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CLIMATE FINANCE AFRICA

Briefing Paper Series

The Green Climate Fund and the role of the World Bank

There is a tension from Cancun about the role the World Bank will play in the fund. I think many African countries, based on their experience with World Bank funding mechanisms, have a lot of reservations about that and that's totally understandable and it's shared by civil society largely.

- Kumi Naidoo, Executive Director of Greenpeace International and former anti-apartheid activist, September 2011

2 Brief

I. THE GREEN CLIMATE FUND – AN OVERVIEW

At the 2010 UN climate talks in Cancun, Mexico, the 194 member countries of the UN Framework Convention on Climate Change (UNFCCC) established the Green Climate Fund (GCF) to help channel finance from developed to developing countries for building climate resiliency and shifting to low-carbon development pathways. A year later, at the climate summit in Durban, South Africa they launched the fund.

Parties have agreed that the Fund should be able to manage large-scale financial resources from a number of sources (public, private etc.) delivered through a variety of financial instruments (grants, loans, risk guarantees, etc.). They also agreed that the fund would operate under the guidance of the UNFCCC and with accountability to all of the convention's members. Countries decided on a governing Board of 24 representatives coming equally from developing and developed countries – each with one vote. They also decided that the Fund should meet the goal of achieving a balanced allocation between adaptation and mitigation, and that a significant share of new multilateral funds for adaptation should flow through the GCF.[1]

To do the work of designing the GCF, parties created a transitional committee (TC) that met throughout 2011 comprised of 40 members – 25 from developing countries (seven from African countries)[2] and 15 from developed. Trevor Manuel, head of South Africa's National Planning Commission, co-chaired the TC with representatives from Mexico and Norway. The committee formed working groups on the GCF's scope and guiding principles, governance and institutional arrangements (co-facilitated by the Democratic Republic of Congo), operational modalities, and monitoring and evaluation.[3]

Ultimately, the Durban decision to launch the Green Climate Fund gave the go ahead to form the governing board, and charged the board with developing processes to resolve outstanding sticky issues.

The output of these working groups, together with inputs from civil society, the private sector and international organizations, were used in drafting a final report outlining decision-making, administrative, fiduciary and stakeholder engagement structures called the "governing instrument," which was sent to the members of the UN climate convention.[4]

At the 17th Conference of the Parties (COP17) held in Durban, South Africa in December 2011, nations officially adopted the report of the transitional committee.[5] Some of the most contentious issues debated were the role of the private sector, the host country and the designation of an interim secretariat, in large part reflecting developing country concerns stemming from past experience with multilateral institutions like the World Bank.

Ultimately, the Durban decision to launch the Green Climate Fund gave the go ahead to form the governing board, and charged the board with developing processes to resolve outstanding sticky issues. It is expected that the board will complete the design details of the fund's governing instrument and operational structures in the next two years, making this a critical time for advocates of African interests to be deeply engaged. If the Fund is to be opened in the relatively near future, board members will have to work with civil society to identify key ways for the GCF to overcome the inadequacies in objective, form and function of existing climate funds.

2. THE NEED FOR AN ALTERNATIVE – CRITICISMS OF EXISTING FUNDS

The creation of the GCF reflects calls from the international community over many years for a global climate fund that is representative and democratically governed, effective and accountable, and designed to meet the needs of those most marginalised and most vulnerable to climate change. Existing funds have in one way or another lacked these key elements of fair and effective climate finance.

If designed correctly, the GCF could meet these goals and African countries would have much to gain. First and foremost, the GCF would be guided by the principles and provisions of the UN climate convention, including that of common but differentiated responsibility and the recognition of developed countries' disproportionate historical responsibility for causing the climate crisis. This establishes a relationship of legal commitment between developed and developing countries for delivering finance that differs radically from the donor/recipient relationship created by funds that provide 'aid'. In a practical sense, this has already manifested in a 50/50 split in developed/developing country representation on the Fund's Board, with geographic representation.

