



Green Climate Fund

A Primer

November 2015

Part I: The Basics

What is the Green Climate Fund?

The Green Climate Fund (GCF) is part of the United Nations Framework Convention on Climate Change (UNFCCC). It is expected to be the world's premier multilateral climate fund for financing adaptation and mitigation activities in developing countries. According to the founding document of the GCF—called the [Governing Instrument](#)—"In the context of sustainable development, the Fund will promote the paradigm shift towards low-emission and climate-resilient development pathways by providing support to developing countries to limit or reduce their greenhouse gas emissions and to adapt to the impacts of climate change." However, the GCF Board has not meaningfully defined what is meant by "paradigm shift" and other buzzwords (like "transformational"), so what they will mean in practice is subject to multiple interpretations.

The Board of the GCF is evenly divided between developed and developing countries, with a total of 24 seats. Two of the seats are specifically allocated for the least developed countries and small island developing states. Each of the 24 seats is allocated to a named individual from a particular country representing a group of countries (for example 'Developing Countries, Africa').

Each Board member also has an alternate, usually another named person from a different country in the same group (the exceptions being France, Germany, Japan, Sweden, UK and US—all of which have two individuals represented, one as a primary Board member and one as an alternate). You can see the full list of Board members and alternates [here](#). The GCF Board usually meets three times a year for three to four days to discuss matters and take decisions, all of which can be found [here](#). Some Board members are very engaged and vocal during Board meetings, but there are some who don't attend them.

The Board operates on the basis of consensus, with all countries considered equal (at least in theory). Proposals have been put forward with regard to decision-making should a situation arise in which consensus cannot be achieved, but this contentious issue has not yet been resolved. That said, the GCF does not operate in a vacuum. The geopolitical and economic power dynamics that operate in the world outside of the GCF are also present within the confines of the GCF Board.

The GCF Secretariat is based in Songdo, South Korea. The size of the GCF Secretariat is relatively small, with around 55 staff (as compared to, for example, the World Bank, which employs around 9,000 staff). An organisational chart of the GCF Secretariat can be found [here](#).

How will the GCF work?

Accredited Entities

The GCF has two funding windows—mitigation and adaptation. However, unless current plans change, the GCF will not fund projects or programmes directly. Instead it will operate through 'Accredited Entities'. These implementing entities or intermediaries may be multinational, regional, national, or sub-national. Furthermore, they may be public or private, including NGOs.

Implementing entities and intermediaries may be accredited to undertake various activities such as implementing projects and on-lending. They can submit funding proposals directly to the GCF, with the consent of the host country.

Implementing entities/intermediaries are accredited by the GCF Board at Board meetings. The first seven entities were accredited at the board meeting in March 2015. These are: Centre de suivi écologique (Senegal); Fondo de Promoción de las Áreas Naturales Protegidas del Perú; Secretariat of the Pacific Regional Environment Programme (Samoa); Acumen Fund (a social impact investment fund operating in Asia and Africa); Asian Development Bank; Kreditanstalt für Wiederaufbau (Germany); and the United Nations Development Programme.

The second batch of thirteen implementing entities was accredited at the July 2015 Board meeting. These include Africa Finance Corporation, based in Nigeria; Agence Française de Développement (France); Caribbean Community Climate Change Centre; Conservation International Foundation (US); Corporación Andina de Fomento, a regional development bank, headquartered in Venezuela; Deutsche Bank AG an international investment bank based in Germany; Environmental Investment Fund of Namibia; European Bank for Reconstruction and Development; Inter-American Development Bank; International Bank for Reconstruction and Development and the International Development Association, together known as the World Bank; Ministry of Natural Resources of Rwanda; National Bank for Agriculture and Rural Development (India) and the United Nations Environment Programme.

This takes the total to twenty accredited entities so far.

