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COAL PHASE-OUT OUTSIDE CHINA – WHAT WILL CHANGE?

NORA SAUSMIKAT | URGEWALD

At the recent UN General Assembly, China's President Xi Jinping announced to the media that he would no longer pursue new coal projects abroad. Nora Sausmikat from the environmental rights organization urgewald e.V. takes stock of the World Climate Conference in Glasgow. China is still one of the biggest expansionists in coal-fired power plants worldwide. Even the switch to gas and liquefied petroleum gas are only "sham solutions" that jeopardize even the Paris Climate Agreement. Moreover, without a total phase-out at home, the withdrawal from coal abroad will hardly work.

At the recent UN General Assembly on September 21, China's President Xi Jinping announced that he would stop building new coal projects overseas. "China will step up support for other developing countries in developing green and low-carbon energy, and will not build new coal-fired power projects abroad." (English and Chinese versions of the speech)

This announcement did not come as a complete surprise. But on the same day, the storm of questions started: What exactly did the president mean by that? Does that include financing and insurance? What about the coal industry? Which companies and banks are affected?

For the time being, official China did not provide any answers. However, the announcement was certainly coordinated internally and externally. Bilateral talks were held behind the scenes. China's coal industry and coal financiers had come under pressure in the last two years, and not only from the global climate protection movement. The lighthouse BRI project appeared to be entering serious reputational straits. Especially in the run-up to the World Climate Summit, there was now a need for an official response. Alok Sharma, the president of the 26th World Climate Summit, met with the head of one of China's largest banks, the central bank (People's Bank of China), as well as the National Planning Commission and the National Energy Administration (NEA). At issue was the financing of coal worldwide. A few months earlier, Japan and South Korea announced plans to phase out public financing of coal projects. Since 2013, these two countries, along with China, have spent 95 percent of public money on coal projects outside their own borders – though China has spent the most, a total of $50 billion and about 56 GW of installed capacity.

What will change now that President Xi Jinping has announced the coal phase-out outside China with media attention?

There are 60 gigawatts of coal-fired power generation planned in 20 countries, financed by Chinese public banks. It is not yet clear how many of the planned new coal mines (for example, in Russia and Pakistan) will actually be canceled.

PEOPLE'S REPUBLIC BUILDS THE MOST COAL-FIRED POWER PLANTS WORLDWIDE

Expansionists – these are the absolute climate killers, from urgewald's point of view. According to the Global Coal Exit List (GCEL) 2021, just published in October 2021 by urgewald and NGO partners, Chinese companies are currently still among the biggest expansionists in coal-fired power plants around the world: of the 503 companies with plans for new plants, 26 percent are Chinese companies, compared to 11 percent from India, the second biggest expansionist.

Nevertheless, it is now necessary to record how much of the coal power in planning has already reached financial close (not defined as "new", and thus probably not addressed), and what happens to those in preparation for construction (this could concern, for example, two of the five power plants under construction in Cambodia). Urgewald, together with colleagues worldwide, is investigating which and how much coal investments abroad could be covered.

It's pretty clear: the announcement was also a test. It had two parts. Coupled with the offer to promote low-carbon technology in a big way in the BRI countries, wish lists are now being sought between now and COP 26 on how to "transform" the coal plans. This is also about competing to see who will end up providing the most money for low-carbon in Southeast Asia, Latin America, and Africa.

ONE FOSSIL FUEL REPLACES THE OTHER

What we are seeing around the world is one fossil fuel being replaced by another. About a third of the coal plants "retired" in the U.S. between 2011 and 2019 were actually converted to gas. And countries like Bangladesh, which has canceled a third of its planned coal plants, and the Philippines, which has canceled more than half of the new coal plants in its project pipeline, are now heading for a massive expansion of liquefied natural gas (LNG) terminals and gas-fired plants.

These plans must be stopped if we are to meet the 1.5-degree target. Just in October 2021, OECD countries, including Japan, Australia, and Turkey, agreed to end export credits for new coal-fired power plants that do not use Carbon Capture (Utilization) and Storage (CCUS/CCS). Although this is the first internationally binding agreement to end export support for international coal projects by the end of 2021, it relies on false solutions. There is no such thing as a "clean" coal plant. Even if emissions can be "captured/stored", the coal industry is still attached to dirty coal production, coal mining. CCS legitimizes the continuation of fossil industries. The processes are energy-intensive, costly, and pose new risks.

