The origins of the GCCA: remembering how the alliance was born

by Walter Kennes

The Nairobi climate conference has underlined the importance of adaptation

The 2006 climate conference (COP 12) took place in Nairobi, Kenya. It was the first time that such an event had been organised in sub-Saharan Africa. It was also the first time that major attention had been attracted to the climate adaptation needs of the poorest developing countries. The Nairobi COP contributed to the realisation that dealing with *climate adaptation called for expertise in development*. For example, rural development programmes have often promoted ways to make agriculture less dependent on climate conditions by supporting irrigation or drought-resistant crops. Such programmes can be considered contributions to climate adaptation. Development and climate challenges can and should be handled together. Around the same time, the 'Stern Review on the economics of climate change' was published. This was probably the first comprehensive economic analysis of the overall effects of climate change. The review demonstrated convincingly that the cost of adaptation would rise steeply if mitigation was postponed.

The GCCA: a natural alliance

The Nairobi COP underlined the importance of the inevitability of climate adaptation. Furthermore, it became clear that the *cost of adaptation is not spread evenly* across countries, but falls disproportionately on the poorest developing countries. These are also the countries that make the smallest contribution to emissions and have the most limited capacity to deal with these costs. Broadly speaking, this comprises the least developed countries (LDCs) and the small island developing states (SIDS). Other middle-income or high-income developing countries also face large adaptation costs, but because they are wealthier they have more capacity to cope with such costs. The same applies to wealthy industrial countries.

During the first quarter of 2007, the EU adopted its *unconditional* target to reduce emissions by 20 % by 2020 compared to 1990. The EU was the only group of industrial countries to adopt such an ambitious emission-reduction target. It also adopted a *conditional* target of 30 % reduction in emissions in 2020, providing that other industrial countries as well as emerging developing countries also adopted emission reduction targets.

Although multilateral climate negotiations generally make progress by consensus, such a consensus is hard to reach among a highly diverse group of more than 190 member countries in the UN Framework Convention on Climate Change (UNFCCC). The signing of the Kyoto Protocol (KP) in 1997 was an achievement, but by 2007 it had already become clear that its targets were totally inadequate. And even those limited targets were seriously undermined by the withdrawal of the US, which was largest emitter at the time, and others such as Canada. Another limitation of the KP was that emerging and rapidly industrialising developing countries like China, Brazil and India had no emission reduction targets. Since the adoption of the KP in 1997, the emerging developing countries' share in global emissions was rising rapidly. By 2008, China was the largest emitter. The EU's share in global emissions fell below 10 % and continues to decline, which means that EU targets would not make a big difference at the global scale.

Therefore, the *interest of the LDCs and SIDS* in having the lowest possible adaptation costs (as pointed out by the Stern Review) clearly *coincided with the ambitious emission reductions*

advocated by the EU. Thus, by demanding a global warming target well below 2° C, the LDCs and SIDS became *natural allies* of the EU. The Global Climate Change Alliance reflected this *convergence of interests* as well as the notion of 'alliance'. As regards the GCCA, the EU was ready to provide additional support with a focus on climate adaptation. In exchange, it expected the LDCs and SIDS to argue (in line with their interest) for an ambitious climate agreement. This implied that they should put pressure on other industrial countries and on the emerging developing countries to move towards emission reductions.

In September 2007, the European Commission launched the GCCA between the EU and those poor developing countries most vulnerable to climate change.[1] At the Lisbon European Development Days in November 2007, climate change was the main theme and provided an occasion to present the GCCA to a wider audience.

Main characteristics of the GCCA

The GCCA intended to step up cooperation between the EU and those developing countries that are hit earliest and hardest by climate change and have the least capacity to react. They are mostly, but not exclusively, the **LDCs and SIDS** – more than 70 countries fall into these categories.

The alliance notion is reflected in the GCCA's two pillars: 1) **improved dialogue** on climate change policy between the most climate-vulnerable developing countries and the EU; and 2) **extra support** for climate adaptation provided for those countries by the EU.

The results of the dialogue were intended to feed into the preparations and negotiations for a new climate agreement under the UNFCCC.