Another set of 9 entities were to be considered at the November 2015 meeting in Zambia, but the Board ran out of time and did not get to this agenda item. Among those up for consideration were HSBC and Crédit Agricole, which both rank among the world's top 20 private sector banks financing coal.¹ They have poor human rights records, and their involvement in money laundering and other fiduciary mismanagement scandals is well-documented.

FoE and our allies will continue to campaign against their accreditation, which is expected to come up again at the first GCF meeting of 2016, in March in South Korea.

National Designated Authorities

The primary in-country unit of the GCF is the **national designated authority (NDA)**. According to the GCF's Governing Instrument, NDAs "will recommend to the Board funding proposals in the context of national climate strategies and plans, including through consultation processes". The GCF has not set any common benchmarks or minimum standards for the composition, mandate, or practices of NDAs, so each country can largely decide for itself what its NDA will do. This means that—though there are recommendations—there are no minimum requirements of NDAs for multi-stakeholder engagement, including consultation with affected communities and civil society, and there is no requirement to implement Free, Prior and Informed Consent. The following is a snapshot sample of NDAs: Climate Change Cook Islands Division; Ministry of Environment and Natural Resources, Dominican Republic; Ministry of Environment and Tourism, Namibia; and Climate Change Commission, Philippines. In some cases, countries do not have NDAs but have focal points, which are usually a single government official. The current list of NDAs can be found [here](#).

For any funding proposal, the NDA must provide a written **letter of no-objection**. The letter serves as an endorsement of the proposal, including that it is "in conformity with the country's national priorities, strategies and plans...relevant national laws and regulations". The no-objection letter was a hard-fought-for victory that puts a check on direct access to the GCF by the private sector (e.g. so ExxonMobil can't approach the GCF Board to directly request funds to build a wind farm in country X).

The GCF will fund accredited entities through grants, concessional loans, equity and guarantees.

Controversy surrounding accredited entities

The accreditation process drew criticism from civil society observers at the July 2015 Board meeting after the rushed accreditation of Deutsche Bank. This banking giant is one of the world's top financiers of coal and has an atrocious record on human rights regulation and market manipulation. Organisations, including FoE groups, voiced concern for the reputation and integrity of the GCF in a [joint statement](#). The statement attacks the lack of transparency of the accreditation process and the apparent lack of substantial assessment when considering institutions – such as Deutsche Bank and the World Bank – for accreditation.

What will the GCF fund?

All developing countries are eligible to receive GCF funds. Half of GCF funds are supposed to go toward adaptation, and half are supposed to go toward mitigation. Furthermore, 50% of adaptation funds are supposed to go toward particularly vulnerable countries, which include African countries, small island developing states, and least developed countries. Which other countries may qualify as "particularly vulnerable" is the subject of debate. The 50/50 adaptation/mitigation split represents an important win, as globally, adaptation gets much less funding than mitigation. However, the 50/50 split is aspirational and will have to be monitored closely.

Activities to be funded may be public or private, large or small. There are some criteria that are supposed to be used to help choose proposals (known as the 'Initial Investment Framework: Sub-criteria and Methodology'), but how these criteria will be used in practice, and how funding proposals will be assessed against them, is still unclear. Indeed, it was amid much confusion about GCF rules, practices, and criteria that the Board approved its first tranche of eight funding proposals at the November 2015 meeting in Zambia.

In order for a country to be prepared to receive adaptation or mitigation funds from the GCF, it may also request up to US\$1 million in 'readiness funds'. These funds are meant to build a country's capacity so as to be able to engage with the GCF.

Can the GCF fund dirty energy?

Despite our advocacy, the GCF does not ban any activity or technology, nor does it have an exclusion list. Some have argued that several of the criteria the Board is supposed to take into consideration might be utilised to exclude fossil fuels. This includes the following: "Degree to which activity avoids lock-in of long-lived, high-emission infrastructure; Potential for scaling up and replication, and its overall contribution to global low-carbon development pathways being consistent with a temperature increase of less than 2 degrees Celsius."

