Gender-Responsive International Climate Finance: Challenges and Opportunities

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Need for Gender-responsive climate funds & funding processes

**REASON 1**: climate finance decisions are not made within normative vacuum → acknowledge and honor **women’s rights as basic human rights** (CEDAW commitments – almost all Parties to UNFCCC are also Parties to CEDAW; Agenda 2030/SDGs; Paris Agreement Preamble)

**REASON 2**: using scarce public resources in an **equitable, efficient and effective** way → cannot afford to ignore 50% of project-relevant actors or beneficiaries of any project → issue of sustainability of investments → draw on experience of development finance

**POSITIVE**: made progress with the gender integration in relevant public multilateral climate funds (including Adaptation Fund, Climate Investment Funds, Green Climate Funds, Global Environment Facility—each with explicit gender policy and gender action plans; various stages of mainstreaming efforts & success)

**NEGATIVE**: structures of these funds provide little access to finance for women & women’s groups and are not prioritizing them as direct beneficiaries
Climate Finance FLOWS

PRIVATE

MULTI-LATERAL
World Bank, ADB, UN agencies, etc

BILATERAL
largely as part of ODA

within the context of
UNFCCC

DOMESTIC
ALLOCATIONS

Recipient Countries
DEVELOPING COUNTRIES

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Climate Finance Obligations under UNFCCC

ARTICLE IV, UNFCCC:

“Developed country parties shall provide such financial resources, including for the transfer of technology, needed by the developing country Parties to meet the agreed full incremental costs of...”

(= climate costs over and above a business-as-usual approach)

• implementing measures to reduce emissions
• management and conservation of sinks
• preparing for adaptation
• integrating climate change into other national policies
• promote cooperative research, exchange of information and education and awareness-raising
• developing inventories and reporting on emissions and sinks
The Need: How much will climate change cost globally? In $ billion...

FACT: over the next 15 years, $13.5 trillion are needed to support NDC pledges; some $16.5 trillion are needed to keep global warming below 2 degrees centigrade.
Climate finance in context

- Investment in fossil fuel: $742 bn
- Investment in renewable energy: $295 bn
- Fossil fuel subsidies (2015): $373 bn
- Renewable energy subsidies (2015): $150 bn
- Green or climate-aligned bond issuance: $154 bn
- Losses from natural catastrophes (2017): $339 bn
- Climate finance flows: $681 bn
- Energy investment needs (2018): $1.7 tn/yr
- Potential stranded assets in 2050: $20 tn

Total assets under management: $705 bn
Low-carbon investment in assets under management: $203 bn
Characteristics of international public climate finance flows in the period 2015–2016

<table>
<thead>
<tr>
<th></th>
<th>Annual average USD billion</th>
<th>Adaptation</th>
<th>Mitigation</th>
<th>RFDD-plus</th>
<th>Cross-cutting</th>
<th>Grants</th>
<th>Concessional loans</th>
<th>Other</th>
</tr>
</thead>
<tbody>
<tr>
<td>Multilateral climate funds</td>
<td>1.9</td>
<td>25%</td>
<td>53%</td>
<td>5%</td>
<td>17%</td>
<td>51%</td>
<td>44%</td>
<td>5%</td>
</tr>
<tr>
<td>Bilateral climate finance</td>
<td>31.7</td>
<td>29%</td>
<td>50%</td>
<td>–</td>
<td>21%</td>
<td>47%</td>
<td>52%</td>
<td>&lt;1%</td>
</tr>
<tr>
<td>MDB climate finance</td>
<td>24.4</td>
<td>21%</td>
<td>79%</td>
<td>–</td>
<td>–</td>
<td>9%</td>
<td>74%</td>
<td>17%</td>
</tr>
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</table>

Source: SCF Biennial Assessment 2018; cumulative annual funding of multilateral climate funds tracked by hbs/ODI
www.climatefundsupdate.org

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Gender Integration in Multilateral Climate Funds serving the Paris Agreement

- In AF and GEF climate funds not integrated from the start, but retroactively
- In GCF, gender-focus from the start
- Substantial efforts in recent years
- **BUT:** still struggling with systematic integration beyond an “add-on” approach

**AT CORE:** need to not only address how funding decisions are made and implemented, but alter fundamentally the focus of what is funded

Need to take into account that women form the majority of the world’s 2.1 billion living in poverty and of the 736 million in extreme poverty, of the just under one billion without access to electricity and the 2.7 billion still cooking with traditional biomass
Example: financing landscape for renewable energy (RE)

• costs of many RE technologies have come down (solar, wind), but still often perceived by private sector/commercial banks as riskier investments with less guaranteed returns

• Important role for public sector financing to address this risk/return (mis)perception

