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Accessing Green Climate Fund (GCF) for Vulnerable Countries like Bangladesh: Governance Challenges and Way Forward

Executive Summary

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Accessing Green Climate Fund (GCF) for Vulnerable Countries like Bangladesh: Governance Challenges and Way Forward

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1. Background of the Study

The Green Climate Fund (GCF) is the funding mechanism under the United Nations Framework Convention on Climate Change (UNFCCC). It is the world's largest climate fund established to finance the implementation of the objectives of the Paris Agreement on Climate Change. The GCF provides support to developing countries to implement low-emission and climate-resilient activities to achieve the Nationally Determined Contribution (NDC) targets. In 2009, developed countries committed to provide USD 100 billion climate finance per year by 2020 for climate action in developing countries in a transparent manner. The goal was reiterated in the Paris Climate Conference in 2015 with provision of providing the finance. Notably, developing countries require annual USD 1,300 billion climate finance until 2030 to address the climate crisis. Developed countries never fulfilled the target of providing yearly USD 100 billion and the amount provided so far is extremely insufficient compared to the need of developing countries.

Goal 13.a of the United Nations Sustainable Development Goals (SDGs) have emphasized the importance of taking measures to mobilise USD 100 billion annually from the developed countries and fully operationalise the GCF. To reinforce support for the developing countries, GCF has emphasised providing climate finance by accrediting and increasing the number of Direct Access Entities (DAE). Meanwhile, the GCF declared to increase its fund mobilisation from USD 17 billion to USD 50 billion by 2030. Besides, various reforms to the fund have been announced, including increasing financial support to vulnerable countries, ensuring private sector participation and investment, reinventing the accreditation process, and speeding-up project approvals and fund disbursements.

Notably, a total of 121 entities have been accredited by GCF for implementing projects until December 2023. Among these, there are 63 National Access Entities (DAE-National), while Regional Access Entities (DAE-Regional) and International Accredited Entities (IAEs) are 14 and 44, respectively. During 2015 to 2023, the GCF has approved USD 13.5 billion in 243 projects, whereas the disbursed amount is only USD 3.8 billion indicating poor delivery of GCF to meet the urgent need for adaptation and mitigation.

Despite some improvement, GCF stakeholders are concerned that accessing finance from the GCF is cumbersome due to the complex and lengthy process of entity accreditation, project approval, and fund disbursement. Moreover, GCF policies emphasize the transparency, accountability, efficiency, stakeholder participation, and integrity of its activities; however, the implementation of these policies still needs improvement. Some studies have discussed challenges related to the GCF accreditation, project approval, and fund disbursement process but there is a need of comprehensive research on good governance in the Funds' operation.

TIB has conducted number of research on national and international climate funds along with advocacy initiatives on GCF at national and global levels. The studies revealed significant governance challenges in climate funds, projects and activities in Bangladesh. In line with TIB's previous researches and advocacy activities, this study explores the comprehensive governance challenges of developing countries' access to GCF funds with special reference to Bangladesh.

2. Objectives of the Study

The main objective of this study is to review the governance process in accessing GCF funds of vulnerable developing countries like Bangladesh. The specific objectives are:

- To analyse the GCF policy framework for accreditation and funding for national and international entities;
- To identify the challenges of accessing GCF fund; and
- To provide recommendations based on research findings.

3. Research Methods

This study deployed a mixed-method research approach. Both qualitative and quantitative methods were used for data collection and analysis. Data were collected from both primary and secondary sources. The methods and sources of data are presented in the following table.

Table 1: Sources of information

Data Collection Method	Source of Information
Key Informant Interviews (23 respondents)	Concerned officials of the National Designated Authority (NDA), Direct Access Entity (DAE-National), International Accredited Entities (IAE), Implementing Partner Institution (IP), and Potential DAE; representatives from the 'Active Observer', Indigenous advisory group and representatives from civil society members; journalist and experts on climate finance, etc.
Institutions Survey	**Primary Data:** Survey questionnaires were sent to 121 accredited entities, but only 15 responded. As the number of responses was insignificant, data from the responses was not considered for further analysis.
Compilation of GCF data	**Secondary Data:** Collection and analysis of data available in GCF website (up to December 15, 2023) ▪ Collect and analyse data of 154 GCF-eligible countries and 129 project recipient countries. ▪ Collect and analyse data of 121 accredited entities. ▪ Collect and analyse data of 243 GCF-approved projects.
Review and analysis	GCF reports; relevant research documents, articles published in journals; reports and news published in national and international medias; relevant reports of public and private organisations; project proposals; information on GCF available in websites of various national and international organisations, including GCF.

Timeline of the study: The study is conducted during January 2023 to May 2024. Research-related data was also collected, compiled, verified, and analysed during the period.

