



PAYING FOR THE FUTURE TODAY:  
**CLIMATE FINANCE AND THE  
GREEN CLIMATE FUND**

A Discussion Paper

Copyright © 2015 Pan African Climate Justice Alliance  
Reproduction of this publication for educational or non-commercial  
purposes is authorised without prior written permission from PACJA  
provided the source is fully acknowledged.

PAYING FOR THE FUTURE TODAY:

# **CLIMATE FINANCE AND THE GREEN CLIMATE FUND**

*A Discussion Paper*

2015

# BACKGROUND

Climate Finance is an integral part of the world's action plan against climate change. It underpins the achievement of crucial climate goals, including in the areas of mitigation, adaptation and technology transfer. The issue of Climate Finance was first raised in Article 4 of the United Nations Framework Convention on Climate Change (UNFCCC) in 1992, which committed developed countries to provide new and additional sources of finance and means of implementation for developing countries, in accordance with the principle of Common but Differentiated Responsibilities and Respective Capacities.

Provision of financing, technology, and other support for developing countries to adapt to a changing climate and transition to sustainable economies, powered by affordable, reliable, safe and secure energy, is a legal and moral obligation of developed countries. Yet it has remained a major sticking point throughout

**The Green Climate Fund (GCF) is to be the centrepiece of efforts to channel climate financing post-2020 and offers an opportunity to change all this.**

the history of the UNFCCC negotiations. The amount and the type of climate financing to be provided has been fiercely debated and both the pledged and actual amounts committed for climate action have repeatedly fallen far short of what is required.

The Green Climate Fund (GCF) is to be the centrepiece of efforts to channel climate financing post-2020 and offers an opportunity to change all this. The Fund was first conceptualized at COP15 in Copenhagen in 2009. At COP17 in Durban in 2011, its Governing Instrument was adopted. The GCF's initial capitalization period is from 2015 to 2018. By May of 2015 USD 10.2 billion had been pledged to the Fund and its Board began accrediting entities in July 2015.

According to a status report from the GCF Secretariat, as of 30 September 2015, total signed contributions amounted to USD 5.76 billion equivalent, of which USD 307 million equivalent had been received as cash and USD 667 million equivalent in promissory notes. An amount of USD 0.4 million, representing cumulative investment income since the establishment of the GCF, was also received. In addition, fee income received from the accreditation process during the period to 30 September amounted to USD 1.3 million, from 57 applications.

# CHALLENGES

The need for climate finance is enormous. Developing countries are likely to need between USD 70 and 100 billion per year to address adaptation costs by 2020 <sup>1</sup>, with adaptation costs in Africa alone set to rise to up to USD 15 billion – by 2050 the continent will likely be facing costs of USD 50 billion.<sup>2</sup> At its 10th Board meeting in July 2015, in Songdo, South Korea, the GCF accredited its first batch of organizations, which will be responsible for distributing its funds. While this was a welcome step, the Board's decision to award accreditation to Deutsche Bank, a massive financier of coal, was extremely concerning. The GCF is at a crucial moment and must be protected from being usurped by private sector organizations with vested interests.

At its 11th Board meeting in Livingstone, Zambia, in November 2015, the GCF made its first funding decisions. It approved USD 168 million equivalent for eight specific projects covering mitigation and adaptation efforts, with three projects in Africa, three in Asia-Pacific and two in Latin America. The African projects will be based in East Africa, Malawi and Senegal, and include efforts focused on building climate resilience and scaling up the use of modernized climate information and early warning systems.

**Developing countries have created ambitious climate action plans, as well as national climate action strategies – but without the necessary resources, they will be unable to implement them.**

Again, this is a welcome step forward, but monitoring of these projects by civil society will be vital to ensure they are effectively and transparently implemented, receive the allocated funding, and contribute to the fight against climate change.

Prior to COP21, countries around the world laid out their plans to tackle climate change in their Intended Nationally Determined Contributions (INDCs). Developing countries have created ambitious climate action plans, as well as national climate action strategies – but without the necessary resources, they will be unable to implement them. The GCF is designed to redistribute funds from the developed to developing world and will be a crucial resource in ensuring decisive climate action can be taken by developing countries, both in terms of mitigation and adaptation. As the now operational Green Climate Fund moves forward with its work, it must be sufficiently resourced to urgently provide adequate funds for tackling climate change.

