



**FUND EXECUTIVE SUMMARY**  
**REQUEST FOR GEF COUNCIL SUBMISSION**

**GEFSEC PROJECT ID:** 3025  
**IA/ExA's ID:** N/A  
**COUNTRY:** East Asia Region  
**PROJECT TITLE:**  
 World Bank/GEF Partnership Investment Fund  
 for Pollution Reduction in the Large Marine  
 Ecosystems of East Asia (Tranche 1, 2<sup>nd</sup>  
 Installment)

**GEF IA/ExA:** World Bank  
**OTHER PROJECT EXECUTING AGENCY(IES):**  
 National / local governments of East Asia,  
 World Bank, PEMSEA Regional Programme  
 Office, Financial Institutions.

**DURATION:** 10 years  
**GEF FOCAL AREA:** IW  
**GEF STRATEGIC OBJECTIVES:** Catalyze  
 implementation of agreed reforms and on-the-  
 ground stress reduction investments to address  
 transboundary water concerns

**GEF OPERATIONAL PROGRAM:** Contaminant-  
 Based Operational Program (OP10)


**Pipeline Entry Date:** 3/18/2004

**IA / EXA FEE:** \$1,000,000

<b>FINANCING PLAN (US\$)</b>		
<b>FIRST TRANCHE OF FUND</b>		
Proposed first tranche .....		35,000,000
Approved by Council .....		25,000,000
Additional financing requested ..		10,000,000
	PDF	Project
PDF A		
PDF B		10,000,000
PDF C		
<b>GEF Total</b>		10,000,000
<b>Co-financing*</b>		
GEF IA/ExA		48,600,000
Government		32,270,000
Bilateral		
NGOs		
Others		
Co-financing Total		80,870,000
Total		90,870,000
<b>Financing for associated activities if any:</b>		

**CONTRIBUTION TO KEY INDICATORS IDENTIFIED IN THE FOCAL AREA STRATEGIES:** One of nine planned GEF initiatives to catalyze finance for implementation of agreed actions in Strategic Action Programs.

Approved on behalf of the World Bank. This proposal has been prepared in accordance with GEF policies and procedures and meets the standards of the GEF Project Review Criteria for work program inclusion.

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 GEF Executive Coordinator, World Bank  
 Date: March 21, 2007

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## FUND SUMMARY

a) Fund rationale, objectives, outputs, and activities.

### Process

Further to successful application for work program entry for the *World Bank/GEF Partnership Investment Fund for Pollution Reduction in the Large Marine Ecosystems of East Asia* (the Fund) at the November 2005 GEF Council Meeting, the GEF Council is requested to approve the balance of Tranche 1, in the amount of US\$10 million:

Tranche 1 Total	US\$ 35 m
<u>Amount committed in Nov 2005</u>	<u>(US\$ 25 m)</u>
Amount outstanding and requested	US\$ 10 m

### Progress of projects under the Fund

Since the initial submission (Nov 2005), the Fund has achieved considerable progress in pursuing its overarching aim, which is to reduce land-based marine pollution of the large marine ecosystems of East Asia, by cofinancing incremental activities within World Bank pollution-related projects that demonstrate innovative approaches, disseminate lessons learned from them, and promote replication of best practice. The Fund program has developed rapidly, and the first instalment of the first tranche (US\$ 25 million) is now fully committed as follows:

**Table 1: Status of Projects under Tranche 1, First Installment**

Project	Pipeline entry date	Board date	GEF financing (US\$ M)	Co-financing <sup>1</sup> (US\$ M)
China Ningbo	5/1/05	6/29/06	\$ 5	\$ 140.10
China Shandong II	12/6/05	2/27/07	\$ 5	\$ 201.89
Philippines Manila	5/2/05	6/14/07	\$ 5	\$ 84.46
China Liaoning	11/16/05	6/14/07	\$ 5	\$ 187.50 <sup>2</sup>
Vietnam Coastal Cities	5/5/05	3/2/08	\$ 5	\$ 89.00
<b>Total</b>			<b>\$ 25</b>	<b>\$ 704.46</b>

Two of the above projects (China Ningbo and Shandong) have received Bank Board approval, and are under implementation, while two projects are projected to be approved, and start being implemented, in 2007 (Manila and Liaoning). One project (Vietnam) has started preparation early in 2007, and is programmed for Board approval and implementation early in 2008.

<sup>1</sup> According to Project Appraisal Document, if available, otherwise according to Project Concept Note. Represents amount invested in wastewater and sanitation only.

<sup>2</sup> Also includes solid waste component, as project will address water pollution caused by leachate from solid waste.

For the second instalment of the first tranche, for which this submission is made, two projects are in the pipeline for preparation:

**Table 2: Status of Projects under Tranche 1, Second Installment**

<b>Project</b>	<b>Pipeline entry date</b>	<b>Board date</b>	<b>Second Instalment (US\$ M)</b>	<b>Co-financing (US\$ M)</b>
<b>China Shanghai</b>	9/18/06	6/1/08	\$ 5	\$ 26.87
<b>Indonesia East Java</b>	1/12/06	6/1/08	\$ 5	\$ 54.00
<b>Total</b>			<b>\$ 10</b>	<b>\$ 80.87</b>

Preparation of the China Shanghai project has begun, and the design of the East Java project is under discussion with the client. Approval of the second instalment of the first tranche of the Fund is therefore a priority so that GEF resources are available to co-finance these two projects.

The eventual GEF investment in the Fund is proposed to be \$80 million over 10 years, and the second and third tranches expected to be requested in FY08 and FY10. The GEF Council will be asked to approve subsequent tranches subject to the Fund's fulfillment of its reporting and sub-project processing requirements.

The Fund is conceptually modelled on the WB/GEF Nutrient Reduction Investment Fund for the Black Sea/Danube Strategic Partnership, which was approved by the GEF Council on May 9, 2001 (GEF/C.17/7), and whose second and third tranches were approved in May 2002 and May 2003 respectively. The GEF allocated a total of US\$70 million to the Black Sea/Danube fund over six years.

## **Strategic Background**

### ***The Sustainable Development Strategy for the Seas of East Asia***

In 1995, in light of the rapid but environmentally unsustainable economic development of the East Asia region, and the equally rapid degradation of their marine resources, twelve East Asian countries came together with a common vision to ensure the sustainable development of their shared waters.<sup>3</sup> This partnership of governments, with the support of the Global Environment Facility (GEF), the United Nations Development Program (UNDP), and the International Maritime Organization (IMO), created the *Regional Programme on Building Partnerships in Environmental Management for the Seas of East Asia* (PEMSEA), a collaborative organization of representatives of the coastal governments of East Asia.