4. Limitations of the Data Collection

The limitations of this study include insufficient data, non-cooperation of Accredited Entities (AEs) to provide interviews, and non-response and delays in providing critical information by GCF. Notably, TIB sent a formal letter and questionnaire to the GCF via email for interview and collect additional information for more clarity on various issues. However, the response and the provided information was not satisfacory.*

Besides, TIB communicated with AEs and sent an online survey questionnaire to learn about the GCF processes and score their experiences with regard to GCF issues. The questionnaire was sent to the email contacts of 121 entities. Despite several follow-up emails, only 15 Direct Access Entities (DAEs) participated in the survey which is insufficient for credible statistical analysis. Therefore, the survey responses were not used in this report.

5. Analytical Framework

The GCF's governance challenges have been assessed in four stages (priority, access, delivery, and monitoring). Each stage was analysed using six indicators of good governance (efficiency, transparency, accountability, coherence, integrity, and participation). The analytical framework, based on the governance indicators, is presented in the following table.

Table 2: Analytical framework based on the indicators of governance (based on stages)

Stages of GCF fund	Indicator
Priority	Balance between adaptation and mitigation funding; country ownership; fund allocation in private sector; funding through DAEs; stakeholders engagement in accreditation process and project planning; coherence and coordination in accreditation and prioritisation of projects; prioritise adaptation
Access	GCF's accreditation process; accreditation challenges; project approval process; financing challenges; co-financing challenges; entity-based project approval; 'single country' projects; fund mobilisation by GCF
Deliver	Allocation of fund for national DAEs and IAEs; loan in financing; co-financing; time required for fund disbursement
Monitor	Disclosure of information at project implementation area; project monitoring; grievance redress mechanism; performance and evaluation of projects.

Analysis based on six governance indicators

- Efficiency
- Transparency
- Accountability
- Coherence
- Integrity
- Participation

*Acknowledging the receipt of the mail, GCF indicated a delay in sending the answers. TIB agreed to receive the information within a new deadline, which GCF did not comply with either. After crossing the new deadline, TIB sent a reminder mail requesting a response, and this time, GCF provided another deadline for sending the information. After a two-month delay, GCF provided the answers in brief without adding any major new information, providing the GCF web links to information that had already been analysed. Subsequently, the research team again emailed GCF with a set of follow-up questions to seek additional information for more clarity. This time, GCF did not acknowledge the receipt of the mail or respond to it.

6. Study Findings

6.1. Governance Challenges in Prioritisation Stage

6.1.1. GCF's non-compliance in fund allocation

The GCF does not follow its own determined policy of fund allocation for adaptation and mitigation. GCF came to operation in 2015 with an aim to deliver a 50:50 balance between mitigation and adaptation allocations. However, the stipulated ratio of 50:50 allocations has yet to be achieved. The allocation for adaptation stands at 44 per cent, while the allocation for mitigation is 56 per cent representing a higher allocation for mitigation than adaptation. Though the allocation for adaptation themes stands at 5.9 billion, a considerable portion of the adaptation financing is channelled through cross-cutting projects, where theme-wise fund allocation is also not disclosed transparently. USD 3.5 billion (25.8 per cent) has been approved solely for adaptation projects, excluding the cross-cutting funding.

6.1.2. GCF's failure to bring countries under adaptation

GCF activities have not reached all GCF-eligible countries. For instance, 25 (16.2 per cent) out of 154 GCF-eligible countries, have not received projects from the GCF. In the Asia-Pacific region, 14 of 55 eligible countries have not received project. Besides, eight out of 96 GCF's strategically prioritized 'particularly vulnerable' countries have not yet received any project.

The GCF has not covered most of the climate vulnerable countries with regard to adaptation financing. Although there is a portfolio target to allocate at least 50 per cent of adaptation funds for vulnerable countries, including Small Island Developing States (SIDs), Least Developed Countries (LDCs), and African states, the GCF is yet to allocate adaptation finance in 42 'particularly vulnerable' countries. Adaptation funding for the remaining vulnerable countries has been mobilised through a few specific IAEs, whereas the DAEs have not been prioritised. Moreover, GCF has no plan to adopt a policy to create a new priority group for climate-vulnerable countries that graduate from the least developed category.

6.1.4. GCF's deficit in ensuring 'country ownership'

GCF applied 'country ownership' as a flexible approach where the country-context-specific principle is taken throughout the project cycle. However, GCF does not specify a comprehensive definition of country ownership, and its policy fails to explain the concept adequately. Besides, the scope and activities related to country ownership remain unclear. The lack of clarity and effective planning in the GCF country ownership policy hinders active participation and leadership of vulnerable countries in preparing projects and receiving GCF funds. According to the policy of country ownership, the GCF and vulnerable countries are supposed to bear shared responsibilities in addressing adverse impact of climate change. However, due to insufficient policies and the absence of practical guideline for effectively implementing this approach, the GCF is compromising its responsibilities in ensuring country ownership.

6.1.5. Capacity deficiencies of NDAs/ Focal Points

The Nationally Designated Authority (NDA) serves as the main interface and focal point for communication between the country and the GCF. It provides leadership for fundraising from the GCF consistent with country policies, plans and strategies. However, six countries (3.9 per cent) do not have NDAs out of 154 GCF-eligible countries, resulting in limited GCF activities within these countries. The GCF has no explanation for the absence of NDAs in these countries.

