



March 2019



Governing the Green Climate Fund

Dr. Maria Francesch-Huidobro, Principal Consultant KAS RECAP

This paper discusses the complexities facing policy instruments such as the GCF that have to reconcile complex global norms with fairly simple but pressing local climate mitigation needs. The paper shows that stakeholders who participate in the GFC structured dialogues and civil society organizations advocating wealth redistribution find ways to provide bottom-up input to the top-down instruments created by the UN such as the GCF improving its governance. The analysis concludes that the continuous interaction between global and local players not only improves the governance of the GCF itself but also its adeptness to the actual climate resilience needs of developing nations.



Abstract



Established in 2011, the Green Climate Fund (GCF) is a platform created to respond to climate change by investing in low-emission and climate resilient development in developing countries and help vulnerable communities to adapt to the impact of climate change. In December 2018, the GCF was present at the 24th meeting of the conference of parties (COP24) of the United Nations Framework Convention on Climate Change (UNFCCC). COP24 was tasked with operationalizing the Paris Agreement of 2015. During discussions, state and non-state actors who were accredited observers to the GCF hotly debated not only the complexity of having a sole financial instrument applied to developing countries with diverse geographical, socio-economic and environmental settings but also questioned the very norms by which such instrument is governed. In addition to these contrasting views and while there was strong support for the GCF from most developed countries, the United States stroke a very dissonant note stating that ‘it was not taking on any burdens or financial pledges in support of the Paris Agreement and will not allow climate agreements to be used as a vehicle to redistribute wealth’.¹ Kuwait, Russia and Saudi Arabia seconded such sentiment. Although representing a small minority, such dissonant voices demonstrate the complexity of reconciling global norms with principles governing individual nations and with the actual climate needs of developing countries. Using secondary data, this paper, discusses the most recent report of the GCF to the 24th conference of parties (COP24) against the views expressed by GCF Asia projects’ participants (country representatives, accredited entities and observers) during the 2017 and 2018 GCF ‘structured dialogues’, and the position of the Third World Network (TWN), a consortium of civil society groups with strong support for wealth redistribution specially focusing on the GCF. The analysis shows the complexities facing institutions such as the GCF that have to reconcile complex global norms with fairly simple but pressing local climate mitigation needs. It also shows that stakeholders who participate in the GCF structured dialogues and civil society organizations advocating wealth redistribution find ways to provide bottom-up input to the top-down instruments created by the UN, the GCF a case in point. The analysis concludes that the continuous interaction between global and local players not only improves the governance of the GCF itself but also its adeptness to the climate resilience needs of developing nations.

¹ US Department of State. COP24 statement December 15, 2018
<https://www.state.gov/r/pa/prs/ps/2018/12/288121.htm>

Global Regulatory Governance and Climate Change Finance

The globalization of regulatory governance has in the past two decades put pressure on national, regional and local state-actors having to *reconcile* their own jurisdictions' norms with global rules in both traditional and emerging policy sectors such as climate change. At the same time, this global regulatory governance architecture has often been *out of pace* with the rapid changes occurring not only in the economy in general but also in specific policy sectors such as climate change that require quick and downscaled decisions at the national, regional and local levels where the effects of climate change are keenly felt.

Compounding these dual tension, national, regional and local state-actors in the developing world have had to grapple not only with a few 'contrarian' developed nations that refuse to make financial pledges to developing nations' climate change policies and plans (i.e. USA, Russia, etc.), but also with the demands put on them by non-state actors who rather than being preoccupied with global regulatory governance instruments and structures require solutions to the climate change problems they face. In general, non-state actors' perception of the global regulatory governance regime is that it is not only misaligned with local problems but also that 'it promotes the objectives of dominant states and economic actors, whereas regimes to protect weaker groups and individuals are often less effective or virtually nonexistent and are, thus, unable to protect their interests and concerns'². As it can often be perceived at meetings of multilateral agencies, the dominant actors of the global regulatory governance regime often secure deals so as to enjoy disproportionate benefits from international cooperation, while the groups and individuals that, in the first place, were set to serve see their needs unmet.

Thus, reconciling global and local *norms*, matching the *pace* of reform of global institutions with the ever-evolving local needs, and *bridging the gap* between the *interests of global and local, developed and developing donors and beneficiaries* are issues that need to be unpacked if we are to understand the complexity of regulatory governance in a globalized world. Analyzing these elements is also necessary if we are to recommend improvements to the global regulatory architecture so that it serves the pressing needs of the most vulnerable.

One of the climate change dimensions where the tensions between *global norms* and *local needs* are keenly felt is climate finance. In the following, three propositions are advanced about why matching global norms with local needs is desirable and what it implies.