One of the main achievements of the countries through their contribution to PEMSEA has been the development and adoption of the *Sustainable Development Strategy for the Seas of East Asia* (SDS-SEA), which was endorsed by each of the twelve countries in the Putrajaya Declaration on December 12, 2003. The SDS-SEA is significant as it is the first, and the broadest, partnership agreement in the region centered on the issue of managing the regional seas. SDS-SEA attributes *values* to the seas of East Asia, identifies *threats* to the maintenance of these values,

<sup>3</sup> The original twelve countries included Brunei Darussalam, Cambodia, China, Indonesia, Japan, DPR Korea, RO Korea, Malaysia, Philippines, Singapore, Thailand and Vietnam. Two additional countries joined in 2005 (Lao PDR and Timor-Leste) making a current total of 14.

and has developed a *shared vision* of actions that would serve to sustain, preserve and protect these values for the future. While the SDS-SEA addresses priority issues in several sectors, it has identified land-based pollution (particularly in hotspots) as the primary threat to the seas of East Asia.

The impact of land-based pollution in the East Asia Seas is recognized as having regional and transboundary significance because the ocean is a medium through which pollutants are relatively easily transmitted. The impacts of land-based pollution, such as widespread eutrophication, red tides, health hazards, and degradation of fisheries and spawning grounds, are felt by all countries in the region.<sup>4</sup> Furthermore, insofar as the seas of East Asia are a major source of the world's demand for fishery and aquaculture products, and a major natural heritage and biodiversity resource for the people of the world, these impacts have global significance.

The conclusion drawn by the countries of East Asia in the SDS-SEA that land-based pollution is the primary threat to the sustainable management of the seas of East Asia is supported by other analyses, including those of the World Bank and the region's Global International Waters Assessment (GIWA), which was completed in 2005.

A large and diverse group of stakeholders each have a role to play in ensuring that the required actions to reduce land-based pollution in East Asia's seas take place. These include: citizens and civil society, national and local governments, the private sector, financial institutions and donors, and international organizations. The first step in developing the necessary collaboration between stakeholders has been led by the governments of the region, with the support of international organizations such as the GEF, the World Bank, UNDP, the United Nations Environment Programme (UNEP), and IMO. This intergovernmental collaboration has been exercised through a series of regional projects that have focused primarily on analysis of the problems facing the seas of East Asia, and planning for the necessary responses. Many of these initial efforts have been supported by GEF, for example through the PEMSEA program and other sub-regional, national and sub-national initiatives such as the UNEP/GEF South China Sea Project and the UNDP/GEF Yellow Sea Project.

All of the existing regional, sub-regional and national efforts represent a significant step forward for addressing the ever-worsening situation in the seas of East Asia. However, these existing efforts have one limitation: a strong emphasis on the diagnosis of pollution problems, and planning for the future, but very limited focused, coordinated, strategic physical investment.

***A call to action – the opportunity provided by GEF's Strategic Partnership modality***

The countries of East Asia have recognized that a more coordinated and innovative approach, which includes a strong focus on implementation and investment, is urgently needed. The establishment a new GEF operational modality in its third and fourth replenishment period<sup>5</sup> – the International Waters Strategic Partnership – provides East Asia with an opportunity to undertake the necessary actions. As defined by GEF, an IW Strategic Partnership consists of a major component, the Investment Fund (hosted by a multilateral bank), complemented by a parallel

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<sup>4</sup> World Bank, 2005. *Environment Strategy for the World Bank in the East Asia and Pacific Region*, World Bank: Washington D.C.

<sup>5</sup> GEF-4, implemented from 2006-2010.

project for regional capacity building, coordination and replication. The *WB/GEF Nutrient Reduction Investment Fund for the Black Sea/Danube Strategic Partnership*, is a good example of the GEF investment fund modality.

The countries of East Asia, in collaboration with the GEF, the World Bank, and UNDP, have replicated the Danube model and established a Strategic Partnership to catalyze and scale up investment in land-based pollution reduction in coastal areas in East Asia. The Strategic Partnership comprises two parallel components, a *Financing Component* (i.e., the Investment Fund), and a *Regional Component*, both of which have achieved GEF pipeline entry<sup>6</sup> and, in the case of Fund, also Council approval of a \$25 million contribution to its first tranche.

- The Strategic Partnership's Financing Component - the *World Bank/GEF Partnership Investment Fund for Pollution Reduction in the Large Marine Ecosystems of East Asia* (the Fund) is the primary financing arm of the new land-based pollution reduction initiative proposed in the SDS-SEA.
- The Regional Component, which will be supported through the proposed *UNDP/GEF Implementation of the Sustainable Development Strategy for the Seas of East Asia Project* will be implemented in parallel with the Fund, and will be responsible for stakeholder coordination, dissemination of lessons learned, replication of good practice, and capacity building. This UNDP project is also being submitted to the GEF Council for work program entry in June 2007.

The support provided by GEF to catalyze new investment through the WB/GEF Partnership Fund will be limited to a ten-year period, after which the countries of East Asia will have developed a supportive policy and investment environment that will allow them to mobilize significant investment on their own account. Moreover, it is intended that by the end of the implementation period of the Partnership, the objectives of the SDS-SEA would be firmly mainstreamed into the operations of the World Bank and other participating organizations.

### ***Objective of the Fund***

The long-term goal of the Partnership Fund is to reduce pollution of the seas of East Asia. The contributing objective of the Fund is to leverage new, innovative and cost-effective investments in land-based pollution reduction through the removal of technical, institutional, and financial barriers. Expected outcomes of the Fund would be: new innovative investment in activities that reduce land-based pollution; removal of technical, institutional and financial barriers that currently limit investment in pollution reduction; and, replication of the cost-effective pollution reduction technologies and techniques demonstrated by the Fund.

### ***Rationale for Bank and GEF involvement***

The strategic impact of the Fund will be significant, because this collaboration between the GEF and the World Bank will catalyze a new partnership of global strength. The land-based pollution challenges facing the countries of East Asia to which it is directed are significant, and removing the barriers to them requires new political, technical, institutional and financial capacity. Similarly, innovation and the testing of new technologies and techniques involves a level of risk

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<sup>6</sup> The Partnership Investment Fund achieved GEF pipeline entry in March 2004, while the Regional Component achieved pipeline entry in April 2005.

that the countries could not bear on their own. Without GEF support, the Fund's innovations will not be attempted with either conventional loans or budgetary resources. GEF grant financing therefore provides countries with a unique opportunity to tackle these difficult challenges. The involvement and leadership of the World Bank in the Fund brings its global and regional influence and technical capacity to fully support countries in this task. In essence, the Fund partnership between GEF and the World Bank provides a strong, supportive, lower-risk enabling environment within which the countries can finally begin to more actively address the challenges and barriers to achieving the pollution-related objectives of the SDS-SEA.

Furthermore, with GEF support and the involvement of the World Bank's knowledge sharing capabilities, the Fund will facilitate global and regional capacity building and scaling up through policy dialogue and support for policy change, the replication of success stories, the promotion of learning, and the dissemination of information and lessons learned.

The Bank's East Asia and Pacific (EAP) Region is well placed to manage and contribute to the Fund. Land-based pollution reduction is a key priority of the Bank in East Asia, so the policy and capacity building activities of the EAP Region and the objectives of the Fund are fully consistent with the Bank's corporate and regional environment strategies. Moreover, IBRD and IDA lending for environmental management in the EAP region is currently about \$1 billion per year, which provides a strong base for leveraging significant new investment through the Fund.

Individual GEF sub-projects supported by the Fund will be implemented by selected agencies within the recipient countries. World Bank task teams would be responsible for appraising and supervising each sub-project and for coordinating with the Fund on sub-project results.