National entities are needed to be nominated by the NDA to apply for GCF accreditation. To ensure country ownership, the NDA has been authourised to nominate qualified and efficient entities aligning with the national priorities on climate change, policies, strategies, and targets. Opposite to this obligation, in some cases, the NDA nominates entities that are more likely to be accredited by GCF without considering the country's long-term climate-related goals and strategies. Moreover, GCF has no clear guideline or policies for the NDA with indicators or criteria to consider for the nomination. Besides, GCF policy does not specify the maximum number of DAEs from a country or how many entities are needed to secure necessary finance to meet the country's needs and ensure country ownership.

6.1.6. GCF's lack in ensuring stakeholder engagement

GCF has policies to ensure the meaningful participation of relevant stakeholders at international, national, and local levels in board meeting discussions and consultations, including accreditation and project approval process. However, there is a lack of effective and meaningful engagement of stakeholders. 'Active observer' needs funding to participate in the GCF Board meeting. In some cases, the active observer organisations can not send their representative to the Board meetings due to lack of funds. Besides, observers invited on short notice, sometimes could not attend the meeting due to delayed visa approval for traveling. The influence of the active observer in making or changing any board decisions and policies is very minimal. There are guidelines to ensure the effective involvement of indigenous people in the planning and implementing projects, inform them fully, and consider their recommendations. However, these guidelines are not properly followed. For instance, the local and indigenous people were not meaningfully consulted during the project design phase. It is noteworthy that more than 40 per cent of funding proposals' of the accredited entities did not consult with relevant stakeholders in project preparation stages. However, GCF had approved such projects.

6.1.7. Deficits to achieving the private sector allocation targets

According to the GCF's Updated Strategic Plan (2020–2023), the allocation target through the 'Private Sector Facility' was set to exceed 20 per cent, but only 17 per cent has been achieved during this period. Due to a lack of guidance from the GCF board and an inadequate strategy for the private sector approach, this target has not been achieved.

6.1.8. Lack of engagement in private sector

One of the strategic objectives of the GCF is to involve the private sector in developing countries, with a particular focus on engaging local institutions, small and medium-sized enterprises, and local financial intermediaries in project implementation. However, the GCF's policy to encourage private-sector financing has been partially implemented. As a result, the private sector is less interested in implementing GCF's projects. The private sector organisations are more interested in implementing business friendly mitigation projects than adaptation projects. This is one of the reasons that hinders achieving the target 50:50 balance between adaptation and mitigation.

6.1.9 Insufficient 'readiness supports' by GCF

GCF has provided support under the 'Readiness and Preparatory Support Programme (RPSP)' to increase country ownership by strengthening the capacity of the NDA. The supports are to enhance NDAs capacity to understand the priority needs, formulate strategies, and increase the accreditation of DAEs. However, this support is insufficient compared to the actual needs. According to the GCF data, 12 countries (7.8 per cent) have not received any RPSP grant.

However, nearly three-quarters (74.7 per cent) of countries have no country programme. In absence of the country programme, GCF activities in these countries do not fully align with national strategic goals and priorities. Although the GCF provides RPSP grants aiming to prepare country programme, 15.6 per cent of countries yet to receive this funding support. GCF's programme and activities are intending to support national climate plans and strategies under the country programme. However, GCF has no such strategic investment plan to implement the activities.

6.1.10. GCF failure to increase funding to DAEs

According to the GCF's strategic plan (2020-2023), a 'significant increase' in fund channeling target was set through DAEs. Therefore, channelling GCF funds and resources through the DAEs is one of the important criteria to ensure the country ownership. However, only 19 per cent of its funds have been channeled through DAEs since GCF's inception in 2015, while the rest of the fund have been channelled through IAEs. The share of funding channelled through DAEs has only increased from 14 per cent to 19 per cent during 2020-2023.

6.2. Governance Challenges in Access Stage

6.2.1. GCF failure to accreditation DEA's in GCF-eligible countries

GCF-eligible countries need to have DAEs to effectively access GCF funding ensuring country ownership. However, GCF has failed to provide sufficient support to countries for DEA accreditation. Notably, 68.8 per cent of GCF-eligible countries do not have DAEs in absence of readiness support from GCF to prepare for DAE accreditation. Besides, 61.7 per cent of the eligible countries have not received RPSP grants to capacitate and/or establish DAEs.

Due to unavailability of the DAEs in most of the GCF-eligible countries, IAEs are given more priority in allocation of projects, limiting the effectiveness of the country-driven approach. Notably, IAEs are implementing projects in 97.7 per cent of the countries, while national entities are implementing projects in 16.3 per cent countries.

6.2.2. Dominance of IAEs in GCF project implementation

GCF is supposed to pursue a country-driven approach and promote and strengthen engagement at the country level through effectively involving NDAs, national institutions and relevant stakeholders. Besides, GCF is liable to support DAEs in designing and implementing appropriate projects and programmes to strengthen the country ownership. Besides, vulnerable countries are supposed to formulate and implement the projects based on their needs. In many cases, projects of IAEs are formulated and implemented without taking into account of the vulnerable countries' needs. However, GCF approves such projects too. Notably, 77 per cent of the GCF projects are implemented by IAEs, while national entities implement only 13 per cent.

