



Global Environment Facility

GEF/R.5/Inf.10
June 15, 2009

Second Meeting for the Fifth Replenishment of the GEF Trust Fund
June 25-26, 2009
Washington, D.C.

**UNEP'S SPECIAL ENGAGEMENT IN A STRENGTHENED
GEF PARTNERSHIP
(PREPARED BY UNEP)**

Table of Contents

Background and Context.....	1
GEF Within the International Environmental Governance Structure.....	1
GEF: A Unique Instrument to Preserve Global Environmental Goods.....	2
UNEP in the GEF Today	3
UNEP and the Future GEF	4
Conclusion	6

BACKGROUND AND CONTEXT

1. The fifth replenishment of the GEF is occurring at a time of increasing urgency in environmental challenges, a fall in OECD funding to the environment, and a worldwide financial crisis whose full impact is not yet completely evident. Ecosystem degradation, land use change and competition, acidification of oceans, and other environmental challenges, are compounded by severe short- to medium-term impact of climate change on natural systems and livelihoods. The world community is recognizing an ever increasing need to ensure the stability and resilience in natural and social systems.
2. In the First meeting of the GEF-5 Replenishment (March 2009), the GEF Secretariat was asked by participants to elaborate further on what they meant as “UNEP’s special role” in the GEF. UNEP agrees that the vision as provided by the GEF Secretariat¹ captures well the importance of UNEP’s normative role. However, UNEP welcomes this opportunity to elaborate further on a more comprehensive vision of UNEP’s engagement, one that is in harmony with the model of a strengthened GEF Partnership as expressed by the 10 GEF Agencies,² to which UNEP has contributed and endorses fully. UNEP also believes that the current debate on the International Environmental Governance should be taken into account.
3. UNEP’s vision is based upon its leading role in the UN for ensuring system-wide policy advice, coordination, coherence and cooperation in addressing global environmental issues. UNEP believes that appropriate reforms are necessary to strengthen the relevance of the GEF in today’s global financial architecture and to enhance confidence in the principles and objectives which led to the establishment of the financial mechanism. Such reforms can and should occur within the context of the existing GEF Instrument.

GEF WITHIN THE INTERNATIONAL ENVIRONMENTAL GOVERNANCE STRUCTURE

4. In 2008 the independent Joint Inspection Unit of the UN recognized the leading role of UNEP and, inter alia, recommended an enhanced role for the Governing Council (GC)/ Global Ministerial Environment Forum (GMEF) of UNEP in achieving system-wide policy orientation for environmental protection and sustainable development. In February 2009, the UNEP GC initiated a process to develop a set of options for IEG reforms to feed into the UN General Assembly process of review in 2010. There are a number of proposals for the reform of IEG. Most recently, the Brazilian Government have outlined intentions to include “international governance for sustainable development” as one of the four pillars of a possible Rio+20 summit in 2012.
5. The GEF may be at a crossroads: one direction leading towards a new independent organization, and the other towards a reaffirmation and reinvigoration of the GEF Partnership

¹ GEF/R.5/15. “Policy, Institutional and Governance reforms” June 2009 Council/Replenishment Meeting.

² *Issues for the Strategic Positioning of the GEF*. This paper has been prepared by the GEF Agencies for the Second Replenishment Meeting of the GEF-5, June 2009.

in securing global environmental benefits.³ Proposals that would lead to the establishment of a new and independent organization, starting with a legally independent GEF Secretariat, are inconsistent with calls for better system-wide coherence. An independent Secretariat would duplicate the mandated role of other UN entities, most notably UNEP and the Conventions, and significantly increase the overall costs of the IEG system at a time when greater efficiency is needed.

6. The environmental financial architecture of today appears fragmented and incoherent – not all funds respond to the guidance of the global Conventions or a similar harmonization process. Not all funds are governed by a science-based global agenda to quickly meet the many urgent challenges of the environment. Discussion on topics such as the need for coordination of a fragmented landscape of funding, or a greater legal independence of the GEF Secretariat, will have much wider implications than the GEF Partnership alone, and should be considered within the wider context of IEG reforms and through the debates of the UN General Assembly.

