

# The Effectiveness of the GEF

*A Case Study of the Financial Mechanism for the United Nations Framework Convention on Climate Change*

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## **Preface**

There are several persons that for various reasons play a role in one student's effort to conduct a master thesis. Some of them deserved to be thanked.

First and foremost, I would like to thank the Norwegian GEF representatives, Mr Erik Bjørnebye of the Department of Foreign Affairs, and Mr. Paul Hofseth of the Environment Department, who were willing to spare time for interviews and for helping me to get in touch with the GEF Secretariat. I would also like to express my gratitude to the staff of the GEF Secretariat who granted me access to observe the GEF Council meetings. Other members of the Secretariat/Monitoring and Evaluation Unit and several GEF country/NGOs representatives also deserve to be thanked for taking time to answer my questions in the midst of their busy meeting-schedule. In addition, I would like to mention my advisor at the University of Oslo, professor Steinar Andresen for introducing me to the GEF during a course in international relations, and for his helpful advice and comments.

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Oslo, April 2005

Jorunn Lindholt



## Abbreviations

CEO	Chief Executive Officer
COP	Conference of the Parties (to a Convention)
FCCC	(United Nations) Framework Convention on Climate Change
GEF	Global Environment Facility
GET	Global Environment Trust Fund
GHG	Greenhouse gas
IA	Implementing Agency
IMF	International Monetary Fund
IPCC	Intergovernmental Panel on Climate Change
IGO	Intergovernmental Organization
IBRD	International Bank for Reconstruction and Development of the World Bank
NGO	Nongovernmental Organization
ODA	Official Development Assistance
OPS	(GEF's) Operational Programme
SDR	Special Drawing Rights
STAP	Scientific and Technical Advisory Panel
UN	United Nations
UNCED	United Nations Conference on Environment and Development
UNDP	United Nations Development Programme
UNEP	United Nations Environment Program
WCED	World Commission on Environment and Development



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## Chapter 1. Introduction

*“As the human mind becomes more developed, more enlightened, as new discoveries are made, new truths discovered, and manners and opinions change, with the change of circumstances, institutions (to) go hand in hand with the progress of the human mind.”*

*Thomas Jefferson on the need for “laws and institutions”*

### 1.1 Scope and Purpose

Many of the major policy challenges facing governments today are in some sense collective problems calling for joint solutions. This is the case of many environmental problems, where their causes and consequences cross political borders. In nearly every case, states have organized their responses to such transboundary environmental problems via international agreements<sup>1</sup> (Victor et al.1998:1). The mere existence of a framework for international cooperation is, however, not always sufficient to ensure the implementation of the regimes’ rules and regulations. Countries differ in their capacity to undertake activities to meet their obligations and the objectives under the convention. Regimes, therefore, frequently acquire increased organizational capacity, and intergovernmental organizations (IGOs) often assume increasingly important roles in implementing and operating regimes as the social practices they launch become more and more complex (Young.1997:280).

The Global Environmental Facility (GEF) represents one such organizational response in the field of the environment. The GEF is an international financial organization that serves as the financial mechanism for four international environmental conventions<sup>2</sup>. GEF grants support projects in developing countries related to biodiversity, climate change, international waters, land degradation, the ozone layer, and persistent organic pollutants.

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<sup>1</sup> 140 environmental agreements have been concluded since the beginnings of the 1920s, more than half of these were adopted after 1973 (Keohane et al.1993:6).

<sup>2</sup> The four international conventions are the United Nations Framework Convention on Climate Change (FCCC), the Convention on Biodiversity (CBD), the Convention on International Waters, and the Stockholm Convention on Persistent Organic Pollutants (POPs).

The subject of this thesis is the GEF as the financial mechanism for the United Nations Framework Convention on Climate Change (FCCC). The purpose of the thesis is 1) to evaluate and 2) to explain the effectiveness of the GEF operating within the climate change-regime. The primary aim is therefore not to test or develop any theories, but to evaluate and explain an empirical phenomenon. Consequently, theory will be employed as a tool for the analysis. Furthermore, this study will be a two-stage process. First I will attempt at evaluating or measuring the GEF according to several specified indicators, thereafter I will try to explain the results I arrive at.

### **1.1.1 Why the GEF?**

There are several features to the GEF that makes it an interesting subject for a master thesis. First and foremost, the unique mandate the GEF enjoys in international relations. It became the only multilateral environmental fund when it was established as a three-year pilot facility in 1991. It gained independent status in 1994, and has since then become the major funding mechanism for environmental conventions. Secondly, the GEF is differentiated from other international organizations by its sole focus on *global* environmental benefits. These benefits are to be achieved through activities in developing countries, making them recipients of GEF funds<sup>3</sup>. The developed countries, on the other hand, are donor countries expected to (partly) finance GEF's activities.

GEF's unique mandate under the Convention is set within an equally unique and complex organizational environment. Both its governance system and organizational design make it a hybrid between the Bretton Woods and the UN system. Although the GEF is an independent international organization, it is also based on existing organizations, its' Implementing Agencies (IAs). The World Bank, the United Nations Development Program (UNDP) and the United Nations Environment Program (UNEP) are responsible for the actual implementation of GEF-financed projects<sup>4</sup>.

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<sup>3</sup> Countries with economies in transition are also recipients of GEF funding, they will not be included in this study as they for the purpose of the Convention are included in the group of developed countries.

<sup>4</sup>As of 2002 five Regional Development Banks and two other agencies have been approved as GEF Executing Agencies, authorising them to implement small GEF projects in developing countries. I will not look into the operations of these agencies, as their connection to the GEF family is of such recent date.

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Many GEF-projects also entail complex collaboration among donor and recipient governments, NGOs, scientific and technical organizations, and the private sector. Implementation on GEF's part is limited to the development of operational strategies and programs, engaging in project preparation, project approval and the allocation of financial resources. The World Bank supports GEF administratively and acts as Trustee of the GEF Trust Fund. The purpose behind the creation of this new facility, and my reasoning for investigating its contributions to the management of the climate change problem, is that

The GEF by exploring cost-effective approaches to global environmental investments, should make it possible to move more rapidly in translating the objectives and commitments of global conventions into specific operational and funding activities (Kjørven.1992:53).

Given the many actors involved in GEFs operations and the scope of a master thesis, it will not be possible to include all of the GEF entities in my investigation. This thesis will mainly concentrate on the GEF and its' responsibilities under the FCCC.

### **1.1.2 Why the FCCC?**

The reasoning behind the decision to focus on the FCCC is threefold; firstly I find it necessary to limit my research to one of the four Conventions. Secondly, the two main areas for GEF funding are climate change and biodiversity, receiving 40 percent each of GEF's financial resources. Lastly, the timeframe of which the GEF has been operating as a mechanism for the conventions, the other conventions were not adopted until recently, whereas the FCCC designated responsibility to the GEF already during the convention-negotiations (in 1992-94). The FCCC was officially adopted in March 1994 and the overall objective of the FCCC is

“The stabilization of greenhouse gas (ghg) concentrations in the atmosphere at a level that would prevent dangerous anthropogenic interference with the climate system” (Article 2 of the FCCC).

The FCCC does, however, stress the imbalance in capabilities between the North and the South, referring to the special circumstances of developing countries.

“The extent to which developing country Parties will effectively implement their commitments under the Convention will depend on the effective implementation by developed country Parties of their commitments under the Convention related to financial resources and transfer of technology and will take fully into account that economic and social development and poverty eradication are the first and overriding priorities of the developing country Parties” (Article 4.7 of the FCCC).

The GEF was therefore devised to serve as the Convention’s financial mechanism to meet the need for resource transfer to the developing countries. This study will assess the extent to which the GEF, as an IGO within the climate-regime, has played what Underdal et al. (1998:74) refer to as an important “enabling role” with regard to countries not yet disposing the relevant technical, administrative and financial capacity.

## **1.2 Theory**

Since there is no theory that fully covers the intertwined work of environmental regimes and their intergovernmental organizations, I have chosen the approach of regime theory. This is not arbitrary since regimes that involve functional differentiation among the participants usually exhibit a higher degree of institutionalisation, and the part that targets different actor behaviour often operates within a larger institutional network (Levy et al.1995:275). The theoretical contribution of Underdal, chapter two in Miles et al. (2002), serves as point of departure for the theoretical framework, but the theory has been modified, by incorporating the work of others, to fit the aim of this thesis. Since the subject of this thesis is the GEF, and not the entire FCCC-regime, I will not discuss the term “regime” extensively. For now it will suffice to quote the most cited definition attributed to Stephen Krasner who states that regimes are “principles, norms, rules and decision-making procedures around which actor expectations converge in a given

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issue-area” (1982:186). The concept of IGOs, on the other hand, deserves a brief presentation.

IGOs are distinguished from regimes, in that they are physical entities and as such, provide actors with an institutional infrastructure in which action can occur. Bartlett et al. (1995:230) and Victor et al. (1998:11) list several IGO functions within a regime; collecting resources and providing collective goods, coordinating behaviour according to set standards, help oversee and implement the commitments, manage the programmatic activities, and organize the meetings where decisions are made. By serving such functions IGOs can reduce the costs of negotiating commitments and coordinating behaviour, they can help elicit useful information and thereby help induce reciprocal behaviour through repeated interactions, which may make parties to agreements more willing to honour their commitments. By making nations and groups more aware of their “interests”, institutions can facilitate cooperation (or undermine it). Such general influences of organizations on behaviour and international cooperation operate in tandem with the particular regulatory and programmatic commitments at work in a particular area. Together with the transfer of resources, the GEF can serve as a facilitator or promoter of the regime, and contribute to enhance the effectiveness of the regime. I will return to a more detailed discussion of the terms above in chapter three. In the following I will give a brief presentation of the concept of effectiveness, as there are different theoretical approaches to effectiveness, and ways to make the concept measurable.

### **1.2.1 The Dependent Variable**

As a point of departure the theory of environmental regime effectiveness assumes that the official purpose of international regimes is to coordinate behaviour in situations where the absence or failure of coordination will or can lead to sub optimal outcomes (Miles et al.2002:17). In this thesis, the empirical phenomenon under scrutiny is set to target such a sub optimal outcome, the incapacity of developing countries to implement the FCCC. I therefore find that the common sense understanding of regime effectiveness offered by Miles et al. (2002:4) to be more applicable, as they argue that

a regime can be considered effective to the extent that it successfully performs a certain (set of) function(s). Such an approach to effectiveness directs attention to the specific responsibilities assigned to the financial mechanism, and the extent to which it has managed to achieve these tasks effectively. In order to be effective, the GEF must have managed to increase the capacity of developing countries to meet the objective and obligations of the convention. This will be measured by looking for change in the behaviour of actors through the shift of resources together with the extent to which the developing countries have been enabled to meet their obligations under the Convention. Miles et al. (ibid) nevertheless warns that this common sense approach to regime effectiveness is not sufficiently precise, I will therefore return to a more detailed discussion of definitions, criteria for evaluation and measurement in chapter three.

#### Object of Analysis

I nevertheless find it necessary to make some initial comments on the measurement of regime operations. Miles et al. (2002:5) emphasizes the importance of being explicit about what is to be the exact unit of measurement. If it is the *regime itself* one wants to evaluate, meaning the impact of the decisions agreed upon within the framework of a regime, or if one wants to include potential positive side-effects, and costs connected with the operations of the regime (problem-solving efforts). I find the former approach to be the most interesting as it directs attention to the effects flowing from the activities of the regime in question. The second approach, focusing on the costs connected to the operations of the regime, would be useful if I was in a position to assess whether other scenarios could have led to more cost-effective processes. Such a comparison is for several reasons not feasible. The degree to which it will be possible to evaluate costs will be related to the consequences flowing from regime decisions, more precisely, whether or not the current setting has led to the expected outcome at the expected costs. This approach is in line with an evaluation of the regime itself, and will therefore be used as the unit for measurement.



This leads me to another related aspect, what regime phases to evaluate. Regime theory divides regime effectiveness into three separate phases; output, outcome and impact. Output should be understood as the political decisions taken within the framework of a regime, whereas outcome refers to the consequences flowing from those decisions as they are shown in actor behaviour. One could also evaluate the impact; improvements in the biophysical environment, but such an approach is beyond the scope of a financial mechanism. Studies of regime effectiveness, as used here, should include an evaluation of both output and outcome, because even though the regime decisions may seem effective on paper, they may turn out to be flawed in practice or actors can decide not to implement, and consequently the regimes contribution to effective solutions can be minor. I will clarify the meaning - and measurement of both output and outcome in chapter three, but I would like to stress that to determine the effectiveness of the GEF, most attention will be given to outcome, as this will evaluate the extent to which developing country implementation has been facilitated.

### **1.2.2 The Independent Variables**

Many factors can affect the performance, and in turn, the effectiveness of a regime. Miles et al. (2002) claim that the following two categories of independent variables, problem-solving capacity and problem characteristics, are important determinants of effectiveness. I will only give a brief presentation of the two variables here, and return to the more detailed discussion of how they may affect regime effectiveness in the theoretical framework.

#### Problem-Solving Capacity

Problem-solving capacity can to some extent be said to be an institution's ability to aggregate actor preferences. This capacity may be seen as a function of three determinants; the institutional setting of the organization; the distribution of power/capabilities among the actors; and the skill and energy invested in the political engineering of solving the problem. Institutional settings differ in terms of rules of access/participation, decision rules and level of and availability of financial resources.

The last two determinants, power and skill/energy differ by the extent that they have been utilized during the operations of the regime. The general argument, which will be emphasized in this study, is that some problems are solved more effectively than others because more powerful institutions or systems are set to deal with them or because they are attacked with greater skill or energy.

### Problem Characteristics

Problem characteristics become an important determinant of effectiveness considering the kind of problem we are dealing with, does affect the solution chosen in the end. Environmental problems calling for collective-action problems are political issues, and as such they vary in their degree of malignancy. According to Miles et al. (2002:17) there are two main types of environmental problems; those which are caused by lack of coordination, and those which are caused by problems of incongruity. Most attention will be paid to problems characterized by incongruity because their degree of malignancy have a greater impact on effectiveness in the long run. To explain how malignancy affects the GEF, I will attempt to match problem-solving capacity with problem task and type.

One can also approach problem malignancy by looking at scientific characteristics<sup>5</sup>. It is reasonable to expect that any interplay between science and politics will loom large the greater the scientific uncertainty, disagreement and/or complexity, and the more malign the problem. Since I am looking at a very small part of a regime, which is not focused on actually solving the problem, science will only be dealt with as it interacts with the political characteristics.

## **1.3 Main Questions and Methodology**

### **1.3.1 The Questions to be Answered in this Study**

The aim of this thesis is to determine and explain the effectiveness of the GEF over time. I will mainly focus on the GEF beyond its pilot phase, the period from 1994 to

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<sup>5</sup> The science characteristics show how the problem is perceived by scientists and is determined by scientific uncertainty and the complexity of the problem.

2004. To sharpen the focus of thesis, the approach of my research can be narrowed down to two research questions:

How effective has the GEF been as the financial mechanism for developing country implementation of the FCCC?

According to Miles et al. (2002:13) one usually assumes that the effectiveness of a regime tend to increase when it has had time to mature and penetrate the system of activities in question. Studies have shown that a regime's effectiveness may vary considerably over time<sup>6</sup> but in the case of GEF I expect this assumption to be more valid because effectiveness is likely to increase as the organization's operations become more standardized. Which leads me to the second main question of this study:

What factors have contributed to determine effectiveness, and in what way?

The first question focuses on the dependent variable of this study, effectiveness and the extent to which the GEF has contributed to enable developing countries to implement the Convention. The second question, on the other hand, directs attention to the explanation of effectiveness, more specifically to the two independent variables, problem-solving capacity and problem characteristics. This approach and research questions will be backed by more narrow propositions and hypotheses based on the theoretical framework.

### **1.3.2 The Methodological Approach**

This section will elaborate on the methodological approach of this study, and any concern of reliability and validity that may arise.

#### The Single-Case Study Approach

Qualitative analysis is aiming at a full understanding of specific phenomena, it is characterized by depth more than width, and the analysis is neither sharply separated

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<sup>6</sup> See for example Miles et al. (2002).

from the data collection nor based on standardized techniques of analysis. The case study is a part of the qualitative research tradition and Yin (1989:23) defines a case study as

“An empirical inquiry that investigates a contemporary phenomenon within its real life context, especially when the boundaries between phenomenon and context are not clearly evident”.

A case study approach is chosen for several reasons pertaining to the uniqueness of my empirical case, that the subject of this study is one phenomenon, and the opportunity to use many different sources of evidence. Data triangulation is one of the major strength of case study, and the need to use multiple sources of evidence far exceeds that in other research strategies, such as experiments and surveys and the like. The quality of a case study relies on a carefully and systematically developed research design, and a good case study should in particular meet the criteria of reliability and validity

### Reliability

Reliability is determined by the extent to which a researcher demonstrates that the research techniques of a case can be replicated with the same results (Yin.1989:40). In the preparation and carrying out of a case-study, Yin (1989:79) stresses among other things: the development of a case-study protocol which is intended to guide the investigator in carrying out the case study, the use of multiple sources of evidence, the creation of a case-study database, and the maintenance of a chain of evidence from research question to the final conclusion.

The assessments made in this study are based on a case-study protocol comprised of official and internal FCCC/GEF documents, independent evaluations, other scientific studies and articles, and several secondary sources. In addition, a number of interviews and presence at the meetings of the fall session of the GEF Council in 2003 are included. Even though I expect that a variety of sources to be one of the strengths of this study, there are some concerns in terms of reliability, which I will discuss below.

First of all, regarding secondary literature. The existing secondary literature about the GEF is rather limited, not surprisingly, as the GEF is a fairly young organization. The majority of the existing literature have focused on the GEF's pilot phase and its restructuring negotiations, and not on its operations as of today. However, if one perceives this literature as historical material, it is useful in terms of further investigation<sup>7</sup>. These sources are especially useful as background material for the second type of material that I use; official/internal GEF/FCCC documents and reports; independent evaluations; and scientific reports. Most of the data for assessing the effectiveness are found in these documents, and the majority of these are official GEF publications. Ideally, I should have several independent sources, and this criterion is only partially met through the limited availability of conducted GEF-evaluations. However, the GEF has been thoroughly evaluated by independent teams. Even though they have been GEF-funded, these external investigators have based their evaluations on in-country visits of the GEF target groups and reviewed GEF reports with much scrutiny, and as such will be perceived as being sufficient as independent sources for this study, especially when they are corroborated with the other sources that I have utilized.

Another valuable source was the field trip I made to the GEF. In addition to the advantages of observing the decision-making process and other procedures of the Council, this field trip enabled me to perform interviews with representatives of GEF member countries, staff and NGOs. Prior to the Council Meeting I had only been in a position to conduct interviews with the Norwegian delegates to the GEF. Most of the interviews were performed as background interviews with the understanding that confidentiality would be preserved if so desired. These interviews were not rigidly structured, but open interviews with the dialogue flowing from some base questions made to suit the expertise and experience of the person interviewed<sup>8</sup>.

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<sup>7</sup> Yin (1989:92) claims that such sources can be especially helpful for the development of converging lines of inquiry.

<sup>8</sup> During interviews I made use of a tape recorder when feasible, and only after being given permission by the respondents. Immediately after finishing an interview, I made a thorough transcription of the contents of the tape, to provide an accurate rendition of my interviews.

Based on this case-study protocol I do consider the reliability of this thesis to be sufficiently high. Given the considerations made explicit above and the availability of the data utilized, it should be possible to replicate these data and techniques with approximately the same results.

### Validity

I will only comment briefly on validity in this section, as I will get back to the more theoretically important considerations of validity in chapter three. A challenge confronted by every researcher studying regime effectiveness, is case selection – or internal and external validity. According to Andresen and Wettestad (2001:3) internal validity involves making “within-case” causal relationships as plausible as possible, whereas external validity has to do with the boundaries between the populations of cases with which the findings can be validly generalized. Regarding the former, internal validity can be seen as a matter of selecting cases and variables and reducing the risk of biased results. To some extent high internal validity presupposes high reliability, since both the data gathering process and the operationalisation of the variables should be as replicable as possible. Concerning the latter, variables should be defined and operationalised so that the data relates to the theoretical constructs as accurately as possible (ibid). While I will return to the different variables in chapter three, it should be emphasized here that the operationalisation and measurement are based on a variety of sources. This provides me with multiple measures of the same phenomenon, and will add to the validity of this study. As to external validity, Andersen (1990:126) argues that it is possible to generalize from case studies. Generalization on the basis of a qualitative case study should, nevertheless, always be made with caution. Andersen (1997:20) argues that the typical case study is a lengthy narrative that follows no predictable structure and is hard to write and hard to read. In order to avoid such a pitfall a study should be built on a clear “conceptual framework”. The theoretical framework developed in chapter three is translated into explicit propositions and identification of both dependent and independent variables in an explanatory model intended to systematize data and bridge together the theoretical variables of the model. It can thus be argued that since the approach of the analysis is

theoretically derived, it should in principle, be valid for similar processes of international environmental regime implementation. I will return to any shortcomings of the theoretical framework in chapter three, I will, however, carefully warn that generalization is not a primary goal for this study, the single case study approach was, as already mentioned, chosen due to the uniqueness of my case.

#### **1.4 Outline**

The establishment of the GEF and its current institutional setting will be presented in the following chapter. Chapter three will elaborate further on the theoretical framework, and discuss the fruitfulness and limitations of the theory and empirical subject under scrutiny in this study.

The effectiveness of the GEF in the field of climate change is the subject of chapter four. Effectiveness will be evaluated in terms of the operationalisation of the dependent variable in chapter three. This will be followed by an explanation of the degree of effectiveness in chapter five where I will focus on the independent variables. The results I arrive at in chapter four and five will be summarized in the last chapter of this thesis.

## Chapter 2. The Case of GEF

This chapter will give a brief account of the process that led to the establishment of the GEF, first as a pilot program, then later as a financial mechanism for global environmental conventions.

### 2.1 The Establishment of the GEF

While the need for increased funding for the environment was recognised already at the Stockholm Conference<sup>9</sup> in 1972, it was in the Brundtland Report<sup>10</sup> “Our Common Future” where the proposal to create an “international banking programme or facility” was first voiced. In 1987, the World Commission on Environment and Development (WCED) recommended that a mechanism should be established to finance investments in conservation projects and national strategies to enhance the resource base for development in developing countries (Gupta.1997:100). Recognising that earlier global environmental initiatives, including the UNEP, had suffered from lack of funding, the Brundtland Report registered the need for funding of sustainable development (Young.2002:50).

The Brundtland Report credits Michael Sweatman as the source of its proposal for a multilateral fund (ibid). Sweatman, a banker and director of the International Wilderness Leadership Foundation (WILD), promoted the idea of a green financial instrument in the mid 1980s. Sweatman was initially interested in an international conservation bank to finance primarily investments in land, and to promote the private sector role in conservation worldwide.

During the late 1980s, a growing number of international environmental problems received international, diplomatic, and organizational attention. Scientific and technical experts, agency managers, and NGOs generally agreed that developed and developing countries would have to work together to manage these “global commons”

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<sup>9</sup> UN Conference on the Human Environment in Stockholm.

<sup>10</sup> In 1982 UNEP’s ten year review of the Stockholm Conference recommended the creation of a World Commission on Environment and Development (WCED). The Brundtland Report, Our Common Future, is one of this commission’s reports, published in 1987, named after the WCED’s leader, Gro Harlem Brundtland.



problems. They also agreed that most developing country governments had little information about, interest in, or capacity to act on these problems. Several IGOs and NGOs argued that developed countries should stimulate developing country participation by subsidizing capacity-building programs and environmental investments (Fairman.1996:58). As developed country environmental groups intensified demands for action on global environmental problems, and as work on several environmental treaties accelerated, developed country governments began to explore options for financing developing country action.

