Heinrich Böll Foundation North America Washington Office
1638 R Street, NW, Suite 120 Washington, DC 20009, USA
P +1 (202) 462-7512 F +1 (202) 462-5230 I www.boell.org E info@boell.org

Statement by Liane Schalatek, Associate Director, Heinrich Böll Foundation North America during the Workshop on Best Practices, July 12, 2011

Second Meeting of the Transitional Committee, Tokyo/Japan

Thank you to the government of Japan for hosting us here and to the organizing TC members, especially Mr. Khan and Mr. Federgren, and the TC Secretariat for giving me the opportunity to provide some commentaries today on this panel. My name is Liane Schalatek; I am associate Director of the Washington office of the Heinrich Böll Foundation (www.boell.org), a German non-profit political foundation with 28 offices worldwide, most in developing countries. The Foundation works on democracy, sustainable development, mainly climate and energy issues, and has a strong gender equality focus.

We members from civil society participating in this panel were asked to detail our experiences with existing funds with respect to governance structure, business model and access modalities. In my remarks, I want to focus mostly on some select governance and access questions with respect to three primary issues:

- Direct access – and its importance as access modality
- Gender as a cross-cutting issue and its current lack of being addressed systematically in various funds and the chance we see for the Green Climate Fund
- Need for Independent accountability mechanisms, including grievance or redress mechanism

Some Overarching Concerns

Before doing so, however, I would be amiss – in being one of the few civil society members asked to speak here – if I were not to note a few overarching concerns with respect to the operationalization of the Green Climate Fund, shared by many civil society observers of this process around the world.

First, the Fund is supposed to be transformation. While the lessons of development finance should not be overlooked, the Fund cannot be based on a development finance understanding of a relationship between donor and recipient countries. Ultimately, we are talking about the fulfillment of financing obligations – public funding – by the developed countries in predictable, sustainable, new and additional finance contributions to the Fund. Thus, the core of funding for the GCF must be public funding as assessed budgetary contributions and through innovative financing mechanisms. Private sector finance cannot

be more than a complement, not a substitute for sustained and predictable public sector finance commitments.

Second, with public funding for low-carbon, climate-resilient, gender-equitable development so scarce, it is even more important that we utilize our development and climate financing coherently, not funding at cross-purposes. Thus, it is a problem if the World Bank and the Multilateral Development Banks, important actors in climate finance – and a comparison of the endowment of multilateral climate financing instruments shows that they are currently the best-funded ones – continue to also finance business-as-usual fossil-fuel based extraction and energy projects.

Lastly, some civil society concerns remain with the role of the WB as the interim trustee of the GCF, especially with respect to a potential conflict of interest with its role as a future implementer for GCF funding.

It is important to recall why this workshop is being held. We are looking at existing practices – the good and the bad – in order to allow the Green Climate Fund to be transformational not just in what it funds and with how much – the scaled up financing we need for programmatic, sector-wide climate action in developing countries – but also in how it funds – its access modalities, participation, transparency and accountability frameworks. At the bare minimum, the Green Climate Fund needs to match best practice experiences from existing funding instruments and not fall behind existing practices in what the members of the TC decide. And of course, the new Green Climate Fund must do better than that by setting new best practice standards in these and other areas for international climate financing.

Direct Access

The Adaptation Fund has an established direct access modality for which parties, meaning countries, are eligible. This improves country-ownership – a key principle of development aid effectiveness as agreed to by the international community in the Paris Declaration and the Accra Agenda. However, without in country civil society and stakeholder participation, country ownership cannot be achieved. The AF gives a designated national implementing entity (NIE), which is accredited with the AF, the possibility to access funds directly. Civil society organizations cannot access the AF directly, but can be executing entities. The short track record of the AF with direct access does not detract from its utility. Rather, it points to the need to build the capacity of governments and in-country entities to utilize direct access by providing funding for this purpose as part of the funding mandate of a climate finance mechanism (which the AF is not allowed to do).[1]

In contrast, the Global Fund to Fight AIDS, Tuberculosis and Malaria (Global Fund) allows NGOs to be part of the Country Coordinating Mechanism (CCM) allocating the funding within a recipient country; civil society organizations and the private sector can be principal recipients, as long as they meet agreed fiduciary standards. The Global Fund has also developed methods of direct access to at-risk severely marginalized groups and civil society organizations, for example sexual minorities, which do not require involvement of Country Coordinating Mechanisms (CCMs).

[1] http://www.boell.org/downloads/ThirdCF_Brief_AFandDirectAccess_Boell-ODI.pdf

Most multilateral climate financing is disbursed through multilateral implementing entities, primarily MDBs and UN agencies, which has benefits, especially for countries lacking the right institutional capacity, but can be quite costly (implementing fees of around 8 -10 percent of total funding costs) and also lengthens and complicates the funding cycle.

