AN UPDATE ON THE GREEN CLIMATE FUND

The Green Climate Fund was set up by the UNFCCC's Conference of Parties to be the premier financial institution to mobilise and disburse funds for use of developing countries for climate action. Below is an update of the Fund's progress, focusing on the Board meeting held in March 2016.

By Mariama Williams

Policies, Partnerships and (Project) Pipeline were the three key watch words of the 12th Meeting of the Board of the Green Climate Fund (GCF) which took place in Songdo, South Korea, on March 8-10, 2016. Created by the 194 Parties to the United Nations Framework Convention on Climate Change (UNFCCC), the GCF is the premier financing mechanism to significantly alter the landscape in climate finance. One of the key drivers behind its creation was the aim of the Group of 77 and China countries to ensure that developing countries have direct access to the funds they need to undertake transformative, innovative and country- owned climate change adaptation and mitigation actions on the ground.

The Board of the GCF takes decision on a consensus basis among the 12 developing and 12 developed countries' board members, each with an alternate member. In general, Board Members serve a three-year term. However, developing countries' board members may rotate according to internal agreements within the UN region or constituency groups which selected them. Currently, holding membership seat on the GCF board for developing countries are: Bangladesh (LDCs, with Malawi as alternate), Belize (GRULAC, with Uruguay as alternate), China (Asia-Pacific, with Maldives as Alternate), Democratic Republic of the Congo (Africa, with Sudan as alternate), Cuba (GRULAC, with Antigua and Barbuda as alternate), Egypt (Africa, with Senegal as Alternate), Mexico (GRULAC, with Chile as alternate), India (Asia Pacific, with Malaysia as alternate), Kingdom of Saudi Arabia (Asia Pacific, with Pakistan as alternate, Samoa (SIDs, with Seychelles as Alternate) and South Africa (Africa, developing countries' co-chair of the Board, with Tanzania as alternate). Georgia (which is outside regional groups and constituency) occupies the 12th developing countries board seat (with Burkina Faso as alternate).

With a pledged resource envelope of $10.2 billion for the period up to 2018, the GCF is seen to be the largest climate change fund. However, the current funding, achieved in its initial resource mobilisation process, is considerably less than the amount expected by the Group of 77 & China and global civil society. The Fund was conceived to distribute 'a major share' of the mobilised $100 billion per year by 2020 of climate finance promised by developed countries since the 2010 Cancun Climate meeting. It has also been identified as the financing mechanism for the flow of funds for the implementation of the Paris Agreement (2015). Of the amount so far mobilised, of which approximately $ 5- 6 billion has been made available, the GCF's Board has set a target of approving US$2.5 billion for projects and programmes to developing countries' entities as well as the global private sector in 2016.

At its eleventh meeting, held in Livingston, Zambia in November 2015, the GCF's Board began the process of approving projects. All 13 projects from Africa, Asia, Latin America were approved. With this meeting the Board also finalised its five investment priorities which include: transforming energy generation and access, creating climate-compatible cities, encouraging low-emission and climate-resilient agriculture, scaling up finance for forests and climate change and enhancing resilience in Small Island Developing States (SIDS).

At this 12th Board Meeting, the board focused on developing a strategic plan, which had been long pushed for by developing countries. The Board also firmed up its policies, further developed its project pipelines and consolidated its partnership arrangements with accredited entities, through which the bulk of its resources will be sourced to developing countries.

Allowing live webcasting of meetings

Among the series of policy decisions made by the Board was the adoption of its first strategic plan and its work plan. It also has agreed to live webcasting of future board meetings (starting in 2017) so that interested stakeholders may follow the decision-making process in real time.

Live webcasting of the meeting of the board had been a bone of contention. Developing countries' board members have pushed for this since at least 2012.

Arguing that with the limited pool of funding for a small number of advisors made available to them, they were at a severe disadvantage, relative to their counter parts from developed countries, who often have a large contingent of advisers, developing countries' board members, particularly from SIDS and LDCs, advocated for live web casting of board meetings. But this argument held no strong sway with some of their counterparts from the developed countries. Hence the webcasts of the meetings of the board were only publicly available three weeks after any board meeting concluded.

