*GLOBAL GOVERNANCE*

# The Greying of Green Governance: Power Politics and the Global Environment Facility*

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## Introduction

For many the creation of the Global Environment Facility (GEF) in 1991 signaled an important step forward in the battle to combat deteriorating environmental conditions on a global scale. The institution emerged out of a set of proposals and subsequent high-level negotiations dominated by a handful of Northern nations which sought to preempt a potential Southern proposal for a global green fund at the 1992 United Nations Conference on Environment and Development (UNCED). The GEF's official role was to help countries in the Global South meet their commitments to various international environmental conventions through the financing of environmental initiatives and projects identified as having "global" benefits. Because it allowed a diversity of state and non-state actors to participate in its procedures and negotiations, the GEF was heralded as the institution that would usher in a new era of international cooperation, with many claming it was a model of "participatory" institutional development. While such hopeful accounts persist, fifteen years of GEF policy and practice raise serious questions about the underlying motivations and interests driving the GEF agenda. These motivations and interests are backed by enormous power—power that fundamentally defines the terms within which struggles over the global commons are forced to take place.

The purpose of this paper is to identify how the GEF as an institution of global environmental policy-making is transformed into a *representational mechanism* for the agents of global capital and the powerful states that support them, especially the United States. By tracing the networks that have developed around the GEF, we can see how it is being used as a tool to promote neoliberal policies around the globe, undermining not only its ability—but equally as important, its credibility—to enact polices of global environmental significance. The rush to celebrate the emerging regime of global environmental governance, to which the GEF is of central importance, must therefore be significantly tempered—especially because the sphere of logic that the GEF operates in unquestioningly endorses capitalism as the system necessary to solve the very problems that emerge from its structural imperatives of profit and growth. According to this logic, no contradiction exists between growth and sustainable development—growth will ensure sustainability's very success, and to suggest otherwise is to part ways with officially sanctioned rationality.

## The Commons' Crisis as Accumulation Opportunism: Theoretical Considerations

As a case study, the evolution of the GEF can tell us a great deal about recent debates that have sought to theorize the durability of a capitalist system increasingly prone to cycles of crisis and crisis management. As many debate whether capitalism is in fact "dynamic or doomed," an analysis of the GEF is instructive for demonstrating that the agents of capital are, at a minimum, remarkably dynamic in their ability to transform crisis into an opportunity for increased accumulation. It is with this in mind that I utilize the notion of *the commons' crisis as accumulation opportunism* to highlight the process by which capital uses environmental crises as accumulation opportunities.

The fact that GEF policy and practice is representative of this process is paradoxical, a point illustrated by James O'Connor's work on the second contradiction of capitalism. Moving beyond traditional Marxist crisis theory, which identified the main contradiction in capitalism as that between productive forces and relations of production, O'Connor recognized another level of contradiction as one between the relations of production and the *conditions* of production. The conditions of production refer to non-commodified necessities for production to take place: infrastructure, the bodies of workers, and nature at large. For O'Connor, capitalism's second contradiction lay in its destruction of the natural resource base and physical environment upon which it depends for continued growth and sustainability. Large-scale resource depletion, global warming, and biodiversity degradation on a global scale highlight this point well. Many have argued that it is this second contradiction rather than the first that may very well undermine the capitalist system. Yet it is particularly interesting how—despite the very obvious signs of global environmental stress arising from the second contradiction—capitalism nevertheless appears to thrive. It seems that the second contradiction simultaneously engenders a parallel process of accumulation opportunism, which offers the agents of capital yet more opportunity to celebrate the prospects of future growth that it provides. Thus the GEF's paradox is revealed: although it is charged with resolving what is a capitalist-driven crisis of the commons, it nevertheless relies on and promotes that system as the silver bullet capable of turning the tide of ecological destruction globally.