Fossil fuels aside, GCF-watchers need to remain hyper-vigilant about the GCF funding false solutions like so-called climate smart agriculture, biofuels, waste incineration, nuclear energy and big dams. As these activities are much more easily greenwashed than fossil fuels, there is arguably a significantly higher risk of the GCF financing them. Importantly, because of the structure of the GCF, whether or not such false solutions get funded will largely depend on what happens at the national/sub-national level, and less so on the international level.

Does the GCF have environmental and social safeguards?

Yes. The GCF has adopted the eight safeguards of the World Bank's private sector arm, the International Finance Corporation (IFC), on an interim basis, until it develops its own safeguards, a process which should begin in 2016. However, over the years, there have been many criticisms of the IFC safeguards and their numerous shortcomings. Additionally, the GCF will have a redress mechanism for affected communities harmed by failure to implement the GCF's safeguards, though the details of this

mechanism have yet to be fleshed out. Also, an independent integrity unit will be formed to investigate fraud and corruption.

With a gender policy and a gender action plan in place prior to any actual financing, the GCF is considered to be more at the forefront on gender.

How much money does the GCF have?

To date, 38 countries have promised US\$10.2 billion to be allocated over a four-year period. Of that, US\$5.76 billion has actually been legally committed to the GCF via signed agreements, as of 30 September 2015.

What is the role of the World Bank?

The World Bank serves as the trustee of the GCF. In this role, it basically serves as the holder of the GCF's bank account and is apolitical. However, in July 2015, the World Bank was accredited as an implementing entity of the GCF. This means it has a certain amount of power in deciding on the reception and distribution of GCF funds. Additionally, former World Bank staff have served in the GCF Secretariat and as consultants (as have the staff of other multilateral development banks).

What is the role of the private sector?

As elsewhere in the world of climate finance, there has been a large emphasis on the private sector and mobilising private finance via the GCF. This stems in large part from developed countries' failure to fulfill their legal commitment (under the United Nations Framework Convention on Climate Change) to provide public money for developing countries to deal with climate change.

At the insistence of countries like the UK, US and Japan, the GCF has a Private Sector Facility (PSF). According to the GCF's Governing Instrument, the PSF will enable the GCF to "directly and indirectly finance private sector mitigation and adaptation activities at the national, regional and international levels...The facility will promote the participation of private sector actors in developing countries, in particular local actors, including small- and medium-sized enterprises and local financial intermediaries. The facility will also support activities to enable private sector involvement in SIDS and LDCs." What this means in practice is still undecided, and the differences between the roles of the mitigation/adaptation windows versus the Private Sector Facility remain undefined by the Board.

Some developing country members have fought hard to insist that the 'private sector' with which the GCF engages translates into small and medium enterprises indigenous to developing countries—not developed country-based corporations or multinational subsidiaries. A recent Board paper proposed a programme that would support developing country micro, small and medium enterprises. At the same time, a separate Board paper envisages the GCF as a highly financialised institution that incentivises the participation of multinational investment funds, commercial banks, insurance, and other financial corporations, etc. These papers will be further discussed at upcoming Board meetings.

The GCF also has a Private Sector Advisory Group (PSAG), which advises the Board on various private sector matters, including the PSF. There are also two private 'Active Observers' from accredited private sector observer organisations, one to represent developed countries and the other for developing countries (though, inexplicably, the developing country active observer is based in Australia and originally from Canada).

What is the role of civil society?

At the Board level: Civil society organisations can apply for accreditation to attain observer status. Friends of the Earth International is accredited, as are KFEM/FoE Korea and Center for Environment/FoE Bosnia and Herzegovina. Any FoE group can apply for accreditation, or can attend Board meetings under FoEI accreditation.

There are two civil society 'Active Observers', one from the South and one from the North, allowed to sit in the Board room and make concise interventions on agenda items. All other accredited civil society observers watch a livestream of the Board meeting in a separate room. The Board decided not to allow real-time webcasting of its meetings, so individuals must be physically present at the meetings in order to observe them. The active observers are also allowed to observe PSAG meetings. (PSAG meetings occur at separate times and locations and do not overlap with Board meetings.)

