



**Third
GEF
Assembly
2006**

Cape Town, South Africa

September 21, 2006

**Chair's Summary of the Third GEF Assembly
Cape Town, South Africa
August 29-30, 2006**

Agenda Item 1. Opening Session

1. The host Government organized an opening ceremony that included a South African cultural music event performed by local artists and statements by the Minister of Environment, Marthinus van Schalkwyk, Premier of Western Cape Province, Ebrahim Rasool, the CEO/Chairperson of the GEF, Monique Barbut, and the Executive Deputy President of South Africa, H. E. Phumzile Mlambo-Ngcuka.

Agenda Item 2. Election of the Chair

2. The Assembly elected His Excellency, Trevor Manuel, Minister of Finance for the Republic of South Africa, as its Chair.

Agenda Item 3. Election of Vice Chairs

3. The Assembly elected Anne Stenhammer, State Secretary, Norway, and Roberto Dobles Mora, Minister of Environment, Costa Rica, as its Vice-Chairs.

Agenda Item 4. Adoption of the agenda and organization of work

4. The Assembly approved the provisional agenda circulated as document GEF/A.3/1/Rev.1. The Assembly approved the organization of work proposed in the annotated provisional agenda, GEF/A.3/2.

5. In reviewing the provisional agenda, a number of delegations requested that a discussion be included on the Resource Allocation Framework (RAF) that had been approved by the Council. The Chair noted that this issue would be discussed in the roundtables, and that the delegations would have an opportunity to discuss the matter when the co-chairs presented highlights of the roundtables to the plenary.

Agenda Item 5. Statements by GEF partners

6. The Assembly heard statements by representatives of the three GEF Implementing Agencies, the Executive Secretaries of the global environmental conventions for which the GEF serves as the, or a, financial mechanism, Executing Agencies, and a representative of the NGOs.

Agenda Item 6. Report on GEF Membership

7. The Assembly, having considered the *Report on GEF Membership* (document GEF/A.3/3),

- (a) welcomed Equatorial Guinea, the Democratic Republic of Timor Leste and the Republic of Montenegro, which have become Participants in the GEF since the second GEF Assembly;
- (b) called on the Secretariat to work with all Participants to ensure that they are members of a GEF constituency; and
- (c) encouraged any State member of the United Nations or of any of its specialized agencies that is not yet a Participant of the GEF, especially any state that is a party to one or more of the global environmental conventions, to become a Participant in the GEF.

Agenda Item 7. Report of the GEF Trust Fund

8. The Assembly took note of the retrospective of the Trustee on the GEF-3 Commitment Authority (document GEF/A.3/4).

Agenda Item 8. Amendment of the Instrument

9. The Assembly reviewed two separate amendments to the Instrument proposed by the Council (document GEF/A.3/5). The Assembly did not approve the first proposed amendment to paragraph 13 of the Instrument concerning the frequency of Assembly meetings.

10. The second proposed amendment to paragraph 17 of the Instrument was approved by the Assembly. The amendment provides that Council meetings will be held at the seat of the GEF Secretariat unless the Council decides otherwise. The decision of the Assembly approving the amendment is appended to this summary.

Agenda Item 9. Report on the Fourth Replenishment of the GEF Trust Fund

11. The Assembly, confirming the importance of the GEF as a unique mechanism to address global environmental issues, welcomed the successful Fourth Replenishment of

the GEF Trust Fund in the amount of US\$3.13 billion pledged by 32 countries. The Assembly recognized that the replenishment of the GEF Trust Fund will strengthen the GEF and enable it to provide additional support for the global environmental agreements for which the GEF serves as the, or a, financial mechanism. The Assembly expressed its appreciation to all donors and especially to those that made special efforts to contribute beyond their basic share in order to achieve a replenishment level that exceeds that of GEF-3. The Assembly particularly expressed its gratitude towards new donors that had pledged funds for the fourth replenishment.

Agenda Item 10. Evidence of Achievements and Challenges of the GEF

12. The Assembly welcomed the *Third Overall Performance Study of the GEF (OPS3)* which provides an overview of the results of the GEF in dealing with global environmental challenges and looks at how the GEF functions as a network and partnership of institutions and organizations. The Assembly noted the findings and recommendations of OPS3 and other evaluation reports prepared during GEF-3 and requested the Council, on the basis of reports prepared by the GEF Evaluation Office, to keep under review the continuing evolution of GEF operations. The Assembly also requested the Council to ensure the preparation of a fourth overall performance study of the GEF for submission to the next Assembly meeting.