In this way, the GEF operates as a *representational mechanism* for powerful capital interests, which in some cases may be green, but in many instances, remain as grey as ever. This understanding of the GEF contradicts most mainstream international relations' accounts of global environmental politics, which are wedded to the tradition of neoliberal institutionalism and its preoccupation with an anarchic world system in which states engage in regime-building exercises in order to overcome common problems. Two main weaknesses of neoliberal institutionalism are the artificial distinction it makes between public and private actors and the assumption that the liberal state works mainly as a neutral agent negotiating between a *plurality* of interests. This characterization profoundly obscures the extent that certain interests—which are based on a set of highly unequal power relations—are disproportionately represented in this process. It also conceals the degree to which international capitalism directs interactions globally, with states serving as the negotiating bodies for the interests of domestic capitalist players. The state is not a neutral arbiter of a plurality of interests but a distinctly *capitalist* state governed by capital's overarching logic. Only when we move beyond mainstream theorizations of the state and international environmental regime-building can we begin to understand why—despite the best of intentions on the part of some—the GEF as a key player in an emerging regime of global environmental governance finds itself so constrained in its ability to affect meaningful change to protect the global environment.

Peter Gowan's insights into international regimes and the capitalist state are useful for illustrating the points made above. He contends:

> The state is not, of course, simply its elected politicians: they come and go, but the state must remain, and it is the task of the top civil servants to present their political masters with the facts... From this angle, the state must attempt to ensure the best possible conditions for its capitalists to want to invest and improve productivity and expand output—the material basis of the state's own resource strength. Since it is up to capital whether it does these things or not, the state has an overwhelming interest in serving its most important capitals. And since these operate internationally, it must seek to serve their international interests. Insofar as they send streams of revenue and profits back to their home base and insofar as they extend their control over overseas markets, the state will consider its international position stronger: the better placed its capitals are in world markets, the stronger its position and influence.

Gowan's contribution clearly demonstrates the capitalist imperatives driving state decision-making in international affairs—i.e., the state's very survival is tied in many ways to the success of its domestic capital interests. He further argues that international regimes and institutions are used as tools of economic statecraft by the most powerful states, which, in turn, have been able to dominate and direct the agendas of these institutions in an effort to advance domestic capital interests. Gowan is particularly concerned with how the American state has used existing international economic regimes in this effort and notes that under Bill Clinton in the 1990s, for example, the U.S. aggressively pursued an "activist drive to change the programs of the multilateral institutions." This required the absolute subordination of the multilateral institutions to the neoliberal program. As a result, the International Monetary Fund (IMF) demanded the complete dismantling of capital controls in every country, while the World Trade Organization (WTO) pushed for the full liberation of financial services under "national treatment" laws, among other so-called "reforms." To this end, American capital profits from the role that international institutions play, insofar as they require countries throughout the world to adopt "free-market reforms" that give American capital access to markets, workers, and consumers globally. Though the U.S. is not alone in this project, its role is nevertheless decisive given its sheer size, wealth, and therefore leverage in pushing its brand of neoliberal reforms within international institutions. U.S. economic statecraft is critically shaping the parameters of global environmental governance in much the same way.

Adding to Gowan's analysis, Stephen Gills' work on "disciplinary neoliberalism" and the "new constitutionalism" further explores how powerful Western states have sought to lock in the neoliberal agenda within international institutions. According to Gill, disciplinary neoliberalism constitutes:

> …a discourse of political economy that promotes the power of capital through the extension and deepening of market values and disciplines in social life, under a regime of free enterprise. Disciplinary neoliberalism is commensurate with [the] interests of big corporate capital and dominant social forces in the G7, especially the U.S. It involves political and legal reforms to redefine the political via a series of precommitment mechanisms. These include constitutions, laws, property rights, and various institutional arrangements designed to have quasi-permanent status.

