

Appendix

The Appendix includes two sections. Section I outlines information regarding how ICFI funding rules were identified and coded, with an accompanying bibliography. Section II provides an excerpt of the Author's correspondence with a GEF official regarding the possibility of informal earmarking at the GEF.

Section I: ICFI Funding Rule Design

Identifying ICFIs

To identify ICFIs we relied on Climate Funds Update (CFU). CFU is a project of the Heinrich Böll Foundation and the Overseas Development Institute. It tracks “key multilaterally governed funds focused on climate change” and is a widely used resource for those tracking developments in public climate finance. For example, publications by the OECD and World Resources Institute rely on the CFU to identify funds and track financial flows.¹ Following these institutions, we rely on CFU to identify ICFIs, along with the narrow functional categories of “adaptation,” “mitigation” or “REDD” (used in Table 1). We also rely on CFU for the pledge data provided in Tables 5 and 6 for all ICFIs except the GEF. We relied on official GEF documents for pledge data prior to 2003, the year CFU coverage begins.

Climate Funds Update provides a list of 22 ICFIs. However, the list includes the Strategic Climate Fund, Forest Investment Program, Pilot Program for Climate Resilience, and the Program for Scaling-up Renewable Energy as separate ICFIs at the World Bank. World Bank staff clarified that the SCF is an overarching framework for the latter three ICFIs rather than a separate fund. As such, we do not include it as a separate ICFI in our analysis. Two ICFIs operated by the European Commission were omitted due to lack of access to funding rules and practices. An additional ICFI, the Amazon Fund, is hosted by the Brazilian National Development Bank (BNDS) rather than an international one. It benefits from multiple donors but is not multilateral in its governance. This left 18 ICFIs for our analysis.

Identifying and Coding Funding Rules

CFU does not provide information on ICFI funding rules. We sought to identify funding rules first, using official ICFI documents made available online. We relied on official documents when rules clearly stated whether earmarks were prohibited or permitted.

The following is an example of language in official documents used to code funding rules as prohibiting earmarks:

“Donations will be unconditional and will not be earmarked to any specific region, sector or project.”²

¹ E.g., OECD 2015; WRI 2017.

² Adaptation Fund Board 2009, 4.

The following is an example of language in official documents used to code funding rules as permitting earmarks:

“The governance arrangements provide for more efficient decision-making regarding the UN-REDD Program Fund, including contributions earmarked for specific countries or outcomes.”³

If official documents available online did not cover funding rules, or if the language was unclear, we contacted relevant ICFI staff via email. In one case we followed up with a phone conversation. The following is an excerpt from the standard email we sent:

...I am currently working on a paper on climate finance institutions. I have been reading about the [ICFI] and was hoping you might be willing to clarify a couple of issues about how it works.

The first question is straightforward: are countries that contribute to the [ICFI] able to earmark the resources they provide for specific projects? Or, alternatively, are all contributions unearmarked and co-mingled with those provided by other contributors?

ICFI staff provided clear answers in our correspondence.

The following is an example of language provided via email or phone used to code funding rules as prohibiting all earmarks at the Clean Technology Fund:

“All funds are pooled. There is no earmarking.” Correspondence with CTF staff, 5/10/2016.

The following is an example of language provided via email or phone used to code funding rules as allowing window-level (weak) earmarks but prohibiting strong earmarks.

“Contributors (countries that contribute to the ISFL) are able to earmark their funds for specific programs, though multiple contributors can provide funds for the same programs” Correspondence with BioCarbon Fund ISFL staff, 4/4/2016.

Below, Table SA1 includes quotations from documents and correspondence with ICFI staff used to code funding rules. Four notes are in order.

1. The UN-hosted ICFIs and the FCCC financial mechanisms provide official documents that outline funding arrangements clearly. The transparency of these rules is essential to testing our substitution argument and buttresses our confidence in it.
2. The World Bank’s *Trust Fund Handbook* includes a blanket statement that Multi-Donor Trust Funds will prohibit earmarks: “Under MDTFs, earmarking of funds by participating donors to specific activities or to specific recipients is not allowed.”⁴ However, since the

³ UN-REDD 2015, 5.

⁴ World Bank Trust Fund Handbook, on file with Author.

