

## Global Environment Facility (GEF)

FY2002 Appropriation	FY2003 Scheduled Request	FY2003 Arrears Request	FY2003 Total Request
\$100.5M	\$107.5M	\$70.3M	\$177.8M

For FY2003, the Administration is requesting \$107.5 million to cover the first of four payments under the third replenishment of the GEF (GEF-3) and \$70.3 million to pay one-third of the U.S. arrears to the GEF, which total \$210.9 million. Authorization for GEF replenishments is provided by prior legislation (P.L. 103-306).

The GEF helps developing countries address environmental challenges that may impact the U.S. and rest of the world. As the largest donor to the institution, the U.S. plays a leadership role and is currently pursuing a reform agenda for the GEF-3 replenishment focusing on efficiency improvements and results-based performance.

### Key Facts

- The U.S. share in GEF is 20%, GEF's single largest shareholder.
- To date, the GEF has approved over 1,030 investment and capacity-building projects for implementation and has disbursed about \$1.2 billion in grants. During calendar year 2001, 51 GEF projects were approved for World Bank implementation, totaling just over \$303 million in grants and \$1.8 billion in cofinancing.
- Under GEF's small grant program, over 2,673 grants worth up to \$50,000 each have been provided directly to NGOs and community groups. The total value of small grants approved since establishment of the program is over \$46 million. More than 2,100 partner organizations have provided cofinancing for this program.
- GEF's projects fall into four categories:
  - Conserving biodiversity (42% of its portfolio)
  - Expanding clean energy production and efficient use (38%)
  - Cleaning up international waters and protecting fisheries (15%)
  - Phasing out ozone-depleting chemicals (5%)
- The GEF mobilizes targeted assistance and leverages U.S. contributions. The U.S. has invested a total of \$679 million in the GEF, which has helped catalyze \$3.8 billion in GEF commitments to date. In turn, this funding has mobilized more than \$11 billion in investments from other sources, including the private sector, international development banks and organizations, governments, NGOs, and bilateral agencies.
- Under a new international agreement, the GEF will play a key role in addressing the impact of persistent organic pollutants on human life and the environment. These pollutants are an

issue of particular concern in the northern United States, and President Bush signed the international agreement on persistent organic pollutants in May 2001.

## **Institutional Mandate**

Launched in 1991, the GEF is an international financial institution which helps developing countries identify environmental measures that also support economic development, and “mainstreaming” these dual-purpose initiatives into regular country development plans. Active engagement by the developing countries in this approach is essential to make enduring progress on environmental issues with global dimensions, while simultaneously making progress to reduce poverty and support sustainable development.

GEF specializes in two areas:

- It pilots innovative approaches to environmental challenges that can be duplicated elsewhere and financed on a larger scale by non-GEF sources, including extensive follow-on private and public investment in similar projects. For example:
  - Poland: An energy-efficient lighting project led several companies into the market
  - Sri Lanka: A solar energy project has expanded the market for solar home systems
  - Brazil: A project to commercialize biomass-fueled turbines will help spur further R&D and commercialization worldwide.
- It provides technical assistance and policy advice to build the country conditions needed to “mainstream” environmentally sound investments. It also helps neighboring countries collaborate better on trans-border environmental problems with wider regional implications.

The GEF is highly focused in what it funds—providing assistance to only the parts of projects that demonstrate environmental benefits with global applications, including those that could affect Americans as well. Recipients pay for local benefits and thereby take greater responsibility for protecting their own environment.

## **Efforts to Strengthen Cost-Effectiveness and Performance of GEF Operations**

- GEF is a small operation (40 staff people) in large part because its projects are implemented by other agencies:
  - World Bank: Manages demonstration investment projects
  - United Nations Development Program: Runs capacity building programs
  - United Nations Environment Program: Provides technical assistance.
- GEF cooperates closely with the World Bank, the regional development banks and specialized agencies in project execution. Recent examples include:
  - Sri Lanka: \$24.2 million from the World Bank and a \$5.9 million GEF grant to supply electricity generated with renewable technologies to 8,800 households.