The negotiations to create the GEF started in September 1989. It was the French finance ministry representative who made the request at a meeting of the Developing Committee<sup>11</sup>. France, supported by Germany, proposed to enhance the normal resources of the Official Development Assistance (ODA) by establishing an environmental envelope in the World Bank. Several other developed country representatives supported the request. France also promised to commit USD100 million if other donors contributed enough to create a USD 1-1.5 billion fund (ibid:85). From the fall of 1989 through early 1990, the World Bank set into motion internal procedures to elaborate on the French proposal, and had bilateral soundings with France and other donor countries (Botnen.1997:27). World Bank management and staff drafted a proposal for a “global environment facility”, and this proposal was circulated to developed country governments in the spring of 1990 and to developing country governments in the summer of 1990.

The World Bank proposed that the GEF address four global environmental problems. To help developing countries deal with these problems, the facility would support “programs and activities for which benefits would accrue to the world at large while the country undertaking the measures would bear the cost, and which would not otherwise be supported by existing development assistance or environment programs” (Fairman.1996:59). As soon as notional agreement had been established between the

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<sup>11</sup> The Developing Committee is the advisory and planning committee of the Board of Directors and Governors of the World Bank and IMF.

27 participating countries, mostly donors and some selected recipient countries<sup>12</sup>, the GEF was established by a resolution of the executive directors of the World Bank in November 1990. The outcome of this negotiation is known as the GEF pilot phase. Or rather, the outcome of the negotiations continued to evolve over three years into what became the GEF pilot phase. Several issues were left undecided at the end of the negotiations, to be settled by the participants later (Botnen.1997:41).

## **2.2 The GEF's Pilot Phase**

The GEF was established as a pilot programme in the IBRD<sup>13</sup> of the World Bank for a three-year period with the aim of providing new and concessional finance for the incremental costs of projects benefiting the global environment within four focal areas: climate change, biodiversity, international waters and protection of the ozone layer. The GEF aims to achieve global environmental benefits on global and focal issues based on the principal of cost-effectiveness (Gupta.1997:101). Cost-effectiveness defined as the amount of global benefit achieved per dollar spent (Fairman.1996:59). The GEF would support projects with significant innovation and demonstration potential. The facility would provide grants rather than loans, because the activities it funded would neither generate net financial nor economic benefits to the countries undertaking them (Gupta.1997:101). Grant money from the GEF would in effect compensate developing countries for undertaking activities, which were costly to them but generated benefits for the global environment. SDR<sup>14</sup> 850 million (or USD 1.5 billion) were committed to the core fund (GET) of which the World Bank became Trustee, and in various co-financing agreements<sup>15</sup>.

During its pilot phase, GEF was designed to have informal governance rules. Participation by interested developed and developing country states would be voluntary. Initially, both developed and developing countries were required to

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<sup>12</sup> Only a limited number of recipient countries were invited to join the GEF negotiations, based on geographical and regional importance; Brazil, China, Ivory Coast, India, Indonesia, Mexico, Morocco, Turkey and Zimbabwe.

<sup>13</sup> The IBRD is the International Bank for Reconstruction and Development of the World Bank.

<sup>14</sup> The SDR or Special Drawing Rights form a part of the official currency reserves of the IMF member countries. In the GEF it is a currency used for the valuation of the SDR, or with the agreement of the Trustee in another freely convertible currency, and the Trustee may exchange the amounts received for such currencies as it may decide.

<sup>15</sup> 28 countries contributed to the core fund, and the USA and Australia became participants by contributing via co-financing arrangements, increasing the number of participants to 30 from the outset (Botnen.44)

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contribute at least SDR 4 million to become GEF participants. However, this requirement was waved after UNCED<sup>16</sup>. On the matter of eligibility for project funding, the GEF restricted it to countries with a GNP per capita of USD 4,000 or less, the same threshold used by the World Bank for its IBRD loans (Fairman.1996:85). There were no reporting obligations beyond those required for project proposals and no formal decision-making rules.

Representatives of the GEF's participating governments met twice a year at the Participants' Meetings convened by the GEF's Chairman. The chairman of the first Participants' Meeting was Wilfried Thalwitz, the then World Bank's Vice President for policy, research, and external affairs. Mohamed El-Ashry replaced him during the spring of 1991. El-Ashry became the second director of the World Bank's Environment Department in 1990, and continued to chair the GEF and head the Environment Department throughout the pilot phase<sup>17</sup>. At these meetings, participants reviewed and approved GEF's work program by consensus to the ongoing conventions negotiations. Participants would not, however, review and approve individual projects. Final project approval decisions would be left to the managements of the three IAs (Fairman.1996:60).

To administer the GEF's the three IAs where chosen with separate responsibilities according to their presumed comparative advantages. The World Bank would serve as the GEF's lead administrator, manage the GEF's finances, and handle its investment projects. UNDP would handle technical assistance projects and coordinate GEF activities with national environment programs in recipient countries. UNEP would provide liaison between the GEF and the UNCED and convention processes; it would also organize and support an independent Scientific and Technical Advisory Panel (STAP). STAP would refine the GEF's proposed overall strategy for each problem area, and would propose criteria for project selection<sup>18</sup> (Fairman.1996:61). An

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<sup>16</sup> UNCED is the UN Conference on Environment and Development held in Rio in 1992, also known as the Earth Summit.

<sup>17</sup> El-Ahsry resigned as GEF CEO in 2002, followed by Canadian Len Good.

<sup>18</sup> During the pilot phase, UNEP established, in consultation with UNDP and the World Bank, the STAP. The STAP is an advisory body to the facility providing objective scientific and technical advice on GEF policies, operational strategies, and programs, and conducts reviews of projects.

interagency implementation committee began the pilot phase with meetings almost every month and intensive interaction over project and program design, and became a forum for brief, formal reviews of each agency's project proposals prior to submission to the Participants' Meetings (ibid:65). There was a general agreement that NGOs could provide useful advice on project design and might be eligible for GEF funds for specific projects, however, in the pilot phase NGOs were not allowed to observe meetings of the GEF's participating governments.

The pilot phase, which ran from 1991-94, was meant to be experimental, providing lessons for the World Bank and the UN, possible new phases of GEF finance and/or for new institutions designed to work in the same field. It was also meant to bring together a new partnership of international actors for the global environment soothing North-South conflicts over liability for the costs of environmental action in the South (Young.2002:78). However, during the pilot phase, the GEF's project portfolio was "frontloaded": 60 per cent of its projects and 80 per cent of its funds were committed in the first half of its three-year operating life (Fairman.1996:86). This rapid development of the GEF-portfolio, was to ensure that the pilot programme was up and running before UNCED in 1992, where the Conventions, and GEF's relationship to the Conventions, were up for negotiation.

### **2.3 The Restructuring Process of the GEF**

Questions about reforming the GEF had already been raised during the first months of its existence. However, the process, which actually led to the restructuring of GEF, took place both during and after UNCED in 1992. In Rio, the two conventions up for adoption, one of them the Climate Change Convention, required restructuring of the GEF, in order for it to be accepted as their financial mechanism. Regarding the convention negotiations, the financial-mechanism issue was the most contentious in the negotiations, apart from targets and timetables (Bodansky.1995:3). Both the developed and the developing countries agreed in principle to restructure the GEF, and to make it the "interim" financial mechanism for the conventions.

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The negotiations began in December 1992 in Abidjan, and were followed by seven more Participants' Meetings in Geneva, Rome, Beijing, Washington DC, Paris, Cartagena and finally in Geneva again (Botnen.1997:8). Building on the UNCED mandate, agreement was quickly reached on the relationship between the GEF and the conventions, and on the main outline on the governance structure (Assembly, Council and Secretariat). However, the Participants' Meeting failed to reach final agreement, and four issues were left unresolved. These were: who should preside of the Council meetings; which voting system to use; how many seats the developing countries should have in the Council; and how often the Participants' Assembly should convene. The negotiations were supposed to be completed in Cartagena, but a final meeting had to be called in Geneva to allow the delegates time for consultations at home. Parallel to the restructuring negotiations, GEF donors discussed the replenishment of the GEF's resources. At UNCED, donors had indicated that they would be willing to contribute up to USD 3 billion to a three-year GEF II. The replenishment discussions continued through the spring of 1994 (Fairman.1996:86).

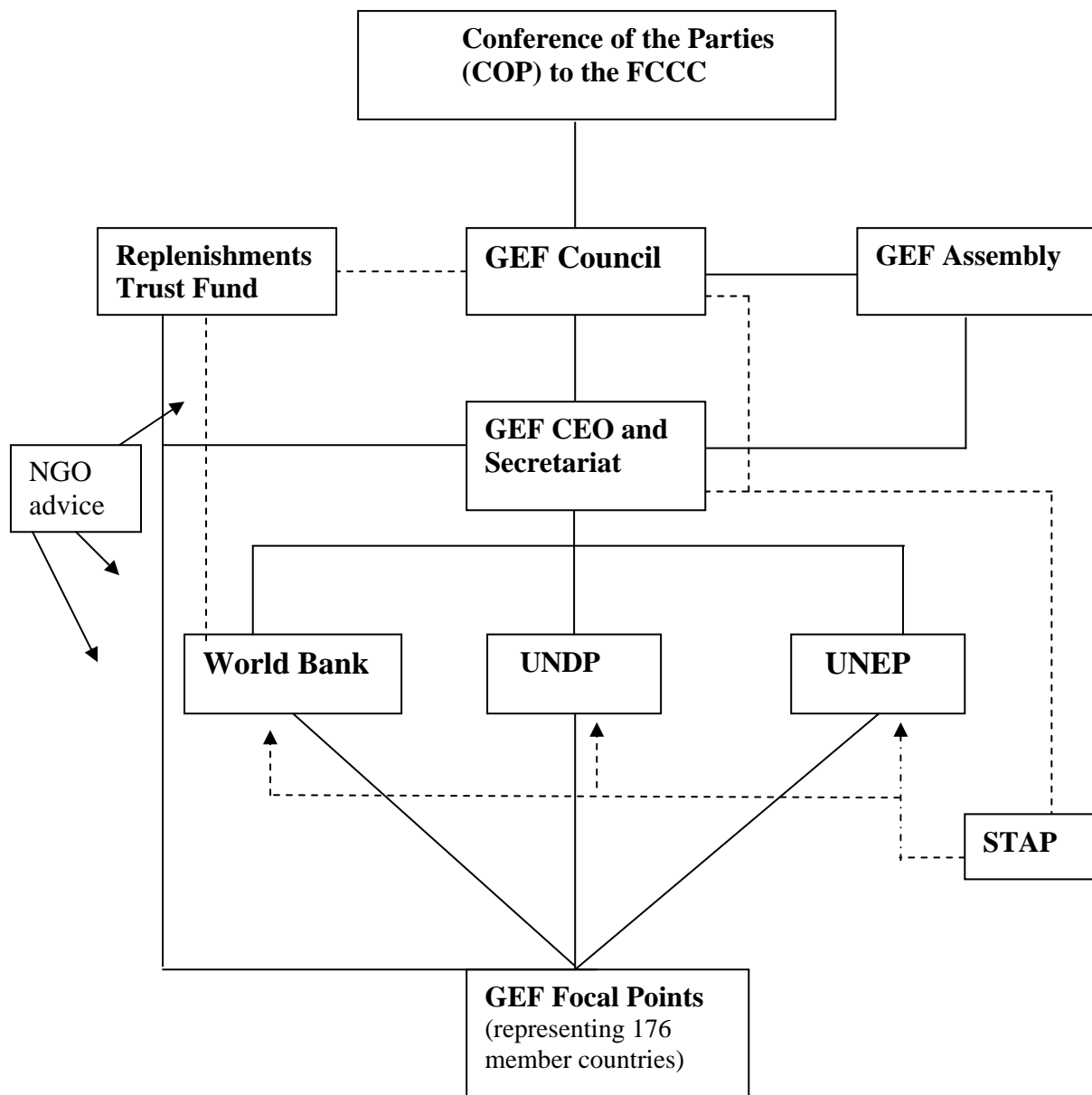
From the beginning it was agreed that the GEF should be based on existing institutions, however, with the acceptance of the need for an independent secretariat and since the GEF was to enter into contractual arrangements with the COPs to the Conventions, some sort of independent legal status would be preferable. In March 1994 final agreement was reached on an "Instrument for the Establishment of the Restructured GEF"<sup>19</sup>, stating that the GEF was established as a separate legal entity, with its legal status deriving from its Participants' Assembly, and not by another World Bank Board of Directors resolution, as was the legal basis for the pilot phase.

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<sup>19</sup> The Instrument for the Establishment of the Restructured GEF is a legal document adopted by the governing bodies of the World Bank, UNDP and UNEP after participating governments signed an agreement to restructure the GEF in Geneva. As of 2004, 176 countries have joined the GEF.

## 2.4 The FCCC and the Restructured GEF

The following figure represents the relationship between the GEF and The FCCC. The different FCCC/GEF forums will be the topic of the remainder of this chapter.



**Figure 2.4 The FCCC and the GEF<sup>20</sup>**

<sup>20</sup> All member states of the GEF have to assign a Focal Point as their GEF representative. Developing countries must also assign an Operational Focal Point to be responsible for the GEF-activities (projects) within the respective country.

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### **The Conference of the Parties (COP) to the FCCC and GEF**

The COP to the FCCC meets annually to discuss and decide by consensus on guidance to give to its financial mechanism. These meetings are open for all countries that have signed the Convention. The responsibility sharing between the COP and the GEF is outlined in a Memorandum of Understanding (MoU) signed by the representatives to the COP and the GEF. The COP is to decide on policy, country eligibility criteria and funding. Whereas the GEF has responsibility for projects and programmes (GEF Secretariat.2003). The GEF Instrument also states that the GEF can spend its funds according to the purpose of the Convention (Hofseth.2003).

### **The GEF Participants' Assembly**

The Assembly is open for all GEF member states, including a representative of the NGO community, and decisions are taken by consensus. Each representative of a GEF participant can make a statement to the plenary meeting, but each oral statement cannot exceed four minutes and the list of speakers are prepared prior to the Assembly meetings. The Assembly meets once every three or four years to review the general policies and operations of the GEF, and make amendments to the Instrument if required, on the basis of reports submitted by the Council. According to the Rules of the Assembly, the Assembly is headed by the Bureau of the meeting, which is assisted by a Roundtable of Ministries, and other heads of delegations<sup>21</sup>.

### **The GEF Council**

The GEF Council is the main governing body of the GEF, and it functions as an independent board of directors headed by the GEF CEO and an elected co-chair. The primary function of the Council is to ensure the effective operation of the GEF as a source of funding activities under the conventions<sup>22</sup>. It reviews and approves two work program annually, monitors and evaluates progress in the implementation of previously approved work programs. The Council also provides guidance to the

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<sup>21</sup> The Bureau consists of two Vice-Chairs, one representing a recipient country, the other a donor country elected by the Assembly. The Roundtable of Chairs reflect upon emerging points of consensus from the delegation statements and general debate and assists the Chair and Vice-chair in preparing the Chair's summary (Rules of the Assembly).

<sup>22</sup> The Council has USD 300 million at disposal at each meeting for the support of GEF's full-sized projects. The GEF also funds medium-sized projects (grants less than USD 1 million), enabling activities and projects under the small grants programme (up to USD 50,000). These projects are, however, not up for Council approval.

Secretariat, the IAs and other bodies, as well as the Trustee to mobilize financial resources.

The 32 Council representatives meet semi-annually or as frequently as necessary at the seat of the Secretariat. The Council members represent constituency groupings; 16 members are from developing countries, 14 members from developed countries and two members from the countries of Central and Eastern Europe and the Federation of Russia<sup>23</sup>. Decisions are taken by consensus, and members representing multiconstituencies may cast separately the votes of each participant in the constituency. If no consensus appears attainable, any member of the Council may require a formal vote on substantial matters. Decisions requiring a formal vote by the Council are taken by a double weighted majority, that is, an affirmative vote representing both a 60 percent majority of the total number of participants and a 60 percent majority of the total contributions.

Since 1994, ten slots at GEF Council meetings have been reserved for NGOs (Regional NGO Focal Points). The following year it was decided to conduct consultations with NGOs the day prior to every Council meeting.

### **The GEF Chief Executive Officer (CEO), the GEF Secretariat and IAs**

The CEO and Secretariat are located in the World Bank, and the staff of 40 includes members seconded from the Implementing Agencies as well as individuals hired competitively on an as needed basis by one of the IAs (consultants). The CEO heads the GEF Secretariat and organizes meetings of the Assembly and the Council. The CEO approves Project Preparation and Development Facility (PDF)<sup>24</sup> block B and C grants, and determines the content of proposed work programs and endorses project

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<sup>23</sup> Three members, within each constituency, are granted access to the Council meeting. The 18 recipient constituencies are distributed among the following geographic regions: Africa 6, Asia and Pacific 6, Latin America and Caribbean 4, Central, Eastern Europe and Former Soviet Union 2.

<sup>24</sup> PDF is a grant facility that grants money to the IAs for developing project concepts in three blocks: Block A (up to USD 25,000 for pre-project activities at national level), Block B (up to USD 350,000 for obtaining information required to complete project proposals) and Block C (up to USD 1 million for completing technical design and feasibility studies for large-scale projects).



for final approval. The CEO also endorses on an annual basis two inter-sessional work programs, these are in addition to the two work programs approved by the Council<sup>25</sup>.

The Secretariat implements the decisions of the Assembly and the Council. Together with the IAs, the Secretariat form the GEF Operations Committee that reviews and recommends projects for inclusion in proposed programmes to the CEO, including an indication of the financial resources required for the program up for approval by the Council. The IAs are also to promote measures to achieve global environmental benefits within the context of their regular work programs (mainstreaming), and to promote opportunities for mobilizing outside resources in support of GEF activities (co-financing).

### **The GEF Trust Fund and Replenishments**

Together with the governance structure of the Council and Assembly, the core legal structure of the GEF is that of a trust fund. GEF is made up of three distinct funds; of which one is the core fund, the Global Environmental Trust Fund (GET). The GET is comprised of donor countries contributions and is used for GEF projects and administrative expenses<sup>26</sup> (Botnen.1997:42). The World Bank is responsible for initiating and authorising the mobilization of resources, the replenishments of the Trust Fund. The replenishment in 1994 laid the basis for scenarios of a new “burden-sharing formula”<sup>27</sup> starting from the historical level of contributions (Young.2002:133). The donor countries (primarily developed countries) agreed that a core replenishment of USD 2 billion should be built on ODA 10 shares. Since ODA10 basic shares of developed countries only add up to 87.81 percent, ODA10 basic shares were adjusted on a pro-rata basis to increase the shares of developed countries to 95 percent in order to avoid a funding gap. The remaining 5 percent is set aside for non-recipient donors (developed countries) not participating in the replenishment discussions as well as for

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<sup>25</sup> The inter-sessional work program is comprised of Medium Sized Projects and Enabling Activities (projects under the small grants program are administered by the UNDP).

<sup>26</sup> The other fund is comprised of funds available for associated co-financing on highly concessional or grant terms. The last fund is the Interim Multilateral Ozone Fund (IMOF) used for financial transfer under the Montreal Protocol of the Ozone Convention.

<sup>27</sup> Burden-sharing is a term applied to the agreed sense of “fairness” in sharing the financial responsibility of a multilateral effort. It is meant to provide the donors with a point of reference on budgetary practices that have evolved over time (GEF/R.3/7.Rev.1:2).

recipient donors (developing countries). The replenishments are closed, with access limited to countries pledging a minimum of SDR 4 million to the core fund.

## **2.5 Summing up the FCCC and the GEF**

The purpose of this chapter was to give a presentation of the establishment of the GEF and its short-lived lifespan as a pilot fund, and its current role as a financial mechanism for environmental conventions. I would now like to briefly sum up some of the main characteristics of GEFs role within the climate-regime.

While the GEF still is expected to function under and respond to the guidance of the Convention, it has also been given separate tasks and responsibilities. By having designated a financial mechanism, the regime has to some extent separated itself from the entity responsible for developing country implementation. Two main operations appear to be inherent in GEF's role; the development of programmes and projects and ensuring a stable flow of resources available for project funding. While the GEF is not the entity that actually will implement these projects, it is accountable to the Convention for the outcome of the projects. It is therefore the GEF that carry the main responsibility for ensuring an effective implementation of projects in developing countries. Before one can evaluate the effectiveness of the GEF one has to determine what constitutes effectiveness. That is what I intend to do in the next chapter.

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## **Chapter 3. Theoretical Discussion and Analytical Framework**

The subject of this chapter is the theoretical tool that I will use in my evaluation and explanation of the effectiveness of the GEF. I will give an account of the concept of effectiveness, and how I will apply it to the GEF. I will also present the variables that determine effectiveness, and the relationship between them. But before I embark on the theory of regime effectiveness, I find it necessary to discuss some important terms.

### **3.1 Definitions**

I briefly commented on the relationship between regimes and IGOs in chapter one, now I would like to clarify the distinction between regimes and IGOs for the purpose of implementation. In that regard, I find it necessary to first comment on the process of implementation.

Implementation is a loose process that is not easily defined. Victor et al. (1998:4) use a common-sense definition of the implementation of international environmental commitments; “those events and activities that occur after the issuing of authoritative public policy directives, which include the effort to administer and the substantive impact on people and events”. In many instances, however, an implementation process appears to be never-ending; commitments are adopted; efforts are made to implement them; the commitments are adjusted. Problems are managed rather than eliminated and implementation becomes a part of a perpetual cycle of policy. Another characteristic of the implementation processes is that when national implementation is a demanding task, both the means and the outcomes of implementation are typically varied and uncertain. Implementation for the purpose of FCCC is not only comprised of the myriad acts of governments, such as promulgating regulations and new laws, but also includes the activities of non-state actors, such as firms, scientists, consumers, environmental pressure groups, and trade associations, whose activities may or may not be stimulated by an international agreement. When many actors are involved, national implementation may become complex, as more political and economic interest is likely to be affected. In the case of the Climate Convention, two institutions

are designed to govern implementation. While Underdal (1998:69) claims that both regimes and IGOs can be seen as social institutions in a broader sense, there are defining features that distinguish them.

Regarding the climate - regime and developing country - implementation, I find Krasner's definition mentioned in chapter one (see section 1.2) to be too narrow for the purpose of this study. It has also often been criticized of being too vague<sup>28</sup>. Instead I find Bartlett et al.'s (1995:140) definition more fruitful, since they see regimes as the regulations developed within the context of a conference of parties (COP), which address both political and technical issues to the regime (governing a specific area of international relations). By focusing on the *development* of regulations this definition sees the Climate Change Convention as an *evolving* set of agreed upon principles, norms, rules, and created primarily through a series of international agreements. In contrast to Krasner's definition, Bartlett's approach to regimes does to some extent capture that regime implementation is an ongoing process based on an initial agreement that often is amended to incorporate subsequent experiences and decisions.

What then, distinguishes the GEF from regimes in the process of regime implementation? Keohane and Haas (1996:5) define the GEF as a financial transfer institution for the environment; sets of rules, typically linked to one or more international organizations, established to govern a flow of funds from richer to poorer countries to achieve specific environmental purposes. The core feature that distinguishes the GEF from regimes in terms of implementation is that it is an IGO. Unlike regimes, IGOs, are physical entities founded by governments representing states, established to engage in problem-solving in the interests of, and possibly on behalf of, their member states. According to Young (1997:150) IGOs have certain advantages when it comes to serving regimes and their effectiveness. Unlike individual governments, they represent the broader regional and global community affected by

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<sup>28</sup> According to Levy et al. (1995:270) critics have attacked Krasner's definition due to the difficulty of differentiating the four components of regimes. Principles are defined as "beliefs of fact, causation, and rectitude"; norms are "standards of behaviour defined in terms of rights and obligations"; rules are "specific prescriptions of action; and decision-making procedures are "prevailing practices for making and implementing collective choice".