As regards extra support, the following priority areas were proposed:

(i) **supporting climate adaptation** without prejudice to achieving development goals. The GCCA would focus on the water and agriculture sectors which are vital for the most vulnerable population;

(ii) **reducing emissions from deforestation and degradation (REDD)**: about 20 % of global greenhouse gas emissions are caused by deforestation. For LDCs, more than 60 % of their emissions originate from land-use change, primarily deforestation. The GCCA would support innovative solutions to avoid deforestation and to contribute to preserving ecosystems and livelihoods;

(iii) **enhancing participation in the global carbon market** through the Clean Development Mechanism (CDM), which has the potential to bring significant foreign investment to poor countries given that it costs less for industrialised countries to invest in emission abatement in developing countries than at home. In this way, developing countries can acquire new technologies for sustainable development. By building capacities, the GCCA would try to make LDCs and SIDS more attractive for CDM projects;

(iv) **promoting Disaster Risk Reduction**: over the past decades, there has been an increase in the number of natural disasters linked to extreme weather events resulting from climate change. The GCCA would help the most disaster-prone countries to build their capacities to mitigate the risk of natural disasters;

[1] Communication on Building a Global Climate Change Alliance between the European Union and poor developing countries most vulnerable to climate change - COM(2007) 540

(v) On a more general level, the GCCA would promote the **integration of climate change into poverty-reduction strategies**. Climate change affects many sectors including, for example, transport, agriculture and health, and should be 'mainstreamed' in poverty-reduction efforts.

Financing the GCCA

To start up the GCCA, the European Commission was able to earmark **EUR 60 million in funding** from the Environment and Natural Resources Thematic Programme (ENRTP) over the period 2008-2010. These funds could be considered 'additional' in the sense that they were obtained from reserves available in the EU budget. In order to channel reserve funds to the GCCA, the Commission needed to convince both the Council and the Parliament in a process that had to be repeated every year.

Further resources to support the GCCA would be looked for within existing geographic and thematic programmes. For example, around EUR 30 million of ENRTP funds could be used to contribute to REDD – Reducing Emissions from Deforestation and Forest Degradation in developing countries. Under the 10th EDF intra-ACP funding, EUR 40 million was set aside for regional climate action and EUR 180 million for regional disaster risk reduction.

Because the financial resources that could be mobilised at short notice from the EU budget or the EDF were small in relation to the needs of over 70 target countries, the European Commission appealed to the EU Member States to join forces on the GCCA and to work towards a common arrangement for delivery. Unfortunately, the possibility of setting up an EU trust fund for the GCCA was not feasible under the existing Financial Regulation (although this changed under the new 2012 Financial Regulation). Therefore, the EC could only offer the possibility to the Member States to provide extra funding to the EU budget earmarked for the GCCA. In practice, the Member States would sign a *transfer agreement* with the Commission and the funds would be added to the other GCCA funds. In the transfer agreement, Member States providing funds could specify in which country and for which topics they could be used. The Commission had full responsibility for their implementation.

How was the GCCA received?

The EU Member States welcomed the GCCA and endorsed its objectives. At the operational level, contacts with these countries demonstrated that they saw this as a very timely and appropriate initiative. However, this appreciation was not translated into extra financial support. Initially (in 2007), only *Sweden* reacted positively to the EC's appeal for extra funding, providing EUR 4.4 million. During the following year, the *Czech Republic* also made a modest pledge of EUR 200 000 when it was chairing the Council. This limited response from Member States was a great disappointment for the Commission.

The Council Conclusions on the GCCA Communication (November 2007) recognised that the adaptation needs of the poorest and most vulnerable developing countries were substantial and needed support. The Conclusions called for the Commission to prepare an implementation plan for the GCCA. It is interesting to note that they also asked the Commission to consider *innovative means for financing*.

As the Member States requested, in July 2008, the Commission published a Staff Working Document describing the GCCA's implementation framework.[2] The document covered both the dialogue and the cooperation components of the initiative.

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[2] Staff Working Document SEC(2008) 2319

The European Parliament (EP) also reviewed the GCCA initiative and produced a very favourable memorandum and resolution (the rapporteur was Swedish MEP Anders Wijkman). Among its recommendations was that, in order to make a significant contribution, the GCCA would need much more finance. The EP proposed an annual allocation of at least EUR 1 billion, which was far beyond the amount the Commission could realistically propose.

At a side event during the Bali COP in December 2007, Environment Commissioner Dimas presented the GCCA to the developing countries, which was well received. Some developing countries expressed the wish that the new GCCA funds would be disbursed with fewer complications than the existing multilateral funds under the UNFCCC, in particular the LDC fund and the Adaptation Fund.

