



# Third GEF Assembly Bulletin

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## THIRD GEF ASSEMBLY HIGHLIGHTS: WEDNESDAY, 30 AUGUST 2006

On Wednesday, three high-level roundtables were held in the morning on: market-based mechanisms for financing global environmental conventions; climate change mitigation and adaptation; and identifying national priorities and allocating resources to enhance results at the country level. In the afternoon, delegates convened in plenary for the closing of the third GEF Assembly.



GEF CEO/Chair Monique Barbut with Archbishop Desmond Tutu

## HIGH-LEVEL ROUNDTABLES

### MARKET-BASED MECHANISMS FOR FINANCING

#### GLOBAL ENVIRONMENTAL CONVENTIONS: Co-

Chairs Thomas Kolly, Switzerland, and Achim Steiner, UNEP Executive Director, welcomed participants to the roundtable.

Mohammed Valli Moosa, Eskom Chairman, discussed opportunities and obstacles relating to implementing market-based mechanisms for financing environmental conventions. He suggested that market forces *per se* are not capable of making environmental conventions work, and because the environment is a public good, the State is primarily responsible for its protection. He stressed that the private sector will protect the environment when it is profitable to do so, noting the success of transfrontier parks due to the promise of tourism-related revenue. He underscored that the use of market-based mechanisms to protect the environment is not a new concept, highlighting the success of waste management and recycling. He also warned that market failure persists in the areas of climate change and biodiversity protection, noting that the long lead time required for reaching the implementation stage of a project under the Clean Development Mechanism (CDM) of

the Kyoto Protocol discourages private investment. In closing, he illustrated the Western Cape's energy efficiency measures, proposing possible replication in other developing countries.

In ensuing discussions, a private sector representative noted the success of the Forest Stewardship Council and the need to find a common language for certification schemes that can serve as performance standards for evaluating the sustainability of business activities. Another participant underscored the need for incentives and an enabling environment for private sector investment in environmental protection, expressing concern about the time-consuming and bureaucratic procedures for accessing GEF funds. Other business viewpoints included the need for clear legislative frameworks to facilitate private sector investment, and for new tools for the public sector to engage the business community.

The NETHERLANDS underlined the urgency of devising a long-term climate change regime to provide certainty to the private sector. JORDAN pointed to the difficulty of the private sector co-financing GEF projects. Within the context of an enabling environment created by the public sector, NIGERIA supported private sector partnerships. The CONGO highlighted

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environmental challenges that do not attract private sector investment, such as invasive alien species and coastal erosion. GUINEA BISSAU emphasized the role of the State in facilitating the use of market-based mechanisms. Other participants pointed to the need to: properly value natural resources; take into account non-market practices of indigenous communities that protect the environment; and to provide incentives from the public sector to civil society.

Klaus Töpfer, UNEP's former Executive Director and Germany's former Minister of Environment, elaborated on: the risk-sharing prospect of linking official development aid with private investment; the opportunity to increase private investment by making developing country terms of trade more favorable through intervention by the World Trade Organization; and the ability to make developing country markets more favorable through certification schemes. He added that more information and transparency is needed to build developing country capacity, impact corporate behaviour, and inform investors of environmental risks. He then suggested that the GEF assist with problems related to demand-side initiatives, such as ensuring that certification schemes are not trade-distorting.

The World Bank clarified that the Bank's impact depends on countries' prioritization of the environment in their national development strategies, and the International Finance Corporation highlighted its private sector initiatives, including a certification option in the area of agricultural commodities. UNDP stressed that national decision-makers have to combine different types of market mechanisms, while UNEP advocated an analytical approach to creating an enabling environment for market-based instruments. The CBD stressed the importance of public awareness and education in influencing the market through consumer activity.



From left to right: Mohammed Valli Moosa, Eskom Chairman; and Co-Chair Achim Steiner, UNEP Executive Director

#### CLIMATE CHANGE: MITIGATION AND

**ADAPTATION:** The roundtable was co-chaired by Elizabeth Thompson, Minister of Energy and Environment of Barbados, and Corrado Clini, Director General, Italy's Ministry of Environment and Territory.

Steen Jorgensen, the World Bank, outlined three issues central to Africa's climate change agenda: increasing energy production, mitigation and adaptation. He emphasized that Africans require new technology and skills to increase energy production and need investments to develop in a clean manner. He stressed that adaptation must be targeted at the local level.

