

Trusting in a Better Future

*The Global
Environment
Facility*



Individual countries acting alone cannot solve environmental problems that span national borders. The Global Environment Facility (GEF) was created in 1991 to serve as a mechanism for international cooperation in the resolution of environmental problems through the funding of grants. The GEF is intended to benefit four areas of global environmental concern: biological diversity, climate change, international waters, and ozone layer depletion.

The GEF is based in Washington, DC, next door to the headquarters of the World Bank, which is one of the three organizations that oversee implementation of GEF projects (the other two are the United Nations Development Programme [UNDP] and the United Nations Environment Programme [UNEP]). Although these organizations are financially accountable for GEF projects, the projects themselves are executed by many parties, including private companies and nongovernmental organizations (NGOs).

The GEF includes 166 participating nations, and 150 countries have projects in progress. It has a governing council comprising 16 representatives from developing countries, 14 from developed countries, and 2 from so-called “countries in transition,” those moving from centralized to market economies. Representatives from NGOs, the private sector, and the scientific community play an advisory role in designing and executing projects. To date, more than 650 projects have been funded with over \$3 billion in GEF funds and another \$8 billion leveraged from public and private sources, including \$2 billion in matching funds from developing countries.

GEF projects cover a wide range, including preserving genetic material in the seeds of Ethiopian farmers, solar energy projects in India, reducing land degradation in Senegal, and phasing out ozone-depleting substances in Azerbaijan. Forty-six percent of GEF funds have been spent on biodiversity, 38% on climate change, 10% on international waters, and 4% on ozone depletion. Some projects reflect benefits that help more than one area.

New World, New Treaties

Several international treaties and working agreements guide the goals of the GEF and

the methods used to accomplish them. Scott Hajost, executive director of the U.S. office of IUCN–The World Conservation Union, goes so far as to say, “If the GEF didn’t exist, we’d have to create something like it.”

Indeed, in 1987, the authors of *Our Common Future* (also known as the *Brundtland Report*), published by the UN World Commission on Environment and Development, concluded that “serious consideration should be given to the development of a special international banking programme or facility linked to the World Bank.” Based on that report, the World Resources Institute came up with a recommendation for an International Environmental Facility. And at a 1989 World Bank meeting, the French and German governments made a similar proposal. In 1991 the GEF was established as a pilot program, and the World Bank, UNEP, and the UNDP agreed to act as implementing parties.

This initial GEF organization was responsible for supporting programs and activities that would benefit the world at large, while the country undertaking the measures would bear the cost of other development assistance—that is, the cost of what they would normally have to fund to sustain their own development. The GEF funding came from a core trust fund and cofinancing arrangements.

The 1992 UN Conference on Environment and Development in Rio de Janeiro saw the role of the GEF grow and restructuring begin. Going into the conference, there was considerable suspicion and criticism of the GEF pilot program by developing countries and environmental NGOs that focused mainly on the dominant role of World Bank donors in GEF decision making and a perceived lack of participation by recipients. Lengthy negotiations led to the

addition of other funding sources and the current independent form and governing organization, which took effect in 1994.

At the Rio conference, the GEF was designated to operate the financial mechanisms for the Framework Convention on Climate Change and the Convention on Biological Diversity—international treaties that involve significant funding and action commitments by the world’s nations. In addition, the GEF was designated to “cover the agreed incremental costs of relevant activities under Agenda 21, in particular for developing countries.” Agenda 21, also agreed to at the Rio conference, is a global action plan to make development environmentally, socially, and economically sustainable. Although implementation has been limited by the reluctance of countries such as the United States to fully fund it, the agreement stipulates that wealthy developed countries will increase their aid flow to less-developed countries.

As a result, the GEF has come to play an important role in linking international environmental treaty commitments and funding in a way that guides how institutions such as the World Bank disburse their funds. Funding is restricted in preordained ways and not provided to countries that either refuse to sign environmental treaties pertinent to the area being addressed or fail to adhere to their obligations.

The “incremental costs” stipulation is at the heart of many funding decisions made by the GEF. Incremental costs are the costs of activities that provide a global environmental benefit in conjunction with other activities that provide national economic benefit. The rationale behind this stipulation is that funding countries want to ensure that grants for activities that aid the global environment are not actually replacing investments that would have been made anyway by the recipients for their own benefit.

Climate Change: A Case in Point

Climate change is one of the GEF’s busiest areas, claiming 37% of the projects funded. Of the rest of the projects, 52% are on biodiversity, 6% are on international waters, 3% are on ozone depletion, and the remaining 2% are miscellaneous.

Renewable energy sources are a major focus of the climate change program. The projects have fallen into two categories—either they have been intended to remove existing barriers to commercialization of a renewable or energy-efficient technology, or they have helped reduce the cost of research, demonstration, and commercialization of such technologies. According to Susan Swift, a senior editor at the GEF, over \$1 billion

has been allocated to more than 240 climate change projects, matched by more than \$5 billion in cofinancing. From 1991 to mid-2000, she says, the GEF approved grants totaling \$852 million for 82 energy efficiency and renewable energy projects in 49 countries.

Although only a few projects have been completed and results are difficult to quantify, it's clear that such projects often translate into indirect and unplanned benefits, especially if they fit a natural niche in the country's economic market. For example, in Costa Rica a wind energy system was funded and begun but has yet to be finished, says Alan Miller, the team leader for climate change and ozone at the GEF. "It wasn't a success in itself, but by bringing attention to the fact that Costa Rica was a good location for wind power, private companies came in and built several projects," he says. "This is exactly what the GEF is trying to do. It's a change agent that works to transform the market."