² Stewart, R.B. (2014). Remedying Disregard in Global Regulatory Governance: Accountability, Participation, and Responsiveness. *The American Journal of International Law*, 108, 2: abstract

First, a global climate finance regulatory regime that matches local needs is required because one of the most significant risks that individuals and organizations face today relate to climate change. While it is widely recognized that the continuous emission of greenhouse gases (GHG) will cause further warming of the planet and that this could lead to damaging economic and social consequences, and while the exact timing and severity of these effects are difficult to estimate, such **effects are felt locally and have to be mitigated locally.**

Second, a global climate finance structure matching local needs is also needed because diminishing the risks of countries, organizations, and individuals that have traditionally based their economies on fossil fuels requires **supporting local transitions to the low carbon economy.** Such transition requires local investment in clean and energy-efficient technologies and management processes. According to the Financial Stability Board Task Force on Climate-related Financial Disclosure (FSB), 'the expected transition to a lower-carbon economy is estimated to require around \$1 trillion of investments a year for the foreseeable future, generating new investment opportunities'.³ The UN-FCCC estimates that 'additional investment and financial flows required in 2030 to address climate change amounts to 0.3-0.7% of the global GDP and 1.1-1.7% of global investment'.⁴

Third, a global climate finance structure matching local requirements also implies **raising local awareness** about the newness of the sector itself but, most significantly, about the quality and availability of **relevant investment information** and of the novelty of technologies and business models involved in delivering climate investment. The role of public climate finance by governments and public financial intermediaries is essential in reducing the perceived risks of these technologies and business models. Public finance can also encourage the local private sector (corporations, households, project developers and private financial intermediaries) to get involved not only in indirect investment via equity or debt securities but also in direct investment.

Despite its novelty, climate investment is becoming more mainstream through new governance principles such as corporate social responsibility (CSR) and environmental, social, and governance (ESG) reporting. A report by the FSB (2017) has recently provided greater security to local investors on standards of corporate climate risk disclosures, allowing investors to better assess their own climate-related portfolio risk and provide this information to their clients and beneficiaries. Disclosing organizations themselves also benefit from the process by gaining better understanding of the actual financial implications of

³ Financial Stability Board Task Force on Climate-related Financial Disclosure. Final Report (2017) <https://www.fsb-tcfd.org/publications/final-recommendations-report/#>

⁴ This is a 2018 estimate. Climate Change and Financial Risk: Climate Primer for Institutional Investors, Hong Kong: WWF -Hong Kong, p. 116-120

climate-related risks and their potential impacts on business models, strategy and cash flows.

All this activity happens at the local level. Thus, multilateral agencies and lending institutions have set up climate-related funds in support of local mitigation and adaptation projects. The three major climate-related funds are summarized in Table 1 below. The Global Environmental Facility (GEF) delivers support to developing countries via three funds but its objective is not climate change-exclusive. Climate Investment Funds (CIFs) were developed in 2008 as an interim solution pending the establishment of the GCF in 2011. While CIFs support climate change-exclusive projects, they target middle income rather than least or developing countries. The GCF exclusively supports climate mitigation and adaptation projects in developing countries that are parties to the UNFCCC.

Table 1. The Global Climate Finance Architecture⁵

Fund	History	Focus	Type	Pledged	Eligible	Instruments
Global Environmental Facility (GEF)	1992 US\$1 bn pilot of World Bank (WB) As of 2018, US\$18 bn in grants. Sustainable development, no climate change exclusive.	Mitigation, capacity building via three funds: Least Developed Countries Fund (LDCF- 2001); Special Climate Change Fund (SCCF, 2001); Adaptation Fund (AF, 2001 under Kyoto Protocol)	Multilateral	US\$4.4bn (2018)	Developing countries that are parties to the conventions that GEF serves or that are eligible WB funds or United Nations Development Programme (UNDP) technical assistance	Grants; co-financing; concessional loans; risk mitigation; equity
Green Climate Fund (GCF)	2011 US\$100 bn/yr by 2020. Climate change exclusive.	Adaptation and mitigation	Multilateral	US\$10.3bn (2018)	All developing countries that are parties to the UNFCCC	Grants; equity; co-financing; concessional loans; risk mitigation
Climate Investment Funds (CIFs)	2008 US\$8.3bn. Climate change exclusive. Developed by industrialized and developing countries as interim pending the effectiveness of UNFCCC-agreed GCF. Independent of UN.	Adaptation and mitigation via: Clean Technology Fund (CTF); Strategic Climate Fund (SCF) with 3 programmes: Forest Investment Program (FIPP), Pilot Programme for Climate Resilience (PPCR), Scaling-up Renewable Energy Programme in Low Income countries (SREP).	Multilateral	US\$5.5bn (CTF) US\$750mn (FIP) US\$1.2bn (PPCR) US\$4750mn (SREP)	Middle-income countries	Co-financing; concessional loans; risk mitigation; equity; grants

⁵ Adapted from Climate Change and Financial Risk: Climate Primer for Institutional Investors, Hong Kong: WWF –Hong Kong, p. 116-12

In the context of global regulatory governance, this paper discusses the Green Climate Fund (GCF) of the UNFCCC Green Climate Fund (GCF).⁶

The paper is organized as follows, after introductory **Section I** highlighting questions about global regulatory governance and its relationship to climate change finance, **Section II** introduces the GCF from a reading of the Fund's governing instrument⁷ and of researchers' work who have observed the development of other global funds in contrast to those of the GCF.⁸ This analysis is not only informative about the 'nuts and bolts' of the Fund itself but also about the principles and norms on which it rests and the interests and constituents it serves. **Section III** analyses the 2018 GCF report (7th) to the 24th session of the UNFCCC conference of parties (COP24)⁹. The GCF was present at the COP24 meeting in Katowice, Upper Silesia (December 2018) where issues on climate finance were hotly debated not only among state-actors who are parties to the Paris Agreement¹⁰ but also between state and non-state actors who acted as observers to the negotiations. While the analysis of GCF report is informative as to the GCF's perception of its own work, this has to be contrasted not only with the views shared and needs expressed by participants to the annual structured dialogues¹¹ organized by the Fund itself but also with those offered by networks of non-state actors that represent needs and aspirations of the developing countries the Fund is set to serve. Both the structured dialogues and views expressed by the Third World Network (TWN) on climate finance are discussed in **Section IV**. Finally, **Section V** draws some conclusions and offers recommendations.

