

TELEFAX

Sender:

Marita Steinke
BMZ (Federal Ministry for Economic Cooperation and Development)
Postfach 12 03 22
53045 Bonn, Germany

Telefax No.: +49-228-535 3755 (or ...3500)
Email: steinke@bmz.bund.de
Desk officer: Maria Backhouse
Email: Maria.Backhouse@bmz.bund.de

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To: Monique Barbut
Chief Executive Officer and Chairperson
Global Environment Facility
Telefax No.: 001-202-522-3240 (-3245)
(advanced copy also sent by Email to: gcoordination@thegef.org)

Subject: Comments by Germany on the Work Program of November 2007 (GEF/C.32/6
Rev. 1)

Dear Ms. Barbut,

As a follow-up to the discussions in the Council Meeting we would like to comment on the following PIFs of the Work Program.

1. FREE STANDING PIFs:

I. Biodiversity:

No. 7 (Peru): Strengthening Biodiversity Conservation through the National Protected Areas Program (World Bank) (GEF Grant: \$ 8.89 m)

We welcome the project as it addresses national priorities and the OP/GEF aims at the same time. However, there are a few questions needing further clarification by an examination mission as outlined below:

- Financial sustainability: Clarification of the structure and mode of operation of the endowment fund
- More connection to the national PA
- Institutional Integration on a national level
- Technical advice, mainly to construct governance structures on a local level

It is recommended to take these issues into account throughout the examination mission.

No. 8 (Ukraine): Strengthening Governance and Financial Sustainability of the National Protected Area System (UNDP) (GEF Grant: \$ 1.80 m):

The project aims at increasing revenues generated from protected areas. However, the potential of these sources is not clear. The proposal mentions entry fees, user charges, tourism fees and road use fees, without indicating how much can be expected from these sources at best. Before making a major investment, it should be assessed to which degree alternative revenues can supplement government sources in order to manage protected areas adequately. There are so many ongoing attempts to generate funding for protected areas in transformation economies (and elsewhere) and many of these efforts turn out to be unsuccessful. One of the main lessons learnt is that sufficient revenues may be generated from a relatively small number of protected areas, whereas the majority will always depend on subsidies from the state.

Apparently the GEF-supported project “Consolidation of the Polissya Ecological Corridor, Ukraine” already put much emphasis on the financial sustainability of the protected areas system. Activities in the PDF-B phase include an analysis of the financial weaknesses of the Ukrainian PA system, development of alternatives for financing the PA system, establishment of a plan for revenue generation and the design of a financial plan for a demonstration PA. The proposal of the new project should make sure that there is no duplication of efforts and that it will not go through the same experiences once more, but will build on these experiences and upscale them.

The role of Trust Funds as an instrument for financing protected areas is not mentioned. The experiences made in the Ukrainian Danube Delta and the East Carpathians (both with GEF support) should be analysed.

In general, we wonder how strong the commitment of the Government of Ukraine is to extend the Protected Areas System from 2.8 million ha to over 6.0 million ha. We have the impression that this is more a non-binding intention rather than a strong commitment.

It is recommended to take these issues into account when designing the project.

2. PROGRAMMATIC APPROACHES

I. China Biodiversity Partnership Framework for Action:

No. 30 China: CBPF Shaanxi Qinling Mountains Integrated Ecosystem Development (ADB) (GEF Grant: \$ 4.27 m)

On the one hand, the Project Identification Form presents concrete figures with respect to tourism development and its expected outputs:

- Number of jobs created through tourism 900,
- Income for the Botanical Garden up from 30 to 65 Mio,
- Duplication of visitation from 400,000 to 800,000 visitors etc.)

On the other hand, there is no information at all about the tourism development strategy behind that expected growth scenario, answering the following (and other) basic questions for tourism sustainability:

- Which market to address: Domestic? Regional Asia, International long-haul visitors? And in which proportion / market mix? (For instance 80% domestic plus 10% regional plus 10% international etc.)

- Which segment of the market in terms of wealth and spending habits: High-end, high spending international and regional? Wealthy/middle class Chinese or the low end of the Chinese mass market?
- Which segment in terms of interests: Nature / Ecotourists, Birdwatchers, Soft / middle / extreme activity / outdoor, wellness and spa tourists preferring a natural / mountain environment, souvenir/trophy hunters etc.
- What type of infrastructure and services do the market segments according to the expected market mix and segments require? For instance: international travellers would require other type of accomodation than national visitors and day excursionists; Birdwatchers need other infrastructure than natural spa guests etc.