GEF: A UNIQUE INSTRUMENT TO PRESERVE GLOBAL ENVIRONMENTAL GOODS

7. The GEF was designed as a unique, innovative and path-breaking partnership of the leading United Nations Agencies dealing with the global environment and development issues and the Bretton Woods institutions. In 1990, this was a visionary position in anticipating the multi-dimensional and multi-stakeholder context of today⁴. UNEP shares the Agencies' views that the GEF should be a multi-lateral mechanism relying primarily on public grants, and that it needs a significantly increased replenishment if it is to effectively carry out its mandate.

8. The GEF, as an operating entity of the financial mechanism of five Conventions and servicing six focal areas, is being criticized today for its lack of responsiveness to the needs of countries. Developing countries are concerned about country driven-ness, and difficulty of access (including project cycle and co-financing issues and high transaction costs). Concerns have been raised on the lack of mainstreaming of substantive guidance from the Conventions into GEF programmes and projects.

9. UNEP shares the view of the 10 GEF Agencies that the GEF Partnership continues to be relevant to today's needs, and that the GEF reforms should be guided by the principles of serving rather than leading. UNEP believes that the GEF Partnership needs to reform, guided by the following key principles and strategies.⁵

- a. The GEF Partnership should provide access to catalytic, innovative, barrier lifting, demonstrative, and transformational financing upstream of investment;

³ UNEP Executive Director, 2009, International Environmental Governance: Moving Forward with Developing a Set of Options. First Meeting of the Consultative Group of Ministers or High-level Representatives on International Environmental Governance, Belgrade, 27– 28 June 2009.

⁴ GEF Agencies, 2009. Issues for Strategic Positioning of the GEF. Second Replenishment Meeting, June 2009.

⁵ These reforms draw upon several sources, including : Claude Martin and Jake Werksman.,(forthcoming). Thoughts on the Future of the GEF, independent paper commissioned by UNEP.

- b. The GEF should provide incremental and complementary financing to achieve “global environmental benefits”, rather than positioning itself as a primary channel for climate change or sustainable development investment finance;
- c. Financing for capacity building, institutional strengthening, and other “foundational” activities in support of the Conventions, should be at full (non-incremental) cost to the GEF;
- d. The GEF should concentrate on performing more effectively at the intersections of its focal areas (including fostering synergies between the Conventions);
- e. The GEF should put far greater emphasis on assisting LDC and SIDS countries;
- f. The GEF Secretariat should concentrate on its mandate to serve the GEF Council and facilitate the partnership;
- g. The GEF should be prepared to revisit the validity of its mechanisms, such as the RAF, and reform them for consistency with eligibility and MRV principles emerging as part of the post-2012 financial architecture;
- h. The GEF processes should be better aligned with the mainstream of the environmental and sustainable development agenda.

UNEP IN THE GEF TODAY

10. UNEP is mandated to keep the global environment under review, assess global and regional environmental trends and threats, provide policy advice, and catalyze and promote international cooperation and action based upon best science. UNEP works through its Governing Council of 58 states, its Global Ministerial Environment Forum (GMEF) which enjoys universal participation, and the Environment Management Group comprised of all UN agencies and the MEAs. UNEP is also mandated to become increasingly responsive to country needs for capacity building and technological support, as was reinforced through its Medium-term Strategy 2010-2013. UNEP hosts trust funds, such as the Multilateral Fund (MLF) under the UNEP administered Montreal Protocol.

11. Currently, UNEP had two basic defined roles in the GEF: (a) provide support to the GEF core activities, including hosting the STAP and contributing to the development of GEF policies and programmes; and (b) assist countries and a broad range of project proponents to access GEF financial resources. Beginning in GEF-4, UNEP has made an effort to better align its GEF portfolio with its programme of work for greater complementarity, and, whether at the local, national, regional or global levels, has refocused within its five mandated areas :

- a. scientific assessments, monitoring and early warning;
- b. linking science to policy (e.g. Enabling Activities) and capacity building;
- c. innovative approaches, and lifting barriers to technology transfer and emerging markets;
- d. regional and global cooperation;
- e. awareness raising and knowledge management.

