The Global Environment Facility

The First Ten Years –

Growing Pains or Inherent Flaws?

a report by
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Executive Summary

For many, the most significant outcome of the 1992 Rio Earth Summit was the Global Environment Facility (GEF), a publicly funded multi-billion-dollar green aid fund. The GEF was charged with financing protection of the 'global environment' by transferring resources North to South to meet commitments to the new Rio environmental conventions. Over its first decade the GEF has spent in excess of US $4 billion in support of over 1,000 environmental projects in 160 countries.

By establishing the GEF prior to the Earth Summit, G7 governments were able to pre-empt multilateral debate and seize the environmental agenda. Because they had no role in its establishment, the feelings of Southern government toward the GEF ranged from ambivalence to hostility.

From its inception, therefore, the GEF has been subject to intense and conflicting pressures and expectations that have consistently led to dissatisfaction with its performance. The participation of multiple actors and agents with often-incompatible missions and agendas competing for scarce resources ensures tension. Conflicts result, in part, because political debates over responsibility and strategy for environmental management have not been effectively resolved within donor governments, let alone between the governments of the North and South.

In spite of the ongoing efforts of committed individuals within it, the GEF remains a flawed mechanism. Problems including competition between the implementing agencies, the failure to mainstream environmental sustainability throughout the implementing agencies and in particular, the World Bank, the weakness of the Secretariat, lack of comprehensive public participation and project ownership, weak monitoring and evaluation, flawed cost concepts, and failure to learn lessons continue to undermine the effective functioning of the mechanism.

The GEF's governing Council does not challenge the often anti-environmental priorities of its donor governments or the World Bank, International Monetary Fund (IMF) and World Trade Organization (WTO). GEF projects are designed as if there is little or no structural basis to the resulting environmental impacts, and nature can be preserved through technological 'partnerships' between governments, experts and transnational capital. The GEF approach is 'top down', focusing on global benefits and isolated projects instead of structural reform and local engagement.

By compartmentalizing environmental protection into an ever-shrinking fund with an ever-increasing remit without addressing cross-cutting macroeconomic issues including poverty, trade, and global finance, the amount of GEF's resources will always be inadequate in real dollar terms and ultimately ineffectual.

Of particular concern is the influential role of the World Bank within the GEF. The World Bank has failed to integrate environmental considerations into its general economic development work, although "mainstreaming" is a GEF priority. The World Bank participates in the GEF while funding environmental destruction in its regular project and adjustment lending. It has used the GEF to externalize environmental costs and increase the indebtedness of Southern countries by "sweetening" proposed loans with green grants. By actively pursuing activities that contravene the spirit of the environmental Conventions it was charged with implementing, the World Bank effectively mocks the principles and policies of the GEF.

Closing the doors of the GEF because it is not working, however, is no solution. Global and local environmental destruction continues apace and the political willingness to work towards effective multilateral solutions to global environmental problems is at risk. Given the reluctance of the US administration, with the tacit compliance of some of its Northern government partners, to support recent multilateral environmental initiatives, the necessary political will for substantial environmental action may not be forthcoming 'from above' in the near future.

Therefore, the lessons of the GEF's first ten years must lead to a fundamental reform of the attitudes, approaches and culture that has fostered GEF's difficulties. The mega-project approach to development resource transfers supported by donors, Implementing Agencies and external consultants must be abandoned. Short-term mitigative action through technology and resource transfer will only postpone environmental degradation unless its underlying causes are addressed. A global economic model that fails to recognize the limits to both economic growth and ecosystem absorptive capacity cannot be sustained.

Successes such as the Small Grants Programme (SGP) must be replicated, expanded and integrated throughout GEF operations and agencies. Valuable lessons from the programme include the importance of:

- Bringing decision-making closer to local and national technical expertise instead of having external consultants impose external agendas;
- using participatory approaches to engage communities affected by projects throughout the process in order to build ownership of projects and outcomes;
- scaling projects appropriately to meet local conditions;
- the need for flexibility to determine whose benefits are fundable;
- transcending some of GEF's opaque restrictions and language;
- engaging a diverse range of constituencies;
- clearly being country-driven and using local goods and services

The GEF must recognize its limitations, build on its successes, learn from its failures and through its member governments, work to address the macroeconomic structural reform that will forever undermine its performance.

1. Introduction

For many, the most significant outcome of the 1992 Rio Earth Summit was the Global Environment Facility (GEF), a publicly funded multi-billion-dollar green aid fund. The GEF was created by Northern[1] governments in 1991 and formally established by a World Bank resolution. The GEF was charged with financing protection of the 'global environment' by transferring resources North to South to meet commitments to the new Rio environmental conventions.

The GEF received nowhere near the hundreds of billions of dollars that speakers at the Rio Earth Summit had suggested would be needed to protect the global environment. Over its first decade, however, the GEF has spent in excess of US $4 billion in support of over 1,000 environmental projects in 160 countries. It has helped develop the environmental capacity for governments to meet their obligations under the multilateral climate change, biodiversity and ozone depletions agreements. It has tested new relationships between the Bretton Woods and the United Nations organizations - and tried the patience of all involved.

Yet, after ten years, what has the GEF achieved? The 2002 GEF Performance Study attempted to reach conclusions about GEF's real-world effectiveness, without threatening replenishment negotiations. Evaluators stated that GEF funds have, to some extent, promoted energy efficiency and renewable technologies, improved management standards in protected areas, and supported agreements on international waters and ozone depletion. They were unwilling, however, to conclude that the projects have had an impact on the global environment, in part because the GEF has no operational definition of what a global environmental benefit is. In addition, only 95 of 341 full-sized investments projects financed by the GEF since 1991 had completed implementation, though hundreds of smaller ones were complete.

"What we have at present is duplication, fragmentation and competition for scarce resources – fundraising gimmicks if you will.
And despite all the fancy brochures and reports that fill our shelves,
the state of the world environment continues to deteriorate…"
Mohammed El-Ashry, GEF CEO[2].

The fact that after ten years, the GEF can't tell if it is succeeding because it doesn't know what success is, is deeply disturbing. The destruction of the environment has not slowed since Rio; climate change, habitat and species loss continue to accelerate. New concerns including the elimination of toxic pollutants demand urgent attention and new resource commitments. Yet, in many ways, the GEF reflects the lack of global consensus of what environmental sustainability is. The global community has failed to address the root causes of environmental destruction including the neo-liberal economic model that encourages excessive consumption in the North and creates crippling debt burdens and stifling poverty in the South. Until it does, the GEF will remain a small green bandaid on an ailing Earth.

This report offers a succinct overview of the GEF's first ten years, examining some of its history, structure and governance, the conflicting expectations of its participants, and the implications of the central role of the World Bank. While critical of the issues that undermine the GEF's performance, the report acknowledges the relative success of a specific GEF initiative, the Small Grants Programme. The report concludes with a series of recommendations that emphasize the necessity of global macroeconomic reform measures as pre-conditions for sustainability and offers GEF-specific restructuring options to increase its effectiveness in the next ten years.

2. History, Governance, Operations and Results

The Global Environment Facility is a multilateral financial mechanism, which channels resources from donor nations to recipient governments to meet the requirements of several global environmental agreements[3]. The GEF provides "new and additional grant and concessional funding"[4] to qualifying countries[5] for projects and activities aimed at protecting the global environment in four "focal areas":

- ozone layer depletion;
- biodiversity;
- climate change;
- international waters.

As of October 2002, the GEF will formally add persistent organic pollutants (POPs) and land degradation as focal areas, though both areas have been funded through GEF in recent years.

The GEF arose out of a growing awareness of the transboundary nature of many environmental problems in the 1980s. The French government initially proposed the GEF in 1989 at a World Bank-IMF Development Committee meeting and offered to commit US $100 million to it. Pressured by a powerful green movement at home, the German government was immediately supportive. With preparations for the 1992 Rio Earth Summit underway, the United States joined the European initiative.