During the first half of 2008, the World Bank (WB) also proposed a new initiative: the *Pilot Programme on Climate Resilience (PPCR)*. Increasing climate resilience was considered on a par with successfully adapting to climate change. The similarity between the PPCR and the GCCA was striking! Several EU Member States, most prominently the UK and Germany, quickly made substantial pledges to the PPCR while not providing any extra funds for GCCA.[3] Later, the PPCR was included in the wider set of Climate Investment Funds (CIF) which also deals with climate mitigation. In addition to the WB, other multilateral development banks participate in these CIFs. At the operational level, there were frequent contacts and exchanges of views between the WB staff working on PPCR and the Commission staff working on the GCCA. This was important to avoid duplication and to ensure complementarity between the GCCA and PPCR.[4]

The Global Climate Financing Mechanism (GCFM)

Following the launch of the GCCA in September 2007, it soon became clear that the extra resources the European Commission could mobilise would not be enough to have a significant effect on the position of the 70 or so LDC/SIDS in the climate negotiations. The EU Member States were not ready to make substantial contributions at short notice. Nevertheless, they had requested the Commission to explore *innovative means for financing*.

Commissioner Michel took up the challenge posed by the Member States and announced his intention to explore possibilities for an innovative financing instrument for climate change. This led to the idea of a Global Climate Financing Mechanism (GCFM) that would frontload funds for climate adaptation by borrowing on the capital market by issuing bonds. Repayment of the bonds would be guaranteed by the EU Member States, from their future budgetary resources, in particular from revenues derived through the carbon market. Around that time, it was expected that the price of CO_2 would rise in the future and that an increasing amount of the CO_2 allocations would be sold with the revenue going to the Member States.[5]

The possibility of such a mechanism was carefully studied in close collaboration with the WB, and its *feasibility was established*. The GCFM would draw on the lessons of existing innovative financing instruments, such as the UK-initiated International Finance Facility for Immunisation. In line with GCCA objectives, its focus would be on providing *grants* for

[3] It is useful to mention a sizeable part of the PPCR funding took the form of loans. The GCCA funding advocated by the Commission was exclusively in grants. It was not considered sound policy to provide loans to LDCs for urgent climate adaptation.

[4] The same happened with other multilateral initiatives, for example by the UNDP, FAO and UNEP. Some EU thematic funds were usually provided to such initiatives as the UN-REDD. In this way, the EU could participate in the governance of the multilateral initiatives. This was a way to exchange information and experience while avoiding any overlap between EU projects in the GCCA and projects under these multilateral initiatives.

[5] Mainly as a result of the economic and financial crisis, the CO_2 price fell from around EUR 20 per tonne in 2008 to about EUR 5 per tonne in 2012.

climate-related adaptation investment in the poorest and most vulnerable countries. The GCFM could increase the funding for the GCCA both significantly and quickly so that it could have the desired systemic effect.

In the run-up to the 2009 Copenhagen climate conference, where a breakthrough on a new agreement was expected, the GCFM idea was expanded further. The specific proposal was to provide EUR 1 billion annually for five years, starting in 2010, to be used for fast-start support to climate adaptation in the poorest and most vulnerable developing countries. This was in line with the European Parliament's recommendations. It was assumed that the bonds to be issued for such "ethical investment" would carry only a low interest rate and that refund over 20 years would be easy.

The proposed GCFM was not well received by the EU Member States, most likely because of the uncertainty and budgetary pressure that followed from the economic and financial crisis in 2008 and 2009. It was not the right time to propose innovative financing that could imply new budgetary pressure or risks for the Member States. After Copenhagen, any practical follow-up on the GCFM initiative ceased. Nevertheless, the idea that adequate climate finance calls for innovative financing mechanisms has been regularly reiterated. For example, it was included in the Copenhagen Accord whereby industrial countries pledged to provide annual funding of USD 100 billion by 2020 "from a wide variety of sources, public and private, bilateral and multilateral, *including alternative sources of finance*". Unfortunately, since Copenhagen, no significant initiative has been proposed for such alternative sources of finance.

Initial GCCA implementation (2008-2010): dialogue component

The GCCA was intended to be a platform for *political dialogue on climate change* between the EU and those developing countries vulnerable to climate change, with priority being given to LDCs and SIDS. At the *regional level*, the GCCA dialogue was mainly aimed at achieving a common vision on climate policy priorities. This common vision would hopefully be reflected in the positions taken at the multilateral climate negotiations. In this way, the GCCA was designed to contribute to reaching a sound new climate agreement. The GCCA's regional dialogue resulted in a series of *joint declarations* on climate change between the EU and:

- the Caribbean in March 2008
- the Pacific in October 2008
- the Africa group in November 2008
- the ACP group in May 2009
- the Asian LDCs in May 2010.

