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Session 1E Institutionalization of Climate Finance in the Green Climate Fund

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Institutionalization of Multilateral Climate Finance: The Green Climate Fund

By: Leo Banks

Background:

Beginnings

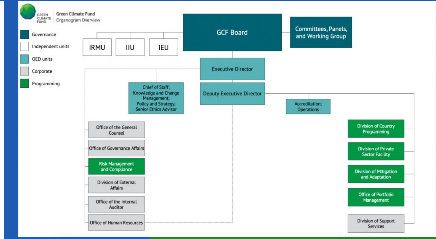
- First proposed at COP 15
- Financial mechanism of the Copenhagen Accord
- $100 Billion/year by 2020 goal
- Structure negotiated over COPs 16-18
- Significant divisions between annex 1 & non annex 1 parties

Institutional Structure

- Board: 24 members divided equally between developed and developing countries & according to regional representation.
- Secretariat:Manage the day to day activities of the fund.
- The GCF is accountable to the UNFCCC and receives guidance from the COP
- Country ownership approach
- Trusteeship delegated to the World Bank

Functional Structure

- 50/50 Funding split between mitigation and adaptation.[1]
- Accreditation:
- To apply for funding an entity must be accredited
- Two types of accredited entities:
    - International access entities
    - Direct access entities
- International access entities:
    - International financial institutions
    - World Bank, ADB, etc…
- Direct access entities
    - National and sub national entities
    - National ministries, regional governments, etc…
    - Must be nominated by an National Designated Authority (NDA)
- Non accredited entities may access funding through an accredited entity
- Accreditation process is long and technically rigorous process, applicant entity must meet a variety of fiduciary, environmental, and social standards
- Board has final say on accreditation under advice from the independent accreditation panel
- The board meets three times a year and meetings are often attended by over 300 people
- Board meetings take the style of international climate negotiations (most members are government ministers) rather than a traditional corporate board.[2]



Initial Conflict

During the initial negotiation of the GCF, particularly after the report of the transitional committee at COPs 16 and 17, there was significant disagreement over the extent to which the Fund would be accountable to the UNFCCC. Developing countries argued for a looser relationship while developed argued for direct accountability with the later eventually prevailing.[3]

Capacity Building & the Importance of Institutions

The GCF, like all international financial institutions, is a highly technocratic entity that draws on vast expertise in its day to day operations. As such applying for accreditation or funding is a daunting process that requires significant institutional capacity.[4] The GCF recognizes this and, through the secretariat, provides assistance in the accreditation process.[5] However, while this goes some way to addressing issues of inadequate capacity it does not alleviate them entirely.

For areas that are affected by significant governmental instability such as those in conflict zones, the documentation required to become accredited is likely non existent. This is an area where international access entities highly useful but it inevitably creates delays in getting funding to areas that are perhaps the most vulnerable. Thus the role of international access institutions becomes one of more than just climate financer as they have a role in shaping national and sub national institutions such that they may eventually be direct access entities.[6]

Notable Sources

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