



OPERATIONALISATION OF THE GREEN CLIMATE FUND (GCF)

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Scale
USD 100 billion
(Committed at
Copenhagen)



Focus
Adaptation and
Mitigation (Balance
allocation)



Established
2010



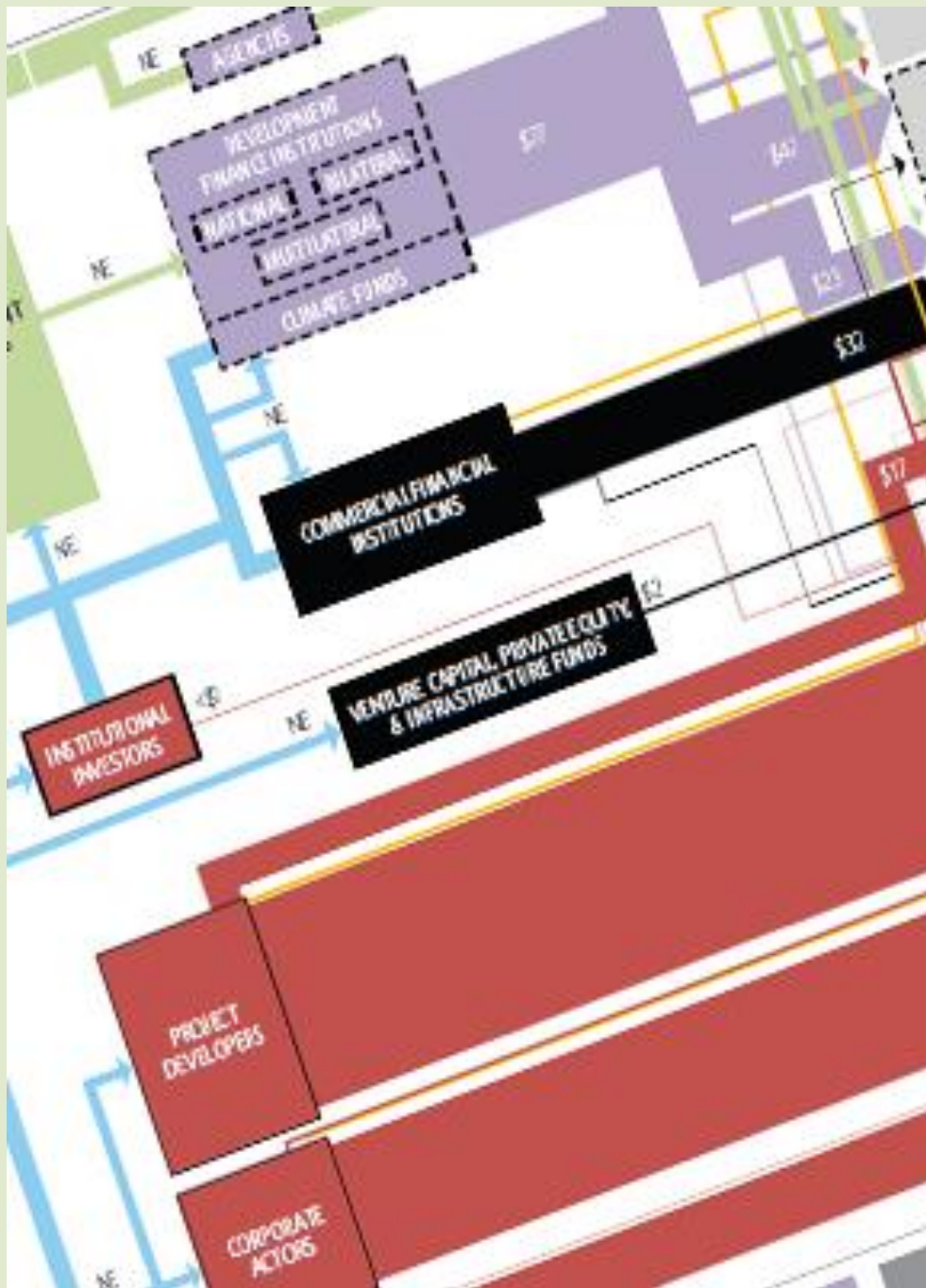
Trustee
World Bank



Governance
(balanced between
developed and
developing countries)