However, China will also follow exactly this path: Switch to gas and liquefied natural gas (LNG), and CCS/CCUS. Nuclear power and dams are the other two "climate-friendly" technologies touted at COP26. Gas cannot be a bridging technology in which massive investment is now being made. Although combustion produces less CO2 per kWh, the extraction and transport of fossil gas releases methane, which is even more harmful to the climate.

WARNING AGAINST SHAM SOLUTIONS

We want to prevent these technologies from finding their way into the European taxonomy. They are among the 'false solutions'. Another bogus solution is the ETM (Energy Transition Mechanism) scheme, under which power plants are paid compensation for shutting down earlier. This is what is supposed to happen with the German lignite phase-out (though this is still under review in the EU Commission since 2021). At COP26, this scheme will be touted as the golden road by the Asian Development Bank (ADB) (3 November 2021). An expert opinion at the European level has shown that these ETMs allow de facto extensions. These solutions are also shams in China and Asia. The ADB, which would then own coal-fired power plants, despite its "coal phase-out strategy", declares the "reduction of the lifetime to 15 years". This cannot be a real solution given the new IPCC report of 9 August 2021. Moreover, these buyout plans are supposed to happen in conjunction with investors who are among the biggest expansionists, such as Blackrock, HSBC, and Citigroup Inc.

In a grand coalition of like-minded people, we are working to move away from such bogus solutions. But aside from that: China's internal coal expansion plans alone, 250 gigawatts of new coal-fired power plant capacity, after all, could however overturn the Paris climate agreement. Building the giant dam in Tibet or mega-solar plants in the desert will compete with new coal power for the grid. A fundamental statement on the coal phase-out within China is more urgent than ever.

**Article originally published in Table China.*

"In a grand coalition of like-minded people, we are working to move away from such bogus solutions."

ACCOUNTABILITY DEFICIT AT WORLD'S NEWEST MULTILATERAL DEVELOPMENT BANK

RECOURSE & URGEWALD

Accountability matters – not only to provide justice to communities that have suffered harm as a result of projects, but also so that multilateral development banks (MDBs) can learn from mistakes and avoid repeating them. The world's newest MDB, the Asian Infrastructure Investment Bank, recognises this, and this is why the bank established an accountability mechanism – the Project-affected People's Mechanism (PPM) in 2019.*

Yet in AIIB's six years of operation, after 142 projects approved and over $28 billion invested, the PPM has yet to receive a single complaint. A new report released today by Recourse and Urgewald – to coincide with the AIIB's annual meetings which start next week – examines the possible reasons for this.

The report looked both at the AIIB's current portfolio and also at policies guiding the scope and implementation of the PPM. It found that of projects funded by the AIIB to end of September 2021:

- The majority are ineligible: Of 142 projects, the majority (72) are not eligible for the PPM.
- The majority of AIIB's overall investments – 51.4% as of end September 2021 – are co-financed with other MDBs. Under AIIB's rules, this excludes them from accountability under the PPM, with rare exceptions. 68 out of the 72 ineligible projects are co-financed. The AIIB is an outlier among MDBs on this exclusion – it is the only one to exclude co-financed projects from accountability.
- There is an exception to the co-financing rule, evident in several projects. The PPM will accept complaints relating to projects co-financed with the International Finance Corporation (IFC), even though IFC standards apply. This shows it is possible to do so, and the report urges the AIIB to ensure people affected by all of its projects have access to remedy and redress.
- The PPM also excludes all capital markets projects, an area of growing interest at AIIB. At present, there are just four capital markets projects, but they already make up a significant portion of the portfolio at 4%, worth $1.1 billion.
- Largest proportion of eligible projects supported through financial intermediaries (FIs): Of the 70 eligible projects, the largest proportion – almost half – are FI investments, which are difficult to trace as there is extremely limited transparency about where money ends up. If communities cannot find out whether the AIIB is investing in the project affecting them, then their access to remedy is effectively blocked.
- Political space is a vital factor. The report examines where the 70 potentially eligible projects are located. The top four countries are India, Turkey, China, Bangladesh, where there is a lack of political space and freedom of expression, which can have a chilling effect on communities' ability to speak out. The IFC's Compliance Advisor Ombudsman (CAO) has the most complaints of any accountability mechanism by far. And yet CAO has received no com-

