



## The Green Climate Fund: Views from the Americas

The Green Climate Fund (GCF) was established at the 2009 Conference of the Parties (COP) to the United Nations Convention on Climate Change in Copenhagen<sup>1</sup> to handle the Convention's financial mechanism.<sup>2</sup> It has plans to provide \$100 billion per year by 2020, to support climate change mitigation and adaptation activities. The GCF is the closest attempt to provide a binding global agreement on climate change, and given that all countries will have equal decision-making power the Fund will allow the developing world to play a meaningful role in designing climate change solutions, based on the principle of common but differentiated responsibilities<sup>3</sup>. The prompt implementation of this Fund is very important for the Latin American countries as it represents the financial support needed to tackle climate change.

### What's happened so far?

The GCF's Board held its first meeting in August 2012, in Geneva, to begin laying the groundwork for the Fund's operations. But little was accomplished other than electing Mr. Zaheer Fakir of South Africa and Mr. Ewen McDonald of Australia as co-chairs. The board only discussed future decisions, drafted a list of topics for discussion and tasks, and called for a second meeting.

During the second meeting, held in October in Songdo, South Korea, the Board nominated the Republic of Korea as the host country for the Fund<sup>4</sup>. The decision was received with great support and further arrangements to sign the host country's agreement are expected to take place at the third meeting, planned for 2013. In addition, the Board also began discussions on the rules regarding the participation of observers, given that so far there is no clear role for them at Board meetings. Unfortunately no decision has yet been made. Finally, the Board listed a number of issues to address at their next meeting, such as the business model framework, resource mobilization, modalities for readiness and preparatory support and the establishment of an independent secretariat, among others.

### What's pending?

The third meeting will be held in March, in Berlin. This forum will serve to address pending issues that must be decided before the Fund can begin operations, including:

- Determining the role of civil-society observers in the Fund and establishing a clear-cut selection procedure for observer organizations. The Board has created a team of six of its members to work on finding a solution to rules of procedure for observer's participation.
- Mechanisms and priorities for funds allocation, funding eligibility criteria, and procedural decisions including how to resolve situations when the Board cannot reach a consensus.
- The business model for the Fund and resource mobilization strategies. Decisions on policies and procedures for public and private contributions need to be made, together with the establishment of clear rules and timeframes for resource mobilization and replenishment.
- Arrangements between the GCF and the UNFCCC COP. While the GCF is supposed to be accountable to the COP and work under its guidance, there are opposing visions for what this means. Developed countries advocate for a

<sup>1</sup> UNFCCC, 2010. Decision 1/CP.16.

<sup>2</sup> UNFCCC, 2011. Decision 3/CP.17.

<sup>3</sup> Article 3 of the UNFCCC.

<sup>4</sup> Six countries submitted their wish to be host: Poland, Germany Switzerland, Namibia, Mexico and the Republic of Korea.



horizontal relationship in which the Fund doesn't have to adhere to the COP's guidelines. Developing countries want to make sure that the Fund is fully accountable to the COP.

### How to strengthen the Fund

According to its governing instrument, the GCF must operate transparently and with accountability, seeking equity, efficiency and effectiveness. The Fund, too, must play a role in channelling new, additional, adequate and dependable financial resources to developing countries, using a country-driven approach.<sup>5</sup> The outcome should be a mechanism that responds to the needs of the most vulnerable countries by providing real and feasible climate change mitigation and adaptation solutions, while constantly considering the respect of human rights, gender equality and sustainability. NGOs from the Americas will continue advocating for this and the following recommendations for the Fund:

- **Secure reliable funding.** The Fund's effectiveness will depend on the availability of resources to address the mitigation and adaptation needs of developing countries. It is imperative to create mechanisms for generating constant and reliable income for the Fund to ensure long-term and solid planning on mitigation and adaptation.
- **Ensure adequate funding.** In light of the principle of "common but differentiated responsibilities," most funding should come from developed nations. Additional funding should be obtained from the private sector, for which new sources should be explored and evaluated, such as the taxation of the aviation or shipping industry. When regulating fund replenishment, adequate safeguards must be put in place to ensure that private entities cannot gain control of the Fund.
- **Allocation of Funds:** In order to ensure an effective use of resources, the Fund must create basic criteria for the allocation of funding. To begin with, recipient countries should guarantee the respect of human rights, gender equity and the implementation of adequate environmental safeguards, in their use of funds.
- **Guarantee fair access to funding.** The fund must develop clear and fair guidelines and priorities for funding to ensure that all countries have equitable opportunity in accessing financing. The funding application should be flexible enough for nations to describe priority needs and the value of proposed actions. Funding should be based on the degree of vulnerability to climate change impacts as deemed by science.
- **Simplify the process for obtaining funds.** Countries should be able to request funding directly without going through intermediary agencies, such as what happens with funds from the Inter-American Development Bank or the World Bank. The criteria and requirements for accessing funds must be clear, and the request forms must be straightforward to fill out.
- **Make the Fund an accountable entity.** The Fund can only be accountable if there is frequent evaluation and sanctioning in the case of non-fulfilment of goals. While the COP has not been an example of efficiency, it is important that as the global representative of the Climate Change Convention it is endowed with sufficient power to guarantee that the Fund's work meets the goals for which it was created.
- **Make the Fund a participative and transparent entity.** Civil society organizations must be able to participate at Board meetings and their points of view regarding the agenda should be heard. The representation of civil society should ensure that all sectors be represented in a balanced manner. Decisions and progress should be adequately publicized to ensure transparency.
- **Find a suitable permanent trustee.** Because of past human rights violations and severe environmental damage stemming from some World Bank projects, a number of governments and civil society organizations have

<sup>5</sup> <http://unfccc.int/resource/docs/2011/cop17/eng/06.pdf>



expressed distrust and doubt regarding the Bank's suitability as permanent trustee of the Fund. A public tender should be held to find the best permanent trustee. In the meantime, an effective mechanism should be implemented to guarantee that the World Bank's role as trustee aligns with the Fund's goals.

- **Provide funding to adaptation-related activities.** Developing countries have contributed much less to climate change and yet are in a far worse position to deal with its impacts on human rights and wellbeing. While mitigation measures are important, the capacity to adapt to climate change should not be considered a lesser priority. For Latin America, adaptation funding is vital to cope with the effects of climate change.
- **Advocate for a rapid kick-start of the GCF.** Despite existing barriers, the Fund must avoid additional unnecessary delays and start operations promptly. Climate change is one of the greatest threats to humankind and continued delays will limit the effectiveness and potential success of actions to fight it.