### ***Co-financing and processing***

The target co-financing rate for the Fund is a minimum 1:10 (GEF:IBRD/IDA/other). Lower targets may be accepted on individual sub-projects on an exceptional basis if the expected benefits of the activity warrant it. However, every activity must have a minimum leveraging ratio of 1:3. The sub-projects already under preparation indicate that a higher leveraging ratio than 1:10 will be achieved. Currently it is expected that the total co-financing for the full first tranche of \$35 million (\$25 million already approved, plus the additional \$10 million requested by this submission) would be at least US\$785 million from IBRD, IDA, international donor sources, private sector investment and other co-financing. It is hoped that total GEF financing over three tranches of the Fund combined will be US\$80 million, with cofinancing investment of between US\$800 million and US\$1.5 billion.

Sub-projects under the Fund are processed according to streamlined WB/GEF procedures, and are submitted first to Council for review, then to the GEF CEO for endorsement. The GEF CEO approves the individual sub-projects on a rolling basis, based on the Fund eligibility criteria previously approved by GEF Council, until the limit of each tranche had been reached.

### ***Types of sub-projects***

The types of sub-projects eligible for financing under the Fund are World Bank projects that demonstrate innovative, cost-effective solutions for reducing land-based pollution and/or remove

significant barriers to investments in land-based pollution reduction of the marine environment. Each sub-project includes investments in one or more of the following types of activities:

- *Innovative financing mechanisms*: improving access to finance for rural and urban land-based pollution reduction projects through implementation of revolving funds, cross-sectoral financing, and other financing innovations;
- *Wastewater and sanitation management and treatment*: demonstration and use of innovative technology and innovative methods for wastewater and sanitation management (e.g., construction of engineered wetlands, construction of combined wastewater/septage treatment plants, enhancements to existing infrastructure and systems to improve their efficiency; improvements in the efficiency of septage collection services; community-based wastewater collection and treatment);
- *Water-borne pollution from solid waste*: leachate control programs for landfills and dump closures;
- *Pollution control in rural and peri-urban areas*: treatment of livestock waste, cost-effective approaches to agricultural and aquaculture pollution control, innovative management systems for collection and treatment of waste from agro-industries;
- *Coastal ecosystem management*: wetland creation, restoration, and preservation; education and awareness projects; information exchange and sharing;
- *Institutional reform*: utility reform, institutional rationalization, establishing links and creating opportunities for collaboration between NGOs, government agencies, and private companies;
- *Capacity building*: consultancies, training programs, dissemination of best practices;
- *Policy and planning improvements*: improving the legal, regulatory, and policy climate for pollution reduction investment;
- *Management reforms*: establishment of public-private partnerships and private sector management concessions for pollution control.

Where appropriate, cross-sectoral approaches are encouraged, such as integrated water resource management and environment protection, especially in land-based pollution hotspots.

### ***Sub-project eligibility criteria***

A set of eligibility criteria has been developed for the Fund which the GEF CEO uses to assess the eligibility of each sub-project proposed by the World Bank for financing under the Fund.

A proposed World Bank project is eligible to request GEF co-financing from the Fund for a specific proposed investment if all of the following seven conditions are met:

- located within the coastal watersheds of one of the six East Asian LMEs: East China Sea, South China Sea, Yellow Sea, Sulu-Celebes Sea, Gulf of Thailand, and the Indonesian Seas;
- demonstrates an innovative technical, institutional, or financial mechanism to combat land-based water pollution, and/or removes a significant technical, institutional, or financial barrier that reduces cost-effective investments in pollution control in that location;

- has high likelihood of replication and/or scalability in that country and/or more widely in East Asia coastal regions;
- is unlikely to proceed unless grant financing from GEF were allocated to it;
- the necessary co-financing is available;
- has been endorsed by the proposing country's GEF focal point.
- meets all relevant World Bank appraisal criteria.

b) Key indicators, assumptions, and risks (from Logframe)

To measure progress in achieving the Fund's targets, quantitative and qualitative indicators are used. These include, but are not limited to, reduction in the discharge of BOD, P and N, the level of replication of pollution-reducing sub-projects, the degree of awareness of environmental issues (e.g. as measured by the number of visitors to environmental centers, the amount of coverage of environmental issues by the press), and the amount of financing and rate of disbursement secured for replicated environmental projects.

A detailed set of monitoring and evaluation criteria have been prepared for the Fund in the World Bank logical framework format (refer Annex B). This format facilitates the application of the relevant criteria to each sub-project, thereby providing a consistent approach to monitoring the outcomes of the Fund. Sub-projects develop additional specific outcome objectives and monitoring indicators which address their characteristics and local priorities and needs.

The following risks and mitigation measures have been identified and adopted:

Risk	Mitigation
Failure of the Regional Component to be approved by GEF or failure of the Regional Component to undertake the activities assigned to it in support of the Fund	Ensure participation and collaboration by Bank staff with PEMSEA in Regional Component formation and implementation
Failure of sub-projects to comply with replication and dissemination requirements	Include replication and dissemination as legal covenants under Grant Agreements; encourage close collaboration between Fund and Bank teams on replication and dissemination
Sub-project level governance issues	Ensure close supervision of fiduciary and safeguard issues
Slow implementation of sub-project due to lack of counterpart funding	Ensure thorough financial analysis during appraisal
Difficulty in replication of results	Encourage early consultation within region and between sub-projects

Overall risk rating is Modest.



## 2. COUNTRY OWNERSHIP

### a) COUNTRY ELIGIBILITY

Only countries eligible for GEF financing under para. 9(b) of the GEF Instrument and eligible for IBRD and/or IDA financing, would also be eligible to receive financing from the Partnership Investment Fund. These are Cambodia, China, Indonesia, Laos PDR, Malaysia, Philippines, Thailand, Timor Leste, and Vietnam.

### b) COUNTRY DRIVEN-NESS

Commitment by fourteen coastal states of the East Asia region to addressing environmental issues was demonstrated by the preparation of the SDS-SEA and the signing of the Putrajaya Declaration. The countries have steadily progressed in building the Strategic Partnership, endorsing the concept first at the 10th PEMSEA Project Steering Committee Meeting held in Xiamen, China from 25-29 October 2004, and endorsing the concept of the Fund, at the 11th Project Steering Committee meeting held at Siem Reap, Cambodia, 3 August 2005.

## 3. PROGRAM AND POLICY CONFORMITY

### a) FIT TO GEF STRATEGIC PRIORITY AND OPERATIONAL PROGRAM

The Fund conforms to GEF's Contaminant-Based Operational Program (OP10) within the International Waters Focal Area, in that it supports projects that demonstrate ways of overcoming barriers that prevent the adoption of practices that reduce contamination of international water systems. Activities under the Fund contribute to global knowledge sharing in the sustainable management of international waters.

The Fund, when developed in 2005, was designed to meet GEF-3 Strategic Priorities (SP) 1 (catalyse financial resources) and 3 (undertake innovative demonstrations), established for the period FY03–06, as outlined below. The Fund is also consistent with the proposed Strategic Objectives for GEF-4.