Al Binger, University of the West Indies, underscored the vulnerability of small island developing States (SIDS) to climate change and highlighted contributing factors, including high energy prices due to low economies of scale, and dependence on increasingly variable weather patterns in the agricultural and tourism sectors.

Several SIDS underscored their vulnerability to climate change, with SEYCHELLES emphasizing the need for: mainstreaming adaptation; early warning systems for climate-related events; and appropriate economies of scale when considering mitigation activities in SIDS. Outlining climate change-related problems that particularly affect developing countries, SOUTH AFRICA and BANGLADESH highlighted the need to empower communities to address these issues, while TUNISIA emphasized the importance of understanding weather patterns when planning agricultural activities. MALAWI and TANZANIA said the GEF should place greater importance on



Dais during the roundtable on "Market-Based Mechanisms for Financing Global Environmental Conventions". From left to right: Mohammed Valli Moosa, Eskom Chairman; Co-Chair Achim Steiner, UNEP Executive Director; Co-Chair Thomas Kolly, Switzerland; and Klaus Töpfer, UNEP's former Executive Director and Germany's former Minister of Environment





land degradation issues; MOLDOVA said the GEF should focus on disaster prevention and mitigation efforts; and CROATIA called for a focus on new technologies for power generation.

FINLAND said effective capacity building could lead to a more equitable distribution of CDM projects and noted that the EU and the Organization of Economic Cooperation and Development (OECD) have taken steps to integrate climate change into their development frameworks, while AUSTRALIA reported on similar developments in its aid programme.

GUATEMALA highlighted the difficulty for many developing countries in focusing on long-term environmental issues when they are facing more immediate concerns.

BRAZIL did not favor a change in the GEF's focus toward addressing mitigation activities at the global level, arguing that the focus on action in OECD countries is correct and requires intensification. COLOMBIA cautioned that a focus on scientific uncertainties is counterproductive in light of existing knowledge.

BELGIUM stressed that the GEF is a partnership, while INDONESIA suggested that the GEF should work more closely with the CDM. MOROCCO said that, when reviewing the resource allocation framework (RAF) in two years, the GEF should take account of States' vulnerability and urged countries to honor their pledges under the Marrakesh Accords. EGYPT highlighted the cost efficiency of adaptation projects and called on the GEF to increase investment in this area. The GEF NGO Network said the GEF should focus more on adaptation and channel more resources toward the Small Grants Programme (SGP).

The UNFCCC said money, technology and public policy must go hand-in-hand in combating climate change and outlined efforts being taken in China's energy sector to address climate change. KENYA reported on consultations in preparation for



Participants during the Roundtable on "Climate Change: Mitigation and Adaptation"

COP/MOP-2, including on: improving the implementation of mitigation and technology transfer projects; maintaining the momentum of climate change discussions; and building a long-term climate change regime.

Jorgensen responded to the discussants by emphasizing that much of the technology required for mitigation and adaptation already exists and can be used to the greatest benefit in developing countries. Binger suggested that the sectoral approach of SIDS to economic management impacts negatively on the environment, and called on the GEF to support domestic initiatives to improve this. In closing the roundtable, Co-Chair Clini urged the GEF to invest in ways of rethinking the global carbon market.

#### **IDENTIFYING NATIONAL PRIORITIES AND ALLOCATING RESOURCES TO ENHANCE RESULTS AT**

**THE COUNTRY LEVEL:** The roundtable was co-chaired by Roger Ehrhardt, Canadian International Development Agency, and Li Yong, China's Vice Minister of Finance.

Trieu Van Be, Vice Minister of Natural Resources and Environment of Vietnam, outlined his country's experience in identifying national environmental priorities, notably through a steering committee involving the ministries of foreign affairs, finance, planning, agriculture, and natural resources and the environment. He said key elements of the process are: networks and partnerships for implementation; public participation; and capacity building.

During the discussion, many speakers highlighted: the need for close coordination across sectors; institutional capacity building; broad stakeholder consultations; and challenges faced by smaller



Dais during the Roundtable on "Climate Change: Mitigation and Adaptation". From left to right: Steen Jorgensen, the World Bank; and Co-Chairs Corrado Clini, Director General, Italy's Ministry of Environment and Territory, and Elizabeth Thompson, Minister of Energy and Environment of Barbados

countries. GRENADA emphasized the need for an enabling environment for the implementation of GEF projects in recipient countries, while NICARAGUA underscored the need to better articulate the benefits of environmental investments. NIGERIA pointed out that identification of national priorities is not an end in itself, stating that the key issue is ensuring that resources are allocated to these priorities.