All these declarations were discussed and agreed at the heads of state and/or ministerial level. They were designed to underline the common interest and convergence of views between the EU and those developing countries most vulnerable to climate change. They stressed the importance of climate adaptation and the readiness of the EU to contribute to financing adaptation. The declarations recommended integrating climate change into poverty reduction strategies, thereby stressing that combating climate change also meant combating poverty and fostering sustainable development. They also showcased the EU's relatively ambitious emission targets and the lack of such targets for other industrial countries as well as the emerging economies in the G77.

The intention of the joint declarations was to send a signal to the negotiators working on a new multilateral climate agreement. It is difficult to assess to what extent the GCCA dialogue work effectively 'triggered-up' to the negotiation level. At the climate conferences in

Copenhagen and Cancun, only a few developing countries (LDCs and SIDS) expressed positions in line with the content of the declarations (for example, Guyana, Maldives, Tanzania and Vanuatu). Most of the LDCs and SIDS, including several countries participating in GCCA activities ,restated the 'mantra' that the industrial countries, including the EU, had not delivered what they had promised either in terms of support for mitigation funding for adaptation. This was probably because the officials dealing with development issues were not the same as those dealing with climate change; information was not being passed from development to climate officials.

It is interesting to note that at the 2011 Durban COP, for the first time, *a progressive coalition on climate change emerged* between LDCs, SIDS (or the Alliance of Small Island States - AOSIS), a number of African countries and the EU. This coalition was instrumental in the positive outcome in Durban, which was only reached 36 hours after the foreseen closing time. Durban set a roadmap for a new climate agreement. In 2015, roughly the same coalition, including the ACP group (as well as some other industrial countries and some emerging developing countries) contributed substantially to reaching the Paris Agreement. The cooperation during the negotiations between the EU and the LDCs, SIDS, African and ACP groups is in line with the initial GCCA objectives. It is not possible to determine to what extent the Paris Agreement was made possible by the GCCA dialogue, but it is safe to conclude that there was an obvious contribution.

In addition to the regional level dialogue, there was also GCCA dialogue at the *national level*. In this case, there was no output in terms of joint declarations. This dialogue focused mainly on the integration of climate change into national development strategies, plans and budgets, and on identifying concrete measures and opportunities for cooperation.

Initial GCCA Implementation (2008-2010): financial cooperation component

As regards stepping up financial support for adaptation in climate-vulnerable developing countries, the 2008 Staff Working Document identified a number of criteria mainly related to climate vulnerability and poverty. With these criteria it was possible to rank the 70 LDCs and SIDS according to their vulnerability, which enabled countries to be selected for GCCA start-up activities. Under the 2008 budget, four target countries were selected: *Vanuatu, Maldives, Cambodia and Tanzania*. The Ambassadors to the EU in these four pilot countries regularly met with Commission staff in a small committee to speed up implementation. For 2009 and 2010, 11 more countries were identified in the same way: *Bangladesh, Belize, Guyana, Jamaica, Mali, Madagascar, Mauritius, Mozambique, Rwanda, Senegal and Seychelles.* All these countries benefitted from GCCA support from 2009 and 2010 budgets except for Madagascar where the work was postponed because of the political situation.

Throughout 2009, the GCCA focus was on trying, where possible, to speed up implementation of the adaptation projects. If the projects turned out to be successful it would be easier to argue for additional resources, regardless of the source of the funding. Countries with good projects were also considered as advocates for a climate agreement in Copenhagen, provided that the information was passed to the climate negotiators, which could not be taken for granted.

The Staff Working Document on implementation of the GCCA also recommended setting up a GCCA support facility to facilitate the process of dialogue and to work out support activities in the target countries. This facility became operational at the end of 2009.

Much attention was paid to ensuring that GCCA funding would apply the *principles of aid effectiveness* that had been agreed in Paris in 2005 and that were later further elaborated. GCCA climate projects were designed to use the best development practice to achieve

maximum effectiveness. One principle was that projects must fit in with the country's own strategies. It was possible to use the existing National Adaptation Programmes of Action (NAPAs) that had been prepared or were under preparation for all the LDCs. Whenever it fitted in well with the local context, the focus was on adaptation in the rural sector and on water management, i.e. the GCCA's main priority area. In line with the aid effectiveness principles, budget support was tried as an implementation channel. However, at times this led to unforeseen difficulties and delays because implementation of the climate project was made conditional on certain macroeconomic indicators.