**Strategic Objective 1: Catalyze implementation of agreed reforms and stress-reduction investments on-the-ground to address transboundary water concerns.** The Fund is structured as a financing mechanism with the ultimate objective of reducing land-based pollution discharges that have an impact on the seas of East Asia. It achieves this by leveraging investments in pollution reduction through the removal of technical, institutional, and financial barriers. The Fund demonstrates innovative pollution-reducing activities and replicates best practice and lessons learned throughout the region. The GEF-funded demonstrations are linked to mainstream World Bank lending in fields such as wastewater treatment and sanitation, urban and peri-urban environment, municipal governance, solid waste management and utility management. The Fund will achieve a target co-financing ratio of 1:10 (GEF:IBRD/IDA/other financing).

**Strategic Objective 3: Undertake innovative demonstrations addressing key program gaps (groundwater, IWRM, SIDS, persistent toxic substances (PTS)) in IW.** The Fund will provide cofinancing for innovative land-based marine pollution reduction. This includes condominium sewerage collection and treatment in dense peri-urban zones (East Java), landfill leachate treatment (Liaoning), partnership strengthening (Manila), wastewater treatment through artificial wetlands (Ningbo), septic tank management (Manila and Shandong), agricultural and

non-point source pollution (Shanghai, in preparation), chemically enhanced primary treatment (Vietnam), and a Project Preparation Revolving Fund (regional).

b) SUSTAINABILITY (INCLUDING FINANCIAL SUSTAINABILITY)

The Fund's monitoring and evaluation strategy addresses three aspects of sustainability: (1) financial; (2) stakeholder ownership; and (3) institutional framework and governance. With the aim of addressing sustainability early in the project cycle, the Fund focused on these three aspects from inception. Given the importance of ensuring the sustainability of outcomes beyond the implementation period, the Regional Component will monitor the long-term effects of the Fund after the ten-year implementation period.

Each sub-project under the Fund will achieve environmental and social sustainability through application of the World Bank Safeguards Policies.

Financial sustainability will be achieved through ensuring that appropriate financial analysis is conducted during sub-project preparation according to World Bank financial appraisal procedures. For technology investments, this would ensure that the sub-project proponent has sufficient cost recovery to ensure sustainable operation.

Implementation sustainability will be achieved through embedding each sub-project within a larger World Bank project to ensure the continuity of the implementation arrangements.

Finally, the Fund would be incorporated into CASs, included in country dialogue, and integrated into the lending program of each participating country, to ensure long-term sustainability of the objectives of the SDS-SEA.

c) REPLICATION

The Fund finances new technologies and techniques in East Asian coastal areas that demonstrate appropriate and cost-effective solutions for reducing land-based marine pollution. As a result, the potential of any sub-project activity to be replicated within the country and region is extremely important to the overall success of the Fund and its ability to meet its objectives. Replication potential is therefore listed as one of the eight eligibility criteria for a sub-project's inclusion for financing under the Fund. Moreover, one of the primary methods through which replication is expected to occur is the series of revolving fund sub-projects to be implemented under the Fund.

Responsibilities for replication are shared between the individual sub-projects and the Fund. Individual sub-projects are required to prepare a replication strategy (including workshops, presentations, technical publications) that are legally binding under the sub-project's legal agreement. Each sub-project further: develops its own website; provides case study information to the Fund; and participates in a tri-annual East Asia Seas Congress through a poster display and workshop presentation.

The World Bank is responsible for assessing the replication potential of each sub-project. During sub-project implementation, it will coordinate each sub-project's contribution to regional and international workshops and conferences. The World Bank is responsible for distributing

information to IW:LEARN; monitoring IW:LEARN to ensure that sub-project information remains up to date; and, coordinating sub-project participation in the East Asia Seas Congress.

#### d) STAKEHOLDER INVOLVEMENT

Stakeholder involvement is an extremely important part of the Fund and is embedded in all activities conducted under it. Each sub-project is responsible for conducting stakeholder consultation on the proposed investments, in accordance with World Bank Operational Policies; and for preparing a stakeholder consultation plan during sub-project preparation and implementing the plan during sub-project implementation. The World Bank is responsible for consulting with target countries during the tri-annual CAS process on the higher-level objectives of the Fund and its proposed investments in that country.

#### e) MONITORING AND EVALUATION

All sub-projects co-financed by the Fund are required to adopt consistent monitoring and evaluation, replication and information dissemination protocols so that the regional benefits of the Fund can be fully realized. Monitoring and evaluation is conducted in conformity with GEF International Waters guidance against three sets of indicators: those embedded in the SDS-SEA which are relevant to the Fund, those specifically developed for the Fund, and those developed at sub-project level. The responsibilities for monitoring and evaluation are established as described below.

Each sub-project financed under the Fund is responsible for: adopting monitoring & evaluation (M&E) indicators consistent with the Fund's M&E criteria; developing an M&E plan during project preparation; establishing baseline data during project preparation; providing M&E data on an annual basis to the Fund. The World Bank's Fund management team is responsible for the following: collating monitoring and evaluation results from sub-projects; and, reporting results to GEF and the Regional Component on an annual basis.

It is anticipated that a Regional Resource Facility will be established under the proposed Regional Component. This will provide the opportunity to significantly scale up the Fund's monitoring and evaluation, replication, and dissemination efforts. The Fund will work closely with the Regional Component to ensure maximum scaling up of the monitoring, evaluation and dissemination efforts.

### **4. FINANCIAL MODALITY AND COST EFFECTIVENESS**

The Fund is the Investment Financing Component of the SDS-SEA Strategic Partnership. The Fund has requested US\$35 million from the GEF for its first tranche, which it will invest in projects with a target leveraging ratio of at least 1:10 (GEF: IBRD/IDA/other). The first tranche sub-projects currently under preparation involve total co-financing projected of at least US\$785 million and will thus achieve a much higher leveraging ratio than this. Most of this co-financing will be provided by the IDA, IBRD, counterpart governments, private sources, and, to a lesser degree, other donors. It is hoped that the total GEF financing over three tranches will total US\$80 million with an expected total co-investment approaching US\$1.5 billion.

GEF financing would only be used for incremental activities that would not occur if it were not for its availability. GEF financing also targets the most cost-effective activities. A pragmatic

approach to cost-effectiveness, bearing in mind the difficulty in measuring the outcomes of GEF-funded activities, which often include capacity building and policy changes, would be employed. The table below summarizes the expected financing sources of the first tranche of the Fund.

#### A. CO-FINANCING SOURCES

Name of Co-financier (source)	Classification	Type	Amount (US\$)	Status
IDA / IBRD	IFI	Loans / grants	459,000,000	Committed to each sub-project through Bank lending program
Government / Public Banks	Public finance	Loans / grants / budgetary allocation	325,000,000	Committed to each sub-project through Bank lending program
Other	Private/ bilateral or multilateral donors	Grant/Loan	Not yet defined	Would be sourced as needed by each sub-project
Sub-Total Co-financing ( <i>expected</i> )			784,000,000	

#### B. ADMINISTRATIVE BUDGET

N/A<sup>7</sup>

### 5. INSTITUTIONAL COORDINATION AND SUPPORT

#### a) CORE COMMITMENTS AND LINKAGES

The Fund provides incremental GEF co-financing for World Bank-facilitated land-based pollution reduction projects in the East Asia Region. Sub-projects under the Fund are consistent with the relevant World Bank Country Assistance Strategy, and, in most cases, the GEF financing is processed concurrently with the IBRD/IDA financing, and funds parallel activities within the same project. The links between the Fund activities and the individual countries' development and World Bank country assistance programs are therefore very strong.