GCF approves more projects for IAEs over national and regional DAEs considering the average number of approved projects. GCF approves an average of 6.8 projects for IAEs. Notably, UNDP has received the highest number of 38 projects from GCF. However, national DAEs have received an average of only 1.6 projects and regional entities have received an average of 2.5 projects. IAEs have a higher probability of receiving project from GCF compared to DAEs. Overall, as per odds ratio estimates the probability of receiving project approval for IAEs is 2.5 times higher than DAEs.

In terms of comparison between Accredited Entities, it is identified that 39.0 per cent DAEs received at least one projects (national and regional) whereas 61.4 per cent IAEs received at least one project, indicating higher access of IAEs in GCF.

6.2.3. Reduced scope and opportunity of contribution by DAEs

Overall, IAEs are implementing higher number of projects than DAEs. Due to GCF failure to ensure equity and justice in approval of projects within Accredited Entities, DAEs has reduced access to GCF, negatively affecting their scope to gain knowledge and experience in implementing GCF projects, alongside losing the opportunity to strengthen their institutional capacity to implement country needs and priorities.

6.2.4. Unequal competitions in accessing GCF fund

There is an uneven competition between DAEs and IAEs in the accreditation and approval of projects. The GCF prioritises approving innovative projects in a competitive manner to access limited GCF resources. Therefore, new DAEs need to compete with IAEs like UNDP and the World Bank, which have global exposure and experience in the climate field. An environment of uneven and unhealthy competition prevails in GCF between DAEs and IAEs in absence of level playing field. Such competition does not comply the GCF principle of providing developing country ownership and bringing transformative change by implementing country-lead climate actions. While potential DAEs struggle to get accreditation, IAEs remained focused on preparing and implementing projects. Utilising the project funds and resources, IAEs have increased their institutional capacity, including financial, technical, and human resources for GCF implementation. As a result, IAEs become dominant players in GCF instead of DAEs.

The GCF has a ‘zero tolerance’ policy against corruption and follows stringent criteria for accreditation. GCF heavily scrutinises potential DAEs during accreditation to comply with relevant policies and guidelines. Consequently, fewer potential organisations received DAE accreditation. It enabled GCF to implement more projects in developing countries through IAEs with the pretext of not having sufficient DAEs due to fiduciary risks, lack of institutional capacity and prevalence of corruption among others. However, GCF does not apply similar stringent approaches against large IAEs such as UNDP, which have controversially been reaccredited in GCF, leaving the allegations of corruption unresolved in GCF projects (e.g., Samoa and Armenia). Contrary to barring, UNDP has received the approval of highest number of 38 GCF projects.

6.2.5. Lengthy process of GCF accreditation

National DAEs required an average of 24 months from application to the GCF Board approval for accreditation, while regional DAEs and IAEs required 11 and 16 months respectively. Notably, DAEs need to prepare around 188 new documents, translate them into English as per GCF’s principles and guidelines, upgrade fiduciary standards, environmental and social safeguards, and gender policies. Preparing various documents fulfilling GCF’s requirements is a time consuming process. Potential DAEs, seeking accreditation, face challenges in changing their policy and practices, including the organisational and procedural structure to meet the GCF standards.

The GCF Secretariat has deficits in ensuring smooth communications with potential DAEs during the accreditation process. For instance, when applicants send an email to the GCF Secretariat for inquiries and requesting supports, they do not reply promptly. In some cases, they do not acknowledge the receipt of emails.

6.2.5. Delays in project approval

The stipulated time from funding proposal submission to GCF board approval is maximum 190 days. However, GCF took average 389 days, ranging from a minimum of 42 days to a maximum of 1945 days. Additional 199 days on average was required to complete the process by GCF. Notably, 79.8 per cent proposals took more than 190 days for approval.

The forms and formats used in approval process are critical, therefore, national DAEs need to hire high-paid consultants to understand and comply with the GCF's policies, guidelines and expectations. Financial and advisory services are provided to prepare funding proposals for DAEs under GCF's 'Project Preparation Facility (PPF)'. However, the preparation and approval process for availing the PPF facility is also time-consuming.

The fund spends excessive time from proposal receipt to board approval for the national and regional DAEs compared to IAEs. The average time required for national DAEs is 413 days, while IAEs and regional DAEs needs at 379 days and 433 days, respectively.

GCF spends more time to approve adaptation proposals from proposal receipt to board approval compared to mitigation and cross-cutting projects. The average time required for adaptation projects is 437 days, compared to 315 days for mitigation and 390 days for cross-cutting projects.

