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# **Institutional Design for Improved Forest Governance through REDD: Lessons from the GEF**

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Abstract:

This paper focuses on carbon mitigation and biodiversity conservation in the context of the UN initiative for Reduced Emissions from Deforestation and forest Degradation in Developing countries (REDD). The design of REDD is important as it has the potential to channel a great deal of the international funding that is going to be available for future environmental problem solving in developing countries. The most important multilateral environmental funding mechanism is the Global Environment Facility (GEF), which also has a basic structural similarity to the emerging REDD. Hence, this is a good starting point for drawing lessons of relevance to the design of REDD. While the major share of GEF co-financing goes to climate change projects, poor countries tend to have greater need for biodiversity projects and related capacity building. This speaks of limited legitimacy and is largely due to the role of key actors and the organisational structure of GEF, which do not encourage coalitions for addressing environmental problems in the poorest developing countries. The institutional setting of REDD in the UNFCCC may enhance this trend as the UNFCCC has limited socioeconomic concerns. In favour of utilising this similar organisation structure, is the scope for donor trust, for bringing in established competence and a comprehensive approach to the design of REDD. Still, in order to achieve permanence and commitment, REDD must be wary of catering to a Northern environmental agenda only.

## **1. Introduction**

The *State of the World's Forests 2009* (FAO 2009) estimates that the world's forests disappear at a rate of 32 million acres annually. That does not include the loss of natural forests to plantation areas. According to the Stern report (2007) and IPCC (2007), deforestation alone stands for about 18 per cent of the man-made CO<sub>2</sub> emissions, aggravating the global environmental threat of the greenhouse effect. This was the background for the decision at Bali COP 13 of the Convention on Climate Change (Decision 2/CP.13, 2007) to consider measures for Reducing Emissions from Deforestation and forest Degradation in Developing countries – later developed as the UN-REDD initiative.

This paper is focused on carbon mitigation and biodiversity in the context of UN-REDD. Biodiversity conservation is both an ecosystem service and a prerequisite for

providing other ecosystem services, such as carbon capture and carbon storage. From a governance perspective, the UN-REDD initiative poses major challenges with regard to global design, in addition to numerous challenges for national and local government, such as relating to conflicts over natural resources utilisation. The idea of REDD is new and ambitious and incorporates the novel and central idea of payment for environmental services (PES). Still, there is relevant experience that can be an aid in the design of the UN-REDD initiative, not least from the largest multilateral funding mechanism, the Global Environment Facility (GEF). The design of UN-REDD is important as it may channel a great deal of the international funding that is going to be available also for payment for ecosystem services-related schemes. If agreed, up to US\$ 32 billion could be transferred annually from rich countries to poor owners of endangered forests.<sup>1</sup> Included in the analysis of REDD is the World Bank's Forest Carbon Partnership Facility (FCPF), as it was also launched at COP 13 in Bali and, along with the Forest Investment Programme, it is aimed to prepare the ground for the UN-REDD initiative.<sup>2</sup>

## 1.1 Institutional and ecological focus

The most comprehensive and long-standing multilateral environmental funding mechanism is the Global Environment Facility (GEF). The GEF project portfolio can be evaluated both with a view to the effectiveness and legitimacy of the projects, here narrowed to those concerning climate change and biodiversity. Hence, this is a good starting point for drawing governance lessons that may have relevance also in connection to PES and REDD: Since 1991, the GEF has generated US\$8.6 billion in direct grants and generated over \$36 billion in co-financing from other partners, most of which has funded biodiversity and climate change projects.<sup>3</sup> The main implementing agencies of the GEF are established international institutions; the World Bank, UNDP and UNEP. As such it has a basic structural similarity to the emerging UN-REDD initiative, which in addition to UNEP and UNDP includes the FAO, and which is also assisted by the FCPF of the World Bank. The main goal of this paper is to discuss the merits and shortcomings of this approach and thereby come up with some lessons that may be of relevance – in this early phase – to the design of the UN-REDD initiative.<sup>4</sup>

The ecological rationale for this focus is that tropical forests represent a significant link between biodiversity and climate change, as they capture and store carbon as well as

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<sup>1</sup> <http://www.guardian.co.uk/environment/2009/oct/05/un-forest-protection> Accessed 15 October 2009.

<sup>2</sup> The selected recipient countries will receive grant support as they build their capacity for REDD and tap into future systems of positive incentives for REDD. <http://www.forestcarbonpartnership.org/fcp/> Accessed 9<sup>th</sup> August 2009. See also <http://www.climatefundsupdate.org/listing> for a list of relevant funds.

<sup>3</sup> <http://www.gefweb.org/interior.aspx?id=44> Accessed 11 August 2009.