There are no formal Secretariat consultations with accredited observers, though there have been informal phone calls. In addition to direct communications with Board members, the Secretariat and the media, civil society often provides written critiques of Board papers prior to Board meetings.

At the country level: There is tremendous need for local civil society to engage with the GCF, and the most likely way that this will happen, at least initially, is through the country's NDA. While the Board has provided recommendations with regard to NDAs and multi-stakeholder engagement, there are no actual Board requirements for governments to engage with civil society, potentially affected communities or others in order to access GCF funds. Such a requirement will have to come from internal pressure within a country.

As noted above, there are no minimum standards for how NDAs will function, including for how the proposed no-objection process will be conducted. According to a Board decision, "Before communicating its no-objection, each country will decide on its own nationally appropriate process for ascertaining no-objection to funding proposals according to the country's capacities and existing processes and institutions". This makes it crucial for civil society in each country that applies for GCF funds to hold their own government to account to ensure meaningful involvement of potentially affected communities and civil society in the no-objection process. If this doesn't happen, then the no-objection procedure of the NDAs could become ineffective, as has happened with similar processes under the Clean Development Mechanism.

Part II: FoE groups and allies in the GCF

What has FoE's historical stance been toward the GCF?

There is a long history of FoE support for what is now called the GCF. Many member groups campaigned for it along with many of our civil society allies and many developing country delegations (though it was not yet established at the UNFCCC and thus not yet called the 'Green Climate Fund'—many of us referred to it as the 'Global Climate Fund'). We demanded an alternative to the World Bank, we demanded that it be at the UNFCCC...and we got the GCF.

Indeed, the GCF was first mentioned in UNFCCC text in the 2009 Copenhagen Accord, and was formally established at the Cancun climate summit in December 2010, which stated that the UNFCCC "Decides to establish a Green Climate Fund, to be designated as an operating entity of the financial mechanism of the Convention under Article 11, with arrangements to be concluded between the Conference of the Parties and the Green Climate Fund to ensure that it is accountable to and functions under the guidance of the Conference of the Parties, to support projects, programmes, policies and other activities in developing country Parties using thematic funding windows".

Is the GCF good or bad?

Though the GCF was established in no small part because of grassroots and civil society pressure, it represents a high-level, intergovernmental process. As such, it is unlikely to be what any FoE group would itself design. Each Board member brings her/his own constituencies' priorities and interests to the GCF. We would agree with some of the priorities of some Board members, like supporting vibrant local economies that are resilient and sustainable, while we would disagree with others, such as subsidising developed countries' exports. Even the purpose of the GCF is subject to the interpretation of individual Board members. Some think its purpose is to directly address the adaptation/mitigation needs of the most vulnerable, while others think it is to green financial investments globally. All that being said, these are very early days, and much remains to be done to shape the GCF. Developing countries indisputably need climate finance to flow, in order to fight climate change and adapt to its unavoidable impacts. It is too early to tell whether or not the GCF will be effective at that task.

What can FoE groups and allies do vis-à-vis the GCF?

FoE groups and allies may want to consider the following roles, none of which are mutually exclusive:

FoE groups and allies in the South: Engage with governments and hold them to account. Perhaps work with your country's NDA to shape its composition and what it does, including engagement with affected communities and civil society. Work to make sure environmentally-sound, just activities are being considered for funding. Help shape funding proposals. Reach out to potentially affected communities to make sure they're informed and their voices are being heard.

FoE groups and allies in the North: Amplify Southern voices and demands to make sure developed and developing country Board members are listening and responding to them.

All groups should watchdog and protest as necessary!

We are calling for an energy revolution that:

- Ensures justice for people affected by climate change
- Stops fossil fuels and other dirty energy, while protecting workers in these areas
- Supports community-owned renewable energy – giving people the power, not corporations

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