Donor governments were adamantly opposed to establishing the GEF as a new organization. Instead, they chose the World Bank, the world's most influential development agency, to manage the GEF. While initially reluctant, the World Bank soon recognized the strategic importance of the proposed facility. The GEF represented an opportunity to help "green" the Bank's tarnished institutional image, reflect its donors interest in the environment and to increase leverage over recipients by adding environmental grants and incentives to its loan portfolio. The GEF was formally established in March 1991 by a resolution of the World Bank's Board of Executive Directors as a US $1.2 billion pilot facility.

Once the GEF was established, the World Bank invited the United Nations Development Program (UNDP) and the United Nations Environment Program (UNEP) to implement some of its projects and programmes. The "Implementing Agencies" were given clear responsibilities:

- World Bank was to house the GEF Secretariat, run GEF investment projects and administer the GEF trust fund;
- UNDP was to run technical assistance projects;
- UNEP was to provide overall scientific guidance. The UN agencies occupy a position of junior partners in the arrangement, reflecting the preference of the donor Group of 7 (G7)[6] governments, who control the World Bank.

Contributions to the GEF are based on the size of a country's economy using an agreed 'burden-sharing' formula.[7] As a result, the United States theoretically contributes the most at 15 per cent followed by Japan (10 per cent) and Germany (9 per cent). In practice, however, contributions reflect political will more than agreed formulas.

By establishing the GEF prior to the 1992 Rio Earth Summit, G7 governments were able to pre-empt multilateral debate and seize the environmental agenda. Southern governments had been expected to present alternative "green funds" proposals in Rio. With the arrival of the GEF, already established and with new and substantial finance paid in, these more radical, yet unfunded, proposals were sidelined.

Through the GEF, G7 governments were able to define "global environmental problems" as they perceived them and limit their financial responsibilities for solving them. The G7 used an "incremental cost principle" to define the limits of funding. The GEF was to pay only for project costs that benefited the global environment, not the local environment. Donor governments view global environmental problems as technical problems, solvable with technical fixes. The underlying economic, social, political, and institutional causes of environmental destruction are not examined at the GEF (See Section 3).

Because they had no role in its establishment, the feelings of Southern governments toward the GEF ranged from ambivalence to hostility. Since their mandate was to tap whatever financial resources were available, they accepted the GEF as the interim financial mechanism for the UN Conventions on Climate Change and Biodiversity - with the provision that the GEF undergo fundamental reforms which would make it more open, transparent and participatory.

Restructuring the GEF – 1994

At the Rio Earth Summit, North/South polarization over the environment was most evident during finance negotiations. It soon became apparent that GEF, still a pilot project, would never become a permanent entity until it responded to at least some of the demands of the South. The main points of contention were:

- who could participate in GEF (membership in the Pilot Phase involved a several million dollar fee);
- who made the decisions (voting rights in the GEF governing bodies were not equitable);
- who ran the GEF (the World Bank did, despite the tokenistic inclusion of UNDP and UNEP);
- who controlled meetings of the main governing body, the GEF Council (again, an equity issue).

Southern governments wanted universal country membership in the GEF without having to make a financial contribution. They demanded that the chairperson be elected by the GEF Council to ensure it was not run by a World Bank official. They wanted the power and influence of the World Bank reduced and insisted the GEF function more like a United Nations-type body. Northern countries strenuously objected to the "one country, one vote" system of governance, favouring instead the Bretton Woods system of "one dollar, one vote" in which they dominate. In addition, they refused to remove the World Bank from its central role in the GEF or to elect a chair at each Council as these measures put their control over the GEF at risk.

In the end, a compromise was reached that restructured the GEF along its present lines. Since G7-led donor governments were holding the purse strings for the GEF replenishment, the compromise solution agreed in 1994 continues to ensure donors' control.

Governance and Operational Arrangements

The restructured GEF dropped its Pilot Phase requirement of a minimum financial contribution to the GEF as a pre-requisite for GEF membership. This opened the way for **universal membership** in the GEF, which now counts 173 countries. Representatives of the member countries, known as **Participants**, meet every three years as the **GEF Participants'Assembly,** a body with the limited mandate to review general GEF operations and no real power.

GEF decision-making and policy development rests with the **GEF Council**, which meets twice a year in Washington. The Council is composed of 32 constituencies representing all the Participants. Sixteen seats are reserved for developing countries (6 for Africa, 6 for Asia, and 4 for Latin America and the Caribbean), fourteen for donor countries and two for countries with economies in transition. G7 countries do not have to share seats with a 'constituency" composed of other countries, as do all other government representatives.

The compromise voting system agreed during restructuring represents a hybrid of the UN and the Bretton Woods system. The result is a double-weighted majority voting system. A qualified majority representing 60 per cent of all participating countries and representatives providing 60 per cent of GEF funding is required for a decision to be made. In practice, however, this system has never been put to the test since all GEF decisions are taken by consensus. The real decisions are made in private meetings and in the corridors outside the Council chambers.

The **Chief-Executive-Officer (CEO) of the GEF** is also the **Chairperson of the GEF Council** and **Assembly.** While this represents a significant victory for the G7 during restructuring, as a concession to Southern governments, the Council elects a co-chair for the duration of each Council meeting.

The **GEF Secretariat** supports and coordinates all major functions of the GEF and is headed by the CEO noted above. The restructured GEF made the GEF Secretariat "functionally" independent of the World Bank. However, the fact that the Bank is the trustee of GEF funds, is in charge of all GEF investment projects and houses the Secretariat office, makes it unclear what "functionally" independent really means. The pervasive influence of the World Bank in the GEF remains.

The **three Implementing Agencies**, as mentioned above, prepare programmes and implement projects. Excecuting agencies were added in 1999, after criticism that the monopoly held by the three agencies contributed to widespread dissatisfaction with project performance. GEF executing agencies include: UN agencies (FAO, UNIDO, IFAD[8]) and development banks (Asian, African, InterAmerican and European Development Banks).

GEF projects must be endorsed by recipient country governments, as a means to ensure projects are "country-driven and based on national priorities"[9]. Grants are provided in three categories – Small Grants (under US $50,000), Medium Grants (up to US $1 million) and Full Project Grants (over US $1million). Project types vary widely, but include "enabling activities" which help countries meet reporting requirements under the Climate Change and Biodiversity conventions, provide basic information, and to undertake national planning to identify priority activities.

Results

Once the restructuring deal was struck in 1994, the GEF received a fresh infusion of US $2 billion for a period of four years. The next replenishment of the GEF occurred in 1998 when a further US $2 billion was pledged to fund GEF projects. Effective

August 2002, agreement was reached on replenishment for the GEF for the 2003 – 2007 period at a level of US $2.922 billion of which US $2.21 billion represents new donor commitments.

As of June 30, 2000, the GEF had approved US $4.2 billion in grants to support more than 1,000 projects in 160 countries but only 95 of the largest investment projects had been completed[10]. The following sections provide an analysis of the difficulties associated with the GEF including project performance.

3. Misunderstanding the Nature of Sustainability

The term environmental sustainability was articulated by the Brundtland Commission in 1987 - "development that meets the needs of the present without compromising the ability of future generations to meet their own needs."[11] While in principle supportable by all, this definition is sufficiently ambiguous to be virtually meaningless to most, so it is no wonder the GEF lacks an operational approach to achieve it.

The GEF has largely focused on transferring technologies from North to South, purchasing a quick technological or managerial fix rather than addressing the underlying causes of environmental destruction. Instead of encouraging the removal of policy barriers, utilizing environmentally appropriate approaches sector-wide and fostering grassroots support for fundamental attitudinal changes, the GEF has focused on short-term deliverables to appease treasuries and finance departments.

GEF projects are designed as if there is little or no structural basis to the resulting environmental impacts, and nature can be preserved through technological 'partnerships' between governments, experts and transnational capital. The GEF approach is 'top down', focusing on global benefits and isolated projects instead of structural reform and local engagement. As a result one may ask – whose present needs does it meet, and what pattern of development does it aim to sustain?