<sup>4</sup> This draws heavily on a study of the GEF by Steinar Andresen and G.Kristin Rosendal (forthcoming).

hold between 50 and 80 per cent of the world's biological diversity (Wilson, 1988). Climate change represents one of the major threats to ecosystems, along with habitat degradation and pollution, as many species may not be able to adapt to new, suitable habitats as the old ones are altered (MA, 2005). Ecosystems provide the goods and services necessary for human well-being and it is estimated that the loss and deterioration of ecosystems deprives humanity of ecosystem services at about US\$ 250 billion yearly (MA, 2005). A high level of diversity or variation within ecosystems and species may serve both to ensure greater capacity for ecosystems to function as a CO<sub>2</sub> sink – both capture and storage – and also to act as a buffer enhancing the survival potential in the face of climate change. While the 'carbon sink' argument demands a certain quantity of forests preserved, biodiversity in addition requires qualitative choices. There is a large extent of compatibility between the objectives for forest management from the biodiversity and the climate perspectives. Incompatibility in this area may result from a lack of knowledge about causes and effects, such as relating to biofuels and plantations, rather than any real controversy of objectives.<sup>5</sup> REDD thus have the potential of increasing the resilience of ecosystems in the face of climate change, as long as areas of high biodiversity are explicitly considered.

Intuitively, a focused and narrow approach may seem more likely to be effective (such as the carbon sink aspect alone), and this has been used as an argument against including biodiversity conservation in REDD. However, from the point of view of legitimacy and sustainability, a comprehensive, integrative approach with strong stakeholder participation may be more likely to succeed. A high score on cost-efficiency in a system of carbon quotas may have different costs in terms of socio-economic impacts; as what is gained in efficiency may be lost in legitimacy and long-term sustainability (Wunder, 2006; Hope, et al., 2005). Natural forests provide important ecosystem services to people, including climate and water regulation, pollination, access to drinking water, food and medicines. The links between poverty and the environment are complex, but there is a correlation between poverty and dependence on natural resources (Angelsen and Wunder 2003). PES, and potentially REDD, is essentially a means of trying to integrate biodiversity and ecological services into the economy and to remedy market failure by paying for services for which there is no market.

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<sup>5</sup> A recent FAO report (2009) concludes that 'expansion of monocultures for agro-fuels production will be a key factor in the failure to halt deforestation'. See also: Marine Biological Laboratory (2009, October 22). Future Consequences Of A Global Biofuels Program Predicted. *ScienceDaily*. Retrieved October 23, 2009, from <http://www.sciencedaily.com/releases/2009/10/091022141117.htm>

## 1.2 Studying GEF and drawing lessons for REDD

According to the GEF homepage, ‘the GEF helps developing countries fund projects and programs that protect the global environment.<sup>6</sup> This is to be done by providing “*new and additional funding to meet the incremental costs of measures to achieve agreed global environmental benefits*” according to the GEF mission. At first glance this may seem like a straightforward goal. However, the mission of the GEF is complicated by two central concepts: ‘incremental costs’ and ‘global environmental benefits’. First, it may be difficult to separate between what are purely national and what are global environmental benefits. In effect, the definition of incremental costs becomes equally problematic. How to operationalise these costs and how to define global benefits as opposed to local and national ones?

Similar questions enter the stage when the design and functioning of UN-REDD is debated, as carbon mitigation can also be seen as a global concern. At the same time, the UN-REDD Programme is aimed at “tipping the economic balance in favour of sustainable management of forests so that their formidable economic, environmental and social goods and services benefit countries, communities and forest users while also contributing to important reductions in greenhouse gas emissions”.<sup>7</sup> The Forest Carbon Partnership Facility is designed to set the stage for REDD, by “providing a fresh source of financing for the sustainable use of forest resources and biodiversity conservation, and for the more than 1.2 billion people who depend to varying degrees on forests for their livelihoods”.<sup>8</sup>

The evaluation of the performance of the GEF is based on reports from the independent GEF Evaluation Office (GEF, 2008; GEF, 2006) and on more academic studies of the GEF.<sup>9</sup> Discussion of performance or goal achievements is linked to the concepts of effectiveness and legitimacy, which may be explained in different ways. This paper targets the significance of the problem solving capacity of the GEF, with most emphasis on key actors and institutional and organisational set-up. I compare and contrast the two main areas of GEF financing, climate change and biodiversity; and go on to discuss the relevance of these findings for the design of the UN REDD initiative.

## 2 Studying effectiveness and legitimacy

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<sup>6</sup> Economies in transition are also included, but they will not be dealt with in this article.

<sup>7</sup> <http://www.undp.org/mdtf/UN-REDD/overview.shtml> Accessed 9th August 2009.

<sup>8</sup> <http://www.forestcarbonpartnership.org/fcp/> Accessed 9<sup>th</sup> August 2009.

<sup>9</sup> To undertake a comprehensive evaluation of the performance of the GEF is beyond the scope and ambition of this paper.