• PROBLEM: public finance provision for RE is often biased toward large-scale, on-grid solutions (primacy for energy provision for industrial/export activities)

• Frequently affordability of access – female-headed/widowed households, needs in many rural areas in developing countries not sufficiently considered

• **High demand for off-grid/mini-grid rural RE solutions to address energy poverty** insufficiently addressed by financing landscape → bias of major actors (including Multilateral Development Banks, MDBs) toward big infrastructure investments (bank vs. development, high transaction costs of small-scale activities)
Example: Public Sector Adaptation Finance

- Overall (public) finance provision for adaptation is insufficient – several of the public adaptation funds are severely underfunded; positive exception: GCF (50/50 allocation/ ½ of adaptation funding for SIDS, LDCs, African countries) → many investments needed with limited “return-on-investment” as public good

- Protect eligibility for grant financing, including full cost grant financing (as provided under AF), for public sector projects/programs (GEF/GCF focus on “incremental cost financing”/ co-financing or “leverage” requirements)

- Priority focus on adaptation investment areas where women’s active participation, human rights and gender equality consideration play a disproportionately large role, such as food security, access to water and water management, disaster risk management or reduction

- Advocacy push back against artificial dividing line between development and adaptation; ensure that adaptation finance is available for “social protection programs”/cash transfer models, not just infrastructure (examples of recent GCF projects facing rejection on the basis of being “too much development”)
Example: Private Sector Finance: MSME approaches as key

- Climate funds push for private sector engagement; need to focus on support for micro-, small- and medium-sized enterprises (MSMEs) as a key opportunity for gender-responsive climate financing for the private sector

- Women entrepreneurs in developing countries are overrepresented in the MSME sector (32-39% of micro, 30-36% of small, 17-21% of medium), with many in the informal sector and focused on service-provision, not manufacturing supply chains

- Biggest challenge for women MSME entrepreneurs (including small-scale farmers) is access to capital – globally, women receive only 10% of credits given by financial institutions (via microfinance, commercial banks, public finance)

- EXAMPLE: Green Climate Fund (GCF) as largest public climate fund approved US$200 million “MSME Pilot Program” initially, with opportunity to ramp up

- CRUCIAL: must be implemented highly gender-responsive (i.e. not focused primarily on domestic supply chains) & address women entrepreneurs’ access to climate finance challenge (lack of collateral, cultural bias of loan officers etc.)
Global Environment Facility (GEF)

- Established in 1991, serves all Rio Conventions (CBD, UNFCCC, UNCCD); has multiple (5) focal areas, including climate change
- Serves the financial mechanisms of both UNFCCC and now Paris Agreement
- Regular replenishment periods, currently in GEF-7 (2019-2022) – USD 4.1 bn
- Focuses on smaller scale projects, increasingly covering multiple focal areas
- Provides grant financing, but funds only incremental costs (differential to BAU)
- Under GEF-7, climate change focal area only receives > USD 900 mio (decline)
- Since inception, has totaled 1000 climate change projects worth USD 3.6 bn
- Two dedicated adaptation funds at the GEF:
  - Least Developed Countries Fund (LDCF) – supports LDCs in implementation of their NAPAs (= urgent climate actions) → committed USD 532 mio since 2001
  - Special Climate Change Fund (SCCF) – open to all developing countries for adaptation priorities → committed USD 187 mio since 2001
Gender Integration in the GEF

- Since 2011 with policy on Gender Mainstreaming; gender focal point;
- in 2014 approval of Gender Equality Action Plan (GEAP);
- Establishment of GEF Gender Partnership as inter-agency working group;
- 2017 gender mainstreaming evaluation by GEF IEO – recommended upgrade to policy; found gender integration lacking, particularly in climate change focal area (half of analyzed sample of 70 projects were largely gender-blind; only 5% with successful gender integration)
- New GEF Policy on Gender Equality approved in November 2017
- Requires gender analysis or equivalent socio-economic analysis and articulation of gender-responsive measures (such as a gender action plan) for CEO endorsement, with gender-sensitive indicators and sex-disaggregated data
- Requires reporting on gender indicator and results on project level
- Gender tags/markers to capture portfolio level gender results
Adaptation Fund

- Established under the Kyoto Protocol, operational since 2010
- Will now serve as financing mechanism under Paris Agreement
- Funds concrete adaptation projects via grants, including full cost grants
- Since 2010 has committed USD 532 mio for 80 projects reaching 5.8 mio beneficiaries; cap of USD 10 mio per country
- Small and agile, has introduced a couple of innovations:
  - Board of 16 members (and 16 alternates) has equitable representation = majority of seats for developing countries (LDC, SIDS special seats)
  - Introduced direct access = ability of developing countries to access funding via accredited national or regional entities (no overreliance on MDBs, UN agencies) – ring-fenced resources for direct access
  - Innovative peer-to-peer Direct Access Entities learning approaches
  - Is supposed to be funded automatically by 2% share of CDM carbon credit proceeds – BUT: with carbon price falling, in continuous fund raising mode
Gender Integration in the Adaptation Fund