GCF Basic Facts

- **Scale and Impact**
 - To make a significant and ambitious contribution to the global efforts to combat climate change
 - To promote a paradigm shift and help developing countries transform their economies and put them on a low emission and climate-resilient path.
- **Governance**
 - An equal number of members from developed countries and developing countries including dedicated seats for SIDS and LDCs
- **Access**
 - Recipient countries will determine the mode of access.
 - Recipient countries will be able to utilize direct access or access through international and regional intermediaries and implementing entities under the Fund
- **Allocation**
 - Minimum floor for adaptation financing to SIDS, LDCs, Africa and other vulnerable developing countries
 - The allocation of resources will be balanced between adaptation and mitigation activities



The Climate Finance Landscape: Where does the GCF Fit?

The Global Landscape of Climate Finance 2012 identifies global climate finance flows of USD 364 billion in 2011.

This however, falls short of the estimated USD 480 billion to 1.5 trillion a year investment that is required for developing countries.

The GCF will play a key role in channeling **new financial resources of possibly US 100 billion per year.**

Over time the GCF is expected to become the **main global fund** for climate finance.

Making the GCF Fully Operational by 2014

Accomplishments and Priorities for 2013

Major Decisions taken to date:

- Endorsement of Governing Instruments.
- Selection of the Host Country (Republic of Korea).
- Establishment of Interim Secretariat with plans underway for a transition to a permanent Independent Secretariat.
- Appointment of the World Bank as Interim Trustee.
- Agreement on a 2013 Work Programme.
- Completion of the Headquarters Agreement.

Priorities for 2013

- **Complete and agree on the Business Model Framework (BMF).**
- Initiate the resource mobilization process.
- Set up the permanent secretariat.
- Initiate readiness activities to ensure developing countries can access and absorb funding.

GCF Business Model Framework Work Programme 2013

June 2013

1. Objective, Results and Performance Indicators; 2. Structure and Organization; 3. Financial Instruments; 4. Private Sector Facility; 5. Access Modalities; 6. Country Ownership.

Business Model Framework

September 2013

1. Financial Inputs; 2. Allocation; 3. Results Base Management.

**Revised Draft
Papers
Completed for
Board
Discussion**

Business Model Framework

Structure and Organisation

Governing Instruments provides guidance on S&O features.

Emerging Ideas for Board Discussion:

- Options on creating the superstructure of the GCF (all four options establishes the PSF as separate unit):
 - **Option 1: A thematic structure with project focus.**
 - **Option 2: A thematic structure with strong country and programmatic focus.**
 - **Option 3: A geographic focus.**
 - **Option 4: A financial instrument focus.**
- Issues of cost and the need for highly specialized persons will feature highly in some of the options.
- Also, having a separate adaptation and mitigation unit may constrain projects that have a mixture of both, hence the need for close coordination between these two units.
- Separate units to deal with human resources, legal, finance and other issues will have to be established.

Business Model Framework

Financial Instruments

- **Governing Instruments:** The Fund will provide financing in the form of grants and concessionary lending, and through other modalities, instruments or facilities

Emerging Ideas for Board Discussion:

- **The Board has to consider what types of instruments will be employed by the Fund – grants, concessional loans, guarantees, and equity.**
 - **Option 1 :** Instruments that address the viability of mitigation and adaptation projects.
 - **Option 2 :** Instruments that address key risks of the financing cycle.
 - **Option 3:** Instruments that decrease the cost of capital.
 - **Option 4 :** The Board should consider allowing flexibility of the types of instruments that may be employed by the Fund.
- The use of instruments will depend on the type of intermediaries and access modalities through which the Fund will deploy resources.

Business Model Framework

Private Sector Facility

- **Governing Instruments:** The PSF will directly and indirectly finance private sector mitigation and adaptation activities at the national, regional and international level
- Emerging Ideas for Board Discussion:
- **Option 1:** To structure the PSF as a separate business unit with its own management – Key Features:
 - - The PSF CEO would report directly to the board.
 - - The PSF would have its own decision making body that will approve PSF projects and programmes.
 - - A separate PSF Accreditation Committee.
- **Option 2:** The PSF is a separate business unit of the GCF but is fully integrated in the GCF management structure – Key features:
 - - PSF CEO reports to the GCF ED.
 - - Approval of PSF projects and programmes would be by GCF Board only.
 - - Accreditation of PSF partner private sector intermediaries would be by the GCF Accreditation Committee.
- Delivery of PSF Resources – working through FI partners.