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A close legal relationship to the COP/UNFCCC could also mean less power for the World Bank and other international financial institutions, which are controlled by developed country interests, in the operation of the Fund. With its own legal personality, the GCF can enter into financing arrangements directly with African countries and avoid the economic austerity measures that implementing agencies like the World Bank often impose on sovereign governments. In addition, advocates are working to shape the GCF to ensure support for adaptation, which is consistently left under-resourced by other funds but is key to Africa's strategy to address climate change.

Least Developed Countries Fund and Special Climate Change Fund

The financial mechanisms under the UNFCCC that predate the Green Climate Fund include the Least Developed Countries Fund (LDCF), the Special Climate Change Fund (SCCF), and the Adaptation Fund (AF). The LDCF and SCCF are managed by the Global Environment Facility (GEF), which the World Bank serves as trustee. Both funds are governed by the LDCF/SCCF council, which is made up of members of the GEF council (i.e. GEF donors). Decisions are generally reached by consensus, but if consensus cannot be reached votes are weighted by donation level. This puts developing countries at a clear negotiating disadvantage and has led to a lack of feeling of ownership by smaller, poorer and politically weaker developing countries. [6]

Both the LDCF and the SCCF have suffered a severe lack of support from developed countries. In particular the LDCF, which was meant to fund the drafting and implementation of National Adaptation Programs of Action (NAPA), has been so underfunded – and the processes for accessing money made so lengthy and complicated – that by 2009 only one NAPA had reached the implementation phase.[7] To date, about $104[8] million has been disbursed to 83 projects through the LDCF, $93 million of which was approved for 60 projects in Africa (about half of which have actually received funding).[9]

Adaptation Fund

The AF was created by the Kyoto Protocol to fund adaptation projects in highly vulnerable countries through grants. The AF is under the authority of and accountable to the parties of the climate convention, and has its own legal personality. The GEF serves as the secretariat and the World Bank as the trustee. The AF is currently the only multilateral climate fund that has a governing body with a majority of developing country seats, and sets the international precedent for public access to meetings and materials. While the AF is open to financial contributions from any government, few have made any. The majority of its resources come from a two percent levy on developing country revenues from carbon offset payments made through the Clean Development Mechanism (CDM) – a scheme that many groups criticise for undermining sustainable development and greenhouse gas (GHG) emission reductions.[10] The AF has only financed two projects in Africa.[11]

World Bank Climate Investment Funds

The World Bank launched a suite of Climate Investment Funds (CIFs) in 2008, including funds for clean technology, adaptation, renewable energy and forestry. One of the Bank's main arguments of the need for CIFs was that large sums of money could be mobilised by the provision of some public funds to leverage much greater volumes of private finance. However, a recent study by experts from the University of Zurich funded by the Swedish Energy Agency and Swiss Secretariat for Economic Affairs found leveraging claims to be exaggerated.[12] For example, the World Bank's Clean Technology Fund (CTF) self-reported an 8.4 leverage ratio, while the report's authors calculated a ratio of 2.6. An in-depth examination of a CTF project in Turkey by the Berne Declaration found that the fund 'failed in its key promise to leverage additional money (from the Turkish government and multilateral sources) and thus contribute to scaled-up development of renewable energies'.[13]

However, there is evidence that multilateral development banks – serving as implementing agencies of the Funds – have a heavy influence over climate projects.