ICFIs are prominent among the Bank’s trust funds, we contacted staff for each ICFI hosted by the Bank. In doing so, two issues emerged:

- a. Funding rules at the Bank’s ICFIs are more complicated than one might infer from the *Trust Fund Handbook*, despite not directly contradicting the *Handbook*. Like the SCCF hosted by the GEF, the BioCarbon Fund allowed for earmarking to pre-established financing windows, which in practice are country-programs. This constitutes a weak earmark in our conception (see Table SA1).
 - b. The line between what constitutes a separate ICFI versus a financing window at the Bank is not always crystal clear or consistently drawn. This was an issue with three ICFIs on the CFU list: the Forest Investment Program (FIP), the Pilot Program for Climate Resilience (PPCR), and Scaling up Renewable Energy (SREP). We follow CFU’s treatment of these as separate ICFIs due to their separate governance arrangements and the fact that the Bank’s Board of Director’s approves projects from each ICFI separately.⁵ However, Bank staff refer to the FIP, PPCR and SREP as “Programs” that operate under a broader umbrella. This is reflected in their statements regarding earmarking below.
3. Third, in one case, the Congo Basin Forest Fund hosted by the African Development Bank, “staff indicated to us that earmarking “is not applicable to the CBFF.” We clarified that this meant it did not occur, and that the CBFF was governed by the AfDB Executive Board. There is no mention of earmarking in documents establishing the CBFF. Based on CBFF staff indicating earmarking was “not applicable” and that it had not occurred, we coded the CBFF as prohibiting earmarks.
 4. At the Green Climate Fund, we relied primarily on the contracts between member state contributor countries and the GCF to identify earmark rules. As the GCF case study demonstrates, the adoption of permissive earmark rules at the level of the GCF Board is contested. However, the Contribution Arrangements governing donors’ contributions to the GCF Board make clear that earmarks are formally accepted.

[TABLE A1 HERE]

Section II. GEF Correspondence⁶

In our correspondence, excerpted below, we asked GEF staff whether donors could earmark contributions to the GEF (or LDCF). GEF staff responded that donors could not do so, but then offered that donors could try to move preferred projects to the top of the project pipeline. We immediately followed up on whether this could constitute an informal earmark (i.e. if a donor could wait for its preferred project to reach the top and then quickly finance it

⁵ e.g. “World Bank approves GEF and PPCR-supported Project to Help Communities in Tajikistan Adopt Sustainable Natural Resource Management Practices and Adapt to Climate Change Risks. <https://www.worldbank.org/en/news/press-release/2013/03/29/world-bank-approves-supported-project-help-communities-tajikistan-adopt-sustainable-natural-resource-management-practices> (last accessed 7/31/2019).

⁶ The following comes from the author’s email correspondence (four emails) with GEF staff, August 16, 2016.

intentionally). The GEF staff member provided the logistical reasons that this would not work in practice.

Author: (...) Specifically, I was not able to determine whether or not donors to the fund are able to earmark their contributions to projects, countries, or themes, or rather not at all. When contributing to this fund are donors able to earmark their contributions, and if so, to what degree?

GEF staff: “No, the donors and GEF can’t and don’t earmark for specific projects, formally or informally. However, we have a pipeline of projects ready to be developed, and the donors have access to the pipeline. If they see a project they like, they can contribute with the aim of financing that project. That financing will go towards funding whatever project is at the top of the queue, and the subsequent ones, bringing the preferred project that closer to its turn.”

Author: “...Based on your reply, I assume that theoretically a donor could also wait until its preferred project is at the top of the queue to provide funding.”

GEF staff: “Theoretically, yes, but that wouldn’t be a very good strategy. We have many donors; several of them generally provide contributions in size sufficient to finance multiple projects; the contribution process requires some administrative steps both internally for the donor (which can, for example, include ministerial and parliamentary approvals) as well as with our Trustee the World Bank; all this takes a bit of time – so there is a good likelihood that the project at the top of the queue a donor is hypothetically interested in would be then by financed by earlier materialized contributions, depending on how active other donors are.”

