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Global Environment Facility (GEF): An Overview

Richard K. Lattanzio
Analyst in Environmental Policy

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Summary

The Global Environment Facility (GEF) is an independent and international financial mechanism (i.e., a grant and lending institution) that promotes cooperation and fosters actions to protect the global environment. Established in 1991, it unites 180 member governments and partners with international institutions, nongovernmental organizations, and the private sector to assist developing countries with environmental projects related to six areas: biodiversity, climate change, international waters, the ozone layer, land degradation, and persistent organic pollutants. GEF receives funding from multiple donor countries—including the United States—and provides grants and concessional loans to cover the additional or "incremental" costs associated with transforming a project with national benefits into one with global environmental benefits. In this way, GEF funding is structured to "supplement" base project funding and provide for the environmental components in national development agendas. GEF partners with several international agencies, including the International Bank for Reconstruction and Development, the United Nations Development Program (UNDP), and the United Nations Environment Program (UNEP), among others. GEF is the primary fund administrator for four Rio (Earth Summit) Conventions, including the Convention on Biological Diversity (CBD), the United Nations Framework Convention on Climate Change (UNFCCC), the Stockholm Convention on Persistent Organic Pollutants (POPs), and the United Nations Convention to Combat Desertification (UNCCD). GEF also establishes operational guidance for international waters and ozone activities, the latter consistent with the Montreal Protocol on Substances that Deplete the Ozone Layer and its amendments. Since its inception, GEF has allocated $8.8 billion—supplemented by more than $38.7 billion in co-financing—for more than 2,400 projects in more than 165 countries.

GEF is one mechanism in a larger network of international programs designed to address environmental issues. Each year, billions of dollars in environmental aid flow from developed country governments—including the United States—to developing ones. While the efficiency and the effectiveness of these programs are of concern to donor country governments, a full analysis of the purposes, intents, results, and consequences behind these financial flows has yet to be conducted. International relations, comparative politics, and developmental economics can often collide with environmental agendas. Critics contend that the existing system has had limited impact in addressing major environmental concerns—specifically climate change and tropical deforestation—and has been unsuccessful in delivering global transformational change. A desire to achieve more immediate impacts has led to a restructuring of the Multilateral Development Banks' (MDBs') role in environmental finance and the introduction of many new bilateral and multilateral funding initiatives. The effectiveness of GEF depends on how the fund addresses its programmatic issues, reacts to recent developments in the financial landscape, and responds to emerging opportunities. The future of GEF remains in the hands of the donor countries that can choose to broaden the mandate and strengthen its institutional arrangements or to reduce and replace it by other bilateral or multilateral funding mechanisms.

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Introduction

Many governments acknowledge that environmental degradation and climate change pose international and trans-boundary risks to human populations, economies, and ecosystems. To address these challenges, countries have implemented global environmental policies through a range of domestic, bilateral, and multilateral mechanisms. Recent mechanisms have taken the form of (1) treaties and frameworks that seek to harmonize international commitments; (2) legislative and regulatory policies that support emission reductions, renewable energy portfolios, and energy efficiency strategies; (3) developmental programs that assist with sustainable growth strategies in lower-income countries; and (4) financial pledges that increase public funding for global environmental initiatives. This report investigates the last policy measure: public funding for global environmental initiatives.

U.S. support for global environmental initiatives has increased substantially over the past few years **Table 1**.[1] As Congress considers potential legislation and/or appropriations for initiatives administered through the Department of State, the Department of the Treasury, and other agencies with international programs, it may have questions concerning the direction, efficiency, and effectiveness of current bilateral and multilateral programs. This report provides an overview of one of the largest and most comprehensive mechanisms to date—the Global Environment Facility (GEF)—and analyzes its structure, funding, and objectives in light of the many challenges within the contemporary landscape of global environmental finance.

[1] Some commentators believe the new and increased funding for environmental issues is the result of several factors, including (1) an increased political understanding of climate change, (2) the transformed role of Multilateral Development Banks in global energy and environmental issues, (3) an expressed desire to achieve more immediate environmental and economic impacts through bilateral and private sector resources, and (4) a perceived lack of efficiency in current financial mechanisms. See Gareth Porter, Neil Bird, Nanki Kaur, and Leo Peskett, "New Finance for Climate Change and the Environment," World Wildlife Foundation and the Heinrich Böll Foundation, 2008.

Table 1. Recent U.S. Budget Authority for International Environmental Programs
($ in millions US)

Fund (Agency)	2009 Actual	2010 Estimate	2011 Request
Clean Technology Fund (Treasury)	-	$300.0	$400.0
Strategic Climate Fund (Treasury)	-	-	-
Pilot Program for Climate Resilience	-	$55.0	$90.0
Forest Investment Program	-	$20.0	$95.0
Scaling-Up Renewable Energy	-	-	$50.0
Global Environment Facility (Treasury)	$80.0	$86.5	$175.0
Tropical Forest Conservation Act (Treasury)	$20.0	$20.0	$20.0
Least Developed Countries Fund (State)	-	$30.0	$30.0
Special Climate Change Fund (State)	-	$20.0	$20.0
World Bank Forest Carbon Partnership (State)	$5.0	$10.0	$15.0
Total	$105.0	$541.5	$895.0

Source: H.R. 3288, the Consolidated Appropriations Act, 2010, signed into law Dec. 16, 2009 (P.L. 111-117), and The Budget of the United States Government for Fiscal Year 2011, Appendix.

Notes: The above list is a selection of global environmental programs funded in part by the U.S. government. It is not comprehensive of all U.S. environmental funding.

The Global Environment Facility (GEF)

The Global Environment Facility is an independent and international financial mechanism (i.e., a grant and lending institution) that promotes cooperation and fosters actions to protect the global environment. Established in 1991, it unites 180 member governments and partners with international institutions, nongovernmental organizations, and the private sector to assist developing countries with environmental projects related to six areas: biodiversity, climate change, international waters, the ozone layer, land degradation, and persistent organic pollutants (POPs). GEF receives funding from multiple donor countries[2]—including the United States—and provides grants and concessional loans[3] to cover the additional or "incremental" costs associated with transforming a project with national benefits into one with global environmental benefits (e.g., choosing solar energy technology over coal technology meets the same national development goal of power generation but is more costly. GEF grants aim to cover the difference or "increment" between a less costly, more polluting option and a costlier, more environmentally sound option). In this way, GEF funding is structured to "supplement" base project funding and provide for the environmental components in national development agendas. Since its inception, GEF has allocated $8.8 billion—supplemented by more than $38.7 billion in co-financing[4]—for more than 2,400 projects in more than 165 countries.[5]

[2] See **Figure A-1** of the **Appendix** for a list of donor countries during each GEF funding, or "replenishment," period.

[3] "Concessional loans" are defined as financing that offers flexible or lenient terms for repayment, usually at lower than market interest rates.

[4] Co-financing may come from a variety of sources including public money in the recipient country, private money in (continued...)

The idea for a Global Environment Facility was proposed in a September 1989 meeting of the joint International Bank for Reconstruction and Development (the World Bank)—International Monetary Fund Development Committee after recommendation by a World Resources Institute report commissioned by the United Nations.[6] The fund was established in 1991 as a pilot program within the World Bank, and many observers saw it as the beginning of an important shift in multilateral policy toward incorporating environmental concerns into development assistance. GEF, however, quickly ran into some operational challenges. These included (1) problems with communication among the implementing agencies (i.e., among the World Bank economists, the United Nations Development Program engineers, and the United Nations Environment Program environmentalists), (2) problems with differing agendas among the donor countries (i.e., between environmental idealism in Europe or economic pragmatism in the United States and United Kingdom), and (3) problems with differing perspectives among developing countries (i.e., between an emphasis on economic growth or environmental initiatives).

