

DESIGN OF THE GREEN CLIMATE FUND – SOME LESSONS LEARNED FROM THE ADAPTATION FUND

BRIEFING PAPER FOR THE FIRST MEETING OF THE GCF

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This paper aims at assessing critical elements of the AF for the GCF, by highlighting good practices identified and concerns raised by interested stakeholders who have been following the AF since its outset. Most of the lessons learnt illustrated throughout this paper have been first-hand experienced by Germanwatch, which has been accompanying the AF since its fledging stage till this day.

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Executive Summary

Developing countries and several Non Governmental Organisations (NGOs) have been craving a while for a new fund that will set precedence, by not only addressing the fragmentation and incoherence of the current international climate finance landscape, but also, by truly transforming climate finance into a system that works for the most vulnerable. The creation of the Green climate Fund (GCF) in Cancun², its launch and the adoption of its Governing Instrument (GI)³ a year later in Durban were therefore acclaimed by stakeholders as deliverance and start of the long awaited new era in climate finance. Some days prior to the first meeting of the GCF, it seems however as the euphoria of the momentum registered in the last years were fleeting and delusive, because of the fear that past concerns and defiance might be replicated, when it comes to defining the intervention framework - called "business model" in most recent GCF documents - and associated key rules and procedures of the GCF.⁴

The key questions are inter alia: How should the GCF work in order to set precedence by ensuring its funded projects/programmes genuinely provide positive impact on the ground in the interest of the most vulnerable communities? How should the GCF meet the needs of developing countries and their vulnerable people? Which lessons could the GCF learn from the existing funds?

Addressing this will surely not be an easy undertaking, considering all the past endeavours to find solution to these fundamental queries. It would be too great demands on the GCF if one would expect that it could address all these issues at once. Therefore, the GCF work will have to be a learning-by-doing process, through which the GCF's "business model" should be steadily updated and adjusted to respond to the future climate imperatives. Nevertheless, one can expect for the time being at least from the GCF to be representative, democratically governed, accountable, and tailored to meet the needs of the world's poorest⁵.

In doing so, the GCF board members should not be trying to "reinvent the wheel", but should rather strive to build upon lessons learned and good practices already gained by existing funds – under and outside the Convention. Among these funds established to assist developing countries⁶ in their endeavour to mitigate and adapt to climate change, the Adaptation Fund (AF) is presumably one of the key institutions to look at. Akin the GCF, the AF has to some extent the same relevance for developing countries in terms of institutional arrangement - with the World Bank as interim Trustee and the GEF as co-secretariat with the UNFCCC secretariat- and more importantly because of their innovative features such as direct access, for what developing countries were calling for long time⁷. The AF has in four years of being operational⁸ generated valuable lessons that ought to be considered for the GCF.

² Decision 1/CP.16 para 102 <http://unfccc.int/resource/docs/2010/cop16/eng/07a01.pdf>

³ Decision 3/CP.17 FCCC/CP/2011/9/Add.1 <http://unfccc.int/resource/docs/2011/cop17/eng/09a01.pdf>

⁴ Green Climate Fund (GCF), 2012b: Work plan of the Board, GCF/B.01-12/04, to be found on: <http://gcfund.net/documents.html>, retrieved on: 08.08.2012 para 17 of the governing instrument of the GCF

⁵ Bretton woods projects (2011): A faulty model: What the Green Climate Fund can learn from the Climate Investment Funds June 2011, <http://www.brettonwoodsproject.org/doc/env/afaultymodel.pdf>

⁶ All developing countries Parties to the Kyoto Protocol are eligible to the AF. In term of scope and range, the AF is currently the only living funds that cover all developing countries.

⁷ All developing countries have both funds dear. Both funds were created at a critical juncture of the negotiation. While an agreement on a new climate regime seems inaccessible, climate change becomes daily reality threatening the life and goods of million of people.

⁸ The first meeting of the Adaptation Fund Board took place in February 2008 see <http://adaptation-fund.org/1stAFB>

This paper⁹ aims at assessing critical elements of the AF for the GCF, by highlighting good practices identified and concerns raised by interested stakeholders who have been following the AF since its outset. Most of the lessons learnt illustrated throughout this paper have been first-hand experienced by Germanwatch, which has been accompanying the AF since its fledging stage till this day. In its role as observer, Germanwatch has been providing valuable constructive and critical feedback along the way of the AF towards its full operationalisation. So, when the AF issued its first call for project proposals in 2010, Germanwatch in cooperation with other NGOs started to build up an independent Adaptation Fund NGO Network (AF NGO) to follow up the crucial phase of the implementation of projects mostly in direct access countries¹⁰. The mission of the network is to enable a multi-stakeholder participation of the targeted people in the projects areas. Furthermore it aims at seizing the great chance to contribute to a successful way the outcome of the funded project in the interest of those people being less privileged and most vulnerable to climate change. This Paper "Design of the Green Climate Fund – Some lessons learned from the Adaptation Fund"⁹ highlights lessons learnt in three areas:

1. **Engaging Civil Society Organisations as partners early-on:** It is widely acknowledged and proven that the participation of Civil Society Organisations (CSOs) can make substantial contributions to increasing the ownership, accountability, transparency, equity, and effectiveness of any processes. A close partnership of the GCF with observer organisations could:
 - **Relay information, experiences, concerns and views** from local to global via national level and vis-versa;
 - **Reinforce and develop capacities of community-based organizations to increase their participation** in action plans and implementation that target them.
 - Ensure **ownership, accountability, transparency, equity, and effectiveness** in local, national global decision-making process
 - Undertake the planning, **implementing and monitoring of fund's activities at low cost,**
 - Ensure a **user-friendly 'redress mechanisms'** at every level of decision-making, to which stakeholders can take their grievances.

To achieve this, the GCF could build on the key lessons apprehended by the AF, which are:

- Openness of meetings as a matter of principle, the meetings of the AFB are open to all interested observers from observer organisations accredited under the UNFCCC
- Transparent document policy: all documents related to the GCF meeting should be published - if possible, at least two weeks prior to the meeting, in order to provide the observers enough time to exchange within their constituencies with the view to building a common position on key elements to be debated at the AF meeting.
- All meetings should be webcasted, archived and available for download for all interested stakeholders at any time,
- Evolving a regular and frank dialogue with CSOs.