⁶ After the establishment of the UNFCCC, the UN has added a number of climate funds to invest in climate change mitigation and adaptation. These include the Global Environmental Facility (GEF) and its subsidiary funds, and the Green Climate Fund (GCF).

⁷ Governing Instrument: the Green Climate Fund (GCF)
https://www.greenclimate.fund/documents/20182/56440/Governing_Instrument.pdf/caa6ce45-cd54-4ab0-9e37-fb637a9c6235

⁸ Potten, D. (2013.) The Green Climate Fund and Lessons from other Global Funds' Experience. Tyndall Centre for Climate Research, Working Paper n. 158.

⁹ COP24 (2018) <http://www.cop24.katowice.eu/>

¹⁰ Paris Agreement <https://unfccc.int/resource/docs/2015/cop21/eng/l09r01.pdf>

¹¹ Structured Dialogues GCF <https://www.greenclimate.fund/what-we-do/dialogues>

The Green Climate Fund (GCF)

Establishment- Established in 2011, the Green Climate Fund (GCF)¹² is a platform created to respond to climate change by investing in low-emission and climate resilient development in developing countries taking account of their needs. GCF channels public and private funds at the international and national levels and although it is part of the UNFCCC¹³ architecture, the Fund is an independent institution with its own juridical personality established under Art 11 of Paris Agreement of 2015¹⁴.

Board- Its governing instrument stipulates that a Board of 24 members led by two co-chairs governs the Fund. Membership to the Board is equally divided between developed and developing countries with one member appointed per member-state plus an alternate member that takes his or her place in his or her absence. Board members are selected by their respective member-states/regional groups, such as the small islands group, the less developed countries group, etc. Membership to the Board is of a term of three years and decisions are made by consensus¹⁵. The Board may decide if accredited observers from civil society and the private sector may participate in its meetings. There is an established allowance for two civil society and two private sector representatives to participate.

Secretariat & Trustee- A Secretariat¹⁶ looks after day-to-day operations of the Fund with staff selected through a merit-based, open and transparent process and being balanced among the Fund members geographical and gender diversity. The host country of the Secretariat is South Korea with offices in Songdo, Incheon City, since 2013. A trustee of the Fund manages its financial assets, keeps financial records, does financial statements, and administers assets keeping separate records and accounts from other funds the trustee may also managed. While the World Bank was the interim trustee from 2013, at COP24 (2018) parties welcomed a decision of the Board to select and ap-

¹² GCF <https://www.greenclimate.fund/home>

¹³ UNFCCC <https://unfccc.int/>

¹⁴ Art 11 of the Paris Agreement (p. 15) is on capacity building for developing country Parties with the least capacity and the most vulnerability
<https://unfccc.int/resource/docs/2015/cop21/eng/l09r01.pdf>

¹⁵ Decision-making by consensus is one of the cornerstones of the UN spirit. Consensus is reached when 'all Member States have agreed to adopt the text of a draft resolution without taking a vote. Member States can agree to adopt a draft resolution without a vote but still have reservations about certain parts of the resolution. The important point is that there is nothing in the resolution that is so disagreeable to any Member State that they feel it must be put to a vote'. <https://outreach.un.org/mun/content/how-decisions-are-made-un>

¹⁶ GCF Secretariat <https://www.greenclimate.fund/who-we-are/secretariat>

point the International Bank for Reconstruction and Development (IBRD)¹⁷ as the new trustee.¹⁸

Sources- Funds come into the fund from developed country parties and these may be in the form of public, private or alternative sources which may not be from countries that are parties to the GCF. In the spirit of expanding its radius of influence and building into existing programmes, the Board may devise a method by which GCF may be complementary to other bilateral, regional and global fund activities (Figure 1).

Process- Key to the workings of the Fund is to have a well-defined and capable funding process which equally sets standards and safeguards for borrowers and lenders while being transparent and inclusive. Thus, the Fund makes explicit the eligibility criteria to be applied to all developing countries that are parties to the Paris Agreement as well as its purpose which, as mentioned earlier, is to support projects related to adaptation, mitigation, deforestation and forest degradation, technology development and transfer, capacity-building and the preparation of national reports. Thematic funding windows are announced for parties to apply for. Private sector eligibility is also spelt out via a private sector facility for funding of adaptation and mitigation activities of the private sector at the national, regional and international levels (for example, SMEs and local financial intermediaries).