Ultimately, the major challenge lies in transforming pledges made in climate finance forums into real signed contributions and actual action, and ensuring that climate finance is distributed fairly and equitably to those countries and communities which need it. Civil society has a key role to play in continuously holding to account the signatories of climate agreements and ensuring these are properly resourced and implemented effectively and in a timely manner.

<sup>1</sup> World Bank, *Economics of Adaptation to Climate Change: Synthesis Report*, Washington D.C., 2010.

<sup>2</sup> UNEP Africa Adaptation Gap Technical Report: climate change impacts, adaptation challenges and costs for Africa, 2013

# POLICY RECOMMENDATIONS

The time for concerted climate action is now. Resources, both financial and otherwise, must be urgently provided to developing countries that require them to cope with the impacts of climate change. As the Green Climate Fund will be the centrepiece of these efforts, it must follow specific principles and policies that allow its operationalization in a manner consistent with protecting human rights, providing environmental safeguards, and addressing gender disparity issues and development concerns.

## On Climate Finance, decision-makers must ensure:

- » **Inclusion of a Public Finance commitment in the Paris deal:** There is need for an explicit commitment in the 2015 agreement to ensure adequate, additional, new, sufficient, and predictable finance flows post-2020. Public finance must not be conflated with private or left up to countries to decide on an ad-hoc voluntary basis.
- » **New and additional sources:** Historically, there has been a tendency to include climate finance commitments only as part of Official Development Assistance (ODA); climate finance channelled to projects through the GCF and other forums must be additional to ODA, and support new and climate-targeted specific projects.
- » **Implementation of existing commitments:** Industrialized countries have a track record of making pledges to support the developing world, but not following through. They must make good on the promise to jointly mobilize USD 100 billion per year for climate action by 2020. Additionally, all countries must work together to ensure the achievement of the Sustainable Development Goals including through implementation of the SDG financing plan the Addis Ababa Action Agenda.
- » **Creation of Climate Finance Tracking Database:** Currently, climate funds cannot be accurately tracked. There is a severe lack of data monitoring the distribution of climate-related funds, particularly in Africa. A dedicated database must be set up and effectively managed. The cover up by developed countries under the self-accounting for climate finance in developing countries have previously cast aspersions on the credibility of such data and information.
- » **Dedicated Finance for Adaptation:** 50% of all climate funds should be channelled towards adaptation. Developing countries, including those in Africa, are already dealing with irreversible impacts of climate change and must be supported.

## **As the centrepiece of Climate Finance efforts, the Green Climate Fund must:**

- » **Receive fulfilment of outstanding pledges:** All countries which have pledged should contribute their finances to support urgent efforts by developing countries, particularly to enhance their adaptive capacity.
- » **Contribute significantly to the USD 100 billion a year for climate action by 2020:** The Fund should act as the primary vehicle for providing climate finance to countries in need. USD 100 billion is an absolute minimum and only a starting point – in reality financial requirements are likely to be much higher.
- » **Reject accreditation and partnerships with financiers of fossil fuels:** GCF accredited Deutsche Bank in July 2015; if this pattern continues it will represent a worrying trend, damaging the GCF's transformational potential and undermining its credibility. The GCF must not partner with such organizations.
- » **Ensure the GCF funds only sustainable projects and protects human rights:** The GCF will operate differently to previous funds, in that it will disburse money to accredited entities, rather than implementing projects itself. It is therefore essential to monitor the projects to ensure the GCF does not end up funding projects that use dirty energy. Safeguards which have been developed to protect human rights must also be enforced.
- » **Support good projects and fair distribution:** The GCF should support projects and an overall approach which ensures equitable distribution of financing within and between countries, and promote coherence with national climate change action plans.

This policy brief was produced as part of the policy engagement of PACJA, with generous support from our partners. The views expressed in this paper do not necessarily reflect the opinion of our partners. Maeve Glavey and Samson Samuel Ogallah contributed to this publication.



## Get in touch with us

### **PAN AFRICAN CLIMATE JUSTICE ALLIANCE (PACJA)**

Continental Secretariat:  
House No. J13, Kabarnet Road,  
Off Ngong Road, Nairobi, Kenya

P.O. Box 51005-00200  
Tel: +254-20-8075808

Email : [info@pacja.org](mailto:info@pacja.org)  
Website : [www.pacja.org](http://www.pacja.org)