There is precedence and best practice of existing climate financing instruments in allowing non-state sub-national actors direct access to funding: the Amazon Fund and the MDG Achievement Environmental Window have that possibility; some of the bilateral climate financing initiatives, such as the German International Climate Initiative (ICI), accept funding proposals directly from non-state actors, including civil society groups and disburse funding directly to them

We therefore recommend that for the GCF, direct access should be the primary access modality. Recipients should not be only a single country-designated body, but should be extended to include sub-national actors as recipient, including local governments and civil society groups to be independently accredited by the GCF. For civil society groups and local communities, including women and gender rights groups, direct access could be streamlined and expedited via template approaches; one should also consider the aggregation or bundling of several smaller project proposals into a larger sum country-wide or even regional proposal for the purpose of direct access.

Gender Equality as a Cross-Cutting Issue

Gender considerations are currently not systematically addressed in existing climate financing instruments; where gender appears, it is in bits and pieces. Probably the main reason for that is that gender was not integrated into the design and the operationalization of these financing mechanisms from the very outset – as is the case for the World Bank's Climate Investment Funds (CIFs) as well as for the Least Developed Countries Fund (LDCF) or the Special Climate Change Fund (SCCF) administered by the Global Environment Facility, and even the Adaptation Fund, which only started project funding last year. This is where the Green Climate Fund, currently designed by the 40 members of the Transitional Committee, has a chance to do better: It has an opportunity to be truly transformative and distinguish itself from existing funds by being the first to integrate a gender perspective from the outset. Gender as a cross-cutting issue must guide the discussions about the scope, the governance and operational guidelines of the Green Climate Fund in the Transitional Committee.

Gender awareness and some gender guidelines are not completely absent from some of the climate financing instruments, nor should they. For example, the World Bank and the regional multilateral development banks implementing the Climate Investment Funds (CIFs) have gender policies on the book for their development financing operations. The World Bank, for example, has a gender mainstreaming mandate[2]. The development banks also have accumulated evidence from development practice over the years that gender equality

[2] http://web.worldbank.org/WBSITE/EXTERNAL/TOPICS/EXTGENDER/0,,contentMDK:20167522~menuPK:489177~pagePK:148956~piPK:216618~theSitePK:336868,00.html

increases the effectiveness of their development funding. A recent report of the World Bank's Independent Evaluation Group[3] has made that point. But gender is not integrated into any of the operations of the Clean Technology Fund, which finances large-scale mitigation objects in emerging market economies and accounts for roughly 70 percent of the total CIFs funding portfolio of US$ 6.5 billion pledged. In the World Bank's Pilot Program on Climate Resilience (PPCR), the vehicle funding programmatic adaptation portfolios in a few select developing countries, gender is not part of the PPCR's operational principles; although some pilot countries phase I proposals have included some gender dimensions in their plans. In the Scaling-Up Renewable Energy Program in Low-Income Countries (SREP), the newest of the CIFs, the suggested structure of the investment plans requests information about "environmental, social and gender co-benefits" and asks for social co-benefits to include "greater involvement and empowerment of women and other vulnerable groups."

At the Kyoto Protocol Adaptation Fund, project proposals unevenly include some gender analysis; but it is not yet mandatory or a strong consideration for the project approval and subsumed under a vulnerability focus. Hopefully, this will change with the current review and further elaboration of the AF's operational guidelines. For the Least Developed Countries Fund (LDCF) under the Global Environment Facility (GEF) lastly, which is supposed to fund and implement National Adaptation Programmes of Action (NAPAs), gender is so far not an obligatory decision criteria for project review and approval. Acting on the prodding the GEF received during its latest replenishment cycle by some Northern contributor countries to mainstream gender into its operations, the GEF is working to improve and implement its own social safeguards and gender mainstreaming policy[4]. This is bitterly necessary: so far, only roughly a third of the NAPAs include gender analysis or gender indicators[5]. Women's participation in their development has been likewise uneven, despite clear guidance by the UNFCCC. And most of the handful of NAPA implementation projects funded under the LDCF lack the gender component entirely.[6]

However, it is possible to include gender systematically and effectively in a global financing mechanism devoted to developing country actions for a global public good, such as climate stabilization undoubtedly is. Some "better practice" examples do exist. Both, the Global Fund to Fight Aids, Tuberculosis and Malaria (Global Fund) and the Global Alliance for Vaccines and Immunizations (GAVI) have had either a gender action plan or a detailed gender policy on the book since 2008.[7] In addition, they have a "gender infrastructure" on both funds: a Gender Working Group in the case of GAVI, which includes representatives from all Secretariat teams; in the case of the Global Fund, there are several full time gender advisors as well gender experts on the monitoring, evaluation, legal advisory and civil society outreach teams.