Co-Chair Ehrhardt then introduced the discussion on the RAF, explaining that it will contribute to the development of the terms of reference for the RAF's mid-term review in 2008.

Noting that the concept of the RAF is not unique to the GEF, Ramon Fernandez, France's Ministry of Economy and Finance, said it represents a fundamental reform that will impact on the GEF's operations and to which the executing agencies will have to adapt. He also highlighted the need for coordination among the multilateral financing institutions as illustrated in the 2005 Paris Declaration on Aid Effectiveness.

Noting that one unsuccessful project may compromise a country's ability to access GEF funds under the RAF, IRAN urged the GEF to review its cooperation with countries and lamented the reduction of SGP funds under the RAF. Highlighting the lack of transparency in the RAF process, especially that no guidance had been received from the COPs, resulting in the poor acceptance of the RAF, NIGERIA drew attention to capacity constraints in developing countries. CUBA noted that while the RAF has some merits in resource forecasting, it may undermine replenishment efforts.

Several SIDS urged the inclusion of a vulnerability index in the RAF, with SAINT LUCIA stressing it should be done before



Left: Ramon Fernandez, France's Ministry of Economy and Finance. Right: Trieu Van Be, Vice Minister of Natural Resources and Environment of Vietnam.

its mid-term review. The PHILIPPINES and BARBADOS called for a greater focus on marine biodiversity, with the latter also noting that regional projects' funding should not be deducted from country allocations. NEW ZEALAND suggested that addressing urgent needs of SIDS would require an arrangement similar to the SGP to allow flexibility.

LESOTHO and others appealed to the GEF to shorten the project cycle and simplify regulations to access funds, while DJIBOUTI stressed the need to provide appropriate support to the operational focal points. URUGUAY and MAURITIUS stressed that resource allocation should be needs-based, and ECUADOR sought clear indicators for countries' self-assessments.

Noting that the previous allocation system was unfair in providing funding on a "first come, first served" basis, the US highlighted the RAF's minimum indicative allocation, which allows more countries to access GEF funds. He said a RAF mechanism is a standard operating procedure for other international financing institutions and is designed to maximize the efficiency of scarce funds.

An NGO representative raised the issue of public consultations regarding the RAF. He also expressed concern that countries might perceive individual RAF allocations as entitlements, which would impact adversely on project implementation and future replenishments.

## PRESS CONFERENCE

Marthinus van Schalkwyk, South Africa's Minister of Environmental Affairs and Tourism, highlighted progress achieved in gaining support for issues facing developing countries. Trevor Manuel, South Africa's Minister of Finance,



From left to right: Co-Chairs Li Yong, China's Vice Minister of Finance, and Roger Ehrhardt, Canadian International Development Agency





Dais at the Press Conference. From left to right: Frank Pinto, UNDP; Steen Jorgensen, the World Bank; Achim Steiner, UNEP Executive Director; GEF CEO/Chair Monique Barbut; Chair Trevor Manuel, South Africa's Minister of Finance; and Marthinus van Schalkwyk, South Africa's Minister of Environmental Affairs and Tourism

noted concerns raised by some delegates about: defining an agenda for reforming the GEF; the amount and allocation of resources under GEF-4; the need for a vulnerability index under the RAF; and adequate funding for CCD-related activities.

GEF CEO/Chair Monique Barbut: noted the importance of compromise among the members of the GEF “family”; said that if the GEF becomes the financial mechanism for the Adaptation Fund, there may be more activity in this area; and explained the allocation procedures for activities under the GEF focal areas.

In response to a question on specific environmental targets for the 2010 Football World Cup, Minister van Schalkwyk outlined upcoming procedures for agreeing on a framework for targets, and Frank Pinto, UNDP, said that measurable targets will be included in any UNDP-supported projects. On a question concerning whether the amount of GEF-4 is adequate, Steen Jorgensen, the World Bank, noted that the GEF agencies find ways to leverage GEF resources, but also emphasized the need for development agencies to be further involved in issues previously considered within the domain of environment agencies.

## CLOSING PLENARY

**ROUNDTABLE REPORTS: Climate change: mitigation and adaptation:** Summarizing the roundtable, Co-Chair Thompson highlighted the interactive discussion on a number of issues, during which participants proposed, among other things, that climate variability and hazards should be a focus of GEF-4 and beyond, and climate change needs to be mainstreamed. He also reported that many delegates felt that the overall replenishment is too low and that the State needs to play a crucial role to ensure money is properly invested.