Most large-scale studies on the effectiveness of international environmental institutions have tended to focus quite narrowly on their performance or the practical results.<sup>10</sup> However, particularly within global institutions where there are often strong conflicts over values and fairness, the relation between legitimacy and effectiveness may be crucial. In political theory legitimacy focuses on the justification and acceptance of political authority. A legitimate institution is one that has a right to govern, based on for example expertise or public accountability rather than the exercise of power. Traditionally, weakness of international institutions has made legitimacy a less pressing issue in international politics compared to domestic politics. International environmental institutions face a dilemma in the sense that in order for them to be more effective, it will “require more authoritative systems of international governance” (Bodansky 2007:721). Without a firmer basis of legitimacy, states are often unwilling to entrust the institutions with the necessary decision-making authority.

Legitimacy may be divided in terms of input and output legitimacy (Bäckstrand 2006; Scharpf 2001).<sup>11</sup> Input- or process-based legitimacy directs attention to participation of relevant stakeholders, transparency and accountability in a decision-making process. Regarding international funding mechanisms, input legitimacy relates both to the international level as well as to the national and local level. At the international level we expect to find differences in perception of legitimacy between donors (the North) and recipients (the South). Output legitimacy brings us back to effectiveness or ‘problem solving capacity’ of governance systems, at least with a view to the top-down evaluation of effectiveness. There is no universally acknowledged mechanism of representation in the international system.

Underdal, Miles et al (2002) explain the effectiveness of international environmental institutions (regimes) as a function of power, leadership and institutional set-up. Power deals with the distribution between pushers and laggards; the stronger and the more pushers for more ambitious solutions, the more effective the institution in question – and vice versa. This perspective deals with the members of the institution, the states. Similarly, the more prominent various types of leadership is, the more effective the institution at hand.<sup>12</sup> International regimes or institutions are, in a widely accepted definition, “sets of implicit or explicit principles, norms, rules and decision-making procedures around which actor expectations converge in a given issue area of international relations” (Krasner, 1983). In contrast, organisations are “purposive entities,

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<sup>10</sup> An early exception was Stokke and Vidas 1996. However, legal scholars have tended to be preoccupied with the significance of legitimacy in international relations (Bodansky, 1999, Bodansky 2007). See also Andresen and Hey (2005) for an overview of the relation between legitimacy and effectiveness.

<sup>11</sup> For a similar but somewhat more comprehensive list of sources of legitimacy, see Bodansky, 2007.

<sup>12</sup> Some analysts maintain that leadership may be conducted by states, while most agree that leadership may also be exerted by various types of non-state actors (Skodvin and Andresen 2006).

with bureaucratic structures and leadership” (Keohane, 1993:28). Hence, regimes are seen as entities with comparatively less autonomous agency than organisations, although regime secretariats have also been shown to exert autonomous influence (Andresen & Rosendal, 2009). The World Bank, UNEP and UNDP represent organisations, while the CBD and the UNFCCC represent regimes or institutions, and both can be studied as important agents of policy change (Biermann & Bauer, 2005).

The institutional and organisational set-up may also make a difference through voting rules, the normative setting, and knowledge structure. Although in a sense least importance (Miles et al., 2002), institutional design warrants attention as it may be more easily ‘manipulated’ than power structures (Wettestad 1999). The most basic question along this dimension deals with the relationship between the many actors involved within international institutional and organisational frameworks. Do they all pull in the same coordinated direction, using their authority, competence and comparative advantages to assist the South in their implementation efforts? Or is the picture characterized by lacking trust, turf battles and conflict of interests? Against this background, what lessons can be drawn for REDD?

### ***3. The performance of the Global Environment Facility***

#### **3.1 GEF’s organisational structure**

GEF member countries include 178 developing and developed countries, as well as those with economies in transition. The GEF organisational structure includes a Council, an Assembly, a Secretariat, Implementing and Executing Agencies, as well as a Scientific and Technical Advisory Panel (STAP) and an independent Evaluative Office. The GEF Council is the main governing body of the GEF and meets twice annually. It is comprised of 32 members who represent GEF member countries through regionally divided constituencies and with equal representation from developing and developed countries. The GEF Secretariat has a staff of 43<sup>13</sup> and is a neighbour with close ties to the World Bank in Washington, D.C. Every four years, donors commit money through a process called the “GEF Replenishment”.

Beside the larger member states, the most influential actors in the GEF are the three Implementing Agencies (IAs): The World Bank, UN Environment Programme (UNEP) and UN Development Programme (UNDP). Since 1999, the IAs has been joined by several Executive Agencies – the regional development banks (ADB, AfDB, EBRD and IADB)<sup>14</sup> and the FAO, UNIDO and IFAD<sup>15</sup>. UNDP has its major role in capacity

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<sup>13</sup> <http://www.gefweb.org/interior.aspx?id=19750> Accessed 10 December 2007.