⁹ This paper is based on the submission made by NGO's to the Transitional Committee in charge of the design of the GCF. Harmeling et al. (2011): Some lessons learned from the Adaptation Fund for the design of the Green Climate Fund (July 2011) http://unfccc.int/files/cancun_agreements/green_climate_fund/application/pdf/germanwatchoiesenda_110711.pdf

¹⁰ The project is supported by the German Federal Ministry for the Environment, Nature Conservation and Nuclear Safety as part of the International Climate Initiative. For information on the AF NGO Network, please visit: www.af-network.org. The Network has almost 40 members and support directly five countries Senegal, Jamaica, Benin, South Africa and Honduras. The number of partners will be increased up to 10 by the end of the year

2. **Direct access:** Direct Access (DA) has been demanded by developing countries because of shortcomings of the past development cooperation policy. It is the approach which truly translates the notion of institutional capacity, recipient country oversight and ownership into reality, by generating a stronger accountability of the recipient country to the Fund. The direct access modality under the AF is no longer a pilot, but a reality, which is well appreciated by developing countries. As the only fund, which is truly implementing the direct access modality, the AF has gained valuable knowledge, that the GCF could build upon when designing its direct access modality. These are:

- The fiduciary standards of the AF are internationally recognised and appreciated. These standards have been carefully set, in order to keep the balance between; not putting an obstacle up, that could be a hard obstacle that bars the access of implementing entities to the AF's resources, at the same time being strong enough to be internationally recognised and applicable.
- In addition to the AF's policy, it could be considered whether the capacity to assess economic, environmental and social benefits and negative impact of project and programme level should be taken into account at the stage of accreditation of national implementing entities. It is important, that the GCF's accreditation requirements contain a language **that commit implementing entities to social and environmental safeguards** in all undertaking related to the GCF. This requirement should be not used as an obstacle, but should ensure that the policies of these institutions adhere fully to social and environmental safeguards.
- Start from early 2013 to support developing countries **with readiness and technical assistances**, with the view of both strengthening the institutional capacities of potential implementing entities applicants seeking accreditation and improving the absorption capacities by creating the needed environment, to enable developing countries to request manage and use adequately the fund that will available.
- Allow NIEs already accredited by the AF to small scale projects/programmes up to 10 millions in the near terms. Regarding long term and big scale projects/programmes, the GCF should consider how to build upon direct access modalities already accredited by the AF

3. **Ownership to bridge the traditional donor-recipient relationship:** One of the goals of the direct access is to ensure ownership of the recipient countries, by which recipient countries' exercise effective leadership over their development policies, and strategies and coordinate development actions¹¹. In order to ensure ownership under the GCFs should:

- Ensure, akin the AF, that in the "**no objection procedure**", the accreditation application of National Implementing Entities as well as the Private Sectors and any projects and programmes submitted on behalf of developing countries are endorsed by the National Designated Authorities. This is important to assure that any undertakings in the countries with regard to the GCF are consistent with relevant national development, poverty reduction, and climate change strategies, which take into account recipient countries' scientific and political guidance.
- In order to achieve the paradigm shift and become the main global fund for climate change finance¹², in designing the "**no objection procedure**" the GCF board members should consider and address all negative impacts that private sector could have on country ownership.

¹¹ See The Paris Declaration on Aid Effectiveness and the Accra Agenda for Action p.2 <http://www.oecd.org/development/aideffectiveness/34428351.pdf>

¹² (Para 2, 32 annex to 3/CP.17).

1 Introduction

Developing countries and several Non-Governmental Organisations (NGOs) have been advocating for a new fund that will address the shortcoming and incoherence of the current international climate finance landscape and meet the utmost needs of developing countries and their vulnerable people.

The establishment of the GCF and the adoption of its Governing Instrument (GI) has been perceived by all as a relief and one of the key decisions reached in Durban. The GCF board members will finally meet for the first time in Geneva, after its debut has been - because of the fact that certain regional groups were not able to timely appoint their representative for the board- delayed several times. In the cheerfulness that the GCF can finally start its work, several CSOs are however careful, because they know that there are several unfinished businesses that need to be clarified in the next four months before the COP meeting scheduled at end of November in Doha. Also because they particularly fear that past defiance of the existing funds might be repeated, when it comes to defining the operation policies and guidelines as well the working mode of the fund.

But what should the GCF do in order to fully honour the expectations of million people in both developed and developing countries? How could the GCF meet its goal ? How should the GCF make a change and remain accessible and effective for all.

It is important, in our view, in order to achieve the paradigm-shift and become the main global fund for climate change finance, the focus of the GCF members this year should be to take advantage of proven good practices and lessons learned of existing funds, instead to try experimenting with every thing, or tackling not tested and therefore, risky path.

One of the funds, upon which experiences the GCF could undoubtedly build, is the Adaptation Fund under the Kyoto Protocol. Both funds have some similarities in several ways. Both funds were created at a critical juncture of the international negotiation on climate change. At the time, when an agreement on a new climate regime seems to be inaccessible, climate change is becoming and is indeed a daily reality threatening life, livelihoods and goods of million of people all around the world. Both funds have to some extent the same institutional arrangement with the World Bank as interim Trustee and the GEF as co-secretariat with the UNFCCC secretariat. More importantly, because both have innovative features such as direct access, for what developing countries were calling for long time.

This paper is an attempt to screen those experiences gained by the AF, in order to extrapolate their applicability to the GCF, with the view of emphasizing those elements that could be adopted by the GCF. The paper is based on the experience first-hand experienced by Germanwatch and other CSOs, which have been accompanying the AF since its fledging stage till this day.

