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

by Walter Kennes

[Read the short article on GCCA+ website]

The Nairobi climate conference underlines the importance of adaptation

The 2006 climate conference (COP 12) took place in Nairobi, Kenya. It was the first time that such an event was organised in Sub-Saharan Africa. It was also the first time that major attention was drawn to the climate adaptation needs of the poorest developing countries. The Nairobi COP contributed to the realisation that dealing with *climate adaptation called for development expertise*. For example rural development programmes often promoted ways to make agriculture less dependent on climate conditions by supporting irrigation or drought resistant crops. Such programmes can be qualified as contributions to climate adaptation. The 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 were postponed.

The GCCA: a natural alliance

The Nairobi COP underlined the importance of the inevitable climate adaptation. Furthermore, it became clear that the *cost of adaptation is not spread evenly* across countries. It will fall disproportionately on the poorest developing countries. These are also the countries that made the smallest contribution to emissions and that have the smallest capacity to deal with these costs. Broadly speaking this comprises the Least Developed Countries (LDCs) and the Small Island Developing States (SIDS). Other developing countries, that are middle-income or high-income will also face large adaptation costs, but because they are wealthier they have more capacity to cope with the costs. The same applies to the wealthy industrial countries.

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

The multilateral climate negotiations generally make progress by consensus. But consensus is hard to reach by a highly diverse group of more than 190 member countries of the UNFCCC. The signing of the Kyoto Protocol (KP) in 1997 was an achievement, but by 2007 it already became fully clear that its targets were totally insufficient. 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 industrializing developing countries like China, Brazil and India did not have any emission reduction targets. Since the adoption of the KP in 1997 the share in global emissions of the emerging developing countries was rising rapidly. China was the largest emitter by 2008. The EU's share in global emissions went below 10% and is declining further. Hence the EU's targets would not make a big difference at the global scale.

Therefore the *interests of the LDCs and SIDS* to have the lowest possible adaptation costs (as pointed out by the Stern review) clearly *coincided with the ambitious emission reductions advocated by the EU*. The LDCs and SIDS in demanding a global warming target well below 2°C therefore became *natural allies* of the EU. The Global Climate Change Alliance (GCCA) reflected this *convergence of interests* as well as the notion of "alliance". With the GCCA the EU was ready to provide additional support with a focus on climate adaptation. In exchange the EU 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 Global Climate Change Alliance (GCCA) between the European Union and poor developing countries most vulnerable to climate change.[1] At the Lisbon European Development Days in November 2007 climate change was the main theme. This was an occasion to present the GCCA to a wide 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 that have the least capacity to react. They are mostly, but not exclusively, the **Least Developed Countries (LDCs) and Small Island Developing States (SIDS)**. More than seventy countries are in these categories.

The alliance notion is reflected in the two pillars of the GCCA: 1) **improved dialogue** between the most climate vulnerable developing countries and the EU about climate change policy, and 2) **extra support** by the EU to those countries for climate adaptation.

The results of the dialogue were to feed into the preparations and negotiations for a new climate agreement under the UN Framework Convention on Climate Change (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 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;

[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.

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

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

Financing the GCCA

To start up the GCCA the European Commission was able to earmark **€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 the reserves that were 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, 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 €30 million of ENRTP funds could be used to contribute to REDD. Under the 10th EDF intra-ACP funding €40 million was set aside for regional climate action and €180 million for regional Disaster Risk Reduction.

Because the overall financial resources that could be mobilised at short notice on the EU budget or the EDF were small in relation to the needs of the more than 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 (this changed later-on with the new 2012 Financial Regulation). Therefore the EC could only offer the possibility to the MS of providing extra funding to the EU budget earmarked for the GCCA. In practice the MS would sign a *transfer agreement* with the Commission and the funds would be added to the rest of the GCCA funds. In the transfer agreement the MS providing funds could specify in which country and for which subjects the funds could be used. The responsibility for implementation was fully with the Commission.

How was the GCCA received?

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

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

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

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 the recommendations of the EP 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 €1 billion, which was much beyond the finance that the Commission could realistically propose.

