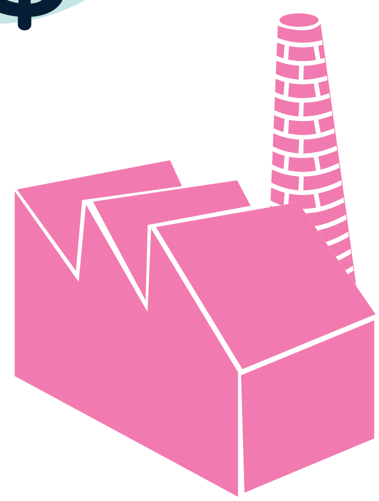

Green Climate Fund

Genuine Climate Finance for Africa or a 'Greedy Corporate Fund'?

Climate finance in Africa
What you need to know

Climate change is becoming the most serious threat facing the planet and its people. Africa contributes little to the problem - it emits less than 4% of global greenhouse gas (GHG) emissions - yet it is most vulnerable to the impacts of climate change. It is projected that by 2020 rain-fed agriculture in the region could be reduced by up to 50% as a result of climate change, and 75 to 250 million people across the continent could face severe water shortages. Given that most Africans rely on agriculture for survival, this will mean increased hunger, famine and disease. The costs are estimated to be between 1.5% to 3% of Africa's gross domestic product (GDP) each year by 2030.

The African Group of Negotiators have asked the international community for $67 billion per year by 2020 in order to cope with impacts. At the same time, developing countries will have to balance the need to increase access to reliable energy and decrease poverty with a shift to low-carbon, sustainable development models. These mitigation costs are estimated to be between $140 and $175 billion a year over the next 2 decades.

Rich developed countries owe poor developing ones a climate debt because they are most responsible for the climate crisis and they need to compensate the poor who most impacted. For exploiting the natural resources in developing countries and reducing the planet's capacity to absorb GHG rich developed countries owe an 'emissions debt'. For the damaging effects of these emissions they owe an 'adaptation debt'.

Purpose of this brief

- To give you some basic information about the Green Climate Fund (GCF)
- To tell you why we need the GCF
- To tell you who will be in charge and how it will operate
- To let you know where the money will likely come from
- To give you an idea of what some of the next steps will be to make the GCF operational

What is the Green Climate Fund?

The Green Climate Fund (GCF) aims to channel money from developed to developing countries for help people cope with the impacts of climate change and to shift to development with less pollution (also called adaptation and mitigation). The GCF was created at the 2010 UN climate talks in Cancun, Mexico by the 192 countries or parties to the United Nations Framework Convention on Climate Change (UNFCCC).

Why do we need the GCF?

Developing countries, communities and activists have long been calling for a global climate fund where there is equitable power and responsibility in decision-making. They want a fund that is democratically managed, effective and accountable, and meets the needs of the most poor, marginalised and vulnerable to climate change. There are various funds providing money for climate action but they have not met any or all of these needs. These other funds have also failed to deliver on providing adequate finance.

If designed correctly, the GCF could meet these goals and African countries would have much to gain. We also need the GCF to address the climate debt that developed countries owe to developing countries for polluting for the past few centuries and using their natural resources to power their modern economies which has largely caused climate change. This is also seen as a legal commitment between developed and developing countries for delivering finance that differs radically from funds created that give 'aid'.

If the GCF has a close relationship to the COP/UNFCCC, it could also mean less power for the World Bank and other international financial institutions that are controlled by developed country interests. The GCF could enter into financing arrangements directly with African countries if it had its own legal status and could therefore avoid the conditions that institutions like the World Bank often impose on poor governments.

Who is in charge and how will it operate?

In Cancun, Parties decided on a Board of 24 representatives coming equally from developing and developed countries – each with one vote to ensure that developing countries have a voice in decision-making. 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 funds for adaptation should flow through the GCF, given that adaptation is regarded as a priority for developing countries.

The World Bank (WB) was given the task of being the trustee - to manage the financial assets of the Fund and complete administrative tasks such as reporting and record keeping - for the first three years of the GCF's operations. Many developing countries in the TC felt strongly that this was only a temporary set up and that an open process should be used to select a permanent trustee. These countries were concerned that the WB will automatically become the permanent trustee, to the benefit of developed countries. The WB also wants to be an implementing entity and financing channel for the GCF.

What is the Transitional Committee?

This year, 2011, was spent trying to give more details on who will be in charge and how the GCF will operate. A Transitional Committee (TC) of 40 members – 25 from developing countries (seven from African countries) and 15 from developed was created to do this. Trevor Manuel, head of South Africa's National Planning Commission co-chaired the TC with representatives from Mexico and Sweden. The TC had four meetings and a few information gathering workshops over a 7-month period. Civil society could attend the TC meetings, make text submissions and give expert testimony. The draft text foresees the inclusion of two civil society representatives as active observers on the GCF Board and refers to different stakeholders including "private sector actors, civil society organizations, vulnerable groups, women and indigenous peoples". Civil society was successful in including some references to gender equality in the draft text. If it stays in the final document, it will be a unique document as official climate finance discourse ignores such provisions.