Figure 1. GCF Proposal Approval¹⁹



¹⁷ IBRD supports the World Bank Group’s mission by providing loans, guarantees, risk management products, and advisory services to middle-income and creditworthy low-income countries, as well as by coordinating responses to regional and global challenges

<https://www.worldbank.org/en/who-we-are/ibrd>

¹⁸ See paragraph 2 (e) of Decision – /CP.24 para 2 <https://www.greenclimate.fund/cop>

¹⁹ GCF Infographics <https://www.greenclimate.fund/how-we-work/tools/infographics>

The process to access funding is defined as, direct access - via a designate national authority and subnational and regional implementing entities for accreditation to receive funds or as indirect access - via international agencies such as UN agencies, multilateral development banks, international financial institutions, etc. Funds are allocated taking a results-based approach with the approval process streamlined, as far as possible. The funding instruments are grants, loans, guarantees, equity and funded projects are monitored by the Board that establishes rules and procedures to monitor impact, efficiency and effectiveness involving stakeholders. A periodic evaluation mechanism is run by an independent unit. Fiduciary principles and standards (relationship between beneficiary and trustee) are set and practices on environmental and social standards are also defined. Accountability and expert and technical advice are sought as well as stakeholder input and participation. The Fund may be terminated at any time it is deemed necessary and for this the approval of COP with recommendation of the Board is needed. Table 2, presents the current status of the GCF in numbers.

Table 2. Green Climate Fund in numbers (updated 7 Jan 2019)²⁰

Dimensions	Figures
Number of projects	93
Number of beneficiary countries	100
Avoided CO₂	1.4 billion tonnes equivalent
People with increased resilience	272.0 million people
Funds committed (loan, grants, equity, guarantees)	4.6 billion US\$
Other funds committed	0.9 billion US\$ ²¹
Funds pledged	10.3 billion US\$
Target funding by dimension:	
- mitigation	39%
- cross-cutting	36%
- adaptation	25%
Type of financial instruments	Loans, grants, guarantees, equity

Returning to the question on the tension between complex global regulatory governance instruments and their suitability in meeting local climate needs,

²⁰ pp. 129-132, Decision - /CP.24 in Informal Compilation of L documents version 15/12/2018, 19:27

https://unfccc.int/sites/default/files/resource/Informal%20Compilation_proposal%20by%20the%20President_rev.pdf.

²¹ Total funds committed US\$5.5 billion in Green Climate Fund Portfolio Dashboard <https://www.greenclimate.fund/what-we-do/portfolio-dashboard>

Potten's²² analysis of the GCF and other global funds provides useful insights into what lessons may be drawn to improve the GCF's suitability to the needs it serves. While his analysis was undertaken in 2013, two years after the Fund was established, and it is related to the Fund's design, it provides some useful insights if contrasted with the Fund's workings today.

First, Potten posits that large, multilateral agencies and their instruments run the risk of losing their efficiency and effectiveness by spending too much time and resources on designing structures and managing investment processes rather than focusing on the results their investments produced on the beneficiaries. Second, Potten recommends that as most developing countries have already been exposed to one form or another of aid, their existing programmes, whether these relate to poverty alleviation, education, rights of indigenous people or health may be have an additional facet in these times of climate change. That of its populations being better or worse off if mitigating or adapting to climate change are not factored in. Building on existing programmes is more effective, he says.

Third, together with linking existing programmes with climate change, Potten recommends that managers of the GCF should avoid fund proliferation. It is inefficient to have similar or complementary country programmes targeting different funds. This not only increases the amount of paper work that applicants have to deal with but also brings the risk of duplication of efforts and of over-financing a particular issue at the expense of neglecting other issues. Fourth, an important observation by Potten is the need to have a balanced governance of the Fund. This means having a variety of players governing funds so that diverse interests are represented.

Fifth, Potten's suggestion of keeping costs down is significant. In practice this means running a tight internal ship so that organizational costs of the GCF are kept to a reasonable level with the majority of funds invested by developed countries going to the improvement of developing countries' individuals. Sixth, the success of any human endeavor has much to do with managing well its human capital. Sound human resources policies and practices result in higher levels of satisfaction and, thus, efficiency. Seventh, Potten also advises choosing a good trustee and establishing a clear logic for resource allocation to avoid potential conflicts of interest and ensuring the efficient use of finances. Eighth, avoiding over-demanding policies and processes not only encourages potential applicants to get on with their proposals but also saves staff running the Fund having to deal with unnecessary strictures.

²² Potten, D. (2013.) The Green Climate Fund and Lessons from other Global Funds' Experience. Tyndall Centre for Climate Research, Working Paper n. 158.
<https://tyndall.ac.uk/sites/default/files/publications/twp158.pdf>

Ninth, a Fund that serves the needs of people has to be transparent in its information and management and realistic in its pursuits. Tenth, Potten recommends the use of a variety of sources of and instruments for funding as appropriate to the type of project these may support and the capacity of parties applying for funds. Finally, timeliness is important. Funding should be deployed not only to catch the window when an investment opportunity comes along but also to identify a particular funding need that matches an investor's interest. Planning for closure in the event that the Fund becomes obsolete is also essential.

The 2018 GCF Report to COP24 and COP's guidance to the GCF

At COP24, the GCF submitted its 7th²³ Report as mandated by Article 11 of the Paris Agreement. The Report contains information about the GCF policies, programme priorities and eligibility criteria. It also addresses the recommendations made to it by COP23 (2017). The Report was welcomed by the conference of parties which, in turn, offered guidance to the GCF.