Disciplinary neoliberalism is not simply about amending domestic laws and constitutions to conform to free market values, but an attempt to spread market discipline and behaviors—a market citizenship, if you will—throughout *all* aspects of social life. This is achieved, according to Gill, through a new constitutionalism that promotes the adoption of "quasi-constitutional devices that intensify pressures (external disciplines) for adjustment of domestic systems and structures in accordance with the categorical imperatives of economic globalization." Privatization, drastic cutbacks in social spending, dismantling tariff barriers, and the gutting of the public sector are all emblematic of this process.

The most visible vehicles for delivering this project to states around the world have been the IMF and the World Bank, and increasingly, the WTO and multilateral trade agreements. For years the IMF and World Bank have imposed neoliberal conditions as part of their Structural Adjustment Programs (SAPs) in the Global South, and trade agreements, such as the North American Free Trade Agreement (NAFTA), now routinely require far-reaching neoliberal policy reforms on the part of participating states. Such programs and agreements contain provisions that attempt to cement these reforms into place with punitive measures should a state fail to honor the agreement. In the process, both states and citizens are disciplined to conform to the neoliberal program or face exclusion from the system which, though it exploits the majority, nevertheless remains the only option for many.

Critics are correct in pointing out that disciplinary neoliberalism is notoriously anti-democratic in nature. Its ability to lock countries into neoliberal reforms and particular patterns of accumulation has made this project of global transformation highly effective so far. As it progresses, a fundamental re-imagining of the political is required since, as Gill contends, "a central purpose of new constitutionalism is to redefine the relationship between the political and the economic and thus reconstruct the terms through which political action is possible in a capitalist society." The ultimate goal is for the "economic" to be protected in a de-politicized domain sheltered from democratic challenges or debates. Along these lines, the cutting of social welfare programs in both the North and South, cutbacks to education and health care services, fiscal policies that slash the value of domestic currencies, and trade policies that displace millions of small rural producers are presented in purely economic terms, despite the intolerable increases in global inequality and poverty that they lead to.

So far my discussion has been confined to the usual suspects—the IMF, WTO and World Bank—and how they, at the behest of the world's most powerful states, work to extend the reach of neoliberalism globally. The following case study makes clear that the GEF should also be included among this elite group of global managers as an institution increasingly concerned with the advancement of this project. Although many within the institution are undoubtedly driven by personal commitments to solve contemporary environmental challenges, the institution itself is part of a much larger system that works to stifles the personal interests and motivations of its individual members.

## The Global Environment Facility as Representational Mechanism: Negotiating the Resource Allocation Framework (RAF)

The GEF was first proposed in 1989 by the French government during a World Bank meeting in Bangkok. The concept of creating an institution of global environmental governance came on the heels of the 1987 publication of the World Commission on Environment and Development report, "Our Common Future," in response to increasing recognition that the international community must find some mechanism to address the deteriorating global environmental conditions outlined in the report. With a financial commitment of $100 million from the French government—a move supported by a number of industrial countries which soon followed suit with their own contributions—the World

Bank was charged with developing the new facility. As one commentator noted, the Bank's work was carried out under a cloak of secrecy, without even its own environment department privy to the details.

The final blueprint outlined an institution that would be administered by the World Bank itself. The Bank, the United Nations Development Program (UNDP), and the United Nations Environment Program (UNEP) were to serve as the GEF's three Implementing Agencies, which are responsible for implementing GEF projects in the Global South. Spurred on by fears that G77 nations would propose an alternative fund at the 1992 Rio Earth Summit modeled on a one-nation, one-vote UN General Assembly-type structure, various OECD nations quickly pledged further funds in an effort to solidify this new initiative.

Following Rio, the GEF's mandate included serving as the financial mechanism to support developing countries in meeting their commitments to the newly established Convention on Biological Diversity (CBD) and the Framework Convention on Climate Change (FCCC), as well as funding projects involving international waters and the ozone layer. As of 2002, the GEF began funding projects that fall under the mandates of the United Nations Convention to Combat Desertification (UNCCD) and the Stockholm Convention on Persistent Organic Pollutants (POPs). In theory, the GEF is to receive guidance on policy and practice from the Conference of the Parties (COPs) to the various United Nations Conventions and Agreements.