While the governance of the CIFs – which has equal representation between developing and developed countries – falls short of demands for a majority of seats for developing countries and those most impacted by climate change in decision-making bodies, it has been perhaps the most significant innovation of all previous World Bank-managed funds. The CIFs also allow civil society observers in all governance meetings and give civil society a limited role in programme design, delivery and monitoring.[14]

However, there is evidence that multilateral development banks – serving as implementing agencies of the Funds – have a heavy influence over climate projects. This undermines country and community leadership in identifying priorities and strategies for addressing climate change. In particular, an assessment of current allocations shows that the CIFs favour middle-income countries over low-income countries and mitigation over adaptation, and that adaptation financing consists overwhelmingly of loans rather than grants. The role of the World Bank as the trustee, secretariat and implementing agency also raises serious concerns regarding a potential conflict of interests, as elaborated below.[15]

The Clean Technology Fund in the CIFs has so far approved the allocation of $600 million to a total of five projects in South Africa and Egypt, both middle-income countries. The adaptation-related CIF fund, the Pilot Program for Climate Resilience, has approved $113 million for four projects in Africa, and the fund for Scaling-Up Renewable Energy Program for Low Income Countries counts Mali, Ethiopia and Kenya among its six pilot countries.[16]

World Bank Carbon Finance Portfolio

The World Bank also manages a suite of carbon funds for which it serves as trustee and deal broker between developed and developing countries and companies involved in the carbon market. The Bank's carbon portfolio has been criticised for providing financing to heavily polluting industries (including coal, industrial gas, steel and iron industries, and non-native timber plantations – all of which contribute to rising emission levels).[17] Meanwhile, the Bank's carbon trading portfolio falls short on transferring funds and technology in renewable energy and other transformational sectors – although its portfolio seems to be moving toward a greater focus on energy efficiency. A very limited number of projects have taken place in smaller, poorer countries and on the African continent (with the majority of these in land use and landfill projects).[18]

Only 17 contracts have been signed between African countries and the World Bank for carbon offset payments to date. Seven of those projects have been able to meet criteria for registration under the CDM, but only two have been able to verify that they have generated real emission reductions and thus receive payment. In the World Bank's own words, 'the high level of expectations attached to carbon finance in Africa has not yet been matched with an equivalent level of achievement, particularly with regards to delivery of [Certified Emission Reductions] and their associated revenues.'[19]

In addition, there is extremely little transparency in the World Bank's carbon portfolio, particularly in the International Finance Corporation (IFC) carbon funds, which leads to challenges in affected peoples' engagement in and the accountability of carbon finance projects, particularly in monitoring whether commitments to community benefits are fulfilled. The World Bank is currently experimenting with carbon markets that would include whole sectors of developing country economies, and has launched the Partnership for Market Readiness to help build domestic carbon trading schemes in emerging economies. The Bank has also created an LDC fund for upfront financing of carbon offset projects.[21]

Sectoral carbon market mechanisms would not be a good deal for most African countries. They would further offload responsibility for reducing climate pollution from industrialised countries to the global South and likely benefit large corporations operating in middle-income countries rather than small businesses or public institutions in the poorest countries.[22]

3. THE ROLE OF THE WORLD BANK IN THE GREEN CLIMATE FUND

The World Bank was deeply influential in the design the GCF – from the consideration by TC members of the CIFs as a model for the new fund, to Bank staff being seconded to help lead the professional design team at the UNFCCC secretariat.

In Durban, parties decided that the board would select the permanent trustee of the GCF through an "open, transparent and competitive bidding process."[23]

The following is a brief overview of areas where the Bank has played, is playing and could play a role in the GCF, followed by a discussion of some issues that these roles raise.

Trustee: The Cancun decisions created a trustee to manage the financial assets of the Fund and to complete administrative tasks such as reporting and record keeping. The decisions stipulated that the Fund's assets could only be used in accordance with decisions of the GCF Board, but that these assets could be commingled with the trustee's other assets for investment and administrative purposes. The World Bank was named interim trustee with review in three years. Some countries (mainly developed) are already pushing for the World Bank to serve as the permanent trustee, although civil society and many developing countries have serious reservations about giving the Bank a permanent role in the GCF, based on the criticisms raised above.