<sup>14</sup> Asian Development Bank, African Development Bank, European Bank for Reconstruction and Development, and Inter-American Development Bank.

building and technical assistance, UNEP in technical and scientific analysis and the World Bank in managing investment projects (Werksman, 2004). They (along with the Executive Agencies) are responsible for creating project proposals and for managing GEF projects in collaboration with the recipients. The recipient country approves final projects and provides documentation on GEF activities, including on implementation. In effect, the GEF project cycle is widely regarded as complex, long and costly, as proposals are increasingly queuing up with as much as 66 months in average elapsed time from approval to project start (Evaluation Report No 33, 2007).

This section underscores the many similarities to be found with the REDD initiative, both in terms of the international organisations involved and the wide scope of potential recipients. More will be said of this later.

### **3.2 GEF's institutional setting and project portfolio**

GEF was established as the financial mechanism for four international environmental conventions or areas: The Convention on Biological Diversity (CBD), the Convention on Climate Change (UNFCCC), International Waters<sup>16</sup> and Ozone depletion<sup>17</sup>. These four were followed in 2001 by land degradation, in terms of desertification and deforestation, and persistent organic pollutants (Stockholm POPs Convention). In 2004, a new Resources Allocation Framework (RAF) was adopted, which amends the GEF mission to be oriented towards potential and performance: Resources are allocated on the bases of the country's potential to generate global environmental benefits and on the country's performance in such projects.<sup>18</sup> 'Performance' is also central in the development of the UN-REDD initiative and FCPF, touching on the delicate line between monitoring and sovereignty.<sup>19</sup>

GEF allocation by country during the time frame between 1991 and 2005 shows that, compared to the large membership from the South, relatively few actors have gotten a comparatively large share of GEF support. Countries that have received more than US\$ 100 million are all large economies (Category 1): China (516), Brazil (253), Mexico (210), India (165), Russia (157), and the Philippines (117). The countries that received

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<sup>15</sup> UN Food and Agricultural Organization, UN Industrial Development Organization, and International Fund for Agricultural Development.

<sup>16</sup> For international waters there is no global convention but a cluster of international, regional and sub-regional ones.

<sup>17</sup> This involves countries with economies in transition that are not covered by the Montreal Protocol's financial mechanism.

<sup>18</sup> The first round of RAF gave all countries a minimum of one million US\$, but future allocations will be based on performance shown in the past in addition to the potential for producing global environmental benefits.

<sup>19</sup> FCPF Charter, Article 2.1 (b).

between US\$ 50 and 100 million (Category 2) are typical medium size economies: Indonesia (92), Egypt (79), Morocco (70), Poland (70), Peru (59), South Africa (58), Uganda (52), Ukraine (50), and Vietnam (50). It follows from this that smaller developing economies have received limited assistance from the GEF. For example, there are no African states in Category 1 and the African states in Category 2 are large and fairly developed economies – seen from an African perspective.

The major bulk of current GEF projects as well as funding are shared equally between biodiversity and climate change issues. A quick search in the GEF project portfolio list shows that climate has received a total sum of US\$ 2,546.617 million for 653 projects and biodiversity has US\$ 2,548.563 million for 841 projects.<sup>20</sup> However, when co-financing is added to the budget, a vast difference between climate and biodiversity is revealed: From 1991 and 2002, the climate change area received an estimated US\$5 billion in co-financing compared to US\$2 billion for biodiversity (Pearce 2004). In the period from 2002 to 2006 another US\$ 20 billion has been allocated in co-financing<sup>21</sup>, but only about 3.17 of these have gone to biodiversity.<sup>22</sup> As co-financing typically engages the private sector, with a strong need for investments to involve economic returns, this should not come as a surprise. In the next section I explore the consequences this has for the effectiveness and legitimacy of the GEF within these two main issue areas.

This section raises the question of whether the same countries that benefit mostly from GEF may also turn out to be the main recipients of future UN-REDD and FCPF money.<sup>23</sup> If so, how is this likely to affect the interest structure between parties and the priorities made for funding? Moreover, we see that there are different frames represented by the various multilateral environmental agreements that GEF is meant to serve. This is highly significant for the development and design of the UN-REDD initiative, which is developed from the UNFCCC arena. The next section will look further into the potential effects of this framing.

### **3.3 GEF scores on effectiveness and legitimacy**

The second overall performance study of the GEF in (OPS2 2002:103) concluded that the GEF has produced significant project results, but that in light of the relatively short

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<sup>20</sup> <http://www.gefweb.org/interior.aspx?id=44> accessed July 2007. This means that more than 5 of the 7.7 billion go to climate and biodiversity.

<sup>21</sup> With reference to note no. 1.

<sup>22</sup> [http://www.gefweb.org/interior\\_right.aspx?id=224](http://www.gefweb.org/interior_right.aspx?id=224) Accessed 6<sup>th</sup> February 2009.