Initially, GEF had been opposed by developing countries who believed that a program established and controlled by higher-income donor countries under the framework of the Multilateral Development Banks was not in their best interest. They remained committed to a governing structure and a cooperative partnership founded on a U.N.-style majority-based decision. After three years of debate, GEF was restructured in 1994 to address many of its institutional challenges. GEF moved out of the World Bank to become a separate and permanent institution with enhanced involvement from developing countries in decision making and implementation. The current governing structure was instituted, the first operating procedures ("the Instrument for the GEF")[7] were documented, and the funding cycle ("the GEF Replenishment") commenced. The World Bank took on the provision of the Trust Fund. The United Nations Development Program, the United Nations Environment Program, and other international organizations contributed to project development, management, and delivery.

Organizational Structure

International Agencies: GEF currently partners with 10 international agencies: the World Bank; the United Nations Development Program (UNDP); the United Nations Environment Program (UNEP); the United Nations Food and Agriculture Organization; the United Nations Industrial Development Organization; the African Development Bank; the Asian Development Bank; the European Bank for Reconstruction and Development; the Inter-American Development Bank;

(...continued)

the recipient country, foreign direct investment, or other official development assistance.

[5] Information on GEF activities, organization, policies, and projects is available on its new website, at http://www.thegef.org/gef/.

[6] A full overview and analysis of the history of GEF and environmental financing can be found in a number of source materials including book length studies by Inge Kaul and Pedro Conceição, *The New Public Finance: Responding to Global Challenges*, New York: Oxford University Press, 2006; Robert L. Hicks, Bradley C. Parks, J. Timmons Roberts, and Michael J. Tierney, *Greening Aid?: Understanding the Environmental Impact of Development Assistance*, New York: Oxford University Press, 2008; and several articles including Gareth Porter, Neil Bird, Nanki Kaur, and Leo Peskett, "New Finance for Climate Change and the Environment," WWF and the Heinrich Böll Foundation, 2008; Smita Nakhooda, Jon Sohn, and Kevin Baumert, "Mainstreaming Climate Change Considerations at the Multilateral Development Banks," World Resources Institute, 2005; and Smita Nakhooda, "Correcting the World's Greatest Market Failure: Climate Change and the Multilateral Development Banks," World Resources Institute, 2008.

[7] The "Instrument for the Establishment of the Restructured Global Environment Facility" is the officially adopted operating procedures of the GEF. See documents at http://www.thegef.org/gef/node/2552.

and the International Fund for Agricultural Development. Procedurally, the World Bank administers funding, UNDP oversees project development, and UNEP serves as the scientific and technical advisor. The remaining agencies contribute to the management and delivery of projects.

International Conventions: GEF is the primary fund administrator for four Rio (Earth Summit) Conventions, including the Convention on Biological Diversity (CBD), the United Nations Framework Convention on Climate Change (UNFCCC), the Stockholm Convention on Persistent Organic Pollutants (POPs), and the UN Convention to Combat Desertification (UNCCD). GEF also establishes operational guidance for international waters and ozone activities, the latter consistent with the Montreal Protocol on Substances that Deplete the Ozone Layer and its amendments.

Internal Organization: GEF's main decision-making body is the GEF Council, which is an independent board of governors responsible for developing, adopting, and evaluating operational policies and programs. The Council is composed of 32 appointed members—16 from developing countries, 14 from developed countries and two from among the countries of Central and Eastern Europe and the former Soviet Union. The balance between donor and recipient countries was negotiated and agreed to by Member states after the pilot phase of the program. The Council meets approximately every six months and allows non-governmental organizations and private individuals to attend most sessions. Formal voting goes before the GEF Assembly, which is composed of representatives from all Member states and meets every four years. During these times, the Assembly reviews general policy for operations, membership, funding, and amendments. The GEF Secretariat, based in Washington, DC, services and reports to the Council and the Assembly and formulates the work program, oversees implementation, and ensures that operational policies are followed.

Voting: The Assembly and the Council make decisions and adopt regulations through the process of *consensus*. GEF defines consensus as an agreement reached by all participants which includes the resolution or mitigation of all minority objections. If, in the case of the Council, all practicable efforts have been made and no consensus appears, Members may request a *formal vote*. The GEF formal vote is a double weighted majority; that is, an affirmative vote that includes both a 60% majority of the total number of Participants and a 60% majority of the total amount of contributions.[8] This format arose through a coordinated agreement between developed and developing countries in an effort to give facility to both donors and recipients in the decision-making process.

Funding

Replenishments: GEF is funded by donor countries, which pledge money every four years through a process known as GEF replenishment. The process of replenishment was designed to allow for program flexibility, strategic planning, and periodic performance evaluations. The original GEF pilot program of $1 billion has been replenished four times with $2.01 billion in 1994, $2.67 billion in 1998, $2.93 billion in 2002, and $3.13 billion in 2006. Negotiations on the fifth replenishment of GEF (GEF-5) have begun for implementation in 2010-2014.[9] Financial

[8] For the purpose of voting power, total contributions consist of the actual cumulative contributions made to the GEF Trust Fund.

[9] GEF's fiscal year runs from July 1 to June 30.

commitments by donor country to the GEF pilot program and the four GEF replenishments can be found in **Figure A-1** of the **Appendix**.

U.S. Commitments and Contributions: The United States supported the establishment of GEF in 1991. While the United States did not provide direct funding during the pilot phase of the program,[10] it has made commitments and contributions to all four GEF replenishments. U.S. commitments have been $430 million in 1994, $430 million in 1998, $430 million in 2002, and $320 million in 2006, for a total of $1.61 billion. U.S. commitments correspond to 13.9% of total contributions for GEF during the history of the program, or, more specifically, 21.3% of total contributions for GEF-1, 16.1% for GEF-2, 14.7% for GEF-3, and 10.2% for GEF-4.[11] Payments made by the U.S. Treasury to the International Bank for Reconstruction and Development (the World Bank) as trustee for the GEF have varied widely over the years due mainly to budget trends. As of December 31, 2009, payments have totaled $1.36 billion. Thus the United States is currently $249.5 million in arrears of its pledged commitments, joining Argentina, Egypt, India, Nigeria, and Portugal in that category. P.L. 111-117 was enacted in December 2009 with a stipulated contribution of $86.5 million to GEF, of which $80 million is for the final GEF-4 contribution and $6.5 million is for a portion of arrears.[12] A summary of U.S. commitments and contributions is shown in **Table 2**. The financial status of the GEF Trust Fund and the summary of arrears by country can be found in **Figure A-2** of the **Appendix**. A summary of the United States status in arrears by U.S. fiscal year can be found in **Table A-1** of the **Appendix**.

[10] During the GEF Pilot Phase, the United States had a separate co-financing arrangement administered by USAID.

[11] The percentage of total contributions and the percentage of new donor funding are computed from different totals. U.S. percentage of new donor funding is 20.86%, 20.84%, 17.94%, and 20.86%, respectively. See **Appendix, Figure A-1**, for a full breakdown of U.S. contributions in relation to other sources.

[12] Please note that the FY2010 enacted $86.5 million contribution is not calculated into GEF's December 31, 2009, figures.