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ICFI	Earmark policy	Primary basis for coding
Adaptation Fund	Prohibits	“Donations will be unconditional and will not be earmarked to any specific region, sector or project.” ⁷
Adaptation Fund for Smallholder Agriculture	Prohibits	No earmarking within ASAP ⁸
BioCarbon Fund ISFL	Permits (weak only)	“Contributors (countries that contribute to the ISFL) are able to earmark their funds for specific programs, though multiple Contributors can provide funds for the same programs.” ⁹
Clean Technology Fund	Prohibits	“All funds are pooled. There is no earmarking.” ¹⁰
Congo Basin Forest Fund	Prohibits	“Concerning your specific question on earmarking, this policy is not applicable to the CBFF.” ¹¹
Forest Carbon Partnership Facility	Prohibits	“Within the FCPF, donors don’t earmark their contributions for specific countries or projects.” ¹²
Forest Investment Program	Prohibits	“Donor contributions can be pledged to support any of the SCF programs in which they are interested [i.e. to the FIP,] but cannot be earmarked below that level (i.e. to individual countries or to projects.” ¹³
Global Environment Facility Trust Fund	Prohibits	“Donors cannot earmark to a particular focal area in the GEF. Instead, as part of the four-yearly GEF replenishment negotiations, replenishment participants allocate the pool of replenishment funds amongst the focal areas.” ¹⁴
Green Climate Fund	Permits	“As a part of the IRM collective engagement process, contributors may request that their contributions be targeted to the Fund’s two windows (mitigation and adaption) and the Private Sector Facility. The aggregate volume of targeted contributions to the Fund will not exceed 20% of the total confirmed contributions to the Fund.” ¹⁵
Indonesia Climate Change Trust Fund	Permits	“Due to revised bylaws and SOPs, earmarking certain program and project activities is possible with a minimum contribution of USD \$5 million (instead of \$10 million).” ¹⁶

⁷ Adaptation Fund Board 2009.

⁸ Phone conversation with IFAD staff, 5/16/2016.

⁹ Email correspondence with ISFL staff 4/4/2016.

¹⁰ Email correspondence with CTF staff, 5/10/2016.

¹¹ Email correspondence with CBFF (AfDB) staff, 6/29/2016.

¹² Email correspondence with FCPF staff, 3/25/2016.

¹³ Email correspondence with World Bank staff, 8/25/2016.

¹⁴ UNFCCC Transitional Committee 2011; Confirmed via email correspondence with GEF staff, 8/16/2016.

¹⁵ As we note in the paper, this does not reflect rule adopted by the Board, but rather recommendations from interested contributors, which are reflected in the contracts governing contributions between member states and the GCF. See GCF 2015a, GCF 2015b, GCF 2015c, and GCF 2016. GCF Rules are currently in flux as the Board moves toward the first replenishment process. This work proceeds slowly. For example, a decision on a recent proposal to formally legalize earmarks for some actors is now postponed until 2020 (GCF/B.20/08/Rev.01).

¹⁶ ICCTF 2014, 17.

Least Developed Countries Fund	Prohibits	GEF funding rules apply to the LDCF. ¹⁷
MDG Achievement Fund	Permits	Single-donor trust fund (Spain). ¹⁸
Partnership for Market Readiness	Prohibits	“...PMR Trust Fund doesn’t have earmarked funding windows for different countries or activities and all donors’ contributions become part of the overall budget” ¹⁹
Pilot Program for Climate Resilience	Prohibits	“Donor contributions can be pledged to support any of the SCF programs in which they are interested [i.e. to the PPCR,] but cannot be earmarked below that level (i.e. to individual countries or to projects).” ²⁰
Scaling-up Renewable Energy Program	Prohibits	“Donor contributions can be pledged to support any of the SCF programs in which they are interested [i.e. to SREP,] but cannot be earmarked below that level (i.e. to individual countries or to projects).” ²¹
Special Climate Change Fund	Permits (weak only)	“As the Fund was created to support all of the above funding windows, donors must earmark their contribution to a particular funding window when making contributions to the SCCF.” ²²
Strategic Priority for Adaptation	Prohibits	“The donors could not earmark even if they wanted to for SPA either.” ²³
UN-REDD	Permits	“Resource mobilization will be flexible and allow for earmarking.” ²⁴ “The governance arrangements provides for more efficient decision-making regarding the UN-REDD Programme Fund, including contributions earmarked for specific countries or outcomes.” ²⁵

Table SA1. ICFI Funding Rules

¹⁷ GEF Council 2002, 1. Confirmed via correspondence with GEF staff, 8/16/2016.

¹⁸ UNDP 2007. Resource allocation of single-donor trust funds reflects the interests of their donors. In this case, the Spanish Master Plan for International Cooperation (2005-2008). Formally referred to as the UNDP/Spain Millennium Development Goals Achievement Fund.

¹⁹ Email correspondence with ISFL staff, 7/29/2016.

²⁰ Email correspondence with World Bank staff, 8/25/2016.

²¹ Email correspondence with World Bank staff, 8/25/2016.

²² https://www.adaptation-fund.org/wp-content/uploads/2015/01/AFB.B.8.7.Rev_.1_Initial_Funding_Priorities.pdf, p. 6.

²³ Email correspondence with GEF staff, 8/16/2018.

²⁴ UN-REDD 2010, 20.

²⁵ UN-REDD 2015, 4.

