

Green Climate Fund, Pursuing Country Ownership

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Four years ago in Cancun, the parties to the UN Framework Convention on Climate Change gathered around for two major decisions. To support developing countries in responding to climate change, the parties agreed to scale up climate finance to 100 billion dollars per year by 2020, and to establish a dedicated fund for climate actions. This Fund, now known as the Green Climate Fund, is anticipated to play a crucial role in delivering increased resources for climate mitigation and adaptation activities. After months of tardy progress, the Green Climate Fund Board has recently agreed on its business model. It is expected that the Fund will proceed to the phase of resource mobilization in the coming months.

One of the unique features of the GCF is that the Fund pursues country ownership as its core principle. To mobilize sizable resources while adhering to this principle, the delivery mechanisms must function effectively as well as in a transparent manner. Furthermore, in order to maximize the benefits of this distinctive feature, capacity building for developing countries is most urgently needed. Therefore, the initial work of the GCF is likely to focus on developing recipient countries' capacity. This paper briefly reviews the features of the Green Climate Fund in the context of country ownership and effective delivery. For developing countries to fully enjoy such features, we emphasize the importance of capacity and thus, capacity building as a priority area of the GCF.

Key Features of the GCF

The Governing Instrument endorsed at Durban COP19 underscores that the Fund will pursue a country-driven approach, and also promote and strengthen engagement at the country level through the effective involvement of relevant institutions and stakeholders. That is, the GCF is designed to maximize country ownership and resource effectiveness through various measures, for instance, direct access, a result-based approach, and private sector participation.

Enhancing Direct Access

The experiences of other multilateral funds (the Global Fund to Fight AIDS, Tuberculosis, and Malaria, for example) show that direct access can be an effective way of enhancing country ownership. Under the GCF system, the Board may issue official accreditation to national entities to receive funding directly when they fulfill the standards set by the Board. By accessing the Fund through its own national implementing entity,¹ a developing country is able to receive the resources more swiftly. Aside from providing recipients with the benefits of simplified and improved access to the funds, direct access also implies that a larger portion of project procedures takes place in the national domain, compared to traditional multilateral funds. Under the control of a national entity, a wide range of stakeholders at the national level can participate in the project cycle, from proposal submission to project implementation. The GCF Board will explore options to enhance direct access through funding entities. Under the GCF's enhanced direct access mechanism, a qualifying

national entity is accountable for fund management as well as project implementation.

Managing for Results

To maximize the impact of funding, the GCF has determined it will develop a results management framework. Based on the principle of country ownership, countries may identify their priority result areas in line with their national strategies and plans. The performance indicators to be developed must contribute to the overarching objective of the Fund, which is to promote a paradigm shift towards low-emission and climate-resilient development pathways in the context of sustainable development. Managing for results is also one of the commitments declared by the international development community to achieve aid effectiveness in Paris back in 2005. The result management framework will enable effective monitoring and evaluation of the outputs, outcomes, and impacts of the Fund. Emphasis on results means to directly associate the progress with the amount of resources being provided. From the donor perspective, a result management framework can alleviate concern over value for money. It is highly important that partner countries and donors cooperate in strengthening local capacities for results-based management.

Engaging the Private Sector

Stimulating participation from the private sector in developing countries as well as developed countries is another ambition for the GCF. In order to encourage more private participation in the climate sector, the GCF is planning to establish a private sector facility. Consistent with the country-driven approach, the objective of the facility outlined in the governing instrument is to promote the engagement of private sector actors in developing countries, including small and medium-sized enterprises and local financial intermediaries. The facility will address barriers to private sector investment in mitiga-

¹ The role of an implementing entity is to receive financial resources from the funder and to carry out projects and programmes. It can be national (e.g., national development banks such as BNDES, regional or multilateral (e.g., World Bank, UNDP) in nature.

tion and adaptation in the developing countries, such as limited expertise, insufficient capacity, lack of awareness and limited capital market instruments. To complete the structuring of the facility and also for the facility to prepare for operation, the following tasks remain. First, the role of the private sector facility needs to be specified. Does the facility exist to increase the viability of investments or to reduce risks? Are elements such as technology development and capacity building included in the scope of the facility? Second, in the context of managing for results, facility-specific performance areas and indicators are needed. Next, financial instruments and modalities for private sector engagement should be accounted for. Considering the diverse nature of and speed at which the private sector works, the financial instruments, vehicle or products must evolve continuously.