"The AIIB clearly has an accountability deficit, when its accountability mechanism does not apply to half of its portfolio. This leaves communities affected by AIIB's investments no way to ensure AIIB is living up to its environmental and social commitments. We call on the AIIB to close accountability loopholes when it reviews the PPM."

plaints from China, just one from Bangladesh, four from Turkey (which all pre-date the current Erdogan rule), and several from India, the vast majority of which pre-date the Modi regime.

Report author Kate Geary of Recourse said, "The AIIB clearly has an accountability deficit, when its accountability mechanism does not apply to half of its portfolio. This leaves communities affected by AIIB's investments no way to ensure AIIB is living up to its environmental and social commitments. We call on the AIIB to close accountability loopholes when it reviews the PPM."

To ensure the AIIB significantly reduces its accountability deficit by making the PPM more accessible, the report recommends:

1. The PPM policy should include all projects financed by the AIIB: Since the majority of the AIIB's portfolio comprises co-financed projects with other MDBs, a general exclusion of those complaints represents a serious accountability loophole. In cases of co-financing, collaborative investigations are common, where IAMs carry out reviews against their own procedures. For the sake of institutional learning, accessibility, and best practice, the PPM Policy should prioritise collaborative investigations over the current practice. The PPM should also be available to communities affected by capital markets investments.
2. The PPM policy must address shrinking political space for affected people:
   - Pre-conditions for affected people to file a complaint should be removed as a matter of urgency (for example, that an individual cannot file). Language on access must be clarified, for example regarding steps for affected people to approach local Grievance Redress Mechanisms and AIIB management before filing a complaint to the PPM. At present, this could be misunderstood and prevent people from filing.
   - Moreover, communities should have the right to choose their representatives. Complainants benefit from the support of expert NGOs and representation is key to level the playing field between affected people and financial institutions. The more complicated policies are, the more expert knowledge is needed to file a complaint. At present, AIIB's PPM says that complainants may only call on support from an expert group outside their country "in exceptional circumstances".
   - The PPM Policy has the provision to suspend a case if affected people seek remedy through legal means in parallel to a PPM complaint. There is no reason why negatively affected people should not seek legal avenues to claim their rights in addition to using the PPM. In this respect, the PPM has a depoliticising effect by forcing affected people to choose one avenue over the other to make their voices heard.
3. The PPM must increase awareness and visibility about its availability among affected communities: A simple way of doing this would be to ensure AIIB's involvement and the details of the PPM are advertised at project sites in a language and manner accessible to local people.

The AIIB has committed to review the PPM "within five years". The report stresses that the promised review should not be limited to the PPM but also address the wider institutional conditions and related policies that affect AIIB accountability, to make sure that the AIIB can be held accountable effectively.

Report author Dustin Schafer of Urgewald said, "The PPM review must be open and transparent, involving not just other accountability mechanisms and MDBs, but NGOs and communities affected by AIIB projects. The AIIB should consult not only on the PPM policy but on the scope of the review, its timeline and the plan for consultation."

MANAGING THE HEALTH-ECONOMIC CRISIS: THE ADB'S PROBLEMATIC 'PROBLEM TREE'

RENE E. OFRENEO | FREEDOM FROM DEBT COALITION

The Covid-19 pandemic is likely to last till 2024, or until all the 8 billion inhabitants of Planet Earth are fully vaccinated. This is the prognosis given by a number of medical experts, as new variants keep emerging. The road to medical normalcy in Europe has been reversed by the Delta variant. And now, the Omicron variant is casting a long dark shadow around the world.

How will the next Philippine administration manage the Covid containment program? Presidential aspirants need to go beyond giving the usual simplistic answer: spend more on the health sector, as if spending alone is the magic wand needed to prevent the virus from spreading around the archipelago.