Agenda Item 11. Emerging Scientific and Technological Issues and Gaps

13. The Assembly welcomed the STAP report on the work it carried out during GEF-3 and on trends in science and technology and emerging issues.

Agenda item 12. Statements on behalf of Constituencies and Ministerial Statements

14. The Assembly heard statements from representatives of the GEF constituencies. In the statements, the constituencies expressed their views on the items on the Assembly's agenda. Ministers other than those speaking on behalf of a constituency also gave statements expressing their governments' views on the issues before the Assembly. Written statements provided to the Assembly are posted on the Assembly website, www.theGEF.org/Assembly.

15. Highlights of the statements are noted below.

Urgency of global environment protection

16. A number of speakers recalled that the Millennium Ecosystem Assessment reported that two-thirds of ecosystem services worldwide are in decline. Others stressed that the impacts of climate change are placing the greatest burden on the poor, emphasizing the need for a focus on adaptation to the adverse impacts of climate change. The threats to the global environment are urgent and rapidly growing more severe.

17. A number of delegations remarked that while there had been some progress towards meeting the Johannesburg Plan of Implementation and the environment target of the Millennium Declaration, enormous challenges remain, and there is an urgent need for the international community to work together to address global environmental issues. The global environmental conventions were cited as fundamental to achieving sustainable management of the global environment. GEF has a key role to play as the, or a, financial mechanism of the conventions in providing multilateral assistance for the global environment.

18. Many delegations expressed their appreciation for the support that they had received from the GEF, and they noted the positive impacts that the GEF had achieved at the national level. GEF projects were commended for having strengthened national capabilities to address sustainable environmental management.

Integration of Environment and Development

19. Many delegations underscored the need to integrate environmental protection with economic development, an overarching theme of the World Summit on Sustainable Development. These delegations called for countries and the GEF to work together to integrate global environmental considerations into national plans and policies and sectoral policies. Sound environmental management is an essential part of poverty reduction and achievement of the Millennium Development Declaration.

20. Several speakers noted the need to capture public attention to generate broad commitment to actions required to achieve sound management of the global environment.

Replenishment of GEF-4

21. While all delegations expressed their appreciation to the donors for their efforts to conclude the fourth replenishment of the GEF Trust Fund, many delegations noted that the resources available were insufficient to meet the mandate of the GEF, particularly in light of the expanding needs of the global environmental conventions. Some delegations noted the importance of leveraging additional resources and other funds to finance global environmental activities.

Governance Issues

22. Several delegations welcomed the reforms that had been achieved in GEF-3 and the continuing efforts to be undertaken in GEF-4 that will make the GEF an even stronger institution. Many delegations welcomed the OPS3 finding that the GEF has achieved significant results, particularly at the outcome level, in the focal areas of biodiversity, climate change, international waters, and ozone depletion, and is well placed to deliver important results in the newer focal areas of land degradation and persistent organic pollutants.

23. A number of delegations expressed the view that the Assembly should be the supreme decision making body of the GEF, and they called for a review of the governance in the GEF. Such a review should, among other things, look at the composition and distribution of constituencies in the Council.

RAF

24. A number of concerns were raised about the impact of the RAF on smaller, vulnerable countries as they would be competing with each other for a limited amount of resources. Some delegations requested that a separate allocation, additional to the indicative country allocations, be made available to countries with smaller economies to help build their capacity to improve their performance and access to the GEF. The need to strengthen the capacity of national focal points and constituencies was emphasized by many.

25. The importance of the mid-term review of the RAF in identifying the impacts of the new allocation system and of informing the Council of the lessons learned was underscored. Some delegations requested that the review examine the balance and interrelationship between the performance and global benefits indices.

26. A number of delegations raised issues with regard to the global environmental benefits indices used in the RAF and requested that work be done to more comprehensively take into account countries' vulnerabilities, national priorities and natural resources, both marine and terrestrial.

