

Check upon delivery



Global Environment Facility

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Excellencies, ladies and gentlemen

It is both an honor and a great pleasure to be here with you today, and also to meet again Mr. Sethi after my recent mission in Delhi.

As usual for those who know me, I will be blunt and try to raise a few questions and remarks which I think could be useful for the negotiators on the way to Copenhagen, building on my experience since 2006 as CEO and Chairperson of the GEF. It goes without saying that what I say today only represents my personal views and not those of the GEF Council.

I would like to begin with **3 introductory remarks**.

1/ Before discussing the details of a future ideal financial architecture, we must draw the right lessons of the past and carefully assess the strengths and weaknesses of the current system. I read in some reports as an obvious conclusion that “the existing system, especially the GEF, has had a limited impact in addressing climate change mitigation”. I challenge very much the idea that the GEF had no global impact and I could give you many examples to support my view (cf. our catalytic impact on various technologies such as windfarms or solar, or approaches such as ESCOs). This being said, should one really wonder that the GEF’s impact on global GHG emissions has remained small when it has only \$250 million per year for somewhere around 150 countries, and that its means have decreased in real terms over the last 10 years?

In other words, does the main problem of the current system have to do primarily with delivery mechanisms or rather the limited amount of available public finance? And if there is a problem with the delivery mechanisms and the conceptual construction of the current financial mechanism of the convention, what are they exactly?

2/ Second, a lot of people are confident that Copenhagen, thanks in part to the change in the US administration, will see an ambitious new global climate change agreement with a complete overhaul of the current financial architecture. However, I think it is important to realize that, in all likelihood, a big bang of the financial architecture and a change of

scale of international cooperation will only occur if there is in parallel a global agreement on mitigation commitments. This in turn implies that, by Copenhagen, the US Congress agrees to the cap-and-trade system put forward by the US administration and that major emerging countries agree to tackle more aggressively their GHG emissions, indeed also take some kinds of commitments themselves. Why would for instance European countries agree to massively scale up their level of international solidarity to tackle climate change unless they get something big in return?

I do not want to be the Cassandra of the day with gloomy prophetic insights. Yet, for me and for plenty of reasons, **this fairy tale is not the likeliest scenario**, which means that, in spite of the impressive and authoritative figures of funding needs that are often floated around (tens indeed hundreds of billions of dollars per year) and that would completely dwarf current ODA, the financial architecture will probably only change gradually and its means will not increase tenfold overnight.

3/ Third, I think it is equally important to realize that, even if some far-reaching reforms were decided in Copenhagen, they would not be operational right away. First, the objective is to deal with the post-2012 period and, second, history tells us that the implementation of international agreements can take a lot of times (cf. ratification of the Kyoto Protocol or operationalization of the Adaptation Fund). The bottom line is that, **over the next couple of years, multilateral support on the ground will mainly occur through existing delivery channels** (hence the critical importance of the GEF-5 replenishment which will cover what will be to a large extent still an interim period, I will come back to this point).

Now, what should be the main features of the revamped/future financial architecture? Let me share with you 6 ideas.

1/ As emphasized in my introduction, I think the issue of resources is key: **the current system whereby you have only voluntary periodic replenishments from a limited set of donor countries (GEF TF) or, even worse, no replenishment cycle at all and just**

small contributions from time to time (LCDF / SCCF), is not sustainable. It does not provide a sufficiently strong funding base, does not bring enough predictability and, if the scale of international cooperation for climate change is to significantly increase, it would carry the risk of crowding out many other programs funded on official development assistance, which only amounts globally to around 100 billion dollars if my memory is right. On this issue, I very much agree with Mr Sethi and the necessity to ensure the additionality of climate change financing.

Increasing the 2% levy that already feeds the AF, broadening its base to other trading mechanisms as it was heatedly discussed in Poznan or implementing a new international levy on for instance maritime and aviation transport are definitely possible options. But, for many reasons, I do not think they can be the main resource mobilization tools. For one thing, increasing too much a tax on carbon transactions would go against the purpose of the system, the objective of a carbon market being precisely to minimize the costs of mitigation. But more fundamentally, I think it will be difficult to achieve a change of scale of international cooperation unless countries agree on a fair burden sharing between countries which should at least take into account the ability to pay and the level of emissions, and make everybody confident that there is no more free-riding in the game. **Implementing a green mandatory burden sharing as proposed by Mexico that includes not only the developed world but also some middle-income countries would be for me a critical step forward**, which would also carry the advantage of providing to all contributors an extra-incentive to reduce their emissions (I pay less if my emissions decrease).