In this connection, it is interesting to note that the Asian Development Bank (ADB), in approving the $1.5 billion Covid loan application of the Philippines in April 2020, came up with a "sector assessment" on health. The ADB staff drew a "problem tree" (see table 1) to show the purported root cause of the Philippine health sector's crisis. At the bottom of the tree are the different health sector "consumables" or items that need to be funded in order to strengthen the capacity of the Philippines to manage the pandemic.

By looking at the problem tree and its identification of the root cause of the health sector malaise, one is immediately struck by the simplistic approach of the ADB staff in preparing the said problem tree. The staff apparently had no appreciation of the complexity of the problems hounding the health sector and their deeper root causes. To the ADB, it was all a question of lack of funding and the solution, therefore, is to mobilize financial resources to fill up the funding gap.

Of course, it is difficult to quarrel with the ADB staff in the listing of the "consumables" and health items needed to be procured in order to build up the Philippines' capacity to manage the pandemic. What is questionable is the identification of "inadequate financing" as the sole or main root cause of the health sector crisis in the Philippines.

The ADB tree failed to cite decades-long government neglect of the national health system and the lack of an upgrading/modernization plan for the system to ensure that the entire population is able to enjoy the supposed benefits due to every citizen under the Universal Health Care law, a law that was passed just before the pandemic. Additionally, such neglect and lack of upgrading plan have been compounded by health sector misgovernance/corruption and neo-liberal policies favoring the privatization and commercialization of health and other public services.

Given the foregoing problems, it was not surprising that when Covid-19 hit the country in 2020, the initial response was chaotic, even anarchic. It took the government over a year before it was able to put in place the Covid-19 response and containment program suggested by experts from the World Health Organization. Today, the Philippines is the third country in Asia (after India and Indonesia) with the most number of Covid cases (Number 18 in the world odometer). The Philippines also landed last in Bloomberg's survey in Asia of resiliency under Covid.

Shortage of funds as the root problem? Yes, funds were limited. But the government did not use this as an excuse to scrimp on health sector spending. It borrowed heavily from domestic and external sources. The rate of borrowing was so heavy the debt-to-GDP ratio of 39 percent in 2019 became 60 percent middle of 2021! And to think that the 39 percent debt-to-GDP ratio was achieved by the country after long decades (1980s-2000s) of servicing a swollen debt bequeathed by the Marcos administration in 1986.

However, having funds is not enough. Having a health governance system that can insure that funds are used wisely, judiciously and fairly for the benefits of all matters a lot. Right now, there is a public uproar over the following: a) massive corruption that attended the government purchases or procurement of protective health materials, b) the unexplained losses of the Philippine Health Insurance Corp., c) the unpaid payment of "risk allowance" to the health-care workers, d) the limited facilities of government hospitals, and e) the poor handling by the government's Inter-Agency Task Force on Infectious Diseases of the series of lockdowns imposed on the country in 2020-2021.

Clearly, a health crisis is not a simple question of looking for funds to heal it. This is why the "theory of change" advanced by the ADB in justifying its Covid-lending program (Covid-19 Active Response and Expenditure Support) is simplistic. Accordingly, the overall goal of CARES is to mitigate the health, social and economic consequences of the Covid pandemic through the "ADB Approach," that is, to provide budget support for the health, social and economic requirements of a borrowing country. Such a theory of change sounds nice except that it misses the other critical root causes of a broken health system. The failure to identify and address the other root problems is one explanation for the prolonged health agony of the Philippines.

**Article originally published in Business Mirror.*

Table 1.
Problem tree (Philippine health sector)

Root cause	Insufficient financing of health system
Core problem cases	Inadequate healthcare system capacity for Covid-19
Direct effects	1. Widespread national community transmission of Covid-19 2. Limited healthcare system capacity to treat and diagnose cases. 3. Increased number of people dying from Covid-19.
Intermediate problems	Limited testing capabilities, Insufficient contact tracing and active surveillance. Inadequate infection control measures. Low treatment capacity for moderate to severe cases.
Intermediate causes	Insufficient laboratory consumables and reagents for RT-PCR testing. Transport delay of samples to laboratories. Limited laboratories with PCR testing capabilities. Weak contact tracing and surveillance infrastructure. Limited number of staff to perform contact tracing. Lack of adequate training of staff on effective contact tracing, etc. Lack of information technology infrastructure for data reporting, etc. Shortages of PPE. Limited number of facilities with isolation capacity. Limited number of hospitals and polyclinic facilities Etc., etc., etc.