UNCCD

27. Many delegations noted the significance of sustainable land management and requested that additional resources be devoted to addressing this issue. Many delegations requested that the GEF Instrument be amended to reflect the designation of the GEF as a financial mechanism of the UNCCD. These delegations welcomed the decision of the Council to request the Secretariat to prepare for consideration at the Council meeting in December 2006 a paper that analyzes the legal, operational and financial implications of such an amendment. Delegates also welcomed the agreement of the Council that should a proposed amendment to the Instrument be agreed, it will be implemented in good faith pending a formal adoption by the next Assembly.

Private Sector

28. Many delegations noted the need for greater private sector investment in environmental activities, and they welcomed new markets for ecosystem services and carbon financing. They underscored that markets can work to protect the environment, and that the cost of inaction is enormous. A number of delegations called upon the GEF to actively implement a private sector strategy in GEF-4.

LDCs and SIDS

29. Many delegations called for priority to be given to the needs and vulnerabilities of LDCs.

30. Several delegations noted the particular vulnerability of small island developing states to environmental degradation and requested that greater support be provided to SIDS. The importance of regional projects and transfer of technology among SIDS was noted.

Small Grants Program

31. A number of delegations noted the important role of the Small Grants Program in assisting local communities and civil society to contribute to environmental management at the local level.

Agenda item 13 High-level Roundtables with Participation by Ministers and other Heads of Delegation

32. Ministers and other Heads of Delegation participated in three roundtables on the following themes:

<i>Round Table 1</i>	<i>Market Mechanisms for Financing Global Environmental Conventions</i>
Co-Chair	Thomas Kolly, Ambassador, Federal Office for the Environment, Switzerland
Co-Chair	Mr. Achim Steiner, Executive Director, UNEP
Speaker	Mohammed Valli Moosa, Chairman ESKOM, South Africa
Speaker	Klaus Toepfer, former Executive Director, UNEP, and former Minister of Environment, Germany
<i>Round Table 2</i>	<i>Climate change: Mitigation and Adaptation</i>
Co-Chair	Elizabeth Thompson, Minister, Energy and Environment, Barbados
Co-Chair	Corrado Clini, Director General, Ministry for Environment and Territory, Italy
Speaker	Al Binger, former Director, Center for Environment and Development, University of West Indies

Speaker Steen Jorgensen, Director, Social Development, World Bank

Round Table 3 Identifying National Priorities and Allocating Resources to Enhance Results at the Country level

Co-Chair Li Yong, Vice Minister, Ministry of Finance, China

Co-Chair Roger Ehrhardt, Director General, Canadian International Development Agency, Canada

Speaker Trieu Van Be, Vice Minister, Ministry of Natural Resources and Environment, Vietnam

Speaker Raymond Fernandez, Deputy Assistant Secretary, Ministry of Economy, Finance and Industry, France

Agenda Item 14. Report on Credentials

33. The Bureau presented its report on credentials to the plenary.

Agenda Item 15. Oral Presentation of Highlights of the Roundtable Discussions

34. The Co-Chairs of each of the roundtables orally presented a summary of the roundtable discussions to the plenary. The presentations of the Co-Chairs are included the following highlights.

Co-Chairs' Highlights of Roundtable 1: Market Mechanisms for Financing Global Environmental Conventions

35. Market mechanisms alone are not sufficient to protect the environment. The environment is a public good and the principal responsibility for its management rests with the Government. The private sector concentrates chiefly on profitability.

36. However, market mechanisms can play a major role to improve environmental management, where carefully constructed. Market forces are already at play in several sectors, including tourism and waste management. There have been successes. But there are still failures.

37. *The role of the GEF and its partners:* an important role of GEF and its partners (governments, implementing and executing agencies, private sector, and civil society) is to catalyze the establishment of new markets and engineering efficiency. An important entry point for GEF investment will be to remove barriers to markets for example by:

- (a) helping to create enabling policies and legislation;
- (b) strengthening institutions that regulate markets;

- (c) stimulating demand, for instance, through supporting national efforts to develop tools such as environmental certification, standards and labeling;
- (d) facilitating public-private sector partnerships;
- (e) playing a catalytic role in generating concessional and private sector co-financing (through combining and sequencing different sources of funding); and
- (f) assisting partners to address the investment risks inherent in new markets.