- Some inclusion in project planning and review criteria over time, new Environmental and Social Policy in 2013 highlighted gender equity and women’s empowerment
- But finding of Board review in 2015 that systematic and comprehensive gender equality approach was missing
- Adopted Gender Equality Policy in 2016 and 3-year Gender Action Plan
- Clear commitment in policy that no project without sufficient gender integration will be funded;
  gender equality and women’s empowerment considered as part of overall Environmental and Social Safeguards assessment; no project-specific gender action plan required
- New AP Medium Term Strategy (2018-2022) also prominently highlights support for gender quality as part of Fund’s mission
- AP 2019/2020 in the process of updating Gender Equality Policy and Gender Action Plan

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Green Climate Fund (GCF)

• Centerpiece of UNFCCC long term finance commitments (Copenhagen & Paris Agreement)

• Operating entity of the financial mechanism of the UNFCCC under its Article 11 “accountable to and function under the guidance” of the COP (like GEF)

• **Board (24 members, 12 from developed, 12 from developing countries with dedicated seat each for LDCs and SIDS); met now 22 times**

• Initial Resource mobilization (IRM) **US$ 10.3 bn in pledges** (only US $7.2 bn or even less available); now started **1st Replenishment Period (2020-2023)**

• Allows recipient countries **direct access** (= not going through multilateral bank or agency); via new national implementing entity, NIE, or regional entities, RIEs

• **“country-driven approach”** = importance of national planning documents (NAPA, NAPs, NAMAs, NDC implementation; national development or energy planning)

• **First multilateral climate fund with “gender-sensitive approach” from the outset**

• Since BM 11 (October 2015) approval of 102 projects/programs (worth US$5.0 bn)
Gender Integration in the GCF

- GCF first multilateral climate with gender mandate from the beginning; strong references in GCF Governing Instrument for mainstreaming a “gender-sensitive approach”
- Persistent lobby for a GCF gender policy and action plan (adopted at BM9 in March 2015)
  - Interim Policy is currently under revision – proposed new Gender Policy and Action with significant developing country Board member pushback
  - Weakness of original GCF gender policy decision: “national contextualization” (Lima Gender Programme Formulation) could be repeated in updated Gender Policy (need to oppose).
- Additionally, right away focus on the early and simultaneous integration of gender considerations in key operational policies, including
  - accreditation requirements (f.ex. public and commercial banks acting as financial intermediary of GCF resources with own gender policy and capacity)
  - results management and performance measurement
  - inclusion in investment criteria – sub-criteria on sustainable development;
  - Provision of readiness support financing, including to improve gender capacity of NDAs and gender inclusion in country project/program pipelines
Gender integration challenges in GCF projects/programs:

- So far 102 approved projects/programs worth 5.0 billion since November 2015 (B.11)
- **Project/program-specific gender & social impact analysis is mandatory** for all proposals, but so far project/program-specific gender action plans are not
- Technical Advisory Panel/Secretariat publish assessment on gender consideration
- Project/Program Gender Assessments and Action Plans only published since B.15 → transparency creates accountability, peer-pressure, show-case effect
- No clear commitment by Board not to fund projects/programs in cases of weak/missing gender assessment and action → weak enforcement
- Published gender assessments and action plans with frequent significant shortcomings:
  - Gender Action Plan as list of activities, but without clear indicators, responsibilities or assigned budgets
  - Assessment/Action are “outsourced” to consultants, with no gender expert/expertise in project/program implementation unit by Implementing Entity = no internal learning
  - Treated as an **add-on of activities**, but not sufficiently integrated in overall project design, including in overall budget and indicator log-frame
Financing of National Planning and Reporting as Opportunity

• GEF and GCF provide funding support for relevant planning and reporting platforms with opportunity for gender-awareness raising/ gender integration at country level

• GEF funding supports:
  • National Communications,
  • Biennial Update Reports,
  • Technology Needs Assessments,
  • Nationally Determined Contributions
  • Capacity-building Initiative for Transparency

• GCF funding supports:
  • National Adaptation Plans (NAPs)
  • Elaboration of country programs for investment priorities (in line with NAPs, NAPAs, NDCs)
Country Ownership as Challenge and Opportunity