Through its management of the Fund, the World Bank mainstreams activities that support the implementation of SDS-SEA into its regular lending and capacity building programs. Through the Fund, the World Bank commits to: promoting SDS-SEA objectives and Fund activities in country dialogues; promoting inclusion of the objectives of the SDS-SEA in World Bank Country Assistance Strategies; and, being a champion for land-based pollution reduction in the seas of East Asia.

#### b) CONSULTATION, COORDINATION AND COLLABORATION BETWEEN IAS, AND IAS AND EXAS, IF APPROPRIATE

The Fund is one of the two components of the GEF-catalyzed Strategic Partnership for Land-based Pollution Reduction in the Large Marine Ecosystems of East Asia. The other major component, the complementary GEF Regional Component, is managed by UNDP. UNDP and

<sup>7</sup> The Strategic Partnership Investment Fund is not a project, and therefore does not have a budget for personnel, consultants, training, etc.

the World Bank will coordinate and collaborate closely on the implementation of the Fund and the Regional Component, in particular for disseminating lessons learned and replication potential of sub-projects. The two institutions will establish a joint technical team which will (a) maintain regular internet contact and meet either by video conference or face-to-face at least twice yearly to review the Strategic Partnership's progress and agree initiatives to strengthen its impacts; (b) promote awareness of the partnership's activities, lessons learned and results; and (c) assess the replication potential of possible Fund investment projects and promote the replication of the projects it supports. Moreover, the Strategic Partnership will liaise closely with the other related GEF regional projects, including the UNEP/GEF South China Sea/Gulf of Thailand LME, the UNDP/GEF Yellow Sea LME, and the UNDP/GEF Sulu-Celebes Sea LME.

#### C) PROJECT IMPLEMENTATION ARRANGEMENT

The World Bank is the implementing agency for the Fund, through its East Asia and Pacific Region. Sub-projects are implemented by World Bank partner agencies within the recipient countries. World Bank project task teams are responsible for appraising and supervising each sub-project and for coordinating with the Fund management team on sub-project results.

As summarized above, the World Bank's Fund management team liaises on a regular basis with the Regional Component through its meetings, and through consultation with the Regional Resource Facility under the Regional Component.

#### **ANNEX A: INCREMENTAL COST ANALYSIS**

N/A

### ANNEX B: LOGICAL FRAMEWORK OF FUND

The objective of the *WB/GEF Strategic Partnership Investment Fund for Pollution Reduction in the Large Marine Ecosystems of East Asia* is to reduce pollution discharges that have an impact on the seas by leveraging investments in pollution reduction through the removal of technical, institutional, and financial barriers. The outcomes of the Fund will be increased investment in activities that reduce land-based pollution and the replication of cost-effective pollution reduction technologies and techniques demonstrated by the Fund.

To measure progress in achieving the Fund's targets, quantitative and qualitative indicators will be used. These include, but are not limited to, reduction in the discharge of BOD, P and N, the level of replication of pollution-reducing sub-projects, the degree of awareness of environmental issues (e.g. as measured by the number of visitors to environmental centers, the amount of coverage of environmental issues by the press), and the amount of financing and rate of disbursement secured for replicated environmental projects.

A detailed set of monitoring and evaluation criteria have been prepared for the Fund in the World Bank logical framework format (refer below). The use of this format facilitates the adoption of the relevant criteria by each sub-project, thereby providing a consistent approach to monitoring the outcomes of the Fund. Sub-projects are encouraged to develop additional criteria where necessary to address any additional local objectives and monitoring needs.

**TABLE 3: INDICATORS AT THE LEVEL OF THE FUND**

<b>Objective of Fund</b>	<b>Outcome Indicators</b>	<b>Use of Outcome Information</b>
Leverage new innovative, cost-effective investments in pollution reduction	Increased investment in new policy, technical and institutional mechanisms	Facilitate faster pollution reduction for all regional stakeholders
Reduce pollution discharges that impact on the seas of East Asia	Key parameters include BOD, N and P.	Evaluate progress towards the Fund's contribution to Strategic Partnership objectives and country progress in meeting agreements under Strategic Partnership

<b>Intermediate results</b>	<b>Results Indicator</b>	<b>Use of Results Monitoring</b>
Result One		
Remove technological, technical, policy and institutional barriers to pollution reduction	Feasibility and cost-effectiveness of new technology and techniques proven through demonstration  Regulatory reforms introduced and planning capacities strengthened  Governance enhanced through institutional	Facilitate pollution reduction for all stakeholders

	strengthening and improved organization	
<b>Result Two</b>	<b>Result Indicator</b>	<b>Use of Result Indicator</b>
Attract additional financing in a sustainable and cost effective manner (e.g. through revolving funds) for environmental infrastructure in coastal urban areas in East Asia	<p>Increase in sustainable cost-effective financing for environmental infrastructure in coastal urban areas in East Asia</p> <p>The leveraging capacity and turnover ratio of financial mechanism/ revolving fund are increased.</p> <p>N° of countries /lending institutions that have adopted revolving funds has increased</p>	Broader access to funding for environmental infrastructure
<b>Result Three</b>	<b>Result Indicator</b>	<b>Use of Result Indicator</b>
Replication/adoption of new pilot technologies, techniques, and institutional mechanisms	<p>Increase in the number of technologies/techniques tested/successfully piloted</p> <p>Increased number of technologies / techniques replicated throughout East Asian LMEs</p>	Wider accessibility to innovative technology

Result Four	Result Indicator	Use of Result Indicator
Best practices and lessons learnt from piloting of new technologies/techniques/ institutional mechanisms effectively disseminated	<p>Dissemination of information measured through an increase in:</p> <p>The number of workshops</p> <p>The number of participants at workshops</p> <p>The number of information documents on GEF's International Waters web resource IW:LEARN</p> <p>The number of times documents at IW:LEARN accessed online</p> <p>The number of participants at the tri-annual East Asian Congress organized by the Strategic Partnership.</p>	<p>Raise awareness in the region on:</p> <p>pollution issues</p> <p>successful innovations</p>

*Source: modified from Monitoring the Strategy, SDS-SEA (pemsea.org)*

Monitoring and evaluation of the activities and investments carried out under the Fund will also be conducted against the set of indicators embedded in the SDS-SEA, taking into consideration the sub-set of objectives of the SDS-SEA that are also the underlying objectives of the Investment Fund.

