Dear Sir/Madam,

We would like to thank the UNFCCC Secretariat and the Co-Facilitators of work streams I and III under the Transitional Committee for the Design of the Green Climate Fund for the opportunity to comment on the development of the Green Climate Fund. FAO would like to highlight to the co-facilitators of both work streams a number of considerations that they may wish to take into account in the development of the fund:

1. Adaptation of agriculture to climate change is imperative if food security and development are not to be threatened, while agriculture has a key contribution to make in mitigation (as it constitutes nearly 30% of GHGs, if land use change including deforestation are counted). However some existing financing mechanisms exclude certain agricultural activities which are known to have a high mitigation potential through soil carbon sequestration (e.g. CDM). While land-based activities face particular challenges (leakage, permanence, highly site-specific, many and varied stakeholders), REDD+ has shown that solutions can be developed once the door to dedicated discussion and enabling means is opened. On the other hand, land-based sectors play a larger role in the voluntary carbon market and the Adaptation Fund has approved a number of projects relating to agriculture. The Transitional Committee may wish to consider how activities in the land-based sectors, which are important to food security and sustainable livelihoods in developing countries with agriculture-based economies (many of which are among the most vulnerable to climate change impacts) can be enabled, through financial support from the GCF, to contribute to adaptation and mitigation in a substantial way.

2. Particular attention could be given by the Transitional Committee to how GCF might reward on a priority basis, measures/activities which are able to generate multiple benefits. For example, some agricultural activities are able to generate benefits for both adaptation and mitigation, as well as for food security and development. There is increasing interest in how climate financing might be linked to resilience-building and carbon-rich transitions in smallholder agricultural systems.

3. However, mitigation financing modalities based on project-based offsets are unlikely to become a significant channel of financing to smallholder agriculture in developing countries over the short-term, due to (i) relatively low demand for such credits, (ii) high transaction costs relative to the potential value generated, as well as (iii) potential conflicts between mitigation and development objectives that may occur in the context of achieving additionality and permanence. The potential for new public funds (possibly combined with private sector funds) through the GCF could increase the importance of looking carefully at the potential opportunities and barriers to linking climate finance to the agriculture, forestry and other land use (AFOLU) sectors.

4. In designing financing for agriculture, it is important to address delayed returns on investment by farmers and ways of "bridging" the loss of income over the short term (e.g., land taken out of production or reduction in stocking rates). This is indicative of the flexibility that be required within the GCF in order to take into account the specifities of the land-based sectors.

5. The GCF should have the flexibility to be able to deal with a number of funding sources and volumes. In particular it should be able to adequately evaluate the technical and financial validity of project proposals and activities, ensuring that funds are allocated in a way that the highest potential benefits can be achieved. An efficient method (both in cost and time) of evaluation should also be integrated into the funding system to ensure effective use of allocations.

6.. Activities funded should be fully integrated into national programmers and action plans to ensure they support a coordinated and integrated response. GCF should ensure the appropriate national institutions and international organizations are involved in project formulation and implementation. For international organizations clear guidelines should be established on which sectors they have the competence to cover.

7. The fund should support (or give preference to) projects which promote and support a number of key thematic areas and achieve win win win solutions (for example climate smart agriculture).

8.. The co-facilitators may also like to review part 3 (page 24) of the document "Climate-Smart Agriculture: policies, practices and financing for food security, adaptation and mitigation: http://www.fao.org/fileadmin/user_upload/newsroom/docs/the-hague-conference-fao-paper.pdf". This section provides and useful overview of financing and investments for climate-smart agriculture and sections 3.4 financing mechanisms and 3.5 connecting action to financing could be useful.

With kind regards,

**Peter Holmgren**
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