2 Engaging civil society organisations as partners early-on

Public participation in the administration of and decision-making on climate funding is still – even where it is envisioned – insufficient in most public climate finance instruments¹³, de-

¹³ Heinrich Boll Foundation (2011) A matter of principle(s)- A normative framework for a global compact on public climate finance Mueller, B., Gomez-Echeverri, L. (2009) The Reformed Financial Mechanism of the UNFCCC Making a new global climate fund

spite the fact that Civil Society Organizations (CSOs) are commonly beheld as key player and driver for any social transformation. CSOs have demonstrated to be the engine of good governance, accountability and ownership, which are the backbones for ensuring empowerment of particular groups. In addition, when international funds manage to partner with CSO on the ground they could provide effective delivery of projects'/programmes' implementation particularly with regard to:

- **Relaying information** for instance via translating local-level experiences to inform national and global decision-making and via translating global and national policies for local implementation;
- **Strengthening and development of capacities of community-based organizations to increase their participation** in action plans and implementation,
- Ensuring **ownership, accountability, transparency, equity, and effectiveness** in global and national decision-making and implementation; and
- Planning, **implementing and monitoring activities at low cost**, sometimes with better access to remote populations, while promoting innovative approaches that give strong role to CSO in the evaluation of the projects¹⁴.

Without doubt, civil society organisations have been playing and contributing to the shaping of the AF. This relationship was not granted at the very beginning of the AF. Rather it has emerged due to the recognition by both the AF Board (AFB) and observers that they have the same goals even if their motivations might diverge. Germanwatch and other NGOs active in the AF NGO Network, driven by the motto "*constructive where possible, and critical where necessary*", have explored and implemented different kinds of contributions and ways to influence the work of the AFB. From pure information provision to concrete suggestions on the AFB's operations on key agenda items, CSOs and AFB members have established a good relationship that has become formal through the dialogue with civil society and established as a kind of unwritten customary act¹⁵. Meanwhile the AF board members very much appreciate this CSO dialogue as an interesting and informative exchange, which usually enables a frank interaction with present stakeholders. The dialogue often allows AFB members to gain better insights into some developments within developing countries related to the AF procedures. Therefore, one can learn from the AF the following features which we see as good practice to be used by the GCF:

- **Openness of meetings:** as a matter of principle, the meetings of the AFB are open to all interested observers from observer organisations accredited under the UNFCCC. No additional limitations are applied. Except for a few sessions such as those related to the issuance of Certified Emission Reduction Units' (CERs) share of proceeds on Carbon market or on some very sensitive or confidential agenda items, the CSO attendees are allowed to sit in the same room as the AFB members¹⁶. In addition, the experience of the AF also shows that informal discussion for instance during coffee break or lunch time could facilitate and lead to a good spirit of work and familiarity between CSOs, Board members and the secretariat. This is a prerequisite for enabling the environment for a trustful and successful relationship.

work for poor people , Bird, N., Brown, J., Schalatek, L. (2010) Direct Access to the Adaptation Fund: Realising the potential of national implementing agencies

¹⁴ Sharma, A. (2010) The Reformed Financial Mechanism of the UNFCCC – Renegotiating the role of civil society in the governance of climate finance pg p. 13 <http://www.indiaenvironmentportal.org.in/files/EV50.pdf>

¹⁵ Although the CSO dialogue which has been regularly taken place at each meeting is not anchored in the Policies and Guidelines of the AF, it is now established and included in the agenda item of each Board meeting. Accordingly, CSOs meet twice a year - at the second and third meeting of the year - with AFB members a day prior to the AFB meeting

¹⁶ Kaloga et al, 2012 AF- NGO Network Newsletter volume 4: Background Information to the Adaptation Fund (AF) p.6 <http://germanwatch.org/klima/AFN-NGO-Newsletter-4-120628-web.pdf>

- **Transparent document policy:** All relevant documents are made available on the AF's website before each meeting. Of particular relevance is the fact that the AF has established a public complaint mechanism¹⁷ to interact with CSOs about concerns and malpractices of the implementing entities with regard to projects' implementation. While it remains to be seen how effective this mechanism will work it up, one should underscore how vital this way of work is. Recently the AF has started to issue the technical summary of the findings of the screening process of the projects several weeks before their consideration at the AFB meetings. This allows stakeholders, both nationally and internationally, to check and analyse the project proposals against the reality on the ground and, if required to raise concerns or suggestions for improvement on the project proposals. The disclosure of such information is critical for the accountability and the findings of these technical summaries could be used as means to identify shortcomings in a project detected by the AF Secretariat. These findings are critical for stakeholders, when they are tracking the project.
- **Webcast of meetings:** all AFB meetings are webcasted. This allows observers who are not able to attend the meeting to follow the elaborations of the AFB. However, unlike the AFB, **it is important that the GCF meeting will not only be webcasted, but also be archived and available for download for all interested stakeholders at any time** (as it is already the case with other UNFCCC meetings). This is critical for the institutional memory particularly for the GCF, which is expected to deal with a variety of issues and generate lessons for the whole climate finance community.
- **Evolving dialogue with CSOs:** though it took some time to establish a formal exchange between the AF and CSOs, the AFB has now entered into regular dialogue sessions specifically dedicated to observers. The purpose of the dialogue is to provide a formal platform for exchange and interaction between the AFB members and CSOs.
- **Challenge for the GCF:** it is vital, with regard to the observer participations that the GCF will not start from scratch, by interpreting the provision in its Governing Instrument, as its members please. But rather the AF should build on the experience gathered by the AF by improving so as they can adequately address the shortcoming of the AF. In addition, although, CSO should select their representative as active observers, it is also vital that the GCF provide the frame with standard guidelines, with the view of ensuring that its active observers are the well qualified and very close from to the vulnerable people as possible. In addition, although they have no voting right, observers should be integrated in the AF meeting, so as the GCF could harness from their full expertise.

Unlike the AF, the Governing Instrument (GI) for the GCF foresees in para 16 an “effective participation by accredited observers”¹⁸. The provision of this guideline is however, no guarantee that the participation of observer will be as meaningful and widespread as it has been reached at the AF level. The successful implementation of the above mentioned guideline will be the challenging tasks that will determine whether the GCF will meet the set expectations.