But a formal gender policy or a gender action plan for a climate financing instrument in itself is not enough. Equally important is the systematic integration of gender equality in a fund's governance structure as well in its public participation mechanisms. For example, while of the existing multilateral climate funds the AF is the most representative in terms of countries' inclusion (with a majority of seats for developing countries and a dedicated board

[3] http://siteresources.worldbank.org/GENDEREXT/Resources/Gender_eval.pdf.
[4] http://www.thegef.org/gef/sites/thegef.org/files/documents/C.40.10.Rev_1.GEF_Policies_on_Safeguards
[5] http://www.gender-climate.org/pdfs/climateconnections_4_napas.pdf
[6] http://www.boell.org/downloads/HBF_LCDF_Gender_formatted.pdf
[7] http://www.gavialliance.org/library/gavi-documents/policies/gavi-alliance-gender-policy

seat each for Least Developed Countries and Small Island Developing Countries), none of the multilateral climate funds seeks a gender-balance on the board. Also, most don't allow for an active participation of members of civil society in the respective fund's board either. Although even there, "best practice" precedent exists: the statutes of the Amazon Fund, the Congo Basin Forest Fund and the UN-REDD Programme allow for representatives of relevant stakeholder groups to be voting members of the fund's decision-making body. While not going this far, on some climate funds, for example the CIFs, civil society representatives as active observers at least have the right to take the floor, add agenda items and recommend outside experts for consideration by a fund board. At the CIFs, special representation is accorded in the CIFs to Indigenous Peoples with a separate seat that is not counted toward the overall civil society quota. Women deserve no less.

Gender advocates are therefore putting forward some key recommendations to the Transitional Committee to ensure that gender is adequately considered in the ongoing deliberations on the design of the future Green Climate Fund. Gender is relevant for all of the four working groups of the TC. It truly has to be a cross-cutting issue and one of the guiding principles informing all of the TC's work, which is currently moving from scoping input to drafting options for adaption by COP17 in Durban later this fall. Among the most important gender equality considerations for the new Fund:

- **Gender-responsive funding guidelines and criteria** should be developed for each of the proposed thematic funding windows
- **Funding Windows:** The GCF Board, by retaining the flexibility and capacity to add new funding windows, sub-windows or focal areas, should consider gender equality as focal area or a special women's sub-fund.
- **Explicit gender criteria** must be included in ex ante performance objectives and criteria to evaluate funding options under the GCF. Criteria should include a mandatory gender analysis of the proposed project or program, a gender budget and some clear indicators which measure how funded projects and programs contribute to gender equality objectives
- **Gender-balance in all decision-making bodies** should be guaranteed, including the GCF Board and possible sub-boards for individual funding windows. In addition to gender balance, the GCF board must include gender experts. Members of civil society, including representatives of gender equality organizations and women groups, should be given opportunities for active participation in the work of the GCF Board and all of its sub-Boards, ideally as voting members. Active CSO observers should include gender experts and/or women's organizations.
- **The GCF Secretariat must include gender expertise**. This is important to ensure that gender equality principles are considered in program and project review and the monitoring, reporting, verification and evaluation of the funding portfolio, which are among the suggested functions for the GCF Secretariat.
- The **input and participation of women as stakeholders and beneficiaries** must be guaranteed at each level and step (decision-making, program/project implementation) ex ante, ongoing and ex post**.**

- The GCF must include a **regular gender-audit of its funding allocation** in its overview and reporting in order to ensure a balanced (between mitigation and adaptation) and gender-responsive delivery.

Need for a Redress Mechanism in addition to Independent Evaluation and Monitoring

Currently none of the climate funding instruments has a functional independent accountability and redress mechanism, although the World Bank and the MDBs who administer and implement the CIF, do. As the CIFs are supposed to follow existing World Bank and MDB environmental and social safeguards, it would be only consistent to allow for the jurisdiction of existing World Bank and MDB accountability and redress mechanisms over CIF financing. However, it is not clear if a group or individuals adversely affected (or, for example, in the case of marginalized groups, actively discriminated against) by CIF funding could file a claim with the various existing mechanisms.

In addition to the Inspection Panel at the World Bank, the Asian Development Bank, the Inter-American Development Bank, the African Development Bank and the European Bank for Reconstruction and Development have each a similar mechanism – a necessary complement to their respective safeguard policies. The International Finance Corporation, the World Bank's private sector arm, in dealing with private sector engagement and resulting conflict with local communities has an Ombudsman fulfilling also a mediating role in addition to the compliance function.[8] The Global Environment Facility has its own Independent Evaluation Office, but no redress procedure.

With respect to development finance, there is evidence that the existence of independence accountability and redress mechanisms has increased finance effectiveness and advanced institutional learning. The Green Climate Fund should therefore at a minimum follow and ideally surpass best practice for existing multilateral financial institutions, most of which will be in all likelihood important multilateral implementing agencies for the GCF. In addition to ensuring a compliance function via independent monitoring and evaluation, it should establish also independent accountability mechanism which includes effective grievance procedures for the public to raise concerns and seek redress. An independent look at the performance of the fund and whether it complied with its own operational policies and guidelines, particularly social and environmental guidelines, is necessary to ensure accountability of the Fund to the people which are ultimately supposed to profit from GCF funding. The TC could draw on the experiences of the MDBs but also some Export Credit Agencies and bilateral development banks in the design of its own mechanism. Such a body would increase the legitimacy of and support for the new Green Climate Fund in recipient countries. It would also establish the Fund as a "learning institution".

Contact:
Liane Schalatek, liane.schalatek@us.boell.org
Heinrich Böll Foundation North America (www.boell.org)

[8] For a comparative study by Prof. Daniel Bradlow (American University – Washington College of Law) of IFI International Accountability Mechanisms, see: http://papers.ssrn.com/sol3/papers.cfm?abstract_id=713502##