<sup>23</sup> So far about US\$107 million has been contributed by 11 donor countries to the Readiness Fund, the target being to raise US\$185 million to support the REDD Readiness efforts of the 37 countries selected into the FCPF. The target for the Carbon Fund is US\$200 million, of which about US\$51 has been pledged already. <http://www.forestcarbonpartnership.org/fcp/node/12> Accessed 31 August 2009.

existence and modest amount of funding, substantial global *impacts* could not be expected. The third overall performance study (OPS3 2005:3) reaches more concrete conclusions and states that “the GEF Biodiversity Programme has had a notable *impact* on slowing or reducing the loss of biodiversity”. For climate change, OPS3 concludes that the GEF portfolio has satisfactorily performed (OPS3 2005:4).

The GEF reports and evaluations do not consider the effects of co-financing. Considering the large discrepancy between climate and biodiversity in this regard, this adds to the higher score of climate compared to biodiversity at the project level. Moreover and in general, the direct effects of climate related projects are more easily measured (e.g. GHG offsets) than biodiversity projects. Hence, these may more easily lend themselves to market-based credits, which are more interesting from the private sector point of view. It is more difficult to measure the corresponding impact of projects related to biodiversity as they involve more complex issues, ranging from species protection to peoples’ livelihood. The World Bank is primarily responsible for climate and energy projects while the UNDP and UNEP manage biodiversity. As a result, climate projects tend to attract co-financing more easily, through the well-established project loads of the World Bank.

Insights from program studies and overall performance studies, however, indicate that the GEF is of more critical importance in the biodiversity area than in climate in relation to strengthen capacity building in developing countries (Cléménçon 2006). For the poorest people, access to natural resources and ecosystem services from biodiversity is essential to maintain livelihoods and survival. The biodiversity projects are usually located in poor areas and depend on poor provincial government for co-financing, which is obviously a different and difficult situation. The COP biodiversity debate relating to GEF is traditionally much more heated compared to climate COPs, not least the debate concerning how to define global versus national environmental benefits and increasingly so with RAF’s criteria of performance (Rosendal, 2000; Jackson, 2007). Add to this the tendency that the private sector is much more interested in climate projects. Accordingly, a central concern for Norwegian environmental authorities is to make sure that environmental funding continues to go through GEF; in order to stem the trend of prioritising climate over biodiversity.<sup>24</sup>

As regards legitimacy at the global level – for the GEF as an institution – it has been argued that it improved by the restructuring of GEF in 1994, which led to nearly universal participation (Matz 2005:284). However, it is fairly obvious that the perceived legitimacy of the GEF project portfolio and allocations is low among the smaller and poorer developing countries as they get a very small share of the GEF funds and projects, while this legitimacy is perceived to be higher among major recipients, like China

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<sup>24</sup> Interview with NN, MoE, 5 December 2007.

(Heggelund et al 2005). Another type of global level restructuring may be traced back to the WSSD in Johannesburg, 2002. With the Johannesburg Conference came a further push for sustainable development and the GEF had to start looking at the links between poverty and environment. The UN Millennium Development Goals also stress the need to address environmental concerns through the eyes of the developing world. Similarly, the Millennium Ecosystem Assessment (MA, 2005) brought a focus on biodiversity and livelihoods – by far the most important aspect in developing countries.

Turning to the country/project level, local level participation in project development remains a point of criticism with the GEF (Matz 2005:296). Most of the evaluations find, however, that the GEF Small Grants Programme (SGP) is doing a better job on this account. SGP is primarily devoted to biodiversity.<sup>25</sup> OPS3 (2005:13) found that the SGP is “well received by recipient countries and remains one of the most appreciated programs of GEF”, and also that it is “effectively responding to country priorities at the local level”. Both OPS3 (2005:13) and the GEF Biodiversity Programme Study (BPS 2004) found “evidence suggesting that smaller-sized projects may hold more promise in achieving sustainability, not least due to their more transparent, participatory and country driven approach”. This indicates that this type of projects have high legitimacy, which would seem to increase the score on sustainability and hence, effectiveness as well.

The recently developed RAF draws, however, in the other direction. There have always been problems related to how projects involving biodiversity, land degradation and livelihoods fit the GEF criteria of global environmental benefits. This is a trend that might become aggravated with the RAF, as it leads GEF funding to be linked to performance and ‘good governance’ in addition to ‘global’ environmental problems.<sup>26</sup> In the end, the large recipients have little to fear; they will not be cut off anyway after the evaluation. It is the small ones that risk being cut off. Moreover, the RAF indicators do not include the CBD objectives of sustainable use and equitable sharing as they are geared towards the ‘first world priority of preservation’ (Jackson, 2007:126). In the first evaluation of RAF, the GEF Evaluation office concludes that ‘the RAF does not provide effective incentives to improve performance’ (GEF Evaluation Office, 2008:5). In addition to the questionable effects on legitimacy, this would indicate that RAF might also have negative effects on effectiveness.