Particularly, the approval process for adaptation projects is lengthy due to unavailability of reliable data at country level, making the process more challenging for DAEs to present the rationale of projects. DAEs of developing countries inherently have less access to historical and reliable data on climate change. However, GCF emphasises providing such data during the project development phases instead of properly acknowledging the limitations, and DAEs need to provide the data in the prescribed format. It is time consuming to collect and articulate the data in the proposal to fulfil the requirements through a number of feedback sessions with GCF Secretariat. The lengthy project approval process creates a number of other challenges. For example, various changes occur in the proposed project areas, including changes in landscape, environment, climate and socio-economic condition of the project beneficiaries from the baseline scenario.

The average time from proposals receipt by GCF to project approval has increased by years. The time increased from 101 days to 573 days during 2015 to 2023. Some DAEs alleged that the GCF deliberately holds back the proposal due to having insufficient funds to award projects, resulting to increase the average approval time.

6.2.6. Undermining national DAEs

DAEs are undermined by GCF in terms of number of there prevalence in GCF-eligible countries. Besides, 62.52 per cent of the national DAEs possesses no approved project limiting their capacity to mobilise fund from GCF. Only 25.0 per cent countries have one approved project and 12.5 per cent countries have more than one approved project.

6.2.7. Less prioritisation of 'single-country' projects

'Single-country' projects are more closely aligned with national strategy and priorities. However, 31 per cent countries do not have single country project. 'Multi-country' project has number of challenges, such as country plans and polices are often bypassed in formulating such projects, resulting to undermine the country ownership. Nonetheless, such project has been prioritised in GCF. Notably, 87.6 per cent of countries have 'multi-country' projects while most of them are implemented by IAEs.

6.2.8. GCF's challenges to collect and replenish necessary climate finance

The GCF is unable to collect necessary climate finance, pledged by developed countries, during its fund raising conferences which is known as pledged/programming conference. Besides, developed countries provide less than the amount they pledged in GCF fund raising conferences. For example, the United States pledged USD three billion during Initial Resource Mobilization phase and finally provided only two billion falling short of one billion.

> ***GCF challenges in collecting climate finance***
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> *"As of now, as all contributions to GCF are voluntary and from Parties and Non-Parties to the Convention, such as other sovereign entities, regional governments, state and cities, the global political economy and individual contributor's political and fiscal situation could impact their contributions." -The Green Climate Fund (March 27, 2024).*

In 2009, developed countries pledged to provide USD 100 billion climate finance annually by 2020, but the specific portion of the global pledge to be channelled through GCF is not determined. Only 2-3% of the USD 100 billion has been channelled through GCF. Besides, developed countries has not increased their commitment and delivery in GCF. For instance, the pledged of developed countries in GCF has increased from USD 10.0 billion to USD 12.8 billion from first replenishment (2020-2023) to second replenishment (2024-2027), increasing USD 2.8 billion in four years. Only three additional countries with small pledge has been added in GCF.

Overall, with the increase of climate-related vulnerabilities, and loss and damages, the initiatives taken by GCF is also not sufficient against the need of developing countries. For example, GCF emphasises on project and programme related advocacy in Conference of the Parties (COP) meetings rather than building alliance to sensitise and put pressure on developed countries to mobilise a certain portion of climate finance through GCF.

6.3. Governance Challenges at the Fund Disbursement Stage

6.3.1. Disproportionate allocation for Accredited Entities (AEs)

GCF approved USD 13.5 billion for AEs in 243 projects during 2015 to 2023. Among them USD 1.1 billion is approved for national DAEs, followed by USD 10.8 billion and USD 1.6 billion for IAEs and regional DAEs respectively. The share of approved financing is disproportionately higher for IAEs compared to national and regional DAEs. Overall, 79.8 per cent of GCF finance is channelled through IAEs, whereas national DAEs account for only 8.0 per cent. Only five IAEs (UNDP, World Bank, EBRD, ADB, and IDB) have received 39.4 per cent (USD 5.3 billion) of the GCF's total approved project funds establishing their monopoly in GCF. Rest of the 22 IAEs received 40.4 per cent.

6.3.2. Mobilising insufficient climate finance through GCF

The contribution of GCF in eligible countries is insignificant considering the amount of finance mobilised to address the needs. Developing countries will require USD 215-387 billion annually by 2030 for adaptation only. Since 2015, GCF approved only USD 5.9 billion in adaptation which is insufficient compared to the needs of developing countries. Besides, GCF is not the primary or main source of climate finance in developing countries. Majority of the GCF-eligible countries (approximately 70 per cent) do not mention GCF as a potential source of climate finance in their Nationally Determined Contributions (NDCs).

Climate finance need vs delivery by GCF in vulnerable countries

Although the GCF is acclaimed to be the largest climate fund, it still represents only a small fraction of the overall climate finance in terms of delivery. The GCF delivered around 2.9 percent of the total finance for adaptation and approximately 0.7 percent of the total financing for mitigation in GCF eligible countries. -(The Independent Evaluation Unit, 2023).

6.3.3. GCF's failure to disburse fund in stipulated time

The process of disbursing funds for project is lengthy. GCF set the target of 180 days from the board approval to disbursement of the first installment of project fund. However, the average time elapsed in this case is 562 days, ranging from a minimum of 36 days to a maximum of 2324 days. Notably, 92.2 per cent of the project fund was not disbursed within the stipulated time.