At a side event during the Bali COP in December 2007 the GCCA was presented (by environment Commissioner Dimas) to the developing countries and 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 the same as successfully adapting to climate change. The similarity between the PPCR and the GCCA was striking! Several EU MS, most prominently the UK and Germany, quickly made substantial pledges to the PPCR while not providing any extra funds for

[2] Staff Working Document SEC(2008) 2319

GCCA[3]. Later on the PPCR was included into the wider set of Climate Investment Funds (CIF) that also deal with climate mitigation. In addition to the WB other multilateral development banks participate in these CIFs. At the working level there were frequent contacts and exchange of views between the World Bank staff working on PPCR and the Commission staff working on GCCA. This was important to avoid duplication and to ensure complementarity between GCCA and PPCR.[4]

The Global Climate Financing Mechanism (GCFM)

After the launch of the GCCA in September 2007 it became clear rather quickly that the extra resources that could be mobilised by the European Commission would not be enough to have a big effect on the positions of the 70 odd 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 put 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 through 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. It was expected around that time that the CO2 price would rise over the coming years and that an increasing part of the CO2 allocations would be sold with the revenue going to the Member States.[5]

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[3] It is useful to mention a sizeable part of the PPCR funding was in 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 UNDP, FAO and UNEP. Usually some EU thematic funds were provided to such initiatives like UN-REDD. In this way the EU could participate in the governance of the multilateral initiatives. It was a way to exchane information and experiene, and to avoid overlap between EU projects under GCCA and projects under these multilateral initiatives.
[5] Mainly as a result of the economic and financial crisis the CO2 price declined from around €20 per ton in 2008 to around €5 per ton in 2012.

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The possibility of such a mechanism was carefully studied in close collaboration with the World Bank and its *feasibility was established*. The GCFM would draw on the lessons of already existing innovative financing instruments such as the UK's initiated International Finance Facility for Immunisation. In line with the GCCA's objectives its focus would be on providing *grants* for climate related adaptation investment to the poorest and most vulnerable countries. The GCFM could increase the funding for the GCCA 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 towards a new agreement was expected, the GCFM idea was further worked out. The specific proposal was to provide € 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 and that refund over 20 years would be easy.

The proposed GCFM was not at all well received by the EU Member States. Most likely this was mainly because of the uncertainty and budgetary pressure that followed from the economic and financial crisis in 2008 and 2009. It was not a good timing to propose innovative financing that could imply new budgetary pressure or risks for the MS. After Copenhagen there was no more practical follow-up to the GCFM initiative. 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 where industrial countries pledged to provide annual finance of $100 billion by 2020 "from a wide variety of sources, public and private, bilateral and multilateral, *including alternative sources of finance*." Unfortunately, since Copenhagen there has been no significant initiative on 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 developing countries vulnerable to climate change with priority for 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 level of heads of state and/or ministers. They were designed to underline the common interest and convergence of views between the EU and the developing countries that are most vulnerable to climate change. They stressed the importance of climate adaptation and the readiness of the EU to contribute the financing of 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 hard to assess to what extent the GCCA dialogue work effectively "triggered-up" to the negotiation level. At the climate conferences in Copenhagen and Cancun there were only a few developing countries (LDCs and SIDS) that expressed positions in line with the contents 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 did not deliver what they had promised neither in terms of support for mitigation nor in terms of funding for adaptation. Probably this was because the officials dealing with development issues are not the same as those dealing with climate change. Information is not 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 AOSIS), a number of African countries and the EU. This coalition was instrumental for the positive outcome in Durban (only reached 36 hours after the foreseen closing time). Durban set a roadmap for a new climate agreement. A few years later in 2015 roughly the same coalition including also the ACP group (as well as some other industrial countries and some emerging developing countries) contributed much 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 a clear 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 was mainly focused 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 make a vulnerability ranking for the 70 LDCs and SIDS. This enabled to select the countries for GCCA start up activities. Under the 2008 budget four target countries were selected: *Vanuatu, Maldives, Cambodia and Tanzania*. The Ambassadors to the EU of these four pilot countries regularly met with Commission staff in a small committee in order to speed up the implementation. For 2009 and 2010 eleven 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 under 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 to speed up as much as possible the implementation of the adaptation projects. If the projects turned out to be successful it would be easier to argue for additional resources, regardless of where the funding would come from. Countries with good projects were also thought to become advocates for a climate agreement in Copenhagen, of course provided that 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 by the end of 2009.

