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## GEF - AN UNSUITABLE VEHICLE FOR BIODIVERSITY CONSERVATION

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### Summary

*At the Third Conference of the Parties (COP3) to the Convention on Biological Diversity (CBD) in November 1996, government delegates will be attempting to determine the GEF's suitability as a permanent funding mechanism for the CBD. In accordance with Article 39 of the Convention, the GEF was selected as a interim solution and has been acting in this capacity since Rio. The findings of two new studies undertaken by GRAIN (Genetic Resources Action International) lead us to recommend the rejection of the GEF as the permanent funding mechanism for the Convention unless further major changes are made.*

*The GEF is heavily dominated by the World Bank. The Bank itself has been one of the most powerful forces behind genetic erosion around the world for the last 30 years.<sup>1</sup> In this paper GRAIN examines the Global Environment Facility (GEF) and its track record on biodiversity. The GEF's current initiatives in the area of biodiversity conservation and management are, at best, merely attempts to put temporary band aids on the mortal wounds its parent agency - the World Bank - has inflicted on the world. Its choice of projects reflect a profound lack of understanding of the importance of biodiversity and a lack of willingness to address the underlying causes of genetic erosion. These include unsustainable development driven by its 'growth at all costs' model, modern agricultural practices, overconsumption and poverty.*

*Our conclusion is that without dramatic reform, the GEF cannot be considered by the CBD as a vehicle for project implementation. The GEF has adopted the World Bank's scientific approach to biodiversity conservation, which involves parcelling off packages of protected areas and ignoring the cultural, social and economic context that surrounds biodiversity. The GEF still operates in a top-down manner and is supporting projects which threaten, rather than support, the livelihoods of local communities.*

*The most glaring issue that must be addressed is the question of participation: in project design, selection and implementation. There simply must be greatly increased NGO and community involvement in GEF operations. Connected to this is the need to involve people who really understand biodiversity and are willing to address its complex network of entrenched issues - social, economic and cultural - and people who understand the links between biodiversity and development.*

<sup>1</sup> GRAIN has reviewed the impact of the Bank's operations on biodiversity and examined where it is headed in a GRAIN-Briefing for the World Food Summit, "Investing in Destruction - The World Bank and Biodiversity". It is available from GRAIN, Girona 25, pral, E-80010 Barcelona, Spain.

## Biodiversity and the GEF

Biodiversity assumed precedence as a global issue of importance in the early 1990s, when governments woke up to the fact that biodiversity is worth a lot of money. It was one of the four topics of global environmental importance selected for funding by the Global Environment Facility (GEF), which was set up in 1991 as a joint venture between the World Bank, the United Nations Environment Program (UNEP) and the United Nations Development Program (UNDP). From the outset, the rationale behind and the behaviour of the GEF was treated by many with suspicion and scepticism, which appears to have been well placed.

The genesis of the GEF sparked the first concerns, since it was an initiative driven by the Bank's financial department, rather than its environmental unit, the latter having little input to its formulation. At the autumn meeting of the Bank in 1989, France and Germany (under pressure from public outcry in their constituencies about the Bank's appalling environmental record) expressed a willingness to contribute large amounts of new funding to a World Bank "green fund." The finance department wasted no time in capitalising on such a golden opportunity, and had the GEF proposal ready in a few weeks and operational within 9 months! Implicit in the proposal, but not clearly explained, were some important conditions: that all GEF investment projects would be prepared and carried out by the Bank, and GEF projects of more than \$10 million would often be linked to components of larger Bank loan packages.

The formulation of the GEF was a model of the Bank's preferred way of doing business: top-down, secretive, and with a basic contempt for public participation, access to information, democracy and informed discussion of alternatives. As Bruce Rich

points out in his 50-year retrospective of the Bank, *Mortgaging the Earth*, GEF operations even represented a regression in Bank behaviour: "It made the standard Bank loan appraisal process appear like an exercise in grass-roots democracy." The project cycle was almost completely in the hands of the Bank, and the independent advisory panel had no say over the original choice of the four main project areas, nor over the design of individual projects. According to Rich, "The virtual irrelevancy of the panel became apparent when the first round of GEF projects - totalling \$193 million - was prepared by the Bank and rubber stamped by GEF member states before the panel had even developed project selection guidelines." Such activities are hauntingly reminiscent of Bank operations. This is what one ex-Bank employee described as, in the context of Operations Departments' behaviour towards the Bank's Executive Board, the 'mushroom technique' - keeping them in the dark and feeding them bullshit. GEF outsiders were even worse off - public documents were generally limited to one-page "project description briefs," which were woefully inadequate for any informed evaluation.