Failure to Address Root Causes of Environmental Degradation

One of the most serious criticisms of the GEF's biodiversity portfolio raised by the 2002 study was that projects fail to address the underlying causes of biodiversity loss. Conserving an area of biodiversity will have limited long-term impact if economic, political and social issues threatening species and habitats are not addressed concurrently. Building a fence around a park is not a response to hunger. While the GEF was never designed to address underlying issues such as the need for land reform, unsustainable pressure on natural resources, and global and local market pressures to destroy wildlife, its projects fail, in part, because these issues are not being addressed elsewhere. (See Case Studies in Section 5)

The GEF's governing Council does not challenge the often anti-environmental priorities of its donor governments or the World Bank, International Monetary Fund (IMF) and World Trade Organization (WTO). The WTO fosters an export-led development model that puts immense pressure on natural resources in Southern countries. Structural adjustment programmes (SAPs), imposed upon the South as conditions for both new loans and debt relief by institutions including the World Bank and IMF, call for increased exports to generate foreign exchange to service debt.

Southern countries' most important exports tend to be raw natural resources including timber, oil and natural gas, minerals, cash crops, and fisheries. SAP pressures result in the acceleration of resource extraction and commodity production that are not ecologically sustainable. Deforestation, land degradation and desertification, soil erosion and salinization, biodiversity loss, increased production of greenhouse gases, increase in water-borne disease, the flooding of productive land, and air and water pollution are but a few of the long term environmental impacts that can be traced to the imposition of SAPs. In addition, SAP induced government cutbacks mean less money for the development and enforcement of environmental regulations as well as the removal of food and agricultural subsidies that protect the poor.

Additionally, a large proportion of GEF spending flows back to the Northern countries through procurement contracts. In 1997, for example, the value of GEF procurement contracts sourced from all recipient countries was equivalent to what was sourced from the US and UK alone.[12] Further, there were no specific environmental criteria for goods and services procured by the World Bank [13] for GEF-specific work.

Ultimately, until there is fundamental structural reform to the global economy and global power relations, the GEF's additional green aid is but a little bit of sugar to help the neo-liberal medicine go down.

The Dispute over "Global Benefits" – Financing Increments Only

The primary tool of assessing financial obligations at the GEF is the incremental cost principle. The GEF only finances the cost "increment" that will achieve global benefits, that is, the difference between benefits that will accrue to a given nation and those that will accrue to the world at large. Donors limited the scope of GEF funding by insisting that only "global" environmental benefits be funded. Recipient governments, many deeply in debt, needed resources to meet primarily domestic priorities. Thus, the battles over "whose benefits" were or were not being funded became endemic to the GEF.

In the 1998 Study, recipient governments "lodged strong complaints about incremental costs, either in terms of its (sic) lack of clarity or the process by which it (sic) is decided".[14] Respondents stated that the incremental cost concept was "meaningless",[15] that it led to arbitrary and manipulative changes in project activities and that it was so frustrating that people "do not want to apply to GEF".[16] Others complained that incremental cost calculations were "unilaterally determined[17]" by Implementing Agencies.

Would recipient nations have cleaned up dumpsites leaching pollutants on their own as part of a national waste management or clean water strategy? Or is the chemical mess dumped by transnational corporations a global problem and the responsibility of donors? The dichotomization of benefits inherent in the incremental cost calculation has fueled tensions between Implementing Agencies and governments to this day. Ten years after the incremental cost concept became a fundamental provision of the GEF, evaluators recommended a "negotiating framework to reach agreement"[18] on its definition and use**.**

The incremental cost tool, by its very nature, is biased towards technological, market-based solutions. It is much easier to quantify benefits from technology transfer projects than from approaches that cannot easily be priced or measured. Projects that emphasize low cost technology or indigenous knowledge, local stewardship or public education, all create global environmental benefits (and domestic ones too), but don't fit nicely in incremental cost formulae. Under the new POPs focal area, for example, cost-effective options including integrated pest management are not technically eligible for funding. These techniques, which avoid chemicals, are often low tech and not new. The cost of adopting them can be less than the continued use of toxic pesticides. As a result, their incremental cost is negative and technically cannot be funded by the GEF.

Further, technologies are usually directed at proximate rather than root causes of environmental destruction. The GEF funds the conversion from one powerful ozone depleting-substance to a less potent one, but it will not fund a final conversion to ozone-safe alternatives. Nowhere does the GEF address the issues of consumption that fuels the need for these environmentally harmful substances.

Sustainability to the GEF is viewed as financial sustainability – will the project survive, the initiative make money? The assumption that one conserves biodiversity not for the inherent values of species and habitat protection, but to make money from it has caused no end of difficulties for the GEF and done little good for conservation.

A civil servant complained that calculating the incremental costs of a proposed biodiversity project had proved contentious to the extent that a stream of consultants made the trip to assess the tropical island's biodiversity – each taking the opportunity to explore the hotels and beaches at the same time.[19]

Transferring Negative Environmental Impacts

The grouping of a number of different environmental treaties under the same financial mechanism has the potential to help address cross-cutting issues and avoid transferring negative environmental impacts between areas. Because, for example, deforestation impacts both climate change and biodiversity, the GEF could increase the effectiveness of all treaties by addressing them under one umbrella.

To date, however, the ability of the GEF to address cross cutting issues has not been realized. In the ozone focal area, for example, the goal of reducing and eliminating the use of ozone depleting substances could contribute to reducing climate change, as many ozone depleting gases are also potent greenhouse gases. Unfortunately, the pressures to substitute Northern technologies have occasionally interfered with this goal. Non governmental organizations (NGOs) have criticized the World Bank for promoting proprietary, expensive and inappropriate technologies that while decreasing the potential to harm the ozone layer, actually contribute to climate change. Available low cost, non-proprietary, non-greenhouse gas alternatives to these technologies were not chosen.

GEF has funded few 'multi-focal'[20] projects, partly perhaps because their preparation confuses incremental costs calculations. World Bank economists found GEF work complex enough without including additional focal areas.[21]

Finance – A Drop in the Shrinking Bucket

When actual figures are used and inflation considered, the size of the GEF is not increasing over time, in fact, with the addition of new focal areas, it is effectively shrinking. Championed by the GEF communications department as "the highest replenishment ever", the 2003 - 2007 replenishment, announced in August 2002 on the eve of the Johannisburg Summit, is actually only 10 per cent larger than the previous four year replenishment. Only US $2.21 billion of the claimed "new" total of US $2.922 billion are new donor commitments; the remainder is unspent and unpaid[22] contributions from the previous replenishment and investment income[23].

The 1995-1997 replenishment, publicised at US $2.75 billion, was also exaggerated; new commitments were only US $2 billion. The figure included a carry over of more than half the money promised to the first replenishment.[24] Southern governments, participating in the 1998 GEF Participants Assembly viewed the creative accounting as a “con”. [25]

Given an assumption of 3 percent inflation annually, the 2002 replenishment is no increase in real terms. When the two new focal areas are considered, the funds on a per/focal area basis are effectively declining. These new areas, persistent organic pollutants and land degradation, will effectively have US $210 million in new and additional resources to split between them assuming spending is frozen at current levels for climate change, biodiversity, ozone depletion and international waters. One hundred and five million dollars to phase out the most toxic chemicals on the planet over the next four years is a slap in the face to Southern governments who signed the POPs treaty on the condition of financial support.

But how much money is enough? Speakers in Rio spoke of the need for over US $600 billion. In 1998, the UNDP estimated that forty billion US dollars a year for ten years would be enough to guarantee access to basic social services and adequate food, water and sanitation to every person on the planet.[26] The Conventions have never estimated the costs of protecting biodiversity, protecting the ozone layer, reducing climate change or phasing out persistent organic pollutants. No one really knows the cost of environmental protection, but just over two billion over four years is clearly insufficient.

Failure to Engage at the Grassroots

Long-term environmental sustainability involves creating attitudes and approaches that endure over time. As the GEF has learned, one-off projects that pump money and foreign technology into a community over the short term often do not succeed. The GEF, on paper committed to public participation and community engagement in its activities, is only beginning to learn of the values of building public support for its work (See Section 6, Small Grants Programme).