Table 2. U.S. Commitments and Contributions to GEF by Fiscal Year

Fiscal Year	$ Committed to GEF ($ in millions) for four years	$ Contributed to GEF ($ in millions)
1994	$430.0	$30.0
1995		$90.0
1996		$35.0
1997		$35.0
1998	$430.0	$47.5
1999		$167.5
2000		$35.8
2001		$107.8
2002	$430.0	$100.5
2003		$146.8
2004		$138.4
2005		$106.6
2006	$320.0	$79.2
2007		$79.2
2008		$81.1
2009		$80.0
2010	$680.0 / $575.0[a]	$86.5[b]
2011		$175.0[c]
Total	$2,290.0 / $2,185.0	$1,622.0
Totals through 12/31/2009	$1,610.0	$1,360.5
Arrears through 12/31/2009		$249.5

Sources: FY2011: The Budget of the United States Government for Fiscal Year 2011, Appendix, Department of State and Other International Programs, at http://www.gpoaccess.gov/usbudget/fy11/pdf/appendix/sta.pdf. FY2004-FY2010: U.S. Department of Treasury, Office of Performance Budgeting and Strategic Planning, at http://www.ustreas.gov/offices/management/budget/budgetinbrief/index.shtml. Prior to FY2004: CRS correspondence with U.S. Department of Treasury.

a. $680 million as requested in The Budget of the United States Government for Fiscal Year 2011, Appendix / $575 million as pledged at the Fifth GEF Replenishment negotiations on May 12, 2010.

b. Enacted, P.L. 111-117 ($6.5 million of the $86.5 million is for funds in arrears).

c. Requested, The U.S. Budget for Fiscal Year 2011, Appendix, Department of State and Other Int'l Programs ($5.0 million of the $175.0 million is for funds in arrears).

GEF-5: GEF finalized its Fifth Replenishment negotiations on May 12, 2010, in Paris, with over 30 countries pledging $4.25 billion to fund projects for the period 2010-2014. The financial pledges include $1.3 billion programmed for climate change and some of the Fast Start Financing discussed at the Copenhagen Climate Change Conference. The funding represents a 52% increase in new resources provided by donors over the last GEF replenishment. The U.S. Administration reportedly pledged $575 million over four years to GEF-5, with 29% of the U.S. funding to be directed toward clean energy, 15% toward forestry, and 9% toward building resilience to climate change impacts.[13] The U.S. pledge represents an 80% increase over the last GEF replenishment. During negotiations, the United States reportedly achieved important policy reforms to improve GEF's overall effectiveness, particularly with regard to country-owned business plans for funding and resource allocation. The U.S. Budget for Fiscal Year 2011 had set forth a U.S. commitment of $680 million for the Fifth Replenishment of GEF, to be paid in four equal installments of $170 million from FY2011 through FY2014. The FY2011 Budget had included $170 million for the first installment of GEF-5 and $5 million for a portion of U.S. arrears, for a total request of $175 million.[14] All funding is subject to annual congressional approval.

Project Areas

GEF funding is provided to recipient countries for projects and programs in six areas: biodiversity, climate change, international waters, ozone layer depletion, land degradation, and persistent organic pollutants. For examples of the types of projects funded by GEF, see the text box below.

Biodiversity: GEF is the financial mechanism of the 1993 United Nations Convention on Biological Diversity. The goal of GEF's program is the conservation and sustainable use of biodiversity, the maintenance of the ecosystem goods and services that biodiversity provides to society, and the fair and equitable sharing of the benefits arising out of the use of genetic resources. To achieve this goal, the program has several objectives including sustainability initiatives in protected areas, conservation measures in production sectors, capacity building to implement the Cartagena Protocol on Biosafety (CPB), and capacity building to support the implementation of the Bonn Guidelines on Access to Genetic Resources. Biodiversity projects constitute the largest percentage of GEF's portfolio, making up 36% of total grants.

Climate Change: As the financial mechanism of the United Nations Framework Convention on Climate Change, GEF allocates and disburses funding for projects in climate change mitigation (i.e., reducing or avoiding greenhouse gas emissions in the areas of renewable energy, energy efficiency, and sustainable transport), and climate change adaptation (i.e., increasing resilience to the adverse impacts of climate change of vulnerable countries, sectors, and communities). GEF projects in climate change help developing countries contribute to the overall objective of the UNFCCC to achieve a "stabilization of greenhouse gas concentrations in the atmosphere at a level that would prevent dangerous anthropogenic interference with the climate system." Moreover, GEF manages two special funds under the UNFCCC—the Least Developed Countries Fund, to assist in adaptation strategies for the most vulnerable countries; and the Special Climate

[13] Statement made by Natalie Wyeth, spokeswoman for the U.S. Treasury Department, as reported by http://www.eenews.net/climatewire/2010/05/17/4.

[14] The U.S. Budget for Fiscal Year 2011, op. cit.

Change Fund, to assist in mitigation and adaptation programs for countries that are heavily reliant of fossil-fuel technologies.

International Waters: GEF's international waters focal area does not serve as a financial mechanism for a specific convention. Through an association with regional agreements, it targets trans-boundary water systems, such as river basins with water flowing from one country to another, groundwater resources shared by several countries, and marine ecosystems bounded by more than one nation. GEF grants help countries collaborate with their neighbors to modify human activities that place stress on trans-boundary water systems and interfere with downstream uses of those resources. Some of the issues addressed include trans-boundary water pollution, over-extraction of groundwater resources, unsustainable exploitation of fisheries, control of invasive species, and balancing the competing uses of water resources.

Ozone Layer Depletion: GEF, in partnership with the 1985 Vienna Convention for the Protection of the Ozone Layer and the 1987 Montreal Protocol on Substances that Deplete the Ozone Layer, has aimed to safeguard the earth's protective ozone layer after the discovery that certain compounds were found to deplete it, posing substantial risks to human health and the environment. GEF has allocated funds to assist in phasing out ozone-depleting substances (ODS) and curbing the rising production and use of hydrochlorofluorocarbons (HCFCs). GEF's aim is to protect human health and the environment by assisting countries in phasing out consumption and production of ODS while enabling alternative technologies and practices, according to countries' commitments under the Montreal Protocol. The long-term goal of GEF interventions is to contribute to the return of the ozone layer to pre-1980 levels.

Land Degradation: In 2002, the GEF Assembly expanded GEF's mandate by adding land degradation to the portfolio and designating it the financial mechanism of the United Nations Convention to Combat Desertification. GEF focuses on sustainable agricultural practices (e.g., crop diversification, crop rotation, water harvesting, and small-scale irrigation schemes), sustainable rangeland management, and the preservation of viable indigenous forests and woodlands. GEF projects aim to integrate sustainable land management into national development priorities, and to strengthen human, technical, and institutional capacities.

Persistent Organic Pollutants: GEF is the interim financial mechanism of the 2001 Stockholm Convention on Persistent Organic Pollutants, a global and legally binding agreement to reduce and eliminate pollutants including pesticides (e.g., DDT and mirex) and industrial chemicals (e.g., PCBs) as well as unintentionally produced POPs (e.g., dioxins and furans). GEF's involvement in tackling the threats posed by POPs dates back to 1995, with the introduction of the International Waters Operational Strategy and its contaminant-based component. In this framework, GEF began to develop a portfolio of strategically designed projects including regional assessments and pilot demonstrations that addressed a number of pressing POPs-related issues.

Examples of GEF Projects

Rural Electrification and Renewable Energy Development in Bangladesh

GEF Grant: $8,540,000

Description: The project promoted solar energy in rural areas by (1) increasing awareness of Solar Heating Systems (SHS) among consumers and providers; (2) building technical and management capacity; (3) implementing and evaluating SHS programs; (4) providing technical and business development support to institutions; (5) introducing standards and programs for testing and certification; (6) financing grants to buy-down capital costs to increase affordability of SHS; (7) promoting electricity as a means for income generation and social wellness; and (8) identifying mechanisms to promote sustainability. Multiple approaches to SHS delivery were enacted, including a "fee-for-service" program through rural electricity cooperatives, purchase supported by micro-credit through NGOs and microfinance lenders, and hire-purchase/direct sale programs by private dealers and NGOs. Over 40,000 systems were installed supplying energy to rural dispersed communities.

Biodiversity Conservation in Cacao Agro-forestry in Costa Rica

GEF Grant: $750,000

Description: The project improved management of cacao-based indigenous small-farms according to both ecological and organic productive principles so as to ensure conservation and sustainable use of plant and animal diversity and provide a sustainable source of family income. The project promoted and maintained on-farm biodiversity while improving livelihoods of organic cacao producers (including indigenous, Latin-mestizos, and Afro-Caribbean groups) in the Talamanca-Caribbean corridor in Costa Rica.

