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GEF [Global Environment Facility] - EDF's [Enviromental Defense Fund's] Open Letter to Participants March 4, 1993

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URGENT -- PLEASE DELIVER ASAP

To: Katie McGinty

From: Scott A. Hajost
International Counsel

Date: February 23, 1993

Katie,

The following is a draft of our GEF open letter for the Rome meeting. We are getting final sign-offs and comments in the next day or so. We look forward to discussing it with you. On a separate subject, I returned from Italy to learn that the UN CSD meeting had been moved back to February 24-26. We might have had something more to say on the program of work. It's very short notice for governments and NGOs. I have spoken with some of the concerned U.S. officials and my hope would be that the U.S. takes a very flexible position for the organizational meeting leaving it to the June substantive meeting to reach final agreement on priorities. This would give us more opportunity to reflect and for discussion. I would note that there has been no opportunity for there to be meetings between the government and the NGO community on the CSD program of work. Finally, on yet another subject, I learned only after our meeting today with Mickey Kantor that funding for EPA and the U.S. Mexico Border Program is going to be reduced from \$345 million to \$150 million. Is there any truth to this? That would indeed be unfortunate. Thanks.

Scott

Call Eileen for
see if she can get
Stephen's attention
this.

Talk to
Stephanie Kinney
re. this

DRAFT

OPEN LETTER
TO THE GEF PARTICIPANTS
MEETING ON GOVERNANCE AND REPLENISHMENT
ROME, MARCH 4 AND 5, 1993

Dear Participant,

We welcome your ongoing efforts on the restructuring of the Global Environment Facility (GEF) to ensure that it may become a transparent and accountable financial mechanism that is able to effectively help address the growing global environmental crisis.

While the NGO community has put forward its thoughts about GEF governance in discussions with participants and in several NGO documents, we would like to reiterate some of our central concerns with regard to **GEF Governance** which have so far not been successfully addressed by the GEF. In addition we briefly describe the areas which we think need to be covered by the **terms of reference** for the evaluation of the GEF pilot phase.

Governance

Transparency. Discussions on restructuring the GEF began at a special meeting of participants in Geneva in February 1992. A central request put forward by participants at this meeting was for GEF activities to be carried out in a transparent manner with open disclosure policies and with full and timely availability of information. As a result the World Bank prepared a draft information disclosure policy which was distributed to the participants at the last regular Participants' Assembly meeting in Abidjan in December 1992. This draft outlined an information policy that would have upheld the World Bank's current practice of withholding project documents that are critical for informed decision-making from the Participants, the Scientific and Technical Advisory Panel and the communities directly affected by the projects. Several participants voiced their objection against the proposed new information policy and prevented it from being adopted as official GEF policy in early January 1993.

Where does this leave us? Over a year after participants first called for transparency, no progress has been registered on this critical issue. We urge the Participants to demand that the World Bank formulate a policy that will grant full access to information on GEF projects and associated World Bank loans throughout the project cycle to the Participants, the STAP and affected communities. Especially in light of a recent internal World Bank report (the Wapenhans Report), which found

information
manipulation

that more than a third of the World Bank's projects are failing by the Bank's own criteria and that the situation is worsening, the World Bank as trustee of the GEF should not be blindly trusted with managing GEF funds without public scrutiny. The World Bank should now be making special efforts to develop participatory and consultative mechanisms that will dramatically improve that performance.

Quality Control of GEF Projects. Many of the same problems identified by the Wapenhans Report as underlying the World Bank's poor performance record are present in the current GEF, such as a highly centralized management structure which is more focused on rapid project processing than on developing country needs and quality control of projects. A continuation of the present system where the Scientific and Technical Advisory Panel (STAP) focuses mainly on ensuring the thematic and regional balance of the GEF project portfolio, has no access to documentation on associated World Bank loans and is not staffed and equipped to conduct independent individual project review is inadequate and insufficient.

We recognize that the Participants have demanded that no new institution be put in place. However, the international community did not intend that 80% of all GEF investment projects be simple additions to regular World Bank loans which the public has no right to know about and which in many cases undermine GEF goals.

Participants should seriously consider alternative options as no bloated new bureaucracy is needed to create an effective institutional set-up for the GEF. An independent technical review process, serviced by a GEF Secretariat that is independent of the implementing agencies, would assist Participants in reviewing GEF project proposals, monitor projects throughout implementation and evaluate them after completion. Approval of GEF projects should be in the hands of the Participants' Assembly subject to appropriate coordination with the Conference of Parties to the relevant global conventions. Independent of the outcome of the current discussions on various modalities for a democratic decision-making system at the PA, all project approval should be conditional on a very high degree of consensus among all participants while at the same time ensuring full accord to the program direction of the Conference of Parties to the respective global conventions.

Public Participation. While there seems to be an universal consensus about the importance of public participation in the GEF, the GEF's pilot phase has made little headway in establishing a process whereby affected communities and NGOs are integrated in the GEF project cycle. We welcome the GEF's plan to present an options paper on NGO participation in the GEF at the next Participants' Assembly meeting in Beijing provided there is substantial NGO input for the paper. Beyond examining the modalities for NGO cooperation with the GEF at the central level, such as consultations that provide NGOs, Participants and Implementing Agencies with the important opportunity to interact as well as NGO observer status at the PA, it is our hope that this paper will focus on the most useful role that local communities and developing country NGOs must play in project identification, design, implementation and review at the country level.