Miller says that climate change programs are always framed around market questions while other project areas such as biodiversity

have a harder time emphasizing markets. The political and economic complexity of each renewable project differs. Local market conditions and investments must be taken into consideration, which means that often the most efficient energy source may not be the one funded. For example, for electricity production in a developed country, the combined-cycle gas turbine is currently often the most efficient technology. A developing country would probably buy such equipment rather than develop an alternative technology such as solar thermal power plants that might be more suitable in the long term and encourage internal investment. Miller says making such project choices are difficult for the GEF, but that developing countries are facing difficult choices too about what their economies and infrastructures will look like in the future.

Miller stresses that the GEF is a small organization that does not execute or directly oversee the projects that it funds. Instead, the three implementing agencies perform those tasks and act as intermediaries between members of a project and the GEF. "We

should be in the field more, observing and learning," he says, adding, "We are now in the process of building more trust between the agencies."

Healthy Skepticism

Although there are clearly environmental health effects from the global issues the GEF targets, there are no formal interlinkages between GEF projects and health issues. Nowhere in the treaties are health outcomes specifically discussed in depth, according to James Listorti, a public health specialist at the World Bank. "It's not in the mandate of the GEF," he says. He adds that all the stakeholders involved in the funding process have their own viewpoints, understandably, but none of them are specifically dedicated to health.

While at the GEF, Listorti investigated the environmental health dimensions of climate change and ozone depletion. He feels strongly that the seriousness of the indirect health effects of climate change and ozone depletion far outweighs that of the direct effects. Addressing the indirect health effects

THE WORLD OF THE GEF

Between the years 1991 and 1999, the Global Environment Facility provided almost \$2.5 billion in grants to fund projects in key areas of environmental protection. For each project area, the number of projects and the percentage of the total refer to those projects currently funded by the GEF.

3%
OZONE DEPLETION
20 Projects
\$155 million in GEF funds

2%
MULTIFOCAL AREAS
12 Projects
\$100 million in GEF funds

52%
BIODIVERSITY
357 Projects
\$991 million
\$1.5 billion in cofinancing



37%
CLIMATE CHANGE
249 Projects
\$884 million in GEF funds
\$4.7 billion in cofinancing

6%
INTERNATIONAL WATERS
42 Projects
\$360 million in GEF funds

means focusing on water, sanitation, transportation, and housing and urban development. In addition to direct risks from storms and floods, changing climate also can be linked to the changing face of disease, with once-conquered diseases reestablishing themselves and new diseases emerging as a result of vector migration and other factors. According to Swift, this year the GEF has built alliances in the health community, including some with dermatologists and ophthalmologists to investigate human health problems associated with exposure to ultraviolet radiation as a result of ozone depletion. She adds that the facility is “increasingly emphasizing the connections between human health and persistent organic pollutants, which are being addressed in several new GEF projects.”

NGOs have a strong advisory role at the GEF, but do not have veto power over decisions. The GEF–NGO Network consists of approximately 400 NGOs and is currently administered and coordinated by Monitor International, an Annapolis, Maryland–based NGO focused on lake water quality. David Read Barker, the president of Monitor

International, says that the network has two major goals: to influence the GEF to become more effective in achieving its goal of involving people to protect the environment as a means of improving their livelihood, and to monitor and evaluate GEF-funded projects while promoting public participation.

Although U.S. funding for environmental projects is frequently influenced by the politics of Washington, DC, government agencies are generally supportive of the goals of the GEF. Thomas Laughlin, deputy director of international affairs at the National Oceanic and Atmospheric Administration, is the contact for international waters projects at the GEF. He says, “On balance, things are going well after a rocky start. The GEF has focused on the main problem areas and is taking an ecosystem[-style], integrated approach to very complex problems.” That seems to be the general verdict, and one that a small and ambitious agent of change can grow with.

—W. Conard Holton

Taking Protests to the Bank

Downtown Washington, DC, may have been paralyzed last April by people protesting the International Monetary Fund (IMF) and the World Bank, but the organizations still held their spring meeting. The protests, organized by the umbrella organization Mobilization for Global Justice, drew perhaps 10,000 participants from over 100 organizations, who picketed with signs bearing slogans such as Defund the Fund, Break the Bank, and Dump the Debt. The protestors pronounced the IMF and the World Bank to be negligent in alleviating global poverty and promoting sustainable development, and accused the organizations of exacerbating social and environmental decline instead.

While the protestors outside the meeting argued that the means by which funds are disbursed to projects in developing countries hurt the poor because they come with so many strings attached, inside the meeting delegates from developing nations were worrying that IMF money could dry up. The shouts of the protestors may have helped to lead to measures approved at the meeting to streamline debt procedures and expedite debt relief for poor countries. The official communiqué issued at the end of the meeting acknowledged that the growing debate over the future of the IMF and the World Bank “reflects a concern that the benefits the world economy is deriving from freer trade and more integrated and deeper international capital markets are not reaching everyone.”

Although Global Environment Facility (GEF) projects are administered by the World Bank, the protests did not take aim at the GEF specifically. In fact, Soren Ambrose, a policy analyst with one of the protest groups, 50 Years Is Enough, said, “We’re not focused on the GEF so there’s really not much to say about it.”

David Read Barker, president of Monitor International, which coordinates nongovernmental organizations’ interaction with the GEF, was disappointed in the protests. “We have an altogether different relationship with the World Bank and want to work closer with it,” he said. “I was hoping the protestors could communicate [some important points], but it all seemed superficial and full of propaganda.” —W. Conard Holton



Unfair trade? Protesters in downtown Washington, DC, in April 2000 object to disbursements of funds by the World Bank and the IMF, which they claim exacerbate environmental problems and poverty worldwide.

AP photo/Hesoon Yim