



Climate Action Network-International

14 October 2011

CAN-International:
Comments on “Draft report of the Transitional Committee” of 7 October
Submission to: Transitional Committee of the Green Climate Fund

Climate Action Network-International (CAN-International) is the world’s largest network of civil society organizations, with more than 700 members in over 90 countries, working together to promote government action to address the climate crisis.

On behalf of the more than 700 member organizations in the Climate Action Network International, we appreciate the opportunity to comment on the 7 October “Draft report of the Transitional Committee”.

We have previously submitted our views on how the Transitional Committee should ensure that the GCF plays a transformational role in climate action, both in the way it is governed and operates and in the outcomes it achieves. This submission provides our views on how the 7 October Draft meets the objectives and benchmarks we set out in our earlier submission.

1. Ambition

Given the scale and urgency of the climate challenge, the Transitional Committee must ensure that the GCF will do much more than tinker on the margins of business as usual. High ambition and a focus on rapidly accelerating the shift to sustainable, low carbon and climate-resilient development must be its hallmarks. In Cancún, the Parties agreed that “*addressing climate change requires a paradigm shift towards building a low-carbon society that offers substantial opportunities and ensures continued high growth and sustainable development [...]*” (1/CP.16, para 8). Of course, this level of ambition will require significantly larger and more predictable public financial contributions from developed countries.

CAN sees the term “transformational change” as one way to elaborate the level of ambition the Parties agreed in Cancún. Since existing climate funds such as the Clean Technology Fund already focus on transformational change, it is important for the GCF to match this ambition for it to be the major channel for climate finance.

- The TC should incorporate the following language, which places the requisite ambition within the context of country defined priorities:

Transformational change involves a strategic, long-term, and fundamental shift in a country’s development pathway towards low-carbon, climate-friendly, gender-equitable and country-driven development and climate resilience. To achieve this, transformation must be undertaken on the basis of country-owned strategies, plans and programmes that are developed and implemented through participatory and inclusive processes and that are integrated into developing countries’ core development plans.

- Although the draft text helpfully includes references to these goals in “Objectives and Guiding Principles,” (paras. 1, 2) it does not clearly articulate that the GCF should be transformational and contribute to an accelerated shift to a low-carbon society.

2. Stakeholder and civil society representation on GCF Board

Experience with other multilateral funds has shown that stakeholder representation and participation on the Board can provide significant benefits in terms of contributing expertise and knowledge, strengthening public support, securing government contributions, and facilitating effective governance and oversight. Examples of other funds that have successfully implemented such representation include the Climate Investment Funds; the Global Fund to Fight AIDS, TB and Malaria; and the Global Agriculture and Food Security Program.

To capture these benefits and ensure the effective participation of stakeholders, the GCF Board should include as non-voting active observers: one developing country CSO representative; one affected communities representative; one developed country CSO representative; and one private-sector representative.

- The draft text does not clearly provide for GCF Board representation for civil society representatives. (para. 20). The alternative proposed in the draft—an “advisory board”—would be a major step back from the quality of participation afforded in the above mentioned funds, and would be completely inadequate.

3. Participatory processes at the country level

The TC should ensure stakeholder participation through an inclusive and transparent multi-stakeholder process on the country level, including for planning, implementation and evaluation.

- The draft text helpfully provides that country proposals to the Fund will follow “coordination processes and consultations among all relevant stakeholders at the national, sub-national and/or regional levels as appropriate, including vulnerable groups and addressing gender aspects.” It also instructs the Board to develop guidelines for such processes. (para. 65).
- However, the section on stakeholder input and participation (paras. 84 and 85) does not clearly ensure the active participation of stakeholders/civil society in the operation of the GCF. Worse, this section inexplicably privileges the private sector over civil society. While para. 84 instructs the Board to “ensure the input and participation of the private sector,” para. 85 does not include similar language regarding civil society and affected community members.

4. Country-led strategies as basis for funding

GCF financing should be based on country ownership, with an articulated national strategy and planning process as the core framework through which finance will be delivered.

- The Draft properly adopts a country-driven approach (para. 38), and appropriately recognizes that country-led strategies, plans and programmes will form the basis for funding proposals (paras. 63, 64). The text also helpfully indicates that “recipient countries will determine the mode of access” and empowers recipient countries to designate a national designated authority (paras. 52, 53).

- However, the text in operational modalities only refers to recipient countries being “involved,” rather than “leading,” in the identification, formulation and implementation of programmes, projects and other climate change-related activities (para 38). The text should be changed to indicate “leading.”

5. Private sector

Private sector investment by the GCF should be undertaken in accordance with country-led strategies and plans. Otherwise, the GCF will run a risk of undertaking private sector finance as one-off projects that will not be connected to broader strategies aimed at achieving low-carbon and climate resilient development.

The GCF should also engage private sector actors only when there is assurance of accountability for complying with robust standards and safeguards on environmental, gender, social, and development effectiveness. These requirements for standards and safeguards should also be clearly and effectively applied to financial intermediaries such as investment funds.

- The draft text helpfully indicates that the Board must ensure consistency of the financing by a private sector facility with a country-driven approach (para. 51).
- However, the text also suggests that direct financing to the private sector will be possible (para. 49), which could result in project finance outside country-driven strategies and plans. The text should be strengthened to ensure that any private sector finance will be responsive to the needs identified by country-led strategies and plans.
- The draft text suggests that the Board may develop specific governance arrangements for the private-sector facility (para. 51). To help ensure consistency with the rules and procedures of the GCF, a private sector facility should be placed directly under the governance of the Board to ensure coherence and consistency. No separate governance structure is justified.

6. Safeguards, transparency and redress mechanisms

The GCF should incorporate internationally-agreed standards on environmental, gender and social performance, transparency, and redress mechanisms into its policy framework. Robust standards in these areas are necessary to facilitate social and environmental integrity, promote gender sensitivity and meaningful public participation, and ensure stakeholder grievances can be efficiently and appropriately resolved. In the Cancun Agreements, the Parties committed to incorporate these standards and mechanisms into the GCF.

- The Draft notes the importance of these issues, and devolves responsibility for elaborating policies and mechanisms to the Board (paras. 78, 82, 85). Given the complexity of the issues and the limited time remaining in the TC’s mandate, we support this decision and welcome the establishment of an independent redress mechanism with the power to halt funding or implementation in the case of serious violations.

7. Gender inclusion and sensitivity

To ensure climate finance flows to those who need it most and are essential to effective results, the TC text should address gender equality in terms of guiding principles for the Fund, representation in governance bodies and in terms of operational modalities of the Fund.

- The draft text properly includes gender in several critical places, including in guiding principles, Board representation and in the context of country programmes. These references should be retained. In addition, to ensure that a gender-sensitive approach to GCF funding and programming can be taken [para 2], it is necessary to include gender expertise among the experiences the Secretariat staff needs to be able to draw from [para. 26].

8. Balanced allocation for adaptation and limits on earmarking

A key role of the GCF should be to address the current imbalanced funding for adaptation, and an initial share of 50 percent of the Fund's resources should be allocated to adaptation. The appropriateness of these initial arrangements should be kept under regular review. Such a floor becomes particularly necessary if even limited earmarking is permitted.

Relatedly, in order to ensure that a fully balanced allocation between adaptation and mitigation is achieved, contributions to the Fund should be made without advance earmarking. Earmarking should be allowable only if the need to do so is agreed by the GCF Board or based on direction given by the COP to facilitate country-led plans for financing.

- Although the Draft provides that the Board will balance allocation of resources, it does not ensure that a specific floor for adaptation resources will be achieved (para. 59). It also does not set limits on earmarking.