- Eastern Europe and Central Asia: \$75,000 from the World Bank, UNDP, and UNEP and a \$138 million GEF grant to an ozone program in 15 countries to phase-out ozone-depleting substances. With GEF assistance, use of these substances has declined by more than 90% in these countries since 1991.
  - Global: \$7.4 million GEF grant, implemented by UNDP and with in-kind inputs from participating governments, to control the spread of alien, invasive species through ship ballast water control in several countries, including Brazil and India.
  - Mexico: \$4.2 million from the World Bank and a \$14.8 million GEF grant to protect unique biodiversity in an area spanning from Mexico to Panama.
  - China: \$98 million from the Asian Development Bank and a \$12 million GEF grant to help diversify energy sources and reduce dependency on coal.
- GEF sets high transparency standards.
    - NGOs have full observer status in GEF's Governing Council and can speak at all Council meetings.
    - All GEF Council documents are public and posted on GEF's Internet website ([www.gefweb.org](http://www.gefweb.org)).
  - GEF is working to implement a reform agenda, largely reflecting priorities urged by the U.S. in the GEF-2 replenishment negotiations in 1998. Key reforms include:
    - New performance indicators to monitor and demonstrate results are in place for GEF's sustainable energy program and being used for biodiversity projects.
    - Portfolio-wide, new projects are being designed with clearer objectives, stronger indicators, and more comprehensive monitoring plans.
    - Project monitoring and evaluation are being strengthened.
    - New instruments (i.e., loan guarantees and project insurance) are being used to promote private sector environmental projects.
  - Looking ahead, the GEF-3 replenishment negotiations will conclude in early 2002. The U.S. is currently pursuing a reform agenda, which has been materially informed by a recent review by an independent evaluation team on the GEF's overall performance. Areas of clear interest for the U.S. will be an increased focus on quantifiable project results, greater emphasis on private sector engagement, emphasis on country performance, and the creation of an independent monitoring and evaluations department.
  - Authorization for the GEF-3 replenishment is provided by prior legislation (P.L. 103-306, the 1995 Foreign Operations, Export Financing, and Related Programs Appropriations Act).

## Supporting U.S. Objectives

### *Increasing Productivity*

GEF serves to directly increase productivity through activities such as renewable energy and energy efficiency projects. For example:

- In Brazil, a GEF project is supporting investments to improve energy efficiency and reduce supply-side loss by utilities and consumers, thus increasing the productivity of the energy provided.
- In Bangladesh, the GEF will be supporting the development of solar energy to provide electricity to rural areas where income generation has been impeded due to lack of electricity.

### *Combating Terrorism*

- The GEF has been cooperative with the U.S. in our efforts to combat terrorism and ensure that the finances we provide to the GEF do not end up in the hands of terrorists. The GEF does not implement projects itself, but provides funds to other organizations that implement them (e.g., the World Bank). Therefore, the GEF Chairman has asked these implementing organizations to urgently review their international financial and audit procedures in order to ensure that there can be no diversion of GEF funds to terrorist entities.

### *Promoting sound environmental policy*

- Sound environmental policy in developing countries protects the long-term interests and health of Americans against environmental threats such as persistent organic pollutants.
- GEF-supported global conservation trust funds work to protect globally significant biodiversity by expanding protected areas and ensuring sustainable livelihoods for local residents.

### *Promoting U.S. Business*

- GEF expands markets for environmental technologies and services, where the U.S. has strong export competitiveness. About 40% of GEF contracts with private sector solar energy companies have gone to U.S. firms, and GEF projects will help expand markets for solar equipment by 70% in the next few years. In addition, roughly 18% of all GEF procurement awards to donor countries goes to U.S. firms. For example:
  - Thailand: Replacement of 440 ozone-damaging building chillers with highly efficient, non-CFC chillers, abating 220 tons of ozone-depleting chemicals.
  - Philippines: Development of geothermal fields to supply steam to provide fuel-free energy to supply 20% of total electricity in the country.

*Promoting Democracy and Good Governance*

- GEF operations systematically involve NGOs, local communities, and private firms in all stages of projects. For example:
  - Asia/Pacific countries, including China, Indonesia, Thailand, and Vietnam. The GEF's marine pollution program in the East Asian Seas region involves governments, NGOs, and scientific communities in a coordinated effort to clean up untreated sewage, industrial effluents, oils, pesticides and hazardous wastes from land and sea-based activities.