The initial GEF voting structure was fashioned after the World Bank voting system, whereby voting shares are proportional to each country's monetary contribution. Developing nations strongly objected, and when the GEF was restructured in 1994, a hybrid system was adopted. The new system was based on the Bretton Woods and UN systems and mandates that "a qualified majority representing 60 percent of all participating countries and representatives providing 60 percent of GEF funding is required for a decision to be made." Nevertheless, as Horta, Round, and Young note, given that GEF votes are taken by consensus, the system has never been put to the test, since the real decisions are made in private meetings behind closed doors. This exclusionary process is compounded by the fact that donor governments—in essence, the G7—contribute funds to the GEF as a matter of political will, putting these actors in a largely privileged position to demand that their particular interests are represented.

From the beginning, critics have been skeptical that the GEF could fulfull its mandate, because the World Bank was driving the GEF's early development and evolution. Many claim that the GEF today is barely distinguishable from the Bank itself. It is run out of World Bank headquarters in Washington D.C., and the Bank administers the GEF Trust Fund, which puts it in an enormous position of power regarding GEF finances. Moreover, the Bank is the Implementing Agency for approximately 70 percent of the GEF's resources.

Every four years donor countries to the GEF contribute new money through a replenishment process. Replenishments are subject to negotiation and typically reflect specific donor demands as to how the GEF should function and/or reform before new monies are released. During the GEF3, third round of replenishment negotiations, the U.S.

with the support of various other donor governments made future contributions contingent on the adoption of a performance-based resource allocation framework (RAF).

The U.S. and other donor governments justified their call for a RAF by arguing that GEF funds were allocated in an ad hoc way that lacked transparency and resulted in inefficient expenditure. They claimed that imposing the conditions of the RAF would not only increase efficiency and equity in GEF project funding but also guarantee project success by ensuring that GEF resources were channeled into properly developed "enabling environments" at the national level in recipient countries. An enabling environment in this context referred specifically to having the right "free-market" policy mix in place, which the U.S. claimed would create the conditions needed for GEF policy to succeed.

While many donor states supported the RAF in principle, it took over three years of embittered battle to negotiate its actual content. Three blocks emerged from this fight: the U.S. and Canada; Japan and the European donors; and the G77 and China. The U.S. and Canada wanted the RAF to measure country performance in a number of areas using data taken from the World Bank's Country Policy and Institutional Assessment (CPIA). In written comments on the proposed RAF in 2004, the U.S. Council Member to the GEF argued that any proposed country performance rating must include at a minimum "a governance indicator, a macroeconomic indicator, an environmental policy indicator, and a portfolio performance indicator." Moreover, the U.S. insisted on an *ex-ante* allocation of resources that would *pre-determine* the allocation of GEF funds based on country scores under the RAF measurement scheme rather than requiring policy changes after the fact, as has been typical of Structural Adjustment loans.

The Bank asserts that the purpose of the CPIA is to "measure a country's policy and institutional development framework for poverty reduction, sustainable growth and effective use of development assistance." But critics correctly point out that the CPIA measures the degree to which a government has "a) adopted neoliberal economic policies (i.e., liberalization and privatization in the context of strict budgetary discipline), and b) developed institutions that protect property rights and promote a business-friendly environment." In this way, the CPIA forces countries to undertake free-market reforms to qualify for World Bank loans, effectively undermining the notion that sovereign nations can design and implement development plans that are most appropriate for their individual circumstances. Under this arrangement, democratic representation is severely constricted, since borrowing governments are held accountable to unelected international financial institutions like the Bank, which rate a country's "performance" in order to determine its eligibility to receive funds for environmental projects and initiatives. Susanne Soederberg uses the term "pre-emptive development" to describe this process. Unlike traditional conditionality which requires countries to meet conditions *after* receiving loans, under pre-emptive development they must meet conditions prior to qualifying for them. This effectively constructs a rewards system for those countries with the "right" policy mix. Put another way, only those countries that have created an enabling environment for neoliberal policies and reforms will be eligible to receive what donors contend are scarce funds in high demand.