Source: ADB, "Sector Assessment [Health]," document attached to the Philippine loan application to ADB.

TEN ESSENTIALS FOR THE ASIAN INFRASTRUCTURE INVESTMENT BANK'S NEW ENERGY STRATEGY

PETRA KJELL WRIGHT | RECOURSE

When the Asian Infrastructure Investment Bank (AIIB) was launched in January 2016, only weeks after the birth of the Paris Agreement on climate change, it proudly declared one of its core values to be 'green'. As a new multilateral development bank (MDB), without the dirty investment legacy of other MDBs, it had every opportunity to live up to this commitment. Yet only a year and a half later, it was clear that this bold statement was just empty words.

At the heart of contention sits AIIB's Energy Sector Strategy (ESS), approved in June 2017. The ESS turned out to be far from 'green' — allowing AIIB to support all fossil fuels, including coal, thus undermining the very essence of the Paris Agreement. This matters, since the energy sector is responsible for around three quarters of the world's greenhouse gas (GHG) emissions, holding the key to the battle against climate change.

AIIB's portfolio shows the result: for every $1 spent on renewable energy, almost double goes to fossil fuels. This figure excludes indirect financing through financial intermediaries (FIs), like infrastructure funds and banks, so the true ratio is likely greater. While AIIB's fossil fuel investments are largely for gas, not coal, funding through FIs has supported both coal mining and coal for industrial use.

2022 will be a crucial year to finally get AIIB on a 'green' pathway. After much pressure, the AIIB will finally review the ESS. The revised strategy must fully align with the Paris Agreement and its ambitions, most importantly efforts to limit the temperature increase to 1.5°C above pre-industrial levels. It must also support the Sustainable Development Goals (SDGs), particularly SDG 7 on ensuring affordable, reliable, sustainable and modern energy for all.

It must go further, too. IPCC's latest report, dedicated specifically to the 1.5°C goal, warns that this threshold could already be breached within 20 years and calls for an immediate strengthened global response. AIIB is an outlier amongst MDBs in that it is yet to produce a clear strategy and roadmap for how it intends to align the whole institution with the Paris Agreement. AIIB must produce a climate change action plan to cover all policies, operations and activities.

10 ENERGY STRATEGY ESSENTIALS

As AIIB's Energy Sector Strategy is up for review in 2022, this is a quick list of ten key elements it should address:

1. Stop funding coal

Coal is a major contributor to climate change, with coal fired power generation alone representing almost a third of all energy-related carbon dioxide emissions. By allowing coal investments in its ESS, AIIB is at loggerheads with the Paris Agreement on climate change and out of step with other MDBs, including the Asian Development Bank (ADB), which has revised its policy to exclude coal. The exclusion should not only include coal power, but also upstream and downstream support for coal, including coal mining, coal for industrial use and transmission and distribution lines serving coal power plants, and cover both direct and indirect support, such as funding through financial intermediaries.

2. Immediately start phasing out support for oil and gas

The International Energy Agency concludes "there is no need for investments in new fossil fuel supply" — not just coal but also "no new oil and natural gas". To date, AIIB has invested over $2 billion in gas projects, excluding indirect finance. The European Investment Bank (EIB) is at the forefront of MDBs, already phasing out support for both oil and gas. In fact, gas, rather than coal, is the main driver of the global increase in carbon dioxide (CO2) emissions since 2013. Natural gas emits methane as well as CO2, and the IPCC estimates that the global warming potential of methane is 86 times worse than CO2 in the short term. The process of creating Liquified Natural Gas (LNG) is particularly energy intensive and is driving growth in emissions. The majority of gas consumption is associated with uses that already have cost-competitive clean alternatives, so gas is not a 'transition fuel' — it has become a blocker for the shift to renewables.

