

Documents presented at the 2nd Meeting for the Fifth Replenishment of the GEF Trust Fund
Comments by Switzerland

At the 2nd Replenishment Meeting for GEF-5, participants agreed it should be possible to submit written comments on the documents presented for this meeting. These comments are to be taken into account in the revision of the drafts for the 3rd Replenishment Meeting in Paris of 14-16 October 2009. Given the length and complexity of the documentation, Switzerland is happy to take this opportunity to present views on a range of topics of key interest. Our comments are split into two sections:

- I. General comments on the proposals addressing programming, policy, institutional and governance reforms as well as the reform proposals for the RAF/STAR
- II. Focal Area Strategies: Specific comments on the proposals for revised focal area strategies.

These comments complement previous statements made by the Swiss Council Member and we reserve the right to provide additional comments on any topic under negotiation during the replenishment process.

I. General comments

1. Resource Allocation Framework (RAF/STAR)

Switzerland acknowledges the effort made to present options for a transparent Resource Allocation System, since this was one of the decisions of last November's Council Meeting. The present paper is an improved version compared to the one presented to the Ad-hoc Committee in April this year.

We favor the development of a balanced and streamlined Resource Allocation System for all focal areas in the long run, mainly because it increases the predictability of resources and improves planning certainty for recipient countries. However, considering the major failures of the existing Framework and its operational shortcomings, a careful overhaul of the current system applied to the Biodiversity and Climate Change focal areas should be undertaken first. Once the revised system shows satisfactory results in GEF-5, the time would be ripe to consider extending it to all other focal areas. Therefore we have a clear preference for option A for the time being.

Apart from the overall scarcity of GEF resources to be allocated in a transparent fashion, probably the main issue of the RAF, as stated by the MTR, are the problems of countries in the Group when trying to program and utilize their resources.

One of the recommendations to this problem by the EO was to abolish the 50% rule both and the Group allocation, which created too many uncertainties and complications for those countries. We believe that replacing the group allocation by a floor of \$ 1 Mio. per country could be part of a good solution. Also the proposed fungibility of minimum allocations goes into the right direction, thereby allowing small countries to use it for the purpose they consider most important. The changes proposed to the Global Benefit Indices and the Global Performance Indicator are definitely an improvement over the current RAF design. We would like to encourage the Secretariat to further develop these proposals.

At the same time Switzerland wants to address the issue of insufficient project delivery in small countries, LDCs and SIDSs in a more comprehensive way. We feel this problem goes beyond the shortcomings of the RAF. The lack of Agency incentives to increase their engagement in these countries should be addressed more broadly. Additional incentives could possibly be provided by a more differentiated fee system for the Agencies. From the countries of Central Asia and Azerbaijan in our Constituency, we hear frequently about an apparent lack of Agency interest to engage with them, in order to make use of existing country and group allocations.

2. Programming

Adaptation to Climate Change: Switzerland recognizes the challenge not only for scaling up funding for Adaptation, but also to ensure predictability of the resource flow. Rational planning of resource allocation for LDCF and SCCF has almost been impossible, given the unpredictable inflow of contributions.

National Plans for Generating Global Environmental Benefits: We clearly understand the challenge for some countries to identify funding priorities. Maybe the creation of National Steering Committees could go into the right direction, hereby releasing the burden lying on the shoulders of the focal points alone. However we do not think we can resolve this by adding new bureaucratic hurdles in an already overcomplex situation. Having said this, the establishment of a "light" business plan model to program resources for global environmental benefits could be a good device. This would strengthen the GEF involvement at the country level. At the same time it could lead to a better division of labor between the Secretariat and the Agencies. It should be an assignment to the Agencies to prepare such plans collectively together with national authorities.

3. Preliminary findings related to overall performance of GEF-4

The preliminary findings on results and impact of GEF projects and programmes are encouraging. There is clear evidence against allegations to the effect that the GEF is not delivering and ignoring the guidance by the Conventions. However a number of shortcomings will have to be addressed during design and implementation of the 5th Phase of GEF.

GEF partnership: The different points of view have been presented by the GEFSEC and by the Agencies, so it will now be up to the Council and the Participants Meeting to take decisions about the future shape and modus operandi of the GEF Partnership. For Switzerland it is clear, that one of the strengths of the GEF is its unique cooperation model involving all major stakeholders with a function in global environmental financing. This model is based on a system of checks and balances and should not be jeopardized by overemphasizing the influence of one instance only. Specifically, the role of the Agencies in designing and implementing GEF projects and programs and in leveraging additional resources is paramount. The Agencies should therefore have the lead in assisting recipient country governments with the formulation of programmatic approaches and projects. The Secretariats of GEF and the relevant Conventions should also be represented and exercise an advisory function.

