

The Global Environmental Facility: A Dismal Failure

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The United States has joined a number of international treaties and financed several global initiatives that aim to benefit the environment. One of these efforts is the Global Environmental Facility (GEF).¹



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The GEF funds international projects to preserve biodiversity, prevent global warming, protect international waters, stop land degradation, save the ozone layer and remove persistent organic pollutants.²

Over the past 12 years, the United States has donated \$1.24 billion to the GEF. Over the past five years, U.S. contributions have increased 61 percent. [See the figure.] Other developed countries have voluntarily contributed billions of dollars to the GEF for projects in developing countries. It is difficult to determine the total amount spent because some countries do not follow through on their pledged support, and the GEF itself does not manage the projects.

It is important to evaluate whether or not U. S. taxpayer dollars are used effectively. Though the GEF arguably pursues admirable goals, there is evidence the institution is highly ineffective, structurally flawed and possibly corrupt. It appears almost all of the money contributed to the GEF has been wasted.

Problem: The Global Environmental Facility Is Ineffective. Since the adoption of Agenda 21 by the 1992 Rio Earth Summit, the GEF has been jointly managed by the World Bank and the United Nations Development Program (UNDP).³ The GEF is the financing mechanism established principally to implement five international agreements: the Convention on Biological

Diversity, the U.N. Framework Convention on Climate Change, the U.N. Convention to Combat Desertification, the Stockholm Convention on Persistent Organic Pollutants and the Minamata Convention on Mercury.⁴

The GEF distributes grants for alternative energy projects and information on environmental degradation in many countries. The GEF also funds projects to reduce greenhouse gas emissions by promoting renewable energy, energy efficiency and sustainable transportation. It also helps developing countries submit national inventories of greenhouse gas emissions to the U.N. climate change convention.

Among the many GEF grants:⁵

- In Sierra Leone, the GEF financed technology transfers for climate and environmental monitoring infrastructure with the goal of strengthening the country's weather, climate and hydrological monitoring capabilities.
- In Mexico, the GEF plans to distribute \$24.3 million worth of solar home systems.
- In South Africa, the GEF is investing in thermal (clean) coal and natural gas power plants, and (to a lesser extent) increased imports of hydro-power generated electricity.

However, a 2004 Office of Management and Budget (OMB) evaluation concluded that GEF-funded projects have had no demonstrated results, due to ineffective programs and poor management. Specifically, the OMB said, "...[t]he Facility has not yet

The Global Environmental Facility: A Dismal Failure

fully instituted key performance improvements...in the measurement of environmental results and implementation of a system to prioritize the allocation of its funding based on country performance and environmental benefit....”⁶

The GEF conducts internal audits every three years to assure donor countries of its continued progress toward “improvement.” However, the GEF’s most recent audit, in 2010, found that it had not significantly reformed its operations.⁷ The auditors said the organization is making “solid progress toward impact in 40 percent of its finished projects. Thirty percent of its finished projects show progress but will need additional action to ensure progress toward impact. The remaining 30 percent of projects show no progress....”

If only about 40 percent of projects have made significant progress, another 30 percent need more help, and 30 percent show no progress, arguably, the GEF is not fulfilling its mission, because none of its projects have had a measurable environmental benefit.

Problem: The Program Is Corrupt. According to the OMB, “The Facility lacks strong anti-corruption mechanisms. These include, for example, setting high standards, independent audit functions, financial disclosure and codes of ethics, obtaining clean annual external financial audits, and implementing procurement based on best practices.” In fact, the program has been scandal-ridden. For instance:⁸

- In 2007, the GEF was caught in procurement fraud in Africa worth \$8 million; but when an official reported it, the United Nations retaliated against the whistleblower.
- In the Philippines, the GEF was reportedly operated by an official who awarded grants to her own local nongovernment organization

(NGO); then, diverted funds to enrich her family. When a U.N. employee blew the whistle, the United Nations covered it up.

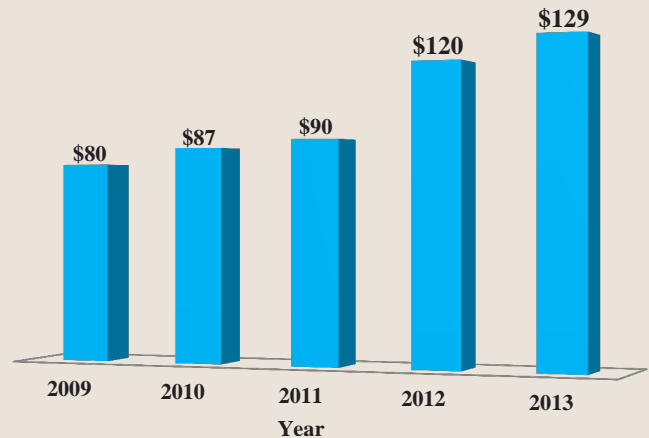
- The U.N. Development Program, which oversees the GEF, was investigated for illicitly giving funds to North Korea, and for their inability to account for \$100 million designated for sustainable development projects.

Problem: Program Funds Are Badly Allocated. The GEF does little to help the poorest countries. For example:⁹

- From 2006 to 2009, of \$760 million in GEF grants, nearly one-third (\$253 million) went to China, India and Brazil, three of the largest and most advanced developing economies.
- Less than \$100 million went to projects in the world’s 49 poorest countries.
- Over a seven-year period, rich countries deposited \$172 million in the GEF-administered Least-Developed Countries Fund, but only \$47 million was disbursed.

Problem: The GEF Is Structurally Flawed. A 2013 Congressional Research Service (CRS) evaluation of the GEF exposed several organizational flaws.¹⁰ The CRS said that the “GEF was set up mostly to finance grants. Grants have proven to be inefficient in many development contexts given the greater leveraging and enhanced

Increase in U.S. Global Environmental Facility Funding, 2009-2013
(in millions)



Source: Funding Data from the Congressional Research Service and U.S. Treasury Department. Available at <http://www.fas.org/sgp/crs/misc/R41165.pdf> and <http://www.treasury.gov/about/budget-performance/budget-in-brief/Pages/default.aspx>

financial sustainability obtained from loan[s].”

Lengthy delays in project implementation have also created problems. The CRS comments, “A 2006 internal report found a 66-month lapse between entry of a concept into the project pipeline and its initiation. Significant effort has been exerted to reduce the duration of the approval process, and the interval currently stands at 16 to 22 months. Bureaucratic structures... and consensus politics have all factored into delays.”

Conclusion. The GEF has been failing for two decades, yet American taxpayers continue to foot the bill. If the federal government wants to fund environmental programs abroad, it should invest directly in programs that have been shown to work. Before funds are spent, however, strict accounting standards, tough anticorruption rules and penalties, and clear guideposts for progress and success should be implemented.

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References and sources can be found in the online version at www.ncpa.org/pub/ba787.