In summary, what we learn from overall performance studies is that the GEF is of more critical importance in the biodiversity area than in climate. Biodiversity projects are most needed in relation to strengthen capacity building in poor developing countries. Biodiversity projects are usually located in poor areas and tend to have a higher score on

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<sup>25</sup> 60% biodiversity, 20% climate, 6% international waters and 14% multifocal issues (Boisson de Chazournes, 2005).

legitimacy than other projects. Also, it is harder to distinguish between global and national benefits in biodiversity than in climate change projects: most recipients say there is no difference, hence to fund only the ‘incremental costs’ for ‘global benefits’ hardly makes sense. This seems to point in the direction of reduced legitimacy in project selection from the point of view of the poorest.

Several reports indicate that similar concerns are also abundant in the REDD debate. A UNEP assessment report (2009) indicates that boosting investments in conservation, restoration and management of natural ecosystems will not only be important, but will provide the best and most effective way to slow down climate change, accelerate sustainable development and achieve the poverty-related Millennium Development Goals. Similarly, another UNEP report (2007) concludes that REDD has the potential to link carbon and biodiversity PES, *if and only if* a more targeted approach to REDD is adopted – one that encourages investment in only high biodiversity forests. The TEEB report (TEEB, 2008) of the European Commission & Germany (based on the Potsdam meeting, 2007) similarly concludes that investing in restoration and maintenance of the Earth’s multi-trillion dollar ecosystems – from forests and mangroves to wetlands and river basins – can have a key role in countering climate change. The TEEB findings recognize that enhancing the resilience of ecosystems and maintaining the planet’s biodiversity are key parts of the mitigation and the adaptation agendas.

A basic problem of today’s environmental agenda is the tendency to view biodiversity as a mere co-benefit of carbon markets, a bonus that may or may not be achieved along with climate change solutions. This is a conceptual problem as carbon storage is itself one of the many ecosystem services that biodiversity provide.

#### **4. Factors affecting GEF legitimacy – lessons for REDD**

##### **4.1 Key donors and key recipients**

How can we account for the limited legitimacy in GEF? First, GEF was initiated as a 3-year pilot phase primarily by France and Germany at a World Bank Board of Governors meeting in 1989. The idea quickly won the confidence of the developed countries, while most developed countries remained skeptical due to the close ties to the World Bank and its voting system. However, there were differences also among the developed countries. Most European countries envisaged the GEF to grow into a more mature instrument for addressing global problems while the USA expected the World Bank to integrate environment into its portfolio, thus making the GEF obsolete (Boisson de Chazournes, 2005). The GEF is nevertheless modeled primarily in line with the preferences of the donor countries, none of whom wanted additional international bureaucratic structures. The South, in contrast, wanted separate funding mechanisms for each of the major global

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<sup>26</sup> NN7, Senior Policy Advisor for UN Affairs, The Nature Conservancy (TNC), interview 25 Oct 2007.

conventions along the lines of the model from the Montreal Protocol Fund. The US was not only decisive in shaping the institutional set up of the GEF, based on our interviews (fall 2007) – all respondents confirmed the view of the USA as still the dominant actor in the GEF, not least in promoting the RAF. The active role of the USA in Council may also reflect the fact that it is the sole key actor not being party to the CBD and the Kyoto Protocol; it therefore needs to set its mark on the GEF Council. Traditionally the EU and key European countries like Germany and France have tended to oppose the traditional US result-based approach in global environmental governance (Vogler & Hannes, 2007).<sup>27</sup> Lack of common EU policies also facilitates close Nordic co-operation, but generally they are not very ‘visible’ at Council meetings.<sup>28</sup> Hence, in GEF there is little trace of the major ‘like-minded countries’ or bridge-builders – such as many EU countries and Nordic countries – playing a role (Rosendal & Andresen, forthcoming).

Second, the limited number of representatives (32) in the key decision making body the Council gives limited room for co-ordination and co-operation for developing (recipient) countries. Thus, the G-77 has little influence here – in contrast to the COPs and global UN forums – it is the donors that mainly call the shots.

Third, lack of legitimacy with developing countries stems from the fact that most GEF money goes to a few major recipients; these are countries like Brazil, India and China. This may arguably lead to these countries having little incentive to co-operate with their poorer and smaller fellow-countries in the South. The overall effect is that there is no coalition for environmental protection in the poorest countries.

These factors – dominant donors calling the shots, a limited and skewed representation of recipients – are also likely to be present in the development of UN-REDD and FCPF. So far, it is far too early to make a judgement as the UN-REDD initiative has only one donor; Norway with a contribution of US\$52 million to five recipients (DR Congo, Indonesia, PNG, Tanzania and Vietnam). The FCPF has 10 donors<sup>29</sup> who have contributed US\$107 million to 37 recipients<sup>30</sup>. The World Bank has also launched the Forest Investment Program (FIP) – a targeted programme under the Strategic Climate Fund (SCF), with a pledged US\$204 million from Australia, Norway and the UK. The relationship between the FCPF and the FIP is not clear.

