As Bangladesh is one of the worst affected countries by the global climate crisis, climate finance governance (CFG) is among the priority areas of Transparency International Bangladesh (TIB), with the objective of promoting integrity in climate finance through evidence-based research, advocacy, and civic engagement. As part of these efforts, the study titled ‘Accessing Green Climate Fund (GCF) for Vulnerable Countries like Bangladesh: Governance Challenges and Way Forward’ was launched on 14 May 2024.¹ The main objective of this study was to review the GCF funding process and analyse the challenges of accessing GCF funds by developing countries in general, and Bangladesh in particular, with a special emphasis on the governance process involved on both the supply and demand side. A set of recommendations based on data and evidence analysed in this research has also been put forward for relevant stakeholders.

The report shows that the GCF has mobilised only 2 to 3 per cent of the USD 100 billion per year, promised as climate finance by the developed nations. While the developing countries require USD 215 to 387 billion annually by 2030 for adaptation, GCF has been able to approve only USD 5.9 billion for adaptation since 2015. It indicates the wide gap between expectations and delivery of the GCF in terms of its role as the key funding institution created to address the adverse impacts of climate change in affected countries. On the other hand, the GCF is expected to deliver its responsibilities in supporting climate-vulnerable nations by providing increased technical support and funding through Direct Access Entities (DAEs). However, due to the lack of clarity in GCF’s Country Ownership Policy and guidelines, and inefficient implementation plan, countries eligible for GCF funds have not received the expected level of support from the GCF. Notably, 68.8 per cent of GCF-eligible countries do not have DAEs due to lack of sufficient readiness support from GCF to prepare for accreditation. Besides, 61.7 per cent of the eligible countries have not received Readiness and Preparatory Support Programme (RPSP) grants to prepare for DAE accreditation.

Potential DAEs and accredited entities are frustrated with GCF because of its complicated and lengthy accreditation process, complex funding proposal approval, and fund disbursement process. National DAEs required an average of 24 months from application to the GCF Board approval for accreditation, while regional DAEs and IAEs (International Access Entities) required 11 and 16 months, respectively. Besides, the GCF has failed to maintain the stipulated timeline for funding proposal approval and fund disbursement. The stipulated time from funding proposal submission to GCF Board approval is a maximum of 190 days. However, it took an average of 389 days, ranging from a minimum of 42 days to a maximum of 1,945 days. An additional 199 days on average was required to complete the process by the GCF. Notably, 79.8 per cent of proposals took more than 190 days for approval. Moreover, although the GCF set the target of 180 days from the Board approval to disbursement of the first installment of the project fund, the average time needed in this case was 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.

The majority of the GCF projects ought to be implemented by the DAEs to ensure a country-driven approach and vulnerable country leadership. Contrary to this, IAEs such as the United Nations Development Programme (UNDP), World Bank, EBRD, ADB and IDB are implementing and mobilising the majority of projects and funds. Seventy-seven per cent of the GCF projects are implemented by IAEs, while national DAEs implement only 13 per cent. The GCF approves an average of 6.8 projects for IAEs while it is 1.6 for National DAEs. Notably, UNDP has received the highest number of 38 projects from GCF indicating clear dominance of IAEs in number of projects approved and funds allocated by GCF. There are also information on GCF undermining its own stance against corruption in case of IAEs like UNDP which received extension of accreditation despite specific allegations of corruption in multiple UNDP-implemented GCF funded projects. This contrasts against one of the key justifications provided for the protracted process of accreditation and funding for national DAEs is protection against vulnerability to corruption.

The number of approved projects, amount of funds allocated, and chances of receiving future projects by IAEs have increased disproportionately compared to the DAEs. Seventy-nine per cent of the project fund was not disbursed within the stipulated time. However, it took an average of 389 days, ranging from a minimum of 42 days to a maximum of 1,945 days. Moreover, although the GCF set the target of 180 days from the Board approval to disbursement of the first installment of the project fund, the average time needed in this case was 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.

¹Documents related to the research findings (full report, executive summary (Bangla and English) and presentation) are available on the TIB website at the link: https://www.ti-bangladesh.org/articles/research/6981
This undermines the country ownership approach and institutional strengthening process to bring transformational changes in implementing climate actions in developing countries.

Bypassing country priorities and defying its own targets, the GCF allocates not only more funds for mitigation than adaptation but also prioritises loans over grants. The allocation for adaptation stands at 44 per cent, while that for mitigation is 56 per cent. On the other hand, more than half (56.2%) of GCF financing is loan, while the grant amount is approximately one-fifth (19.5%) of the total funding. As a result, additional debt repayment burdens are being imposed on already over-burdened vulnerable countries which is contradictory to the ‘polluters-pay principle’. This study has also found the GCF to be well below the desired standard of responsiveness and internal coordination with respect to requests of communications on matters that are of core interest to GCF mandate.

In this context, this policy brief aims to assist the GCF and relevant stakeholders in coping with the challenges more effectively for sufficient and time-bound delivery of its mandate, particularly climate finance to developing countries. The report is expected to be particularly helpful for climate-vulnerable countries like Bangladesh in their effort to access finance from GCF, and to that end in conducting collective advocacy with GCF and other stakeholders.

Recommendations

Based on the research findings, TIB is proposing the following recommendations for consideration of the GCF and other relevant stakeholders.