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the activities being managed under the regime. As such they provide an institutional infrastructure within which activity and the various forms of governance can occur, by drawing participants from all affected countries. Underdal (1998:69) argues that it is only IGOs which may be said to possess legal personality or an organizational will and to whom, consequently, actions may be attributed. GEF's potential as a promoter of international regimes is also based on its characteristic of being a financial organization. Young (1997:148) nevertheless warns that international organizations lacking a minimum of financial resources can easily be paralysed and fail. Ideally an organization should be able to, or at least to some extent, provide independent inputs into the problem-solving process or somehow amplify the outputs of this process. Lack of resources is, however, not just an internal problem; most league-of-states type intergovernmental organizations have only those revenues allocated to them by member governments. A common feature for the entire implementation process therefore appears to be that it is ultimately the governments that are the masters of the organizations, programmes and conference of the parties, and, as a consequence, making an international regime no stronger than the material capability of the participants that supports it (ibid).

### **3.2 The Dependent Variable: Effectiveness**

There are several reasons why measuring effectiveness is not a straightforward operation. There are different ways of approaching the concept theoretically, together with the many methodological concerns that apply to the different approaches. In order to utilize effectiveness as a valid and reliable dependent variable, I need an approach and definition that is possible to measure and is theoretically derived. I will in the following give a brief presentation of the most common theoretical approaches, before I embark on the actual operationalisation and measurement of effectiveness.

#### **3.2.1 Evaluation Criteria**

One of the first challenges regarding regime effectiveness is how to understand the concept theoretically. As briefly mentioned in the introduction chapter, one has to be explicit about the exact object of measurement, this also applies to the theoretical

approach and evaluation criteria. Both Young (1999:4-5) and Levy et al. (1995:291-292) list different approaches to regime effectiveness; the legal, the economic, the problem solving, the political and the policy-oriented approach.

A common approach to regime effectiveness is based on a legal definition, and simply put; it evaluates a regimes success to the extent that conflicts become regulated by the rule of law and by the degree to which contractual obligations are met (Young. *ibid*). This approach does, however, ignore non-contractual consequences of regimes, and even more important, it overlooks that effective regimes in a legal sense, can be so without doing much to solve the problem that led to its establishment.

This concern has implications for the second approach to evaluating a regime's achievements, the economic approach. An economic definition of effectiveness would incorporate the legal definition mentioned above and add an efficiency criterion. Economists want to know not only if a regime generates the right outcome, but also whether it does so at the least cost. This approach is favoured by Keohane and Haas (1996:15), if one is to evaluate project effectiveness<sup>29</sup>. Such an approach could be valuable if I were to assess the effectiveness of the GEF by one or some of its projects. GEF-funded projects are implemented in very different settings and by different actors, which would raise concerns of both reliability and validity. Cost-effectiveness, on the other hand, is a guiding principle for the operations of the GEF, but I do recognize that whilst assessing a given institutional arrangement for solving or managing an international problem, one is seldom able to determine how efficient it is. To the extent that the economical aspect has been a factor affecting the operations of the GEF, it will be dealt with as a factor determining the effectiveness.

Another approach to be mentioned is one that focuses on problem solving. Effectiveness is evaluated in relation to what degree the regime has solved the problem which spurred its establishment. Since the GEF is not established to solve the climate

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<sup>29</sup> Project effectiveness refers to how well, relative to costs, a single financial transfer or set of transfers contributes to solving particular environmental problem or set of problems, given the way in which problems are defined and pre-existing institutional arrangements (*ibid*).

change problem, I will not be in a position where I can measure the emission reductions required by all country members to solve the problem.

Unlike the approaches above, the political approach directs attention to behaviour and behavioural change. This approach sees the problems regimes confront as a function of specific constellations of actors, interests and interactive relationships (Levy et al. *ibid*). Effectiveness is therefore a function of the degree to which the members of the regime alter their behaviour and interests as a result of the regime. The main focus of the evaluation of effectiveness in this study will be the behaviour of actors, more specifically the developing countries. The GEF will be considered effective if it has caused change in the behaviour of actors in a way that contributes to the management of targeted problems.

Lastly, there is the policy-oriented definition of regime effectiveness. Levy et al. (*ibid*) claim that this is a useful approach when the regime explicitly sets out well-defined goals. Even though the regime under scrutiny here operates without an environmental goal or target, it specifies certain obligations, which the actors must meet as members of the regime. These obligations require actors to submit their national reports and communications to the regime, and the extent to which countries have met their obligations will be part of the assessment in this study, together with changes in actor behaviour.

I will therefore utilize two criteria to evaluate effectiveness by: the policy-oriented approach, which I from now on will refer to as goal attainment<sup>30</sup>, and behavioural change. The effectiveness through both behavioural change and goal attainment cannot be evaluated without having assessed the former phase of regime effectiveness, output. The actual measurement of these two phases of regime effectiveness is the topic for the next section.

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<sup>30</sup> I found it necessary to refer to this criterion as goal attainment in order to avoid confusion regarding the measurement of the GEF at output stage. This will become clearer in the following pages.

### 3.2.2 Measurement

This section will discuss how one can measure effectiveness. As previously mentioned, I will focus on the two preceding stages of output and outcome. For international regimes having delegated responsibilities to an IGO, it does make sense to evaluate output in addition to outcome<sup>31</sup>. Both levels can, however, lead us to face conceptual as well as methodological challenges, hence I need to consider how to go about evaluating both output and outcome.

#### 3.2.2.1 Output

Output is usually referred to as regime norms, rules and regulation, and there are several ways of measuring such an understanding of output. For instance, Miles et al. (2002:6) suggest focusing on the stringency of the rules<sup>32</sup>, and/or the level of collaboration established. I find neither criterion to be suitable for this study; stringency seems to be solely focused on the formal provisions of the FCCC and not on the activities delegated to the GEF as the entity implementing the regime. The latter criterion, on the other hand, seems to be of a more explanatory nature, and should rather be included in the analysis of problem-solving capacity. Instead, output can be approached by the extent the regime and its IGO proscribe or encourage “positive” behaviour that otherwise would not have occurred, or proscribe or discourage “negative” behaviour that otherwise would have occurred (Wettestad.2002:12). While it is clear that the GEF is to encourage implementation through the transfer of resources, the ways through which such transfers are to be made are not inherent in the Convention text. Henceforth, GEF’s effectiveness is dependent on the development of programs that will proscribe appropriate developing country behaviour under the Convention. One yardstick is nevertheless not enough to assess output because one determinant can hide possible successes or failures. I will therefore add the criterion of inclusiveness. As point of departure, inclusiveness refers to the extent to which the system of activities is in fact brought under jurisdiction or domain (Miles et al.2002:6) According to Wettestad (2000:14) this means in practical terms, identifying the countries involved in the activities to be regulated and determining their share of the

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<sup>31</sup> In terms of regime stages, one stage of events serves as a starting point for the subsequent stages.

<sup>32</sup> The stringency with which rules regulate the behaviour of countries (ibid).



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grand total of these activities. In the case of GEF, this refers to the development of a project portfolio. As a criterion for measuring effectiveness, the climate change portfolio refers not only to the type of projects that has been funded, but also the countries to which the transfer of resources has been directed. I am therefore left with two criteria for evaluating the output stage of GEF's effectiveness within the climate-regime; the development of programs and the project portfolio, both of which I will explain in more detail below.

### Programs

Under the convention, the options for how financial and technological transfer will be facilitated, must be developed into programmatic activities that the GEF will offer its target group, and as such will enable them to design projects and implement the convention. Wettestad (2000:12) suggests evaluating such programs in terms of the demands placed on the parties of the regime. This can be approached by asking through which policy options are financial/technological transfer to be facilitated, and how wide are the range of options. Since the GEF can be perceived as a compensation for developing countries undertaking climate friendly-measures they otherwise would not have the capacity to undertake themselves, the programs should outline clearly the strategies and funding options available for GEF-support under the Convention. The development of programs therefore refers to the type of policy measures that are supposed to produce the effects that will meet the objective of the international agreement. This aspect of effectiveness will be evaluated in terms of the programs that will enable behavioural change and not behavioural change itself.

### The Project Portfolio

As the target group of GEF projects under the FCCC is not a homogenous group, the GEF's portfolio must reflect projects recognizing that the developing countries pose different levels of development, and hence are in need of different types of assistance and resource transfer. At the same time, the GEF acts as a financial mechanism for a global regime, meaning that all relevant actors are entitled to some of the resources. The GEF's resource allocation as seen in its portfolio should therefore reflect a dual

funding strategy; while all countries should be enabled through financial assistance to meet their convention obligations, a larger share of the financial and technology transfer should be directed to the countries that pose the largest threat to the objective of stabilizing the ghg-emissions. The measurement of the project portfolio, as used here, essentially asks whether the parties to GEF include all states in whose domain the problem is located. All other things equal, long-term effectiveness will depend upon the inclusion of all relevant parties.

In terms of evaluating effectiveness at the output stage, the project portfolio may be seen as consequences stemming from the programmes developed by the GEF. Assuming at least a rough match between the two dimensions of output would lead me to believe that effectiveness is increasing over time. A high score at a preceding stage is not sufficient and not even a necessary condition for high effectiveness at a subsequent stage, in terms of neither output nor outcome, the latter which will be discussed in the following sections.

### **3.2.2.2 Outcome**

Assessing effectiveness on the basis of outcome is a matter of determining the effect of the regimes upon the behaviour of target groups. As already mentioned the aim of this thesis is to see if the GEF operating within the climate-regime has played an important “enabling role” with regard to countries not (yet) disposing the relevant technical, administrative and financial capacity. I will use goal attainment and actor behaviour to evaluate effectiveness. By using two evaluation criteria, I will be able to test the validity of the criteria, and the definitions will be regarded as sufficiently valid. The first criterion is rather easily measured as it entails looking at whether or not developing countries have managed to meet their obligations under the Convention; that is conducting and submitting their national communications. The latter criterion on the other hand needs some further consideration, as it entails measuring effects of capacity building.

According to Torvanger et al. (2001:66) the objective of capacity building in developing countries is to assist in building, developing, strengthening, enhancing and improving their capabilities to achieve the objective of the FCCC. Haas et al. (1993:8) see two key points where such effects of implementation can be seen; by contributing to more appropriate agendas reflecting the convergence and technical consensus about the nature of environmental threats; and by contributing to national policy responses which directly control sources of environmental degradation<sup>33</sup>. The former targets the issue of increased awareness and understanding of the problem, whereas the latter refer to policy development and/or reform. Both indicators are faced with methodological challenges.

Many GEF-projects install and demonstrate equipment, and the directly installed capacity and energy savings from these projects can be significant, but these installations are fundamentally intended as demonstrations and must be replicated in order to achieve large-scale, indirect impacts. To date, only a small part of the GEF's investment portfolio has been completed. The 'final' impact of the GEF is therefore yet to be established. A considerable part of the portfolio has, however, been in operation for more than two years, which will be sufficient in terms of drawing some preliminary conclusions on the possible success or failure of GEF's efforts<sup>34</sup>. Recognizing that behavioural change is a rather ambitious approach in light of the low number of completed GEF-projects, I found it necessary to include both indicators in my assessment of the GEF. Increased awareness/understanding is what one may call a somewhat softer approach for measuring increased capacity compared to policy development. Legal frameworks and legislation established as a result of GEF projects are, on the other hand, considered important because they can foster the future of project operation well beyond the life of GEF funding. I therefore find it valuable to look at GEF efforts, so far, to facilitate policy development. There are, however, often other actors such as private entities at play in energy markets, and the measurement of

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<sup>33</sup> Haas et al. (ibid) also conceive of contributing to more comprehensive and specific international policies, agreed upon through a political process which core is intergovernmental policies, as evidence of effective implementation. However, in this case, that political process is the GEF and its policies, and these efforts are included in the output stage of effectiveness.

<sup>34</sup> By 2002, 30 climate change projects had been completed. 58 projects had been in the implementation stage for at least a year (Harstad and Ramankutty.2002:7).

this dimension of effectiveness should ideally include such stakeholders. But since government policies and decisions are assumed to have an impact on domestic actors, behavioural change will primarily target state behaviour in that sense

To sum up, effectiveness at the outcome stage, will be measured by the extent to which GEF-funded projects have facilitated developing countries meeting their obligations under the Convention, and led to change in actor behaviour through capacity-building.

An evaluation of effectiveness involves a comparison between the effectiveness observed, and some other standard. In essence this involves comparing the actual behaviour with the regime in operation with a hypothetical behaviour that would have occurred in its absence and/or the ideal pattern of behaviour assumed to lead to the collectively optimal solution, known as the Pareto frontier<sup>35</sup>. As neither the FCCC nor the GEF, state a clear goal, this makes it difficult to decide on an optimal technical solution. In addition, the roles of the convention parties and the GEF's member states are differentiated, complicating any measurement of the different parties' net benefit, and the collective optimum respectively. The former standard, on the other hand, is appropriate if we want to determine whether or to what extent the regime's financial mechanism makes a difference. This point requires further explanation. How can one be sure that the observed changes are effects of the financial mechanism? One of the major obstacles for tracing any increase in developing countries' capacity back to the GEF, is that many other actors are operating in the field. Wettestad (2000:15) suggests that one can assume invariance; that the situation that existed at the time when the regime was established would have remained constant over the time in question. The Convention explicitly states that without resource transfer, the developing country parties will not have the capacity to begin implementing the Convention. Thus one can assume, that without the GEF the pre-regime situation would remain status quo. This can, nonetheless, only be an assumption, as there is no way to control what would have

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<sup>35</sup> Miles et al. (2002:7-10) claim that the appropriate notion of the political optimum is the Pareto frontier. The Pareto frontier is reached when no further increase in benefits to one party can be obtained without leaving one or more prospective partners worse off.

happened in the absence of the financial mechanism. I will return to any implications flowing from such a baseline for which the effectiveness of the GEF is to be compared in chapter four.

### **3.3 The Independent Variables**

Two independent variables are expected to contribute to determine the effectiveness of a regime, both of which will be discussed in this section.

#### **3.3.1 Problem-Solving Capacity**

The first independent variable is problem-solving capacity, meaning how much resources are being spent on solving the problem and how much energy and skill is being used. It is easy to understand that parts of the problem-solving capacity are dependent on problem characteristics; actors with no incentive to cooperate are not expected to invest great amounts of time or resources in solving the problem. However, organizations can have an independent effect on effectiveness through their capacity to manage problems. Problem-solving capacity, as used here, is made up of three determinants; the institutional setting, power, and skill and energy.

##### **3.3.1.1 The Institutional setting**

Miles et al. (2002:9) argue that what is political feasible depends on the institutional setting. Moreover, it depends on an institution's capacity to remove initial constraints (by coupling or decoupling issues) and to integrate and aggregate actor interests and preferences. If institutions themselves have the opportunity to make binding decisions on behalf of its members, it should be seen as a strong institution. There are few international institutions with this kind of capacity, because it requires that states give up their sovereignty on specific issue arenas. In absence of such strong institutions there is according to Miles et al. (ibid) one particularly important factor that contributes to determine effectiveness; decision-making rules. However, decision-making rules cannot be viewed separately from rules of access and participation. Hence, I will look further into the latter before I elaborate on how decision-making determines effectiveness.

## Participation

As point of departure a distinction should be made between rules of access and participation. Whereas the former refers to the rules regulating the possibility of participation, participation refers to the actual participation of various groups. Participation is therefore shaped both by such rules of access, as well as actor interests. In the following I will focus on rules of access, perceiving of institutions as a mean to regulate the access of actors to problems.

Regimes can practice universal membership in which every state can sign up, or membership of a regime can be restricted to countries that satisfy certain criteria and/or pay a membership fee. Wettestad (1999:20) argues that in order to solve fully the environmental problems addressed, the participatory scope should match problem scope quite closely<sup>36</sup>. This is to some extent based on the expectation that the inclusion or involvement of stakeholders, notably target groups, will lead to better decisions that are implemented more thoroughly. Victor et al. (1998:22) claims that participation by such groups leads to effective agreements because of more realistic and higher-quality policies, and perhaps more importantly the development of a 'target group stake' in the process and outcome. According to Skjærseth (2000:32) target groups represent those actors who cause pollution and consequently those actors who are required to change their behaviour in order to fulfil commitments and domestic policy goals. In the case of GEF, the target group for the implementation of environmental activities is the developing countries. However, developed countries constitute an important group since they are expected to partly finance GEF activities. Consequently, both country groupings are necessary participants in the GEF.

There appears to be less consensus on the inclusion of non-state actors. At one end, their inclusion is considered to enhance effectiveness. Young (1997:145) for instance, claims that such open systems permit greater public scrutiny by providing an opportunity for comments on government performance in implementing current

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<sup>36</sup> According to this reasoning the participatory approach should be open to all participants if the environmental problem is perceived of as a global problem. Similarly, if a problem is viewed as smaller in scope, then rules of access should be narrower, for example, limited to states within a region.

commitments and on proposed changes in international environmental regimes. Skjærseth (2000:48), on the other hand, advocates against the inclusion of such actors, arguing that restrictive procedures for access of outsiders may stimulate both stability and mutual confidence. NGOs have been included in GEF processes, and following the different arguments presented above, their participation can work either way in terms of effectiveness. However, as a determinant of effectiveness, global participation is usually expected to decrease or hobble effectiveness. Wettestad (1999:21-22) therefore argues that a more flexible approach to participation is more favourable in terms of effectiveness. A flexible approach utilizes the strengths of both inclusive/open forums and more exclusive/closed forums. In the case of the GEF, this leads me to the following hypothesis:

An institutional setting which practices different rules of access in different forums will lead to more effective regimes, than institutional settings that are solely based on universal/open participation.

The advantage of this approach involves more than just participation, as will become apparent in the next section where I will discuss decision-making as a determinant of problem-solving capacity.

### Decision rules

The decision rule can make it either easier or more difficult to decide and influence how effectively states cooperate in implementation. Although decision rules are relevant to all kinds of problems, they gain particular importance when preferences diverge, as they do when problems are malign. A distinction is often made between unanimity - requiring the positive approval of all and the somewhat less demanding rule of consensus - requiring "only" the absence of any formal, substantive objections. Even though consensus is the decision rule most frequently used in international organizations, it can if practiced in combination with a requirement of open participation, be the most demanding decision rule there is (after unanimity). If all parties in a given group must join for a solution to be implemented, this gives each

party a veto, and collective action will be limited to those measures that are acceptable to the least enthusiastic party, which Miles et al. (2002:25) refer to as “the law of the least ambitious program”. A number of organizations have therefore some provisions for decision-making by formal voting, usually requiring a qualified majority on substantive matters. The use of majority voting tends to lead to more ambitious regulations. However, if this is accomplished at the cost of sacrificing the interests of significant actors, it will do so at the risk of impairing compliance. Under the Convention, the GEF faces the challenge of developing programs to guide its project activities and approving projects. Following the discussion above both tasks could be more effectively managed under a decision-rule requiring majority voting than under consensus or unanimity. But simultaneously this may come at the expense of actor interests. The previous section discussed the advantages of a flexible approach towards rules of access; much can be said in favour of such an approach to decision-making as well. Different forums are usually assigned different responsibilities, and by practicing different decision-making procedures to meet the problem task of the different forums, this can have a positive impact on effectiveness.

Decision-making is nevertheless dependent on what Young (1997:148-149) calls the “default” that will continue in the absence of a decision. Thus, while assessing the impact of the decision-rule on effectiveness, one must also consider the non-decision option. In that regard, it is useful to look at other possible formal and informal rules of procedure that a regime/an organization may utilize, such as for example their differentiation into sub processes/committees, or the practice of developing draft proposals, so-called “negotiations texts”. Many institutional settings, particularly those that have been in active use over a prolonged time, develop their own informal codes of conduct or cultures (Miles et al.2002:25). When it comes to assessing the institutional setting’s impact on problem-solving capacity, I expect decision-making rules to be the most important determinant. A hypothesis regarding procedures of decision-making is given below.



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Decision-rules providing qualified majority lead to higher levels of effectiveness than the decision rules of unanimity and consensus, as the delays in building such a broad consensus often hobble effectiveness.

### **3.3.1.2 Power and Instrumental Leadership**

The remaining two determinants of an organizations problem-solving capacity, as used here, are power and instrumental leadership. I will take a closer look at the differences between these two determinants, before I discuss how they contribute to determine effectiveness. In international relations, power is seen as a something covering a range of eventualities from the force/coercion mode to the influence/authority mode. Leadership, on the other hand, may be defined as “the power of one or a few individuals to induce a group to adopt a particular line of policy (Andresen and Agrawala.2002:2; Malnes.1995:92). According to Malnes (1995:99) the concept of leadership should be reserved for influence which springs from other things than threats and offers. To understand this conceptualisation one must separate or distinguish between the mechanisms that powerful actors and instrumental leaders work, and the capabilities required to succeed. Influence based on threats and offers will here be referred to as power because it is only available to those actors with the capabilities to back it up. Such a strategy is not dependent on the consent of others to succeed, as it is the prospect of possible sanctions or rewards that are assumed to induce them to comply. Leadership on the other hand is, an (instrumental) leader induces people to do certain things by making them consent to underlying goals (ibid) Furthermore, he or she seeks to find means to achieve common goals, and convince others about the (substantive) merits of a particular diagnosis or solution framing (Andresen et Agrawala.2002:2). In the following sections I will look at how these determinants contribute to explain effectiveness.

#### Power

As point of departure, one can assume that the distribution of power or capabilities among the members of regimes is given, but this is not the same as saying that it is not worth studying. Usually one assumes that problem-solving capacity improves when

there are powerful actors in the regime, because an actor with great economic resources will be capable of punishing or rewarding other actors in the regime. If, however, the most powerful actors in the regime are “laggards”, meaning those that have no incentives to cooperate, the effect of the power structure is likely to be the opposite of that above. Young (1991:306) expects power to loom large in settings featuring a highly asymmetrical distribution of power among participating actors, while Underdal (1994:182) claims that the responsiveness to powerful actors can be conceived of as a function of the characteristics of the followers themselves and of the problem they are faced with. The differentiation of the GEF member states into recipients and donors may have implications for the power structure and actor behaviour, but the extent to which this affect effectiveness is dependent on how actors utilise their positions and capabilities. This leads me to the following hypotheses on power as a determinant of problem-solving capacity and effectiveness:

Concentrations of power in the hands of pushers tend to enhance effectiveness, whereas concentration of power in the hands of laggards usually has the opposite effect.

### Instrumental Leadership

It is reasonable to say that unlike powerful actors, the skill and energy available for instrumental leadership have more to do with individual capacities than power and material capabilities. Instrumental leadership usually stem from officials enjoying a position of authority or status. It should nevertheless be noted that positions of authority or status do not involve leadership by definition, it should rather be seen as a possible basis for leadership<sup>37</sup> (Malnes.1995:98). In order to be able to influence others, a leader must offer resources in the form of competence, knowledge and/or skills, or possess personal qualities that will make others accept his or hers guidance.