Public consultations that are limited by time, translation and a diplomatic reluctance to pay too much attention to problems and underlying issues are destined to lead the communities most affected by proposed projects to reject them. (see Case Studies in Section 5) Experts advising GEF tend to be part of an international community of economic and environmental consultants, rarely based in recipient countries and grounded in a country’s national development priorities or ecological complexities. Southern governments and NGOs demand greater use of local knowledge, but donor governments and the World Bank prefer ‘business’ expertise and familiar consultants based in the North, particularly on larger projects.

Like the rest of the World Bank, GEF operations are answerable in the final analysis to treasuries, not to the people who experience them. Processes are conducted in a language laden with acronyms and technicalities – known as ‘GEFese’. Formal transparency involves the publication of numerous official documents, sometimes doing more to obfuscate than to assist outsiders engaging with GEF. The GEF website is accessible to few.

On the ground, authorities are rarely willing or able to put into practice GEF demands for local participation, and the GEF is not willing or able to ensure that they do, particularly on large projects. Meanwhile the distance between GEF decision-making and project impacts hinders the communication necessary for learning; people who deal with GEF's consequences first hand have little or no access to policy. Weak monitoring and evaluation further inhibits communication.

4. Inherent Contradictions Undermine Performance

From its inception, the GEF has been subject to intense and conflicting pressures and expectations that have consistently led to dissatisfaction with its performance. The very term "performance" invites the question "performance for whom?" The participation of multiple actors and agents with often-incompatible missions and agendas competing for scarce resources ensures tension. Conflicts result, in part, because political debates over responsibility and strategy for environmental management have not been effectively resolved within donor governments, let alone between the governments of the North and South.

> **"All over the GEF system, conflicts are about personal agendas, power and especially big men with big egos. It could be called an egosystem." [27]**

Key provisions of the GEF include: country-drivenness, national priorities, innovation, public participation, cost-effectiveness, accountability to the conventions and the use of the incremental costs concept.[28] While the vagueness of these concepts assured political acceptability, it also guaranteed practical difficulties that persist to this day.

Quantity over Quality

Performance for donors includes speedy project implementation to justify financial allocations and satisfy budget-cutting parliaments or congresses. Pressure for "quantity" leads to a project agenda driven by donors through the implementing agencies. This undermines the "country driven" mandate of the GEF as well as commitments to local participation and ownership.

Performance for recipient government also emphasises quantity as the GEF brings scarce grant resources into debt-depleted coffers. Equitable distribution of resources by region is a key imperative of recipient countries that potentially conflicts with cost-effective priorities of donors and may conflict with the environmental priorities of the conventions. The desire to bring forward projects quickly to secure resources leads to reliance on the Implementing Agency to prepare projects and threatens the "country-drivenness" mandate of the GEF.

Disbursement pressure coupled with the need to respond quickly to the environmental imperatives of the conventions conflicts with the need to build local capacity, project ownership among and between government officials and local communities, and long-term support for environmental initiatives through enhanced public participation. While capacity-building needs vary enormously country to country, project criteria often reflect a "cookie-cutter" approach that is not responsive to those needs.

While the 2002 Study did recommend shifting from an approval culture to one that emphasizes quality and results in recognition of the continuing problems the GEF project quality, it did not analyse the structural reasons that allow the approval culture to thrive (See Section 5). Partly in response to the difficulty of measuring results, donors, led by the US, insisted during 2002 replenishment negotiations that resources be tied to performance indicators including number of tonnes of carbon reduced, millions of hectares of biodiversity protected etc. The implementation of these conditions will likely be highly controversial.

Failing to Improve Performance by Learning Lessons

Pressure to move money quickly conflicts with the need to accurately measure performance and learn lessons to enhance future work. The GEF has no effective independent monitoring and evaluation system in place to ensure the learning of lessons from field experience. As a result, the international community cannot gauge the real impacts of the GEF. Without a clear means to determine success or failure, there can be no evolution in approaches to environmental sustainability or fundamental reform of the facility.

The GEF was slow to start up a Monitoring and Evaluation (M & E) unit, which remains chronically underfunded and too restricted to be ineffective. The 1994 Independent Evaluation called for the establishment of a "permanent mechanism in the Secretariat"[29] for project evaluation and independent scientific input[30] to ensure that projects were well formulated and that lessons gleaned would enhance future performance.

Four years later, the 1998 Study concluded: "the monitoring and evaluation budget has not been sufficient to facilitate the systematic incorporation of monitoring and evaluation components into all GEF projects. Instead, individual project performance is determined largely by the Implementing Agencies themselves".[31]

This trend continues to this day. The 2002 Study did not examine the work of the M & E unit, though it clearly fell within its mandate. The team was not critical of the fact that as of June 2000, only 41 completed projects or 12 per cent of the GEF portfolio had been evaluated since its inception.[32] The majority of those evaluations were not done by the M&E unit, but by the Implementing Agencies in a clear conflict of interest that threatens the credibility of the entire facility.

The study team's failure to comment on this conflict and the inherent weaknesses of the M&E unit instead recommended that increased "inter-agency sharing of experiences"[33] would help draw lessons from projects, strengthens the critique that the GEF is less concerned about fostering environmental sustainability than moving money.

Implementing Agency Competition and Control

> "The competition in the GEF has been about power, control, and money. The World Bank is accustomed to having an abundance of these, and with encouragement from the founding donors, designed the GEF in such a way that the World Bank would control the global initiative, receive the lion's share of its resources, and in the process, help mitigate criticism alleging World Bank insensitivity to environmental concerns."[34] "

The large, inflexible and competitive bureaucracies of the Implementing Agencies, dominated by the World Bank, have impeded the potential effectiveness of the GEF since its inception. Fierce competition for the small GEF pot between the three

Implementing Agencies undermined efforts to create a simple project cycle and approvals process and resulted in project overlap and duplication, particularly in the GEF's early years.

By failing to establish procedures that first met the needs of the intended recipients and the conventions, the inherent complexities of the World Bank and the UNDP approvals processes and bureaucracies were built into the GEF. The facility was supposed to benefit from the comparative strengths of the Implementing Agencies, but instead inherited their comparative weaknesses. The cumbersome World Bank approvals process, for example, made the implementation of small projects nearly impossible. As the 1998 Performance Study noted, "World Bank operations staff are geared to an "approval culture" which mitigates against both smaller projects and time consuming activities such as those required to achieve greater in-country consultation, participation and "ownership" projects.[35]" (See next section)

Recipient governments have complained that the three Implementing Agencies have rejected government proposals that didn't match their institutional agendas.[36] Recipient governments were concerned that the Implementing Agency monopoly in GEF made sanction and improvement of their performance impossible. Recipients wanted agencies more responsive to their needs to be allowed to implement GEF projects. While the GEF has expanded its use of "executing agencies" as a result of these criticisms, they remain under the control of the three Implementing Agencies. Many are no more responsive to recipient government needs than the Implementing Agencies they replace.

5. The World Bank's Central Role in GEF – "Jury, Judge and Executioner"

To rationalize their limitations on funding, donors promoted the GEF as an environmental "Trojan Horse", a means to integrate or "mainstream" environmental priorities into all implementing agency activities. Mainstreaming was seen as a way to make the GEF's small sums go further by "greening" the development work of the implementing agencies.

The World Bank, however, has not only failed to mainstream environmental considerations into its general economic development work, it has continued and expanded environmentally destructive practices through its lending portfolio. Further, it has used the GEF to externalize environmental costs and increase the indebtedness of Southern countries by "sweetening" proposed loans with green grants.