In contrast to the AF, observers to the GCF could be delighted about having a better starting point, than it was in the case of the AF¹⁹. The GI for the GCF allows on the one hand for

¹⁷ <http://www.adaptation-fund.org/page/mechanisms-handling-complaints>

¹⁸ Para 16 annex to 3/CP.17: Annex Governing instrument for Green Climate Fund: see http://unfccc.int/files/meetings/durban_nov_2011/decisions/application/pdf/cop17_gcf.pdf

¹⁹ Para 16 of 1/CMP.3 stipulates that the CMP decides “*that meetings of the Adaptation Fund Board shall be open to attendance, as observers, by UNFCCC Parties and by UNFCCC accredited observers, except where otherwise decided by the Adaptation Fund Board*”; http://adaptation-fund.org/sites/default/files/Decision_1-CMP.3.pdf

effective observers participation and provides on the other hand for the participation of “active observers”: two civil society representatives, one each from developing and developed countries, and two private sector representatives, one each from developing and developed countries²⁰. In order to avoid any misunderstandings, the term “active observer” as per GI for GCF needs to be clarified. Along this line, the process and guidelines for participation of active observers outlined in the document prepared by the interim secretariat of the GCF foresees inter alia: the active observer to be able to add provisional agenda items, to take the floor, to make oral interventions in open segments of the meetings of the Board meeting etc...²¹.

The term active observer has been largely undefined and open for several interpretations in the past. How shall the observers be selected transparently and democratically? How could one bridge the difference between international and grass root organisations, global and local constituencies?

The process as it is outlined in the document on current arrangements for observer participations in the GCF Board meeting²² could give the perception that the process will be highly democratic. Caution needs to be exercised however, because it is extremely difficult to assure fair and legitimate representation from global to local. Often on global level, big international organisation and their ramifications in developing countries are the best placed to take these places, so that the genuinely legitimate representatives of the most vulnerable have given no chance to be selected or to participate adequately in the process. Therefore, the participation cost of active observers– not from private sectors – from the global south should be covered by the meeting budget of the GCF. This is important to send a strong signal towards qualified and well connected independent active observers from the global south to apply for the seat, even if their own budget could not cover the cost. Another way to ensure an effective participation of the active observer is to allow those active observers accredited at the GCF meeting to have one or two advisors, so as depending on the thematic or topics, the good expertise and inputs of CSO is granted. The rationale behind lies in the tendency that was observed at the Transitional Committee meeting, where the Committee members were accompanied by several advisors. It is very likely that this trend continues at the upcoming GCF meetings.

Apart from these active observers, who have no voting rights, but upon request could interact and participate, the participation of other observers is at the discretion of the chair of the GCF. Also here, further clarifications and rules need to be set on how the GCF intends to interact with these observers. The GCF is well advised to build upon best practices applied by other funds, by designing its own rules, with the goal of harnessing the strengths of civil society, and therewith ensuring more effective national and local implementation and protect the rights of the most vulnerable²³.

All these above-mentioned features necessitate due consideration of the GCF Board. In addition, akin the AF, the GCF should initiate regularly CSO dialogues with those CSOs following the GCF, including active and non-active observers. The dialogue should be open and frank in order to harness the expertises, concerns and views of the range of observers tracking the GCF. In this particular matter, the experience of the AF taught us that it is important

²⁰Para 32 annex to 3/CP.17

²¹ GCF/B.01 - 12/03: Arrangements for observer participation in the Board meetings

http://gcfund.net/fileadmin/00_customer/documents/pdf/B1.01-12.03_Observers_participation_FINAL.pdf

²² GCF/B.01.12/03 Arrangements for observer participations in the GCF Board meeting para 28

http://gcfund.net/fileadmin/00_customer/documents/pdf/B1.01-12.03_Observers_participation_FINAL.pdf

²³ Sharma, A. (2010) The Reformed Financial Mechanism of the UNFCCC – Renegotiating

the role of civil society in the governance of climate finance pg. 24-25

<http://www.indiaenvironmentportal.org.in/files/EV50.pdf>

that the dialogue in best case takes place at the very beginning of each meeting, so as to ensure it receives due attention by the board members.

2.1 Reaching the most vulnerable

It is widely accepted that a sense of ownership is the cornerstone of effective development strategies; unless poor countries are able to direct their own development paths, the process will not be inclusive or sustainable²⁴. While the precise project/ programme guidelines of the GCF would have to be discussed at a later stage, after certain pillars of the operational policies and guidelines of the GCF have been defined and fixed, there is one crucial and so far unique feature of the AFB to be considered by the GCF Board. This is anchored in the AF's strategic priority that "gives special attention to the particular needs of the most vulnerable communities" when projects and programmes are designed.²⁵ In doing so, the AF further requests the project proponents to describe the consultative process, including the list of stakeholders consulted, undertaken during project preparation, with particular reference to the vulnerable groups, including gender considerations²⁶. Furthermore, the proponent has to describe how the project aims to contribute to the specific needs of the most vulnerable communities. This principle renders the needs of the most vulnerable not only to be the main focus in the project design and implementation, but more importantly, the participation in the process enables to some extent beneficiaries to control the decision-making process that targets them.²⁷

Adoption and application of this guideline by the GCF should by no means be seen as an attempt of the GCF to micro-manage the implementation of the expected larger-scale funding flowing into project and programmes, nor understood as an interference in internal affairs of recipient countries that may undermine the principle of ownership. Rather, this should be accepted as a key prerequisite and factor to provide and assess the genuine impact of the project on the ground as well as for the benefit of the targeted people. In addition, these guidelines are also critical for achieving the often praised transformational change, which can be interpreted as being captured in the "paradigm shift" identified in the GI to the GCF.

