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Global Environment Facility

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Global Environment Facility

Financing the Climate Agenda:

The Development Perspective

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Apologies for not being able to attend yesterday- replenishment meetings in Paris.

I am very thankful to the organizers for convening such a timely international policy dialogue before Copenhagen and also for providing the GEF, which is really at the crossroads between environment and development, with the opportunity to participate to this concluding segment. There has been clearly a growing disconnection over the last years between the environment and development agendas and it is I think absolutely crucial that we bring together these two perspectives in order to build a consistent climate change financial architecture with effective delivery mechanisms on the ground.

Let me begin with a little bit of history. When the GEF was set up in 1991, it was decided that it would not directly implement projects but rather provide funding not only through UNEP but also UNDP and the WB, in order to avoid stand-alone environmental projects and rather try to "green" from the inside the projects of the two largest multilateral development agencies and this is how we came to the incremental costs principle. Since its inception, GEF objectives stay valid: create an environmentally sound and economically sustainable development.

Yet, it is clear that since then, the integration of climate change (both in its mitigation and adaptation components) in development policies and strategies has remained a challenge, while the financial architecture has continuously grown in complexity:

- It is telling I think for instance that the only Millennium Development Goal that deals with environmental sustainability does not make any specific reference to the daunting challenge of climate change, as if it was mainly a problem for developed countries
- At the same time, an increasing number of funds focusing on adaptation to climate change were created under the UNFCCC and the Kyoto protocol with sometimes unclear divisions of labor between themselves and also with the ordinary multilateral funding channels;

- Last but not least, there has been also clearly the idea that there were some insurmountable trade-offs between access to energy, poverty alleviation and the mitigation of greenhouse gas emissions.

Bearing this context in mind, what can be done to ensure that

(i) development strategies of all countries (even though their responsibilities are differentiated) fully take into account climate change,

(ii) the transformational impact of international funding for the protection of the global environment is strengthened (avoid small stand-alone environment projects); and

(iii) the effectiveness of the post-2012 financial architecture is not impeded by a proliferation of funds that overlap with each other as well as the existing development funding channels?

I do not have a ready-made solution but I think few ideas are worth exploring.

1/ Like others, I think one important prerequisite is to better ensure the **additionality of funding for climate change**. When I read reports very seriously saying that dozens of billions of public money will be needed each year to support CC mitigation projects in developing countries, I cannot help to compare these figures with the current status of ODA worldwide, for which local and immediate benefits are much more tangible for the populations: hardly more than $100 billion, -8% in 2007 compared to 2006, aid targets for 2010 slipping further out of sight.

As long as climate change funding will be counted as ODA towards the 0.7% objective, there will always remain a risk of crowding out development projects. Maybe it is time to revisit this issue by for instance deciding, as it was already done by some countries such as the Netherlands, that there should now be an objective for ODA *stricto sensu*, and another objective for environmental or climate change cooperation which should also be monitored by OECD and the Conventions . Two other comprehensive solutions would be to build funding for climate change on innovative financing mechanisms that are based on climate change specific mechanisms (for instance carbon trading) or the polluter pays principle and the level of development, as suggested by Mexico and others.

2/ Also, as very rightly emphasized in the background paper to this conference, it is to me essential to recall that **new sources of finance that are specific to climate change do not necessarily require new mechanisms or institutions for their delivery**. The landscape of climate change financing is already very crowded, with many funds under the UNFCCC and the Kyoto Protocol and an increasing number of funding windows, both multilateral and bilateral, outside the realm of the Convention. If I remember well, I think the Heinrich Boell Foundation recently counted that there were already 13 multilateral climate change specific funds!

There is thus for me a very strong rationale to clarify the purpose of each and every fund and also bear in mind the possible adverse consequences of their growing number in terms of overlaps, strategic inconsistencies, ability to coordinate between agencies and even more importantly administrative burden for recipient countries (as each fund often comes with its specific processes and eligibility criteria). If environmental sustainability is really a serious development challenge, then, as recalled in Accra last summer, aid effectiveness and the Paris declaration agenda should also apply in this field to maximize the cost-effectiveness of our action! In the context of the GEF, I have for instance proposed that the GEF Trust Fund focuses on mitigation as far as climate change is concerned, while support to adaptation to climate change would be scaled up through the SCCF and the LDCF which would from now on be regularly replenished just like the GEF to enhance predictability of resources.

In some cases, it could be that the creation of further funds will be politically difficult to avoid, for instance because some specific countries (SIDS, LDCs, etc.) or themes (technology transfers) are targeted. But let’s at least design these funds in such a way that synergies with other funding tools and environmental challenges are maximized.

4/ Third, I think we must make progress in clarifying, in the field of adaptation to climate change, what types of costs and activities should be funded through specific channels, and what should be tackled through the ordinary concessional windows of development agencies.

4/Last but not least, our dialogue today focuses on the importance of bringing together the development and climate change agendas, but I think it is equally important to ensure that the future financial architecture for climate change does not overlook the very strong linkages between this issue and other major environmental challenges. Just as past experience has shown that chemicals management cannot be decided solely run with an ozone layer or climate change perspective (cf. HFC/HCFC), it is clear that sustainable forestry management cannot be only considered from a climate change / carbon sequestration perspective?

Thank you for your attention.