Prevention and Management of Marine Pollution in the East Asian Seas in and around Indonesia

GEF Grant: $8,025,000

Description: The project developed policies and plans to control marine pollution from land and sea- based sources, upgraded national and regional infrastructures and technical skills, and established financing instruments to project sustainability. Project included selection of demonstration sites, establishment of regional monitoring and information networks, and involvement of regional association of marine legal experts to improve capacity to implement relevant conventions.

Source: GEF Project database at http://www.thegef.org/gef/gef_projects_funding.

Notes: As of April 1, 2010, there were 2,610 projects listed in the GEF database, of which 665 were "closed" or "completed"; 1,200 were "under implementation" or had been "approved by the implementing agency"; and the remaining 745 were in a pre-approval or endorsement stage.

Current Issues for Congress

GEF is one mechanism in a larger network of international programs designed to address environmental issues. Each year, billions of dollars in environmental aid flow from developed country governments—including the United States—to developing ones. While the efficiency and the effectiveness of these programs are of concern to donor country governments, a full analysis of the purposes, intents, results, and consequences behind these financial flows has yet to be conducted.[15] International relations, comparative politics, and developmental economics can often collide with environmental agendas. Critics contend that the existing system has had limited impact in addressing major environmental concerns—specifically climate change and tropical deforestation—and has been unsuccessful in delivering global transformational change. A desire to achieve more immediate impacts has led to a restructuring of the Multilateral Development Banks' role in environmental finance and the introduction of many new bilateral and multilateral funding initiatives.

[15] See Hicks, et al., op. cit., for an initial foray into a quantified analytic and a discussion on the metrics involved.

The effectiveness of GEF depends on how the fund addresses its programmatic issues, reacts to recent developments in the financial landscape, and responds to emerging opportunities. The future of GEF remains in the hands of the donor countries that can choose to broaden the mandate and strengthen its institutional arrangements or to reduce and replace it by other bilateral or multilateral funding mechanisms. The following section investigates some of the current challenges facing GEF and summarizes some of the responses initiated by the program.

External Challenges for GEF

- *Rise of Climate Change Issues and Funding:* The past decade has seen a rise in the significance of global environmental issues—particularly climate change—on the political agendas of many northern and some southern hemisphere countries. Proposed policies have not only attempted to address the environmental implications of greenhouse gas mitigation and climate change adaptation, but have become linked to energy and infrastructure issues through international economic, trade, and geo-political concerns. To address these issues, governments have begun to incorporate many global environmental objectives into their sustainable growth and development strategies. Funding for these activities has increased, and various institutional responses for this extensive portfolio are under consideration. Some critics contend that existing environmental funds (e.g., GEF) are unsatisfactory because they do not have experience managing investments of this scope.
- *The Changing Role of Multilateral Development Banks in Environmental Funding:* Multilateral Development Banks (MDBs) are key actors in the global system of environmental financing. As commercial lending institutions, they dispense funds more efficiently than many institutional programs such as GEF; but as primary mechanisms for economic development, their past environmental lending practices have produced conflicts of interest.[16] Objectives began to shift in 2005 when MDBs were encouraged by the G-8 leaders to play a more leading role in sustainable development and environmentally friendly technologies.[17] Since this time, MDBs have launched many new initiatives to address the environment, including efforts to (1) account for GHG emissions and improve energy efficiency; (2) support renewable energy; (3) manage forests sustainably; (4) promote carbon finance; and (5) adapt to climate change.[18] GEF programs now find themselves in competition with many of the new initiatives in MDB portfolios.

[16] The development portfolios of most MDBs strongly emphasize a bias toward conventional fossil fuel power generation and infrastructure loans that often worked counter to environmental aims (e.g., the World Bank loaned more than $2.5 billion for conventional power projects in 2005 compared to $109 million for renewable energy or energy efficiency). See Gareth Porter, et al., op. cit., for further comments.

[17] See the Gleneagles Plan of Action at the 2005 G-8 Meeting in Gleneagles, Scotland. It should be noted that the portfolios of many MDBs still retain significant provisions for conventional power and infrastructure projects as compared to most bilateral environmental aid, albeit with a greater ratio of renewable and efficiency resources than in the past. See Hicks, et al., op. cit.

[18] For a full analysis of the rise of MDBs in environmental finance, see Smita Nakhooda, *Correcting the World's Greatest Market Failure: Climate Change and the Multilateral Development Banks,* World Resources Institute, 2008.

- *Increase in New Bilateral, Multilateral, and Private Funding Mechanisms:* Many donor governments perceive that the existing environmental finance system has not produced satisfactory results.[19] In searching for new and effective approaches to environmental funding, donors have sought options that can be organized quickly, administered directly, and be demonstrated to produce a more dramatic impact on the environment. Many have turned to highly specified multilateral programs, bilateral or even private sector measures to accomplish these aims, and no fewer than 15 environmental finance mechanisms have been announced between 2007 and 2009. GEF is in competition with many of these new initiatives for a share of environmental funding.[20]

Internal Challenges for GEF

- *Lack of Strategic Approach:* Historically, GEF has adhered to a project-by-project approach to allocating funds, wherein over 95% of pledges have been allocated to individual countries and less than 5% have been set aside for regional or global programs. The dynamic assumes that on-going negotiations and incremental adjustments could foster transformational change in economies over time. While a project-by-project approach has allowed GEF to fulfill the mandates of many of its conventions, large-scale environmental issues such as climate change and biodiversity may demand more strategic and programmatic funding modalities.
- *Slowness of GEF Project Initiation and Implementation:* Since its inception, GEF's project approval process has been long and complex. A 2006 internal report found a 66 month lapse between entry of a concept into the project pipeline and its initiation. Bureaucratic structures, work program frequencies, Council deliberations, and consensus politics have all factored into delays.
- *Difficulties in Defining "Incremental" and "Additional":* As stipulated in the "GEF Instrument," grants cover the "incremental" or "additional" cost of "transforming a project with national benefits into one with global environmental benefits." Incremental cost calculations have also been used as preference in project selection. Historically, GEF's implementing agencies have had difficulty producing a coherent methodology for calculating incremental cost, slowing the rate of project development. Furthermore, countries continue to argue over the

[19] Statistics confirm these perceptions: as a point of comparison, the success rate for multilaterally funded environmental projects often pales in comparison to education, health, or infrastructure projects. Only 25% of World Bank-financed environmental projects during the years 2001-2003 received a "satisfactory" project outcome rating, compared to 100% for education, 86% for health, and 87% for infrastructure. See Hicks, et al., op. cit., p.6.

[20] Recent initiatives include The Global Climate Change Alliance (GCCA) of the European Commission; The International Window of the Environmental Transformation Fund (ETF-IW) of the United Kingdom; The Spanish Millennium Development Goals (MDG) Fund; The Japanese Cool Earth Partnership; The German International Climate Initiative; The Norwegian Agency for Development Cooperation (NORAD) Rainforest Initiative; The Australian Global Initiative on Forests and Climate (GIFC); The German Life Web Initiative; The World Bank Forest Carbon Partnership Fund (FCPF); The GEF Tropical Forest Account (TFA); The World Bank Clean Technology Fund (CTF); The GEF-IFC Earth Fund; The World Bank Strategic Climate Fund (SCF) and Pilot Program for Climate Resilience (PPCR); The Kyoto Protocol Adaptation Fund; and The Copenhagen Accord Green Fund. For an analysis and overview of these new programs, see Porter, et al., 2008, op. cit.

requirements of additionality (i.e., whether or not the global environmental elements of a project would have taken place in the absence of GEF funding).