A lot of attention was paid to ensure that the GCCA funding would apply the *principles of aid effectiveness* that had been agreed in Paris in 2005 and that were later further elaborated. The GCCA climate projects were designed to use the best development practice so as to have maximum effectiveness. One of the principles is that projects must fit in 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 well the local context the focus was on adaptation in the rural sector and on water management, ie the first priority area of GCCA. In line with the aid effectiveness principles budget support was tried as implementation channel. However, this sometimes led to unforeseen difficulties and delays because implementation of the climate project was made conditional on some macroeconomic indicators.

As regards the REDD objective of GCCA it was also possible to use EU budget funding earmarked for sustainable forest management. Some calls for proposal were launched for 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. This facility operates alongside the FLEGT support facility. Both facilities are handled by the European Forest Institute. By linking the GCCA work on REDD to the FLEGT initiative there was some loss of visibility.

The Copenhagen climate conference and fast-start climate funding

Despite the high expectations and the 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 considered as a failure. However, with hindsight, the *Copenhagen Accord* had several positive aspects. It was *for the first time that the 2°C target was accepted at the multilateral level* and, most importantly, there was the recognition and the *commitment of the industrial countries to deliver fast start finance* as well as the pledge for substantial annual climate finance for developing countries by 2020 amounting to $100 billion per year. The fast start finance would be on average $10 billion per 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 MS agreed on a specific distribution of the EU's fast start funding that would amount to €2.4 billion per year from 2010-2012. The part coming from the EU budget would be €50 million per year of which half would be channelled through the GCCA.

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[6] In 2010 the call for REDD projects led to 244 proposed projects of which 12 were selected for implementation with an overall budget of €24 million.

Following Copenhagen it was interesting to see that some MS decided to use the GCCA for their fast start funding pledge: the largest amount of €31 million came from *Ireland*, while *Cyprus and Estonia* pledged €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 (€25 million for each year) plus the resources pledged by the Member States allowed to prepare projects for many more of the 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 there was some form of GCCA cooperation with virtually all of the 70 target countries.

Concluding observations

Right from the beginning of the GCCA initiative a lot of effort was put into stepping up the EU's regional climate dialogue and into fast start cooperation on climate adaptation in LDCs and SIDS. It took some years before the notion of "alliance" and the convergence of interests between the EU and the target countries of GCCA became visible at the climate negotiations. In Durban and in the following COPs this was the case and it contributed to the formation of a "progressive coalition" that later made the Paris Agreement possible.

Initially the reluctance of EU Member States (with a few exceptions) to top up the 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 a broad-based and strong support for the overall approach of the GCCA, especially for its focus on 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. The agreement on fast start climate funding in 2009 at the Copenhagen COP allowed a further increase of the funding for the GCCA. Towards the end of 2011 most of the target group of LDCs and SIDS were involved in some GCCA activity.

During the early years of the GCCA there was a fear that the climate discussions and the 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 implied a risk of inefficiency, because the lessons of 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 GCCA also ensured that the experience embodied in the aid effectiveness principles would be applied for climate change projects.

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

During the discussions on the 2014-2020 multiannual financial framework, because of its initial success, the GCCA was upgraded to become an EU flagship initiative: GCCA+.

Walter Kennes has worked for 25 years for the European Commission on development-related issues. He is one of the pioneers of GGCA, as head of sector for regional integration (1995-2002) and for environment and natural resources (2006-2011). Since mid-2011, he has dealt with coordination of EU regional cooperation in Asia, focusing in particular on ASEAN as well as on environment, forestry and climate-change issues.

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