## The Pilot Programme

Despite the shakiness of the GEF's foundations, somehow the Bank convinced donor governments to commit some \$1.3 billion for a three-year GEF pilot program, which ran from 1991-94. During the pilot phase, biodiversity conservation was high profile, representing half of the 117 projects and 43% of total funding. Most of these were concerned with establishing or managing protected areas. Of the 59 pilot phase projects still ongoing in 1996, only two address the issue of agrobiodiversity, again reflecting the Bank's view that biodiversity is not an agricultural issue.

The GEF's 'independent' (a relative term, true to Bank culture) 1994 evaluation of the pilot phase delivered a scathing attack on the pilot programme. It states that the GEF "still lacks a convincing strategic framework to guide its investments in biodiversity" and that "the investments made to date have tended to be haphazard, and many may make only marginal contributions to conserving biodiversity on a global scale". It goes on to add (in relation to biodiversity) that "Little GEF work to date has responded to the needs identified as national priorities, involved local communities in an effective way, stimulated creative co-operation among the implementing agencies and other global organisations working in the field of biodiversity, or meaningfully involved NGOs in development. Furthermore, the GEF has not given sufficient attention to building appropriate national institutions for conserving biodiversity and using biological resources in a sustainable manner."

The evaluation states that "Most GEF work to date has been characterised by a top-down approach rather than responding to the needs of governments ... it has sparked destructive competition among the implementing agencies and other global organisations working in the field of biodiversity; it has given inadequate consideration to sustainable use of biological resources ... and it has been overly dependent on international consulting firms."

Another finding reflects the concern that many Southern countries had at the GEF's inception: that the GEF separates biodiversity from the broader development concerns of nations. The reports recommends that "everything possible should be done to avoid the perception that the GEF biodiversity portfolio somehow 'takes care of biodiversity.'" It also points out that many GEF projects "seem to be 'miracle projects', expecting to make a major transformation in the way societies behave toward

biological resources, with a short-term, concentrated intervention."

GEF funding has been both too high and too low: "too much (and too fast) for most of the typical projects, which are designed to deal with symptoms (for example, protected area projects) and where absorptive capacity is modest and so are needs." Conversely, funding is typically "far too little (and too short term) to deal with the underlying *causes* of biodiversity loss, which are intimately involved with the structure of national economies, land tenure, terms of trade, and exchange rates." It concludes that "few, if any, projects have addressed such issues."

One of the main external criticisms of the GEF's pilot phase was that the funds were used to sweeten the financial terms and environmental consequences of larger loans. In many cases, GEF funds were used to foot the bill for environmental actions that the Bank loan would otherwise be required to finance. The type of environmental management that characterised GEF projects in the pilot phase is clearly illustrated by the Congo forestry project (see Box 1).

#### BOX 1:

##### GEF-ADVENTURES IN THE CONGO

The \$10 million GEF Congo Wildlands Protection and Management Project was hailed as a model of a new style of environmental management. It was described as a "free-standing" project to protect biodiversity in the rich, untouched Nouabele rainforest in the north of the Congo. The fact that the Bank was preparing a large forestry loan for the Congo at the same time was never mentioned. Unbeknownst to GEF donors or the public, the purpose of the forestry loan (now carefully re-named as the Congo Natural Resources Management Project in keeping with the Bank's new green image) was to "bring forestry exploitation back to life". The Bank's intention was to use the GEF project to financially jump-start the logging project that the Congo

government was showing reluctance in taking up. All this might have stayed secret had NGOs not managed to obtain internal Bank documents in 1991.