- *Unsuccessful History of Leveraging the Private Sector:* While GEF has long recognized a need to mobilize investment resources in the private sector, successful collaboration may require a degree of experience and commitment that GEF cannot achieve under its existing structure. The length and uncertainty inherent in the GEF project cycle may make participation less attractive to the private sector, and the organization's emphasis on government entities at the expense of forming relationships with investors and manufacturers may serve as a further impediment.
- *Low Level of Funding by Donor Countries:* Donor countries never intended GEF to cover all the financing needed to achieve developmental objectives. Rather, it was designed to be a catalyst for additional measures to address global environmental problems. As such, historical funding provided by donor countries was never at the level required to produce significant progress in reversing global threats. This experience has demonstrated that the initial assumptions underlying GEF—that relatively small amounts of incremental grant financing could leverage multilateral investment for transformational change—may be flawed.
- *Criticism of Donor and Agency Management of GEF:* Donor control over the aim and the direction of environmental funds has always been a challenge to multilateral mechanisms. Critics claim that MDBs and donor countries alike use GEF money as a tool to get recipient governments to commit to larger loans with political conditionality. Some recipient governments note an unwieldy bureaucracy to GEF and other multilateral funds and report that U.N. agencies routinely assess unreasonable administrative fees.[21] These and other accusations of institutional torpor, inflexibility, and opaqueness have hindered GEF's objectives as an international site of coordination.[22]

Looking Forward

During the 2006 Replenishment meetings, GEF worked to address many of its program deficiencies. The Council aimed to streamline costs and management fees, ensure project quality upon proposal, and reduce the length of the project pipeline. A *Sustainability Compact* was enacted that would oversee several issues, including (1) the shift away from a project-oriented approach to a strategic and programmatic one; (2) a concentration on financing pre-market innovation in an attempt to leverage private capital; (3) a heightened dedication to transparency, accessibility, and equitability; and (4) a renewed focus on country-driven ownership through the implementation of a Resource Allocation Framework (RAF) wherein funding is determined by a country's potential to generate global environmental benefits and its capacity to successfully implement GEF projects. Further, in 2007, GEF initiated a pilot public-private partnership (PPP) initiative called the "Earth Fund" to enhance engagement with the private sector. Internal

[21] A January 26, 2009, audit of GEF by Deloitte Touche Tohmatsu showed that more than $17 million went to pay for fees during the 2008 accounting period; and more than $15 million was spent on fees in 2007.

[22] For examples, see Porter, et al., 2008, op. cit., and *Environment and Energy Daily*, "Copenhagen: Red Tape, High Fees Hamstring International Green Funds," December 22, 2009, at http://www.eenews.net/Greenwire/print/2009/12/22/1.

assessment of these reforms has shown promise, but independent reviews still find "many limitations with the current system."[23]

Meetings leading up to the fifth replenishment of the GEF Fund in 2010 have seen the development of policy recommendations along two lines:

- *Enhancing Country Ownership:* A key finding in GEF's recent performance evaluation was the relationship between country-driven strategic development and project success rate. Recommendations to strengthen country ownership include (1) reforming in-country corporate programs to include greater project portfolio identification and enhanced stakeholder coordination, and (2) developing a more flexible and transparent resource allocation framework.[24]
- *Improving the Effectiveness and Efficiency of GEF Partnerships:* Recommendations to strengthen GEF partnerships include (1) enhancing accountability to the conventions and protocols; (2) streamlining the project cycle and refining the programmatic approach; (3) enhancing engagement with the private sector; (4) implementing the results-based management framework; (5) clarifying the roles and responsibilities of GEF entities, agencies, and conventions; and (6) enhancing engagement with civil society organizations.

The GEF Council characterizes these policy recommendations as part of a continuing process to "further develop ... the GEF partnership to meet emerging challenges."[25] Critics, however, comment that many of the policy recommendations for the GEF-5 replenishment are little different than those for the GEF-4 replenishment, highlighting the slowness of reform and the institutional impediments that continue to confront the organization.

[23] See GEF's "Fourth Overall Performance Study" and "Policy Recommendations for the Fifth Replenishment of the GEF Trust Fund," February 12, 2010, p. 4, at http://www.thegef.org/gef/node/2483.

[24] These policy recommendations correspond to those highlighted favorably in the U.S. Budget for Fiscal Year 2011, p. 862.

[25] "Policy Recommendations," op. cit., p. 3.

Appendix. Global Environment Facility Trust Fund

Figure A-1. Commitments to GEF Pilot Phase and Replenishments

Instrument for the Establishment of the Restructured
Global Environment Facility

GLOBAL ENVIRONMENT FACILITY TRUST FUND
PILOT PHASE

COMMITMENTS AS OF APRIL 30, 2007 **
(IN MILLIONS)

Contributing Participants	Pilot Phase SDR	Total Contributions Contribution[a]	Total Contributions Currency
Australia	9.68	16.40	AUD
Austria	26.02	29.07	EUR *e*
Belgium	5.00 *b*	5.00	SDR *c*
Brazil	4.00	4.00	SDR *c*
Canada	6.33	10.00	CAD
China	4.00	4.00	SDR *c*
Côte d'Ivoire	2.00	2.00	SDR *c*
Denmark	16.25	16.25	SDR *c*
Egypt	4.00	4.00	SDR *c*
Finland	20.44	17.66	EUR *e*
France	110.08	123.00	EUR *e*
Germany	110.02	122.85	EUR *e*
India	4.00	4.00	SDR *c*
Indonesia	4.00	4.00	SDR *c*
Italy	65.14	54.23	EUR *e*
Japan	27.36	5,373.00	JPY
Mexico	4.00	5.48	USD
Netherlands	37.74	37.74	SDR *c*
Nigeria	4.00	4.00	SDR *c*
Norway	19.56	165.00	NOK
Pakistan	4.00	4.00	SDR *c*
Portugal	4.50	4.50	SDR *c*
Spain	10.00	10.00	SDR *c*
Sweden	24.54	196.07	SEK
Switzerland	30.06	30.06	SDR *c*
Turkey	4.00	4.00	SDR *c*
United Kingdom	54.73	40.30	GBP
1. New Funding from Donors	615.45		
2. Contribution from IBRD Net Income	20.92		
Total (1 + 2)	**636.37** *d*		

** Based on Instruments of Commitments or Qualified Instruments of Commitment received by the Trustee.

a Calculated by converting the SDR amount to currency of contribution using an average daily exchange rate over the period from July 1, 1990 to Sep. 30, 1990.

b Contributing Participants had the option of taking a discount or credit for acceleration of encashment and; (i) including such credit as part of their basic share; (ii) counting such credit as a supplemental contribution; or (iii) taking such discount against the national currency contribution. Belgium opted to take a discount against their national currency contribution.

c These Contributing Participants denominated their contributions in SDRs.

d This is equivalent to USD 871.83 million using the agreed reference exchange rates for the GEF Pilot Phase

e The contributions of these Contributing Participants that are member states of the European Economic and Monetary Union (EMU) were originally pledged in each of their legacy currencies. The Trustee converted these legacy currencies into EUR, the common currency for the EMU, in January 2000 at fixed conversion rates.