Business Model Framework

Access Modalities

- **Governing Instruments:** To be done through national, regional and international implementing entities accredited by the Board.

Emerging Ideas for Board Discussion:

- Need to consider the various ways developing countries can access resources from the GCF using the following three (3) long-term models:
 - **Enhanced Access Model** – enhance direct access, and enhanced international access.
 - **Mixed Access Model** – ordinary international access, and ordinary direct access.
 - **Full Access Model** – composed of the components above.
- Linked to access is accreditation, options for the board are:
 - Automatic but conditional and time bound accreditation of implementing entities.
 - Automatic but conditional and time bound accreditation of funding entities.
 - Establishment of an accreditation process with uniform best practice criteria for all institutions to be accredited (prefer this option).
 - Establishment of an accreditation process with differentiated best practice criteria for different types of institutions to be accredited.

Business Model Framework

Country Ownership

- **Governing Instruments:** The Fund will provide simplified and improved access to funding, including direct access, basing its activities on a **country-driven approach**

Emerging Ideas for Board Discussion:

- Option 1: **Use of a centralized basic model** – a basic platform to expedite viable funding request. The NDA acts as a central clearing house of proposals and is located in government – ***The AF uses this structure.***
- Option 2: **Use of a decentralized expanded model** – the NDA has or delegates authority to coordinate funding request around a national strategy through committee structures with stakeholder involvement – ***The CIF uses this structure.***
- Consideration could be given to using both options within the GCF.
- How to ensure country ownership in relation to IEs with optimized effects? – short term and long term options.

GCF Readiness Activities

- ✓ **Governing Instruments:** The Fund will provide resources for readiness and preparatory activities and technical assistance,
- ✓ Support enhancing national/regional capacity including institutional (planning, monitoring, reporting implementation) and financial engineering capacity (attract and blend various sources).
- ✓ Support to access directly and indirectly to climate finance/GCF (accreditation process, meeting standards).
- ✓ Assist in developing national project pipelines of bankable projects, plans and strategies (NAMAs, NAPs, LEDS).
- ✓ Facilitate the engagement of the private sector (domestic and international) through enhanced enabling environment and policy frameworks.
- ✓ **Readiness support should be needs-driven, flexible and responsive to different needs and circumstances, it should build lasting capacity.**
- ✓ **Should help build ownership at regional, national and local levels.**
- ✓ **Contribute to make the GCF transformational by assisting emergence of high impact projects.**

Opportunities for the Caribbean



What Are The Opportunities?

- The GCF can address the cost of inactions, which is estimated at \$22.0 billion by 2050 (*SPCR 2012 Report*), by becoming an important new source of funding for climate activities within the region.
- The feature of direct access provides the opportunity for countries to avoid previous barriers and directly interface with the Fund or through regional entities such as the CDB, once agencies are accredited.
- The PSF must be seen as an opportunity for the regional private sector, by itself or in partnership with government, to leverage funding for low carbon technologies and other climate resilient activities (agriculture, energy etc.)
- The fact that the Fund will at first operate using grants and concessionary loans will benefit countries focused heavily on adaptation and those with debt problems.



What Are The Opportunities?

- The Region can benefit from readiness funding and activities to be considered by the GCF Board - **the focus for countries should be on building the capacity to access and deliver funding effectively and efficiently (*working with CDB and Germany to have a regional workshop as part of a structured work programme on climate finance readiness for the Caribbean*)**.
- Opportunity to further mainstream climate actions into national planning and to focus on developing project oriented national climate strategies and development plans – **a strong need for bankable projects (*establish a portfolio of such projects*) that will attract GCF Funding** .
- The regional development agencies have an opportunity to play an important role in helping countries to prepare for when the Fund becomes operational .
- Overtime regional windows could be created which would ensure dedicated funding for countries.

THANK YOU