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<sup>37</sup> According to Malnes (ibid:96) many people do as they are told by those who are authorised to direct their conduct, however, this does not qualify as instrumental leadership. Regarding status and positions, Underdal (1994:190) claims that special authority is conferred on the incumbents of certain formal roles, including those of Conference President, Committee Chair, and Secretary General. Underdal also refers to the actor’s position in the informal order, which is partly a matter of personal reputation, seniority, and so on, but it also depends on the political orientation.

Either because they have become convinced of the merits of a solution or because of a more or less diffuse faith in the leader's ability to "find the way" (Underdal.1994:187).

Instrumental leadership, then, involves efforts to change the constraints and opportunities for social interaction (Malnes.1995:91). If such efforts are invested in the operations of the regime, effectiveness will be enhanced by facilitating regime implementation, and the more skill and energy available, the more effective the regime will become. But even though potential sources for instrumental leaders can be identified, skill and energy is not always sufficient. While the need for instrumental leadership tends to increase with problem malignancy, supplying such leadership tends to become increasingly difficult as malignancy increases. This leads me to the following hypotheses regarding instrumental leadership:

If instrumental leadership is invested in the operations of the regime, effectiveness will be enhanced by facilitating regime implementation, and the more skill and energy available the more effective the regime will become.

#### Regarding Power and Instrumental Leadership

Before I begin discussing the second independent variable of environmental regime effectiveness, some final comments on the potential impact of power and instrumental leadership are in order. In terms of problem-solving capacity, I do expect that the more complex the problem and the more demanding the decision rule, the more critical power and/or instrumental leadership will become. Similar to Young (1991:303), I assume that the more resources are exercised, the greater the impact this will have on actor's behaviour. I do, however, assume that powerful actors will be stronger than instrumental leadership in the sense that power as an instrument is expected to have a greater impact on the behaviour of others than skill, energy and knowledge.

### **3.3.2 Problem Characteristics**

The second independent variable is problem characteristics. In this study I am primarily concerned with the political aspects of problems, the intellectual dimension

will only be considered if it interacts with political characteristics. At the political intellectual level some problems are substantively more intricate or complicated than others, implying that more intellectual capital and energy are needed to arrive at an accurate description or diagnosis and to develop good solutions. If such considerations apply to this specific case, they will be included.

### **3.3.2.1 Political Problem Characteristics**

Environmental problems calling for collective-action problems are political issues, and as such they vary in their degree of malignancy. According to Miles et al. (2002:17) there are two main types of environmental problems; those, which are caused by lack of coordination, and those, which are caused by problems of incongruity. Problems caused by lack of coordination are typically considered to be of a more benign character as the solution to such problem lies in the coordination of action. Most attention will therefore be paid to problems characterized by incongruity because such problems have a greater impact on effectiveness in the long run.

Incongruity problems arise because there is asymmetry between individual and collective costs and benefits. What kind of positions the various actors possess in the asymmetric relationship will determine firstly, whether states choose to cooperate, and secondly whether they choose to implement the joint decisions. If costs and benefits are highly asymmetrically distributed, conflicts tend to increase and this is likely to be reinforced if the problem or activity in question stem from point sources that are easy to identify (Skjærseth.2000:44).

Many factors can be said to lead to incongruity problems, Victor et al. (1998:9) claim that three general aspects can be of significance, the ratio of costs to benefits; the distribution of those cost and benefits; and “strategic” considerations such as international economic competitiveness. Concerning costs, one usually approach environmental transboundary problems by abatement costs, but the costs associated with alleviating the climate change problem depend on a number of different factors; the expected costs of reducing ghg emissions, expected costs of future climate changes

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in the country, the economic structure and trade patterns, energy system, energy efficiency, vulnerability, the extent to which measures have been implemented, to mention a few. In the case of the GEF and climate change, operating with terms such as global/national benefits, incremental/national costs and cost-effectiveness, I expect considerations regarding the costs of implementing projects to loom large amongst the actors involved, both donor and recipient countries. However, due to these terms, the expectations concerning actor behaviour in the case of GEF, differ from the assumptions often made regarding international environmental cooperation.

Usually, one expects high-emitting countries to be more reluctant to cooperation since they could benefit more from a no-solution than low-emitting countries. Another assumption often made, is that the position of actors may be affected by the position of other actors. This is sometimes based on the expectation that it will be easier to get a country to stretch further if it expects other actors to do so as well, whereas one could also expect the opposite, that countries may consider the benefits of free riding when other countries implement measures to be large (Torvanger.2001.69). However, as discussed in section 3.2.2.1 (Output), high-emitting countries stand to receive more funding due to their higher level of emissions and would therefore benefit more from cooperation than low-emitting countries. In addition, the extent to which one can expect countries' positions to be affected by the actions of other countries, seem more limited given that the GEF is designed to target countries' lack of capacity to implement the convention. It seems more reasonable to expect that the level of resources available for climate activities will affect countries, at least in the short run<sup>38</sup>. The question of how problem characteristic affect effectiveness in the case of GEF and climate cooperation is therefore more complicated than in the case of other processes of international cooperation. Thus, to explain how problem malignancy affects the effectiveness of the GEF, I find it necessary to look at how problem characteristics affect the given solution. This will be done by what Miles et al.

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<sup>38</sup> In the long run, however, countries may possibly be affected by increases in other countries' capacity, and may consider that they could benefit from similar increases as well. But such long-term considerations seem to be beyond the scope of the GEF's ten-years life span.

(2002:15) refer to as matching problem-solving capacity with problem type and task<sup>39</sup>. By linking these two it will be possible to look at the institution's characteristics and see how they affect the actors involved in the operations of the regime. More specifically, one can assess to what extent the institution has become an incentive for the actors to engage in the problem-solving efforts of the institution. According to Sjøfting (2000:11) the main incentive for a state to adopt policy measures, is that the international regulations or agreements they are based on must provide expectations to reap net benefit, or at least not lose. This is nevertheless also dependent on the extent to which actors agree on the given solution.

If all actors favour the same goal, and all favour the same type of means to achieve the goals, we must expect effectiveness to be high. Such problems are problems of coordination, not of incongruity. If actors' positions are incompatible, meaning that there are diverging interests when it comes to solutions, we must expect effectiveness to be low. A situation like that may occur if there are differences in how actors perceive the problem. A problem may represent a conflict of interest, value or means to deal with it (Gupta.1997:32). This means that problem malignancy is affected by the extent to which actor interests are determined by the objective and subjective distribution of material consequences, the latter referring to the way actors have assigned subjective value or utility. Consequently, it is reasonable to assume that the more asymmetrical an incongruity problem, the more difficult it will be to find a solution that is acceptable to both or all parties (Miles et al.2002:19), and that a possible solution may require higher levels or perhaps more complex arrangements of cooperation (ibid:15). This leads me to the following hypothesis:

The more political malign the problem the less effective the cooperative solution will be, since the conflict level tend to be higher than in the case of more benign problems.

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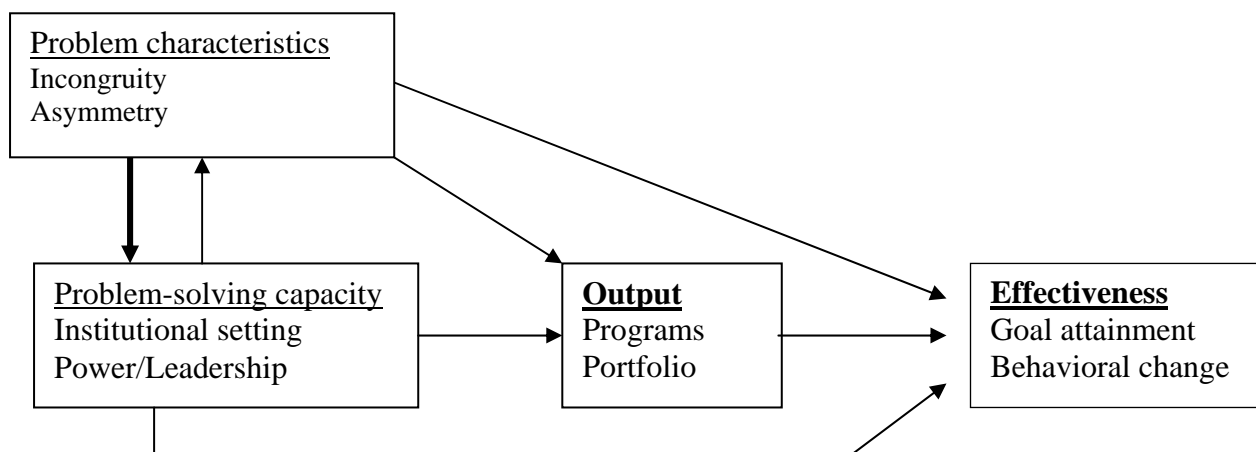
<sup>39</sup> Miles et al. (ibid) argue that what constitutes problem-solving capacity can only be determined with reference to a certain category of problems or tasks.

Having looked into the different variables of the theoretical framework, the remaining part of this thesis is devoted to an explanatory model.

### 3.4 An Explanatory Model

Given the many factors interacting in complex ways and difficulties of implementing environmental commitments, some might question whether it is possible to draw any systematic conclusions about the implementation process and ways to enhance implementation, and make definitive claims as to which factors are decisive in this particular case. To answer such concerns, I will in the following outline and discuss the explanatory model that is underlying the approach of this thesis.

**Figure 3.4 An Explanatory Model**



The model is premised on the theoretical framework discussed in this chapter and the operationalisation of the various variables, and their mutual relationship. Since the model centres on the effect of institutions, it is based on the assumption that processes of dealing with environmental problems takes place within the framework of institutions that to a varying degree are capable of tackling these challenges. A precondition for using this framework is, nevertheless, that problem characteristics are reflections of an incongruity problem, and this variable is assumed to become an increasingly important determinant of effectiveness the more malign the problem. The variable problem-solving capacity is therefore not truly independent since the

problems we are dealing with do affect the chosen solution. But it is assumed to be important in terms of effectiveness, for two reasons. Firstly, institutional arrangements can themselves have a significant impact on actors. Secondly, this variable points us toward factors that can be deliberately manipulated by decision-makers and hence be used as tools for problem solving (Miles et al.2002:3). An organization's problem-solving capacity can therefore play an important role to the extent which dilemmas are "resolved", and hence the effectiveness of the process. As previously mentioned, the organization is by itself assumed to be a possible source for financial incentive for regime implementation, and as such can play an important role by altering the utility the actors assign to behavioural options within the given issue area. Following these assumptions, one can therefore expect countries to participate in regimes if they lower transactions costs, and if they have the problem-solving capacity with conditions for orderly negotiations.

This approach may nevertheless face some limitations. Firstly, my characterization of the problem may be wrong and/or other relevant issues may determine actor behaviour, secondly, states are not rational actors. Skjærseth (2000:37) has questioned the use of the rational actor model<sup>40</sup>. Such an approach may be flawed because it solely seeks to explain the behaviour of states in terms of the context or circumstances in which they operate, rather than structures and processes internal to the parties (ibid). Such conditions may become especially important in this study since the GEF is set target a sub optimal outcome in environmental cooperation that has arisen due to the developing countries lack of capacity to implement the Convention. While it is reasonable to assume that developing countries will be affected by both GEF's financial assistance and the context that governs the resource flow, other domestic conditions may affect their behaviour options. By overlooking such conditions, one may be at risk of ignoring important aspects that influence actor behaviour in international collaboration. The propositions derived from the rational actor model will therefore not necessarily be verified. Although this approach assumes rational actors, the model will to some extent relax the proposition of rationality based on the

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<sup>40</sup> Skjærseth (ibid) claims that according to this model one can assume that actions of actors will be motivated by costs and benefits, and that actors will choose those options that are believed to maximize net gains.



logic of consequences to meet the shortcomings mentioned above. The model is relaxed in the following ways.

Actor behaviour is not only explained by the context of international environmental cooperation. Structures and processes internal to the different actors can affect actor willingness and ability to engage in international environmental cooperation. Lack of ability is assumed to be of more importance, since actors without sufficient ability to engage in problem-solving efforts, are not likely to see their utility change as a consequence of institutional arrangements. Actors' willingness, on the other hand, is a different matter. Actors can have the ability to cooperate, but lack the willingness. Within such a context, actors do behave in line with the propositions flowing from the rational actor model. There is, however, another option. Actors may be able, but do not necessarily know what they want when they participate in international environmental cooperation. They enter into a process of discovering, inventing and exploring both own interests and possible solutions. In such scenarios one can expect that actor behaviour can be explained within the context they operate, unless they learn through the process that cooperation do impede on their domestic conditions and /or constraints.

Following these modifications, there may be three reasons why states do not implement joint decisions: their problem-generated preferences are of a kind that implementation will not pay off even when given the opportunity for financial assistance, that lack of problem-solving capacity is so great that implementation is not possible or because actors' lack of ability (or possibly willingness) prevent them from entering into environmental cooperation.

The purpose of this chapter and the above model was to present the theoretical basis for this study, and the analytical approach. Having discussed both the dependent variable and the independent variables, I will in the subsequent chapters evaluate the effectiveness of the GEF and analyse the determinants explaining effectiveness.

## **Chapter 4. The Evaluation of the Effectiveness**

The purpose of this chapter is to evaluate the effectiveness of the GEF as the financial mechanism for the FCCC. This will be done in accordance with the theoretical considerations in the previous chapter. This chapter has two main parts; part one will focus on the output stage of regime effectiveness, whereas part two will target the outcomes of the operations of the financial mechanism. Lastly, I will attempt to trace the observed behaviour back to the regime in question.

### **4.1 Output**

Following the theoretical framework this section will attempt to answer to which degree the GEF has been effective in developing programmatic activities that will enable developing countries to implement the FCCC; and the extent to which the GEF has facilitated the implementation of developing country activities as seen in its climate change project portfolio.

#### **4.1.1 Programs**

As the financial mechanism for the Climate Change Convention, the GEF had to develop programmatic activities based on the Convention text, which merely states that developed country implementation is to be facilitated through the transfer of financial and technology resources. Two years after having been assigned the role as a financial mechanism the GEF's Operational Strategy for its climate operations was in place<sup>41</sup>. The Operational Strategy for climate change outlines various approaches to enabling activities and mitigation/adaptation through technology transfer<sup>42</sup>. This latter category has been divided into four long-term operational programs for different climate change activities. The Operational Programs (OPS) are intended to provide conceptual and planning framework for the design, implementation and coordination of a set of projects to achieve global environmental objectives (Porter et al.1998:74).

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<sup>41</sup> The first draft is dated October 1996, and the final printed version appeared in June 1997 (Porter et al.1998:74).

<sup>42</sup> Enabling activities are intended to facilitate implementation of effective response measures, including amongst other national communications (FCCC Article 12.1). Mitigation measures reduce or lead to the reduction of ghg emissions from anthropogenic sources or protect or enhance removal of such gases by sinks (thus reducing the risk of climate change), whereas adaptation activities minimize the adverse affects of climate change.

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### The Enabling Activity Program

This program aims at supporting developing countries in fulfilling their commitment under the FCCC, and includes ghg inventories, compilation of information, policy analysis, and strategy and action plans. These activities also seek to increase the capacity of developing countries by providing basic information to enable policy and strategic decisions to be made, or assist planning that identifies priority activities within a country.

### OPS 5 - Removal of Barriers to Energy Efficiency and Energy Conservation

This program seeks to remove barriers to large-scale application, implementation, and dissemination of least-economic cost, energy-efficient technologies. Projects under this program intend to target the many costs associated with transaction for identifying, procuring, installing, operating and maintaining energy-efficient equipment (Martinot and McDoom.2000:4).

### OPS 6 - Promoting the Adoption of Renewable Energy by Removing Barriers and Reducing Implementation Costs

OPS6 targets both the removal of barriers to commercial and near-commercial renewable technologies; and reducing any additional implementation costs for renewable energy technology that results from practical experience, initially low-markets or scattered applications, so that economically profitable 'win-win' transactions and activities will increase the deployment of energy technologies (ibid).

### OPS 7- Reducing the Long-Term Costs of Low GHGs Emitting Energy Technologies

Projects under the OPS7 aim to reduce ghg emissions from anthropogenic sources by increasing the market share of low ghg-emitting technologies that have not yet become widespread, and least-cost alternatives in developing countries for specified applications.

### OPS 11- Promoting Environmentally Sustainable Transport

The last GEF-program supports long-term shift towards low-emissions forms of transport. OPS11 was not launched before 1999, and since the change facilitated by projects under this program is not readily available at the time of my assessment, this Operational Program will not be included in this study.

The goals of the first two programs are similar; they only differ in that they address different technologies that often face different key barriers (Martinot and McDoom.2000:6). The goal of OPS 7 is cost reduction; reducing the long term costs to commercially competitive markets. The OPS 7 is based on the assumption that when technology costs decline sufficiently, technologies will be adopted and replicated by the private sector<sup>43</sup>.

Through these four wide strategies the GEF has outlined a framework for project development, which makes knowledge of climate-friendly technologies available for developing countries that might otherwise lack such knowledge. These frameworks provide the developing countries with various options for altering their ordinary energy- and/or development-programs and policies to include environmental concerns. The GEF's strategy and programs, devising ways in which developing countries can begin meeting the objective of the Convention, have therefore reduced the demands placed on the developing countries in the case of Convention-implementation. Based on the Operational Strategy and Operational programs for climate change-activities, the GEF has paved the way for programmatic activities that will enable developing countries to initiate projects in line with the Convention's objective and obligations. The extent to which the GEF has funded projects in accordance with these programs will be dealt with in the following section.

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<sup>43</sup> For many technologies in this program, the "buy-down" process will take many years, the GEF's goal is to accelerate this process (ibid).

### 4.1.2 Project Portfolio

Following the theoretical propositions in chapter three, this indicator will assess the degree to which GEF has managed to bring its' activities within its' jurisdiction. The following figure is an overview of the various projects that have been funded by the GEF since 1991.

**Figure 4.1 The Climate Change Portfolio 1991-2002**

<b>GEF's Climate Change programs</b>	<b>Short term measures</b>	<b>Enabling Activities</b>	<b>OP 5</b>	<b>OP 6<sup>44</sup></b>	<b>OP 7</b>	<b>OP 11</b>
<b>Number of projects</b>	<b>25</b>	<b>142</b>	<b>40</b>	<b>52</b>	<b>10</b>	<b>3</b>
<b>GEF Allocation USD</b>	<b>137.25</b>	<b>82.45</b>	<b>250.69</b>	<b>394.64</b>	<b>200.29</b>	<b>1,080.5</b>
<b>Total Project Cost</b>	<b>628.31</b>	<b>88.61</b>	<b>1727.18</b>	<b>3,948.26</b>	<b>584.08</b>	<b>7,101.9</b>

Since its inception, the GEF has financed 272 climate change projects at a cost of 1,080.55 USD million (GEF-allocations)<sup>45</sup>. The portfolio has directed 10 percent of its funds to short-term measures<sup>46</sup> and 90 percent to long-term measures. According to Christoffersen et al. (2002:23) long-term programmatic approaches try to coordinate all GEF-funded projects within a country with a long-term national strategy. So far, such coordination has only taken place in China.

Under the Convention the GEF has funded the full costs of 142 projects targeting enabling activities at a cost of USD 82.45 million. Regarding the investment portfolio in which the GEF funds the incremental costs of the various projects, the majority of the projects implemented has been under two programs; the removal of barriers to energy efficiency and energy conservation (OPS5) and promoting the adoption of

<sup>44</sup> OPS 6 emphasize only a few technologies, primarily home systems for off-grid solar energy applications.

<sup>45</sup> The majority of these projects are country-specific projects, but some projects target several countries simultaneously as they are regional or global projects.

<sup>46</sup> Short term measures are response measures in the form of high priority projects which are in neither of the other categories, but yields climate change benefits at low costs (FCCC/SBI/2002/14:4).

renewable energy by removing barriers and reducing implementation costs (OPS6) Based on the different programs presented in the previous section, the GEF portfolio is balanced between investment projects and non-investment projects.

Following the theoretical propositions regarding GEF's project portfolio, GEF's funding of projects should reflect a somewhat dual strategy when it comes to financing climate-measures in developing countries. It should target capacity building in all its member-countries, simultaneously as it provides a larger share of funds to the countries which are large emitters of ghgs. Under the enabling activity-program, 132 developing countries have so far received resources covering the full costs of projects that focus on meeting their obligations under the Convention. Under the financing of countries' reporting-requirements, vulnerability and adaption to climate change impacts are emerging as important areas (Christoffersen et al.2002:21). Considering that the number of member countries of the GEF has been steadily increasing since its inception, and is now currently counting 176 member states (of which about 30 states are developed countries not eligible for funding), I find that the GEF has been effective as a financial mechanism for the Convention.

The financing of investment projects has been equally in line with the theoretical propositions. The top ten ghg-emitting countries among those eligible for GEF projects have received 87 percent of the total funding<sup>47</sup> (Porter et al.1998:101). These countries account for nearly one-third of all emissions of carbon from fossil fuel burning worldwide<sup>48</sup>. The projects that were financed in these countries initially focused on technology development and demonstration, whereas more recent projects have targeted market development, demonstration of sustainable business models, financing mechanisms, or demand-side initiatives (Christoffersen et al.2002:15).

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<sup>47</sup> The GEF has based its allocations by relating potential benefits to historical emissions levels as the effects of providing larger benefits scores to largers emitters (GEF/C.23/7.2004:14).

<sup>48</sup> These top ten ghg-emitters are China, Brazil, Mexico, India, The Federation of Russia, Morocco, Philippines, Ecuador, Colombia, Argentina. The twentyseven other countries which received the remaining 13 percent of the country-based funding account for only a tiny percentage of the world's carbon emissions from fossil fuel burning

In terms of including the member states in the operations of the regime the GEF appear to have performed effectively. It has managed to differentiate among different activities relevant for different actors, and has as such met the requirement of both financial and technology transfer to the developing countries.

### Summing up Output

Summing up GEF's effectiveness at the output level, one can perceive the dimension of program development as a the subsequent developments of a regime once it has been agreed upon, whereas the dimension regarding the project portfolio as measures taken in response to the programmatic approaches. In section 3.2.1 I made the assumption that one could expect effectiveness to be increasing if there was a match between the two output levels. To some extent this is confirmed when I have evaluated the two dimension of output but no clear-cut picture stands forth until I have assessed outcome. This is what I intend to do in the next section.

## **4.2 Outcome**

Following the theoretical propositions, outcome effectiveness will be assessed according to the following two criteria; goal attainment and behavioural change. The first criterion, goal attainment, is a matter of developing countries meeting their reporting obligations under the Convention. The latter will evaluate behavioural change based on increased capacity as seen through awareness raising and policy development in developing countries.

### **4.2.1 Goal Attainment**

The ability of countries to meet the overall objective to the Convention relies on an accurate knowledge of emissions trends and reliable ghg inventories<sup>49</sup>, countries reporting efforts are therefore an important part of the Convention. Concerning developing countries and convention obligations, the FCCC states that:

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<sup>49</sup> These inventories cover emissions of CO<sub>2</sub>, CH<sub>4</sub> and N<sub>2</sub>O, and to the extent HFCs, PFCs and SFGs.

As member of the Convention, each developing country was expected to submit its initial communication within *three years* of the entry into force of the Convention for that party, or depending on the availability of financial resources<sup>50</sup>.

