreed upon by the Executive Committee of the Multilateral Fund under the Montreal Protocol.

WHERE TO REACH THE GEF OFFICES

World Bank

The GEF Administration Environment Department
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1818 H Street NW
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United Nations Development Programme

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(In developing countries, inquiries may be made at the offices of the UNDP Resident Representatives)

United Nations Environment Programme

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