Project cycle: The project cycle has undergone a major reform at the beginning of GEF-4, but is still a matter of concern. The main problems seem to lie in the area of project cycle management, rather than the system itself. We are especially interested to know more about the situation at the stage of project initiation. There are indications that procedures in this early phase are far from satisfactory. We are keen to see the evidence and recommendations the EO is going to issue in the final report.

4. Reform Proposals

Role of Agencies: Switzerland wants to strengthen the partnership and networking character of the GEF. In some cases we might have to realign roles and responsibilities in this partnership. However the importance of the Agencies in the field of programming and project implementation has to be restated, with the GEF Secretariat only to have a subsidiary function in this field.

The Agencies have to assume their role properly. For instance they must take into consideration not only the big projects and programs, but also innovative small-scale projects are important for the global environment, especially when working with smaller countries.

Role of UNEP: Switzerland supports the approach taken according to which the relationship with UNEP should build on UNEP's core competences and comparative advantages, especially its catalytic normative policy Role. UNEP should be supported and strengthened particularly in its important role in the area of scientific assessment, linking science to policy and policy to science, policy advice, chemicals management policies and development and implementation of international environmental law, and environmental governance. And, the GEF should also help the relevant agencies to implement the Bali Strategic Plan on Capacity building under the broad guidance of UNEP.

Two-tier governance structure: We agree the GEF should enhance its efforts aimed at strengthening the relationship with the Conventions and MEAs. However we cannot support the proposal of establishing within the GEF Focal Area Boards. It is not realistic to expect any true benefits from such a model which risks of creating confusion about responsibilities, establishing additional bureaucracy, adding complexity to processes widely considered too complex already, and increasing general transaction costs. Moreover, as a pure GEF structure independent of the Conventions, the proposed Focal Area Boards would risk establishing parallel structures to those established by the Conventions to provide guidance to the GEF and thus further increasing the distance between the Conventions and the GEF. If there is room for improvement in the relationship between GEF and the MEAs, it is mainly about insufficient guidance developed within the MEAs.

Direct Access: We agree the GEF, like other international funding institutions, should constantly strive to enhance country ownership and responsibility while planning and implementing projects and programs. At the same time we think it is premature to establish the proposed direct access modalities. First, we should carefully monitor and evaluate the experience unfolding in the Adaptation Fund when starting its operations. In the meantime, the GEF Agencies should make a concerted effort to utilize the direct access modalities already at their disposition. It would be useful to present these modalities and corresponding proposals to the Participants Meeting in a comprehensive but concise fashion.

II. Focal Area Strategies

1. Chemicals

- Switzerland strongly supports the broadening of the POPs window towards a general chemicals and hazardous waste management focal area. Switzerland also supports the needed significant increase of the resources allocated to chemicals. Strengthening GEF's current Sound Chemicals Management Framework Strategy is not sufficient to provide an adequately supportive framework for systematic and comprehensive chemicals and waste management.
- Today, it is well established that not only POPs but also several other chemicals such as mercury are of global concern. Sound chemicals management clearly reduces the pressure to the global environment and offers significant global environmental benefits. Continuing to limit GEF support to POPs only would not reflect today's complex interdependent reality and it would be contrary to the needed integrated management of chemicals and hazardous wastes throughout their life-cycle, as called for by the Strategic Approach to International Chemicals Management SAICM.
- Moreover, opening the GEF focal area to general chemicals and waste management and including ODS would also reflect the central horizontal role that GEF should play in promoting coherent and synergetic international environmental policy development and implementation. If GEF wants to continue to be the central financial mechanism for the

global environment, it has to address and support comprehensive and integrated environmental policy implementation not only in general but also specifically with regard to chemicals and waste management.

- Switzerland generally supports the four objectives identified for chemicals in document GEF/R.5/14. While allowing maintaining the necessary strong role with regard to the implementation of the Stockholm Convention, they would nevertheless provide a guiding framework for the GEF to expand its focus to comprehensive chemicals policies.

With regard to Objective 1, Switzerland proposes to amend the last proposed Core Output along the following line:

- Specific PTS and other chemicals of global concern phased out from use, in particular with respect to mercury.

With regard to Objective 2, Switzerland proposes to amend the last proposed Core Output along the following line:

- Management plans under implementation for PTS and other chemicals of global concern.