**Market-based mechanisms for financing global environmental conventions:** Summarizing the roundtable, Co-Chair Kolly noted, *inter alia*, that: the private sector is chiefly

concerned with profitability, but market mechanisms can enhance environmental management; demand- and supply-side factors need to be considered together; the GEF and its partners can assist in removing market barriers; it is a challenge to ensure markets are open and transparent; and a change in attitude is needed to ensure market mechanisms complement “command and control” systems.

**Identifying national priorities and allocating resources to enhance results at the country level:** Co-Chair Ehrhardt reported on the roundtable, noting its lively discussions on the RAF. On identifying national priorities, he said many speakers reported on cross-sectoral coordination; highlighted the need for institutional capacity building; and lamented the inadequacy of resources.

On the RAF, he reported common concerns, including: delays in project implementation; the cumbersome GEF project cycle; capacity constraints; the lower importance of marine resources in the biodiversity indicator; and lack of transparency and GEF Assembly involvement in the RAF development process. He also summarized the roundtable’s suggestions, including: developing a vulnerability index; streamlining relationships between the GEF and conventions; developing a special programme for SIDS; and involving NGOs in the RAF’s mid-term review.

Following Brazil’s request for clarification on the status of roundtable discussions, Chair Manuel confirmed that these will not be part of the Assembly’s official outcomes but represent an exchange of views by GEF member States.

**REPORT ON CREDENTIALS:** Patricia Bliss-Guest, GEF, presented a report on credentials noting that 136 parties submitted credentials and the GEF found them to be in order.



Chair Trevor Manuel, South Africa's Minister of Finance



GEF CEO/Chair Monique Barbut

**ADOPTION OF THE SUMMARY:** Bliss-Guest introduced the draft summary of the third GEF Assembly (GEF/A.3/CRP.2), explaining that it was prepared by the Chair in consultation with the GEF Bureau as a public document encapsulating the discussions during the Assembly. Delegates endorsed the summary.

**CLOSING REMARKS:** GEF CEO/Chair Barbut said the Assembly highlighted the strengths and weaknesses of the Instrument and provided a forum for an exchange of views. She acknowledged the calls for increased funding and undertook to work towards increasing the GEF budget.

Chair Manuel drew attention to the 24 side events held in conjunction with the meeting, including Archbishop Desmond Tutu's visit to launch The Desmond Tutu Peace Centre. He thanked delegates for traveling from around the world to work collectively for the benefit of the environment and gavelled the meeting to a close at 5:20 pm.

**Summary of the Assembly:** The Summary of the third GEF Assembly (GEF/A.3/CRP.2) sums up the discussions and actions taken by the Assembly according to agenda items. It covers: the opening session; election of the Chair and Vice-Chairs; adoption of the agenda and organization of work; statements by GEF partners; reports on GEF membership, the GEF Trust Fund, and GEF-4; amendment of the Instrument; evidence of the achievements and challenges of the GEF; emerging scientific and technological issues and gaps; statements on behalf of constituencies and ministers; high-level roundtables and oral presentation to plenary of their highlights; report on credentials; presentation of the Chair's Summary; and closing of the Assembly.

With regard to the ministerial and constituency statements, the Summary highlights:

- concerns over the inadequacy of GEF-4 to meet the GEF's mandate;
- proposals for a review of GEF governance, including turning the Assembly into the highest decision-making body of the GEF;
- concerns about the impact of the RAF on smaller, vulnerable countries, and requests for a separate allocation, additional to the indicative country allocations, for countries with smaller economies;
- proposals to more comprehensively take into account countries' vulnerability, national priorities, and both terrestrial and marine natural resources;
- requests to amend the GEF Instrument to reflect the GEF's designation as a financial mechanism of the CCD, and appreciation for the Council's commitment to implement such an amendment in good faith pending a formal adoption by the next Assembly, if the Council in December 2006 agrees on it;
- requests for the GEF to actively implement a private sector strategy during GEF-4;
- proposals to prioritize the needs and vulnerability of least developed countries; and
- concerns over the particular vulnerability of SIDS and requests for greater support to SIDS.

The summary contains an annex with the decision of the Assembly in relation to an amendment to the GEF Instrument regarding Council's meetings taking place at the seat of the Secretariat, unless the Council decides otherwise.



Signing of agreement by Ministers of Environment from South Africa, Angola and Namibia on the Benguela Current Large Marine Ecosystem (BCLME)