In Durban, parties decided that the board would select the permanent trustee of the GCF through an "open, transparent and competitive bidding process."[23] This was seen as a partial victory because it allows civil society to work with allied governments on the board to define the criteria on which the bidding process will be evaluated. If designed well, these criteria could potentially prohibit the Bank from winning the bid for trustee, or force the Bank to reform some of its most climate-damaging policies in order to win the job.[24]

Technical support unit: In the Cancun decisions, the UNFCCC Secretary was empowered by parties to create a technical support unit (TSU) to support the work of TC members in designing the Fund by preparing background papers, reports and pre-meeting workshops on substantive issues. Secretary Christiana Figueres invited international financial institutions, development banks, UN agencies and others to second staff to this professional design team. Warren Evans, who was until early 2011 director of the Environment Department at the World Bank, served as the resident fund design specialist for the TSU at UNFCCC headquarters in Bonn, Germany. His role included overseeing the drafting of design option papers, including assessment of operational options, and cost/benefit and efficiency/effectiveness comparisons; assessing the added value of design options; and identifying lessons learned from existing funds.[25]

Now that the transitional committee has been disbanded and the board taken its place, the fate of the TSU, and the role of World Bank, its staff and prominent players like Evans, is unclear. The GEF and the UNFCCC secretariat will serve as the Green Climate Fund's interim secretariat until the board establishes the permanent secretariat in the yet to be determined host country. The board was empowered in Durban with selecting someone to head the interim secretariat. No provisions were made in Durban for a technical panel, but it is likely that the board's more detailed plans for the GCF's structure will include some role for technical advisors.

Implementing agency: No detail has been drafted to date that specifically establishes the World Bank or any other institution as an entity that can be empowered by the GCF to disburse funds. However, it is widely expected that the World Bank, along with the regional development banks, GEF, AF and other UN programmes, will serve as one of several implementing agencies.

The roles that the World Bank has played, will play and could play in the operationalisation of the Green Climate Fund give rise to a number of concerns for civil society and developing countries. There is a risk that the World Bank could have conflicting interests in the GCF given its many functions and that it will encourage the expansion of carbon markets and other private sector financing instruments. This kind of influence of the World Bank on the design of the GCF is all the more reason why Board members should develop a strong 'no-objection' procedure for funding approval, determine a robust process for selecting the Fund's long-term trustee and independent secretariat, and work closely with the fund's host country to strengthen provisions giving the Fund its own discreet legal personality.

Conflict of interests: TC documents have verified that the part of the World Bank that performs the trustee functions and the part that seconded staff to the TSU are institutionally independent,[26] but civil society groups and TC members (most vociferously Nicaragua, India and the Philippines) remained concerned about potential conflicts of interest. Monitoring the Bank's influence may be even more important now that its involvement with the Board is less clearly defined.

There is a real or apparent conflict with World Bank staff being involved in the on-going design of the governance structure of the GCF when the World Bank is acting as trustee of the GCF. According to an opinion note authored by the Asia Pacific Forum on Women, Law and Development, this violates accepted international fiduciary standards.[27] The Bank itself acknowledged that one of the lessons learned from the CIFs was that a fund's legitimacy is called into question when the same institution both sets standards for accessing climate finance and vies for the job of implementing agency to disburse climate money (in the case of the CIFs – the World Bank is also the secretariat).[28] A concept note on the review of the Bank's infrastructure strategy bolstered worries about this conflict of interest. The note, authored by Bank staff, specifically named the GCF in asking how the World Bank Group could package, and act as a 'preferred implementer' of large-scale climate-related projects.[29]

Second, as trustee of the CIFs the World Bank is involved in deciding whether these funds continue as a major channel for international climate finance. In their charter, the CIFs have a 'sunset clause' that stipulates that they will conclude once a new financial architecture is effective. However, the clause also states that if the outcome of the UN negotiations on a mechanism like the GCF requests them to, then the CIFs could continue to operate. This has prompted the criticism from watchdogs and developing country governments that any person or institution connected with the CIFs could be exposing themselves to a conflict of interests if they are also involved in the design of the GCF.[30]

The Durban decision was silent on the future of the CIFs. However, several developed countries have sent signals that if the final design of the GCF is not to their liking (for example, constraining the role of the private sector) they would put their money in the CIFs instead of the new Green Climate Fund.