Recipient countries immediately voiced concern about the RAF—much of it based on their own experience with this specific lending framework. They were particularly dismayed, because they believed this new dictatorial process would supplant the GEF's original mandate of using consensus without imposing conditions on the environmental projects it would support in the Global South. Most importantly, many saw the negotiations as the first steps towards transforming the GEF into yet another tool of global imperialism. The G77 and China raised these issues in a letter to GEF Chief Executive Officer, Leonard Good, in October 2003:

> The secret of success of the GEF was its distinction from other multilateral financing mechanisms. The GEF was established to remove barriers to the collective efforts of the international community for improving the environment across the globe without conditionality. We express our deep concern on the discussion of the "Performance Based Framework" which deliberately deviates from the agreements in Beijing, in the Third Replenishment, and more importantly from the Instrument. This discussion has the potential to undermine the GEF's achievements and its credibility. We believe it will alter fundamentally the way the GEF operates, change its objectives and make it difficult to assist developing countries to meet their goals. ...Therefore, any discussion which eventually leads to the limitation of access and discriminates against some of the recipient countries to GEF funding and fundamentally changes the nature and objectives of the GEF is not acceptable to the developing world.

In a second letter to Good in September 2004, the Group of 77 and China reiterated these concerns, urging Council members not to turn the GEF into "a political body for preparing a list of good and bad countries," which would ultimately result in the demise of the institution as developing countries lost all confidence in it. Written comments submitted by the Bolivian representative stated:

> ...we believe that the result of the proposed models will result in an *excluding* system for allocating resources. *Excluding* because the GEF funds do not have the objective, neither sufficient magnitude to deal, manage, or solve problems resulting from economic policies, governance, or others of macro-level dimensions, in any of the member countries. ...the only possible use of such indicators is to exclude, based on a macro-political assessment. (Emphasis in original.)

Despite their vocal opposition, those against the proposed RAF were unable to defeat U.S. demands for it, because of the U.S.'s financial leverage as the biggest donor to the GEF. At the November 2004 Council meeting of the GEF, attendees found that critical agenda items, including the discussion around the creation of the new Land Degradation portfolio, were pushed aside by the RAF negotiations. The proposed RAF was finally approved by consensus during a Special Meeting of the Council from August 31-September 1, 2005. Significantly, neither the Council Member from Belgium nor the Council Member representing the constituency of Argentina, Bolivia, Chile, Paraguay, Peru, and Uruguay supported its approval, yet they did not officially oppose its adoption by consensus. The Council Member from Germany qualified her vote with a formal statement to the Council outlining German concerns regarding the newly adopted RAF. It stated:

> We are concerned that these long-standing and resource-intensive discussions have not led to the result we would have needed to really improve the efficiency and transparency of the use of GEF resources. We are afraid that the system we are adopting is complicated and not transparent; that it is exclusive and does not reflect the necessity of universal participation; that it does not ensure the cost-effectiveness of the GEF's activities but leads to increasing bureaucracy; that it is not sufficiently flexible to respond to changing circumstances—all these being fundamental principles laid down

> in the GEF Instrument. And we are concerned that this jeopardizes the quality of GEF projects due to very low thresholds for some countries.

Such concerns are particularly salient given that the U.S. insisted the RAF was being developed with the specific purpose of increasing efficiency, transparency, and fairness in the allocation of GEF resources.

The approved RAF calculates country scores to determine eligibility for funds using a highly subjective GEF Benefits Index (GBI) and a GEF Performance Index (GPI), with the Performance Index weighted more heavily. The Benefits Index purports to measure a country's overall potential to "generate global environmental benefits," while the Performance Index measures a country's "capacity to *successfully* implement GEF programs and projects based on its current and past performance" (emphasis added).