Failure to Mainstream

The 1994 GEF Independent Evaluation found that World Bank staff treated the GEF as an add-on or a minor sideline to the World Bank's regular lending - "a source for a little additional grant financing to supplement – and make "greener" – their regular World Bank projects.[37]" According to the 1998 Study,

"The Bank has not taken steps to create the staff incentives necessary to put global environmental concerns on par with traditional bank business; that it has not systematically integrated global environmental objectives into economic and sector work on into the Country Assistance Strategy (CAS) process, and that it has not adequately addressed the impact on the global environment of its financing of fossil fuels power development. Finally, the team found that the Bank has not yet undertaken programming based on global environmental objectives on any significant scale… "[38]

By actively pursuing activities that contravene the spirit of the environmental conventions it was charged with implementing, the World Bank mocks the principles, policies and operations of the GEF.

In a glaring omission, the 2002 Performance Study failed not only failed to evaluate efforts to mainstream, but reported the optimistic self-assessments of the implementing agencies without criticism.

Externalizing Environmental Costs and Sweetening Debt Deals

Resource mobilization through "co-financing" was to have been another means by which the limited resources on the GEF leveraged substantial environmental benefits. By linking funding to other North-South resource transfers, GEF would be made to go further. In effect, however, the GEF has allowed the World Bank to 'externalise' its own environmental costs – have GEF grants cover the costs of environmental components in a regular loan. The cost of avoiding or mitigating the damage done by large Bank projects is shuffled off to the GEF instead of being considered as a cost of the project itself. This violates the polluter pays principle. [39] (See Case Studies in Section 5)

Further, using GEF grants to 'leverage' other investments in already highly-indebted countries effectively "sweetens" the terms of loans, making them appear more financially viable. Making an otherwise uneconomic project appear to have a higher rate of return can increase Southern governments' foreign debt, without directly generating the foreign currency needed to repay it. The World Bank was keen to leverage some of their less concessional loans with GEF's 'sweetener' grants. The 1998 study observed that in the pilot phase, US $733 million GEF resources mobilised an extra US $2.24 billion in other loans.

During country visits, the 2002 Performance Study team encountered "objections to possible pressures being put on countries to agree to Bank loans associated with GEF projects. The main thrust of these arguments was that countries should not be asked to increase their external indebtedness for the sake of financing global benefits."[40] The study concluded that because "the external debt problems for many developing countries constrain their ability and willingness to assume the debt burden inherent in funding from the World Bank and other regional banks, it no longer seems realistic to assume that IA [Implementing Agency] co-financing can become the main leverage for the GEF."[41]

The fundamental problem with the concept of co-finance as applied by the World Bank is that it assumes the environment is an add-on. The World Bank funds 'baseline' projects from elsewhere – from sources not already creating global environmental benefits. But if the Bank were mainstreaming sustainable development, would such 'baseline' investments exist? By way of illustration, if a GEF energy project fostered a shift from fossil fuel to renewables technology, the baseline investment could be said to have been leveraged into greener technology. But if the Climate Conventions' principles were mainstream in development institutions (and their client governments), low carbon-emitting technologies would have been favoured without the need for GEF.

Funding and Mitigating Environmental Destruction

As the following examples reveal, the World Bank participates in the GEF while funding environmental destruction in its regular project and adjustment lending.

a. Climate Change

Climate change, caused primarily by the burning of fossil fuels, is resulting in droughts and floods, melting polar regions, rising sea levels, threats to ecosystems including reefs, forests, deserts and rangelands as well as species extinction[42]. The UN's scientific body on climate change noted: "The impacts of climate change will fall disproportionately upon developing countries and the poor persons within all countries, and thereby exacerbate inequities in health status and access to adequate food, clean water, and other resources."[43]

The international community responded with the UN Framework Convention on Climate Change signed in Rio in 1992 and the Kyoto Protocol of 1997, both designed to reduce global emissions of the gases that cause climate change.

Climate change has been a focal area of the GEF since its inception. As of June 30, 2000, 272 projects had been approved for 120 countries for a total of US $1.08 billion[44]. World Bank GEF projects account for US $758 million or 75 per cent of the total disbursements. The World Bank's commitment to climate change mitigation through the GEF, however, contrasts sharply with its record on fossil fuel lending. Between 1992 and June 2002, the World Bank invested in 226 oil, gas and coal projects for a total of US $22 billion[45]. Based on dollars invested, the World Bank is both the world's largest multilateral funder of projects that cause climate change and the GEF's largest aspiring mitigator of climate change.

The 1998 performance study was unequivocal that the Bank had "not taken meaningful action to reduce the impact of its traditional role as financier of fossil fuel power development."[46] The study recommended, "The World Bank should begin a transition from its role in financing conventional power loans to a new role in financing sustainable energy technologies."[47] Yet nothing substantive has been done to address this situation. The 2002 Performance Study and did not analyse the relationship between Bank fossil fuel loans and GEF climate change mitigation measures.

b. Biodiversity

The GEF is the world's largest official source of multilateral assistance for the protection of biodiversity and it serves as the financial mechanism for the UN Convention on Biodiversity. Over the 10-year period from 1991-2001, biodiversity had the largest share of investments in the GEF's portfolio. In the past decade, the GEF has allocated nearly US $1.4 billion for 470 biodiversity projects in 160 countries.

The World Bank is in charge of about US $1 billion in GEF biodiversity grants. The GEF and World Bank therefore have considerable influence over the future of the world's biodiversity. Yet, the 2002 GEF study noted that it is difficult, if not impossible to determine the impact GEF funding has had on the biodiversity it sought to protect[48]. One reason is the lack of baseline information against which progress can be measured. Most projects' lack of success can be traced to factors including overly ambitious objectives, inadequate local participation and ownership of projects and weak linkages with other sectors of the economy that influence project success. Most significantly, the 2002 study concluded that GEF biodiversity projects fail because they do not address the root causes of biodiversity loss.

These conclusions are not new. The first GEF Evaluation study of 1994 pointed to the need to address the same problems.[49] As a result, the GEF's Operational Programs stress the importance of taking a holistic approach and addressing the root causes of biodiversity loss. Unfortunately, little has changed. A study by the GEF Secretariat concluded that the GEF's project focus and "approval culture" favour large and complex projects over simple activities scaled to local capacity and are not conducive to achieving results in the field.[50]

The Bank's evaluators have made these same criticisms internally for over a decade; "approval culture" is the key-institutional obstacle to ensuring project quality. A study by the World Bank's own Operations Evaluation Department in 2000 concluded: "…the Bank has not done much in its regular portfolio of projects in the biodiversity and climate change areas to put global environmental concerns on par with traditional Bank business." [51] The study further notes that the Bank's country assistance strategies routinely fail to integrate the existing body of environmental knowledge and research.

Incentives to move money quickly within the institution coupled with an institutional structure that places the environment in competition with other development sectors contradicts the Bank's rhetoric on environmental sustainability. The World Bank's response to its internal evaluations has been to weaken the requirements of some of its environmental safeguard policies[52], reducing its own accountability.

Any weakening of the existing Forest Policy is particularly worrisome as the World Bank is the world's largest forest-related lender. If the proposed policy changes are approved, governments will no longer be required to adopt sustainable forest management and to establish the necessary institutional and policy frameworks in order to qualify for forestry loans. No longer will private sector forestry operations funded by the Bank have to ensure civil society participation. No longer will conservation areas have to be set aside alongside areas of forest exploitation. In addition, the existing Bank requirement to protect the rights of forest dwellers would be substantially weakened.

The failure of mainstreaming is particularly evident in the Bank's growing area of policy-based lending which now comprises almost half its lending portfolio. Structural and programmatic lending is exempt from environmental impact assessments despite the fact that it is widely recognized today, even internally, that economic policies such as those promoted by the Bank through its policy-based lending are the driving forces of deforestation and therefore of biodiversity loss.

c. Persistent Organic Pollutants

The incineration of medical waste is a leading and avoidable source of dioxins, the most toxic substances known, which are controlled under the Stockholm Treaty on Persistent Organic Pollutants (POPs). POPs-related activities were added to the GEF portfolio in 1999 and POPs will become an official GEF focal area as of October 2002, yet the World Bank continues to fund the use of toxic substances in developing countries.

The World Bank Group routinely includes medical waste incineration in its health sector projects; thirty-one projects have been approved or are under implementation in 20 countries as of 2000[53]. The dumping of obsolete, expensive, polluting technology on developing countries is evidence of a double standard; doing so while concurrently implementing a treaty designed to eliminate those practices is unacceptable.