**TABLE 2: INDICATORS AT THE LOCAL LEVEL**

<b>SDS-SEA Objective 10</b>	<b>Outcome Indicators</b>	<b>Use of Outcome Information</b>
Coastal urban population with sewage treatment facilities	Increase in the percentage of coastal urban population with treatment facilities	
<b>SDS-SEA Objective 11</b>	<b>Outcome Indicators</b>	<b>Use of Outcome Information</b>
Coastal urban population serviced with waste collection and licensed disposal facilities	Increase in the percentage of population with waste collection service	

*Source: modified from Monitoring the Strategy, SDS-SEA (pemsea.org)*



### Arrangements for results monitoring at the level of the Fund

Outcome Indicators	Target indicators		Project reporting to Fund			Fund reporting to GEF	
	2010	2015	Frequency and Reports	Data Collection Instruments	Responsibility for Data Collection	Frequency and Reports	Responsibility for Data Collection
Increased investment in pollution reduction (\$ million)	350 to 500	800 to 1,500	Annual project progress report (PPR) and Bank disbursement reports	PMO project implementation records, Bank disbursement data	Project Management Office (PMO); Bank task team	Report annually to GEFSEC; Report to GEF Council at time of request for subsequent tranche	Fund Mgmt Team with data derived from World Bank project task team reporting
Reduction in discharge of BOD to seas of East Asia (tons/yr)	150,000	300,000	Annual PPR	Measurements by project implementing units, government statistics	PMO; Bank task team		
<b>Result Indicators</b>							
Removal of barriers to pollution reduction:							
Number of cost-effective technologies/ techniques demonstrated in specific country contexts	5	12	Annual PPR	Commissioning reports on investments	PMO; Bank task team		
Number of institutional and/or regulatory reforms approved and implemented	4	10	Annual PPR	Register of government regulations/decrees	Government agencies, PMO, Bank task team		
Financing through revolving funds:							
Number of countries that have established a revolving fund	1	4	Annual PPR	PMO project implementation records	PMO; Bank task team		
Minimum amount of capital invested in revolving funds (\$ million)	15	60					
Dissemination and replication of demonstrated technologies, techniques and mechanisms:							
Products: Number of publications	6	12	Annual PPR	PMO project implementation records	PMO; Bank task team		
Products: Number of project websites	6	12					
Events: Number of country workshops	6	12					
Events: Number of regional conferences/workshops participated in	2	5					
Mainstreaming of SDS-SEA in World Bank EAP operations:							
Number of Strategic Partnership Council meetings participated in by World Bank staff (events/year)	2	2	N/A	N/A	N/A		
Number of World Bank CAS which include Fund	3	5					

## ANNEX C: RESPONSE TO REVIEWS OF THE FUND

- a) Convention Secretariat comments and IA/ExA response
- b) STAP expert review and IA/ExA response
- c) GEF Secretariat and other Agencies' comments and IA/ExA response
- d) GEF Council Members

### RESPONSE TO GEF SECRETARIAT REVIEW

The following items were listed as expected at Work Program Entry:

#### *Project Design*

1. Review requested that Fund be fully developed, and that it be designed in tranches. Each tranche would include specific benchmarks.

**Response:** [Refer Section 9, page 13 of the Fund Brief] The Fund design is fully developed in the Fund Brief, including typology of sub-projects, eligibility criteria for sub-projects, strategies for replication, dissemination, monitoring and evaluation. Fund is designed in three tranches with benchmarks clearly defined for moving from one tranche to the next.

#### *Sustainability*

2. Review requested that there be a full description of sustainability in the proposal.

**Response:** [Refer Section 20, page 22 of the Fund Brief] Fund Brief includes details of operational, institutional, and financial sustainability. Sustainability would be guaranteed through the application of World Bank procedures, and the embedding of the Fund sub-projects within larger World Bank projects.

#### *Replicability*

3. Review requested that there be a full description of the Fund replicability strategy in the proposal.

**Response:** [Refer Section 17, page 20 and Section 14, page 18 of the Fund Brief] Fund Brief includes details of activities that would be undertaken to promote dissemination and replication, and clearly defines responsibilities for each activity. This strategy is already being used in the first three sub-projects currently under preparation. Moreover, the first revolving fund, that forms part of the Fund replication strategy, has achieved pipeline entry and is under preparation. This is described in the Brief.

#### *Stakeholder involvement*

4. Review requested that there be a full description of the Fund stakeholder involvement strategy in the proposal.

**Response:** [Refer Section 22, page 23 of the Fund Brief] Fund Brief includes details of activities that would be undertaken to ensure stakeholder involvement within each sub-project. In addition, the Fund Brief clearly describes the relationship between the Fund and the other proposed component of the Strategic Partnership, the Regional Component, which would be responsible for much of the stakeholder involvement at the regional level through its Steering Committee. Finally, the Fund Brief describes the ways in which the World Bank would

include the Fund in its country dialogues and assistance strategies, thereby ensuring that activities carried out under the Fund fully met the objectives of each country.

### ***Monitoring and Evaluation***

5. A full description of the Fund M&E plan should be included in the proposal.

**Response:** [Refer Section 16, page 19 of the Fund Brief] Fund Brief includes details of M&E activities, provides key indicators to be used by the Fund and the sub-projects, and clearly defines responsibilities. This strategy is already being used in the first three sub-projects currently under preparation.

### ***Financing Plan***

6. Review requested that the proposal define targets to be achieved in moving from one tranche to the next and seek commitment to the first tranche.

**Response:** Fund Brief specifies that the total financing for the Fund would be \$80 million, which would be committed by GEF to the Fund in three tranches, subject to the availability of resources. Reporting and sub-project progress requirements that would be met prior to a request being submitted for a subsequent tranche are specified in the Brief. The first tranche of \$35 million has been requested in the Brief.

### ***Summary***

7. Review requested that all recommendations in review be addressed and incorporated.

**Response:** Please see comments above.

## **RESPONSE TO GEF COUNCIL MEMBERS REVIEW**

### ***France***

8. France expressed a favorable opinion of the project [Fund].

**Response:** N/A

### ***Germany***

9. Germany made **comments** and **recommendations**:

#### **Comments**

224. For reasons of measuring sustainability, it should be ensured that monitoring of the long-term effects of the Fund after the ten-year implementation period takes place from the very beginning. Furthermore, the proposal should elaborate further on the regional benefits of the fund. As to the cooperation between the proposed fund and the regional component, the proposal should stress the need for close coordination with respect to the implementation of the two major components, especially concerning the dissemination of the lessons learned and the replication potential of sub-projects. Close coordination with other regional projects should also be secured. With regard to stakeholder involvement, the proposal should state that the principle applies to each of the sub-projects. Finally, we would like to emphasize that it will be a big challenge to secure the commitment of the fourteen coastal states of the East Asia region to address environmental issues, to develop more supportive policies and to develop a positive investment environment.

#### **Recommendation**

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

**Response:** monitoring of the long-term effects of the Fund (10 yrs +) would be covered by the regional component of the Strategic Partnership, and implemented by PEMSEA. The Investment Fund would monitor the results of its subprojects during the lifetime of the subprojects. Longer-term monitoring would be conducted by PEMSEA through the implementing mechanism of the Regional Component, which will be presented to GEF Council for approval in November 2006. Close coordination between PEMSEA and the Bank started almost two years ago and the Fund Brief includes a detailed breakdown of the roles and responsibilities of the Fund and PEMSEA's Regional Component, including for monitoring and evaluation.