<table>
<thead>
<tr>
<th>A</th>
<th>For consideration of GCF and other relevant international stakeholders</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>The GCF should simplify the accreditation process for direct access to the fund. It should clearly specify the criteria and standards to accelerate the process for climate-vulnerable developing countries.</td>
</tr>
<tr>
<td>2.</td>
<td>Consistent with its policy the GCF should increase technical assistance to strengthen the capacity of the potential DAEs for increased direct access.</td>
</tr>
<tr>
<td>3.</td>
<td>The timelines for the accreditation, approval, and disbursement process should be specified and complied by the GCF and the different types of DAEs (national, regional and international) to ensure time-bound delivery of climate finance through ensuring integrity.</td>
</tr>
<tr>
<td>4.</td>
<td>A 50:50 balance between adaptation and mitigation financing should be maintained.</td>
</tr>
<tr>
<td>5.</td>
<td>The GCF Secretariat should enhance support and ensure smooth communication with National Designated Authorities (NDAs) and DAEs. The GCF should establish offices at the regional level.</td>
</tr>
<tr>
<td>6.</td>
<td>The GCF should prepare and provide example-based user-friendly guidelines to support project preparation for climate-vulnerable countries.</td>
</tr>
<tr>
<td>7.</td>
<td>The GCF should increase the capacity building support for NDAs to lead the project design and approval process.</td>
</tr>
<tr>
<td>8.</td>
<td>A panel of regional experts with experience of developing GCF funding proposal should be created to support DAEs.</td>
</tr>
<tr>
<td>9.</td>
<td>The GCF should develop a roadmap to ensure time-bound delivery of adaptation finance to reach the target of 50:50 ratios, increase grant-based financing, reduce loans, and prioritise adaptation activities in climate-vulnerable countries.</td>
</tr>
<tr>
<td>10.</td>
<td>The GCF should ensure a fair and level playing field among IAEs and DAEs (national) to prevent discrimination and unhealthy competition for accessing funds. The GCF should prevent climate funds from being used as profitable investments for business.</td>
</tr>
<tr>
<td>11.</td>
<td>A guideline should be developed clearly mentioning the roles of the GCF, NDAs, the private sector, and other stakeholders for meaningful engagement.</td>
</tr>
</tbody>
</table>
Country ownership should be fully defined, and meaningful participation of the stakeholders should be ensured.

The GCF must effectively ensure ‘Country Ownership’, including project implementation as per the ‘Country Driven Approach’.

The GCF should create a new priority group for climate-vulnerable countries that will graduate from the least developed category and formulate a policy to ensure their priorities in accessing GCF.

The GCF should redesign its fund-raising and disbursement 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. The redesigned strategy should contain appropriate measures to prevent bias for IAEs and discrimination against national DAEs; move away from loans to grants, and ensure zero tolerance against alleged corruption in IAE-implemented GCF projects.

To increase the NDA’s technical capacity, the workforce should be recruited with relevant knowledge and experience in GCF and climate change related activities. A permanent and specific position in NDA’s organogram should be created to implement GCF related activities.

The respective governments should increase grants and technical support to improve the capacity of potential DAEs to enhance direct access to the GCF.

The NDAs should nominate relevant organisations in line with the country’s climate-related plans or strategies.

The NDA should increase cooperation with relevant stakeholders in the accreditation process of potential DAEs through ensuring communication and coordination with the GCF.

The NDA, private sector, active observers, and all stakeholders should collaborate to prepare a number of projects in pipeline for submission to the GCF.

The NDA needs to develop a manual aligned with GCF standards for time-bound monitoring and implementation of GCF projects at the field.

Bangladesh should strengthen its negotiation and diplomatic efforts to ensure time-bound and easy GCF accreditation, increase approval of grant-based adaptation fund and disbursement.

The ‘Zero Tolerance’ policy should be strictly implemented against irregularities and corruption in project implementation.

Based on its own analysis of the findings of the TIB report, the Bangladesh Government should initiate joint advocacy and diplomatic initiatives along with other vulnerable countries, forums and relevant stakeholders at the global and regional level to sensitise the GCF for addressing the gaps and inconsistencies in access of such countries to GCF funding.

### B For the consideration of vulnerable countries like Bangladesh and relevant national stakeholders

1. To increase the NDA’s technical capacity, the workforce should be recruited with relevant knowledge and experience in GCF and climate change related activities. A permanent and specific position in NDA’s organogram should be created to implement GCF related activities.

2. The respective governments should increase grants and technical support to improve the capacity of potential DAEs to enhance direct access to the GCF.

3. The NDAs should nominate relevant organisations in line with the country’s climate-related plans or strategies.

4. The NDA should increase cooperation with relevant stakeholders in the accreditation process of potential DAEs through ensuring communication and coordination with the GCF.

5. The NDA, private sector, active observers, 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 for time-bound monitoring and implementation of GCF projects at the field.

7. Bangladesh should strengthen its negotiation and diplomatic efforts to ensure time-bound and easy GCF accreditation, increase approval of grant-based adaptation fund and disbursement.

8. The ‘Zero Tolerance’ policy should be strictly implemented against irregularities and corruption in project implementation.

9. Based on its own analysis of the findings of the TIB report, the Bangladesh Government should initiate joint advocacy and diplomatic initiatives along with other vulnerable countries, forums and relevant stakeholders at the global and regional level to sensitise the GCF for addressing the gaps and inconsistencies in access of such countries to GCF funding.