Biodiversity Case Studies

a. Cameroon: Oil Pipeline

In Cameroon, the World Bank is using the GEF to mitigate the impacts of its own environmentally destructive practices. By using GEF funds to off-set the cost to protect natural habitat lost through pipeline construction, the Bank externalizes its environmental costs while continuing to fund a massive project that both destroys biodiversity and will significantly contribute to climate change. Additionally, by failing to meet minimum standards to consult with affected communities before and during project implementation, the Bank violates GEF policy.

The World Bank GEF project to protect Cameroon's rich biodiversity was funded during the GEF Pilot Phase for about US $6 million and its completion date was set for June 2002. The goals of the project were to protect seven sites in the species-rich lowland forests of south-east Cameroon and parts of the northern Savannah ecosystem.

The project was to develop and implement participatory biodiversity conservation plans, but local farmers and indigenous peoples directly affected by the projects have had little or no say in the decision-making. In 1997, the GEF commissioned an evaluation of the project, which concluded: "Substantive issues such as participation appear in project documents, but …In project operation terms, there is no framework for participation, for community development, for conflict resolution, nor for participatory monitoring."[54] Public participation is widely acknowledged as the key to the sustainability of projects intended to protect biodiversity.

Meanwhile, in June 2000, the World Bank approved the funding for Africa's largest development project, the Chad/Cameroon Oil and Pipeline project at a total project cost of US $3.7 billion. The project, promoted by an oil consortium headed by Exxon, involves the building of a 1,000 kilometre long pipeline through Cameroon. The pipeline, currently under construction, traverses species-rich areas and is leading to biodiversity loss. The pipeline is also threatening the livelihoods of local communities and indigenous peoples along its path.

The World Bank's policy on Natural Habitats required the institution to ensure that the loss of biodiversity along the pipeline be off-set by establishing protected areas elsewhere. One of the areas chosen was one of the sites already to be protected under the GEF project, the Campo Ma'an National Park. Thus, the Bank has used the previously-approved GEF project to offset costs it should have incurred to mitigate problems caused by its pipeline loan. Additionally, the World Bank intends to protect an already that is already protected by the GEF, effectively double counting when it should have been creating a brand new protected area to counter the destruction of biodiversity along the pipeline.

Even with GEF and other funding, the future of the Campo Ma'an National Park remains bleak. According to a World Bank monitoring report of January 2002[55], wildlife poaching and logging are occurring in the park, which lacks the sufficient resources to control the activities.

b. Kenya: Tana River Primate Reserve

The goal of this World Bank GEF biodiversity project was the conservation of the forests and primates of the Tana River Primate National Reserve in north-eastern Kenya. This US $6.8 million project was approved in 1991 and terminated at the end of 2001. The project failed because its design isolated the ecosystem and primates it intended to protect from the local communities in the project area. As a result, local communities felt threatened by involuntary resettlement and the loss of their livelihoods.

Early World Bank project documents recommended that access to the project area by local people be restricted to protect the primates. Strong local resistance, however, made it clear that forced relocation of local people was not a possible option.[56] Maintaining access to their fields and trees is a question of life and death for the local Pokomo people.

Villagers had already noticed a decline in the agricultural productivity of their land. Although no scientific studies were carried out, the World Bank-financed Kiambere and other up-stream dams are likely responsible for reduced flooding of the river plains. "We will be reduced to beggars if they interfere with our farming," says a village elder. "We Pokomo have never killed wildlife, but if you beat me because of wildlife, then I will kill the wildlife because it has become my problem."[57]

The project's lack of attention to local knowledge and concerns created an environment of misunderstanding and mistrust. This led to forest destruction and a loss of habitat for the primates. Promises of crop compensation, new homes, schools and roads led 200 families to volunteer for resettlement, but these promises were never fulfilled. The underlying issue of the downstream impact of dams on subsistence farmers and the role of the World Bank in threatening livelihoods was never addressed by the Bank.

In the end, after having spent about US$ 500 million in project preparation costs, the GEF removed its funding for the project, because it does not fund resettlement. This decision was made long after resettlement had become a central issue of the project. Although the project was eventually cancelled, local researchers conclude that the dynamics created as result of the project have placed the forests and primates it was supposed to protect in serious jeopardy. There is no documentation to indicate that the GEF has learned from this costly mistake.

c. India: Ecodevelopment at Nagarhole

Beginning in 1998, GEF contributed US $20 million of the World Bank's US $68 million 'India Ecodevelopment' project, intended to protect biodiversity through participatory conservation programmes in seven Indian national parks. At sites like Nagarhole, however, local people condemned the project fencing off the park from locals, bringing corrupt interests to a fragile and remote area and resettling indigenous people (*adivasi*) in areas where they cannot make a living - all without securing effective conservation. Additionally, the project did not tackle encroachment into the park by cash-crop plantations, and the roads it resurfaced only enabled smugglers trucks to escape forest guards more quickly.

Nagarhole's 643 sq. km is under intense pressure from agricultural encroachment to produce cash crops including tobacco and coffee, coupled with the pressures of organised smuggling, the food and fuel needs of local people and wildlife populations displaced by a nearby World Bank-assisted dam. The project funded trenches and fencing to keep animals in and people out. It provided forest officials with new equipment to monitor poachers and fires. A visitors' centre was build as well as an expanded guesthouse. Also funded were impact monitoring and research systems.

The participatory component of the project involved creating village level committees around the park to allocate 60 per cent of project funds to local people in return for promises to stay out of the park. These committees were often dominated by richer villagers and officials reportedly abandoned project activities altogether in villages where committees showed too much independence. Six thousand *adivasi* living inside the park were not consulted about the project at all.

Many people were resettled in thousands of airless concrete houses built for them outside the park. Lacking farming tools and skills for life outside the forest, most 'oustees' soon returned to the forest and/or local plantations. Forest guards then waste time trying to make an unpopular resettlement programme work and harassing adivasi in the forest - instead of using their skills in understanding and protecting wildlife.

Neither the Bank nor the local forest department has recognised the proposed local 'Peoples' Plan' for ecological development, which includes the removal of roads and concrete buildings from the park and the provision of basic healthcare and education within pre-existing budgets. Instead, a construction continued on a $200 a night eco-tourist resort inside the park. After much local resistance, the resort was stopped in the courts in 2000 – leaving the project at Nagarhole Park with no obvious constituency other than the forest officials enjoying improved equipment and facilities.

Asserting that the forest is not for sale, locals have demanded that the World Bank stop the project which they believe only supports those that harass them. The Indian government, however, did not want the project stopped, and from the World Bank's perspective, Ecodevelopment remained their 'most progressive effort' under the GEF.

The GEF has no complaints procedure for project-affected communities; complaints must be made to the implementing agencies. Invited to Nagarhole in 1999, the World Bank's Independent Inspection Panel 'found merit' in adivasi complaints: GEF and World Bank guidelines on indigenous peoples and resettlement had been broken. The Bank's governing Board did not approve a full inspection, however, and a second Panel complaint in 2000 has not gone forward.

Activists for *adivasi* rights continue to be beaten and jailed around Nagarhole; resulting protests have stretched to hunger-strikes. Official hopes may remain for a second phase of project funding to extend Ecodevelopment to more national parks but reports from Delhi suggest that in reality, the national Ecodevelopment initiative is 'dead in the water'.