As seen under section 4.1.1, a substantial portion of the funds from the GEF has been directed to help developing countries to develop adequate national monitoring, data-collection and recording systems. Initially it did not seem like the GEF had been very effective in achieving the Convention-requirements of preparing national communications and reports in developing countries. Evaluations of the GEF has found that the reports were slow in emerging, and even the Convention Secretariat was under the impression that many countries would not be able to complete their reports, even after receiving funding for preparing them (Christoffersen et al.2002:15; Porter et al.1998:56). By the end of 1997 only seven developing countries had submitted their national communications; Argentina, Uruguay, Senegal, Mexico, Micronesia and Zimbabwe, all of which have received GEF grants for enabling activities (Porter et al. *ibid*). Three years later the number of those who had completed their national communications had only risen to 25 developing countries (Amous et al.2000:3; GEF/C.17/8.2001:31). In terms of the time frame given by the Convention for developing countries reporting obligations, few developing countries appeared to have met their convention obligations.

There has, however, since then been a sharp increase in the submission of developing countries' reports to the Convention. By 2002, 79 developing countries have formally submitted their national communications to the UNFCCC of the 132 countries that by 2002 had received financial support and technical guidance (FCCC/CP/2002/4.2002:9). In addition, a few developing countries have submitted their second national communication report; China, Uruguay, Mexico and Republic of Korea.

Even though many developing countries have met the requirements of the Convention through the financial and technical assistance offered by the GEF, the FCCC has found

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<sup>50</sup> Except for the least developing countries which do so at their convenience.



the quality of the reports of varying degree. Some documents have been considered impressive (producing both national and environmental benefits), but others only passed as satisfactory (FCCC/SBI/2002/14:10). It has also been pointed out that many developing countries have not completed their analysis of vulnerability and only a few have identified policy options for adaptation. But as mentioned under section 4.1.1, these areas did not receive much focus until recent years. Despite the varying quality of the final reports, evaluations have found that *the process of preparing these reports* has helped build capacity, especially the scientific and technical knowledge in countries and the development of new methodologies for addressing climate change have been significantly enhanced (Amous et al. 2000:12-13; FCCC/SBI/2002/14:14). This lead me to believe that the GEF has played an important role in increasing the capacity of developing countries to meet their obligations under the Convention.

The effectiveness of the GEF to enable developing countries to undertake their reporting requirements to the Convention appeared initially to be low, but due to the increase in the number of developing countries that since then have conducted and submitted their national communications, the GEF is given a high score on effectiveness. Effectiveness at outcome stage is, nevertheless, also to be measured by behavioural stage.

#### **4.2.2 Behavioural change**

This section will evaluate effectiveness based on the extent to which the parties to the regime have altered their behaviour because of the regime. Following the theoretical framework, behavioural change as seen by increased capacity will be measured by looking at GEF's contributions to raising awareness and understanding of the climate change problem, and policy development in developing countries. I will not be able to go into details concerning the behavioural change of all the actors within the regime. This decision is to some extent given by the project- and country-evaluations, as they have been reviewed by independent evaluations. Although the majority of GEF-funded projects have been evaluated, the countries that have received a larger share of resources have also been the primary targets for such evaluations. Since these

countries have undertaken more projects than countries that have received considerably less funding, the GEF's approach to case-selection does make some sense, but as a methodological criterion for country-selection it is not sufficiently valid. I will therefore search for possible patterns flowing from the implementation of GEF projects. These patterns will be divided into moderate to significant change, and little to moderate change in developing countries.

#### **4.2.2.1 Increased Awareness and Understanding of the Problem**

Capacity building is a central feature of most GEF projects<sup>51</sup>, and this section will look at the extent to which these projects have raised awareness of the climate change problem and understanding of the different technologies that will enable them to manage the problem in the long run.

##### **Moderate to Significant Change**

GEF-financed projects did not generate visible results until 1998, when Porter et al. (1998:93) found that GEF's efforts had contributed to raising awareness in a few countries, among them Brazil, China, India and Mexico. GEF contributions to bring climate change to the attention of people were nevertheless small outside a relatively small circle of people involved with GEF projects, and evaluations have found that it was mainly limited to scientific communities (Porter et al.1998:25; Christoffersen et al.2002:20). While these initial and rather moderate findings were a consequence of GEF-assistance to countries' reporting requirements mentioned in previous sections, subsequent developments in these countries do indicate that GEF-projects have generated more significant results.

According to Christoffersen et al (2002:62), GEF-projects have had the effect of broadening country processes by bringing global environmental issues to the attention of national policymakers and by informing public opinion. This increased awareness in the form of more understanding of the climate change problem has in some cases led

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<sup>51</sup> Enabling activities provide support for planning and endogenous capacity building including institutional strengthening, training, research, and education intended to facilitate implementation of effective response measures in accordance with the FCCC (Harstad and Ramankutty.2002:5). Capacity building related to technology transfer is intended to help developing countries to understand, absorb and diffusing technologies (Martinot and McDoom.2000:4).

to the creation of institutions or strengthening of existing institutions. This enables countries to assess climate change challenges from a national perspective, determine the most promising opportunities for project development, and subsequently pursue full-scale projects (ibid.2002:20). Heggelund et al. (2005:8) have for instance found that GEF projects have improved both environmental conditions and domestic institutional capacity in China. However, in terms of countries' appreciation of the importance of the climate change issue, GEFs contributions may have fallen a bit short. While GEF efforts have brought global environmental problems to the attention of developing country representatives, local and regional environmental issues continue to be given higher priority than global problems such as the climate change problem<sup>52</sup>.

There nevertheless appears to be a greater awareness and knowledge of specific technologies among policy-makers, financial institutions, firms, utilities, investors, energy sector companies, investors, and NGOs as a result of GEF commitments of funds (Harstad and Ramankutty.2002:19). Increased understanding of the technologies has generated results in that both completed and ongoing projects have fostered growth of domestic industries for energy efficiency and renewable energy technologies and services, increased sales and investments, provision of environmentally sound energy services and have in some cases fostered institutional strengthening and creations for technical diffusion. For example projects targeting the application of technologies to reduce atmospheric methane emissions from coalmines and to recover these emissions for use as a fuel have led to the recovery of coal-bed methane becoming a national priority in China. Evaluations have found that prior to GEF-financed projects, methane was perceived as a nuisance, with only a small amount used for domestic and limited industrial purposes<sup>53</sup> (Martinont and McDoom.2000:12; Christoffersen et al.2002:16). In Brazil, the GEF contributed to facilitate technology development through the adaption of gasifier/gas turbine systems to burn biomass fuels, along with associated

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<sup>52</sup> Heggelund et al. (2005) recently conducted an evaluation of the effectiveness of GEF achievements in China, the largest recipient country of GEF funds, and found that Chinese representatives do consider local/regional problems to be more important.

<sup>53</sup> The rate of recovery of methane from the coal-bed has also increased from 40 to 70 percent (ibid).

techniques for collecting and handling such fuels (Christoffersen et al.2002:15). Due to several project targeting different sides to this technology, the technology has been brought to the threshold of commercialisation. India has similarly experienced an increase in private power wind farms and in the number of manufacturers. In Mexico, the government's redesigned rural development's program reflects a switch from grid-connected rural electrification to solar- and wind-powered homes (Harstad and Ramankutty:2002:14).

Even though some projects in these countries have been less successful in generating results, the findings above do lead me to believe that the GEF's achievements in these countries are considerable. The GEF has stimulated both national awareness and understanding of different technologies that has enhanced their capacity to manage the climate change problem. These findings correspond with the GEF's funding strategy (see section 4.1.2). It is within the countries to which a larger share of GEF resources has been directed, that the first effects of GEF-projects have emerged. There are several other countries that have been targeted by the GEF, and the extent to which the GEF has facilitated change in these countries is discussed in the following.

### **Little to Moderate Change**

I found it necessary to divide behavioural change into two parts because apart from the GEF's achievements in the countries mentioned above, its contributions appear to have facilitated considerably less change in other countries. While GEF-financed activities have generated increased national capacity, the overall pattern is that the increase in countries' awareness is partly a result of developing country representatives' involvement with the preparation of national communications. Through those activities they have been enabled to better appreciate and cope with the challenges of climate change issues, but as mentioned in section 4.2.1, it has mainly contributed by enhancing the scientific and technical knowledge and to developing new methodologies (Amous et al.2001:64). These activities have not helped countries to prepare strategies to deal with climate change (ibid.3). There has also been raised some concern over the sustainability of these efforts. Sustainability essentially raises

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the question of whether or not the project beneficiaries will maintain their increased understanding and continue to work on enhancing their newly acquired capacity after project completion and ceased GEF-funding. While this may be an accurate description of GEF-activities in some countries, GEF's contributions appear to be sustainable in other cases. Christoffersen et al. (2002:20) has found that newly trained professionals have formed informal networks among different regions and countries, which has increased the participation by developing country representatives in the international climate debate. Thus, it does appear that the GEF has contributed to raising the profile of the climate change in some countries.

Even though these countries have received considerable less funding than the higher emitting countries covered in the previous section, the GEF has financed activities to increase their knowledge and understanding of different technologies. The GEF's contributions appear, however, to be moderate, sometimes small. The GEF has especially encountered difficulties in promoting grid-connected renewable energy (Christoffersen et al.2002: 23). Projects in Ghana, Indonesia, Sri Lanka, Vietnam and Zimbabwe achieved little success. Harstad and Ramankutty (2002:12) have also found that energy-efficiency projects in Chile, Peru and Tunisia illustrate that GEF efforts have not always managed to generate results. While this is not an all-inclusive list over GEF-financed climate-projects, they do indicate that there are the different patterns flowing from GEF-financed activities. Regarding this group of countries it appears that the GEF has not managed to considerably increase their capacity as measured by awareness and understanding.

Common to GEF-financed projects in both country groupings as outlined above are nevertheless that project outcomes are slow in emerging. This can be partly explained by the novelty of the financial mechanism and that no clear-cut picture stands forth until GEF's climate change-portfolio matures. Christoffersen et al. (2002:21) and Harstad and Ramankutty (2002.13-14) have, however, found that in general the acquisition of technological know-how is more difficult than originally expected. It should be noted that GEF-activities often serve as demonstrations, and that replication

of such demonstrations is considered integral to the GEF's climate change strategy<sup>54</sup>. Replication of some GEF projects is underway, but there are some concerns regarding the prospects of effective replication of GEF-projects. Christoffersen et al. (2002:22-24) have found that the process of widespread replication has been slow, and have in some cases run into difficulties. There has been cases where replications of projects have begun even though the projects has not been completed, these do, as of today, appear to be exceptions rather than a general pattern flowing from GEF's efforts.

#### **4.2.2.2 Policy Development**

The effectiveness of the GEF is also to be evaluated on its contributions to policy development or reform. Given the varying outcomes of GEF's efforts to raise the profile of the climate change problem as seen in the previous section, one may not expect the GEF to have fostered much change in policy. Most evaluations have also concluded that policy reform has been modest, but there is one exception, and I will look into this before I embark on looking at the general pattern flowing from GEF's strategies for policy or regulatory framework development.

Through the GEF, China, the largest country in terms of recipient of GEF funds and emissions of ghgs, is developing new energy programs and approaches that go beyond one-time, stand alone projects. As previously mentioned, projects have generated viable results in terms of both increased awareness of the climate change problem and understanding of different technologies, and the recovery of coal-bed methane has been included in it's environmental and energy policies. In addition to these accomplishments, GEF and China agreed in 2002 on the development of long-term programmatic approaches to energy efficiency and renewable energy (Harstad and Ramankutty.2002:14). GEFs contributions have therefore led to substantial policy development, but as of today such development is mainly limited to China.

Christoffersen et al. (2002:23) have concluded that in general climate change concerns appear to have not been integrated into national development policies or in regulatory

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<sup>54</sup> Replication may occur from local to national markets, from one private firm to others, from one local government to another, and from one country to another.

or legal development. GEF has developed several strategies for policy development, in which the government of developing countries are called upon to support sustainable energy systems on a political level by providing necessary frameworks, from a country's general investment climate to the legal conditions for access to the central grid to the existence of technical standards, import tariffs and zoning regulations<sup>55</sup> (Miller and Martinot.2001:3). So far it appears that the GEF contributions to policy mainly involve setting up national codes and standards and developing specialized regulations (Christoffersen et al.2002:21).

Codes and standards are important elements of reducing commercial risks and purchase risks and making markets sustainable (Martinot and McDoom.2000:51). Such strategies have been targeted by the GEF in three fields; appliance standards, product labelling and consumer information in relation to energy efficient product manufacturing and markets (lights, boilers, refrigerators, chillers); energy-efficient codes and standards for buildings; and solar powered home lightning equipment codes and standards. The two former strategies appear to have generated viable results. Harstad and Ramankutty (2002:11) have, for instance, found that a GEF-financed project in China developed and helped enact new national refrigerator standards, influencing manufacturers and consequently the market for efficient refrigerators. Other countries in Asia are launching projects to emulate the Chinese experience. Due to GEF-financed activities, energy-efficient codes and standards for buildings have also been developed in the Ivory Coast, Senegal, Thailand, and Tunisia.

Regarding GEFs projects financing solar powered home lightning systems, most projects contain some support for equipment codes and standards (Miller and Martinot.2001:4). Although technical standards are improving and codes have been enacted in Zimbabwe, Sri Lanka and Indonesia, it appears to be few projects that have

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<sup>55</sup> The development of regulatory and legal frameworks can encourage project developers, typically from the private sector to finance and install renewable energy generation sources and sell power to an electric utility or directly to consumers. Regulations governing independent power purchasing agreements and/or power purchase tariffs can all remove barriers. The establishment of codes of practice, industry standards, and equipment certification procedures can also encourage more private sector initiatives (Martinot.2001:3).

led to much observable change in rural energy policies (Christoffersen et al.2002:23; Harstad and Ramankutty.2002:12-13).

Utility demand-side management regulatory frameworks have also been developed with the intention of providing financial and other incentives for utilities to actively finance and promote energy efficiency improvement. Christoffersen et al. (2002:24) have found that countries of Brazil, China, Costa Rica, India, Jamaica, Mauritius, Mexico, and Tunisia have supported means for improvements in energy efficiency. Either by for example setting up policy frameworks featuring smart incentives, through investment plans intended to encourage private sector investments or by removing non-financial barriers. In Malawi, the government has integrated micro credit and community banking approaches into its energy and sustainable development plan (Harstad and Ramankutty.2002:14). With exception of the latter example, it appears that so far the GEF has achieved the most in the field of efficient lighting.

The last strategy that have been launched by the GEF has been to assist regulators and utility managers in establishing power-purchase tariffs and model power-purchase agreements (Miller and Martinot.2001:4). Such frameworks can be important by encouraging installation of grid-connected wind, biomass, hydropower and geothermal generating technologies. According to Harstad and Ramankutty (2002:3) this has only been accomplished in Mauritius and Sri Lanka so far. While notable projects are currently taking place in other countries (among them Cape Verde, China, India, Indonesia, Jordan, Philippines), the effectiveness of these agreements has varied. It appears to be successful in Mauritius, but in Sri Lanka the framework has resulted in a compromise power purchase framework that appears to not be sustainable (ibid:13).

Following these findings, the GEF has only had modest success in facilitating policy development. Apart from its considerable achievements in China, the GEF has contributed significantly less in the other countries in which strategies have been launched. But even though the immediate effect of GEF-financed activities may not have been the establishment of newly created policy frameworks, many projects



appear to have encouraged government support and facilitated some adjustments in policy. This can possibly lay the basis for policy developments in the future, but as of today it is not sufficient in order to give the GEF a high score on effectiveness.

### Summing up Outcome

The previous sections have attempted to assess GEF's contributions to enabling developing countries to meet their obligations under the Convention, and the extent to which the parties to the regime have altered their behaviour because of the regime. This study has found that the GEF has been effective in assisting countries to prepare and submit their national communications to the FCCC. The GEF's contributions to raising awareness and increasing their knowledge of technologies do, however, appear to vary across the group of developing countries. The GEF's contributions do to some extent reflect the facility's funding strategy, but GEF's varying achievements in developing countries may also be a consequence of the different types of projects that it supports. Providing assistance to reporting efforts is a somewhat less demanding task than demonstrating how to stimulate both market and political conditions for improvements in energy efficiency and renewable energy. It is therefore reasonable to expect effectiveness to be higher in the former case, than in the latter. It does, nevertheless, appear to be the case, that the acquisitions of technology know-how and policy development/reform have been difficult, in some countries more than others. The effectiveness of the GEF is therefore found to vary, both according to the different tasks under the convention, and depending upon project type and country.

### **4.3 Assuming Invariance**

An evaluation of effectiveness involves a comparison between the effectiveness observed, and some other standard. Wettestad (2000:15) suggests that one can assume invariance; that the situation that existed at the time when the regime was established would have remained constant over the time in question. In terms of goal attainment, the number of submitted reports without GEF-assistance is a strong indication of the critical role that GEF has played in enabling countries to meet their convention obligations. In 2002, a total of 83 developing countries had completed and submitted

their reports, and only four of these countries prepared their reports without GEF-funding (FCCC/CP/2002/4.2002:9). Invariance therefore appears to be a good baseline for comparing GEF's contributions to enabling countries to meet their obligations under the Convention.

Assuming invariance is, however, an insufficient approach for comparing GEF's contributions to behavioural change. One of the major obstacles for tracing any increase in developing countries' capacity back to the GEF, is that there are many other actors and forces operating in the field. One way to go about this task is to compare the contributions of the GEF with other actors, but such a comparison is difficult considering the GEF's unique mandate and organizational design. Some comments can nevertheless be made. While Cléménçon (200:1) rightfully claims that the resources made available by the international community for such measures in developing countries are small compared to estimated needs, both the UN and the World Bank has funded measures in the developing world along side the GEF. While the UN agencies have as mentioned in chapter two often suffered from lack of funding, the UN system has also been recognized as being a very ineffective system (Young.2002:96). The World Bank and similar Bretton Woods-institutions have, on the other hand, been considered to be rather effective, at least when compared to the UN (ibid:22). Considering GEF's short life span and it's achievements at the time of my evaluation, the GEF appears to be more effective in generating results than the UN. In terms of it's contributions vis-à-vis the World Bank efforts, making any claims regarding its effectiveness is more difficult, and should probably be left for others to make.

Another way to embark on tracing the observed behavioural change back to the GEF is to try to separate the contributions of the GEF from other actors and forces in the field. Regarding the latter, changing circumstances in markets independent of the GEF, and even changes in governments are important factors that at times have had an impact on project execution. Sometimes GEF-activities have been beneficiaries of such changes,

while other times projects have suffered<sup>56</sup>. Concerning other actors in the field, efforts supporting sustainable development in developing countries have been launched prior to the establishment of the GEF and alongside GEF's efforts. At the same time, many developing countries have undertaken their own renewable energy programs<sup>57</sup> (Martinot et al.2002:314). While one could probably claim that the GEF has benefited from earlier efforts, it is not an indication of how effective the GEF has been in facilitating change in developing countries. In that regard, I find that one has to look into the experiences of people involved in GEF projects, and their considerations of GEF's contributions. Project stakeholders in the countries of Brazil, China, India and Mexico have expressed that GEF support generated increased environmental awareness, not least through its various training programs (Harstad and Ramankutty.2002:11; Heggelund et al .2005:8). Chinese government representatives have also expressed that GEF projects have been important in influencing policy (Harstad and Ramankutty:2002:14). None of the yardsticks above provides us with a sufficient standard for comparing effectiveness, the important point to be made is nevertheless that due to several GEF projects, energy efficiency procedures have been initiated and a process set in motion, and some countries are in a better position to deal with these problems than they would have been without GEF support and funding.

#### **4.4 Summing up Effectiveness**

This chapter attempted to assess the effectiveness of the GEF in terms of different regimes stages and according to different criteria. Effectiveness was found to vary according to the different tasks of the financial mechanism, and across the group of developing countries. The GEF appears to have performed well at output stage, but the findings regarding the outcomes of GEF's operations are more elusive. One could argue that there is a mismatch between the different stages, but I find it difficult to

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<sup>56</sup> As an illustration, the GEF project supporting wind power in India occurred in parallel with explosive market growth during the mid-1990s (Miller and Martinot.2001:2). While the GEF project contributed to strengthen the capabilities of the India Renewable Energy Development Agency and helped to raise awareness of the viability of wind power technology, market conditions was at same time favourable. Hence, both the GEF-financed project and internal conditions in India independent of GEF-activities, contributed to increased interest for financing of wind farms. In contrast, two other GEF-projects did not benefit from changing market and political conditions. The implementation of the Indonesia Solar Home Systems ran into difficulties due the country's macroeconomic crisis. A project in China has been delayed by many years, because of changes in local government (Harstad and Ramankutty.2002:13-14).

<sup>57</sup> For example many countries have been adopting measures to incorporate the results of the Rio process and Agenda 21 into national plans, policies and programs. In addition, bilateral and multilateral agencies are supporting many of these efforts.

make any claims in that regard considering the low number of completed projects in the GEF's portfolio. I did attempt to evaluate effectiveness over time and despite the reservations made concerning an evaluation based on the portfolio, a prevailing pattern of GEF-activities is that results are slow in emerging and that its performance appear to have been mixed. Why this is so is the question to be answered in the next chapter.

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## **Chapter 5. Analysis of the Determinants of Effectiveness**

This chapter will attempt to explain the results I arrived at in the previous chapter. Following the theoretical framework of regime effectiveness, there are two independent variables that contribute to determine effectiveness; problem-solving capacity and political problem characteristics. I will look into the former first, before I explain how problem malignancy affect effectiveness by matching problem - solving capacity with problem type and task.

### **5.1 Problem-Solving Capacity**

The first independent variable that contributes to determine the effectiveness of the financial mechanism is problem-solving capacity. To see how GEF's problem-solving capacity determines effectiveness, I will look at three determinants; the institutional setting; power; and instrumental leadership.

#### **5.1.1 The Institutional Setting**

With the exception of the setting for replenishing the GEF Trust Fund, the GEF-forums face the challenge of policy-making and project-approval. This section will look at how the institutional setting contributes to determine effectiveness. The decision-rule together with rules of access can make it either easier or more difficult to implement the convention. Following the theoretical propositions in chapter three, a flexible approach to both determinants is assumed to have a positive impact on effectiveness. The governance system outlined in the GEF Instrument fits the theoretical description by combining both open, inclusive forums (the COP and the Assembly) with more closed forums (the Replenishments and the Council). I will look at the former forums first.

##### **5.1.1.1 The Open Consensus Based Forums**

###### **The COP and the GEF**

In chapter three, I defined regimes in terms of implementation as evolving sets of rules and regulations. While one can expect subsequent amendments and adjustments in

policy to enhance effectiveness, it is also reasonable to expect that they can become an obstacle. Young (2002:122) has found that this was a concern of the former GEF CEO. Initially, he warned that the COP-guidance to the financial mechanism had the prospects of seriously hinder the ability of the GEF to assist recipient countries, by increasing the number of priorities to such an extent that the idea of priority activities is severely diluted (ibid). The main obstacle related to the guidance of the COPs has, however, not been its annual provisions, but the COP's lack of ability to make decisions on what guidance it is to provide to its financial mechanism. When a problem is characterized by a high degree of malignancy, policy-making by the decision-rule of consensus becomes extremely difficult. Discussions at the COPs are of a highly political nature, including debates on broad issues related to changes needed in North-South relationships (Christoffersen et al.2002:48). The guidance produced by these meetings has therefore become inexplicit by political necessity under the decision rule of consensus, in order to satisfy all the decision-making parties. The GEF has, nevertheless, managed to move ahead, instead of having to wait for clarifications from the COP that probably would never have come. Because of the Memorandum of Understanding (MoU), the GEF has been able to develop programs and approve and fund projects without interference by the COP to the FCCC. The MoU states that the COP is to look at policy, eligibility criteria and funding, whereas the GEF is to look at projects and programmes. The extent to which COP guidance can be seen to have been incorporated in the GEF's portfolio, it can be seen in the short-term (10 percent of the portfolio) and long-term (90 percent) strategy for climate-measures (Porter et al.1998:53).