2/ On the financial architecture itself, I know it is almost inaudible these days - and that many of you probably want to set up a large multilateral fund targeted on climate change!- but I strongly believe that **it is essential to preserve some kind of integrated approach and financial architecture in order to deal effectively with environmental challenges**. Climate change makes the headlines but the loss of biodiversity, which is irreversible, may very well be the hot topic of the next decade as we begin to better understand its economic and environmental implications. We mustn't therefore focus on

climate change to the point that we neglect the consequences of our decisions as far as other environmental challenges are concerned. Forestry management and conservation, which is increasingly recognized as strategic in order to tackle climate change mitigation at a sufficient scale, cannot and should not be dealt with merely with a “carbon stock” perspective; we should not repeat the same mistakes from the past, where, for instance in the field of chemicals, the substitution of ozone-depleting substances was funded by the international community...and then we realized a few years down the road that the new replacement products had a very strong global warming power and also had to be quickly replaced! **The interlinkages between the various global environmental challenges are too often overlooked, whereas it should be fully taken into account in the design of a new financial architecture.**

3/ The focus of developed countries on the field for which there is there the most at stake for them (mitigation) should not come make forget the need for a **large and specific funding channel for adaptation to climate change**. It is an important prerequisite for a politically balanced decision in Copenhagen that can be acceptable to developed and developing countries alike.

Mainstreaming adaptation into the concessional windows of MDBs is of course critical but, for a variety of reasons, it cannot be the main response from the international community.

- First, some countries are very vulnerable to climate change and are not eligible to these windows. Does the fact that China no longer takes soft loans from IDA necessary implies that this country should not receive at all any grant or soft loan to deal with adaptation to climate change?
- Second, I think it will be more efficient to develop new methodologies and approaches if they are supported and monitored through a specific funding window;
- Third, fundamentally, funding for adaptation derives from a different logic than aid and I agree on this point with Mr. Sethi. **There needs to be a good**

accountability of how much the international community provides for adaptation beyond ODA.

4/ To the risk of shocking a mostly anglo-saxon audience, I think as a good French Colbertist that **there are fields in which competition can be more detrimental than beneficial, and that multilateral environmental funds is one of them:** According to a recent report from the Heinrich Boell Foundation, there are already 13 multilateral or bilateral funds! This phenomenon is encouraging to the extent that it proves the interest of donors and that new pilot approaches can be tested. However, because some of these funds will not yet have disbursed any money by next November, it will be hard to draw any lesson from them in time for Copenhagen. Also, they can carry some risks of overlaps and strategic inconsistencies, and could create an additional administrative burden for recipient country if each fund comes with its own procedures and eligibility criteria.

The Accra declaration has stressed this summer that climate change was one of the global challenges in which the implementation of the Paris declaration principles was the most important. Let's remember that and the fact that there are already, without counting the GEF, three adaptation windows under the convention and the Kyoto protocol before creating new ones! And if it is inevitable politically that new funds are created to address specific problems for mitigation, technology transfer or adaptation, let's at least ensure that they are managed in such a way that exchanges of experience with other funds are maximized, and that their procedures are as close as possible.

5/ When trying to refine the financial architecture **we should be wary not to create a bureaucratic monster.** I see a lot of proposals where some kind of central administrative entity would have to clear each and every country or sectoral low carbon plan, and also, in the case of carbon offsetting mechanisms like the CDM, develop detailed methodologies for all kinds of projects and programs to assess their additionality and the soundness of the underlying baseline scenario. I think that in order to be efficient a mechanism has to be as decentralized as possible and that we should .as much as possible

give priority to mechanisms that do not require too much international oversight. Central planning has been given up in economy two decades ago because it had failed, let's not repeat the same mistake in the field of environment!

6/ As far as the delivery mechanisms are concerned, I am deeply convinced that the multilateral development agencies, and among them the largest such as the World Bank, have a unique set of skills, experiences and funding tools that will be key in helping developing countries to tackle a challenge as daunting as climate change. However, **I also strongly believe that the current system whereby only a limited number of agencies have a direct access to the pool of international resources for the protection of the environment needs to gradually change.** The rationale for this reform is not to meet the growing expectations of developing countries – although it is an important political parameter - but rather to ensure that climate change money will be disbursed in the most cost-effective way, by gradually allowing a sound competition between a broad set of implementing entities with different fields of expertise that all have sufficient technical and fiduciary standards. This type of reform has already been done in the field of health by the Global Fund against HIV, tuberculosis and malaria, and most bilateral donors provide ODA support through other means than their national development agency, there is no reason that the same cannot be done for climate change at the multilateral level.

What role for the GEF in the future architecture?

It will up to the parties to the UNFCCC to decide and to review, if they wish so, the status of the GEF as an operating entity of the financial mechanism of the conventions, and also of course up to the GEF Council to agree on the future of the GEF.

I do not know the outcome of these discussions but what I can say is that the GEF possesses some key and unique strengths that need to be borne in mind (integrated approach to environment, management of several funds, bridge between UN and MDB,

learning organization with an independent EO, scientific and technical advisory panel, very high level of transparency, etc.)

Also, the start of the GEF-5 replenishment discussions last week in Paris bodes I think very well for the future and the ability of the GEF to play a pivotal role in the post-2012 world with in particular a reaffirmed commitment for many donors to strengthen the GEF and achieve an ambitious replenishment and good progress made on three issues (broadened access to GEF resources, streamlined project cycle with greater decentralization towards MDBs and openness to consider an institutional reform).

Thank you for your attention.