To sum up, it is important that the GCF takes on board such lessons learnt and make a strong **vulnerable communities process** a key element of the GCF meetings. Three key goals should be kept in mind in order to achieve this:

- ***To establish strong 'bottom-up' stakeholder networks and link the entities that fund or implement the project/programme with national and local stakeholders directly or indirectly affected by a project or that have strong interest in influencing actions taking place in its region.*** National and sub-national civil society networks play a very important role in relaying information from the global and national level to the local level (for instance, on what funds are available and how to access them quickly and efficiently); and from the local level to decision-makers at the national and global level (for instance, on barriers and successes in implementation).

²⁴ See The Paris Declaration on Aid Effectiveness and the Accra Agenda for Action <http://www.oecd.org/development/aideffectiveness/34428351.pdf> and ActionAid 2008: Making aid accountable and effective: The challenge for the Third High Level Forum on aid effectiveness. Accra, Ghana 2008. June 2007

²⁵ AFB 2009: Adaptation Fund Handbook, page 7. http://www.adaptation-fund.org/sites/default/files/Handbook.English_0.pdf

²⁶ See Revised Instructions for Preparing a Request for Project/Programme Funding: Part II: Project/ Programme Justification section H <http://www.adaptation-fund.org/sites/default/files/REVISED%20INSTRUCTIONS%20FOR%20PREPARING%20A%20REQUEST%20FOR%20PROJECT%20FUNDING.pdf>

²⁷ Kaloga et al (2010): Making the Adaptation Fund Work For the Most Vulnerable. Assessing Progress in the Adaptation Fund. <http://germanwatch.org/de/download/3511.pdf>

- **To encourage NGOs to independently track the GCF.** A small percentage of the funds allocated to countries should be marked for the setting up and maintenance of independent, accountable and transparent civil society networks.
- **To ensure a user-friendly ‘redress mechanisms’ at every level of decision-making, to which stakeholders can take their grievances.** Three minimum criteria are necessary for these redress mechanisms to be credible: **independence, public accountability and effectiveness.** For **public accountability**, the public should have access at every stage to the redressal process. To be **effective**, the mechanism must have the authority to ensure that their recommendations are acted upon.

3 Direct access

The principle of the direct access approach is simple. It aims at simplifying and accelerating the allocation process of resources to the developing countries. Direct access is the conversion of the notion of institutional capacity and ownership into reality²⁸. It is the "devolution of responsibility to national level"²⁹, one of the fastest way to channel funds into developing countries by strengthening the domestic institution. Several developing countries have recognised this momentum and are preparing the process by establishing within their countries their **National Funding Entities**³⁰. These National Funding Entities could be a determinant for the direct access under the GCF, because they are often designed to serve as **Disbursement Arm** that can fund multiple thematic windows.

Regarding the direct access, the GCF can learn a lot from the AF. There is definitely a strong interest by developing countries in direct access, although many governments have chosen to submit a first project through a Multilateral Implementing Entity. The AF has now accredited 12 National Implementing Entities (NIE) and 10 Multilateral Implementing Entities. This is evidence that direct access is no longer a pilot, but a reality that is becoming popular and well appreciated by vulnerable communities³¹. The AF's direct access approach was designed against the background of the specific parameters of the AF. These are not necessarily the same as for the GCF. More specifically, a key distinction here is that the AF is to finance "concrete adaptation projects and programmes" – currently up to USD 10 million per country – while it is expected that the GCF will finance not only a broader portfolio of activities, but also channel much larger amounts of financial flows into a country. The fiduciary standards of the AF³², such as the financial integrity and management, the institutional capacity and the transparency and self-investigative powers, for the accreditation process of NIEs have been carefully set by the AF in order to strike the balance between not establishing an obstacle that could hinder developing countries accessing its resources and at the same time being strong enough to be internationally applicable. This middle ground is important, if the GCF wants not to be a further **multilateral agencies fund**. The GCF should show the finesse proven by the AF in setting its fiduciary standards.

²⁸ Adaptation Fund - NGO Newsletter: <http://germanwatch.org/klima/afnl-no2.pdf>

²⁹ Luis Gomez-Echeverri (2010): European Capacity Building Initiative (ecbi) Policy Report: National Funding Entities: Their role in the transition to a new paradigm of global cooperation on climate change.

³⁰ There are several of such National Funding Entities such as the Amazon Fund of Brazil, The Fund National for Environment in Benin, the Bangladesh Climate Change Resilience Fund (BCCRF), the Nigeria National Strategic Climate Change Trust Fund etc...

³¹ Kaloga et al, Germanwatch briefing paper on the AF: Which Fund raising Strategy is best for the AF: See: <https://germanwatch.org/de/users/alphakaloga>

³² Para 33 of the Operational Policies and guidelines for parties to access to the resources of the AF. <http://adaptation-fund.org/sites/default/files/OPG%20Revised%204.4.12%20%28with%20annexes%29.pdf>

Furthermore, the GCF would need to have more a kind of *throughput architecture with funding decisions devolved to National Funding Entities* in the recipient countries, thereby applying the *subsidiarity principles* in its decision making.³³ Having said this, it is also clear that many if not most recipient countries will need some time to be able to partake in such a devolved throughput mechanism. For this reason, the GCF needs to have two distinct arms:

- a “*Funding Arm*”, which can operationalised relatively quickly, and which will be the main tool for processing the (modest) startup funding.
- a “*Disbursement Arm*” – ultimately responsible for direct access disbursements to National Funding Entities – which would initially be charged with creating the conditions necessary for its own operation through, for example, an extensive institutional capacity building programme.

However, in its own application the GCF should strengthen some aspects of the AF's direct access approach: it is important that the accreditation process under the GCF of "National Funding Entities" requests not only to meet the fiduciary standards, but also that applicants need to prove strong environmental safeguards. So far, AF assesses environmental safeguards as part of the project review process. Economic, social and environmental benefits and negative impacts are assessed based both on reasoning provided by the proponent, and on national technical standards. The project review process also closely assesses if environmental impact has been adequately addressed or accounted for. In terms of social safeguards, proposals must also include gender disaggregated indicators in the results framework.³⁴

For the GCF, it will be important, unlike the AF that the environmental safeguards are not only reviewed at the project level, but rather upstream by the accreditation process of the implementing entities. The accredited implementing entities should commit themselves to and adhere to policy that promote strong social and environmental standards. Such requirement ensures that environmental and social issues are evaluated and truly considered in assessing projects and programmes as well as in the project's decision making. The National Implementing Entities, the Private Sector and the Multilateral Agency will have to implement variety of projects such as REED project that could have more or less deep impacts on both social and environmental of the targeted people. In doing so, will help the accredited implementing entities to have internal mechanism to assess and reduce risks social and/or environmental safeguards, and not at the project level by providing a mechanism for consultation and disclosure of information. To sum up, the GCF requires both rigorous planning processes, carefully chosen fiduciary standards and a set of safeguards that complies with internal anchored obligations, rules and standards.