### **The Assembly**

Since 1994, two Assembly Meetings have been held, mainly resulting in two Assembly Declarations<sup>58</sup>. Discussions at the Assembly are of a similar character as discussions in the COP; highly political covering broader issues of a Northern-Southern character. As described in chapter two, the consensus-based Assembly has several procedures intended to facilitate an effective duration of its meetings, but this

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<sup>58</sup> The New Delhi Declaration and the Beijing Declaration.

has not had a decisive impact on its discussions. The operations of the Assembly has, however, not had a decisive impact on the effectiveness of the GEF since the Assembly has been somewhat marginalized as a decision-making body within the setting of the GEF. Despite the different roles and responsibilities assigned to the different GEF forums by the Instrument, most decisions are in practice made by the Council. All items presented for the Assembly have been passed through the Council and are as such brought to the agenda of the Assembly with the advice of the Council. For example, even though the Assembly officially is to decide on programmes, the Council decides on “the content” of each programme up for Assembly approval<sup>59</sup> (Observation. 2003). Thus, the prevailing role of the Assembly is to legitimise the GEF through global participation by providing member-countries (mainly developing countries) that do not frequently sit on the Council, the occasion to participate directly and to review the general operations of the GEF.

#### **5.1.1.2 The Closed Forums**

The following sections will look into the two remaining GEF forums which both are of a more exclusive nature. I will first explain how the decision-making procedures and rules of access of the Council contribute to explain the effectiveness of the GEF, before I look at any effects the Replenishments may have had on GEF’s operations.

### **The Council**

#### **Decision-making Procedures**

The operations of the Council have become more business-like, in that at least at face value, North-South tensions have decreased. Country representatives to the Council conceive these meetings to address matters of substantive technical, developmental and financial character (Christoffersen et al.2002:48; Young.2002:156). This is in stark contrast to the political approach seen in the sections regarding the COP and the Assembly. The differences in countries’ approach in the GEF forums, are a consequence of the different procedures of the Council. Although the representatives of the Council are to make decisions by consensus, the possibility of a formal vote

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<sup>59</sup> Several interviewees made this point, but the example is from my observation of the GEF Council meeting, where the GEF Secretariat explained the procedures for approval of GEF policies to the GEF representatives.

being called giving weighted voting power according to countries' funding, means that the power of the Council in practice is skewed in favor of the developed countries. Chapter four found that the Council has managed to agree on the GEF's Operational Strategy and Operational Programs. The lack of consensus is nevertheless prevailing in that the Council has not managed to develop a consistent approval procedure for the projects that it funds, even after having been in operation for nearly ten years.

Porter et al. (1998:69) have found the incremental cost criterion, the task of separating the costs that are to be met by GEF resources and the costs that are to be covered by the developing countries, has been the major obstacle to the process of standardizing the approval procedure of GEF-projects. Despite several efforts by the GEF Secretariat to demonstrate and operationalise this principle, an understanding that would be acceptable to all countries has not emerged<sup>60</sup>. Consequently, the Council has had to practice a flexible interpretation of this principle. The approval of projects and release of GEF funds (under the strategy and different programs) according to this principle is pragmatic, agreed on a case by case-basis (Hofseth.2002; Porter et al.1998:69; Young.2002:150). Given the decisions-making procedures available to the Council, one might have expected that the issue of the incremental costs would have been resolved by the formal vote option. But despite the lack of consensus, the formal vote has yet to be called by any Council member. To understand the impact of decision-making rules, one must look at the implications of the default option for the different actors in the regime.

### The Default Option - Formal Voting

From a developing country perspective it is relatively understandable why this procedure is not an option. Developing countries do not stand to gain from formal voting, since it gives the developed countries a veto. But this reasoning does not explain why the developed countries have not called the formal vote. The developing

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<sup>60</sup> The following documents represent the GEF efforts to develop and demonstrate this concept; Incremental Cost Policy Paper (GEF/C.7/inf.5), Report on Incremental Costs (GEF/C.14/5), Note on Incremental Costs (GEF/C.13/7), Progress on Incremental Costs (GEF/C.12/Inf.4), Program for Measuring Incremental Costs for the Environment (PRINCE), Standard Reporting Format for Incremental Cost, Streamlined Procedures on Incremental Cost Assessment, Paradigm Case Illustrations of Incremental Cost Analysis.  
([www.gefweb.org/Operational\\_Policies/Eligibility\\_Criteria/Incremental\\_Costs/incremental\\_costs.html](http://www.gefweb.org/Operational_Policies/Eligibility_Criteria/Incremental_Costs/incremental_costs.html))



countries have tried to avoid this option for several reasons; firstly, because, they do not want to be seen as if they are making judgments on the behavior or internal affairs of the developing countries (Hofseth.2003). Secondly, even though formal voting would pass the criterion through the Council, it may risk compliance and would therefore not have much effect. Lastly, the formal vote would distinguish between the developed countries weighted votes; both according to their pledged contributions, and the contributions actually made. It would therefore have implication for the power-relationship, not only between the developed and developing countries, but also within the group of developed countries.

In light of these constraints, other procedures have been utilized. In the case of project approval and especially developed country objection to a project, project approval has either been postponed, or it has been approved simultaneously as arrangements have been made for the Trustee/Secretariat to halt the transfer of funds. Even though the process for reaching consensus on GEF' programs appear to have been less conflictual, the Council has had to rely on other procedures in order to pass these wide programs through the Council. A common procedure has been to postpone decision-making by arranging for a technical group to look closer on the matter, and then return to the issue at subsequent meetings with the report and comments of the technical group (Hofseth.2003). In other instances, the Council has agreed to take a note of the document/issue and thereby avoiding decision-making altogether (Observation.2003)<sup>61</sup>.

While these efforts have contributed to a more efficient duration of the Council-meetings, these procedures have not always managed to overcome some of the shortcomings of the pragmatic approach. To understand why this pragmatic procedure is important in terms of explaining effectiveness, one must look at the implications it has had for the development of GEF projects. The flexible interpretation of the

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<sup>61</sup> The US has been reluctant towards approving both the GEF Corporate Budget and the GEF Business Plan. The Business Plan is usually reviewed and approved by the Council at its Fall meeting, and sets the stage for review and approval of the annual GEF Corporate Budget presented to the Council at the following Spring meeting. However, due to the US opposition to this document, the CEO proposed to the Council that in stead of approving the plan, the Council is to take a note of the plan (ibid).

principle of incremental cost does not always ensure that GEF projects and spending are in line with the objective of the Convention. Porter et al. (1998:30-40) have found that the portfolio has become dominated by a smaller number of technology applications and strategies that are not necessarily related first and foremost to short-term ghg-reduction, but rather reflect a complex balance of needs and interests. Projects are also conceived on an ad hoc basis and do not include coherent, integrated approaches to development and environment at the country level. The pragmatic approach has also opened up for time-consuming discussions, which has made the GEF project cycle notoriously long and can explain why project outcomes are slow in emerging. Young (2002:154) has found that the project cycle takes two years on average from proposal to final approval, irrespective of the size of the project

Even though the meetings of the Council are of a different character than the meetings of the COP and the Assembly, the Council has not fully managed to aggregate actor preferences. But the Council has become the main decision-making body of the GEF and the decision-rule appears to have been an important factor in that regard. Decision-making procedures cannot, however, be analysed without looking at how participation affect the members of the regime. I will therefore look at the implications of the Council's rules of access before I sum up how both factors have contributed to determining problem-solving capacity, and in turn effectiveness.

### **Participation**

Following the theoretical proposition in chapter three, target group participation, especially when states lack the capacity or interest to ensure effective domestic implementation, is expected to provide countries with information on the range of policy options, technical feasibility and costs and benefits, and maybe enable them to develop a stake in the outcome. In terms of project development, GEF processes do in practice become a three-stage process; first at country level involving the IA and the respective developing country, followed by approval from the IAs and the GEF Secretariat, and then finally, approval by the representatives of the Council. In chapter one I mentioned that my primary focus would be the GEF, but since only a few

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developing countries have direct access to the Council, I find it necessary to look closer into how both direct and indirect participation (through multiconstituencies) affect the developing countries.

### Direct Participation

Unlike the developed countries, only a few developing countries have direct access to the Council. The level of understanding of GEF varies among the different constituencies, and the developing countries that display the greatest knowledge of GEFs programs and procedures are the few developing countries that benefits from both the Council's rules of access and the GEF's dual funding strategy. The countries that are located in single- or smaller constituencies and as such meet more frequently in the Council, are also the largest recipients of GEF funds (see section 4.1.2)<sup>62</sup>. According to Porter et al (1998:93) and Christoffersen et al. (2002:20) Argentina, Brazil, China and India are the countries that have developed the greatest project design capacity. They have also, although more recently, established effective GEF units around the position of the operational focal point (ibid.2002:55). The previous chapter found that it was within these developing countries that the first signs of both increased awareness of the climate change problem and understanding of cleaner technologies emerged. It therefore appears that through their direct involvement with the GEF, these countries have acquired knowledge of GEF requirements for both project development and approval. These factors together with the financial assistance given by the GEF appear to have contributed to GEF's achievements in these countries.

### Indirect Participation

The majority of developing countries are located in multiconstituencies and their main sources for information about GEF's policy options and procedures are their constituency representative, the IAs and the GEF Secretariat. The chapter evaluating effectiveness found that the general pattern regarding the outcome of GEF-projects is that climate change concern has not been incorporated in developing countries'

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<sup>62</sup> See Appendix 1 for an overview over the GEF (multi)constituencies.

strategies. One factor that contributes to explain this is that GEF information does not reach all of GEF's diverse constituencies.

The indirect form for participation has not been sufficient in order to develop a possible target group stake in the outcome, as several constituencies have reported problems of both communication and coordination. Many multiconstituencies do not meet, and many GEF representatives are unfamiliar with whom their fellow constituency members are (Young.2002:93).

Regarding the GEF Secretariat and the IAs, they have very different options for sharing information with developing countries. The GEF Secretariat is mainly limited to the GEF website, and while information on GEF's policies, procedures and requirements are made available, there are some concerns regarding the extent to which developing countries can be fully expected to rely on easy access to the internet (Christoffersen et al.2002:84). The IAs do play a more critical role than the GEF Secretariat because they are present at country-level, directly involved with project development and execution. But the GEF's connection with the IAs has not substantially increased the developing countries' capacity to implement the FCCC. There have been several instances where the assistance given by the IAs has not been in conformity with the information given by the Secretariat (Observation.2003). One of the reasons for this inconsistency is that neither the World Bank, UNDP nor UNEP have done much to integrate the GEF's objectives and principles in their regular operations (GEF Secretariat.2003; Young:2002:108-110). Christoffersen et al. (2002:93) have also found that there is a widespread tendency for the IAs to omit giving credit to GEF. GEF is therefore not well known nor understood in developing countries, because of lack of incentives for both the IAs and the focal points to promote it. The IAs are, however, not the only possible agencies engaged in GEF-processes, as the GEF practices a very open strategy towards NGOs both in the Council and at project-level.

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### Participation by Non-Members

The theoretical framework of this study did not make any definitive assumptions regarding the effect of NGO participation, as scholars make different claims in that regard. Within the GEF, however, NGOs were brought in with the intention of providing consulting or training services to actors within the respective developing countries, but their inclusion in the institutional setting of the GEF has been counterproductive. Both Christoffersen et al. (2002:79) and Porter et al. (1998:32) have found that the relationship between the developing countries and NGOs is tenuous and unproductive. For a variety of political, social and cultural reasons, many developing countries have not established collaborative relationships with civil society groups. It therefore appears that the inclusion of the NGOs have not contributed to enhance the GEF's problem-solving capacity.

The exclusion of the majority of GEF's target group from its main governing body has therefore resulted in weak in-country understanding of GEF. There is still little clarity or knowledge, even among key stakeholders about GEF and its goals, structure, and program modalities. GEF are projects by their very nature seldom straightforward or "simple", but the GEF project cycle has become extremely long, and while this can be partly explained by the incremental cost criterion, it can also be traced back to the developing countries lack of knowledge of the GEF.

The delays in getting projects off the ground have had wider implications for the effectiveness of the GEF. Porter et al. (1998:65-66) have found that a longer process does often increase transaction costs without contributing equivalent to the project<sup>63</sup>. But probably more important is the effect it has had on the private sector. The private sector was intended to be a valuable participant in GEF projects by assisting in technology transfer, by providing co-financing and by replicating GEF projects in particular. The mismatch between the long GEF project cycle and the often short time scale for private sector investment decisions has become a significant barrier for

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<sup>63</sup> They may raise costs by increasing the length of time required for a project concept to reach the implementation stage by increasing the staff time and "nuisance cost" of getting a proposal through the approval process successfully, or by discouraging the submission of proposals to GEF that would advance its objectives (ibid).

private sector involvement with the GEF. GEF processes are perceived to be too complex and cumbersome, stifling potential GEF private sector initiatives (GEF/C.22/Inf.10.2003:5). Other publicly financed development agencies have also found the GEF's requirements too demanding for the limited funds it made available (Young.2002:138). While one could possibly argue that lack of replication is a consequence of the low number of completed projects, Christoffersen et al. (2002:22) have pointed out that the most important factors inhibiting replication is the lack of an enabling environment for business in some client countries and the frequently low involvement of the private sector in GEF projects. It should be noted that a long project cycle does not always have to be negative. Evaluations (Porter et al. *ibid*; Christoffersen et al.2002:91) have found instances in which the delay had ultimately improved project design, implementation or both. But given the effect the delays has had on private sector involvement, the long project cycle appear to be an important factor in explaining the lack of both project outcomes and replication of projects.

In terms of GEF's problem-solving capacity, the previous section has shown that GEF's ability to make decisions under the decision-rule of consensus has been low both in the COP and the Assembly. In order to be able to avoid issue-linking and inexplicit decisions, the GEF has had to rely on the Council's consensus with provisions and a more restrictive approach to rule of access. But while this latter approach has contributed to making decision-making easier, it has had a decisive impact on the Council's ability to function as a channel for information. GEF's main forum appears to function as a channel for information for the countries that have the opportunity to frequently meet in the Council. This has not been the case for the countries limited to indirect participation through their constituency representative or through cooperation with the IAs. The institutional setting of the GEF has therefore run into two incompatible challenges; while a more restrictive approach to participation together with a decision rule with formal voting provisions appear to be necessary to ensure GEF's capacity to make decisions, this approach simultaneously put constraints on target group participation by inhibiting GEF's capacity to share information. The GEF has recently begun to target this downside of its operations, by

conducting workshops. These workshops are a joint effort by the GEF Secretariat and the IAs, aimed at informing about the GEF, its mission, strategy, policies, and procedures<sup>64</sup>. However, it is too early to determine the impact of these workshops as of today. I will instead move on to look at the remaining GEF forum.

### The Replenishments

The last GEF forum differs from the others in that it targets the developed countries' responsibilities within the GEF. A core feature of the GEF is that of a fund, and the cornerstone of this convention was the understanding that developed countries would provide financial assistance to developing countries for measures they undertake that primarily benefit the global environment (Cléménçon.2000:5). The following figure offers a presentation of the various GEF Replenishments.

<i>Pilot Programme (1991)</i>	<i>USD 1.5 billion</i>
Replenishment GEF1 1994	USD 2 billion
Replenishment GEF2 1998	USD 2,75 billion
Replenishment GEF3 2002	USD 2,97 billion

**Figure 5.1 The Replenishments of the GEF Trust Fund**

As this figure shows, the GEF has managed to ensure a stable flow of resources, but the process for replenishing the Fund has not been as straightforward as the figure indicates. The number of donor countries has remained fairly constant, but the replenishment process has developed into time-consuming negotiations<sup>65</sup>. One of the difficulties of the Replenishments has been that the developed countries have not been able to agree on how to fund the GEF<sup>66</sup> (Botnen.1997:35). The Replenishments do

<sup>64</sup> Between 2000 and 2003, 39 countries have participated in workshops under the Country Dialogue Workshop Programme.

<sup>65</sup> 32 countries have contributed to the GEF's core fund, these are Australia, Austria, Belgium, Canada, China, Ivory Coast, Czech Republic, Denmark, Finland, France, Germany, Greece, India, Ireland, Italy, Japan, Korea, Luxembourg, Mexico, Netherlands, New Zealand, Nigeria, Norway, Pakistan, Portugal, Slovenia, Spain, Sweden, Switzerland, Turkey, United Kingdom, and the United States.

<sup>66</sup> At one end of the spectrum there France, Germany, UK, the Netherlands, and the Nordic countries which agree on having a core-fund made of grants, but cannot decide how countries should contribute. France favoured voluntary contributions, while Germany wanted a more rigorous burden-sharing arrangement. At the other end are the US, Japan and Australia, in favour of co-financing (grants/concessional terms) emphasizing a larger degree of control over how resources are spent (ibid).

therefore to some extent reflect the trouble with international aid in general. Both Lafferty and Langhelle (1999:147) and Gupta (1997:115) have stressed that transfer of international aid is fraught with issues such as control over resource use<sup>67</sup>. The current setting of the Replenishments, based on the burden-sharing formula described in chapter two and pledged contributions, was not in place until 1997. Pledge is, however, a financial term frequently used in the area of finance, and it refers to a voluntary commitment, or an announcement, but its binding nature remained ambiguous<sup>68</sup> (Mintzer and Leonard.1994:86). Several of the GEF's donor countries are, or have been, in arrears, and the effect of these arrears are enhanced by the burden sharing of the Replenishments<sup>69</sup> (GEF/C.22/Inf.3). When countries' contributions fall below their pledged contribution, the setting offers a pro rata provision to other countries giving them a right to defer commitment, either by reducing their share or by making some of their shares unavailable for Council allocation<sup>70</sup>. Because of this, the replenishment process has needed several meetings to try to sort out both the total level of funding, countries' individual contributions, and the status of arrears in particular. While the time-consuming process of replenishing the Trust Fund do add to impression of the GEF as a cumbersome and complicated system, the level of resources given to the GEF is high at least when one consider that the ODA declined from 0.3 percent of World GDP in 1990 to 0.2 percent in 1999 (Christoffersen et al.2002:11).

In the theoretical framework, I briefly discussed that financial organizations might fail because of lack of resources, but in the case of GEF the reductions in country contributions have not been substantial in terms of the GEF's total financial revenues<sup>71</sup>. But the decrease in ODA does raise a critical question related to the replenishments and GEF resources, whether or not the developed countries'

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<sup>67</sup> According to Lafferty and Langhelle (ibid) the OECD countries do not like the developing countries to have too much influence on resource-allocation, fearing resources to be used for purposes they were not meant for.

<sup>68</sup> This concept was introduced by Japan to move beyond a growing impasse in the FCCC-negotiations concerning its financial mechanism (ibid).

<sup>69</sup> See Appendix 2 for an overview of countries' contributions.

<sup>70</sup> Large donor countries such as Austria, France, Germany and Japan have exercised their pro rata right because the US has reduced its funding below what it pledged in 1994 (Botnen.1997:106).

<sup>71</sup> To date, the contributions that are not available for Council allocation due to either delays in payments or exercise of pro rate rights totals USD 358.1 million.



contributions to the GEF represent *new and additional resources*. International treaty language does not provide an operational definition of “new and additional”<sup>72</sup>, and although it is difficult to distinguish between the resources made available to the GEF and ODA-resources, some comments can be made. Botnen (1997:105) has found that the OECD Development Assistance Committee (DAC) decided in 1994 that 84 percent of the contributions made to GEF could be counted as ODA<sup>73</sup>. While this question does not necessarily have a direct effect on the institutional setting as a determinant of effectiveness, it may have an impact on the extent to which the resources developed countries make available through the GEF, can become a financial incentive. Following the theoretical propositions, financial incentives must provide actors with expectations to reap net benefit, or at least not lose. If ODA has been diverted to the GEF, it is a negative-sum game for the developing countries. There is no way of knowing whether or not ODA would have declined in the absence of the GEF, but the developing countries would at least get to spend all of the available assistance according to their own national priorities. I will return to the issue of GEF resources in subsequent sections. The important thing to note is that while the GEF has managed to ensure a stable flow of resources, the Replenishments do show that the issue of resource transfer is difficult. It has not only complicated what was initially intended to be a more straightforward process for funding the GEF, but it has also raised concern related to what GEF resources represent.

### Summing up the Institutional Setting

This section has shown that the difficulties faced in the institutional setting mirrors the trouble associated with international aid in general. As mentioned above, the forum for securing GEF resources has since the establishment of the GEF worked on issues related to the burden sharing of the Replenishments, particularly the level and ambiguous nature of developed countries contributions. The forums for policy-making and project approval have, on the other hand, had to handle the main task of

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<sup>72</sup> By, for example defining a base year against which ODA and GEF resource flows should be compared. Developing countries have usually considered 1992 “the year of Rio Conference” to be the base year, whereas many donor countries maintain that “new and additional” simply refers to funding efforts that go beyond the level of ODA resources that would have been allocated without the existence of GEF (Porter et al. 1998:5).

<sup>73</sup> He has also found evidence suggesting that the US contributions have been redirected from the normal USAID budget since the pilot phase (ibid).

distributing the cost between the developed and the developing countries, which has only been partially resolved by the Council's operations. While the incremental costs criterion has been an obstacle to the implementation, the pragmatic approach of the Council has to some extent made the process easier. But as a consequence project outcomes have as not always generated results that meet the objective of the FCCC. The institutional setting is nevertheless only one of the three factors that determines problem-solving capacity. The remaining two factors are the topic for the next sections.

### **5.1.2 Power and Leadership**

In chapter three I made the assumption that powerful actors or instrumental leaders can play an important role in regimes. This section will focus on the extent to which such actors have contributed to determine the effectiveness of the GEF. Both powerful actors and instrumental leaders can be identified by the mechanism they work as well as by the kind of capabilities required to succeed.

#### **5.1.2.1 Power**

Following the assumption made in the theoretical framework, the distribution of power or capabilities among the members of a regime can be seen as given. As previously mentioned the power of the Council is skewed towards the developed countries and the differentiated relationship comprised of donor and recipient countries do to some extent open up for power based on financial capabilities. While financial capability is a necessary condition, it is not by itself sufficient for the emergence of powerful actors. An actor must possess both the capability in terms of economic resources and the will to provide them to qualify as a powerful actor. In the theoretical framework, such actors are conceived of as pushers. The opposite of pushers is laggards. While none of the developed countries have displayed non-cooperative behaviour, one country has been a more hesitant participant than others.

The US has been a reluctant participant since the beginning, it initially argued in favour of shutting GEF down after the three-year pilot phase <sup>74</sup>(Botnen.1997:35). The US has not been inclined to endow the facility with significant independent (financial) power. It only agreed to become a donor of the independent GEF if it was allowed to count some of its co-financing and bilateral grants or highly concessional grants as part of its GEF contributions<sup>75</sup> (Sydnes.1991:161; von Moltke.1997:257). Reluctance is not, however, sufficient to qualify as a laggard in international cooperation, and initially, the US' reluctance towards funding the GEF through contributions to the Trust Fund did not have much of an impact on the other developed countries. But as the actual funding level of the US fell below what it pledged to the Trust Fund, some countries found it difficult to justify to their authorities why they should contribute a proportionally greater share than bigger countries (Sjøberg.1999:36)<sup>76</sup>. In the section of the replenishment I did mention that the burden-sharing system magnifies the effects of arrears, but due to US size and power, Foot et al. (2003:15) also argue that US behaviour, and possibly unilateralism, is a major concern to other states. The position that the US bestow within the setting of the GEF becomes more prevailing when one looks at US efforts to alter the principles for GEF's approval of projects.

