

**Oxfam comments on the text
“Draft report of the Transitional Committee”
(version of 7 October 2011)**

Ambition for what can be achieved by the Transitional Committee and agreed in Durban needs to remain high so that delays to the effective operationalisation of the Fund are avoided. Moreover, to assure the Fund’s greatest effectiveness at the outset, substantial decisions should not be put off for decision by the Board. The current text, while improvements are needed, provides a solid basis and appropriate level of ambition for a decision to be adopted at Durban.

1) Limits on earmarking and balanced allocation for adaptation

A key role of the GCF should be to address the current imbalanced funding for adaptation. This should ideally be accomplished by setting a floor for the portion of the Fund’s resources devoted to adaptation. At the same time, contributions to the Fund should be made without advance earmarking given that such earmarking would likely mean imbalanced, inadequate funding for adaptation. 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 text says that the Board will balance allocation of resources, the text doesn’t ensure that a specific floor for adaptation resources will be achieved (para 59), nor does it rule out earmarking. Limiting earmarking is necessary given that earmarking may skew the balance of resources allocated to adaptation.

2) Civil society/stakeholder representation on the GCF Board

In order to give stakeholders the ability to fully participate in the board, the GCF Board should include civil society representatives as *active representatives* on the Board. Stakeholder representation and participation can provide significant benefits in terms of contributing expertise and knowledge, strengthening public support, and facilitating effective governance and oversight. Failing to provide for this type of engagement would represent a step backwards from participation in funds such as the Climate Investment Funds and the Global Agriculture and Food Security Program.

- The draft text has no clear reference to representation for civil society representatives as part of the Board itself. Without a means of direct participation, an Advisory Board approach would be an inadequate, arms-length approach to civil society participation.

3) Leadership by developing countries/country-led national strategies

In order to achieve transformation change, 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 text helpfully refers to a country-driven approach, including in the operational modalities, and it also vitally indicates that country programmes will form the basis for funding proposals (para 63). The text also helpfully indicates that “recipient countries will determine the mode of access” and that recipient countries are empowered to designate a national designated authority.
- 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.”

4) Participatory processes at 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 refers to involvement of stakeholders, particularly by indicating 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” (para 65). This text should be retained.
- However, the text on stakeholder input and participation (para 85) does not require the GCF to “ensure the input and participation of civil society”, distinctly unlike the text referring to private sector engagement (para 84). This imbalance should be corrected by using this language for civil society participation.
- In addition, the roles and functions of the Board do not include ensuring the establishment of processes and/or mechanisms that will provide for civil society input and participation at the country level (para 19). The Board should explicitly have this role and function.

5) Gender

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

- The draft text vitally includes gender in several places, including for Board representation and in the context of country programmes. These references should be retained.

6) Private sector

It will be vital to ensure that any private sector investment is 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, 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.
- However, the text also suggests that direct financing to the private sector is possible (para 49), which could result in project finance outside country-driven strategies and plan. The text should be strengthened to explicitly ensure that any private sector finance will be done on the basis of country-led strategies and plans.

7) Results-based approaches

It is vital that results-based approaches be based on country-ownership, including by working with governments in developing appropriate methodologies and by ensuring participation by civil society and affected communities in the development of such approaches.

- The draft text does not ensure that results-based approaches will be based on country-ownership and involve civil society participation (paras 60, 62, 69).

8) Scalability and financial Inputs

The GCF must be designed in a manner that is scalable over time so that increasing levels of financial resources can be accommodated (particularly so that a scale of tens of billions of dollars in financing can be achieved by 2020). Also, the TC should explicitly ensure that the GCF can receive inputs of funding from innovative finance sources (such as those from international transport mechanisms and financial transactions taxes).

- The draft text helpfully provides for scalability and for the use of alternative financial sources, although it does not refer clearly to innovative sources.

9) Objectives and guiding principles

The TC report should support change that is truly and effectively transformational, both in terms of process as a financial institution and in terms of results on the ground. The following language could serve as the basis for a clear definition of transformation:

Transformational change involves a strategic, long-term, fundamental and country-driven shift in a country's development pathway towards low-carbon, climate-friendly 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.

- The draft text very helpfully includes references many of these goals in "Objectives and Guiding Principles," but it does not clearly articulate that the GCF should be transformational.
- The text in the draft report should also indicate that the Fund will support country-driven approaches aimed at achieving shifts toward low-carbon, climate-friendly development and climate resilience.