Moreover, Switzerland proposes to complement the Core Outputs by adding the following two outputs:

- Management plans under implementation for the implementation of SAICM
- Activities under implementation according the SAICM Global Plan of Action

Switzerland proposes the following amendment of Objective 3:

- Reduce releases of POPs and other PTS and other chemicals of global concern to the environment.

Moreover, Switzerland proposes to complement the Core Outputs by adding the following two outputs:

- BAT/BEP demonstrated in priority sectors for PTS release reduction and reduction of other chemicals of global concern, in particular with respect to mercury.

- In order to specify further and help to prioritize the support within the available resources, the field of activities under the chemical area, the following could be added: Four areas should receive financial support: POP, SAICM, ODS and Mercury.
- The negotiation of the mercury convention starts in 2010. Thus GEF could provide the same support as it did during the POP negotiation process for example co-financing regional Hg assessments.
- Finally, we have to acknowledge that the identified needs for activities related to the implementation of the Stockholm Convention and to general chemicals management have increased significantly over the last years. Namely, the 4th meeting of the Conference of the Parties of the Stockholm Convention has added 9 substances to the POPs list. This extension of the substances covered by the Stockholm Convention will increase the need for additional financial support. And, with the SAICM Quick Start Programme coming to its end, the need for supporting concrete activities to implement SAICM will further raise. Furthermore an extended POP focal area could as well ensure the continued support for the management of ODS in countries with economies in transition which has been regulated in separate focal area up to know. All this will require a significant increase of the resources allocated for a comprehensive chemicals focal area.

2. Climate Change

In the field of climate change Mitigation, GEF has proven to be an essential source of funding (mainly in the form of grants) for the transfer of environmentally sound technologies to developing countries. There are of course important preconditions outside the GEF that have to be

fulfilled in order to successfully allow developing countries to get the needed technologies to mitigate climate change (lifting of trade barriers, absorptive capacity, national laws, etc...). The Convention on climate change has brought decisions for the establishment of such an enabling environment. It also has given guidance to the GEF so that its financial means are allocated according to principles and rules decided by the Parties, recipients and donors.

For Switzerland, this past experience must be drawn on and the 3 principles that will guide the GEF-5 strategy are considered key for the continued success of the GEF support (Convention guidance, consideration of national circumstances of recipient countries, cost-effectiveness in achieving global environmental benefits). In itself, the climate change mitigation strategy and its six objectives mentioned in the paper are viewed by Switzerland as adequate. Nonetheless, as the GEF not only is the financial mechanism of the climate Convention, synergies and win-win solutions should be sought with the strategies developed in other fields, especially biodiversity. This is an effective way to meet the third principle above, achieving global environmental benefits cost-effectively. Furthermore, the GEF strategy should pay attention to and support, if possible, sustainable development programs and their adaptation components in the recipient countries, for in many of them these programs are preconditions for the implementation of a climate change mitigation strategy. In some cases, mitigation programs such as REDD or LULUCF projects can reinforce the adaptive capacity of the developing countries and if GEF financial resources for mitigation can also contribute to better adaptation, it should be encouraged.

GEF has already developed a technology transfer strategic program, as requested by the COP, and can count on Switzerland's support for its implementation. It is indeed of utmost necessity that the whole technology development cycle and innovation chain be scaled up. But it is also as much important that the technology transferred corresponds to the needs. This is why the national circumstances are to be considered when implementing the technology transfer program. Different technology needs in recipients countries will also call for a broadening of the technologies available, at different stages of development, according to the capacity of these countries to absorb them.

Switzerland acknowledges the central role of the private sector and of markets in successful technology development and transfer at a global scale. GEF contribution to make transformative impacts in recipient countries, allowing them to develop along a low-carbon green pathway, will have to seek the most suitable combination of its own public resources with the private ones, taking into consideration the national circumstances of each recipient country. For Switzerland, public funding must be catalytic to private investment. To date, the GEF's record on private sector involvement remains poor. It will be crucial for the future of the GEF, especially in the area of CC mitigation, to improve its performance in this critical area. Given that financial decisions about the Fifth GEF Replenishment have been postponed until after the Copenhagen Summit of December 2009, it will also be necessary to reassess the general role of the GEF in the CC focal area, in light of the decisions adopted at Copenhagen.