3. Close fossil fuel loopholes

The revised ESS must cover all forms of financing, ensuring any fossil fuel loopholes for both direct and indirect finance are closed. Funding through financial intermediaries (FIs) — such as infrastructure and private equity funds — represents almost 15% of the value of AIIB's portfolio. An FI investment essentially 'outsources' funding decisions to a third party, which in turn invests the capital in sub-projects or sub-clients. To date the AIIB's FI investments have backed fossil fuels, including gas and heavy fuel oil, and even coal. AIIB should also stop other indirect support, such as investments in transmission & dis-

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tribution systems ultimately serving fossil fuels. There should be no fossil fuels exemptions, such as financing for coal for industrial use.

4. Ramp up support for sustainable renewable energy

According to the International Energy Agency, "renewables are set to become the foundation of electricity systems around the world." But despite advances made in recent years, spurred on by massive drops in costs and the risk of fossil fuels becoming 'stranded assets', progress is faltering due to a post-pandemic rebound in fossil fuel use. This points to an urgent need for public finance to step in and galvanize the shift to clean. AIIB should become a leader and firmly prioritise renewable energy solutions in the revised ESS, sending clear signals that the fossil fuel era is over. Support should focus on sustainable renewable options, that avoid harm to people and the environment.

5. Prioritise energy access for all

Globally, almost 800 million people lack electricity and 2.8 billion need clean cooking solutions, figures that are likely to increase due to the impacts of the Covid-19 pandemic. Public financing can and should play an important role in supporting SDG 7's goal of energy access for all. The revised ESS must set out a plan with ambitious targets and timelines for actioning SDG 7 on universal access to affordable, reliable, sustainable, and modern energy, which should include efforts to reach the "last-mile" households. This support should not come through fossil fuels, but through clean sustainable renewable solutions, while ensuring gender equality and a rights based approach (see further details below).

6. No false solutions

AIIB Paris alignment should not rely on unproven or 'emerging' technologies as options to address climate change. A growing body of evidence questions support for Carbon Capture Utilisation and Storage (CCUS), 'blue hydrogen' or any hydrogen produced using fossil fuels. Such technologies risk displacing investments urgently needed in the shift away from fossil fuels to renewable energy. A recent report by the Tyndall Centre for Climate Change Research demonstrates that CCUS in fact perpetuates the use of fossil fuels. AIIB should also rule out support for socially and environmentally devastating operations that undermine local economies, peoples' health and livelihoods as well as ecological resilience, such as large-scale dams, waste to energy incinerators and nuclear power generator upgrades.

7. Put gender equality front and centre

Achieving SDG 5 on gender equality must be a key priority in the revised ESS. The impacts of climate change often hit women first and hardest, due to systemic inequities, including women's important role in, for example, small scale agriculture and as main providers of water for the family in rural, remote and informal communities. Similarly, Sustainable Energy for All concludes that a lack of energy access "disproportionally affects women and girls in the form of health, productivity, unpaid labour, and employment burdens." Women have a critical role to play in facilitating the shift to renewables, in particular off-grid renewable energy solutions, and as such must be meaningfully included in determining project plans and development models, as well as have access to gender-sensitive and responsive grievance mechanisms.

8. Ensure a rights-based approach and meaningful participation

Energy projects can have detrimental impacts on indigenous peoples and vulnerable groups, undermining their right to land and livelihoods, while not serving their needs. Comprehensive and meaningful consultations are essential for ensuring energy projects and programmes are well targeted and sustainable in all senses of the term. The ESS must have a right based approach, to ensure projects respect and protect communities' rights. This includes ensuring Free Prior and Informed Consent for indigenous peoples. In developing suitable energy solutions, all stakeholders must be involved to ensure vulnerable group's rights are prioritised. These principles should also apply to the ESS consultation, which must include public engagement, prioritising outreach to project affected communities.

9. Support a Just Transition

The urgent and rapid phase out of all fossil fuels must be complemented by support for a Just Transition, ensuring no one is left behind in the shift to a clean sustainable energy pathway. Green, just and inclusive transitions should be grounded in the different contexts and realities of affected communities across the countries where AIIB operates, and must uphold all human rights conventions, including but not limited to ILO Conventions and frameworks. AIIB should focus on securing people's access to energy, prioritising public supported decentralised solutions with meaningful decision-making structures, including local communities.