3.1 What capacities are required for Implementing Entities?

To be accredited by the AF, NIEs need to prove that they are able to exercise oversight over the project's development and implementation as well as to manage the funds entrusted and address transparency requirements and potential cases of corruption as well. However, the experiences and goal of the NIEs accredited so far differ significantly from one to another. Experience from the AF shows that neither there is a uniform recipe on how the suitable

³³ Note that while there are some international funds which deviate in this regard from the traditional architecture (with funding decisions centralized at fund level), the national funding entities that have been established in developing countries for climate change purposes are funded domestically or bilaterally.

³⁴ For more information see the Revised Instructions for Preparing a Request for Project/Programme Funding: <http://adaptation-fund.org/sites/default/files/REVISED%20INSTRUCTIONS%20FOR%20PREPARING%20A%20REQUEST%20FOR%20PROJECT%20FUNDING.pdf>

institution should look like in order to master the accreditation process. Nor are there standards in term of experience and time frame required for the accreditation. The so far accredited NIEs have all their specific features that are defined through the country context and the respective goals they pursue.

There is a straightforward number of national funding entities.³⁵ The AF has more NIEs than multilateral ones and there are dozen other developing countries NIEs in the pipeline seeking an accreditation. Most of them emanate from vulnerable developing countries with low institutional capacities. Therefore, there are strong needs in developing countries for assistance in the process of setting up or identifying the suitable institution to be accredited as NIEs. In addition, there is also the issue of absorptive capacity in developing countries to submit and implement large scale programmes. Unlike the AF, which has set a country cap of USD 10 million, the GCF is expected to channel hundreds of millions to developing countries. Thus, the capacities that would be required for managing such huge amounts of funding flows differ, also in the sense of the “funding arm”. Therefore not all NIEs accredited under the AF can automatically be seen as the potential National Funding Entity under the GCF; if so, they would need to be strengthened³⁶. However, the NIEs of the AF are a good basis and could therefore be chosen or be identified as the institution to be strengthened and reinforced to act as the National Funding Entity under the GCF.

There are strong needs to create the enabling environment and institutions to receive such amount of money. Along this line, the current work plan for the GCF Board indicates that funding operations should commence in early 2014 and that the Board could consider developing processes to support “readiness and technical assistance” activities in potential recipient countries already in 2013³⁷. This readiness and technical assistance is the fundament to overcome the institutional defiance of funding arms towards the operationalisation. Experiences of the AF have showed that although there was no readiness and technical assistance for direct access at the outset of the AF, there were several undertakings addressing them. The regional workshops organised to familiarise Parties with the process and requirements for the accreditation of NIEs for Direct Access under the AF is a good example to provide this readiness and technical assistance even at the regional and sub-regional scale³⁸. The GCF should consider upon request of Parties to initiate and facilitate such a readiness and technical assistance particularly at the national level in order to prepare least capable countries for receiving and using the resources of the GCF so as to achieve the expected transformational change, in the interest of the most vulnerable communities.

To summarise, the GCF Board should consider modalities for direct access which would:

- allow the NIEs already accredited under the AF to play their role in the GCF and
- regarding the longer-term “disbursement arm” design direct access should be designed in a way that *might* allow existing NIEs of the AF to play a role, but perhaps in a more flexible institutional set-up. Where National Funding Entities, such as national climate change funds exist, it should be facilitated that these can play the required role of national coordination of funding decisions and the required oversight

³⁵ Luis Gomez-Echeverri October 2010: National Funding Entities Their role in the transition to a new paradigm of global cooperation on climate change ECBI <http://www.eurocapacity.org/downloads/NFESPolicyReport.pdf>

³⁶ The Planning Institute of Jamaica, the accredited NIE of Jamaica has been leading the process of policy formulation on economic and social issues and external co-operation management to achieve sustainable development for the people of JAMAICA. It has managed since its creation several hundred million of dollars, while the Centre de Suivi Ecologique of Senegal is a kind of national center, which has not yet dealt with such an amount of money. See Suivi Ecologique of Senegal <http://www.cse.sn/>; Planning Institute of Jamaica <http://www.pioj.gov.jm/>

³⁷ Green Climate Fund (GCF), 2012b: Work plan of the Board, GCF/B.01-12/04, to be found on: <http://gcfund.net/documents.html>, retrieved on: 08.08.2012

³⁸ As to date four regional workshops have been organised in Africa, in latin America Asia and Eastern Europe Region and for or the Pacific Region

3.2 What is the role of stakeholder involvement in direct access?

The AF direct access modalities do not foresee a specific role for non-governmental stakeholders of different kinds (civil society, private sector etc.). It however provides clear guidance on the consultative process for a project should be undertaken. Accordingly, the AF requests from project proponents already "at the concept stage, an initial consultative process has to take place, with key stakeholders of the project/programme [...] For a fully developed proposal, a comprehensive consultative process has to take place, and should involve all direct and indirect stakeholders of the project/programme, including vulnerable groups and taking into account gender considerations. The results of the consultative process must be reflected in the project design"³⁹. In addition, some countries have voluntarily decided to establish multi-stakeholder bodies for the steering of project implementation, or to select CSOs as executing entities⁴⁰. Against the background of the potential role of CSOs in the GCF, we see a more adequate example in the way the national coordination is set up under the Global Fund to fight HIV/Aids, Tuberculosis and Malaria (GFATM). Here, multi-stakeholder country partnerships, so-called Country Coordinating Mechanisms, play a key role in identifying and submitting coordinated proposals to the GFATM building on the work of multiple organisations within a country. Nevertheless, the GFATM also shows that it is possible to provide guidelines internationally and at the same time design such mechanisms, or use existing ones, in a nationally appropriate manner.