3. International Waters

- The International Waters Focal Area Strategy is one of the tools to implement the MDGs and the WSSD/JPOI targets. We therefore propose that the GEF considers increasing resources of the IW, which has largely suffered from a lack of fund in the GEF-4.
- The water availability and the hydrological cycle in general are already much affected by climate change, therefore the inclusion of climate change in the transboundary dimension is essential.
- It is not up to the IW focal area strategy to deal with over-exploitation of fish. This should be dealt with under the focal area biodiversity as an issue of species management, while water is the mere habitat but not the cause of its over-exploitation.

- *Objective Three: Catalyze integrated, ecosystem-based approaches to improved management of Large Marine Ecosystems (LMEs) and their coasts while taking account of climatic variability and change:* Switzerland believes that one should insist on integrated coastal management rather than on large marine ecosystems as much more livelihoods depend on coastal areas rather than on large marine ecosystems
- We request for further clarification on the rationale behind Objective Four: *Support improved management of Marine Areas Beyond National Jurisdiction (ABNJ)—a Pilot Initiative.* It has not been identified by governments as being a priority. Especially now that so many countries are putting claims to extend their jurisdiction over continental shelf. It should be deleted as it might capture finances much needed elsewhere under the IW.
- *On objective five: Demonstrate reduced pollution from Persistent Toxic Substances (PTS), particularly endocrine disruptors.* This pilot project should be inserted in the chemical strategy. Indeed, water management should not control chemicals as an end of pipe method. The proper management of chemical industries can do so at the very source by prevention and substance substitution.
- Closer cooperation should be established with the Ramsar Convention on Wetlands. This legally binding instrument should also be mentioned as this global convention of 159 Parties handles the inland waters programme of the CBD.

Conclusion: We believe the first 3 objectives are fine but we should not embark on pilot initiatives at the moment, given the backlog of projects on the 3 first objectives. Or the last one on chemicals should be handled under the chemical strategy

4. Forest Issues

We recall that the GEF was established as a multilateral fund to provide new and additional funding for achieving global environmental benefits related to the MEAs.

In this regard the mentioning of the Non-Legally Binding Instrument (NLBI) on all types of forests of UNFF can be misleading. UNFF is a soft law instrument. It has not been decided that the GEF should be the financing structure for its implementation.

Nevertheless we fully agree that it should be stated in the GEF documents that sustainable forest management is the tool for reaching many of the objectives under the focal areas strategies. GEF resources will have an important role in this area.

Concerning forests, we noted a lack of coherence between the following texts: “Land Degradation Draft (Desertification and Deforestation) Strategy for GEF-4”, Sustainable Forest Management (SFM) and LULUCF draft strategy for GEF-5, and Climate Change Draft Focal Area Strategy for GEF5. The forest issue is treated 3 times with small differences. It does not bring clarity to what the GEF intends to do. In general, the added value of GEF should be restricted to projects dealing with the main objectives of the UNCCD and UNFCCC (i.e land degradation and forests as well as forests and climate change). Other forest activities are already handled and financed elsewhere (ITTO, FAO, etc.) and should not be duplicated by the GEF.

5. Biodiversity

- The persisting situation of not being able to report on GEF's biodiversity impacts is a source of concern, especially considering that GEF has provided about \$2.3 billion in grants and leveraged about \$5.36 billion in co-financing in support of about 790 projects that addressed the loss of globally significant biodiversity in more than 155 countries (1991-2006). [OPS 4]
- The draft GEF-5 Focal Area Strategy for biodiversity is rather conservative. The approach should be more integrative and improve its linkages and supportiveness to other strategies (e.g. climate change).
- The biodiversity draft focal area strategy should more take into account recent developments (TEEB, Carta di Siracusa) regarding ecosystem services, the conservation and sustainable use of biodiversity with the use of economics - notably positive incentives- as

a tool to achieve biodiversity policy goals through the understanding of the benefits arising from biodiversity and mainstreaming.

- Further, we recommend to complete the GEF-5 Strategy objectives along CBD COP decision IX/31 by including an indicator framework. Such an indicator framework could be aligned to the 2010 biodiversity target framework and also secure that OPS-5 will be able to report on GEF's contribution to conserve global biodiversity.

Finally we propose the Biodiversity area strategy should give more emphasis to promote innovative mechanisms to tap and leverage new funding sources, in particular investments from private sector in cooperation with the relevant institutions. In this line GEF should enhance its collaboration with IFC.

It should also make full use of the Earth Fund to develop Public – Private- Partnership (PPP) to promote sustainable pro-business projects and programs, notably in the areas of sustainable agro-biodiversity and sustainable forest management in order to mainstream biodiversity conservation in forest management. The purpose will be to encourage pro-biodiversity sustainable business programs with bankable projects.