An institution with vested financial interest in the continuation of fossil fuels should not be involved in developing the core operational, administrative and evaluation framework of a fund that is meant to move away from dirty energy.

Finally, the Bank has been chastised for its continued financing of environmentally destructive industries and promotion of dirty energy projects, which puts it in direct conflict with the GCF objective of transitioning to low-carbon development. The World Bank's fossil fuel financing reached an all time high of $6,6 billion in 2010. Of this total, coal-based power hit a record total of $4,4 billion, a 356 per cent increase over the previous year. This included a $3,5 billion loan from the IFC – the Bank's private sector arm – to Eskom, the energy mogul in South Africa, for coal power, mainly for use by the industrial sector.[31] An independent review of the 26 fossil fuel projects approved in the fiscal years 2009 and 2010 found that none clearly identified access for the poor as a direct target of the project.[32] An institution with vested financial interest in the continuation of fossil fuels should not be involved in developing the core operational, administrative and evaluation framework of a fund that is meant to move away from dirty energy.

Private sector finance: The World Bank is increasingly pushing for private sector involvement in climate finance. It advocates using a relatively small amount of public money to leverage private finance and reduce private investment risks with the help of development banks. Its claim is that the private sector is by far the largest potential source of investment dollars and the dominant and most efficient provider of technology. In fact, over one-third of CIF funding is channelled to the private sector.[33] Developed countries (in particular the UK, Japan, Australia and the US) were able to push a private sector facility into the design of the GCF. The facility will be a special sub-fund, possibly with its own governance structures, that allows the private sector to get money directly from the Fund.[35] The Durban decision charged the Board with creating a 'no-objection' procedure to ensure that private (and public) sector financing is consistent with the developing countries' climate plans and priorities.

Other proposals have gone as far as to suggest that the GCF should be limited to working with existing multilateral banks to administer the smallest possible subset of grants, investments or guarantees required in order to mobilise a diverse set of private sector instruments (although, as stated above, recent research shows that the public sector's ability to leverage private sector money is very likely exaggerated).[36]

It is important to note, however, that private financiers gravitate toward more profitable investments, resulting in a strong bias towards middle-income countries and mitigation projects. A study by Eurodad found that this is the case in the CIFs. Public funds intended for climate and development purposes in the poorest and most vulnerable countries are being used for subsidising high- and middle-income countries' private sectors.[37]

Adaptation activities, which rarely generate profit, are less attractive to and appropriate for private sector actors, who expect high rates of return on investments.

According to the UN Economic Commission for Africa, the main priority for Africa is to ensure that adaptation funding is grant-based. The Commission argues that the focus of the GCF (and of African negotiators) should be to support efforts to increase access to funds and ensure equitable distribution.[38]

Ultimately, these members argue, climate finance must contribute to sustainable, vibrant local economies in developing countries that stimulate local entrepreneurship, including in low-income countries.[42]

TC members from African countries demanded that there be no private sector window because it risks presenting a barrier to least developed countries in accessing finance for adaptation.[39] They insist that the private sector should be engaged at the national level.[40] This echoes a call from major global non-government organisation (NGO) networks that private sector participation is best decided, managed, regulated and incentivised at the national level, according to national strategies that were identified with the participation of people who are most impacted by climate change.[41] Ultimately, these members argue, climate finance must contribute to sustainable, vibrant local economies in developing countries that stimulate local entrepreneurship, including in low-income countries.[42]

Expanding carbon markets: Carbon trading allows developed countries that want to reduce their GHG emissions cheaply to pay governments and companies in developing countries to do so instead. Trading in so-called carbon offsets has been touted by market mechanism enthusiasts as an efficient way to reduce global emissions while transferring technology and financing to the global South, but it has failed to deliver on all three counts (*see Brief 3: carbon trading*). The World Bank has been a promoter of the market since the inception of carbon trading, and has reaffirmed its dedication to expanding carbon markets in the developing world over the next ten years.[43]