The Report follows the structure of the GCF governing instrument. In its 12 chapters, it addresses issues that range from accessing GCF resources, supporting forest-related actions, up-taking technology and building capacity. The Report also deals with issues regarding direct access proposals, the maximization of private sector financing, and with procedural issues on complementary and coherence (with other funds), matters on gender, social and environmental issues, further development of the operational frameworks of the Fund, and questions of privileges and immunities, and of actions taken by the Fund in response to guidance from the conference of parties. The Report's content tends to be administrative and procedural in nature rather than substantive. But what does the report reveals about the GCF today? Table 1 (p. 3 of the 7th Report)²⁴ summarizes key results of the 7th Report in comparison with the 6th report such as the number of projects approved, the amount of funds disbursed, the number of beneficiaries, etc. There is a marked increased in all figures and in all categories in Report 7th. A briefer summary of the current status of the fund is made in Table 2 (above).

For the purpose of this paper, Chapter XII of the 7th Report (pp. 44-68) is most relevant as it deals with actions taken by the GCF in response to guidance from COP23 (2017), which are summarized in Table 3 (pp. 45-48 of the 7th Report). COP then provides advice to the GCF with regards *accreditation* urging the Board to simplify and facilitate the access of many to the Fund. The Board responds that it will further streamline the process and consider more appli-

²³ 7th Report of the Green Climate Fund to the Conference of Parties of the UNFCCC
https://unfccc.int/sites/default/files/resource/cp2018_5_advance.pdf

²⁴ Ibid. p. 3

cations. With regards *access to resources*, COP guides the Board to note the difficulty Parties and other entities have in securing funds for adaptation. The Board responds that it is in the process of considering best practices from other multilateral funds on how to scope and approach the provision of support for adaptation activities as well as asking the GCF Private Sector Advisory Group to recommend how to engage the private sector further. Also on access, COP guides the Board to ensuring all developing countries have access to all financial instruments. The Board replies that it is further considering guidance on concessionality²⁵ and indicative minimum benchmarks.

On the *approval process*, COP welcomes the simplified approval process. On the process to be followed in *reviewing and approving support requests*, the Board says that it has updated the process (section 2.1). With regards *access to information*, the Board replies that it is in the process to consider a communication strategy to improve information to stakeholders. Less relevant to this paper given it deals with the form of the GCF rather than with its substance, is COP's guidance with regards the granting of *privileges and immunities*. COP expresses concern regarding lack of bilateral agreements that have been concluded between the GCF and the parties. The Board responds that it has requested the co-chairs to develop a proposal with regards the operational activities of the GCF.

On the *formal replenishment of GCF*, COP encourages the Board to launch the first replenishment with the Board replying that it has instructed the Secretariat to prepare an analysis of options so that it can plan resource mobilization during the next period. With regards *support for technology*, COP encourages the Board to support innovation and scale up climate technology. The Board then adds a decision regarding the sixth review of the financial mechanism to continuing enhancing complementarity and coherence with other funds (p. 49-64 Table 4 7th Report).²⁶

The Report then moves to providing information regarding the current status of membership to the Board. Members are: developing countries Africa (3); developing countries Asia-Pacific (3: China, Saudi Arabia and India); developing countries Latin America and Caribbean (2); developing countries least developed countries (1: Bhutan); developing countries small island developing

²⁵ Concessionality is the extent to which the terms of a soft (below market rates) [loan](#) reduce a lender's [returns](#) in comparison with a loan of the same [amount](#) and [duration](#) as the [soft loan](#) advanced at full market rates.

<http://www.businessdictionary.com/definition/concessionality.html>

²⁶ 7th Report of the Green Climate Fund to the Conference of Parties of the UNFCCC https://www.greenclimate.fund/documents/20182/1087995/GCF_B.20_15_-_Seventh_Report_of_the_Green_Climate_Fund_to_the_Conference_of_the_Parties_to_the_United_Nations_Framework_Convention_on_Climate_Change.pdf/4e9af6c8-6d0f-6591-877d-df05fdbe5951

states (1); developing countries (1). Developed countries ANZ (1); developed countries Denmark and the Netherlands (1); developed countries France (1); developed countries Germany (1); developed countries Japan (1); developed countries Norway and Austria (1); developed countries Canada and Belgium (1); developed countries Spain and Italy (1); developed countries Finland and Switzerland (1); developed countries Sweden (1); developed countries United Kingdom and Northern Ireland (1); developed countries USA (1)²⁷;

Annex IV (p. 79 of the 7th Report), summarizes the *status of pledges and contributions* made to the GCF. A total of 43 state governments have pledged to the GCF with detailed contributions by party shown in p. 80 of the 7th Report. Following the 7th Report in which the GCF responds to guidance provided by COP23 in 2017, the 24th Conference of Parties responded in its Katowice meeting by providing guidance and welcoming the progress made in 2018.²⁸ In particular, COP24 welcomed decisions made by the Board on initiating a review of the Fund's performance, on deciding the process for selecting the Executive Director, on selecting a new Trustee and improving the working of the Fund through structured dialogues and the Readiness and Preparatory Support Programme. COP24 also welcomed increasing the number of entities accredited to the Fund and implementing a simplified approval process. Finally, COP also welcomed the Board's decision to collaborate with the Technology Executive Committee (TEC)²⁹ and the Clean Technology Centre and Network (CTCN)³⁰ and on the GCF allocating US\$6000 million to fund projects submitted in response to requests for proposals and pilot programmes.