6.3.4. GCF's delay in fund disbursement

The GCF approved USD 13.5 billion for 243 projects during 2015 to 2023, from where only USD 3.8 billion has been disbursed. It accounts for 28.1 per cent of the total GCF approval, indicating lengthy process and delay in fund disbursement. The delayed fund disbursement has consequently slowed the project implementation. Based on entity types, GCF took longest time from project approval to disbursement of first installment for regional DAEs. The average time required for regional DAEs for project approval to disbursement of first installment is 675 days, followed by IAEs for 560 days and national DAEs for 507 days, respectively. In this regard, GCF spent highest 584 days for mitigation projects, and 554 and 550 days for adaptation and cross-cutting projects, respectively.

6.3.5. Dominance of loan in GCF

According to the polluters-pay-principle, developed countries are supposed to provide grant-based climate finance to developing countries. However, GCF has prioratised providing loans to these climate vulnerable countries. Notably, 40.6 per cent of GCF's finance is provided as loans, followed by 41.6 per cent as grant. The loan recipient countries, who are already financially burdened due to climate change, have been under additional pressure to repay the GCF loans. GCF prefers providing loans over grants for financing projects in GCF-eligible countries. Notably more than half (56.2%) of GCF financing is loan while the grant amount is approximately one-fifth (19.5%) of the total financing. GCF loan recipient countries need to repay the loan with interest in foreign currency, resulting to increase the recipient countries' external debt burden and putting additional pressure on local currency as well as country economy.

Notably, 75.1 per cent loan, collected from co-financing sources, is given to regional DAEs. In co-finance, the proportion of loans for IAEs is 59.9 per cent, compared to 64.3 per cent for national DAEs. National and regional DAEs receive a higher proportion of loans than IAEs. The proportion of loans for national and regional DAEs is higher than that for IAEs. For instance, IAEs received 35.8 per cent loan, compared to 44.5 per cent and 69.7 per cent for national and regional DAEs, respectively. Despite being concessional loan with 0.75 per cent interest rate, overall interest rate reaches to approximately five per cent, including all charges for maintaining currency exchange rates, service fees, and guarantee fees etc.,. This rate is sometimes higher than that of multilateral money lending agencies.

6.4. Governance Challenges at Monitoring Stage

6.4.1. Deficits of transparency and accountability in project implementation

The GCF have not uploaded some project annual performance reports of 2022 in the website for ensuring the disclosure of information. Besides, project implementing entities do not disclose sufficient project-related information. The Executing Entities (EE) have lack of accountability and transparency in field level expenditures. Besides, GCF has no local or regional office to decentralize decision making process and monitor its operation. It has no resources at country level to monitor 129 the projects and its field level activities, implemented by number of implementing partners (IPs). The IPs are only reportable to AEs, raising the challenges of accountability and compliance in project implementation.

6.4.2. Limited engagement of National Designated Authority (NDAs) in project monitoring

NDAs provide a No Objection Certificate (NOC) to AEs with consent that project is aligned with national plans, strategies and priorities and allow AEs to operate within the country. Despite having significant responsibilities of monitoring and oversight, NDAs do not effectively monitor the implementation of projects in their respective countries. They do not also properly monitor the progress and outcomes of the projects.

6.4.3. Lack in GCF's grievance redress mechanism

The GCF Grievance Redress Mechanism (GRM) has weakness within the system and the system has been evolving. To avoid potential negative consequences, AEs are less likely to complain about the GCF Secretariat's lack of cooperation and delays in communication during accreditation, project approval, and fund disbursement process. Complaints made through third parties are also not taken seriously by GCF. In 2017, Transparency International Bangladesh (TIB) filed a complaint. GCF did not consider it as eligible case without proper investigation. Moreover, marginalised communities, women and indigenous communities cannot effectively communicate with the GCF to file grievance. The GRM is lengthy too.

Filing Complaints in GCF: The Bangladesh Experience

Bangladesh's 'Climate Resilient Infrastructure Mainstreaming' project was approved in 2015. After two years of approval, the fund was not disbursed. Consequently, the loss and damage in the project area increased due to delays in fund disbursement and project implementation. In this situation, in 2017, TIB filed a written complaint to the GCF on behalf of the Mayor and 427 residents of the Satkhira Municipality, asserting that the loss and damage in the project areas were increasing due to delayed fund disbursement. However, the GCF's 'Independent Redress Mechanism' declared that the complaint was ineligible, without proper investigation, despite the fact of increased loss and damages in the project areas due to the delay in project implementation. However, the fund was released consequent upon TIB's intervention.

6.4.4. Lack of stakeholder engagement

There are policies for the meaningful participation of indigenous communities to consult during the project preparation stage. However, local and indigenous people have limited engagement to provide feedback in performance, results, and project evaluation reports.