Co-Chairs' Highlights of Roundtable 2: Climate change: Mitigation and Adaptation

38. A roundtable discussion was held on the topic of climate change mitigation and adaptation. All speakers supported the idea that responding to climate change must include both mitigating GHG emissions and adapting to the adverse impacts of the climate change that already exist. The following points raised in the discussion represent a limited summary of the very rich and rewarding discussion that was held.

- (a) *Climate vulnerability (and adaptation):* while mitigation refers to “common but differentiated responsibilities,” adaptation refers to “differentiated but common impacts”-all countries face increased climate variability, but the nature of the precise adaptation needs varies. Uncertainty is no excuse for not prioritizing and funding adaptation.
- (b) *Technology transfer and adoption:* a combination of knowledge, capacity, policies and money is needed to transform markets for renewable energy and energy efficiency and to spread adaptation technologies.
- (c) *Funding:* GEF has had considerable achievements and will do more, but GEF’s resources, which are still insufficient, must be used more efficiently and effectively to have an impact on meeting both mitigation and adaptation needs.
- (d) *Capacity development:* capacity building needs to be reconsidered. It is important but has not yielded the anticipated results. Perhaps “releasing capacity” is a better approach.
- (e) *Mainstreaming of climate change into all sectors:* climate change is not an environment issue, it is cross cutting, and ministries of finance need to be involved. Environment and finance need to be on the same page about mitigation and adaptation to climate change.

Co-Chairs' Highlights of Roundtable 3: Identifying National Priorities and Allocating Resources to Enhance Results at the Country level

39. In terms of identifying national priorities and establishing national environmental priorities participants noted the importance of:

- (a) close coordination among government agencies,
- (b) wide participation in consultations, and
- (c) well-designed institutions and strong monitoring and evaluation.

40. They also noted:

- (a) difficulties created by the lack of capacity and by the fact that available resources are inadequate to address the priorities identified, and
- (b) the lack of environmental awareness in their countries.

41. In terms of the RAF a number of concerns and issues were raised. These included:

- (a) the possible impact of the RAF on SIDS and on regional programs,
- (b) the possible negative consequences on those countries with poor capacity,
- (c) the lack of importance given to marine resources in the biodiversity indicator,
- (d) concern about the lack of transparency over the criteria used and the lack of involvement of the GEF Assembly in the process,
- (e) the impact of the RAF on GEF relations with the conventions, and
- (f) many countries suggested that a vulnerability index be developed to reflect the participation circumstances of poor countries.

Agenda Item 16.

Presentation of Chair's Summary

42. The Chair, after consultation with the Bureau, presented this summary to the plenary meeting of the Assembly.

43. In presenting the summary, the Chair noted that various associated meetings and side events had been organized in conjunction with the Assembly and confirmed that the results of those meetings submitted to the Secretariat will be posted on the GEF website as part of the record of the Assembly and associated meetings.

Agenda Item 17.

Closing

44. The CEO and Chairperson of the Facility and the Chair of the Assembly made closing remarks to the Assembly.

Tribute to the Government of the Republic of South Africa

45. The Assembly expresses its deep appreciation to the Government and people of the Republic of South Africa for hosting the Assembly and for their generosity, hospitality and arrangements extended to all Participants

Appendix: Decision of the Assembly

The Third GEF Assembly,

Recalling paragraph 34 of the *Instrument for the Establishment of the Restructured Global Environment Facility,*

Having considered the recommendations of the GEF Council for proposed amendments to the Instrument,

1. Approves by consensus the following amendment to the Instrument:

Paragraph 17 of the Instrument should be amended to read:

“The Council shall meet semi-annually or as frequently as necessary to enable it to discharge its responsibilities. The Council shall meet at the seat of the Secretariat unless the Council decides otherwise. Two-thirds of the Members of the Council shall constitute a quorum.”

2. Invites the CEO/Chairperson of the Facility to submit this amendment to the Implementing Agencies and the Trustee and to request that they adopt the amendment in accordance with their respective rules and procedural requirements
3. Invites the CEO/Chairperson of the Facility to inform all Participants of the effectiveness of the amendment once the Implementing Agencies and the Trustee have approved it.