The Performance Index is composed of three indicators. The first, the Portfolio Performance Indicator (PPI), is weighted at 20 percent of the Performance Index, which rates past GEF and World Bank environment-related project performance. The second, the Country Environmental Policy and Institutional Assessment Indicator (CEPIA), is weighted at 60 percent of the Performance Index and borrows from the World Bank's Policies and Institutions for Environmental Sustainability indicator of the CPIA. The third, the Broad Framework Indicator (BFI), is weighted at 20 percent and is modeled on the World Bank's Public Sector Management and Institutions cluster of the CPIA.

Overall, 80 percent of the GEF Performance Index utilizes CPIA indicators. The Broad Framework Indicator of the RAF measures institutional and policy regimes dealing with taxation, tariffs, private property, and "prudent" budgetary planning, to name only a few. The Country Environmental Policy and Institutional Assessment Indicator, which is taken from the CPIA's Policies and Institutions for Environmental Sustainability, has less transparent criteria.

The heavy bias toward economic criteria is not surprising given the World Bank's contradictory commitments, which are highlighted by a review of available World Bank literature on sustainable development and environmental sustainability. Specifically, it is a Bank mantra that economic growth is *the* necessary factor for achieving sustainable development. That's because, the story goes, growth will not only eliminate poverty but also provide the resources and wealth necessary to invest in environmental improvements, like green technologies.

According to the Bank, Sustainable Development in the 21$^{st}$ century depends on the successful interplay of financial capital, physical capital, human capital, social capital, and *natural capital*. The ultimate challenge in Bank parlance is to remove the structural and institutional barriers that inhibit the smooth functioning of the free market since, they also inhibit growth. Moreover, national governance bodies must clarify legal mechanisms and private property rights to encourage private sector involvement in environmental management. In this sense, the Bank's Policies and Institutions for Environmental Sustainability in the CPIA measures the degree to which domestic policies and institutions establish an enabling environment for both neoliberalism in general and market solutions to environmental problems in particular.

There is, however, plenty of contrary evidence that demonstrates World Bank-style growth in the Global South often leads to environmental degradation. But these real world examples are ignored. By insisting on a Resource Allocation Framework that measures eligibility for GEF funds by the CPIA, it appears—despite claims to the contrary—that the most powerful state at the GEF, with some help from Canada, has manipulated the institution to achieve its own political ends.

The recent adoption of the U.S.-driven RAF has largely dashed the hopes of many that the GEF would remain a unique institution of global governance, free from the political agendas that have so tarnished the World Bank, IMF, and WTO. And the very fact that the U.S. sends a Treasury official to the GEF to serve as its official council member speaks volumes about U.S. priorities.

The new neoliberal financial focus has created institutional in-fighting and a process of continual conflict management. Nevertheless, since the U.S. is the GEF's most importantant donor, the balance of power remains tipped in its favor. The RAF process itself illuminates how the U.S. has chosen to use the GEF as a mechanism to transform environmental crises into *accumulation opportunities*. This turn of events challenges GEF claims that it represents all countries equally and gives its assistance to countries based on their needs. Without recognizing the extent to which neoliberalism itself induces global ecological crises, the GEF serves to re-create the conditions under which such crises emerge and multiply. Indeed, GEF policy and practice supports a dialectical relationship, where its current policy frames reproduce the conditions of environmental crisis that justify its very existence.

**Assessing the Future of the GEF**

In 2001, one GEF-watcher argued:

> In spite of its fundamental flaws, due to its hybrid structure and its very unique characteristics, the GEF could become a testing ground to find new ways to address global problems in a multilateral process. Our fragmented world order provides a strong argument for flexible and small institutions based on a network rather than huge bureaucracies. In this context, the GEF offers a model of how modern governance structures should be shaped: on the basis of a minimum of formal agreements and founded more on compromise than legal precision.