3.3 "Ownership" to bridge the traditional donor-recipient relationship

It is in the spirit of the Paris Declaration on Aid Effectiveness, the Accra Agenda for Action as well as the Rio Declaration on Environment and Development- Principle 10⁴¹ that the purpose of aid never meant to make countries dependent on foreign help. Rather the opposite: to assist countries in helping themselves and to move beyond aid. The term "ownership" in this sense refers to the concept that a partner country's development priorities and programs should be defined and led by the country itself, in effect, that they 'belong' to the developing country, regardless of the funding source supporting such programs.⁴²

In the adaptation finance debate, this issue of country ownership is even more important, because adaptation finance is of a restitution character, since vulnerable countries have not caused the problem that adaptation finance aims to solve. The attempt to capture this principle resulted in the above elucidated notion of "direct access", which is currently being implemented to this extent only by the AF⁴³. In the context of the AF, direct access means that developing countries are taking their own destiny in their hand, by accrediting their own institutions that implement their policies and priorities they have set themselves. Beyond the direct access modality, the AF strengthens countries' ownership by giving in its strategic

³⁹ See the Revised Instructions for Preparing a Request for Project/Programme Funding: Part II: Project justification section H <http://adaptation-fund.org/sites/default/files/REVISED%20INSTRUCTIONS%20FOR%20PREPARING%20A%20REQUEST%20FOR%20PROJECT%20FUNDING.pdf>

⁴⁰ This is for instance the case in Honduras, that has set up a steering committee for the project funded by the AF which aims at addressing climate change risks on water resources in Honduras. Senegal with its first ever accredited NIE has chosen NGO to execute certain activities of the projects.

⁴¹ The Paris Declaration on Aid Effectiveness and the Accra Agenda for Action <http://www.oecd.org/development/aideffectiveness/34428351.pdf>. You can also find the 27 Principles of the Rio Declaration on Environment and Development: <http://www.un.org/documents/ga/conf151/aconf15126-1annex1.htm/>.

⁴² IDA 16 and Effectiveness: European Parliament with Africa: Supporting issue brief one increasing Country ownership: http://www.pnowb.org/admindb/docs/SIB%201_Country%20ownership%2009APR10.pdf

⁴³ Under GEF-5, all eligible parties will have direct access to GEF resources, up to US\$500,000, to finance activities related to prepare national communication report to the United Nations Framework Convention on Climate Change (UNFCCC) as per their obligations under Articles 4.1 and 12.1 of the UNFCCC.

priorities a particular attention to: (i) *adaptation priorities determined by and within developing countries; that are (ii) consistent with relevant national development, poverty reduction, and climate change strategies and (iii) by taking into account existing scientific and political guidance.*⁴⁴

With respect to the GCF, it is expected that its strategic priorities be further developed, when it comes to define its framework for funding interventions. Having said that, it will be the task of the GCF to make ownership the guiding principle of the GCF by improving the provision of the adopted GI for GCF.⁴⁵ For instance para 46 of the GI for the GCF on the access modalities and accreditation stipulates that the "national designated authority will recommend to the Board funding proposals in the context of national climate strategies and plans [...]". Para 46 was subject of deep concern expressed by many developing countries at the last meeting of the Transitional Committee, which argued that the national designated authorities (NDA) will only be consulted on other funding proposals and not to give its approval⁴⁶, unlike the AF, by which the NDA should endorse both the accreditation application of National Implementing Entities and any projects and programmes proposed by the implementing entities to the fund. This issue was addressed in Durban through the introduction of the "**no-objection procedure**" to be conducted through national designated authorities referred to in paragraph 46 of the governing instrument annexed to this decision, in order to ensure consistency with national climate strategies and plans and a country driven approach and to provide for effective direct and indirect public and private sector financing by the Green Climate Fund"⁴⁷.

The GCF in developing this *no objection procedures* should on the one hand bear in mind that the approval of NDAs is critical for ownership, and ensure consistency with national climate strategies and plans. On the other hand the *no objection procedures should be clearly elaborated so as it allow wiggle rooms.*

In addition, the experience of the Pilot Programme of Climate Resilience (PPRC) under the Climate Investment Fund of the World Bank showed that "in many cases..... a lack of country level capacity has meant that the national government appoints the Multilateral Development Bank MDB as de facto leader of the process"⁴⁸. This could not only undermine country-drivenness, but also lead to a misinterpretation of national priorities with the MDB's own agenda. As example, in Tajikistan, government officers complained with respect to the PPRC, that the number of Tajik experts involved in development of PPRC/SPRC was very limited, whilst significant funds were allocated to cover the cost and fees of visiting international experts⁴⁹. In order to achieve the paradigm-shift and become the main global fund for climate change finance⁵⁰, the GCF is well advised not to overlook that MDBs might have to some extent negative impact on country ownership and that there might be a temptation to use their own system instead to strengthening the recipient country's weak institutions.