UNDP, the bank's supposed partner in the project was bitterly critical of the project. It said the proposal would open up an intact rainforest area to logging and encroachment pressures, under the pretence of protecting it. According to UNDP, the GEF project itself had dubious elements not described in the one page project brief made available to governments: it would finance a 25km road into the Nouabele forest, bring in hundreds of people, and set up safaris in one part of the reserve, while another part would actually be opened up to logging concessions. According to UNDP, the major threat to the Nouabele Reserve and surrounding area is, ironically, the GEF project itself.

One of the more bizarre and revealing aspects of the GEF Congo project was the environmental assessment the Bank undertook on it. The US Fish and Wildlife Service consultant charged with the study wrote it from his office in America's Great Plains because the Bank refused to pay for a site visit. He was refused all access to documents on the Congo Natural Resources Management Project, and to the UNDP's correspondence with the Bank.

Well before the evaluation could be undertaken and before anyone could really tell what was going on with the GEF, it was being wheeled into the global spotlight as the vehicle of choice to administer Agenda 21 and the Climate and Biodiversity Convention funds. Only a year after its establishment, Bank president Lewis Preston was sent to the Earth Summit with the mission of convincing richer nations to cough up an "earth increment" on top of their normal IDA contributions and to increase the replenishment of the GEF. Before the delegates of more than 100 nations he made an assertion which continued the Bank tradition of dubious environmental claims: "The GEF has already demonstrated its ability ... to implement well-designed programmes and projects in an effective manner." Yet not a single GEF

project was anywhere near conclusion - in fact, only a handful at most had *any* activities underway.

### The New Look GEF

Over the objections of some Southern nations, the GEF was selected as the interim funding mechanism for both conventions. The "interim" designation hardly reassured skeptics; one Malaysian delegate remarked that the World Bank is the kind of guest that, once let into one's house, is very hard to kick out. Agenda 21 and the conventions did at least demand restructuring of the fund in order to provide for universal membership, and greater transparency and democracy. The new look to the GEF is outlined in Box 2.

#### BOX 2 :

#### THE GEF-STRUCTURE AND FUNCTION

The Global Environment Facility (GEF) is a financial mechanism that provides grants and concessional funds to recipient countries for projects and activities that aim to protect the global environment. GEF resources are available for projects and other activities that address climate change, biological diversity, international waters, and depletion of the ozone layer. Both the Climate Change and Biodiversity Conventions have designated the GEF as their funding mechanism on an interim basis. The GEF is jointly implemented by the United Nations Development Programme (UNDP), the United Nations Environment Programme (UNEP) and the World Bank, whose roles are defined as follows:

\* The World Bank administers the fund, is responsible for investment projects and seeks to mobilise resources from the private sector. To date, the Bank has disbursed and digested 90% of GEF funding.

\* UNDP is responsible for technical assistance activities and capacity building. It helps to identify projects and activities consistent with GEF goals and national sustainable development strategies. It is also charged with run-

ning the Small Grants Programme for NGOs and community groups. UNDP has disbursed 9% of GEF funds to date.

\* UNEP is responsible for scientific and technical analyses, and manages the independent Scientific and Technical Advisory Panel.

The GEF comprises an Assembly, consisting of representatives of all participating countries; a Council, consisting of 18 members of recipient countries and 14 from non-recipient countries (the main donors); and a Secretariat. The Council is the main governing body. As in Bank governance, the more money a donor gives, the more votes he gets. Thirty-four countries contributed more than \$US 2 billion to the GEF replenishment in 1994.

A Small Grants Programme has \$24 million available for projects in the four focal areas put forward by grassroots groups and NGOs. There is a ceiling of US\$50,000 for national projects and S\$250,000 for regional projects.