This analysis ignores the larger problems and reduces the challenges of modern environmental governance to technical issues concerned with achieving the right institutional mix—one that is inclusive enough to bring all interested parties to the table. But in light of the recent RAF negotiations, such an assessment seems naive in its omission of class and power considerations. Despite our best hopes, the GEF—like so many other international institutions—has become a forum of economic statecraft.

The adoption of the RAF severely strained state relations within the GEF. A GEF representative from Europe characterized it this way: "To put it bluntly, the negotiations resulted in an opposition between the U.S. and the rest of the world." A GEF-insider with the Canadian government said the RAF quite possibly represented the final nail in the coffin for the GEF in the eyes of the G77. Another Canadian representative described the RAF negotiations as among the worst he had ever seen within an international institution. Particularly worrisome was that many countries felt they were bullied into accepting the RAF, because the U.S. threatened to pull all of its funding to the GEF if it did not get its preferred framework. Thus, the RAF was accepted with the bulk of American demands fulfilled.

Nevertheless—and to the outrage of many within the GEF—this was still not enough for the U.S. One particular macroeconomic indicator drawn from the World Bank's Country Policy and Institutional Assessment was not included in the first incarnation of the RAF. While the door was left open for its future adoption, the U.S. used its exclusion as partial justification for reducing its GEF4 financial contribution, a pledge of $320 million—$74 million less than the $394 million it offered in GEF3. In contrast, the U.S. spends approximately $500 billion each year on defense. This discrepancy infuriates many from the European and G77/China constituencies, especially in light of the U.S.'s hardball tactics in the RAF negotiations.

Particularly galling is the fact that the U.S. remains millions of dollars in arrears for GEF2 and GEF3, a problem that has magnified the GEF's financial worries, because several other nations have responded by withholding funds until the U.S. pays up. Despite the burden-sharing norms that guide donor financial allocations, many donor governments have attempted to rectify the situation by increasing their contributions to the GEF for the fourth replenishment period.

According to several Canadian bureaucrats close to the GEF, the combination of the institution's financial instability and the discord between Council members following the RAF process and the GEF4 replenishment negotiations have led to serious concerns about the future viability of the GEF. The chronic underfunding of the GEF is so bad that during most replenishment periods its resource base actually declines in real terms. Table 1 illustrates this point. Compare the figures to estimates made during the Rio Summit that $600 billion per year was required to achieve sustainable development targets globally, and a picture of woefully inadequate funding immediately emerges.

**Table 1: GEF Replenishment—New Money Committed**

| | **Nominal Replenishment Amount** | **Nominal New Money** | **New Money in 1994 Dollars** |
|---|---|---|---|
| **GEF1 1994-1998** | $2 billion | $2 billion | $2 billion |
| **GEF2 1998-2002** | $2.759 billion | $1.991 billion | $1.811 billion |
| **GEF3 2002-2006** | $3 billion | $2.250 billion | $1.867 billion |
| **GEF4 2006-2010** | $3.13 billion | $2.799 billion | $2.058 billion |

As resources continue to decline with donors unwilling to substantially reverse this trend, many are calling for innovative co-financing strategies to harness private sector funds for GEF projects. Should this strategy bear fruit, it will turn the GEF into more of a direct servant for private capital, cutting out the intermediary role currently played by the state. Private capital will increasingly be able to dictate the terms of engagement in much the same way the U.S. did during the RAF negotiations.

We must also question how strengthening the relationship between the GEF and private sector actors might facilitate strategies of corporate greenwashing, which give corporate actors the opportunity to appear to be good corporate citizens by pushing meager resources into green productive activities, while their much larger environmentally destructive operations remain largely intact and unchallenged. This may be somewhat of a moot point, since some predict that achieving more than the 20 percent of project co-financing the GEF currently gets from the private sector may prove difficult when many GEF activities do not have immediate commercial benefits. They argue this is particularly the case with biodiversity protection, given that national protected areas, unlike energy-efficient technologies, generate few opportunities for private sector investment. While this may be true historically, bioprospecting and ecotourism ventures in the South—which effectively serve to privatize nature in the interest of accumulation—show that the private sector is now actively working to reverse this trend. Indeed, carbon markets, bioprospecting, ecotourism, and the like, represent instances through which the commons' crisis is transformed into accumulation opportunities. Consequently, we might expect that private sector interest in the GEF as an institution able to facilitate this process will only increase.