²⁷ The 24th Session of the Conference of the Parties (COP24) to the UN Framework Convention on Climate Change (UNFCCC) took place in Katowice, Poland, December 2-14, 2018. Judith Garber, Principal Deputy Assistant Secretary in the Bureau of Oceans and International Environmental and Scientific Affairs (OES) at the Department of State, served as the U.S. head of delegation. U.S. Ambassador to Poland Georgette Mosbacher represented the United States at the World Leaders Summit on December 3. The U.S. delegation also included officials from the White House, the Environmental Protection Agency, the Department of Energy, the Department of Treasury, the Department of Agriculture, and the U.S. Agency for International Development (USAID).

According to the US Department of State, the Administration's position on the Paris Agreement remains unchanged. The United States intends to withdraw from the Paris Agreement as soon as it is eligible to do so. The United States is participating in ongoing negotiations, including those related to the Paris Agreement, in order to ensure a level playing field that benefits and protects U.S. interests (US State Department).

²⁸ pp. 129-132 of Decision – /CP.24 in Informal Compilation of L documents version 15/12/2018, 19:27

https://unfccc.int/sites/default/files/resource/Informal%20Compilation_proposal%20by%20the%20President_rev.pdf.

²⁹ Technology Executive Committee (TEC) is the policy arm of the Technology Mechanism of the UNFCCC <http://unfccc.int/ttclear/tec>

³⁰ Clean Technology Centre and Network (CTCN) is the operational arm of the Technology Mechanism of the UNFCCC <https://www.ctc-n.org/>

But how are these global norms and structures aligned to local climate mitigation and adaptation needs?

Local Needs: Asia's Perspective

Voices from the stakeholders of the Fund were heard at two dialogues held in 2017 and 2018 that were attended by projects' participants (country representatives, accredited entities and observers) as well as from the Third World Network (TWN) representing not only the clients, that is, the funded projects' leaders of the GCF but, most importantly, the beneficiaries, the funded projects' recipients.

The 2017 & 2018 Asia projects participants' structured dialogues

The principal drivers for the Asia structured dialogues were, on the one hand, to make participants aware on the possibility of tapping into the enormous regional growth to address climate change as Asia's GDP accounts for one fourth of the world's and, on the other, to recognize the *tension between growth and vulnerability of the region*. It is evident that the effects of climate change on several Asian countries (i.e. Vietnam, Taiwan, Myanmar, the Philippines and Thailand) top the indices of the global climate risk index 2018.³¹ Participants in the dialogue identified untapped investment opportunities especially in partnership with the private sector.

The **first structured Dialogue with Asia** took place in Bali, between 26 and 29 April 2017.³² Twenty four Asian countries presented their programmes' briefs (CPBs) which required validation with 10 countries having done so while 14 having submitted drafts.

The funding needs identified by the 24 countries were US\$2.4 billion with a quarter of those being led by direct access entities, that is, via a competent subnational, national and regional implementing entity for accreditation to receive funding.³³ 40% of the identified portfolio target funding came from the private sector and 25% of the projects were expected to require project preparation financial support.

Four themes defined the projects:

First, enhancing livelihoods especially in relation to early warning systems, climate-smart agriculture, and access to markets, and support for agroforestry;

³¹ Global Climate Risk Index 2018

<https://germanwatch.org/sites/germanwatch.org/files/publication/20432.pdf>

³² GCF structured dialogues 2017, <https://www.greenclimate.fund/meetings/2018/danang>

³³ P. 12 of the GCF governing Instrument

https://www.greenclimate.fund/documents/20182/1246728/Governing_Instrument.pdf/caa6ce45-cd54-4ab0-9e37-fb637a9c6235

Second, health, food security and resilience to hazards, protection of vulnerable communities in cases of hydro-meteorological hazards, water resources and food security improvements;

Third, scaling up renewables generation and energy efficiency, specifically, building a portfolio risk-sharing facility, access to a clean energy fund and multi-country bond funds, private sector investment in energy efficiency in industry and building sectors and waste management;

Fourth, forests and ecosystems, in particular, accelerating the REDD-plus³⁴ mechanisms and mangrove rehabilitation.

On day 1, several stakeholders from the WWF, UNDP, IUNC, GIZ, FMO, and ADB did five minute presentations each to discuss strategic impact areas and services rendered by these organizations as accredited entities to the GCF. For example, project development, project implementation on capacity building, policy advice, leveraging additional private finance, etc.

On day 2, presentations dealt with support programmes such as *Readiness and Preparatory Support* that helps maximize effectiveness and reduce risks and good delivery; *Project Preparation Facility* that supports micro-to-small size projects (up to US\$1.5 million) and gives information on how to apply and what is assessed. Then presentations were made by UNFCCC, UN Environment, NABARD (Rural Bank), Government of Korea, GGGI (Global Green Growth Institute), CTCN (Climate Technology Centre Network), CSO (Civil Society Organisations: Tebtebba working with indigenous people) regarding specific projects and processes. Particularly interesting was a comprehensive sharing by South Korea of its National Climate Change Adaptation Plans. Most of the other presentations dealt with the type of services they can render as accredited grant entities or the networks they have with bankers, insurers and investors to serve the needs of applicants to the GCF.