6. The GEF-Small Grants Programme – A way forward?

One notable programmatic success at the GEF has been the Small Grants Programme, a small fund run by UNDP in response to the demands of environmental groups for grassroots conservation. GEF launched the Small Grants Programme (SGP) in 1992, in thirty-three pilot countries. The goal was 'to provide a supplementary opportunity for NGO involvement in the GEF… to test and demonstrate small-scale projects, strategies and processes'. As early as the Independent Evaluation of 1994, the programme was "well received by developing countries."[58]

As the UNDP's 1998 SGP evaluation put it: 'Considering the modest level of grant funds available for disbursement in each country and the small operating budgets, it is remarkable what has been achieved.' Valuable lessons from the SGP include the importance of:

- Bringing decision-making closer to local and national technical expertise instead of having external consultants impose external agendas;
- using participatory approaches to engage communities affected by projects throughout the process in order to build ownership of projects and outcomes;
- scaling projects appropriately to meet local conditions;
- the need for flexibility – the incremental cost concept not being used to determine whose benefits are fundable;
- transcending some of GEF's opaque restrictions and language;
- engaging a diverse range of constituencies;
- clearly being country-driven and using local goods and services.

Allocated US $19.5 million for its pilot phase of 1992-5, the SGP was replenished in July 1996 with US $24 million for two years. Since 1998, SGP has been financed on a rolling basis at over US $20 million per annum – a tiny proportion of GEF's overall portfolio. As of May 2002, a total of 3,126 grants had been given since the programme's inception; approximately half have been completed. The number of countries participating also expanded rapidly to sixty three by 2002 - but insufficiently to meet demand.

Grants to NGOs and 'community-based organisations' (CBOs) range up to US $50,000, but average around US $20,000. SGP offers grantees training, experiences-sharing and workshops have focused on participatory ecological assessments, ecotourism, community organization and advocacy, NGO institutional strengthening, financial management and reporting. Over two thirds of grants fall in the biodiversity focal area, mostly for capacity building. The programme has proven more popular than many other GEF investments – essentially because it goes to support people at the grassroots, where environmental impacts are more immediate – and obvious.

Decisions on small grant distribution are made at the national level by selection committees – without the involvement of international consultants and organised by a national co-ordinator. Members serve on a voluntary basis and typically represent government (which has to endorse the programme); CBOs and NGOs; national academic, scientific, and technical institutions; and the local UNDP country office. This arrangement seems to reinforce country ownership in a way that traditional project implementation arrangements do not, though it means that 'the portfolio …includes many projects with only indirect or tenuous links to the GEF focal areas'.

The 1998 report concluded however that 'winning the confidence of communities and helping them organize takes time, involves much uncertainty and is unlikely to be successful if it begins with an explicit emphasis on GEF focal areas'.[59]

To receive a small grant, a group has to address the GEF's global interests through participatory actions at a local level. The incremental costs criterion does not have to be applied to each SGP grant - because the overall programme contributes to GEF goals. The SGP has attracted substantial co-financing, successful projects have been scaled up and replicated, and the programme has generated a lot of goodwill towards GEF.

> "The Small Grants Programme develops local capacity,
> laying the necessary foundation for larger projects and building up NGO communities. It may not have a lot of immediate global impact, but has a catalytic effect
> - like rings in water". [60]

At the international level, the lack of full GEF Secretariat support has prevented SGP from fulfilling what many see as its full catalytic potential. Despite the programme's value as a 'showcase' of GEF's assistance to grassroots conservation, and its capacity to 'do more for outreach than the rest of the GEF put together',[61] the Secretariat seems - like the rest of the World Bank – not particularly interested in initiatives involving so little capital investment.

The programme has also suffered from some of the problems of full-scale GEF projects - a lack of appropriate capacity at the grassroots, problems with the long-term sustainability of initiatives, lack of resources for recurrent costs and limited lessons generated (See Section 4). There is also the risk that an influx of even SGP's level of grant finance can damage relationships in and between small community-based groups. Some critics of the GEF are also wary that the SGP may be used to "soften up" civil society for larger grants and loans from the institutions involved.[62]

In spite of these concerns, the 1998 SGP evaluation described the programme as "unmatched by other environmental programmes in terms of its innovation, flexibility, and responsiveness" and found "no comparable mechanism for raising environmental awareness and building capacity across such a broad spectrum of constituencies within the respective countries." It further noted, that 'most countries can show convincing examples of projects which have been scaled up or replicated elsewhere'[63], and as one national SGP coordinator put it, 'I had been trained as a professional to think big. SGP's most daunting challenge to me was learning to think small. Without learning to think small, programmes don't realize the potential for having big impact'.[64]

7. Conclusion

In spite of the ongoing efforts of committed individuals within it, the GEF remains a flawed mechanism for transferring resources North to South to protect the global environment.

Problems including: competition between the implementing agencies, the failure to mainstream environmental sustainability throughout the implementing agencies, the weakness of the Secretariat, lack of comprehensive public participation and project ownership, a weak monitoring and evaluation unit, flawed cost concepts, and failure to learn lessons continue to undermine the effective functioning of the mechanism.

By compartmentalizing environmental protection into an ever-shrinking fund with an ever- increasing remit without addressing cross-cutting macroeconomic issues including poverty, trade, and global finance, the amount of GEF resources will always be inadequate in real terms and ultimately ineffectual.

Closing the doors of the GEF because it is not working, however, is no solution. Global and local environmental destruction continues apace and the political willingness to work towards effective multilateral solutions to global environmental problems is at risk. Given the reluctance of the US administration, with the tacit compliance of some of its Northern government partners, to support recent multilateral environmental initiatives, the necessary political will for substantial environmental action may not be forthcoming 'from above' in the near future.

The lessons of the GEF's first ten years, therefore, must lead to a fundamental reform of the attitudes, approaches and culture that have fostered and compounded the difficulties faced by the GEF. The mega-project approach to development resource transfers supported by donors, implementing agencies and external consultants must be abandoned. Short-term mitigative action through technology and resource transfer will only postpone environmental degradation unless its underlying causes are addressed. A global economic model that fails to recognize the limits to both economic growth and ecosystem absorptive capacity cannot be sustained.

Successes such as the Small Grants Programme must be replicated, expanded and integrated throughout GEF operations and agencies. Given real commitment to reform, the GEF could contribute to a new model of multilateral green aid. It could :

- start from local conservation needs and initiatives, providing money, international experts and managers to assist locals on request from 'below';
- help local and national democratic bodies to develop and enforce fair, effective environmental regulation;
- establish a project preparation facility to reshape and ecologically certify development investments;
- redirect global resources and expertise from isolated projects into greening the rules of international trade and investment.

With the North resistant to any further or meaningful aid commitments and GEF resources being forced to do more with less, new and additional resources must be found to finance global environmental protection. While no one knows the costs of meeting conventions goals, the current resource base is clearly insufficient.

Investigating options including currency transactions taxes, the elimination of tax havens and tax loopholes as well as tax competition must be an urgent multilateral priority.

The GEF must recognize its limitations, build on its successes, learn from its failures and through its member governments, work to address the macroeconomic structural reform that will forever undermine its performance.

8. Recommendations

The protection of the life-sustaining atmosphere, biodiversity and water of our planet ultimately requires fundamental reforms in the world economy. Excessive consumption of environmental resources, on the one hand, and pervasive poverty, on the other, must end. Without fair trade, comprehensive debt relief, democratic control of the global financial system, and respect for local communities, we, and the environment will continue to suffer.

At the domestic level, the major polluters must reduce their emissions of greenhouse, toxic and ozone-destructive substances, while all countries must pursue land reform, green tax incentives, community development and the strengthening of democratic rights. A deepening of democracy in all countries is quintessential to bring principles of participation and accountability to our approach to the environment.

In this broader picture, the GEF plays a minor but potentially significant role. Several of the recommendations presented here were already made by successive GEF evaluation reports but have not been implemented. Other recommendations related to generating green resources and finding new ways to cooperate on positive policy development will require vision and bold action on the part of GEF governing bodies.