6.5. Challenges of Bangladesh in GCF Accessibility

6.5.1. GCF deficits in enhancing the capacity of NDA and national DAEs

There are no clear guidelines from GCF to nominate NDAs. Despite having eligible institutions, the government of Bangladesh nominated its preferred organisations as NDA. However, there is ambiguity and lack of understanding about the criteria to be used for nomination.

NDA is the interface between GCF and potential DAEs to facilitate the process of accessing GCF fund and providing technical supports to potential DAEs to be accredited. In 2018, Bangladesh shortlisted four government organisations for GCF accreditation under the Country Programme. These organisations are yet to be accredited despite passing five years. Several concept notes were also developed under the country programme, however, the funding proposals could not be submitted due to lack of GCF's cooperation. The GCF also does not assist the NDA to enhance its technical capacity to oversee GCF projects in Bangladesh.

6.5.2. Lack of cooperation from GCF Secretariat

The accreditation process of an organisations in Bangladesh was delayed by nearly two years due to insufficient cooperation from the GCF Secretariat. Potential DAEs have been forced to hire highly paid consultants to understand the process and terms of accreditation. Due to the complexity of the accreditation process and non-cooperation in communications from GCF Secretariat, the accreditation process of an organisation in Bangladesh has been prolonged for more than three years. Besides, GCF spent 2174 days (roughly six years) to approve a project from concept note submission. .

GCF support to facilitate the direct access is also insufficient. GCF has allocated a small amount of readiness support to enhance the capacity of the potential DAEs. For instance, The GCF approved USD 6.1 million for readiness support during the last eight years, whereas, USD 5.4 million has been disbursed.

6.5.3. Challenges in priority

In Bangladesh, only two organisations is accredited as DAEs, while there are 16 IAEs working in Bangladesh. Until December 2023, nine projects were approved in Bangladesh with USD 442.6 million. There are deficits of prioritisation for adaptation activities in Bangladesh. For instance, USD 141.8 million (32.0 per cent) is allocated for adaptation while the allocation is USD 256.5 million (58.0 per cent) for mitigation, and USD 44.4 million (10.0 per cent) for cross-cutting.

GCF also have deficits to properly prioritise adaptation needs and grant-based finance in Bangladesh. The allocation for adaptation is 32.0 per cent, while mitigation stands at 58.0 per cent, representing a higher allocation in mitigation. Besides, the proportion of loans is higher (75.0 per cent) than grants (25.0 per cent). While loan accounts for 97.4 per cent in co-finance.

Bangladesh needs invest at least USD 12,000 million from domestic and international sources by 2025 to combat the adverse impact of climate change. A total of USD 1189.5 million has been approved for Bangladesh from national and international sources, representing only 9.9% of the country needs. GCF approved USD 448.8 million for projects including RPSP activities in Bangladesh. The contribution of GCF is only 3.7% of the total requirement. Notably, GCF is yet to prioritise capable and potential institutions to implement innovative projects on results-based payments and activities related to carbon sequestration and carbon market.

6.5.4. Challenges in fund disbursement

Disbursement delays are also prevalent in GCF-funded projects in Bangladesh. Only 13.3 per cent of the approved funds have been disbursed. The first installment of the disbursement was delayed for three years in a project. The delayed disbursement of the fund not only hindered the project implementation but also exacerbated climate vulnerabilities in the project areas.

6.5.5. Challenges in project implementation

The engagement of local communities in project implementation are not adequately ensured. The NDA does not properly monitor project activities. The active observers were not given the opportunity to monitored the project implementation. The provision of disclosing project information through displaying project information board in the project area is not followed in some project locations.

6.5.6. Lack of Coordination

NDA has lack of coordination with relevant ministries, private sectors, active observers, women and indigenous groups and relevant stakeholders in planning and implementation of GCF initiatives.

7. Overall Observation

The GCF is acclaimed as the largest global source of climate finance for developing countries to mobilise climate finance promised by the developed nations. However, GCF has been able to mobilise only 2 to 3 percent of the promised amount of USD 100 billion per year by the developed nations. Against the need of USD 215 to 387 billion annually by 2030 for adaptation in vulnerable countries, the fund has been able to approve only USD 5.9 billion for adaptation since 2015 indicating the wide gap between expectations and delivery of GCF.

Due to the lack of clarity in GCF's country ownership policy and guidelines and inefficient implementation plan, eligible countries are not receiving the expected level of support from GCF. As such, vulnerable countries are unable to adequately contribute to climate action in coordination with the GCF and take the lead in receiving funding from it. There are also deficits in coordination and communication from the GCF to provide smooth and timely support to DAEs and NDAs during accreditation, project preparation, and resource mobilisation phases. The GCF also has deficits to provide support to enhance the capacity and skill of NDAs. As a result, potential DAEs fail to get timely accreditation and access to the funds and develop projects for implementation as per their priorities and needs. It prevents time-bound implementation of projects to alleviate the suffering of vulnerable communities. Overall, the vulnerable countries' ownership is severely undermined by the GCF.