Other presentations came from XABANK, Tata Cleantech Capital, NDRC (National Resources Defence Council on the Green Bank Network), Iraq, Green Tech Malaysia, etc. These included examples of how Malaysia is increasing commercial bank lending, Japan is increasing its distributed renewables development, UK is drawing on pension funds, Australia growing the green bond market, and the USA increasing residential solar deployment. Presentations also included various approaches to creating Green Investment Banks (legislative, regulatory and administrative, re-purposing and consolidation), and how to capitalize them (i.e. domestic and international sources).

³⁴ REDD- Reducing Emissions from Deforestation and **Forest** Degradation <https://www.un-redd.org/>

Finally on Day 3, there were presentations from the Philippines and Nepal and more from UNDP, PT SMI, NABARD, and FAO regarding with regards particular needs and potential projects.

The **second structured Dialogue with Asia** took place in Da Nang, Vietnam, from 17 to 20 April 2018.³⁵ It brought together 160 participants and it included high-level interactions among ministers from a number of Asian countries on the need to move from policies to action. Climate risks were acknowledged as well as how these may reverse development gains of individual countries. Key outcomes of this dialogue relevant to this paper were: ‘country engagement that takes into account diverse needs and involves actors from various sectors sets a strong foundation to identify and prioritise climate finance projects’. Some outcomes were more practical in nature: for example, on the need to ensure that submitted proposals make a strong connection with climate action and with a country’s wider policy frameworks and also on awareness of the multiple financial instruments that are at their disposal through the Fund. Participants recognized the need to carry out more projects with regards for-estation and reforestation given the fact that 20% of the world’s forested areas are in Asia.

With regards the process of achieving climate finance goals, participants were reminded about the management of social and environmental risks of any actions taken in order to ensure that these actions will do no harm to people and planet. As of the start of the second dialogue, GCF had already committed US\$760 million to 18 proposals addressing mitigation and adaptation issues with an addition of US\$1.2 billion from other partners. Given Asia’s growth forecast announced by the ADB of about 5.9% in 2019 average, with newly industrialized economies expecting to reach a 6.4% growth, climate finance should not only be strengthened but also climate mitigation and adaptation projects must be undertaken. In the absence of these actions, there is the clear and present risk of hampering such healthy growth, the dialogue concluded.

Third World Network views

While the GCF structured dialogues gave an opportunity to actual or potential recipients of the Fund to express their needs, it is external parties that are not part of the GCF process but who work closely with local governments and citizens who can provide greater clarity as to ‘needs on the ground’ by identifying potential gaps between this *global governance instrument and the local needs of the most vulnerable*. By advocating for a greater role of climate finance in the pursuit of mitigation and adaptation in the developing world, they represent civil society sentiments to the global architecture of climate finance as well as act as bridges between global norms and local needs.

³⁵ GCF Structured Dialogue 2018 <https://www.greenclimate.fund/meetings/2018/danang>

One of the 'brokers' of this relationship, is the Third World Network (TWN),³⁶ an advocacy group based in Malaysia aiming at greater articulation of the needs and rights of peoples in the Global South and a fair distribution of world resources and forms of development which are ecologically sustainable and fulfill human needs. The TWN has been deeply involved with the climate summits. With regards COP24, TWN provided several updates on finance issues decided at COP. These include a critical analysis on how these issues address the local needs of developing countries. TWN posits that all of the finance issues discussed at COP24 had an element of disagreement between developing and developed countries. TWN argued that although, in the end, the rulebook on the Paris Agreement resulted in several important decisions, these had some deficiencies³⁷ as follows:

First, on the information to be provided under Article 9.5 of the Paris Agreement. This mandates developed countries to communicate *ex ante* the projected levels of public financial resources. But developing countries were pressing for not only having the *type* of information disclosed but also for knowing the *modality* of such information and for being *involved in assessing* the information. The decision that resulted at COP24 is that 'developed countries shall biennially (every two years) communicate indicative quantitative and qualitative information about projected levels of public finance to be provided'.³⁸ An annex to the rulebook provides a list of the information that developed countries should submit starting 2020.³⁹

Second, on information to be provided under Article 9.7 of the Paris Agreement. This mandates developed countries to 'provide transparent and consistent information on support for developing country parties'. This information, TWN posited, should be provided and mobilized through public interventions biennially in accordance with the modalities, procedures and guidelines (MPGs) under the transparency framework in Article 13 of the Paris Agreement.

Third, according to TWN, discussions at COP24 with regards information to be provided on new collective quantified goal on finance proved difficult. From a pledge starting at US\$100 billion/year by 2020, developing countries wished for a process that would set a new collective quantified goal on finance prior to 2025. But developed countries such as USA, Canada, European Union, Ja-

³⁶ Introduction to the Third World Network, <https://www.twn.my/twnintro.htm>

³⁷ pp. 47-50 of Informal Compilation of L documents version 15/12/2018, 19:27
https://unfccc.int/sites/default/files/resource/Informal%20Compilation_proposal%20by%20the%20President_rev.pdf.