10. Set ambitious, transparent and accountable targets

The new ESS must include ambitious targets on GHG emissions reductions, sustainable renewable energy support, energy access for all and gender equity, which align with the Paris Agreement and the SDGs. It should introduce an Emission Performance Standard cap, and require project and portfolio level GHG accounting, and gender disaggregated data. AIIB should monitor and report on progress, transparently and accountably, including providing aggregate figures in the Annual Report, with regular evaluations. The ESS should also include a clear timeframe for forthcoming reviews of the strategy, to enable it to respond in an effective and timely manner to lessons learned as well as future research and climate policy developments.

THE ADB, GCF, CLIMATE, GENDER, PRIVATE SECTOR AND RISKS

ELAINE ZUCKERMAN | GENDER ACTION

How the Asian Development Bank (ADB) and Green Climate Fund (GCF) Intersect

ADB is currently the accredited entity (AE) for 12 (7 percent) Green Climate Fund (GCF) projects. Other accredited entities and financial intermediaries include other International Financial Institutions (IFIs), commercial banks and UNDP. As an AE, the ADB is a GCF financial intermediary that can make grants, loans, equity investments and guarantees. The ADB also implements some GCF projects. Individual country ADB-GCF projects are in Cambodia, China, Fiji, Kiribati, Mongolia, Nauru, Pakistan, Tajikistan and Tonga. Multi-country ADB-GCF programs exist for ASEAN and Pacific Island nations.[1]

GCF Funding Facts

GCF, the largest global multilateral climate fund, has committed to spend half of its funding on adaptation and half on mitigation projects. GCF is one of the recipients of the USD $100 billion that developed countries promised developing countries annually to address climate change. To date GCF has received about USD 2.5 billion of the roughly $80 billion sum actually annually disbursed (or roughly USD 10 billion total during GCF's four year initial resource mobilization).

With this background, the rest of this article distils information from the study, ***More than an add-on? Evaluating the integration of gender in Green Climate Fund projects and programs***, published by the Heinrich Boell Foundation and Gender Action at the 2021 UN COP 26 Glasgow Summit. *More than an add-on?* primarily analyzes the extent to which GCF, the only multilateral to adopt a mandatory gender policy from its outset, treats gender as well as private sector roles and risk management.

Our analysis applied 27 ecofeminist indicators and sub-indicators to analyze a sample of 30 GCF projects and programs. Our sample is reasonably indicative of overall portfolio trends, although not entirely due to lack of transparency of privately-financed projects/programs.

The bulk of the analysis below is presented in the format of recommendations and the findings underpinning them.

Gender Focus

More than an add-on? assesses how the GCF is fulfilling its mandatory requirement to address inequitable climate change impacts on women and marginalized gender groups and recommends major improvements needed to fulfill this mandate. A gender focus is important because the worsening climate crisis threatens and affects all humanity, although not uniformly: Existing gender inequalities, resulting from persistent gender discrimination, aggravate climate change impacts. Marginalized gender groups, especially women and sexual and gender minorities (SGMs) are disproportionally impacted. Below are salient gender findings and recommendations:[2]

Overarching Finding: Most sample projects/programs (90%) fail to fulfill GCF's mandate to promote gender equality in all project/programs Gender Action Plans (GAPs), components and monitoring frameworks. Their failure to strengthen women and LGBTQ people's rights, agency and voice diminishes GCF's likely success in addressing disproportionate negative climate change impacts on gender vulnerable people. Overarching recommendation: **All GCF projects must pro-actively and robustly strengthen women and LGBTQ people's rights, agency and voice** across project cycle stages. Other select gender-focused recommendations include that GCF must:\