COMMITMENTS

Instrument for the Establishment of the Restructured
Global Environment Facility

UPDATE TO GLOBAL ENVIRONMENT FACILITY TRUST FUND FIRST REPLENISHMENT OF RESOURCES [1]

COMMITMENTS AS OF APRIL 30, 2007 **

(IN MILLIONS)

Contributing Participants	Calculated Basic Contributions		Supplemental Contributions	Additional Supplemental Contributions	GEF-1 Total Contributions			
	(%)[a]	SDR	SDR	SDR	SDR	Contribution[b]	Currency	
Argentina	_	3.57			3.57	5.00	USD	
Australia	1.46%	20.84			20.84	42.76	AUD	
Austria	0.90%	12.85	1.05	0.37	14.28	16.82	EUR	c
Bangladesh	_	2.00			2.00	2.00	SDR	d
Belgium	1.55%	22.13	0.73		22.86	27.27	EUR	c
Brazil	_	4.00			4.00	4.00	SDR	d
Canada	4.00%	57.10	4.68		61.78	111.11	CAD	
China	_	4.00			4.00	4.00	SDR	d
Cote d'Ivoire	_	4.00			4.00	4.00	SDR	d
Czech Republic	_	4.00			4.00	4.00	SDR	d
Denmark	1.30%	18.56	1.52	5.00	25.08	25.08	SDR	d
Egypt	_	4.00			4.00	4.00	SDR	d
Finland	1.00%	14.28	1.17		15.45	20.86	EUR	c
France	7.02%	100.21	2.05		102.26	122.98	EUR	c
Germany	11.00%	157.03	12.86	1.41	171.30	171.30	SDR	d
Greece	0.05%	0.71	2.86		3.57	5.00	USD	
India	_	6.00			6.00	6.00	SDR	d
Ireland	0.11%	1.57	0.14		1.71	2.08	EUR	c
Italy	5.30%	75.66			75.66	82.53	EUR	c
Japan	18.70%	266.95	21.86	7.14	295.95	45,698.09	JPY	
Korea	0.23%	3.28	0.72		4.00	4.00	SDR	d
Luxembourg	0.05%	0.71	3.29		4.00	4.00	SDR	d
Mexico	_	4.00			4.00	4.00	SDR	d
Netherlands	3.30%	47.11	3.86		50.97	50.97	SDR	d
New Zealand	0.12%	1.71	0.14	2.15	4.00	10.35	NZD	
Norway	1.42%	20.27	2.02		22.29	220.00	NOK	
Pakistan	_	4.00			4.00	4.00	SDR	d
Portugal	0.12%	1.71	0.14	2.15	4.00	4.45	EUR	c
Slovak Republic	_	4.00			4.00	4.00	SDR	d
Spain	0.80%	11.42	2.55		13.97	13.10	EUR	c
Sweden	2.62%	37.40	3.06	1.14	41.60	450.04	SEK	
Switzerland	1.74%	24.84	2.03	5.10	31.97	31.97	SDR	d
Turkey	_	4.00			4.00	4.00	SDR	d
United Kingdom	6.15%	87.79	7.19	1.06	96.04	89.55	GBP	
United States	20.86%	297.78	9.14		306.92	430.00	USD	

Instrument for the Establishment of the Restructured
Global Environment Facility

Contributing Participants	Calculated Basic Contributions		Supplemental Contributions	Additional Supplemental Contributions	GEF-1 Total Contributions		
	(%)[a]	SDR	SDR	SDR	SDR	Contribution[b]	Currency
New Funding from Donors	89.80%	1,329.49	83.05	25.52	1,438.07		
Total					**1,438.07**	*e*	

** Based on Instruments of Commitment or Qualified Instruments of Commitment received by the Trustee.

a GEF basic share percentages are calculated based on new donor funding required for this replenishment in the amount of SDR 1,427.5 million.
As agreed by the Contributing Participants in December 1992, the basic shares for IDA 10 were the beginning shares of all non-recipient donors to the GEF-1.

b Calculated by converting the SDR amount to the currency of contribution using an average daily exchange rate over the period from Feb 1, 1993 to Oct 31, 1993 as agreed by the Contributing Participants at the GEF-1 replenishment meeting.

c The contributions of these Contributing Participants that are member states of the European Economic and Monetary Union (EMU) were originally pledged in each of their legacy currencies. The Trustee converted these legacy currencies into EUR, the common currency for the EMU, in January 2000 at fixed conversion rates.

d These Contributing Participants denominated their contributions in SDRs.

e This is equivalent to USD 2.01 billion using the agreed reference exchange rates for the GEF-1.

COMMITMENTS

Instrument for the Establishment of the Restructured
Global Environment Facility

UPDATE TO GLOBAL ENVIRONMENT FACILITY TRUST FUND SECOND REPLENISHMENT OF RESOURCES[1]

COMMITMENTS AS OF APRIL 30, 2007 **
(IN MILLIONS)

Contributing Participants	Calculated Basic Contributions		Adjustment Toward Full Funding	Additional Supplemental Contributions	GEF-2 Total Contributions		
	(%)[a]	SDR	SDR	SDR	SDR	Contribution[b]	Currency
Australia	1.46%	21.95	1.52		23.47	43.27	AUD
Austria	0.90%	13.53	0.94 *c*	0.23 *c*	14.70 *j*	16.80	EUR *h*
Belgium	1.55%	23.30	1.62		24.92	30.94	EUR *h*
Canada	4.00%	60.13	4.17	10.30 *g*	74.60	141.66	CAD
China	_	4.00 *d*		2.00 *f*	6.00 *f*	6.00	SDR *i*
Cote d'Ivoire	_	4.00 *d*			4.00	4.00	SDR *i*
Czech Republic	_	4.00 *d*			4.00	4.00	SDR *i*
Denmark	1.30%	19.54	1.36		20.90	193.16	DKK
Finland	1.00%	15.03	1.04		16.07	19.63	EUR *h*
France	7.02%	105.54			105.54	131.50	EUR *h*
Germany	10.66%	160.32			160.32	198.99	EUR *h*
Greece	0.05%	0.75	0.05 *e*	3.20 *e*	4.00	4.46	EUR *h*
India	_	4.00 *d*		2.56 *f*	6.56 *f*	323.83	INR
Ireland	0.11%	1.65	0.12 *e*	2.23 *e*	4.00	4.69	EUR *h*
Italy	4.39%	65.97			65.97 *j*	73.85	EUR *h*
Japan	18.70%	281.13	19.54		300.67	48,754.33	JPY
Korea	0.23%	3.46	0.24 *e*	0.30 *e*	4.00	4,933.67	KRW
Luxembourg	0.05%	0.75	0.05 *e*	3.20 *e*	4.00	4.97	EUR *h*
Mexico	_	4.00 *d*			4.00	4.00	SDR *i*
Netherlands	3.30%	49.61	3.44		53.05	53.05	SDR *i*
New Zealand	0.12%	1.80	0.13 *e*	2.07 *e*	4.00	8.31	NZD
Nigeria	_	4.00 *d*			4.00	4.00	SDR *i*
Norway	1.42%	21.35	1.48		22.83	228.32	NOK
Pakistan	_	4.00 *d*			4.00	4.00	SDR *i*
Portugal	0.12%	1.80	0.13 *e*	2.07 *e*	4.00	4.90	EUR *h*
Slovenia	_	1.00			1.00	1.00	SDR *i*
Spain	0.80%	12.03			12.03	14.81	EUR *h*
Sweden	2.62%	39.39	2.73		42.12	448.07	SEK
Switzerland	1.74%	26.16	1.81	4.00	31.97	64.38	CHF
Turkey	_	4.00 *d*			4.00	4.00	SDR *i*
United Kingdom	6.15%	92.46	6.40	2.37	101.23	85.25	GBP
United States	20.84%	313.35			313.35	430.00	USD

Instrument for the Establishment of the Restructured
Global Environment Facility

Contributing Participants	Calculated Basic Contributions (%)[a]	Calculated Basic Contributions SDR	Adjustment Toward Full Funding SDR	Additional Supplemental Contributions SDR	GEF-2 Total Contributions SDR	GEF-2 Total Contributions Contribution[b] Currency
1. New Funding from Donors	88.53%	1,364.00	46.76	34.53	1,445.30	
2. Carryover of GEF resources					500.63 *k*	
Total (1 + 2)					**1,945.93** *l*	

** Based on Instruments of Commitment or Qualified Instruments of Commitment received by the Trustee.

a GEF basic share percentages are calculated based on new donor funding required for this replenishment in the amount of SDR 1,503.35 million. The basic shares, which are originally derived from the GEF-1 and largely maintained in the GEF-2, do not add up to 100%.

b Calculated by converting the SDR amount to the currency of contribution using an average daily exchange rate over the period from May 1, 1997 to Oct 31, 1997 as agreed by the Contributing Participants at the GEF-2 replenishment meetings.

c The Adjustment toward Full Funding and the Additional Supplementary Contribution are the result of encashing EUR 16.8 million on a five-year, rather than 10-year schedule.

d Represents the agreed minimum contribution level to the GEF-2.

e These Contributing Participants agreed to adjust their contributions upward to the minimum contribution level of SDR 4 million.

f China and India agreed to contribute more than the minimum contribution level of SDR 4 million.

g This represents a transfer of CAD 19.6 million (USDeq. 13.4 million) from a trust fund established by Canada during the pilot phase of the GEF.

h The contributions of these Contributing Participants that are member states of the European Economic and Monetary Union (EMU) were originally pledged in each of their legacy currencies. The Trustee converted these legacy currencies into EUR, the common currency for the EMU, in January 2000 at fixed conversion rates.

i These Contributing Participants denominated their contributions in SDRs.

j The SDR value of the contribution is enhanced as the result of an agreed accelerated encashment schedule.

k Represents the amount carried over to the GEF-2 valued on the basis of June 30, 1998 exchange rates.

l This is equivalent to USD 2.67 billion using the agreed reference exchange rates for the GEF-2.