- AF, GEF, GCF require project proposal consent through (National) Designated Authorities and focal points in line with national priorities/plans
  - Challenge: NDAs/Focal point are often without gender awareness/expertise
  - Opportunity: gender capacity building through NDA/focal point strengthening, f.ex. via GCF readiness support
- In GCF, core role for NDA for country coordination on climate action:
  - Challenge: often narrow understanding of stakeholder engagement (few government agencies, not outreach sub-national level, non-government sectors, communities, women’s groups)
  - Opportunity: development as a country coordinating mechanism with broad stakeholder outreach and engagement in climate action
  - Opportunity: development of GCF-specific country programs as national GCF project pipeline; technical support by GCF Secretariat/external experts with GCF funding; support through GCF project preparation facility (including for gender-responsive implementation elements)
Enhanced) Direct Access as Challenge and Opportunity

• AF & GCF offer direct access, accreditation to national institutions as national implementing entities (NIEs)
  • Challenge: many direct access entities (DAEs) need support to develop own gender policy and institutional gender capacity as prerequisite for accreditation
  • Opportunity: readiness support provided for institutional strengthening; DAEs/NIEs with gender capacity can play core signaling role in implementation of national climate priorities

• AF & GCF are piloting enhanced direct access (EDA) approaches, in which decision-making on individual projects is devolved to national level
  • Challenge: so far limited pilot approaches; needs for risk-taking/experimentation
  • Opportunity: allows for small grant provision to sub-national/local level of international funding, more directly benefitting and accessible to women’s groups; EDA approaches require national steering ctes. with broad stakeholder representation (including f.ex. women’s groups)
Key tools for gender-responsive climate projects & programs

AT FUND/FUNDING INSTITUTION LEVEL:

• **(Gender-balance and) gender-expertise** in all fund decision-making (Board, Ctes) and advisory bodies (panels) as well as in a fund’s Secretariat to ensure that gender equality principles are considered in project review and approval and the monitoring, reporting, verification and evaluation of the fund’s portfolio

• **Gender-responsive funding guidelines, allocation and investment decision criteria** (focus on smaller scale, bottom-up, beneficiary centered projects; possibility of funding set-asides; small grants facilities, simplified access procedures; target request for proposals with multiple-benefits approaches)

• “Best practice” set of **social, gender and environmental safeguards** that stipulate gender equality, women’s rights and women’s full participation in compliance with existing international obligations, including on human and women’s rights,

• **A regular audit & independent evaluation of the gender impacts of funding allocations** to create accountability for gender-responsive delivery at fund level

• **Independent recourse mechanism**— allowing negatively impacted women to seek redress and compensation (ideally both at funding institution and IE level)
AT COUNTY LIAISON (National Designated Authority/NDA/Focal Point) LEVEL:

- **Country coordination and outreach efforts** that include countries’ existing “gender machinery” (= relevant ministries, government commissions) and women’s civil society groups as key stakeholders in determining national funding priorities and country funding programs in line with NDCs, NAMAs, NAPs, NAPAs and other plans.

AT IMPLEMENTING ENTITY LEVEL:

- In-house staff of NIE/MIE/RIE with gender and social development expertise (no routine “outsourcing” of gender work to consultants)
- Commitment at highest level to gender equality and improving the gender competency of all IE staff → ability to improve gender capacities of EEs
- Mandatory **socio-economic and gender analysis** of the proposed project or program with a **gender baseline**; a **gender budget**; some clear **gender-relevant indicators** measuring how projects contribute to gender equality objectives, as well as the systematic collection of **gender-disaggregated data** and **qualitative assessments** via focus groups/interviews, time-use surveys etc.
AT IMPLEMENTING ENTITY LEVEL – continued:

- Special efforts to seek and financially support the input and participation of women as stakeholders and beneficiaries throughout the funding cycle from the planning and preparation, to implementation to monitoring and evaluation of a project (encouraging participatory monitoring for continuous feedback during project implementation and corrective action)
- Comprehensive information disclosure and provision in gender-responsive way (including local languages, diversity of media and communication (plat)forms)
- Prioritize engagement of women ministries/local women’s groups/existing national women’s funds as executing entities (EEs) partnering in implementation
- Document learning on gender-responsive climate action implementation and exchange knowledge (upstream with funding institutions, NDAs and downstream with Executing Entities (EEs) and beneficiary communities)
Further Information:

Heinrich Böll Stiftung Washington, DC: https://us.boell.org

Climate Funds Update: www.climatefundsupdate.org

Hbs Climate Policy and Finance: http://us.boell.org/categories/climate-policy-finance

Hbs Green Climate Fund Dossier: https://us.boell.org/green-climate-fund-dossier-0

Hbs Green Climate Fund Dossier Gender Focus: https://us.boell.org/2014/10/09/gender-gcf

Thank you!