Still, similar to the GEF, developing countries are essentially split over the design and evolution of the REDD initiative. The Coalition of Rainforest Nations, which include

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<sup>27</sup> This is also reflected in the discussions over the new Resource Allocation Fund.

<sup>28</sup> NN5, Senior evaluation officer, GEF Evaluation Office, interview 23 October 2007.

<sup>29</sup> France, Australia, Finland, Netherlands, Norway, Japan, Spain, Switzerland, UK and USA.

<sup>30</sup> The first 14 developing countries include six in Africa (the Democratic Republic of Congo, Gabon, Ghana, Kenya, Liberia, Madagascar); five in Latin America (Bolivia, Costa Rica, Guyana, Mexico, Panama); and three in Asia (Nepal, Lao PDR, and Vietnam).

Costa Rica and Indonesia, favour a market-based REDD and they are supported by the USA and Australia. Brazil on the other hand is advocating an international fund without selling quotas. Many European countries would like to see a combination of the two, but are basically reluctant to support a quota system. Climate change is expected to have significant impacts on the African forestry sector. With the world's forests being lost at a rate of 32 million acres annually, Sub-Saharan Africa has a particularly bad situation with an annual loss of 10 million acres (FAO, 2009). Still, while the Clean Development Mechanism of the Kyoto Protocol has opened opportunities for reducing carbon dioxide emissions from deforestation and forest degradation, Africa has only 2,3 per cent of the world's CDM projects (FAO 2009) and the CDM tends to fall short of legitimacy standards (Löfbrand et al., 2009). This links up to the problem of legitimacy in designing UN-REDD: Will eventual major future funding primarily reach countries with high deforestation, such as Brazil and Indonesia? Will countries with large forested areas and less deforestation tracks benefit, such as many African countries in the Congo basin? Or will DR Congo lose out due to poor performance records, much as what is expected thought the GEF RAF. These are items that may split developing countries over the design of UN-REDD.

## 4.2 Organisational and institutional set-up

The GEF project portfolio is also shaped by the implementing agencies as well as affected by the international conventions it serves.

### *Organisational structure: Inherited turf-wars, competences and power structure*

Turf-battles between the IAs at the global level include the at times uneasy relationship between UNEP and UNDP, and the World Bank. There are no land offices for the GEF Secretariat in the countries and this means that IA remains in control. Moreover, the funding still goes through IA, which is also maintaining their influence. GEF is almost invisible against the larger shadow of the WB, which makes it hard to see the environmental effects of GEF against the WB.<sup>31</sup> The bottom line is that the World Bank remains the big brother in the GEF project portfolio. A similar structure will apply to the design of the UN-REDD initiative and this may work in different directions.

On the positive side, it may imply that the competence and commitment of already established UN organisations are utilized to the full extent. In spite of misgivings about the tall order involved in wishing for comprehensive, win-win solutions; it is exactly this bundle of organisations with different priorities and responsibilities that may allow for a comprehensive approach that involves an understanding of ecosystem services and a greater

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<sup>31</sup> NN3, International Economist, Global Environment Facility Desk Officer, US Department of Treasury, interview 24 October 2007.

emphasis on poverty alleviation. Arguably, a single, streamlined organisation might be more effective, but this broad organisational structure may achieve higher scores in terms of legitimacy. Also, this is clearly what most donors prefer, as it avoids expensive establishment of new institutions and organisations. This could have the added value of increasing the will to make financial commitments to UN-REDD.

Less optimistically, the broad-based organisational structure is also likely to involve the same turf-wars among UN bodies that characterize the GEF work. With the UN-REDD initiative based on collaboration between FAO, UNDP and UNEP, plus the World Bank centrally involved through FCPF, its potential for red tape and turf wars is very similar. This could spell similar long-winding project cycles as those plaguing the GEF.

Another aspect is that this kind of organisational set-up is more than likely to inherit the 'old' power structure, which has only a modest level of trust from the recipients' point of view. While any 'new' structure would admittedly also tend to cater to the interests of structurally powerful actors (Najam et al., 2006), it is a problematic fact that developing countries tend to look with scepticism at some of these institutions, not least the World Bank. The World Bank is seen to have a strong interest in establishing a role for itself in deforestation issues through its FCPF, which has however, received strong criticism for lack of concern for biodiversity and local participation (Andresen & Rosendal, forthcoming).

Part of the developing countries' scepticism hails back to the Rio Conference and the claim that the UNCED environmental agenda was mostly geared towards northern needs and priorities. At the time, a Third World spokesperson was cited: "Climate change was theirs, biodiversity was ours" (Rosendal, 2000). As we have seen, it is still much easier to raise significant funding for climate change projects, while biodiversity projects are still what are most needed in the poorest countries. Let us have a closer look at what this bias may imply for the content and direction of global environmental funding.