As regards the regional benefit of the Fund, these would mainly be in the long-term improvement of water quality. Dissemination of lessons learned and best practice would be assured by Bank/PEMSEA coordination and the funding for regional dissemination activities under each of the Fund's sub-projects and the Regional Component's dissemination strategy; each Bank subproject would prepare results to be disseminated, and PEMSEA would help disseminate them through regional workshops, IW:LEARN and the triennial East Asian Seas Congress.

Finally, the text of the current document has been amended to mention that stakeholder participation would be ensured at subproject level by complying with Bank safeguards and disclosure policies (*see p. 3*).

### *Switzerland*

10. Switzerland made several **general comments**, expressed **main concerns** and offered **conclusions and recommendations**:

#### **General Comments**

The long-term goal of the proposed Partnership Investment Fund is to reduce pollution in the seas of East Asia and to promote their sustainable development. To contribute to this overall goal, the stated immediate objective of the proposed Fund is to reduce land-based pollution discharges that have an impact on the seas of East Asia by leveraging investments in land-based pollution reduction through the removal of technical, institutional, and financial barriers. Expected outcomes of the Fund shall be: increased investment in activities that reduce land based pollution; removal of technical, institutional, and financial barriers that currently limit investment in pollution reduction; and, replication of cost-effective pollution reduction technologies and techniques demonstrated by the Fund.

The Partnership Investment Fund would be the primary financing arm of the land-based pollution reduction activities proposed in the Sustainable Development Strategy for the Seas of East Asia (SDS-SEA) which was developed by the Partnerships in Environmental Management for the Seas of East Asia (PEMSEA), the latter being a collaborative organization of representatives of the coastal governments of East Asia, supported by GEF, UNDP, and IMO.

The Partnership Investment Fund is thought of as one of two parallel components, the other being a Regional Component entitled the UNDP/GEF Implementation of the Sustainable Development Strategy for the Seas of East Asia Project. This second component would be responsible for stakeholder coordination, dissemination of lessons learned, replication of good practice, and capacity building. It is expected that this second component would be submitted to the GEF Council for work program entry in mid-2006. The two components together are thought to form a Strategic Partnership.

It is intended that the support provided by GEF would be limited to a ten-year period, after which the countries of East Asia will have developed a more supportive policy and investment environment so that significant investment would occur on its own. Moreover, it is intended that by the end of the implementation period of the Strategic Partnership, the objectives would be firmly mainstreamed into the operations of the World Bank and other participating organizations.

A proposed World Bank project would be eligible to request GEF co-financing from the Fund for a specific proposed investment if all of the following seven conditions are met. The investment (i) would be located within the coastal watersheds of one of the six East Asian Large Marine Ecosystems (East China Sea, South China Sea, Yellow Sea, Sulu-Celebes Sea, Gulf of Thailand, and the Indonesian Seas); (ii) would demonstrate an innovative technical, institutional, or financial mechanism to combat land-based water pollution, and/or would remove a significant technical, institutional, or financial barrier that reduces cost-effective investments in pollution control in that location; (iii) would have high likelihood of replication and/or scalability in that country and/or more widely in East Asia coastal regions; (iv) would be unlikely to proceed unless grant financing from GEF were allocated to it; (v) would have necessary co-financing available; (vi) would have been endorsed by the proposing country's GEF focal point; and (vii) would meet all relevant World Bank appraisal criteria.

The Partnership Investment Fund seems to conform well to GEF's Contaminant-Based Operational Program (OP10) within the International Waters Focal Area. Furthermore, the Fund would invest in projects that meet criteria under GEF Strategic Priorities (SP) 1 (catalyze financial resources) and 3 (undertake innovative demonstrations), established for the period FY03 - 06.

We recognise that the Partnership Investment Fund intends to address a central issue for the large marine ecosystems of East Asia, namely the land-based pollution of the East Asia Seas such as widespread eutrophication, health hazards, and degradation of fisheries and spawning grounds. The impacts of this pollution are felt by all countries in the region. As the seas of East Asia are a major economic resource for the world's demand for fishery and aquaculture products, and a major natural heritage and biodiversity resource for the people of the world, these impacts have also a global significance. We also feel that having the World Bank manage the Partnership Investment Fund and by applying all relevant World Bank appraisal criteria to the sub-projects under the Partnership Investment Fund, powerful implementation arrangements will be ensured,

given the fact that the World Bank already invests roughly USD 1 billion per year in the East Asia and Pacific Region for environmental management.

Within this framework, however, we see some formal shortcomings in the project documentation and feel some uncertainty on the role of the Partnership Investment Fund within the Strategic Partnership. These concerns are formulated below.

### **Main Concerns**

Our main concerns are summarized as follows:

- **Annex A: Incremental Cost Analysis:** In the project executive summary, the Incremental Cost Analysis is stated as not being applicable, without giving a motivation for this statement. It remains open whether individual sub-projects under the Partnership Investment Fund will be required to perform and submit individual incremental costs analyses in the project proposals. If that is the intent, it is unclear which approval procedure will apply to ensure satisfactory incremental cost analysis.
- **Annex C: Response to Project Reviews:** In the project executive summary, comments and reviews are given only in a short and fragmentary way. Given the succinct form of the project document, this makes an appraisal of the project's intended outcomes, outputs, and institutional arrangements difficult.
- **Role of Partnership Investment Fund:** The project document states that investment in World Bank projects is sought with a target co-financing ratio of 1:10 (GEF:IBRD/IDA/other financing forms); the financing ratio foreseen with the project budget is even 1:18. The first objective of the Partnership Investment Fund according to the logical framework (Annex B) is to effect investments in pollution reduction. Given that the Fund will contribute only 10% or even less to overall financing of World Bank projects in an already established World Bank domain with a yearly lending sum of around USD 1 billion, leveraging seems hardly the appropriate term to characterize the Fund's role. It rather would have an add-on effect on already existing projects which could bring additional benefits, e.g. removing barriers for pollution reduction for specific stakeholder categories, promoting replicability of and accessibility to appropriate technologies, and increasing dissemination of best practices, etc. Such contents are also foreseen in the UNDP/GEF component. The sharing of tasks between the two components is not clear and in this context, it is unfortunate that the two components are not submitted to the Council at the same time.
- **Coherence of Sub-Projects:** The Fund is thought to be the financing arm of the Strategic Partnership. According to the project executive summary, the existing regional, sub-regional and national efforts have limitations: there has been a strong emphasis on the diagnosis of pollution problems, and planning for the future, but very limited focus on coordinated, strategic physical investment. The Strategic Partnership Resolution given in the project document mentions among others that small cities and peri-urban communities need support to gain access to financing sources for pollution reduction facilities and services. A lack in physical investment in spite of existing problem analysis and planning calls for a clear investment strategy for specific stakeholder categories. In this context, it is unclear whether the Fund will contribute to the development of such an

investment strategy and whether it would seek coherence of its sub-projects within such an investment strategy.

### **Conclusions and Recommendations**

We recognise the importance of the targeted ecosystems, their extensive transboundary character and the relevance of the issues at stake.

