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The Green Climate Fund (GCF)

International Environmental Assistance

Many governments hold that environmental degradation and climate change pose international and trans-boundary risks to human populations, economies, and ecosystems. To confront these challenges, governments have negotiated various international agreements to protect the environment, reduce pollution, conserve natural resources, and promote sustainable growth. While some observers call upon industrialized countries to take the lead in addressing these issues, many recognize that efforts are unlikely to be sufficient without similar measures being taken in lower-income countries. However, lower-income countries, which tend to focus on poverty reduction and economic growth, may not have the financial resources, technological know-how, and/or institutional capacity to deploy environmentally protective measures on their own. Therefore, international financial assistance, or foreign aid, has been a principal method for governments to support actions on global environmental problems in lower-income countries. Often, this assistance can serve as a cost-effective strategy for donor countries to provide greater market access for domestic goods and services abroad and increased environmental benefits at home.

The United States and other industrialized countries have committed to providing financial assistance for global environmental initiatives through a variety of multilateral agreements, including the Montreal Protocol (1987), the U.N. Framework Convention on Climate Change (1992), and the U.N. Convention to Combat Desertification (1994). International financial assistance takes many forms, from fiscal transfers to market transactions. It may include grants, loans, loan guarantees, export credits, insurance products, and private sector investment. It may be structured as official bilateral development assistance or as contributions to multilateral development banks and other international financial institutions.

The United Nations Framework Convention on Climate Change (UNFCCC)

The 1992 UNFCCC was the first formal international agreement to acknowledge and address human-driven climate change. The U.S. Senate provided its advice and consent to the convention's ratification in 1992, the same year it was concluded (Treaty Number: 102-38, October 7, 1992). The UNFCCC entered into force in 1994. As of March 2016, 196 governments are parties to the UNFCCC.

As a framework convention, the UNFCCC provides general obligations for all parties but leaves them free to design their own means to fulfill these obligations. The convention “acknowledges” that climate change is a “common concern

to humankind” and, accordingly, requires parties to (1) inventory, report, and control their human-related greenhouse gas emissions; (2) cooperate in preparing to adapt to climate change; and (3) assess and review the effective implementation of the convention. The UNFCCC also commits the higher-income parties (i.e., those listed in Annex II of the convention as members of the Organization for Economic Cooperation and Development in 1992) to seek to mobilize financial assistance to help lower-income countries meet certain obligations common to all parties.

The Green Climate Fund (GCF)

The GCF is one of the international financial institutions connected to the UNFCCC. The fund was proposed by parties to the UNFCCC during the 2009 Conference of Parties (COP) in Copenhagen, Denmark, and its design was agreed to by all parties during the 2011 COP in Durban, South Africa. The GCF was made operational in 2014. The GCF aims to assist lower-income countries in their efforts to combat climate change through the provision of grants and other concessional financing for mitigation and adaptation projects, programs, policies, and activities. The GCF is capitalized by contributions from donor countries and other sources, potentially including innovative mechanisms and the private sector.

The GCF currently complements many of the existing multilateral climate change funds (e.g., the Global Environment Facility, the Climate Investment Funds, and the Adaptation Fund). However, some parties believe that, as one of the official financial mechanisms of the UNFCCC, it may eventually replace or subsume the other funds. Many countries, specifically lower-income countries, expect that the GCF will become very large (i.e., in the range of several tens of billions to over \$100 billion annually) and serve as the predominant institution for climate change assistance in the developing world. These countries believe that the agreement to establish the GCF within the framework of the United Nations has been a key success in the recent international negotiations. Other countries, however, would rather see a smaller role for the GCF, preferring instead to have private investment and other financing flow through a variety of channels. Some parties also caution that ambitious steps need to be taken to ensure that the GCF is operated appropriately, meeting a strict set of fiduciary standards and social safeguards, in order to achieve an adequate buy-in by donor countries of its effectiveness and by recipient countries of its legitimacy.

Information about GCF activities, organization, policies, projects, and contributions is available on its website at <http://www.greenclimate.fund/>.