#### *International institutions framing the issue area*

There are different frames represented by the various multilateral environmental agreements that the GEF is meant to serve. In the CBD, a comprehensive system of norms and principles has been hammered out through long and hard negotiations. These include § 8j on rights of indigenous people and provisions for access and benefit sharing from use of natural resources. The CBD is the most comprehensive MEA in terms of socioeconomic concerns. In contrast, similar norms and principles are absent from the UNFCCC, which was negotiated with the atmosphere in mind, not ecosystems and socioeconomic concerns.

This is highly significant for the development of REDD, which is developed from and takes place within the UNFCCC arena. This will have implications for the content of UN-REDD funding, as the primary aim – the global benefits – are primarily linked to the value of the forests in terms of carbon sequestration. National benefits can be identified in relation to commodities like timber, and services such as tourism, while local benefits are linked to the broader ecosystem services provided by forests, such as providing watershed protection, medicines, food and firewood. The ‘global good’ perspective gives rise to the need for international cooperation for forest management, while the national interest may speak for viewing forest resources in terms of national sovereignty. In addition, there may be discrepancies between national interests in utilizing forest resources for timber or tourism, and local needs connected to the forests’ function in terms of watershed protection, food and firewood (Rosendal, 1995). Presumably, a global forest financial instrument must go some way towards striking a balance between these interests, if it is to succeed in reaching long-term goals.

Climate is likely to dominate the environmental agenda for the next years, but adaptation will also be important, and this could involve added attention to biodiversity and more focus on forest degradation, management and conservation. A potentially negative trend from the climate change debate is how effects from (first generation) biofuels and other short-term measures may jeopardise biodiversity and protected areas (FAO, 2009). The first phase of the Kyoto Protocol tended to create incentives for plantations over old growth forests, ‘leading to the destruction of biodiversity and the displacement of indigenous people’ (Gillespie, 1999:19) and ‘biofuels seem poised to lead to even more degradation of vulnerable ecosystems in some of the world’s poorest countries’ (Dauvergne & Neville, 2009). The greater role of private-public partnerships in global environmental funding, as seen in both the co-financing under GEF and in the CDM, is intuitively more likely to favour economically interesting projects in climate and energy compared to conservation projects. Now that forest conservation has been included in the next phase of the Kyoto process, the question is whether this greater focus on emissions from deforestation might re-focus awareness of forest conservation and local needs, and increase overall legitimacy.

## **5. Conclusions**

The GEF has to some extent and predictably diverted the flow of multilateral funding for environment and development from the poorest African countries to the most interesting ‘emerging developing countries’ (with higher CO<sub>2</sub> emissions) as seen from a northern environmental policy agenda. At the same time, there are trends of an increasing demand

from poor developing countries for biodiversity projects, in particular those aiming at sustainable use and capacity building. Still, increasing shares of environmental funding are going to climate and energy projects, where co-financing from private sector revenues are more easily captured, compared to in biodiversity projects. This may increase overall scores on GEF effectiveness, but is less likely to enhance legitimacy with poor stakeholders. This trend is likely to increase with REDD, which is basically aimed at climate projects.

A central finding is how factors related to key actors – a dominant donor calling the shots, a limited and skewed representation of recipients are likely to be present in the development of UN-REDD, as they have been in the GEF. The major beneficiaries of the GEF – and of REDD – have little incentive to co-operate with their poorer fellow-countries in the South. An interesting question is whether those countries that tend to don the bridge-builder coat in UN forums – several EU countries and Norway – may play a more decisive role in the UN-REDD initiative than they have done in the GEF.

The organisational set-up is also very similar and this may draw in two directions. Drawing on well established organisations will provide for a comprehensive set of competences as well as confidence among donors, which in turn may secure long term funding. Both the comprehensiveness and long term funding may increase the scope for legitimacy, if not effectiveness, but the lack of trust among recipients for some of these organisations is a factor that can draw in the other direction.

Putting the spotlight on the institutional set-up, the prospects for legitimacy and long term effectiveness is less promising. The UNFCCC represents the arena for the development of REDD, and this may potentially make it less representative with a view to broader environmental concerns and for catering to the interests of local and indigenous people; hence representing a challenge to legitimate design.

It is a weakness in terms of legitimacy for the GEF that it tends to cater to a Northern environmental agenda, even though it springs from a more comprehensive institutional setting. This is one of the most important traps that the UN-REDD initiative could avoid in order to enhance sustainability, commitment, and permanence in projects that receive REDD funding. The findings clearly have relevance for how we judge the GEF as a role model in multilateral environmental funding and whether building on established institutions serve as a good option for effective and legitimate problem solving. At the same time, the GEF may itself be seen as an indication of how, regardless of the choice of established or new institutions, basic power structures and interests of dominating parties will be largely decisive for what can be achieved in global environmental governance.

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