According to the MoU, the US not should have any influence over decisions concerning funding eligibility within the setting of the GEF, as this is a matter to be handled by the COP. But through financial promises made in the Replenishments, the US has managed to bring the issue of a new funding system before the Council<sup>77</sup>. The reason why the US made a case in favour of changing the entire system for project approval in the Replenishments meetings, and not in the other more appropriate forums, is that its influence is larger in the forum that raises financial revenues. The financial resources behind this demand do not represent an increase in the US' share, it

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<sup>74</sup> The US was supported by Canada and Australia, as they saw GEF as a temporary mean for integrating global environment concerns in the development assistance of the UN and the World Bank until such integration became standard (ibid).

<sup>75</sup> During the pilot GEF, the US only funded climate-related efforts that had already been sponsored by other donors.

<sup>76</sup> Sjøberg (ibid) claims that some countries were willing to work out an arrangement to compensate for the US contributions, but that this was ruled out when France and Germany used their pro rata provision.

<sup>77</sup> The US wants the GEF to determine country eligibility for funding based on country performance, and proposed an allocation system based on the core principles of selectivity, accountability and results. The "best" performers would be eligible for a greater share of the resources, while the poorer performers would be eligible for capacity building or enabling activities (GEF/R.3/CRP.3). The US position does not conceive of performance in environmental terms, but on country performance more generally (Observation.2003).

is an amount that corresponds to the sum that would clear the US' arrears<sup>78</sup>. The Council has nevertheless set in motion a process for incorporating the US' request of country performance as a criterion for project selection. According to Miles et al. (2002:29) the privilege of being either a pusher or a laggard, is the ability to pursue one's own interests without having to worry about what other might wish or do. Since the US has managed to bring such a controversial issue on to the Council agenda it appears as if the political and economic power of the USA is of such a magnitude that it comes close to wielding a veto on its own.

US' behaviour does not contribute to enhance GEF's problem-solving capacity. As seen in the previous sections, one of the most difficult tasks faced by the GEF has been to develop a consistent procedure for project approval. The demand made by the US has reopened the discussion that until now had been somewhat resolved by the pragmatic use of incremental costs. Furthermore by emphasizing country performance, the US diverts attention away from purpose of GEF's, to generate global environmental benefits. That both country groupings have subdued to the demands of US is nevertheless evidence of the important role the US bestow within the GEF. The participation of the US was, and still is, a necessary requirement for the GEF to be a credible force, as it is with virtually all-global agreements.

While the political and economic power has been critical to US influence in the GEF, US influence as a determinant effectiveness, works against the purpose of the GEF. It has as such been the main laggard within the GEF setting. Power is nevertheless not the only resource available for influence in the GEF, the impact on problem-solving capacity can therefore not be drawn solely based on the role of the US.

### **5.1.2.2 Instrumental Leadership**

Unlike power, instrumental leadership usually stems from officials, enjoying status due to their position within the regime in question. Such leaders can be further

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<sup>78</sup> Initially, the US pledge to the 2002-replenishment was intended to partially clear its arrears. However, the amount of 70USDmillion (of 500 USDmillion) to be given to the GEF during the last year of the Replenishment period (2005) was made contingent upon the achievement of certain performance measures. (GEF/R.3/36.2002:24).

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distinguished from powerful actors, in that it is their individual capacities rather than their material capabilities that enable them to become leaders.

That much was vested in the position of the GEF CEO was imminent already during the restructuring of the GEF. Developing countries demanded that an independent CEO headed the GEF as opposed to the pilot phase GEF that was chaired by a World Bank official. Status or position of authority do, however, only serve as basis for leadership, in order to become an instrumental leader the GEF CEO must display personal qualities or skill and competence, or both, and devote time and energy, to qualify as a leader. El-Ashry began to emerge as a source for leadership during the restructuring negotiations of the GEF. Chapter two described how these negotiations broke down, and Sjøberg (1999:45) has found that El-Ashry became somewhat of mediator between developed and developing countries by devoting much effort into reengaging both country groupings in the restructuring process<sup>79</sup>. The need for instrumental leadership has also been prevailing in the restructured GEF and the CEO has continued to invest much time and efforts, both inside and outside the GEF forums.

One of the tasks of the CEO is to handle the agenda of the meetings, but there are according to Malnes (1995:96) both effective and ineffective ways to present solutions, and the skill is to identify what matters to the people. El-Ashry developed the practice of traveling to meet with Council members prior to the Council meetings to discuss the up and coming agenda (Hofseth.2003). While he may not always have succeeded in inducing them to accept a particular line of policy, this practice enabled him to find out what Council members would find acceptable and unacceptable. This has clearly contributed to a more efficient duration of the Council meetings as seen by the procedures utilized to avoid a fall out among the Council representatives (see section 5.1.1.2). The Council has become somewhat dependent on the CEO to handle

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<sup>79</sup> According to Sjøberg (ibid) El-Ashry managed to establish a level of confidence between the negotiating parties and his mediating efforts were perceived by both country blocs as being impartial.

arrangements and manage the agenda of the meetings and avoid being held ransom by hours of political speeches common in the UN system (Young.2002:96).

The CEO has also been authorized together with the GEF Secretariat to approve projects under the two annual intersessional work programs. Even though these projects, are smaller in size and funds, this arrangement have become important in terms of GEFs problem-solving capacity. The CEO has also been allowed to practice the incremental cost criterion with a little leeway and his approval has shortened the project cycle (for these projects) since they do not have to pass through the Council, at the same time, the allocation of resources remains under the control of the GEF, through the CEO<sup>80</sup>.

Countries perception of El-Ashry is not, however, solely based on the skill and energy he has invested. There are several features rooted in his persona that has contributed to make him credible as a leader. To some extent he represents both worlds (developed and developing) since El-Ashry originally is from a developing country (Egypt), but is now an American citizen. In addition to his former position as a director in the World Bank Environment Department, which was an important factor for developed countries favouring World Bank influence in the GEF, El-Ashry had also been employed for a long time at the less political World Resource Institute (WRI). Together with his individual capacities, these features provided El-Ashy with much latitude for the political engineering of acceptable solutions.

#### Instrumental Leadership vs. Power

Regimes can, as seen here, be affected by several sources. Instrumental leadership was expected to be the most difficult to supply, and El-Ashry has not succeeded in all his efforts. As a result of the constraints on the GEF Trust Fund, El-Ashry stopped one of the GEF's intersessional work programs, and warned that further work program adjustments would be made in accordance with funding constraints. While this was

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<sup>80</sup> While Council approval is not the largest source for delay, its approval procedure does add to the already long project cycle. Although the Council has approved a project, approval is not finalized until at least four weeks after the meeting because Council members are given the opportunity to review the projects and return the proposal with additional comments.

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aimed at the US's arrears, El-Ashry's efforts did not manage to make sufficient pressure on the US. This picture seems to be transferable to the effects of power and instrumental leadership on the GEF's member states. Material capabilities working against the GEF occur to have had a stronger impact than individual capacities advocating the role of the GEF. This is not particularly surprising though, considering that actors are likely to be more convinced by powerful actors than instrumental leaders without material capabilities. In the case of GEF, power has not contributed to enhancing effectiveness, but instrumental leadership may have outweighed some of the impact that the negative power exerted by the US would have had on effectiveness in the absence of the efforts of the GEF CEO. I did assume (see chapter three) that if power and leadership prevailed during the operations of the regime, the more impact such resources could have on actor behaviour. But since powerful actors and instrumental leadership leaders work in opposite direction of each other, they have not managed to influence the actors to the extent that it has had a positive impact on effectiveness.

### **5.1.3 Summing up Problem-Solving Capacity**

This chapter has so far explored three determinants that contribute to explain effectiveness. The section analysing the impact of the institutional setting found that aggregating actor preferences by decoupling issues has proven to be difficult under the decision rule of consensus. But the GEF's problem-solving capacity has to some extent been enhanced by the Council provisions for formal voting, it appears that such procedures has managed to overcome some of the obstacles faced in the COP and the Assembly. The flexible approach towards both decision-making and participation was expected to lead to more effective regime implementation, and to some extent this have been confirmed. However, it seems like the participatory approach mainly has benefited the developing countries included in all the GEF forums. The exclusive approach, on the other hand, appears to have prevented other developing countries in developing a stake in the outcome.

Regarding the two other determinants of effectiveness, power and instrumental leadership, both appear to have loomed large within the GEF. The most powerful actor has managed to convince other actors to comply, not on the basis of the merits of their solution, but because of the position the actor bestows. By withholding resources and seeking to alter the eligibility criteria for GEF allocation, the US has not contributed to enhance the GEF's problem-solving capacity. Instrumental leadership, on the other hand, has. The formal status of the CEO provided El-Ashry with the opportunity to be a leader, but it was the skill and energy that he provided both inside and outside the GEF forums that made his efforts qualify as an instrumental leader. Since countries, both developed and developing, have become dependent on the GEF CEO to manage meetings, this can be seen as evidence of their faith in El-Ashry's guidance and entrepreneurial skills. By affecting actor behaviour to the extent that they accept his means to find common goals, the CEO has played an instrumental role in GEF's achievements.

Effectiveness is not only a function of an organization's problem-solving capacity; the remaining part of this chapter will focus on the second independent variable of this analysis, problem characteristics.

## **5.2 Problem Characteristics**

This section will seek to identify the problems associated with the climate change problem, and how they affect effectiveness. As explained in chapter three, problem characteristics will also be used to match notion of problem-solving capacity with problem type and task.

### **5.2.1 Political Problem Characteristics**

Following the theoretical framework discussed in chapter three, there are two main types of environmental problems; those, which are caused by lack of coordination, and those, which are caused by problems of incongruity. Most attention will be paid to problems characterized by incongruity because such problems have a greater impact on effectiveness in the long run.



Incongruity problems arise because there is asymmetry between individual and collective costs and benefits. While the Convention focuses on the stabilization of ghg-emissions, it simultaneously stresses the imbalance between the countries of the North and countries of the South. Previous chapters have elaborated on differences in capacity, but the imbalances between the two country groupings are also prevailing when one assess other problem characteristics.

### **5.2.1.1 A Problem of Incongruity**

As mentioned in chapter three, scientific uncertainty and complexity would be included to the extent that it has affected problem malignancy/benignness. With respect to the political intellectual complexity, I find in the case of the climate change problem and the GEF, this type of uncertainty to be low. With the exception of an early period, when scientists were working to increase the knowledge base on climate change (which led to both the establishment of the pilot GEF and later the FCCC), the understanding of the problem has been solid<sup>81</sup>. IPCC has concluded that in order to ensure that global pollution does not exceed the carrying capacity of the earth's environment, global emissions must be reduced by at least 70 percent over the next 100 years to stabilize CO2 concentrations<sup>82</sup>. Such reductions are not possible without significant and rapid improvements in energy efficiency and a shift to renewable energy (Bright et al.2003:87). There is still scientific debate about global warming, but most of it focuses on various feedback effects, and how climate change will affect specific countries or regions, and as such fall outside the scope of this study.

Following the theoretical propositions, problems of incongruity become particularly hard to solve through voluntary cooperation to the extent that they are also characterized by asymmetry. When costs and benefits are highly asymmetrically

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<sup>81</sup> Prior to 1990s the climate change had primarily been an issue within the scientific arena, as understanding of the greenhouse problem developed. The scientific progress was rapid during this period, mainly due to IPCC. (Torvanger et al.2001:55). The IPCC is an intergovernmental scientific and technical body with a small secretariat and a worldwide network of scientists who assess the results of scientific research. It was set up in 1988, by UNEP and WMO (World Meteorological Organization).

<sup>82</sup>Critics of of the IPCC argue that the link between global warming and ghg emissions is the result of a theoretical model and not reality. Others argue that human emissions are small and well within the natural climatic variability IPCC (Gupta.1997:8).

distributed conflicts tend to increase, and this is likely to be reinforced if the problem or activity in question stem from point sources that are easy to identify (Skjærseth. 2000:44). To identify potential point sources, it is necessary to look at countries' emissions profiles.

### Asymmetry in Emissions Profiles

Emissions of ghgs have increased dramatically in the last century through fossil fuel burning and land-use changes. Human activities have pushed atmospheric concentrations of carbon dioxide, the main ghg, to more than 30 percent above pre-industrial levels. Current and future emissions will continue to add to that accumulation.

Developed countries are responsible for about 63 percent of net carbon emissions from fossil fuel burning and land use changes since 1990 (Baumer and Kete.2002:2). About 140 developing countries have contributed a combined 37 percent (ibid). For a comparison of the two country groupings emission levels, Gupta (1997:6) has found that if past emissions are taken into account, then relative to populations, cumulative from 1950, historic fossil fuel carbon emissions from developed countries are eleven times as high as those from developing countries. In terms of current emissions the figures remain more or less the same for both country groupings. Most current carbon emissions originate from 20 or so countries that are either rich, highly populated or both. Among the group of developing countries, China's and India's contribution of ghgs is about 15 percent of the global total, whereas 135 small countries produce less than five percent of global carbon emissions (Baumer and Kete.2002:3).

Future emissions profiles will determine the end extent of global climate change. A significant increase in emission is expected to occur in the developing countries. The developing countries are expected to experience substantial growth, and the largest share of this expected growth will primarily come from the burning of fossil fuels (Bright et al.2003:85). For a similar comparison of the ratio of developed/developing country emissions with future emissions taken into account, projections indicate that

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by the year 2100, the share of developing countries will have increased to more than half of the global emissions. By that time their emissions will be twice the level of present worldwide emissions (Gupta.1997:6).

In terms of past and current country profiles, developed countries contribute disproportionately to emissions level, indicating that the climate change is characterised by a highly asymmetrical distribution of costs and benefits. The imbalance is, however, reduced if one includes the expected increase in emissions stemming from developing countries. Within such a timeframe the climate change problem become global in scope, and all countries, including developing ones, will eventually need to control their ghgs emissions. The benignness or malignness of any cooperative solution for solving environmental problems is nevertheless also dependent on the potential cost incurred and benefits generated for the individual actors.

#### Asymmetry in Costs and Benefits

Whilst contemplating environmental cooperation and implementation, the cost of emissions is a central issue for many countries. According to Baumer and Kete (2002:2) there are literally dozens of economic projections of the costs and benefits of climate policy. In the theoretical framework I argued that three general aspects can be of significance, the ratio of costs to benefits; the distribution of those cost and benefits; and “strategic” considerations such as international economic competitiveness. In the case of climate change, however, costs and benefits cannot be assessed without incorporating countries’ ability to control emissions.

The difference in countries’ emissions profiles as described in the previous section, have implications for the prospective costs and benefits connected with activities to control emissions. For many developed countries, which emit large quantities of ghgs, emissions reductions are likely to be accompanied by a decrease in growth and have large consequences for their competitive situations. Developing countries, on the other hand, have relatively inefficient sectors, and any increase in their efficiency would be

compensated by the volume of growth (Gupta.1997:6). One reason why emissions are low in developing countries is that many energy-consuming technologies have not yet penetrated widely. Climate friendly activities in developing countries will therefore yield greater environmental benefits than similar activities in developed countries. Developing countries are, however, typically considered to be more vulnerable. Vulnerability in terms of climate change is defined by Torvanger (2001:14) as the degree to which a system is susceptible to, or unable to cope with, adverse effects of climate change, including climate variability and extremes. In the case of developing countries this means that resources to undergo such changes, in addition to cope with the impacts of climate change, are not readily available. Although there are variations within the group of developing countries pertaining to the differences in countries' development level, the developing countries are more vulnerable than the group of developed countries.

Summing up the above sections, I find that in the case of the climate change problem, both the domain in which past and current emissions have occurred/will occur, and where climate-activities are assumed to generate more results relative to the potential costs incurred, are identifiable. The problem is characterized by a highly asymmetrical distribution and the extent to which this distributions have affected problem malignancy is the topic for the subsequent sections.

### **5.2.2 Matching Problem-Solving Capacity with Problem Type and Task**

In the following, I will attempt to the match GEF's problem-solving capacity with problem type and task. Following the theoretical propositions it is reasonable to assume that the more asymmetrical an incongruity problem, the more difficult it will be to find a solution that is acceptable to all parties and that such problems often requires higher levels or perhaps more complex arrangements of cooperation.

#### **5.2.2.1 Problem Characteristics and the Distribution of Costs and Benefits**

As seen in previous sections, one of the major obstacles faced by the GEF has been to reach an agreement on how to distribute the costs of its climate-projects. This is a

defining characteristic of a malign problem. In terms of international environmental cooperation in general, OECD countries adopted in 1972 the polluter pays principle as a guideline for allocating cost of pollution control (Cléménçon.2000:15). In the case of the climate change problem and developing countries, this principle has been applied with some modifications. To some extent the cost-sharing scheme has been based on developing countries' lack of resources and developed countries responsibility for past emissions. But, the different ratios between costs and benefits can also contribute to explain this solution. Faced with significant domestic costs, developed countries have stressed that climate-measures should be based on both efficiency and cost-effectiveness. Since developing countries have relatively inefficient industrial sectors, the climate change problem can be more cost-effectively handled in developing countries than in developed countries<sup>83</sup> (Botnen.1997:34; Gupta.1997:6). Developing countries have, on the other hand, approached the problem differently.

Due to the asymmetry in past emissions, developing countries have tended to perceive the climate change problem as a Northern/Western problem rather than a global problem (Bodansky.1995:31; Gupta 1997:17). That the expected future increase in emissions in developing countries will be a consequence of economic growth means that the issue of climate protection has become embedded in a development context (Bodansky.ibid; Mintzer and Leonard.1994:84)<sup>84</sup>. The developing countries have therefore tended to find the polluter pays principle unfair within the context of climate change as they hold the developed countries responsible for causing the problem. Given the developmental utility these countries have placed on the climate change problem, they had trouble with accepting that they only will be reimbursed for the global environmental benefits that the projects generate.

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<sup>83</sup> Two countries in particular, Norway and Japan, emphasized the role of developing countries (Bodansky.1995:29) .

<sup>84</sup> The developing countries had prior to the Earth Summit in Rio, insisted that the proposed environmental conference in 1992 give equal weight to environment and development. In the climate context, they argued that climate change be viewed not simply as an environmental issue but as a developmental issue (Bodansky.ibid). Mintzer and Leonard (ibid) have also found evidence for such a way for problem framing climate change from a developing country perspective.

In the theoretical framework I briefly mentioned that is difficult to separate behavior stemming from lack of interest from lack of willingness, as both types of behavior are in line with the propositions derived from the rational actor model. Regarding the developing countries lack of interest, I find it often equally difficult to distinguish between problems that arise from low developing country interest for the environment from the problems that arise from absence of ability, especially when one are looking at such a diverse group as the developing countries. Environmental cooperation is often affected by countries favoring cost-avoidance, and the GEF provides little incentive for developing countries to try to limit the growth of their emissions, as few schemes are likely to be implemented unless developed countries agree to meet the costs. In light of the decline in ODA mentioned earlier, the developing countries have nonetheless become very protective of scarce financial resources for economic development, and among these resources are the financial assistance made available through the GEF. It appears that the GEF has in a few cases managed to create some developing countries interest in establishing a strategy for mitigating climate change, but many countries remain uninterested. Many developing countries do claim that they do not have the means to either begin working on climate change or continue working after project completion and ceased financial assistance (Interviews Developing country representatives.2003). A common feature to the group of developing countries is, nevertheless, that *global* environmental benefits in themselves do not tend to receive high priority. Porter et al. (1998:32) have found that such concerns must be linked to social and economic priorities, mainly poverty eradication to attract attention. For countries reluctant to commit resources to sustainable practices in energy and so forth, it appears to be both financially and politically easier to support the monitoring and institutional kinds of activities, especially in light of GEF's full cost-support of these activities<sup>85</sup>(ibid:35). Actors are, however, not only affected by financial incentives or lack thereof, actor utility can also be altered by the organization that governs the resources flow.

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<sup>85</sup> According to Amous et al (2000:3) the enabling activity program experienced constraints in the form of funding limitations in some countries.

### 5.2.2.2 Problem Characteristics and Institutional Arrangements

It also appears that problem characteristics have had a bearing on the institutional arrangements that govern GEF's resource flow. As seen under section 5.1.1 GEF's problem-solving capacity has been impeded with difficulties due to the participatory approach of the Council. The task of matching rules of access with problem scope has been problematic because of the differentiated roles of the GEF member states. The climate change problem is global in scope due to the extent of past and future emissions; the problem focus of the GEF is narrower since it is designed to target developing countries activities under the Convention. Climate cooperation in the case of GEF is, however, also a matter of international environmental aid, and in order for the developed countries to fund the GEF and remain some control over the spending of their resources, their roles as donors had to be reflected in GEF's main forum. Developed and developing countries have clashed over the dominant role of the developed countries, together with their voting power, since the GEF is designed to contribute to shape the development path of the developing countries<sup>86</sup>. Because international transfer involves the provisions of funds by one set of countries in order to alter the operational modalities of others, conflicts of interest are endemic. In order to reduce the conflict level, it became necessary for the GEF to practice a more restrictive approach to participation in the Council, but the exclusion of the developing countries have had a negative impact on their interest in entering climate cooperation through the GEF. Conflicts of interest do, however, not just come from interactions between governments.

Another consequence of malign problem is that the cooperative arrangements often become more complex. The developing countries' interactions with the GEF IAs and NGOs account for the longest part of the project cycle, and it appears that GEFs connection with the IAs, the World Bank in particular, has given the GEF a credibility problem in developing countries. Harstad and Ramankutty (2002:11) have found that even in China, the largest recipient country of GEF funds, GEF's credibility has been

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<sup>86</sup> Developing countries initially demanded that their numerical superiority should be reflected in the Council. But they eventually agreed to the current setting because they hoped it would provide an incentive for the developed countries to contribute financially (Sjøberg.1999:30-31).

low. Even though the GEF is an independent organization, it is administratively supported by the World Bank, and the Bank is responsible for the largest bulk of GEF-projects, many developing countries therefore still see the GEF as being strongly affiliated with the World Bank<sup>87</sup> (Christoffersen et al.2002:100; Mintzer and Leonard.1994:260). Many countries do not show much interest in being proactive towards GEF, and many countries have cited working with the IAs as a reason for their lack of involvement<sup>88</sup>. There are, however, several examples of project delays caused by bickering between the IAs over the right to projects (Christoffersen et al.2002:95). Such turf battles were particularly prevailing in the early days of the financial mechanism. Regarding the expectation that the IAs would mobilize additional resources to GEF grants, Christoffersen et al. (2002:66) have found that this have had some clear limitations<sup>89</sup>. The complexity of the GEF therefore appear to not only have discouraged developing countries interest and possibly willingness to enter into climate-cooperation, but it has also given rise to multiple sources of delay throughout the GEF project cycle which have made it difficult to amplify the outcomes of GEF processes.

The developing countries' acceptance of the GEF as a financial mechanism was a compromise (Fairman; 1996:56; Young; 2002:64). Only a few developing countries participated in the establishment of the pilot GEF, and their expanded participation in the restructuring did reduce their discontent, but not entirely. The compromise solution as seen here show the many problems with the introduction of a new practice. Problem characteristics have had a profound bearing on the GEF's problem-solving capacity as government officials almost always viewed the GEF projects cycle as too lengthy and

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<sup>87</sup> According to Sjøberg (1994:2) disillusion with multilateral organizations would not come in the form of new international organizations breeding new bureaucracy. For the developed countries, it was preferable to establish the financial mechanism on existing institutions, particularly the World Bank which they saw as a mean to ensure the cost effectiveness of GEF-activities. An "indicative target ratio" allocating 70 percent of GEF funds to World Bank investment projects and 30 percent to UNDP technical assistance was decided already in 1991 (Botnen.1997: 72).