COMMITMENTS

Instrument for the Establishment of the Restructured
Global Environment Facility

UPDATE TO GLOBAL ENVIRONMENT FACILITY TRUST FUND
THIRD REPLENISHMENT OF RESOURCES[1]

COMMITMENTS AS OF APRIL 30, 2007 **
(IN MILLIONS)

Contributing Participants	Calculated Basic Contributions (%)[a]	Calculated Basic Contributions SDR		Supplemental Contributions SDR		GEF-3 Total Contributions SDR		GEF-3 Total Contributions Contribution[b]		Currency	
Australia	1.46%	27.60				27.60		68.16		AUD	
Austria	0.90%	17.01		0.69	c	17.70	g	24.38		EUR	
Belgium	1.55%	29.30		3.67	c	32.97	g	41.98		EUR	
Canada	4.28%	80.91				80.91		158.94		CAD	
China	_	4.00	d	4.44	c	8.44	f g	7.50		SDR	h
Cote d'Ivoire	_	4.00	d			4.00		4.00		SDR	h
Czech Republic	_	4.00	d	0.50	c	4.50	g	4.00		SDR	h
Denmark	1.30%	24.58		3.37		27.95		298.18	c	DKK	
Finland	1.00%	18.91		2.03		20.94		30.00	c	EUR	
France	6.81%	128.84	c			128.84		164.00		EUR	
Germany	11.00%	207.96		23.66		231.62		293.67		USD	
Greece	0.05%	0.95		3.55	c e	4.50	g	5.73		EUR	
India	_	4.00	d	3.99	c	7.99	f g	426.39		INR	
Ireland	0.11%	2.08		2.42	c e	4.50	g	5.73		EUR	
Italy	4.39%	82.99				82.99		118.90		EUR	
Japan	17.63%	333.41	c			333.41		48,754.33		JPY	
Korea	0.23%	4.35				4.35		5.51	c	USD	
Luxembourg	0.05%	0.95		3.05	e	4.00		5.73		EUR	
Mexico	_	4.00	d			4.00		5.07	c	USD	
Netherlands	3.30%	62.39				62.39		62.39	j	SDR	h
New Zealand	0.12%	2.27		1.73	e	4.00		12.14		NZD	
Nigeria	_	4.00	d			4.00		4.00		SDR	h
Norway	1.06%	19.96				19.96		228.32		NOK	
Pakistan	_	4.00	d			4.00		4.00		SDR	h
Portugal	0.12%	2.27		1.73	e	4.00		5.73		EUR	
Slovenia	_	1.00		0.13	c	1.13	g	1.00		SDR	h
Spain	0.80%	15.12				15.12		21.67		EUR	
Sweden	2.62%	49.53		7.45		56.98		764.67		SEK	
Switzerland	2.43%	45.94				45.94		99.07		CHF	
Turkey	_	4.00	d			4.00		4.00		SDR	h
United Kingdom	6.92%	130.82	c	19.09	c	149.91	g	117.83		GBP	
United States	17.94%	339.15	i			339.15		430.00	i	USD	

Instrument for the Establishment of the Restructured
Global Environment Facility

Contributing Participants	Calculated Basic Contributions (%)[a]	Calculated Basic Contributions SDR	Supplemental Contributions SDR	GEF-3 Total Contributions SDR	GEF-3 Total Contributions Contribution[b]	GEF-3 Total Contributions Currency
1. New Funding from Donors	86.07%	1,660.29	81.50	1,741.79		
2. Supplemental Contributions including Credits			12.50 *c j*	12.50		
3. Investment Income				104.47 *k*		
4. Carryover of GEF Resources				450.00 *l*		
Total (1 + 2 + 3 + 4)				**2,308.76** *m*		

** Based on Instruments of Commitment or Qualified Instruments of Commitment received by the Trustee.

a GEF basic share percentages are calculated based on new donor funding required for this replenishment in the amount of SDR 1,890.5 million. The basic shares, which are originally derived from the GEF-1 and were largely maintained in the GEF-2, do not add up to 100%.

b Calculated by converting the SDR amount to currency of contribution using an average daily exchange rate over the period from May 15, 2001 to Nov. 15, 2001, as agreed by the Contributing Participants at the May 7, 2001, GEF-3 replenishment meeting.

c Contributing Participants had the option of taking a discount or credit for acceleration of encashment and; (i) including such credit as part of their basic share; (ii) counting such credit as a supplemental contribution; or (iii) taking such discount against the national currency contribution. France and Japan opted to include the credit for accelerated encashment in their basic share. The United Kingdom chose to accelerate encashment of its basic and supplemental contributions. A credit for accelerated encashment was thus included in its basic share and its supplemental contribution. Austria, Belgium, China, Czech Republic, Greece, India, Ireland, and Slovenia have opted to include the credit for accelerated encashment as a supplemental contribution. Denmark, Finland, Korea, and Mexico opted to take a discount against their national currency contribution. Canada chose to accelerate encashment of its contribution but not to take either a discount or a credit.

d Represents the agreed minimum contribution level to the GEF-3.

e These Contributing Participants agreed to adjust their contributions upward to the agreed minimum contribution level of SDR 4 million.

f China and India agreed to contribute more than the agreed minimum contribution level of SDR 4 million.

g The SDR value of the contribution is enhanced as the result of the agreed accelerated encashment schedule as noted in footnote *c*.

h These Contributing Participants denominated their contributions in SDRs.

i The United States pledged USD 500 million (representing a basic share of 20.86%) during the GEF-3 negotiations, of which USD 70 million was conditional upon achievement of the performance measures outlined in Schedule 1 to Attachment 1 of the GEF-3 Resolution. Such measures were not met.

j Represents (i) a credit from acceleration from Canada in the amount of SDR 10.13 million and (ii) a supplemental contribution from The Netherlands in the amount of SDR 2.37 million, bringing The Netherlands' total SDR contribution to SDR 64.76 million.

k The actual investment income earned on GEF resources during the GEF-3 commitment period (FY03 through FY06) was USD 132.46 million. This amount is converted to SDR using the agreed reference exchange rates for the GEF-3.

l Represents the amount carried over to the GEF-3 pursuant to paragraph 9 of Resolution No. 2002-0005, valued on the basis of June 30, 2002 exchange rates.

m This is equivalent to USD 2.93 billion using the agreed reference exchange rates for the GEF-3.