While carbon markets may attract large-scale mitigation projects in high-income developing countries, they do little to provide climate finance for African countries (less than two per cent of compliance-related offset projects are hosted in Africa). In addition to leaving out the poorest countries, carbon trades fail to finance transformational shifts toward low-carbon development. A 2007 analysis of a sample of CDM projects found that only 1,6 per cent of credits went to projects that benefited sustainable development, and currently only 11 per cent of carbon credits are projected to come from renewable energy sources of wind and solar power.[44]

As noted above, the World Bank is currently experimenting with sector-wide carbon trading mechanisms that are outside the current framework of the UN climate convention, and particular funds (like the BioCarbon Fund, which is moving into the agriculture sector and soil carbon sequestration) are weighing into the UNFCCC process.[45] At the same time, the World Bank has encouraged some of its dirtiest projects – like Eskom's Medupi coal-fired power station to which it gave a loan of $3,5 billion in 2010 – to apply for carbon credits. In the case of the Medupi project, the World Bank said it should qualify for carbon offset money because it utilised less dirty coal technology.[46] While the CDM ultimately rejected this project, it illustrates that the World Bank's vision of expanded carbon markets has little to do with supporting transformation to ecologically and socially sustainable economies, which is at the heart of the GCF.

Encouraging 'financialisation': One of the risks of the rush by the World Bank (and its most powerful members including the US, the UK and Japan) to put the private sector at the centre of the new GCF is an increase in the number and complexity of financial instruments, avenues and actors which serve to outsource funding decisions to private money managers.

The GCF should implement conservative and climate-friendly investment strategies on the treasury side (i.e. asset management) of its operations, and also seek to capitalise the GCF with predictable, stable, new and additional sources of climate finance.[50]

In fact the CEO of the Global Environment Facility –serving as the temporary co-secretariat of the Green Climate Fund – advocates the creation of a Green Bank to work with the GCF to leverage resources from capital markets and employ a range of financial instruments, "Including being creative with the carbon market."[47]
Of particular concern in leveraging large amounts of private finance for climate investments through financial capital markets is the growing role of financial interme-

diaries. The World Bank's private sector arm – the IFC – relies heavily on such intermediaries. However, financial intermediaries very often have negative development and climate impacts, carry considerable financial risk, are often able to evade safeguards and have serious implications for accountability.[48] Criticism of World Bank-supported insurance-based instruments to mitigate climate risk warns that these can hurt financial and economic stability in developing countries in the long term.[49]

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On the disbursement side, the GCF should ensure that it does not encourage investments that are excessively risky from a financial or environmental perspective. For example, risk sharing or risk reduction instruments, such as loan guarantees or political risk insurance (in some countries), always face the danger of creating moral hazard. They may have the perverse effect of weakening due diligence processes and stimulating investment in unsuccessful projects that fail to mitigate GHG emissions or provide genuine adaptation benefits. This would result in an inefficient and ineffective use of scarce climate finance.[51]

The GCF should take responsible financial risks, but those should use due diligence and support innovative green technologies and local economic development. Exotic financial instruments whose main purpose is to profit from speculation have no place in a fund where the very survival of communities is at stake.

Legal personality:

By allowing the GCF to enter into contracts with developing countries, legal personality enables them direct access to climate funds.

The Durban decision gives the GCF juridical personality and legal capacities "related to the discharge and fulfilment of its functions." Having its own legal personality allows the GCF to act as an independent entity with the capacity to enter into agreements with international, regional and national organisations; to enter into contracts with implementing entities and with the trustee; and to borrow or lend money, issue guarantees, employ staff and otherwise fulfill its functions.[52]

By allowing the GCF to enter into contracts with developing countries, legal personality enables them direct access to climate funds. This means countries could circumvent the World Bank and other implementing agencies that might impose onerous policy conditionalities before disbursing climate funds. The GEF has been at a considerable disadvantage by not having a legal status and has had to depend on the World Bank for its legal capacity. The Multilateral Fund that implements the Montreal Protocol, on the other hand, was conferred juridical personality through a simple decision of the parties.