Developing countries' board members sought live web casting on the grounds of transparency and efficiency (their colleagues in capital could watch the proceedings and so would be able to offer support on technical issues in real time). CSO observers to the meetings have argued for live webcasting, noting that this is common and best practice among many climate finance and related entities of the UNFCCC. Nonetheless, until the meeting, live web casting in real time, has been strongly resisted by developed countries such as the US and Australia.

Projects being funded already

To date the GCF's Board has approved funding proposals totalling $1.5 billion. The Board approved USD 1.5 million for Rwanda as the first grant under the Fund's Project Preparation Facility (PPF), an innovative instrument to support accredited entities from developing countries to generate high-quality projects. The GCF's pipeline is growing with 22 private and public projects requesting funds from the Fund of over $5 billion.

The Board also took steps to expedite the disbursement of USD 11.2 million under grant agreements already signed with 13 countries under the Fund's readiness and preparatory support programme.

The GCF Secretariat, which is headquartered in Songdo, South Korea, was supposed to implement a readiness programme totalling approximately USD 30 million (capped at $1 million, per country per calendar year). The readiness programme was expected to provide 'early support for readiness and preparatory activities to enhance country ownership and access'. A minimum of 50% of country readiness funding is expected to be targeted to support African states, LDCs and SIDs.

This would have undoubtedly contributed to the presence of more accredited developing countries' entities, as well as, build the pipeline of projects by and from developed countries. But, so far, while about $11 million in proposals have been approved, significant fund disbursement have not occurred. As of the time of the meeting as reported by the Secretariat, only about $300,000, to four countries, Mali, Cook Islands, Ethiopia and Rwanda, have been disbursed.

The slowness of the implementation of readiness projects and disbursement of funds is a serious challenge for many developing countries' board members. This is especially so in light of the GCF's current trajectory of project submissions occurring through the usual suspects—the MDBs and UN agencies.

Many developing countries as well as CSOs are uneasy with what they see as signifying a business-as-usual trajectory of the Fund that runs counter to the narrative of the GCF as an innovative and transformative fund dedicated to ensuring that developing countries have simplified and timely access to the funds they need to undertake climate change activities and to fulfil their obligations under the UNFCCC, in particular the implementation of the Paris Agreement and related decisions from that meeting.

Partnerships

A total of 33 entities have been approved to partner with the GCF and implement its projects and programmes. While 20 of these were approved in 2015, at this 12th meeting, the Board accredited 13 new entities, including four national public entities, one regional public entity applying under direct access, two private sector entities, and six international public entities. Developing countries with accredited entities include: Argentina, Ethiopia, Morocco, and South Africa.

Civil Society Organisations and some developing countries have raised concerns about the selection of the usual suspects of accredited entities and the implications of this for direct access and enhancing direct access. Concerns are that the progress on developing countries' own national accredited entities would be forestalled as the international entities such as the UN agencies and the MDBs will dominate the landscape. Due to the aforementioned slowness of the readiness programme and a process, which gave MDBs, and UN Agencies, who were previously accredited to existing funds, such as the CIFs and the Adaptation Fund, privileged 'fast start' accreditation, direct access might be under threat.

Some developing countries as well as CSOs, in particular, are concerned about the accreditation of international commercial banks, such as Deutsche Bank (2015) and HSBC (2016) as well as the European Investment Bank, Credit Agricole CIB, the International Finance Corporation (IFC) and bilateral entities such as KfW which may have adverse implications for the provision of grant to developing countries as well for the access of community groups and micro and small enterprises.

It is therefore important that developing countries take actions to promote their own national institutions as accredited entities to the GCF in order to both ensure and assure country ownership. This is beyond the setting up of National Designated Authorities, NDAs, to interface with the International Entities and the Fund.

In addition to the key areas of policies, pipelines, partnerships, the GCF board also decided on a number of procedural issues, including:

- Increasing the secretariat from the current 56 permanent staff to 100 by the end of 2016 and 140 by the end of 2017. It is hoped, by many developing countries' board members and civil society observers to the Fund, that a significant number of these staff will be from developing countries.
- Promoting transparency, an information disclosure policy was adopted, which includes the aforementioned provision for live web streaming of future GCF Board meetings, with a review of its utility in 2017.

The GCF will also begin the search for a new Executive Director (ED), as the first and present ED, Héla Cheikhrouhou (Tunisia), will not seek renewal of her three-year term, which ends in September this year. The search for a new Executive Director will commence soon. Developing countries should begin to think about potential qualified candidates from their countries and regions.

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