⁴⁴ Strategic Priorities and Guidelines of the AF adopted by the CMP in: Operation Policies and Guidelines: <http://adaptation-fund.org/sites/default/files/OPG%20Revised%204.4.12%20%28with%20annexes%29.pdf>

⁴⁵ There was at the last transitional committee meeting a long discussion on the coherence and country ownership: Egypt and Nicaragua also stressed that national designated authorities, far from being only consulted by the Fund Board about funding proposals for consideration prior to submission to the Fund, should in fact approve such funding proposals (para. 46) see Liane Schalatek: "Sub-optimal" Outcome in the Transitional Committee – No Consensus on the Design of the Green Climate Fund :A Summary Report of the Fourth and Final TC Meeting in Cape Town: <http://www.boell.org/web/140-840.html>

⁴⁶ See last statement of members from Egypt, Philippine, Nicaragua in: Mixed reactions to Green Fund design prepared by third world Network <http://www.twinside.org.sg/title2/climate/info.service/2011/climate20111002.htm>

⁴⁷ See Decision para 7 of 3/CP.17

⁴⁸ Seballos, F. and Kreft, S. (2011) 'Towards an Understanding of the Political Economy of the PPRC', IDS Bulletin 42.3:33-41, Brighton: IDS <http://www.ids.ac.uk/idspublication/towards-an-understanding-of-the-political-economy-of-the-pprc>

⁴⁹ Oxfam (2011): Climate Investment Fund through the Pilot Programme of Climate Resilience in Tajikistan p.14 <http://www.oxfam.org/sites/www.oxfam.org/files/climate-resilience-tajikistan-240111-en.pdf>

⁵⁰ (Para 2, 32 annex to 3/CP.17).

According to the work plan prepared by the interim secretariat of the GCF for its first meeting "the goal of the proposed work plan of the GCF is"[...]to facilitate expeditious operationalization of the Fund [...] with funding operations beginning in early 2014[...]"⁵¹. Further it states in para 8 of the same document: "in order to prepare for activities to be funded in developing countries, the Board may also decide to **facilitate early support for readiness and technical assistance**, initially in collaboration with partner organizations and beginning in 2013 through GCF funds, if appropriate"⁵².

The provision in para 8 is a good starting point to endow recipient countries with the adequate institutional environment with appropriate policy and legal frameworks so as to manage, govern and absorb adequately the funds entrusted or available. The example of the AF has showed that developing countries need time to prepare the accreditation of their NIE in order to eventually use the direct access modalities⁵³. Experiences of the existing funds also have taught us that, besides the obstacle of accessing international funds' resources due to their conditionalities, developing countries have serious difficulty, because of their weak institutions, to absorb all available funds at their disposal. The readiness and technical assistance should therefore be designed, to improve the absorptive capacity of countries with low institutional capacities as well as be understood as an exercise to set up NIE in developing countries.

4 Conclusion

It is undeniable: climate change is the key challenge mankind has never faced. Particularly, climate change is already threatening many poor people and their chances of development. Marginalisation (political, social, economic and geographic) pushes people in developing countries to the highest risk areas and limits their capacities and access to the resources required to cope with external shocks⁵⁴.

Nevertheless, up "to date, the climate finance landscape has been characterised by a disparate jumble of sources, channels, institutions, and governance arrangements, and a history of unfulfilled promises and demands"⁵⁵. Yet, all initiatives undertaken to overcome the challenges that the international climate finance is fronted, were vainly. The immense, are the expectations of all stakeholders for the new established Green climate fund. Though, in order to achieve the so praised paradigm-shift that can trigger the necessary transformational change in both on the ground and at the international governance level, it is important that the GCF firstly learns from existing funds before it, if at all, start defining its own policies. The paper has shown that valuable lessons could be drawn from the AF. Most of these lessons have been presented throughout this paper. However, it is important to:

Engage Civil Society Organisations as partners early-on: It is widely acknowledged and proven that the participation of Civil Society Organisations (CSOs) can make substantial contributions to increasing the ownership, accountability, transparency, equity, and effectiveness of any processes. This should also apply to the GCF. Accordingly, the GCF should

⁵¹ GCF/B.01-12/04: Work plan of the Board para 6 http://gcfund.net/fileadmin/00_customer/documents/pdf/B.01-12.04_Work_plan_of_the_Board_FINAL.pdf

⁵² See Decision para 8 of 3/CP.17

⁵³ The regional workshop organised by the UNFCCC secretariat and the AF has proved to be helpful, since several of the last accredited NIEs have become the missing bit of boost to success the accreditation process. For more info see Regional Accreditation Workshops: <http://www.adaptation-fund.org/page/workshop-accreditation-national-implementation-entities>

⁵⁴ Kaloga et al (2010): Making the Adaptation Fund work for the most vulnerable: Assessing progress in the Adaptation Fund <http://germanwatch.org/klima/af2010-mvp.pdf>

⁵⁵ Oxfam (2010) Righting two wrongs: Making a new global climate fund work for poor people pg. 2

<http://www.oxfam.org/sites/www.oxfam.org/files/righting-two-wrongs-global-climate-fund-061010.pdf>

design its arrangements with observers with the goal of harnessing the broad expertise of CSOs and to ensure effective and innovative partnership not only at the Board level but in particular in planning, implementing and monitoring action within developing countries. To achieve this, the GCF could build on the key lessons apprehended by the AF,

Direct access: Direct Access (DA) has been demanded by developing countries as a consequence of shortcomings of the past development cooperation policy. It is the approach which truly translates the notion of institutional capacity, recipient country oversight and ownership into reality, by generating a stronger accountability of the recipient country to the Fund. In climate finance, the contribution of the AF towards developing and implementing this approach is unique. It has not only developed the required standards to tackle this way of acceding to fund, but also generated useful lessons in the accreditation process of national entities to the fund.

Ownership" to bridge the traditional donor-recipient relationship: One of the goals of the direct access is to ensure ownership of the recipient countries, by which recipient countries exercise effective leadership over their development policies, and strategies and coordinate development actions⁵⁶. In the context of the AF, ownership has been capitalised through several guidelines such as that project priorities should be determined by and within developing countries and should be consistent with relevant national development, poverty reduction, and climate change strategies, which take into account recipient countries' scientific and political guidance. The notion of ownership will be critical, when it comes for the GCF to develop its *no objection procedures* with respect to the endorsement of the National Designated Authorities for both the accreditation application of National Implementing Entities as well as the Private Sectors and any projects and programmes submitted on behalf of its countries. This is vital to ensure consistency with national climate strategies and plans and a country driven approach and to provide for effective direct and indirect public and private sector financing by the Green Climate Fund.

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⁵⁶ See The Paris Declaration on Aid Effectiveness and the Accra Agenda for Action p.2 <http://www.oecd.org/development/aideffectiveness/34428351.pdf>

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