³⁸ Decision -/CP.24 (advanced unedited version). Report on the Green Climate Fund to the Conference of the Parties and guidance to the Green Climate Fund
https://unfccc.int/sites/default/files/resource/cp24_auv_10c.pdf

TWN Katowice Update n. 15, p. 2, para. 4

³⁹ TWN Katowice Update n. 15, p. 2, para. 7

pan, Norway, Switzerland and Australia, refused to agree to such process saying it was too early to do so. These countries had also opposed 'needs and priorities' of developing countries. This was a big letdown to civil society.

Fourth, on the Adaptation Fund, contentious issues related to the timing on when the Fund would serve the Paris Agreement and the sources of the Fund were discussed at COP24. It was decided that the Adaptation Fund will serve the Paris Agreement from 1 Jan 2019, that it will no longer serve the Kyoto Protocol, and that it will continue receiving the share of proceeds, if any, from activities under the Kyoto Protocol. TWN welcomed this decision. Finally, on sources of funding, COP24 decided that a variety of public and private sources would be used and on membership to the Adaptation Fund board, that this would be opened to both developed and developing countries. TWN agreed with these decisions.

Conclusions & Recommendations

This paper shows the complexities facing institutions such as the GCF that have to reconcile global norms with simple but pressing local climate mitigation needs. It also shows that stakeholders who participate in the GCF structured dialogues and civil society organizations advocating wealth redistribution find ways to provide bottom-up input to the top-down instruments created by the UN, the GCF a case in point. The analysis concludes that the continuous interaction between global and local players not only improves the governance of the GCF itself but also its adeptness to the actual climate resilience needs of developing nations. As such, civil society organizations should maintain a high level of interaction with the GCF at the national, regional and international levels not only through established channels such as the structured regional dialogues but also by familiarizing themselves with established processes. For example, by being aware of GCF's information disclosure, observer participation, gender equality and social inclusion policies, etc.

There are other roles that traditionally civil society plays which should help the GCF to fulfill its role in support of developing countries climate change mitigation and adaptation. The following are recommended:

- **Dialogue** - for example, through its Readiness and Preparatory Support Programme, civil society stakeholders can take part in identifying local priorities or support the development of country programmes that best match strategic priorities of the Fund. Civil society can also interact with national authorities that are implementing GCF financed projects. For example, via GCF National Focal Points, National Designated Authorities, Accredited Entities and Executing Entities.
- **Advocacy** - for example by ensuring that the proposals presented to the Fund are of high quality and, once the projects are developed, as-

sessing if they truly contribute to reducing or avoiding emissions or improving the lot of vulnerable communities.

- **Implementation** – given that civil society has specific skills, knowledge and on the ground experience, it can contribute to the implementation phase of projects or provide specific services to a programme.
- **Watchdog** – if civil society monitors and evaluates GCF financed projects, it is more likely that the expected results are aligned with local needs and that these are met in a transparent and accountable manner.

While the governing instrument of the GCF recognizes the role of civil society, it is up to civil society to use the space in a manner that helps the GCF fulfil its mandate towards developing countries.

Key References

1. 7th Report of the Green Climate Fund to the Conference of Parties https://unfccc.int/sites/default/files/resource/cp2018_5_advance.pdf
2. Francesch-Huidobro, M. (2018). Enhancing Ambition, Promoting Implementation: Three Years after COP21, KAS RECAP Event Reports <https://www.kas.de/web/recap/event-reports>
3. Observers to the Green Climate Fund <https://www.greenclimate.fund/how-we-work/tools/observer-directory/civil-society>
4. Outcome of the 24th session of the Conference of Parties to the UN Framework Convention on Climate Change (UNFCCC). US Department of State Statement <https://www.state.gov/r/pa/prs/ps/2018/12/288121.htm>
5. Potten, D. (2013.) The Green Climate Fund and Lessons from other Global Funds' Experience. Tyndall Centre for Climate Research, Working Paper n. 158. <https://tyndall.ac.uk/sites/default/files/publications/twp158.pdf>
6. Replenishment of the Green Climate Fund <https://www.greenclimate.fund/news/gcf-replenishment-wins-strong-endorsement-at-cop24?inheritRedirect=true&redirect=%2Fcop>
7. Structured Dialogue with Asia (Bali 2017) <https://www.greenclimate.fund/meetings/2018/danang>
8. Structured Dialogue with Asia (Da Nang 2018) <https://www.greenclimate.fund/meetings/2018/danang>
9. The Green Climate Fund <https://www.greenclimate.fund/cop>
10. The Third World Network, COP24 on finance, <https://twnetwork.org/climate-change/important-finance-decisions-adopted-climate-talks-0>
11. Third World Network <https://www.twn.my/>

Konrad-Adenauer-Stiftung e. V.

Dr. Peter Hefele
Director
Regional Project Energy Security and Climate Change Asia-Pacific
www.kas.de/recap/

peter.hefele@kas.de



The text of this publication is published under a Creative Commons license: "Creative Commons Attribution- Share Alike 4.0 international" (CC BY-SA 4.0), <https://creativecommons.org/licenses/by-sa/4.0/legalcode>