Only 20 biodiversity projects were funded in the first full year of GEF operation (as compared with 117 in the three years of the pilot phase), representing \$26 million of GEF funds. Fifteen of these were for 'enabling activities,' which involve such activities such as helping governments set up biodiversity inventories, developing biodiversity planning exercises and action plans, and disseminating information. The remaining five were investment and technical assistance project proposals. A cursory examination of these projects does not generate confidence that the GEF has taken on board many of the pilot phase evaluation report's recommendations. Although a much higher percentage of the new portfolio (38%) put emphasis on involving local NGOs and local communities in the projects compared to the pilot phase (10%), the emphasis is still top-down rather than community-driven. Coercion and cooption are much more common than than real participation. Many of the projects involve protected areas and the participation element involves the

'education' of local communities in park and range management; none address agrobiodiversity issues. In addition, the GEF has recently ventured into the dangerous territory of funding private sector bioprospecting projects (see Box 3).

According to Atherton Martin, NGO representative for the Caribbean region at GEF Council meetings, the new emphasis on participation extends only as far as the paper work. The design teams and implementing agencies merely go through the motions in order to tick off the relevant boxes for donor approval. For example, in the GEF's \$20 million ecodevelopment project in India (which aimed to involve local people in protected area management), so-called consultation with local people was simply transformed into confrontation because the project failed to take account of local peoples' needs, ideas and interests. The same situation arose in a regional biodiversity project in East Africa.

One potentially more positive move has been the performance of a small grants programme, which focuses specifically on community-based activities, often implemented through NGOs. This programme, which has a budget of \$24 million, has awarded 147 small grants in the area of biodiversity and has achieved greater success in realising its goals and involving NGOs and local communities in project design and implementation.

**GEF and CBD Tussle for Position**

At COP 3, delegates will decide whether or not the GEF is to continue to function as the CBD's financial mechanism. This is likely to present an animated debate. The relationship between the GEF and Biodiversity Convention has become increasingly fraught since Rio, and communication has often been difficult. The GEF is still 'on probation' in the Convention's eyes, and the GEF is frustrated at the

COP's reluctance to designate the GEF as the permanent institutional structure to operate the CBD's financial mechanism. Both institutions have their own ideas of

how such a mechanism should operate, and wish to see the other organisation adapt itself to fit their preferred mode of operation.

### **BOX 3 : GEF GOES IN SEARCH OF GREEN GOLD**

Bioprospecting is the 20th century 'politically correct' version of the age-old practice of appropriating the genetic heritage and knowledge of local communities around the world. Unlike their counterparts in the colonial era, today's bioprospectors (either corporations or scientific institutions serving their interests) recognise that they can not get away with raiding local communities' resources for free any more, and that they must pay for access to them. Bioprospecting is becoming quite a boom industry, and the GEF has recently recognised it as a potentially lucrative and green investment. But the attraction of corporations, aid agencies and funders to this new industry is not shared by many NGOs and local communities. Bioprospecting deals have almost without exception been characterised by inadequate consultation with and compensation for local communities, and the extension of the reach of the global market, which is rarely of benefit to the communities involved.

In late 1993, the GEF and the World Bank's private financing arm, the International Finance Committee (IFC), created quite a stir when they met with private foundations to discuss their interest in investing in investing money in venture capital funds to "exploit the knowledge stock" of traditional communities. Project ideas included ecotourism, the screening of plants for medicinal and other potential applications, buying up the knowledge of traditional communities, and even selling the rights to "charismatic" ecosystems to large corporations for public relations value. NGOs and local communities responded with outrage that these institutions would consider investing in commercialisation activities that most local people consider unfair, unethical and even sacrilegious.

Nevertheless, this proposal has now become a reality in the form of the \$30 million 'Biodiversity Enterprise Fund for Latin America,' which aims to support private companies undertaking sustainable uses of biological diversity in Latin America. The areas for investment include sustainable agriculture, bioprospecting activities, sustainable forest management, non-timber forest products and ecotourism. It is being managed by the IFC, and the GEF has contributed \$5 million in grant funds for "biodiversity-related project screening and monitoring costs." Another GEF/IFC initiative, known as the 'Small and Medium Scale Enterprise Program,' has also been created "to stimulate greater involvement of small- and medium-scale enterprises in preserving biodiversity and reducing greenhouse gases." This programme also encourages investment in bioprospecting and ecotourism activities. In addition to the questionable nature of bioprospecting activities, Robyn Round, NGO representative at GEF Council meetings, points out an additional failing of the latter initiative. "Projects include proposals for things like establishing monocultural tree plantations around cattle ranches to act as carbon sinks to counteract methane production. Officials do not seem to recognise that this sort of project directly conflicts with biodiversity programme goals."