Given that situation, we consider it highly risky to establish at this stage such concrete figures predicting a huge tourism growth.

The little information that we dispose of about the Shaanxi-Quinling Mountains is that it very much qualifies for a higher level tourism with limited numbers of guests with high spending habits. And that the influx of very high numbers of national, especially low spending visitors would have to be limited and directed to certain places in order to avoid interference with the requirements of other segments of the market (for instance, a huge bus parking ground for Chinese day visitors would not be compatible with a 5 Star high end Natural Spa and Wellness resort next door...).

This is in line with a general strategy to minimize the impact of tourism in Biodiversity Hot Spots through the focus on fewer high spending guests, and allow only in some controlled areas public access.

Furthermore, it is not getting clear how the villages bordering the botanical garden will support the conservation of biodiversity and benefit from the revenues of the botanical garden, given the fact that the support of the local population is a precondition for successful biodiversity conservation. The PIF only refers to 173 households to be resettled. In other parks many conflicts arose because the local population had to provide land for the creation for a protected area but didn't benefit from the revenues and no longer had access to their former resources. Please clarify the proposed strategy.

Besides, would you please explain the high percentage of GEF support for the creation of the institutional arrangements?

II. SFM:

No. 32 Mongolia: SFM Forest Landscapes Development and Conservation (World Bank) (GEF Grant: \$ 1.73 m)

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- A reference to FLEG is missing
- Please clarify overlaps with the FAO-project mentioned (Capacity Building and Institutional Development for Participatory Natural Resources Management and Conservation in Forest Areas of Mongolia)
- The GTZ still works in the Khentie SPA and there aren't any plans to stop it. Therefore the formulation "it seems" is misleading.

2. Framework requirements: At the moment, the FAO-Project mentioned is suspended and hasn't started yet. There were conflicts hiring a national coordinator. Against this background, we shouldn't start a project with the same partner and overlapping goals and questions without comments.

3. The Mongolia PIF seems very ambitious. As the proposal reads, the success of the GEF contribution seems to depend to a large degree on the successful implementation of the IDA financed parts, namely the FAO project on community approaches. Further proposal development for GEF financing should carefully observe progress in the IDA financed components.

The risks of project failure are rated “very high”. The project should therefore not be endorsed unless substantial changes are made in accordance to the above recommendations.

No. 33 Russian Federation: SFM - Strengthening Protected Area System of the Komi Republic to Conserve Virgin Forest Biodiversity in the Pechora River Headwaters Region (UNDP) (GEF Grant: \$ 4.50 m)

Although the project’s overall objectives are highly embraced the project focuses very much on the strengthening of the PA system in general not taking adequately into account the special requirements and situation of the site’s status a World Natural Heritage. It is suggested that the project outline is revised taking the WH status into account.

No. 34 Tanzania: SFM Extending the Coastal Forest Protected Area Subsystem (UNDP) (GEF Grant: \$ 3.55 m)

Linkages to local communities are not sufficiently included in the proposal. Monitoring measures and enforcement of protected sites are not given the emphasis needed in the proposal as submitted.

No. 35: SFM Carbon Benefits Project (CBP): Modeling, Measurement, and Monitoring (UNEP/World Bank) (GEF Grant: \$ 5.00 m)

Concern regarding selected sites in the project proposal: The site selection in the project proposal does not always reflect an adequate consideration of high value for biodiversity protection and concrete opportunities for sustainable forest management. It is to be considered whether a second analysis based on the importance of the selected sites for biodiversity conservation should be undertaken.

No. 39: SFM Improving the Conservation of Biodiversity in Atlantic Forest of Eastern Paraguay (World Bank) (GEF Grant: \$ 4.50 m)

The focus on re-establishing the connectivity between protected areas in general has to be seen as important task. However, the project outline is not taking adequately into account the potential challenges related to engaging owners of key areas of land in implementing sustainable biodiversity and conservation practices on the ground. The risk of dependence on land owners will to cooperate is not adequately addressed in the project proposal.

Best regards

Marita Steinke