Basic Parameters for Evaluation of GEF Pilot Phase

We welcome the GEF's decision to proceed with an evaluation of the GEF pilot

phase. In view of the inevitable institutional interests that the implementing agencies have in the outcome of the evaluation, it is crucial that it be conducted in an independent and open manner. At the Rome meeting Participants will be presented with draft terms of reference (TOR) for the evaluation. We strongly recommend that there be an open discussion of the TOR with representatives from both governments and NGOs before the evaluation is commissioned to ensure that its results will be broadly accepted as a solid basis for a post-pilot phase GEF.

The GEF has stated that the evaluation will focus on process and not on projects as the implementation of projects is not advanced. We agree with the focus on process only if process is very broadly defined and includes a field-based evaluation component. We do not believe that the evaluation of the GEF pilot-phase can be limited to a desk study in Washington, D.C. or other capital cities. The Wapenhans Report, a recent internal World Bank report, which documents a sharp deterioration in the World Bank's loan portfolio, identified lack of attention to the projects in the field as one of the underlying causes of a project failure rate of almost 40%. The evaluation of the GEF pilot phase cannot afford to ignore the reality of projects on the ground even if the projects are in a very early stage.

The following briefly outlines the main areas which we recommend be included in the TOR of the evaluation:

(1) Decision-making processes

The World Bank's recent draft of an information disclosure policy on both GEF and associated World Bank projects has been found to be too restrictive, by some governments and has therefore been sent back to the drawing board.

- How have the STAP and the partner implementing agencies been able to evaluate ca. 80% of World Bank GEF projects which are attachments of larger World Bank loans if they had no access to documentation on the associated loan? *
- As Participants only have access to limited documentation on GEF projects in the work program and no information on associated World Bank loans, who takes decisions on both the projects to be chosen and the levels of funding?
- Who is ultimately responsible for GEF project quality control and can be held accountable should the project have negative environmental and social impacts?
- How are GEF projects chosen? Do they form part of an overall strategic framework?
- How has the concept of incremental costs been defined and applied during the GEF pilot phase, especially with regard to biodiversity and climate projects?
- What is the process of decision-making among and within the implementing agencies, for example on the GEF's Legal Framework paper that was presented at the Abidjan meeting? What has been the process by which the Participants have adopted the Legal Framework paper?
- What actions has the GEF taken as a result of recommendations/ objections by

Participants with regard to individual projects and overall policies?

- Where is the seat of accountability within the GEF? For example what recourse is there for local communities to voice grievances about negative impacts of a project?
- Overview of use of financial resources in the pilot-phase:
 - administrative expenses;
 - project preparation costs with separate indications for costs of implementing agencies, international consultants and national in-country expertise;
 - implementation of projects
 - cost of NGO consultation at bi-annual PA meetings.

(2) Field interviews

The need for community participation and NGO involvement in the GEF has been recognized and the GEF has continuously emphasized the high degree of public participation in its projects. Attached is a list of projects which call explicitly for public participation (86.9% of all biodiversity projects and 55.6% of projects). Furthermore, the STAP's generic criteria require that all GEF projects be "participatory in nature". Field work in a sample group of projects should ascertain the nature and scope of community and NGO participation in the identification and design of projects, and, where applicable, in the implementation and monitoring of projects.

- Has social science expertise been used in the design of mechanisms for local participation?
- Have standards been developed to ensure local needs are included in the project?
- With respect to NGOs, what has been the degree of cooperation with both national NGOs and international NGOs, keeping in mind that national NGOs play a role in the long-term sustainability of the project after international NGOs have returned to their home base?
- Has local absorptive capacity and the in-country institutional framework determined both spending priorities and volume of allocated funds?
- What measures do GEF projects take to assist national institutions in building long-term technical and institutional capabilities to ensure project viability once foreign assistance has been reduced or ended?

(3) Impact of GEF on overall body of World Bank lending

When first public doubts were raised about the GEF being too closely dominated by the World Bank, the GEF's response was that the GEF would help open up the Bank and make the Bank's overall lending operations consistent with global

environmental goals.

- The Wapenhans report has identified the emphasis on rapid loan processing and insufficient attention to the sustainability of the projects in the field as the underlying causes for the World Bank's deteriorating loan portfolio. What lessons has the GEF drawn from this to avoid the same mistakes?
- What indications are there that the GEF has led to more transparency at the Bank and in Bank operations?
- How have GEF projects affected associated World Bank loans?
- How have the GEF's program areas affected overall Bank lending for energy, industrial development and natural resource management?
- Has the centralized GEF management (the GEF chairman, administrator and coordinator are all World Bank staff, the Bank is the trustee of the core fund and in charge of all GEF investment projects) been conducive to transparency and accountability with regard to both GEF and regular World Bank projects?

(4) Scope of GEF

- Will the evaluation carry out an assessment of the choice of topics for the GEF, including protection of the ozone layer which was already addressed by the Montreal Protocol? By whom, how and why were they chosen?
- Will the evaluation assess the utility, efficacy and need for a restructured GEF in relationship to the global conventions as compared to other alternatives?

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