As regards the GCCA's REDD objectives, it was also possible to use EU budget funding earmarked for sustainable forest management. Calls for proposal were launched for some REDD projects.[6] The idea was also to complement the related work on Forest Law Enforcement, Governance and Trade (FLEGT). In order to support and facilitate this work, a REDD support facility was set up to operate alongside the FLEGT support facility. Both facilities are handled by the European Forest Institute. Linking the GCCA work on REDD to the FLEGT initiative resulted in some loss of visibility.

The Copenhagen climate conference and fast-start climate funding

Despite high expectations and an enormous amount of preparatory work, the Copenhagen COP in December 2009 did not deliver the desired results. Copenhagen was a huge disappointment for many negotiators and was widely seen as a failure. However, with hindsight, the *Copenhagen Accord* had several positive aspects. This was *the first time that the 2° C target was accepted at the multilateral level* and, most importantly, there was recognition by and the *commitment of the industrial countries to deliver fast-start finance,* as well as the pledge for substantial annual climate financing for developing countries by 2020 amounting to USD 100 billion a year. ON average, the fast-start finance would be USD 10 billion a year for the period 2010-2012.

The EU and its Member States played a key role as regards the pledges on climate finance in Copenhagen. The Commission and the Member States agreed on the specific distribution of the EU's fast-start funding amounting to EUR 2.4 billion annually from 2010-2012. EUR 50 million a year would come from the EU budget, of which half would be channelled through the GCCA.

After Copenhagen, it was interesting to see that some Member States decided to use the GCCA for their fast-start funding pledge: the largest amount of EUR 31 million came from *Ireland*, while *Cyprus and Estonia* pledged EUR 1.8 million and €0.8 million, respectively. These funds allowed the GCCA to increase the number of target countries where support programmes could be carried out.

The additional fast-start funding for 2010 and 2011 (EUR 25 million per annum) plus the resources pledged by the Member States enabled the preparation of projects for many more target countries: *Benin, Bhutan, Ethiopia, Gambia, Laos, Nepal, Samoa, Sierra Leone and the Solomon Islands.* In addition, two regional projects were set up, one for the Pacific Islands and one for the lower Mekong region. By the end of 2011, almost all of the 70 target countries had some form of cooperation with the GCCA.

Concluding observations

From the very beginning of the GCCA initiative, significant effort was put into stepping up the EU's regional climate dialogue and into fast-start cooperation on climate adaptation in the

[6] In 2010, the call for REDD projects resulted in 244 proposed projects of which 12 were selected for implementation with an overall budget of EUR 24 million.

LDCs and SIDS. It took some years before the notion of 'alliance' and the convergence of interests between the EU and the GCCA target countries became visible during the climate negotiations. This was the case in Durban and in the following COPs and it contributed to the formation of a 'progressive coalition' which later made the Paris Agreement possible.

Initially, the reluctance of EU Member States (with a few exceptions) to top up GCCA resources, as well as the rejection of a proposal for innovative funding, were seen as major setbacks. However, at the same time, there was broad-based and strong support for the GCCA's overall approach, especially for its focus on the adaptation needs of the most climate-vulnerable developing countries. It was possible to use the EU budget reserve to work out some initial GCCA projects in developing countries. At the Copenhagen COP in 2009, the agreement on fast-start climate funding enabled a further increase in funding for the GCCA. Towards the end of 2011, most of the LDCs and SIDS target group were involved in GCCA activity.

During the early years of the GCCA, there was a fear that climate discussions and pledges for climate funding in developing countries would lead to a new financial channel in parallel to official development assistance (ODA). Such a new channel risked inefficiency because the lessons from ODA would have to be learnt again. The GCCA demonstrated that ODA can and should be used to assist developing countries with climate change. The Alliance also ensured that the experience embodied in the aid-effectiveness principles would be applied to climate-change projects.

An external evaluation carried out during 2014 confirmed that the GCCA had achieved important results. It had made a significant contribution to climate dialogue and had become a viable instrument for practical cooperation on climate change.

Because of its initial success, during discussions on the 2014-2020 Multiannual Financial Framework, the GCCA was upgraded to become an EU flagship initiative: GCCA+.

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