12. With this greater alignment, the UNEP/GEF portfolio has achieved two goals: (a) moving from competition towards greater cooperation with other GEF Agencies, and (b) greater impact through synergies with UNEP's regular programme of work.

UNEP AND THE FUTURE GEF

13. UNEP's engagement with the GEF Partnership cannot be separated from its overall mandate and role which has been defined by the UN General Assembly within the IEG architecture.⁶ UNEP is proposing to strengthen its role in the GEF by engaging in two areas of work that will allow the GEF Partnership and stakeholders to fully benefit from UNEP's competencies and mandate, while also ensuring that the results expected from GEF financing remain consistent with the broader environmental agenda. The following is a brief description of these two areas.

(i) Strategic and GEF System-wide Engagement

14. **Strategic Environmental Policy Advice to the GEF Council.** Given its mandate, UNEP can advise the GEF Council on the state of the global environment and provide an analytical, science-based and informed context for overall environmental funding. UNEP has the mandate to assess and review emerging issues related to environmental change and to foster cooperation on environmental issues. As the lead agency for the environment in the UN system, with a significant portion of joint projects with other GEF Agencies, and having established and hosted more than 23 MEAs addressing biodiversity, chemicals, ozone depletion, regional seas, trade in endangered species and migratory species and waste among other issues, UNEP can advise the Council on environmental concerns that are synthesized across the various MEA issues, giving a holistic view of the global environmental situation. Furthermore, through its role in keeping the global environment under review, UNEP would convey to the Council information on the impact of financial flows and trends in the state of the environment.

15. **Enhanced Alignment of the GEF Processes and Activities with the Global Environmental Agenda.** To ensure that the GEF activities can be better aligned with the mainstream of the global environmental and sustainable development agenda, UNEP would begin by linking the GEF Assembly debates with the GMEF debates; and linking the GEF NGO network to the UNEP Global Civil Society Forum on the environment.

16. **Legal Obligations to the GEF.** UNEP will further enhance the implementation of its agreed legal and custodial role within the GEF. Matters relating to the GEF will be integrated into the agenda debated by the Governing Council/GMEF. UNEP and the other Implementing Agencies will provide the GEF Council with necessary support and services related to the management of the GEF, within their respective mandates.

⁶ UNEP as "the leading global environmental authority that sets the global environmental agenda, that promotes the coherent implementation of the environmental dimension of sustainable development within the United Nations system and that serves as an authoritative advocate for the global environment." Nairobi Declaration 1997 as recognized by the General Assembly 50th Session, Suppl. 25 Chapter IV annex.

17. **Host of the STAP.** UNEP would continue to host and strengthen the role of the STAP in providing independent scientific advice to the GEF Council and Partners on translating the best of science into credible and operational tools to enhance the results and impact of the GEF portfolio. UNEP has established the post of Chief Scientist to enhance its scientific advisory role. The STAP would continue to be the main scientific interface between the Conventions' scientific bodies and the GEF Partnership. The STAP would also continue to forge alliances with scientific networks, expert groups and scientific panels.

18. **Provide Guidance to the GEF Partnership on Strategic and Operational Policies and Procedures.** UNEP would continue its engagement, with the coordination of the GEF Secretariat and alongside other GEF Agencies, in reforming the rules and procedures of the GEF and ensuring a stronger accountability framework for the GEF.

19. **Coordinate System-wide GEF Programmes.** In line with its existing mandate to help administer “corporate” programmes on behalf of the GEF Partnership, UNEP (and other Agencies) will extend this role in mandated areas and thus provide additional services and linkages within the GEF system. Such system-wide programmes would aim to deliver coherence within the GEF Partnership. For example, UNEP would, in collaboration with UNDP, coordinate a systemic and synergistic programme to better deliver all the “enabling activities” related to the Conventions for which the GEF is a financing mechanism. In addition, within its role as an advocate for the environment and its mandate to advance the implementation of environmental objectives, UNEP would coordinate a system-wide effort in collaboration with all GEF Agencies, in extracting and codifying lessons from the GEF portfolio, and improving the dissemination and outreach to a wide set of stakeholders.