- **Elaborate gender co-benefits in detail** including synergies with climate actions, non-climate environmental issues and economic and other co-benefits, since two-thirds of the sample fail to do so.
- **Budget and allocate adequate gender-related expenditures as core project/program costs** to increase climate-affected marginalized gender-groups' access to climate finance and reduce gendered financial exclusion. Only one project budget does so strongly while almost half never mention women or other marginalized gender groups.
- **Address the intersectionality of marginalized gender groups** including women, indigenous, ethnic and SGMs in proposed climate actions. Almost no sample projects/programs do so.
- **Acknowledge and address sexual and gender-based violence (SGBV) and sexual exploitation, abuse and harassment (SEAH)** systematically to ensure that women and marginalized gender groups are not victims, by including targeted actions, not just awareness raising, in risk mitigation frameworks, which the vast majority of sample projects/programs ignore doing.
- **Address gender harm and challenge gender norms and power imbalance** through targeting interventions in the mandatory gender assessment to prevent cementing or exacerbating existing gender inequities. Not one project/program does so strongly while 27 (90%) fail to do so at all.
- **Allocate adequate GAP funding with detailed cost breakdowns in overall core budgets to engage and build local gender expertise** as a requirement for Board project/program approval. Strong preference should be given to local rather than international experts. Only 7% of GAPs do so strongly; 60% adequately; and 33% weakly.
- **Strengthen and fully disclose gender-responsive safeguards and risk mitigation and monitoring frameworks to prevent potential gender harm** that disproportionately impacts women and other marginalized gender groups. No projects/programs sampled do so strongly.
- **Operationalize gender-responsive and inclusive free, prior and informed consent (FPIC) procedures** that provide all project/program-affected people the right to consent or object to projects before appraisal and throughout the project cycle. Only 30% of sampled projects/programs strongly or adequately address FPIC procedures.
- **Develop and disclose information about gender-responsive project/**

program-level grievance redress mechanisms (GRMs) to project/program-affected people who must also be informed of their right to access the Fund-level Independent Redress Mechanism directly without first exhausting GRM procedures. Almost half of projects never mention GRMs

- **Require compensation for harm disproportionately impacting women and other marginalized gender groups** such as indebtedness, SGBV, and displacement, even if such impacts were not anticipated. Only one sample project does so comprehensively.
- **Involve women's organizations and national gender machineries in project/program implementation structures as executing entities or on advisory or oversight boards**. Only 7% of sample projects/programs do so well.
- **Include gendered indicators in the results management framework and systematically collect and analyze gender-disaggregated monitoring and evaluation data** in individual project/program components and overall to ensure transparent, accountable gender equality outcomes. Connect GAPs to overall project/program targets and outcome indicators throughout the project cycle. 30% of projects/programs do so strongly; 50% adequately.

Private Sector Focus

Our analysis found private sector projects disclose little information claiming it is proprietary. Therefore we recommend that GCF must:

- **Stop redacting private sector proposals** and not disclosing relevant annexes, which prevent affected stakeholders from assessing and redressing potential harms.
- **End support for complex, especially private-sector, fund-of-fund programs** with multiple sub-projects which lack touch with affected populations and instead favor locally-determined public projects that are more likely to accrue sustainable gender equality and climate change outcomes and other co-benefits.
- **Avoid uncritical support for microfinance** that assumes uniform benefits for poor people. Microcredit debt often is especially harmful for women borrowers. Grants should be favored over loans.

Risk Focus

Prioritize reducing risks to project/program-affected people instead of to accredited entities and executing agencies. GCF projects/programs more commonly address commercial risks protecting financial intermediation partners rather than potentially harmed communities, women and LGBTQ people.

Conclusion

GCF's existence is in principle positive. By providing GCF funding, developed countries, who cumulatively have contributed most to our planet's climate crisis, harming innocent developing country populations, delivers a sliver of deserved reparations. It can do so better by requiring affected people's consent before proceeding with funding projects/programs. Once consent is granted, GCF must sensitively respond to women's and SGM's needs. It must operate strictly in the public interest by eliminating loans, especially private sector loans, including microcredit, which can indebt poor women.

Endnotes

1 A full list of and documents for these projects and programs can be found here: https://www.greenclimate.fund/ae/adb

Programs are complex projects containing several subprojects often covering several countries.

2 Due to limited space this article presents selective analysis and recommendations. See full analysis and recommendations in, ***More than an add-on? Evaluating the integration of gender in Green Climate Fund projects and programs.***

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