The accreditation process is complex and requires a long time for national entities to fulfil because of its strict criteria. However, initiatives from GCF for national-level engagement are negligible. Potential DAEs and accredited entities are frustrated with GCF because of its complicated and lengthy accreditation, as well as complex funding proposal approval and fund disbursement process. Besides, the GCF fails to maintain the stipulated timeline for funding proposal approval and fund disbursement. The majority of the GCF projects ought to be implemented by the DAEs to ensure the country-driven approach and vulnerable country leadership. However, the picture is the opposite. IAEs such as the World Bank and UNDP are implementing and mobilising the majority of projects and receiving the relevant funds. Besides, the high number of multi-country projects is one of the hindrances to ensure country ownership in GCF.

There is dominance of IAEs in a number of projects approved and amount of fund allocated by the GCF. Particularly, the number of approved projects, amount of funds allocated, and chances of receiving future projects by IAEs have recently increased disproportionately compared to the DAEs. As such, the DAEs are less prioritised resulting in fewer projects and funds for them. It undermines the country ownership approach and institutional strengthening process to bring transformational changes in implementing climate actions in developing countries.

The GCF is gradually transforming into a money lending institution rather than being the protagonist for grant-based climate financing. GCF accreditation and financing through international financial institutions is increasing. Co-financing institutions are providing more loans to national DAEs. Through setting different terms and conditions for co-financing, they are influencing GCF activities including policies. As such, bypassing country priorities and defying its own targets, the GCF allocates more funds for mitigation than adaptation and prioritises loans over grants. As a result, additional debt repayment burdens are being imposed on already over-burdened climate-vulnerable countries which is contradictory to 'polluters-pay principle'.

The GCF has poor funding status and lacks of proper strategy to raise funds, including its role to act as a catalyst for delivering the climate finance, pledged by developed countries, to developing countries. There is a deficiency in fulfilling the required duties and achieving the goals, and lack of desired level of responsiveness and internal coordination. Overall, the GCF is found to be well below the desired standard of responsiveness that are of core interest to its mandate.

8. Recommendations

8.1. For the consideration of GCF and concerned stakeholders-

1. The GCF should simplify the accreditation process for direct access to the fund and clearly specify the criteria and standards to accelerate the process for climate-vulnerable developing countries in some cases.
2. Technical assistance from the GCF should increase to strengthen the capacity of the potential DAEs for direct access.
3. To ensure transparency, accountability, and integrity, the timelines for the accreditation, approval, and disbursement process should be specified and adhered by the GCF and AEs.
4. A 50:50 balance between adaptation and mitigation financing should be ensured, and a timeline should be specified to achieve the target of balancing the ratio.
5. The GCF Secretariat with NDAs should enhance support and ensure smooth communication with the DAEs; the GCF should establish offices at the regional level.
6. The GCF should prepare and provide example-based guidelines to support project preparation for climate-vulnerable countries.
7. The capacity of the NDAs should be enhanced to lead the project design and approval process.
8. Regional networks of expert panels with experience in GCF funding proposal development should be created and utilise their expertise.
9. The GCF should increase grant-based financing, reduce loans, and prioritise adaptation activities in climate-vulnerable countries.

10. The GCF should develop and implement a time-bound roadmap for need-based fund disbursement.
11. The GCF should ensure a fair and level playing field for national institutions with large international and regional institutions to prevent climate funds from being used as profitable investments for business.
12. A guideline should be developed clearly mentioning the roles of GCF, NDA, the private sector, and other stakeholders. Country ownership should be fully defined, and meaningful participation of the stakeholders should be ensured.
13. The GCF must effectively ensure 'Country Ownership', including project implementation as per the 'Country Driven Approach'.
14. The GCF should plan to adopt a policy to create a new priority group for climate-vulnerable countries that graduate from the least developed category.
15. The GCF should rethink its fund-raising strategy not only to beef up the fund at its disposal for the benefit of the climate vulnerable countries, but also to transform itself into a catalyst to the delivery of the commitment of the developed nations.

8.2. For the consideration of the Government of Bangladesh and concerned stakeholders-

1. To increase the NDA's technical capacity, the workforce should be recruited from individuals with relevant knowledge and experience in climate change and GCF; a permanent and specific position of concerned officials in the NDA's organogram should be created to run GCF activities.
2. The government should increase grants and technical support to improve the capacity of national organisations to enhance direct access from the GCF.
3. The NDA should nominate relevant organisations that prioritise adaptation in line with the country's national climate plans or strategies.
4. The NDA should increase cooperation in the accreditation process of potential national institutions and provide the necessary cooperation through communication and coordination with the GCF.
5. The NDA, private sector, active observer, and all stakeholders should collaborate to prepare a number of projects in pipeline for submission to the GCF.
6. The NDA needs to develop a manual aligned with GCF standards to monitor project implementation at the field level consistently.
7. Bangladesh should strengthen its negotiation capacity to ensure timely and easy accreditation, grant-based project approvals, and fund disbursements, especially adaptation financing, from the GCF.
8. The 'Zero Tolerance' policy should be strictly implemented against irregularities and corruption in project implementation.

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