The requirements of the RAF are now bleeding over into other areas of global environmental governance. During GEF4, the U.S. demanded that the RAF be applied to the Climate Change and Biodiversity Focal Areas and extended to cover all focal areas by GEF5. In theory these focal areas are to receive their guidance from the Conference of the Parties to the Framework Convention on Climate Change and the Convention on Biological Diversity, respectively. However, this significantly changes under the RAF, because rather than funding projects based on guidance from the Conventions, the GEF itself—newly laden with requirements that recipient countries meet neoliberal policy criteria—is now judging the worthiness of a state's project. Consequently, a set of highly politicized considerations rather than the quality of a project or an individual country's own assessment of its state of environmental conditions are set to trump the Convention's guidance.

Events at the November-December 2005 meeting of the Conference of the Parties to the climate change convention in Montreal, illustrate some of the jurisdictional fights to come. At that meeting, a key agenda item dealt with the operationalization of the Third Voluntary Fund for Climate Change, known as the Adaptation Fund. This Fund was to be managed by the GEF, but following the adoption of the RAF, the G77 demanded that either a new financial mechanism be developed to manage it or that the Fund be managed by a different institution. The G77 further pushed for a Conference decision telling the GEF it could not implement a RAF without the Convention's authority, since that would give the Convention a direct role in reviewing and engaging with the RAF. The U.S. was able to delay the decision to the last minute of the meeting and then successfully block the G77 resolution. In the end, the GEF was required to report on the RAF to the Conference of the Parties, but nothing more.

The Conference of the Parties meeting of the Convention on Biological Diversity in Curitiba, Brazil, in March 2006, saw a repeat of the fight over the RAF. Once again the RAF overshadowed all other important Convention business. The G77 again unsuccessfully pushed for a decision to eliminate the RAF. Canadian government officials present at both meetings stated that the RAF dominated both forums and sidelined crucial agenda items in their eyes, in a climate of the most extreme hostility they had ever witnessed. These officials are particularly worried about the damage the RAF could do throughout international environmental governance forums if it is extended to all other Focal Areas at the GEF, as the U.S. is demanding. Yet despite such concerns, the U.S.—led by the Treasury in GEF negotiations—has been unwilling to compromise. Thus, the future of the GEF remains unclear, and recent events do not inspire optimism that it can fulfill its stated mandate of supporting the reversal of environmental degradation globally.

**Conclusion**

This paper has sought to detail the process through which the GEF has been transformed into a mechanism that represents the interests of global capital, although it decidedly favors American capital in this process. The GEF's brief history has in recent years been plagued by institutional cooptation and unequal relations of power which ultimately threaten to undermine the work it was officially created to carry out. Yet fundamentally, the lesson of the GEF is much greater than that alone. Conformance to the neoliberal agenda, as required by institutions such as the World Bank, the IMF, the WTO, and now the GEF, while undermining ecological sustainability on unprecedented scales, further entails the re-ordering of social relations of power throughout the world in favor of powerful capital interests. Under this agenda, we have witnessed deplorable increases in inequality and human poverty, while the very channels of democracy that would empower individuals to demand alternatives are being effectively closed off. Combined with O'Connor's second contradiction, one cannot but see the irony in reducing our analysis of global governance to technical debates on the likelihood of cooperation among a plurality of actors when all around us the ship is sinking. What the GEF's transformation will ultimately entail is unclear, yet at the very least, recent events should prompt sober reflection on the ability of existing international environmental institutions to engender significant change. It is this unfortunate reality that should guide future research considerations.