Independent secretariat:

The creation of an independent secretariat is supposed to ensure transparency, accountability and distance between the day-to-day operations of the Fund, the trustee, potential implementing agencies, and institutions that may be used to leverage other sources of finance.

The agreement in Cancun stated that the 'operation of the Fund shall be supported by an independent secretariat,' and a list of functions has been elaborated in the report sent to the COP.[53] Most developing countries interpreted this to mean a secretariat independent from institutions like the World Bank or the GEF, and independent of existing financial and political centres in the global North like New York City, London or Bonn (where the UNFCCC secretariat is housed). The creation of an independent secretariat is supposed to ensure transparency, accountability and distance between the day-to-day operations of the Fund, the trustee, potential implementing agencies, and institutions that may be used to leverage other sources of finance.

At COP17, there was disagreement over whether the interim secretariat (which will serve for as long as the next two years) should be associated with the UNFCCC or not. The compromise position reached named the GEF and UNFCCC as a joint interim secretariat with an autonomous unit at the UNFCCC offices in Bonn Germany. The fact that the GEF did not win sole custody of the interim secretariat position was seen by many in the developing world as a win.

The Board is now tasked with shepherding an "open and transparent process" for selecting the host country where the secretariat will reside, and for choosing its head. Both of these selection processes have yet to be defined.

4. CONCLUSIONS

Minimise World Bank influence in the Green Climate Fund: An institution that lacks transparency and democratic accountability, has a track record of exacerbating debt in developing countries, continues to support fossil fuel projects and privileges private capital markets over public interests should not be given a place in the regular structures and operations of the Fund. Conflict of interest provisions must be more clearly articulated to ring-fence the influence of development banks.

Close ties to the Conference of the Parties to the UNFCCC: The closer the relationship between the GCF and the COP, the greater the possibility that the interests of the most climate impacted countries – including those in Africa – are upheld (developing countries account for 69 per cent of the countries in the UNFCCC, but only 50 per cent of the membership on the GCF Board). It is likely that the more oversight the COP has on the approval of the trustee, secretariat, host country and evaluation processes, the more the Fund will meet the needs of African countries.

Close oversight and regulation of the private sector facility: The GCF should engage private sector actors only when they can guarantee transparency and accountability for complying with robust standards on environmental, social, and development effectiveness, and the implementation of robust due diligence processes designed to address financial, social, and environmental risks, and produce effective mitigation and adaptation outcomes. Even then, their engagement should be through developing country governments and according to their national climate plans.

Country driven, with equitable allocation and direct access: While the GCF Board, with guidance from all members of the UN climate convention, should establish the priorities for activities, programmes and policies of the overall Fund, countries themselves must be allowed to develop their own plans and strategies for addressing climate change and engaging the public and private sectors. Countries and representative peoples' organisations should be able to access funds directly from the GCF without going through implementing agencies like the World Bank. The GCF must ensure that at least 50 per cent of the Fund's resources go to adaptation, all in the form of grants. Developed countries should not be allowed to earmark contributions.