Strengthening Country Ownership

Undoubtedly, sufficient capacity of developing countries is essential in order for the country-driven approach to function, and for the Green Climate Fund to achieve success. The governing instrument of the GCF demands adequate resources to be allocated to capacity building. Currently, there is no separate window for capacity building, and it is widely understood that capacity building is cross-cutting in nature. In this context, the following must be considered in capacity building support activities.

Long-Term and Systematic Approach

Capacity building assistance should be provided in a long-term scope and in a sustainable manner. Typical capacity building activities include conducting needs assessment, developing national plans or strategies, promoting information-sharing and knowledge transfer, consultation, as well as education and training.

However, many of these ‘on and off’ capacity building programs are not as effective as expected. Moreover, in some cases, external involvement in setting national strategies results in unrealistic plans. Such intervention strays far from building the national capacity of developing countries and should be avoided. A program for capacity building should be designed in such a manner that it is included as one of the major components in the package of climate actions. For instance, capacity needs assessment can be followed by appropriate information-sharing, knowledge transfer, and training programs.

Focus on Capacity of National Entities

The primary focus on capacity building should be on developing the capacity of national entities. The governing instrument states that the Fund will “provide resources for readiness and preparatory activities and technical assistance ... in order to enable countries to directly access the Fund.” An enhanced direct access mechanism grants national designated authorities extended governance over fund-related activities, including the role of screening national-level proposals and recommending adequate proposals to the Board. In order to assure the quality of proposals submitted to the Board, a national designated authority must possess the capacity to identify and develop proposals, which are aligned with national development strategies. Once designated by the Board, the national entity should be able to manage the programs funded by the GCF. Without a properly functioning national entity, the direct access mechanism of the GCF is unlikely to succeed. For this reason, the GCF seeks to allocate initial resources into readiness and preparatory activities. The objectives of the readiness and preparatory support outlined in the governing instrument are; to enable the promotion of low-emission, climate-resilient development strategies or plans, to strengthen in-country institutional capacity, and to enable countries to meet the Fund’s fiduciary principles and stand-

ards as well as environmental and social safeguards.

Monitoring for Results

The programmes and projects funded by the GCF need to be monitored on a regular basis for impact, efficiency, and effectiveness. The result management framework which will be adopted by the GCF Board requires transparent and accurate monitoring systems in partner countries. In addition, recent discussions in international development community indicate the importance of participatory monitoring with involvement from various stakeholders. That is, local personnel in charge of monitoring in developing countries are expected to serve a critical role in the framework. While the Fund's result management framework and performance indicators are to be approved by the Board, the success of the result management framework is dependent on the capacity of local representatives to measure the results against the corresponding indicators and assess the impacts. A system to track a number of indicators and to monitor progress against the original objective

of a certain project or programme is required. Improving individual and institutional capacities is another priority area that the GCF should consider.

Solving the Deadlock

By highlighting country ownership, the GCF can promote distinction vis-à-vis other existing funds, thus attracting donor contribution to mobilize substantial resources. Nonetheless, we cannot expect sizable commitment from developed countries until an enabling environment for direct access and result management framework is created in the partner countries. Breakthrough in UN negotiations directly related to the resource mobilization of the Fund is another pressing task. The GCF can solve the deadlock by realizing the link between capacity building and financial support. Improving capacities of developing countries has long been a major challenge for the international community. The first task to be tackled by the GCF is to identify the capacity gap and to improve capacity to an adequate level so that developing countries are able to implement appropriate climate actions with consideration to their respective circumstances. **KIEP**