COMMITMENTS

Instrument for the Establishment of the Restructured
Global Environment Facility

ATTACHMENT 1 TO RESOLUTION NO. 2006-0008

GLOBAL ENVIRONMENT FACILITY TRUST FUND
FOURTH REPLENISHMENT OF RESOURCES
TABLE OF CONTRIBUTIONS

CONTRIBUTIONS (IN MILLIONS)

Contributing Participants	GEF-4 Shares and Basic Contributions[a]		Supplemental Contributions	Adjustment Towards Full Funding	Total Contributions		
	(%)	SDR	SDR	SDR	SDR	Currency[b]	Currency
Australia	1.46%	24.43	6.61	-	31.04	59.80	AUD
Austria	0.90%	15.06	7.26 c	-	22.32	24.38	EUR
Belgium	1.55%	25.94	12.83 c	3.51	42.28	46.18	EUR
Canada	4.28%	71.62	17.57	-	89.20	158.94 c	CAD
China	-	4.00 d	3.10 c	-	7.10	9.51	USD
Czech Republic	-	4.00 d	0.68 c	-	4.68	142.89	CZK
Denmark	1.30%	21.75	11.68	1.32	34.75	310.00	DKK
Finland	1.00%	16.73	10.82 c	0.94	28.50	31.12	EUR
France	6.81%	71.28 f	57.42	-	128.70	188.71 c	USD
Germany	11.00%	115.05 f	86.08 e	-	201.14	295.00	USD
Greece	0.05%	0.84	4.41 c	-	5.25	5.73	EUR
India	-	4.00 d	2.72 c	-	6.72	9.00	USD
Ireland	0.11%	1.84	3.41 c	-	5.25	5.73	EUR
Italy	4.39%	73.46	-	-	73.46	87.91	EUR
Japan	17.63%	184.40 f	23.56	-	207.96	33,687.97	JPY
Korea	0.23%	3.85	0.62 c	-	4.47	6,142.97	KRW
Luxembourg	0.05%	0.84	3.16	-	4.00	4.79	EUR
Mexico	-	4.00 d	-	-	4.00	63.38	MXN
Netherlands	3.30%	55.22	19.47	-	74.70	89.38	EUR
New Zealand	0.12%	2.01	1.99	-	4.00	8.40	NZD
Nigeria	-	4.00 d	-	-	4.00	4.00	SDR g
Norway	1.44%	24.11	-	-	24.11	228.32	NOK
Pakistan	-	4.00 d	-	-	4.00	350.01	PKR
Portugal	0.12%	2.01	2.78	-	4.79	5.73	EUR
Slovenia	0.03%	0.50	3.88 c	-	4.38	1,146.20	SIT
South Africa	-	4.00 d	-	-	4.00	38.27	ZAR
Spain	1.00%	16.73	1.37	-	18.11	21.67	EUR

REPLENISHMENT

Instrument for the Establishment of the Restructured
Global Environment Facility

Contributing Participants	GEF-4 Shares and Basic Contributions[a] (%)	GEF-4 Shares and Basic Contributions[a] SDR	Supplemental Contributions SDR	Adjustment Towards Full Funding SDR	Total Contributions SDR	Total Contributions Currency[b]	Total Contributions Currency
Sweden	2.62%	43.84	24.70	7.66	76.20	850.00	SEK
Switzerland	2.26%	37.82	-	9.67	47.49	88.00	CHF
Turkey	-	4.00 *d*	-	-	4.00	4.00	SDR *g*
United Kingdom	6.92%	115.80	56.08	-	171.88	140.00	GBP
United States	20.86%	218.18	-	-	218.18	320.00	USD
New Funding from Donors	89.43%	1,175.34	362.22	23.10	1,560.66		
Projected Investment Income					250.91 *h*		
Projected Carryover of GEF Resources					325.67 *i*		
Total Projected Resources to Cover GEF-4 Work Program					**2,137.23** *j*		

a The GEF-4 basic shares reflect those of the GEF-3 except for Switzerland, Spain, Norway and Slovenia.

b As agreed by the Contributing Participants at the June 9-10, 2005 GEF-4 replenishment meeting, the reference exchange rate to convert the SDR amount to the national currency will be the average daily exchange rate over the period from May 1, 2005 to October 31, 2005.

c Contributing Participants have the option of taking a discount or credit for acceleration of encashment and; (i) including such credit as part of their basic share; (ii) counting such credit as a supplemental contribution; (iii) including such credit as an adjustment to full funding or (iv) taking such discount against the national currency contribution. Austria, Belgium, China, Czech Republic, Finland, Greece, India, Ireland, Korea and Slovenia have opted to take the credit for accelerated encashment as a supplemental contribution. Canada and France have chosen to take a discount against their contribution.

d For those Contributing Participants that do not have a basic share, this represents the agreed minimum contribution of SDR 4 million.

e Germany will provide this supplemental contribution of SDR 86.08 million under the terms of the GEF-4 replenishment resolution. This contribution will be made in order to strengthen the GEF's ability to meet funding objectives and policy commitments of the GEF-4 agreement. Progress towards meeting these commitments will be assessed in the GEF-4 midterm reviews and taken into account by Germany.

f These contributions are calculated to reflect a replenishment share based on the contributions of several major donors.

g As agreed by Contributing Participants in the June 9-10, 2005 GEF-4 replenishment meeting, Contributing Participants experiencing an average annual inflation rate in their economies exceeding 10% over the years 2002-2004 will denominate their GEF-4 contributions in SDR.

h Investment income is projected using a USD 2 billion average cash balance and investment return of 4.6% per annum.

i This amount comprises arrears, deferred contributions, and paid-in but unallocated resources.

j This amount is equivalent to USD 3.13 billion using the agreed GEF-4 reference exchange rates.

Source: Instrument for the Establishment of the Restructured Global Environment Facility - March 2008, at http://www.thegef.org/gef/node/2552.

Figure A-2. Financial Status of GEF Trust Fund: Summary of Arrears

Status as of December 31, 2009 (in millions)

Countributing Participant	Amount Paid as a % of Total Contribution	Repl.	Currency	Arrears Amount	Arrears as a % of Total Contribution	USD eq. a/
Argentina b/	55%	GF01	USD	2.3	46%	2.3
Egypt, Arab Republic of	87%	GF01	SDR	0.5	13%	0.8
India c/	75%	GF04	USD	2.3	25%	2.3
Nigeria	25%	GF03	SDR	3.0	75%	4.7
Portugal c/	75%	GF04	EUR	1.4	25%	2.1
United States d/	75%	GF04	USD	80.8	25%	80.8
United States	93%	GF03	USD	28.1	7%	28.1
United States d/	67%	GF02	USD	140.7	33%	140.7
Total						**261.7**

a/ Valued at December 31, 2009 exchange rates.
b/ Argentina made a partial payment of their GEF01 arrears in November 2009 and informed the Trustee that the remaining balance will be paid during calendar year 2010.
c/ India and Portugal paid their contributions in full in November 2009. However, confirmation from the Trustee's depository banks did not arrive until Jan 2010.
d/ The United States has informed the Trustee that the U.S. Congress has appropriated USD 86.5 million to the GEF (USD 80.8 million for the final installment of the GEF-4 and USD 5.7 million for GEF-2 arrears) and that the payment is expected soon.
* The figures presented above are based on accounting records available as of December 31, 2009.

Source: GEF/R.5/Inf.24. Financial Status of the GEF Trust Fund—as of December 31, 2009, at http://www.thegef.org/gef/node/2490.

Table A-1. U.S. Treasury International Programs: Summary of Arrears

Status as of May 15, 2009 ($ in millions)

Multilateral Development Banks	Arrears end-FY2001	Arrears end-FY2002	Arrears end-FY2003	Arrears end-FY2004	Arrears end-FY2005	Arrears end-FY2006	Arrears end-FY2007	Arrears end-FY2008	Arrears end-FY2009
Global Environment Facility	$203.9	$210.9	$171.6	$140.7	$141.5	$169.8	$170.6	$169.5	$169.5

Source: U.S. Department of Treasury, FY2010 Budget Request, available at http://www.ustreas.gov/offices/international-affairs/intl/fy2010/budget-FY2010.pdf.

Author Contact Information

Richard K. Lattanzio
Analyst in Environmental Policy
rlattanzio@crs.loc.gov, 7-1754