We feel that the project proposal needs some more formal clarity, including the role of the proposed Partnership Investment Fund. In particular, we suggest that (i) the procedures for obtaining satisfactory incremental cost analyses are documented, (ii) the reviews and comments and the response hereto are reproduced in full form, (iii) the Fund's objectives in the logical framework are reviewed in the light of the above main concerns, and (iv) the Fund's intent regarding coherence of sub-projects and targeting to specific stakeholder categories is clarified.

We suggest that the GEF Council makes its approval of the project proposal subject to satisfactory additional information on these issues.

**Response:** in response to the **main concerns** from Switzerland, and in order to clarify the role of the Strategic Partnership Investment Fund, this is as a principal funding modality in a regional effort to reduce land-based marine pollution. The Strategic Partnership addresses the most urgent, and the most easily addressed, of the environmental problems facing the region: land-based pollution reduction. GEF asserts that “Strategic Partnerships are proving to be an effective funding modality for implementation of agreed action programs for transboundary water systems within GEF. A Strategic Partnership (SP) consists of a major component, the Investment Fund (with a multilateral Bank), often accompanied by a parallel project for regional capacity building, coordination and replication purposes.”

(i) Incremental cost analysis: under Bank project processing guidelines, individual subprojects necessarily rationalize the choice of project, and explore the “no project” alternative. Individual subprojects are also obliged to present the “baseline” situation i.e. IBRD or IDA funding only, and assess the difference between “baseline” project impact and “baseline + GEF” project impact, i.e. determine the incremental cost and incremental benefit of GEF financing. In the case of subprojects so far approved under the Strategic Partnership Investment Fund, the Borrower would not undertake activities in the baseline scenario that it accepts to undertake with GEF finance i.e. the Fund is promoting activities in pollution reduction that would otherwise not take place. The project documents of all sub-projects under the Fund would include incremental cost analysis.

(ii) In response to Switzerland’s wish to see reviews and comments included in full, the (present) Council Members’ comments are reproduced in full (France, Germany, Switzerland); the comments from the US Council Member are also included in full (*see “USA” below*); and the text from the Joint Summary of Chairs is also reproduced below in full. Additionally the comments from the UNDP to the three subprojects submitted for approval in Oct 2005 (Liaoning,

Shandong, East Java) are included in the executive summaries of the individual subprojects.

(iii) In response to Switzerland's wish to review the objective of the Fund, it must be noted that the Fund was designed with the knowledge that resources available are not sufficient to fully address the pollution problems of the seas of East Asia, let alone the other environmental problems of the region (habitat destruction, overfishing, climate change). The Fund is therefore designed to leverage the World Bank's robust pipeline of activities and the Bank's excellent relationships with clients, especially at the subnational level (provincial, municipal etc). Blending the GEF funds with World Bank financing is a positive way to ensure that the GEF funds will be utilized as part of a robust lending operation which will ensure implementation effectiveness, efficiency and sustainability. However, at the same time, the funds will only be used for activities that will promote new, more efficient pollution reduction techniques, and which have significant potential for replication. The fundamental objective of the Fund is to leverage third-party funds. Using the mechanism as designed, it will not only leverage World Bank financing but also will increase government and private counterpart financing on pollution reduction issues. This will be achieved with sustainability and implementation quality guaranteed through the World Bank's lending program.

(iv) Finally, in response to Switzerland's concern of whether the Fund would contribute to the development of an investment strategy for specific stakeholder categories: no, the Fund would not aim to develop such a strategy; the Fund follows GEF Contaminant-Based Operational Policy 10, which stresses barrier removal, and GEF Strategic Priorities 1 (catalyze financial resources) and 3 (undertake innovative demonstrations). The Fund is the logical next step in GEF's activities in the East Asia Seas Region, which have included the development of the Sustainable Development Strategy for the Seas of East Asia. All projects under the Fund will conform to this existing strategy.

## **USA**

### **11. The USA (11/01/2005) raised a number of **questions and concerns**:**

“Dear Colleagues:

We are still going through the November 2005 work program, but have a number of questions and concerns about several projects, and would appreciate your reactions and responses to help us develop our position for the Council discussion of these projects.

1. International waters projects: Strategic Partnership for a Sustainable Fisheries Investment Fund in the Large Marine Ecosystems of Sub-Saharan Africa; and Partnership Investment Fund for Pollution Reduction in the Large Marine Ecosystems of East Asia. Clearly, the need is great, and regional collaboration in these areas is essential. However, the model being used (patterned after the Black Sea/Danube Strategic Partnership) is a pilot; its outcome has not yet been discussed by the Council; and there is not a Council approved policy on the use of this form of project support. In particular, we do not support delegation of authority to the CEO to approve the subprojects, certainly not on the basis of the information provided in the project document.



Moreover, since the initial Black Sea Danube project approval (2001), the Council has approved stronger monitoring and evaluation requirements (effective July 28, 2003) to ensure, among other things, quality at entry of all GEF projects. The two investment fund projects do not appear to meet those standards, which include: "definition of performance indicators and unit of measurement; description of the data source(s) for the indicator; identification of baseline data and methods for data collection and processing; scheduling frequency of data collection and designating officials responsible for ensuring data availability. Performance indicators need to be specific, measurable, achievable, relevant and time bound. The data should be available on a timely basis at intervals consistent with management requirements (at least annually) ...11 Under the M&E terms of reference, the Secretariat is responsible for ensuring that projects meet the minimum standards BEFORE putting projects into the work program. Therefore, it would appear that these projects should not have been put forward. We would appreciate your response to these concerns. [...]"

**Response:** Because the above comments from the US were submitted before the Nov 05 Council Meeting, the response to the need for stronger monitoring and evaluation was integrated into the Brief and the Executive Summary as a modified Results Framework prior to the November Council Meeting (*see also Response 5. to Monitoring and Evaluation above*). As regards modeling the East Asia Strategic Partnership on the Black Sea Danube example, the latter (i) is the only strategic partnership to have been approved by Council; (ii) has proved to be a good working example of a model to leverage GEF funding, and (iii) has successfully reduced pollution in the basin. This point was addressed by the GEF secretariat during the November Meeting. As regards delegation of authority to the CEO, the Council has agreed to "request the Secretariat to arrange for Council Members to receive draft final subproject documents and to transmit to the CEO within four weeks any concerns they may have prior to CEO endorsement of the subprojects", thus ensuring that Council members have prior review of subprojects (*see also "Joint Summary of Chairs" below*).

### ***Joint Summary of Chairs***

12. In the Joint Summary of Chairs, the Council unambiguously states its approval of the East Asia Strategic Partnership:  
"24. With respect to the World Bank/GEF Partnership Investment Fund for Pollution Reduction in the Large Marine Ecosystems of East Asia (Tranche 1 of 3 tranches) (World Bank), the Council approves with the revised arrangements for results monitoring. The Council finds that the project presented to it as part of the work program to be consistent with the Instrument and GEF policies and procedures. Council requests the Secretariat to arrange for Council Members to receive draft final subproject documents and to transmit to the CEO within four weeks any concerns they may have prior to CEO endorsement of the subprojects."

**Response:** N/A