Why are activists concerned about the role of the World Bank in the GCF?

There is a risk that the World Bank could have conflicting interests in the GCF given its many roles in the GCF. This will undermine the integrity and legitimacy of the GCF's operations if one institution makes the rules, implements them and then oversees them. The other danger is that the Bank will also encourage the expansion of carbon markets and other private sector financing instruments. The Bank has been criticised for continuing to finance environmentally destructive industries and promotion of dirty energy projects, which puts it in direct conflict with the GCF's objective of transitioning to low-carbon development.

Where will the money come from?

Developing countries at the TC said their vision is for the promised $100 billion a year in climate finance until 2020 to go into the GCF. This money will come from developed countries coffers. It should be new and additional to money that they already receive from development assistance (for example), be predictable, and have adequate contributions that fulfill their "common but differentiated responsibilities" under the UNFCCC. But developed countries say that they are broke and cannot get money from their treasuries to support the Fund. Instead they say that most of the money must come from the private sector. They focus on options to leverage private sector investment in climate change activities and are calling for a dedicated private sector facility at the GCF, which would allow direct and indirect financing for private sector activities. This option could allow multinational corporations to access GCF financing directly for activities in developing countries, bypassing those countries' governments.

It could also end up subsidizing multinational corporations or financial institutions. Many developing countries, civil society organizations and social movements are worried that the GCF may end up serving the interests of the corporate and financial sectors, instead of financing activities to save the planet and protect the poor in developing countries. Activists say that the GCF may become a 'Greedy Corporate Fund'.

Why don't activists want a private sector facility in the GCF?

Adaptation projects are not attractive to the private sector because they are unlikely to generate a profit. Some key mitigation efforts like those encouraging energy access for the poor may also not be financially rewarding. But it is this kind of investment in public goods that the GCF must focus on. A private sector facility could divert climate funds away from investment in public goods toward private sector subsidies for profit-making activities. The GCF should also avoid being linked with carbon markets and other risky financial instruments that lack integrity and do not offer strong prices and sustained revenues. A private sector facility linked to carbon markets will not provide a reliable stream of money to developing countries to support climate action. Finance must also be provided mostly in the form of grants. Loans will increase the debt-burden of poor countries and should be avoided. Some of the poorest countries at the TC worry that without a minimum guaranteed allocation of finance for them the private sector could be in competition with these countries for GCF funding allocations.

The GCF and COP17?

The Africa Group of Negotiators called for the GCF to start working at COP17 but it seems unlikely now that a full agreement could be reached by end of the meeting. The options left at the COP17 include parties putting up with a document that nobody really likes, or trying to carefully change the parts in the document that caused the most controversy, or to open it up fully again for re-negotiation among all parties.

Meaning of climate terms used in this brief

Mitigation refers to efforts that are aimed at reducing the concentrations of greenhouse gases (GHG) in the atmosphere in order to curb global warming.

Adaptation refers to efforts that are aimed at helping humans respond to climate change in a way that protects, reduces harm, and increases their resilience.

United Nations Framework Convention on Climate Change (UNFCCC) is the international agreement adopted in 1992 which binds 192 countries (currently 195) to support efforts to tackle climate change. It recognises that the polluter must pay and that there is common but differentiated responsibility amongst countries.

The **COP** is the Conference of the Parties to the UNFCCC.

Kyoto Protocol (KP) is the first international agreement to set legally binding targets to reduce GHG amongst parties to the UNFCCC and provides a mechanism with which to reach those targets. It came into force in 2005 and the first commitment period ends in 2012.

Climate finance refers very broadly to any funding of climate change mitigation and adaptation activities. It is regarded as largely being undertaken by parties of the UNFCCC.

Clean Development Mechanism (CDM) is a flexible mechanism under the KP of the UNFCCC that allows industrialised/developed countries with a greenhouse gas reduction commitment (called Annex 1 countries) to invest in projects that reduce emissions in developing countries. CDM is commonly referred to as 'offsetting'.

Developed/Developing Countries is a contentious phrase and we are aware of the problems with this terminology. We have kept to the standard phrasing within the official climate discourse for clarity's sake.

This brief aims to provide information and analysis for civil society and community activists working on climate change issues in Africa. It is part of a series of 3 briefs that reviews different climate funds in operation (Adaptation Fund), being designed (Green Climate Fund), and being proposed (Africa Green Fund).

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