Another issue that is likely to come up at COP 3 is the question of the recent decline in biodiversity funding by the GEF. Although the biodiversity portfolio is still the largest held by GEF (comprising 41% of total funding), funding for biodiversity has dropped significantly since the pilot phase ended. Some observers have interpreted this as a direct kick in the teeth to the CBD, but others see the situation as being more complicated than that. Some of the reasons proposed for the drop in funding include:

- \* Some donor governments also want to see a delay in disbursement in the hope that demands for additional topping up funds can be met from unallocated funds left over from the first replenishment rather than new money.
- \* The World Bank and UNDP are determined to keep UNEP out of project management, which the CBD favours
- \* Biodiversity projects are losing favour because climate change projects are more attractive to donors in that they customarily involve the export of technologies from north to south. The priority given to developing country capacity building by the CBD is not nearly so attractive as lucrative contracts.

According to the GEF Secretariat, the drop in biodiversity funding can be easily explained by the fact that the GEF responds to the requests it gets from governments and therefore cannot predetermine how its money will be spent. It also points out that the review process is stricter now that projects must meet both GEF and CBD criteria to qualify for funding, which may exclude some projects. In addition, it points out that much of the GEF funding to date has been earmarked for the development of regional and national strategies for biodiversity conservation (in accordance with Article 6 of the Biodiversity Convention). The GEF is unwilling to approve further projects until these have been completed, as they are expected to provide a clearer

framework for the preparation of high quality biodiversity projects.

Despite the tension that has arisen between CBD and GEF, the CBD would be foolish to ignore it outright as a possible funding mechanism. The GEF pot was established using new 'green' funding from Bank donors. The money is sitting there waiting to be used, and donors are not likely to be willing to cough up more money to set up yet another huge bureaucracy and funding mechanism especially for the CBD. But it is clear that if the GEF is to be viable as a mechanism to disburse CBD project funding, dramatic reform is still needed. The CBD clearly still has reservations. In its "Report of the Executive Secretary on Financial Resources and Mechanisms" the CBD states that "careful analysis will be required to assess more subjective aspects of COP guidance (e.g. the extent to which GEF projects have been able to integrate social dimensions, such as poverty, in its projects)." Given the GEF's poor record of consultation, participation and addressing local peoples' needs, such issues must be given high precedence in any review.

### Conclusion

When it was conceived, some people hoped that the GEF might be the Trojan Horse of the environment at the Bank. But it seems the sceptics' reluctance about the GEF was well placed. It has turned into nothing more than a green window - painted green, rather than opening onto forests and fields at that. The GEF has become more transparent and more open since its replenishment and restructuring, but it has not gone nearly far enough. In addition, it is failing badly in reaching its fundamental goal. The GEF was set up to address the interrelationships between environmental issues, but it is still packaging them into boxes. GEF officials and donors do not seem to recognise that monocultural tree plantations proposed as carbon sinks

in climate change projects directly conflict with biodiversity programme goals.

Even within the boxes, the GEF is still proving to be a disappointment. The GEF may well be a suitable vehicle for short-term technological fixes in the global commons, such as ozone depletion. But it appears to be a singularly unsuitable vehicle for helping countries and communities deal with the complex issues of natural resource rights and management that characterise the arena of biodiversity. The GEF has adopted the World Bank's scientific approach to biodiversity conservation, which involves parcelling off packages of protected areas and ignoring the cultural, social and economic context. It still operates in a top-down manner and is supporting corporate bioprospecting projects, which threaten the livelihoods of local communities. Without dramatic reform, the GEF cannot be considered by the CBD as a vehicle for project implementation.

The most glaring issue that must be addressed is the question of participation: in project design, selection and implementation. There simply must be greatly increased NGO and community involvement. Connected to this is the need for the involvement of people who really understand biodiversity and are willing to address its complex network of entrenched issues - social, economic and cultural - and people who understand the links between biodiversity and development.

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