5. NOTES

[1] The full decision of the 16th Conference of the Parties in Cancun, Mexico, to create the Green Climate Fund can be found at http://unfccc.int/resource/docs/2010/cop16/eng/07a01.pdf#page=2

[2] Gabon, Egypt, Morocco, Ethiopia, South Africa, Democratic Republic of Congo, Burkina Faso. A full list of the names and affiliations of TC members is available at: http://unfccc.int/cooperation_and_support/financial_mechanism/green_climate_fund/items/5938.php

[3] *Co-Chairs' summary report on the initial meeting of the Transitional Committee for the design of the Green Climate Fund*, May 2011, http://unfccc.int/files/cancun_agreements/green_climate_fund/application/pdf/tc_1_6_co_chairs_summary_report.pdf

[4] It is important to note that consensus was never reached on the final language sent to the Conference of the Parties (COP). The United States and Saudi Arabia did not endorse the compromise text at the end of the final transitional committee meeting held in Cape Town, South Africa, from 16 to 18 October 2011.

[5] http://unfccc.int/files/meetings/durban_nov_2011/decisions/application/pdf/cop17_gcf.pdf

[6] Solomon, Ilana, ActionAid USA, *Equitable adaptation finance:* the case for an enhanced funding mechanism under the UNFCCC, September 2009, http://actionaidusa.org/assets/pdfs/climate_change/equitable_adaptation_finance.pdf

[7] Ibid.

[8] All monetary values are expressed in US dollars unless otherwise noted.

[9] Data available at the Climate Funds Update website: http://www.climatefundsupdate.org/listing/least-developed-countries-fund

[10] Solomon, Ilana, ActionAid USA, *Equitable adaptation finance;* see also Carbon Trade Watch for a comprehensive critique of the Clean Development Mechanism and carbon offsetting, http://carbontradewatch.org/

[11] http://www.adaptation-fund.org/funded_projects

[12] Stadelmann, Martin, Castro, Paula, and Michaelowa, Axel, *Mobilising private finance for low-carbon development,* 19 September 2011, http://www.climatestrategies.org/re-

search/our-reports/category/71/334.html

[13] Eberlein, Christine and Heeb, Martina, *Climate finance in Turkey: the contribution of the World Bank Clean Technology Fund to transforming the Turkish energy sector,* September 2011, http://www.evb.ch/cm_data/Climate_Finance_in_Turkey_Full_Report_Berne_Declaration_2011.pdf

[14] See the full report on the CIFs by the Bretton Woods Project (BWP), *A faulty model? What the Green Climate Fund can learn from the climate investment funds*, http://www.brettonwoodsproject.org/art-568686; see also BWP, *Update 77: donor governments join critical chorus on the CIFs,* September 2011, http://www.brettonwoodsproject.org/art-568887

[15] Ibid.

[16] Information on funds available on Climate Funds Update database: http://www.climatefundsupdate.org/

[17] http://ec.europa.eu/clima/consultations/0004/unregistered/cdm_watch_3_en.pdf (a final version of this was published in Climate Policy 2011).

[18] Bretton Woods Project, *The role of the World Bank in carbon finance,* January 2011, http://www.brettonwoodsproject.org/doc/env/CarbonFinanceWB.pdf; Institute for Policy Studies, *World Bank climate profiteer,* April 2008, http://www.ips-dc.org/reports/world_bank_climate_profiteer; World Bank, Independent Evaluation Group, *Climate change and the World Bank Group,* 2010.

[19] World Bank, *Carbon finance for sustainable development: 2010 annual report,* May 2011, http://siteresources.worldbank.org/INTCARBONFINANCE/Resources/64897_World_Bank_web_lower_Res.pdf

[20] Some of the emerging programmes at the Bank that are strongly linked to sectoral carbon markets include land use planning and forestry through the Forest Carbon Partnership Facility, agriculture through the Climate Smart Agriculture programme, and solid waste management through the Carbon Partnership Facility.

[21] Bretton Woods Project, *The role of the World Bank in carbon finance,* January 2011, http://www.brettonwoodsproject.org/doc/env/CarbonFinanceWB.pdf; Twidale, Susanna, PointCarbon, *World Bank to launch $130m CDM fund for LDCs,* 11 August 2011, http://siteresources.worldbank.org/INTCARBONFINANCE/Resources/PointCarbon_Article_Aug_11_2011.pdf

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6. ABOUT THIS BRIEF

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