Organizational Structure

The structure of the GCF was negotiated at various COP meetings to the UNFCCC. Decisions included:

- **Status.** Parties to the UNFCCC designated the GCF as “the operating entity of the Financial Mechanism of the Convention” to be “accountable to and function under the guidance of the COP to support projects, programmes, policies and other activities in developing country Parties” (UNFCCC Decision 3/CP.17§3, 2011).
- **Governance.** The UNFCCC set forth the composition of a board to have 24 members, composed of an equal number from lower- and higher-income country parties, with representation from relevant U.N. groupings including Small Island Developing States and Least Developed Countries (3/CP.17§A9). Functions of the board are to include approving projects and funding, selecting implementing agencies, monitoring fiduciary standards and environmental and social safeguards, and evaluating performance.
- **Host country.** The UNFCCC selected Songdo, Incheon, Republic of Korea, as the host of the GCF (6/CP.18§3).
- **Management.** The UNFCCC established an independent secretariat to execute the day-to-day operations of the fund (4/CP.19§2).
- **Trustee.** The UNFCCC invited the World Bank to serve as the interim trustee, subject to a review after three years of operation (3/CP.17§16).

Funding

The GCF was officially opened for capitalization at the U.N. Climate Summit in September 2014. Parties called for an immediate capitalization of between \$10 billion and \$15 billion over the course of the first year. Initial funding came from Germany, France, and a dozen other countries that pledged approximately \$2.3 billion. Further pledges brought the total to approximately \$10 billion by the close of 2014, including (in approximate U.S. dollars) Japan (\$1.5 billion), United Kingdom (\$1.2 billion), Germany (\$1 billion), France (\$1 billion), Sweden (\$600 million), Canada (\$300 million), Norway (\$250 million), and Australia (\$200 million), among others.

U.S. Commitments: The Obama Administration announced a U.S. pledge of \$3 billion over four years during the G-20 meetings in Australia on November 15, 2014. The Obama Administration’s FY2016 budget requested \$500 million for the fund. H.R. 2029, the Continuing Appropriations Act, 2016, enacted December 18, 2015, as P.L. 114-113, had no provisions explicitly providing—or prohibiting—funding for the GCF. The Obama Administration’s FY2017 budget requested \$750 million for the fund (\$500 million from the U.S. Department of State and \$250 million from the U.S. Department of the Treasury).

U.S. Contributions: On March 8, 2016, the United States made an initial contribution of \$500 million to the GCF. The funds were obligated with FY2016 budget authority from the State Department’s Economic Support Fund—an

account under the Function 150 and Other International Programs budget. The Foreign Assistance Act of 1961, as amended (P.L. 87-195; part II, Chapter 4), provides the President authority to use the Economic Support Fund “to furnish assistance to countries and organizations, on such terms and conditions as he may determine, in order to promote economic or political stability.”

On January 17, 2017, the State Department announced that it made an additional \$500 million grant to support the GCF. The agency’s press release stated that the funding was provided “from the fiscal year 2016 Economic Support Fund (ESF) appropriation.”

The Trump Administration’s FY2018 budget request, released on May 23, 2017, “eliminate[d] U.S. funding for the Green Climate Fund (GCF) in FY2018, in alignment with the President’s promise to cease payments to the United Nations’ climate change programs.”

Issues for Congress

Members of Congress hold mixed views about the value of international financial assistance to address climate change. While some Members are convinced that human-induced climate change is a high-priority risk that must be addressed through federal actions and international cooperation, others are not in agreement. Some are wary, as well, of international processes that could impose costs on the United States, redirect funds from domestic budget priorities, undermine national sovereignty, or lead to competitive advantages for other countries. Nonetheless, as a party to the UNFCCC, the United States has certain obligations under the treaty. The executive branch continues to negotiate and implement the UNFCCC obligations. Committees of Congress engage in oversight (from home and at the COP), provide input to the executive branch formally and informally, and decide program authorities and appropriations for these activities.

As Congress considers potential authorization and/or appropriations for the GCF (or, conversely, their prohibition), concerns may arise regarding the fund’s cost, purpose, direction, efficiency, and effectiveness. Further, Congress might weigh the allocation of foreign assistance funds between bilateral and multilateral channels, as well as among the variety of multilateral mechanisms. Congress may also give guidance to the Departments of State and the Treasury with respect to the GCF’s internal policies and external commitments. Further, Congress may gauge the impacts that U.S. participation in the fund might have on environmental protection, private sector investment, technological innovation, national security, humanitarian efforts, and international leadership.

For more discussion on the benefits and costs of international environmental assistance, see CRS Report R41845, *The Global Climate Change Initiative (GCCCI): Budget Authority and Request, FY2010-FY2016*.

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