20. **Assessments, Guidelines and Norms.** Whether at the global, regional, national or local levels, UNEP carries out early warning assessments, provides guidelines for the science to policy interface, creates international norms and standards for the environment, and builds regional and national capacities. UNEP will continue to provide this support, but proposes that it be carried out through a dedicated financing window in the GEF so as to provide it with the programming flexibility necessary to anticipate emerging issues. Similar action at the regional and national levels will build the capacity of countries to contribute information to global actions and initiatives, as well as align their development trajectories with the evolving global norms of environmental sustainability. Such a dedicated programme would be carried out in collaboration with other normative GEF Agencies, such as FAO and UNIDO, and in close collaboration with STAP.

(ii) Assisting countries to access GEF financing

21. **Global Transformative Initiatives.** UNEP would engage in global projects that promote innovative ideas and techniques, and lift policy or market barriers through setting global standards and norms and demonstrating new approaches. Such global initiatives would link to relevant efforts of other GEF Agencies. For example, in GEF-4 UNEP has led the global initiatives on efficient lighting, DDT substitution, and Biosafety. In GEF-5, they could include the following: greening the economy; recarbonizing ecosystems; addressing

ocean acidification; black carbon; sustainable urbanization; and translating science into practical tools for legislators.

22. **Regional and Transboundary Initiatives.** UNEP's mandate in fostering regional and international cooperation has been translated into a strong portfolio of regional and multi-country projects; this includes south-south cooperation; regional platforms for policy and technology support; national capacity building through regional cost effective networks; regional cooperation on innovative transport solutions, and transboundary natural resource management.

23. **Provide Access by Countries to GEF Resources.** Building on UNEP's activities and strengthened strategic presence in regions of the world, UNEP proposes it would continue to provide governments, NGOs and other civil society partners with streamlined access to the GEF funds in the areas of : barrier removal, demonstration and piloting innovative and state of the art actions, assisting countries with enabling activities and foundational capacity, and policies and legislation to help them meet their commitments and obligations under the Conventions. Where relevant, such activities would be done in collaboration with the resident GEF Agencies.

24. UNEP can provide the leadership in a few thematic areas through dedicated programmatic or umbrella approaches. Its mandate would lead it to topics that can be considered as emerging issues, or where the Convention guidance clearly calls upon UNEP's services. For example, in the context of the CBD, these are Biosafety; Access and Benefit Sharing; and Invasive Alien Species. UNEP will also work with the chemicals-related conventions to help better define the global environmental benefits, and therefore, the role of the GEF's engagement in line with the GEF principles as an environmental financing facility to achieve incremental global benefits.

CONCLUSION

25. UNEP proposes to strengthen its partnership in the GEF and commits to its legal obligations as a founding member and Implementing Agency of the GEF. UNEP sees the GEF as occupying an important and dedicated niche in the wider environmental financial structure, while bringing the best out of the current GEF Partnership. UNEP sees its special engagement as being able to better support alignment of the GEF into the mainstream of the global environmental and sustainable development agenda.

26. While this vision for the GEF and special role of UNEP in the GEF partnership coincides with many elements outlined in the GEF Secretariat paper on UNEP, it also reflects an important difference. The vision provided by the GEF Secretariat goes beyond reform of the GEF. It seeks to transform the GEF as we know it, and in establishing an independent legal identity for the GEF Secretariat, moves it towards a new organization that would have roles and functions that duplicate those of existing organizations, most notably UNEP. Proposals that aim to expand the GEF Secretariat mandate and capacity; move further away from its IAs and EAs; and to provide direct access to funding through the GEF Secretariat itself (rather than simplifying direct access to the Trust Fund through the Agencies) are

moves in the direction of creating a new institution in the already complex and increasingly ineffective global institutional architecture for the environment. This calls into question the governance framework of the GEF itself.

27. Any proposal for such a radical departure from the existing GEF Instrument would benefit from an analysis of all of the possible options. UNEP, for example, is an international organization with legal personality, with substantive secretariat capacity that is able to (and does) provide direct access to funding. UNEP's governance also operates on the basis of one member one vote, in the same manner as the UN General Assembly. A discussion on the greater legal independence of the GEF Secretariat has much wider implications than the GEF Partnership alone and needs to be discussed within the wider context of IEG reforms and through the debates of the UN General Assembly.