<sup>88</sup> Porter et al. (1998:21-22) found three patterns of developing country involvement/collaboration with the IAs whilst developing projects. In the first, project proposals clearly originated and reflected predominantly the influence of the respective developing country, albeit clear signs of IAs playing a major role. The two other patterns indicate much less developing country involvement. The second pattern was one in which the IAs came up with the idea, but also included input from the developing country. The last pattern reflected little country participation in neither design nor development.

<sup>89</sup> At a time when UN agencies generally face severe budget constraints, and when the external debt problems for many developing countries constrain their ability and willingness to assume the debt burden inherent in funding from the World Bank and regional development banks, it no longer seems realistic to assume that IA co-financing can become the main leverage for the GEF (ibid).



cumbersome, especially in view of the size of the grants (Porter et al.1998:65). In terms of aid, the GEF is perceived as just one of many donors in the field (Cléménçon.2000:8). Within such a context, financial assistance is not likely to have much of an impact on actor utility, and few countries have displayed much interest in neither the climate change problem nor its solution as given by the GEF. Under such conditions, the likelihood that an effective regime will emerge is small.

### **5.2.3 Summing up Problem Characteristics**

This chapter attempted to identify the problems of the climate change problem, and to see how they contribute to explain effectiveness. In pure collective-action games, where all actors are affected by the problem to the same degree, joint effective solutions can be reached because all actors have an incentive to cooperate if other actors choose a cooperative strategy too. The problem of climate change cannot be seen as pure collective action game, because there is an asymmetrical relationship between the actors involved. There are two defining characteristics that contribute to make the climate change problem particularly intractable, the asymmetry in emissions and the corresponding costs and benefits of these emissions together with the differences in countries capabilities. By assigning a financial mechanism for developing country implementation, problem malignancy could have been reduced if GEF provided the developing countries with a financial incentive to undertake climate-activities. The last part of this chapter did, however, find that the majority of countries are not interested in undertaking climate change activities unless it related to development issues. The institutional arrangements governing the resources flow have also affected developing countries position on the climate change issue. The GEF has not been sufficient in increasing their interest, willingness and/or ability to continue working with climate change after project completion. The GEF therefore reflects the difficulties in designing an international organization for international environmental cooperation, particularly in the case of environmental aid.

## **Chapter 6. Conclusions and Theoretical Implications**

This last chapter will sum up the most important findings of this study and discuss the shortcomings that I have encountered in terms of theoretical and empirical difficulties, and methodological challenges. Lastly, I will briefly comment on the GEF and its future operations.

### **6.1 Empirical Findings**

This section will try to answer the two main questions; how effective has the GEF been as the financial mechanism for developing country implementation of the FCCC; and what factors can explain effectiveness and in what way.

#### **6.1.1 Effectiveness**

Regarding the first question, this thesis has shown that the effectiveness of GEF has varied according to different tasks and across the group of developing countries. The GEF has been effective in developing a variety of programs for project development, and in its allocation of financial resources based on these programs as seen by the project portfolio presented in chapter four. The “dual funding strategy” is in line with the objective and requirements of the convention.

Concerning the outcome of these activities, the effectiveness of the GEF appear to vary both across the group of developing countries and depending on project type. Regarding the latter, this study found that the GEF has performed generally well in enabling countries to meet their reporting obligations. In terms of GEF’s contributions to increased capacity, this study has found that some countries have experienced a considerable increase in awareness and understanding of the climate change problem. In some cases this has led to improvements in energy efficiency and renewable energy. The outcomes of investment projects in other countries are varied or have yet to prove substantial results, as have GEFs efforts in regard to the development of new policies and frameworks in developing countries. Despite my reservations concerning an evaluation of the GEFs climate portfolio, it has proven difficult to make any definite

claims as to how effective the GEF is. The GEF does nevertheless appear to have achieved considerable more results in some countries, than other countries, and has been more effective in performing certain tasks, than others. Which brings me to the second question of this study, explaining effectiveness.

### **6.1.2 Explaining Effectiveness**

The second question that I intended to answer in this study is, what factors can explain effectiveness and in what way.

#### Problem-Solving Capacity

In chapter one I mentioned that the effectiveness of an IGO is likely to increase over time because its operations becomes more standardized. This study has found that the GEF has not managed to develop a consistent procedure for project approval, and the incremental cost criterion has been the major obstacle to that process. The pragmatic approval procedure is an important factor in explaining the effectiveness of the GEF. Chapter five found that the GEF's project cycle has become extremely long and that GEF-projects have not always been in line with the objective of the Convention. These findings contribute to explain why GEF outcomes are slow in emerging, in addition to the lack of private sector involvement in the GEF. Due to the difficulties encountered throughout the GEF project cycle, the private sector has found the GEF to be complex and time-consuming, and has therefore not played the expected important role in amplifying the outcomes of GEF-activities.

Regarding the GEF's achievements as of today, its varying effectiveness across the group of developing countries can to some extent be explained by the differences in countries' understanding and knowledge of the GEF. According to the findings in chapter four and five, it appears to be a connection between countries' understanding of GEF programmes and procedures and increases in capacity. In that regard, one should also take into account the level of funding available to the different countries. In terms of investment projects, project outcomes have generated more viable results in countries that both display a greater knowledge of GEF's modalities and that have

received a larger share of the GEF's resources. The countries in which GEF's achievements have been moderate or small, they have had little knowledge of or/and understanding of the GEF. These countries have also received less funding, at least when compared to the high-emitting countries. The previous chapter found the GEF forums have not managed to function as a channel for information, and GEF's reliance on the IAs and NGOs to inform developing countries about the GEF has not been sufficient, sometimes counterproductive. As mentioned above, this has had implication for GEF's investment projects in these countries, it appears, however, to be less important in terms of explaining GEF's efforts to enable these countries to prepare and submit their reports under the Convention. While this may be a consequence of the GEF's strategy of covering the full costs of these activities, it may also be a consequence of the type of project. These activities are a more straightforward and less demanding operation, than stimulating political and market conditions for more climate friendly technology. Henceforth, the more or less effective reporting efforts of these countries, may be a consequence of both the less complex type of project and the resources available.

#### Power and Instrumental Leadership

The most powerful actor within the setting of GEF has been the US. As a powerful actor, this study has found the US to be somewhat of a laggard within the GEF. Not only by withholding payments, but also by forcing through a new debate on the allocation system for GEF funding. This study has found that the behaviour of the US has had a negative impact on GEF's problem-solving capacity since the actions of the US have reopened the discussion on funding eligibility and by diverting attention away from the GEF's role to enhance global environmental benefits within the Climate-regime.

Another important finding, is the contribution of the GEF CEO. The Council members have become dependent on the CEO to ensure a more efficient duration of meetings. The decision-making capacity of the main GEF forum would probably have been significantly less without the skill and energy invested by El-Ashry. The CEO has

therefore been important in facilitating decision-making and paving the way for GEF activities.

### Problem Characteristics

While identifying the problems associated with the climate change problem, it became evident that the problem is malign due to the highly asymmetrical distribution of costs and benefits. While I did not find that any clear evidence for developing country implementation being affected by the behaviour of other developing countries, I did find that their perception of the problem has been influenced by the fact that the majority of past and current emissions has originated in developed countries. One conclusion that can be drawn based on these findings, is that the climate change problem is not a priority for developing countries. Whether this is consequence of developing countries' lack of interest, willingness or of ability to control emissions is difficult to assess, but these findings do, nevertheless, have ramifications for the GEF's problem-solving capacity. The previous chapter found the GEF to be a compromise, and this appears to have had an impact on the extent to which it has been possible for the GEF to become a financial incentive for developing countries within the context of climate-cooperation. The climate change problem itself has not attracted sufficient developing country interest due to its relation to development and economic growth. The resources available through the GEF seem to be too small, at least to counteract the historical responsibility which developing countries place on the developed countries for causing the climate change problem. Within such a context, international environmental aid appears to have had little influence on developing countries' positions in climate-cooperation. The GEF is perceived as just one amongst many donors in the field, functioning within a demanding and complex system.

## **6.2 Theoretical Implications of the Findings**

In this section I will comment on theoretical variables and hypotheses outlined in the theoretical framework and discuss the fruitfulness of the approach of this study.

### **6.2.1 The Dependent Variable**

Concerning the operationalisation of regime effectiveness into the two preceding phases of output and outcome, I find that this separation has been useful in measuring effectiveness over time. Output led me to focus on the initial stages of implementation, focusing on indicators that in turn paved the way for subsequent stages of regime operations. The utilization of two output-indicators provided me with points of reference to assess effectiveness; what the regime intended to do through program development, and what the regime actually did as seen by its project portfolio. Consequently I found output to be a valid tool for evaluating the preliminary stage of regime effectiveness.

Regarding outcome, it was measured by using two different criteria, goal attainment and behavioural change. Whereas the measurement of goal attainment was a somewhat straightforward operation and as such a useful indicator of effectiveness, the measurement of behavioural change ran into some difficulties. The main obstacle for assessing the effectiveness of the GEF in terms of behavioural change has been that at the time of my evaluation the outcome of many GEF projects are more uncertain. The lack of data stemming from finalized projects does raise some feasibility concern to the application of regime effectiveness as a tool for analysing the GEF. I made an attempt to control for this by assessing effectiveness over time. The GEF is nevertheless an ongoing process, I would therefore like to emphasize that as the GEF climate change portfolio matures, the outcome of GEF operations may differ from my evaluation. It should be noted that the lack of data might itself be indicative of how effective the GEF is. The GEF has, as of today, been in operation for more than ten years, and has been reviewed on numerous occasions, and the lack of findings can be interpreted as a sign of low effectiveness. I do, however, find that utilization of the two criteria for measuring the effectiveness has enabled me to assess different aspects of the GEF's role as a financial mechanism for the FCCC.

## **6.2.2 The Independent Variables as Determinants of Effectiveness**

In the theoretical framework I made some assumptions and hypotheses concerning the impact of the different independent variables and factors on effectiveness. In this section I would like to see the extent to which this approach was valuable in explaining regime effectiveness.

### Problem-solving Capacity as a Determinant of Effectiveness

The findings highlighted in the previous pages have confirmed my assumption that an organization's capacity may have an independent effect on the management of environmental problems. It has simultaneously confirmed that the management of environmental problems takes place within the framework of institutions that to a varying degree are capable of tackling such challenges.

The institutional setting was considered to be an important determinant of effective implementation to the extent that it managed to aggregate actor preferences. I find that the flexible approach towards rules of access and decision-making procedures contributed to the development of programs. The exclusion of countries has been important in terms of decision-making. The hypothesis concerning the effect of decision-making rules has been confirmed, as the forum practicing rules with provisions (and an exclusionary approach to participation) has been the only forum managing to avoid issue-linking. The likelihood of being able to make decisions on programmes and projects in the absence of formal voting is small as aggregating actor preferences proved to be difficult in the global consensus forums. Consequently, this study has found that such a practice is a somewhat necessary condition for this organisation's capacity to make decisions. Regarding participation, however, the hypothesis may not have stressed enough the role of target group participation. Their inclusion was considered important on the premise that their participation would provide them with information and enable them to develop a stake in the outcome. While all developing countries are to some extent involved in the GEF at project level, the exclusion of the majority of this group in the main forum has inhibited these countries' ability to acquire the knowledge necessary for effective implementation.

This condition was expected to be particularly important in circumstances where the target group lacks the capacity to implement joint decisions. Indirect participation appears not to have been a sufficient practice of rules of access in this case.

Regarding the last two determinants of problem-solving capacity, I find that the hypothesis regarding the effect of power to be confirmed. Concentration of power in the hands of laggards has had a negative effect on effectiveness. The hypotheses should nevertheless be somewhat modified. While there is no way of knowing whether a potential pusher would have enhanced effectiveness or not, the extent to which such a powerful actor could individually have rewarded other actors is to some extent limited. Due to the allocation system based on incremental costs, GEF funds are not sufficient in itself to provide powerful actors with the opportunity to significantly improve problem-capacity. But due to the scarcity of GEF funding, a laggard may have a more decisive effect, because of the GEF's need for financial revenues. Furthermore, the laggard's interest in emphasizing the role of other aspects than environmental benefits in the allocation process, may shift the main focus of the financial mechanism away from the purpose of convention implementation, and as such have a negative impact on effectiveness.

Following the hypothesis concerning skill and energy, there was no questioning the impact of instrumental leadership on effectiveness per se. In terms of effectiveness, it was more a question of whether or not such leadership was in fact supplied. The need for and supply of instrumental leadership appear to be invertly related. The more demanding the decision rule and the more malign the problem, the higher the need for instrumental leadership. But under such conditions, supplying instrumental leadership becomes increasingly difficult. The GEF has proven to be dependent on such leadership even under less demanding decision making rules (consensus with formal provisions). Which leads me to believe that the instrumental leadership has been important in terms of effectiveness.



Although power, skill and energy can be easily separated when they are utilized as they have been by the different actors within the GEF setting, it is not always possible to distinguish their independent effect on problem-solving capacity. I made the theoretical proposition that power would have a stronger impact on actor behaviour than individual capacities. I find it difficult to verify this proposition with a high degree of certainty. Even though both forms of resources have been invested, the extent to which either one has been more important in terms of effectiveness is difficult to assess.

#### Problem Characteristics as a Determinant of Effectiveness

The variable of problem characteristics was dichotomised into benignness and malignness, in which the latter was expected to have a more profound impact on effectiveness than the former. Problem malignancy was found to increase the more the problem was characterized by an asymmetrical distribution of costs and benefits. The variable of problem characteristics was mainly utilized to explain the given solution within the problem context it operates. This was a valuable approach to assess the degree by which problem malignancy affects the effectiveness of the solution. The malignancy of the problem required a more complex institutional arrangement, particularly in light of the actor's different opinions regarding the distribution of costs. The discrepancies in actors' preferences are also prevailing in their perception of the solution as a compromise, and have had implication for their involvement throughout the implementation process. I find that the institutional arrangements have not sufficient affected actor utility in favour of implementation. Consequently, one can draw the conclusion that effective solutions are particularly hard to design in case of malign problems.

Regarding the two independent variables, I find that both have been important in terms of explaining effectiveness. The variable of problem-solving capacity was especially valuable as it enabled me to look at some of the strengths and pitfalls of GEF's institutional setting, together with the disadvantages of powerful actors and advantages of the skill and energy invested by the instrumental leaders. The second variable was

important as it managed to shed some additional light on the limitations that problem characteristics placed on GEF's problem-solving capacity, and GEF's ability to play an enabling role within the regime. The attempt to match problem-solving capacity with problem type and task became an increasingly important determinant of effectiveness in this study.

### Main Approach

The approach aimed at understanding the operations of the GEF based on the data available and the operationalisation of the theoretical variables. In terms of the GEF's effectiveness as a financial mechanism in general, this study is limited to the GEF and the FCCC. While the GEF does serve as the financial mechanism for other environmental conventions, I am not in a position to generalize over its performance in contributing to the management of other environmental problems. It could possibly be argued that since it is operating within the same institutional setting and under the same core organizational characteristics, one might expect it to function in more or less the same way. But it should nevertheless be noted that it would be difficult to make any reliable comments without having controlled for the other environmental problems.

Another limitation of this approach was the decision to focus on the GEF. Some of the findings of this study do indicate that the IAs do play important roles in the GEF, and have contributed to determining effectiveness. While I do consider my decision to be important for the purpose of keeping within the limits of a master study, I simultaneously recognize that IAs' operations within the setting of the GEF is well worth a study.

### **6.3 Final Remarks**

Having summed up the main findings of this study, I would like to make a few comments on the GEF and what the future might hold for this unique facility. The GEF has since its inception been under constant change and evolution. Being launched as a lofty new initiative for environmental aid and cooperation, it was to some extent

bound to run into challenges it had to adapt to. Some of the difficulties envisaged in this study can therefore possibly be “teething problems”. The GEF in its current setting is attempting to target some of the shortcomings that it has faced so far as seen by the Country Dialogue Workshops. While I do agree with Haas et al. (1993:17) when they claim that it is foolish to have blind faith in treaties,<sup>90</sup> I simultaneously think that one can rightfully claim that regimes and their financial mechanisms are, at the very least, contributing to the management of environmental problems.

Regarding what the future might hold for the GEF, there have been new additions to both the GEF-family and the Trust Fund. Regarding the former, many developing country representatives appear to be positive towards the inclusion of additional agencies, the Executing Agencies (Developing countries interviews.2003). In addition, the FCCC has decided that three new funds should be established, and managed by the GEF, to target more specific aspects of the implementation of the Climate Change Convention in developing countries<sup>91</sup>. Furthermore, the status of the climate change problem in international relations *may* be at the point of changing with the Kyoto Protocol having recently entered into force (February 16<sup>th</sup>, 2005). International climate cooperation may be revived due to developed countries commitment to control their ghgs-emissions under the Protocol. If these additional developments materialize into substantial climate change activities, this may have implications for the effectiveness of the financial mechanism serving the climate regime. These questions are, however, not to be answered by this study.

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<sup>90</sup> Haas et al. (ibid) claim that there are good reasons for healthy criticism regarding the ability of international institutions to solve environmental problems, since they claim that states maintain control; the institutions themselves are typically quite weak.

<sup>91</sup> These three funds are: a special climate fund, a least developing country fund, and an adaption fund.

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## Appendix 1 The Constituencies of the GEF Council<sup>92</sup>

Single Constituencies	Canada
developed countries	France
	Germany
	Japan
	The Netherlands
	Italy
	UK
	United States
Multiconstituencies	Greece, Ireland, Portugal, Spain
developed countries	Austria, Belgium, Czech Republic, Hungary, Luxembourg, Slovakia, Slovenia, Turkey
Mixed constituencies	Denmark, Latvia, Lithuania, Norway
	Estonia, Finland, Sweden
	Australia, New Zealand, Republic of Korea
	Armenia, Belarus, Russian Federation
	Azerbaijan, Kazakhstan, Kyrgyzstan, Tadjikistan, Switzerland, Turkmenistan, Uzbekistan
	Albania, Bulgaria, Croatia, Georgia, Moldova, Macedonia, Poland, Romania, Ukraine
Single Constituencies	China
developing countries	Iran
Multiconstituencies	Afghanistan, Jordan, Lebanon, Pakistan, Yemen, Syria
developing countries	Brazil, Colombia, Ecuador
	Antigua & Barbuda, Bahamas, Barbados, Belize, Cuba, Dominica, Dominican Republic, Grenada, Guyana, Haiti, Jamaica, St Kitts & Nevis, St. Lucia, St. Vincent & the Grenadines, Suriname, Trinidad and Tobago
	Burkina Faso, Cape Verde, Chad, Guinea-Bissau, Mali, Mauritania, Niger, Senegal, The Gambia
	Algeria, Egypt, Morocco, Tunisia
	Cambodia, D.P.R. Korea, Lao, Malaysia, Mongolia, Myanmar, Thailand, Vietnam
	Argentina, Bolivia, Chile, Paraguay, Peru, Uruguay
	Bangladesh, Bhutan, India, Maldives, Nepal, Sri Lanka
	Botswana, Lesotho, Namibia, Malawi, Mozambique, South Africa, Swaziland, Zambia, Zimbabwe
	Comoros, Djibouti, Eritrea, Ethiopia, Kenya, Madagascar, Mauritius, Rwanda, Seychelles, Sudan, Tanzania, Uganda
	Costa Rica, El Salvador, Guatemala, Honduras, Mexico, Nicaragua, Panama, Venezuela
	Benin, Ivory Coast, Ghana, Guinea, Nigeria, Sierra Leone, Togo

<sup>92</sup> [http://gefweb.org/participants/Council/council\\_members/council\\_members.html](http://gefweb.org/participants/Council/council_members/council_members.html) 22.05.3005

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	Cook Islands, Fiji, Indonesia, Kiribati, Marshall Islands, Micronesia, Nauru, Niue, Papua New Guinea, Philippines, Samoa, Solomon Islands, Tonga, Tuvalu, Vanuatu
	Burundi, Cameroon, Central African Republic, Congo, DR of Congo

## Appendix 2 Overview of Countries contributions to the GEF Trust Fund

The numbers represent countries contributions made in percentage of their pledged contributions. The numbers that are in parentheses are contributions made through co-financing and not to the core fund. For the countries currently in arrears, their payments actually made to the GET, are given in per centage of their pledged contribution.

Country	Pilot programme <sup>93</sup>	GEF 1 1994	GEF 2 1997	GEF 3 2002
Argentina/USD		5.00 / 50%	-	-
Australia/AUD	0.00 (17.71 SDR)	42.76	43.27	68.16 / 25%
Austria/EUR	26.05 SDR	16.82	16.80	24.82 / 25%
Bangladesh/SDR		2.00	-	-
Belgium/EUR		27.27	30.94	41.98 / 25%
Brazil/SDR	4.00 SDR	4.00	-	-
Canada/CAD		111.11	141.66	158.94 / 25%
China/SDR	4.00 SDR	4.00	6.00	7.50 / 25%
Cote d'Ivoire/SDR		4.00	4.00	4.00 / 100%
CzechRepublic SDR		4.00	4.00	4.00 /25%
Denmark/SDR	16.25 SDR	25.08	193.16 DKK	298.18DKK/ 100%
Egypt/SDR	4.00 SDR	4.00 /47%	-	-
Finland/EUR	20.44 SDR	20.86	14.89	30.00 / 40%
France/EUR	114.33 SDR	122.98	131.50	164.00 / 25%
Germany/SDR	110.05 SDR	171.30	198.99	293.67 / 25%
Greece/USD		5.00	4.50 EUR	5.73 EUR / 25%
India/SDR	4.00 SDR	6.00	323.83INR	426.39INR/ 25%
Ireland/EUR		2.08	4.69	5.73 / 25%
Italy/EUR	65.10 SDR	82.53	73.85 / 66%	No IOC*
Japan/JPY	7.32 (100.00 SDR)	45,698.08	45,754.33	48,754.33 / 25%
Korea/SDR		4.00	4,933.67KRW	5.51USD / 50%
Luxembourg/SDR		4.00	4.97 EUR	NO IOC*
Mexico/SDR	4.00 SDR	4.00	4.00	5.07USD / 25%
Netherlands/SDR	37.74 SDR	50.97	53.05	62.39 / 0 %
New Zealand /NZD		10.35	8.31	12.14 / 25%
Nigeria/SDR		-	4.00	4.00 / 0%
Norway/NOK	19.57 SDR	220	228.32	228.32 / 25%
Pakistan/EUR	4.00 SDR	4.00	4.00 / 75%	NO IOC*

<sup>93</sup> Both Indonesia and Morocco contributed 4.00 SDR to the pilot GEF, but since they have not contributed to the restructured GEF they have not been included in this presentation.

Portugal/EUR		4.45	4.90	5.73 / 25%
Slovakia SDR		4.00	-	-
Slovenia/SDR		-	1.00	1.00 /25%
Spain/EUR	10.00 SDR	13.10	14.81	21.67 / 0%
Sweden/SEK	24.54	250.04	448.07	764.67 / 100%
Switzerland/SDR	30.06 ( <i>109.49 SDR</i> )	31.97	64.38CHF	99.07CHF / 50%
Turkey/SDR	4.00 SDR	4.00	4.00	4.00 / 25%
UK/GBP	54.78	89.55	85.25	117.83 / 25%
USA/USD	<i>0.00 (109.49 SDR)</i>	430.00	430.00	500.00/ 22%

No IOC\* means that the country have not yet submitted an Instrument of Commitment for GEF-3.