- The GEF Secretariat must be made fully independent of the World Bank and given a clear mandate to oversee the GEF-related activities of the Implementing Agencies (the GEF must be given a separate legal status as recommended by the 2002 Evaluation Report);
- Mandatory performance requirements must be established to ensure that the Implementing Agencies mainstream global environmental goals in their regular activities. There must be monetary sanctions for non-compliance;
- The GEF Secretariat's Monitoring & Evaluation unit must be given additional resources and authority and develop new strategies to ensure project lessons are effectively evaluated, learned and shared;
- An effective system to ensure stakeholder participation in decision-making, including the involvement of indigenous communities, for all GEF projects must be established;
- Increased resources should be allocated to programmes which have proven to work most effectively, such as the Small Grants Programme;
- The incremental cost policy and practice must be the subject of a comprehensive evaluation leading to its fundamental reform;
- The authority of the Scientific and Technical Advisory Panel (STAP) must be increased to ensure donor pressures to transfer their technologies do not undermine both GEF and Convention goals;
- The GEF Participants must create a new focal area "Policy Works" dedicated to North-South cooperation to develop joint green economic policy reforms;
- The GEF Participants must establish a research commission to evaluate means to generate stable and increased funding for public goods through mechanisms such as the Tobin tax and other tax policy change Investigating new options including currency transactions taxes, eliminating tax havens and the tax "race to the bottom" as well as tax loopholes, must become a priority.

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GEF, *Independent Evaluation of the GEF Pilot Phase* (Washington DC, 1994)
GEF, *Operational Strategy* (Washington DC, 1996)
GEF, *Valuing the Global Environment, Actions & Investments for a 21st Century* (Washington DC, 1998)
GEF, *Overall Performance Study* (Washington DC, 1998)
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The World Bank, Operations Evaluation Department, *Effectiveness of Environmental Assessments and National Environmental Action Plans: A Process Study* (Washington DC, 1996)

World Wide Web

GEF home page: <www.gefweb.org>
List of GEF publications: <www.gefweb.org/Outreach/outreach-PUblications/outreach-publications.html>
World Bank's web page concerning the GEF: <http://lnweb18.worldbank.org/ESSD/essdext.nsf/45ByDocName/WorldBank-GlobalEnvironmentFacility>

Environmental Defense

Environmental Defense is a leading U.S.-based nonprofit organization based in New York and represents more than 300,000 members. Since 1967, it has linked science, economics, and law to create innovative, equitable, and cost-effective solutions to the most urgent environmental problems.

The Capital Office of Environmental Defense can be reached at:
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Halifax Initiative

The **Halifax Initiative** is a Canadian coalition of environment, development, social justice and faith groups working to transform the international financial system and its institutions to achieve poverty eradication, environmental sustainability and an equitable re-distribution of wealth. Members of the Halifax Initiative are: **Canadian Conference of Catholic Bishops, Social Affairs Office** - www.cccb.ca; **Canadian Council for International Cooperation** - www.ccic.ca; **Canadian Labour Congress** - www.clc-ctc.ca; CUSO - www.cuso.org; **KAIROS: Canadian Ecumenical Justice Initiatives** - www.kairoscanada.org; **MiningWatch Canada** - www.miningwatch.ca**; North-South Institute** - www.nsi-ins.ca; **Oxfam Canada** - www.oxfam.ca; **RESULTS Canada** - www.results-resultats.ca; **Rights & Democracy** - www.ichrdd.ca; **Social Justice Committee of Montréal** - www.s-j-c.net; **Toronto Environmental Alliance** - www.torontoenvironment.org; **World Interaction Mondiale** - www.web.net~wia

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Conscious Cinema

Conscious Cinema is an arts collective turned video production company based in central London. Conscious Cinema produces educational, entertainment and documentary films on environmental, cultural and social issues. These include, for example, a video letter to the World Bank from Nagarhole forest dwellers opposed to the GEF-funded India Ecodevelopment Project.

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[1] ‘Northern’ governments including North American, Western European and Japan, make the major contributions to GEF funds and are referred to as ‘donors’. The terms ‘South’ and ‘Southern’ refer to countries that are recipients of multilateral development aid funds including the GEF. They include former communist countries as well as countries in Central and South America, Africa, Asia and the Pacific region.
[2] Speaking to an inter-governmental group of environmental ministers meeting on international environmental governance, Bonn, July 2001.
[3] The Framework Convention on Climate Change, The Convention on Biological Diversity, The Montreal Protocol on Substances that Deplete the Ozone Layer and the Convention to Combat Desertification (insofar as it relates to the GEF’s four focal areas) as well as the Stockholm Convention on Persistent Organic Pollutants.
[4] GEF. Instrument for the Establishment of the Restructured Global Environment Facility. 1994. Basic Provisions.6.
[5] Funding from the GEF is limited to “recipient countries” which are parties to specific environmental agreements or which qualify for technical assistance grants from the United Nations Development Programme or loans from the World Bank. They include developing countries and countries with economies in transition (former East Bloc).
[6] The G8, comprised of Britain, Canada, France, Germany, Italy, Japan, the United States and Russia, controls 68% of the world's monetized economy yet make up only 14% of the world’s population. The G7 invited Russia to join in 1999, but in practise, Russia has limited leverage in this powerful group.
[7] GEF contributions are based on the World Bank’s International Development Assistance formula.
[8] UN Food and Agricultural Organization, United Nations Industrial Development Organization, the International Fund for Agricultural Development.
[9] GEF. Instrument for the Establishment of the Restructured Global Environment Facility. Basic Provisions. 1994.6.
[10] GEF. Second Overall Performance Study. 2002. ix.
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[13] Interview, Zoe Young with World Bank staff, 1997.
[14] GEF. Study of the GEF’s Overall Performance. 1998.70.
[15] ibid. 71.
[16] ibid. 70.
[17] ibid. 71.
[18] GF. Second Overall Performance Study. 2002.60.
[19] Interview – Zoe Young.1996.
[20] That is, projects falling under more than one of GEF’s four ‘focal areas’.
[21] Interview by Zoe Youndg, World Bank, 1997.
[22] As of July 22, 2002, the USA, (the largest contributor and often in arrears) owed 153.712 SDR million, Italy owed 32.07 SDR millions and Pakistan owed 1 million for a total of 186.78 SDR millions. An SDR is the equivalent of 1.31302 US$ (as of August 8, 2002) Thus, the total owed is US$ 245.25 million. Source: http://gefweb.org/Replenishment/Reple_Documents/R.3.35_GEF-

2_Current_and_Projected_Funding_Status.pdf
[23] The breakdown is as follows: US $2.21 billion is new commitments, .570 billion is carryover, 130 billion is interest/investment income, .012 billion is the credit from accelerated encashment for a total of US$ 2.922 billion. Source: GEF Secretariat interview by Robin Round, August, 2002.
[24] Unspent due to delays in designing, approving and getting projects off the ground.
[25] Iinterview by Zoe Young, UN. 1998.
[26] UNDP, Human Development Report. 1998.33.
[27] Interview by Zoe Young. 1997.
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[29] GEF.Report of the Independent Evaluation of the Global Environment Facility Pilot Phase. November 23, 1993.10.
[30] Through GEF's Scientific and Technical Advisory Panel (STAP).
[31] GEF. Second Overall Performance Study. 2002.89.
[32] ibid. ix.
[33] ibid. 84.
[34] GEF. Independent Evaluation of the Pilot Phase. May, 1994.137.
[35] ibid.135. This tendency was also highlighted in the World Bank's own Wapenhans Report.
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[53] Algeria, Argentina, Brazil, Comoros, Dominican Republic, Egypt, India, Indonesia, Kenya, Lebanon, Malawi, Mexico, Nigeria, Philippines, Senegal, South Africa, Sri Lanka, Turkey, Vietnam, Western Samoa and Zimbabwe. Information provided by Neil

Tangri and derived from a study by the Multinational Resource Resource Center and Health Care without Harm – “The World Bank’s Dangerous Medicine – Promoting Medical Waste Incineration in Third World Countries”. June 1999.
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[60] Interview by Zoe Young at UNDP, 1997.
[61] Interview, UNDP, 1997.
[62] Zoe Young interview with NGO, 1998.
[63] For example,a 1994 ‘coal to waste-wood combustion project’ in Poland was one of many SGP projects to be replicated, in this case “upscaled” after an extended application process, to a Medium Sized Project.
[64] UNDP. The GEF Small Grants Programme, 1992-2002: Hands-on Action for Sustainable Development, 2002.