Civil Society Recommendations for Workstream III: Operational Modalities

The recommendations in this submission are taken from a broader set of civil society recommendations, available here.

Financing instruments

The Transitional Committee should ensure that funding for adaptation is provided only in the form of grants, as adaptation funding aims to target poor and vulnerable countries and communities. The use of loans for adaptation, which can create further debt and poverty, is not appropriate. Similarly, insurance-type instruments used to mitigate climate-related risk in developing countries should not create debt or place financial burden on individuals or communities in developing countries.

As a portion of GCF funding will likely be used in ways that leverage private finance, the Transitional Committee should ensure that any financial intermediaries, such as investment funds, private equity funds, or loan funds, adopt and implement environmental and social safeguard standards which govern their investments. It is also important that such intermediaries are not domiciled in offshore financial centers. The GCF should likewise adopt robust processes for monitoring the climate, environmental and social impacts of financial intermediaries' portfolios and divesting from them when appropriate.

Capitalizing the Green Climate Fund

A well-designed fund cannot be effective if little or no money flows through it. It is critical that developed countries uphold their climate finance obligations. The Green Climate Fund must have the capacity to manage large sums of new and additional finance from a variety of public sources that match the scale of the full incremental costs of implementation by developing countries of their climate actions as well as the full costs of national reporting. Sources must come from assessed budgetary contributions from developed countries and from innovative financing mechanisms, such as from a financial transaction tax, use of Special Drawing Rights, or mechanisms in the transport sectors.

In addition, money transferred to developing countries as the result of the purchase of carbon offset credits must not count towards the $100 billion annual commitment for climate finance, as this financing is already counted toward the emissions reduction commitments of developed countries.

As stipulated in paragraph 97 of the LCA text, financing for climate change must be "new and additional, predictable and adequate." All climate finance must be additional to existing development finance commitments and to the 1970 UN commitment in which countries agreed to spend 0.7% of their gross national income on Overseas Development Assistance (ODA).
It is also essential to streamline the multitude of funding mechanisms that currently exist and ensure that the GCF receives the majority of climate finance. The sunsetting of the World Bank

Climate Investment Funds (CIF) upon operationalization of the Green Climate Fund (as is stipulated in the CIF guidelines) is important to achieve this goal.[1]

Funding Windows

The Transitional Committee should ensure that thematic windows, for example, for adaptation, clean energy, and forest protection, are established with separate boards, each of which should be accountable to the Green Climate Fund Board. Each window should have criteria specific to its focus and should have decision-making power with respect to its program priorities and funding allocations and disbursements.

Each window should be supported by technical bodies composed of experts from the public and private sectors, civil society, and other relevant agencies and institutions. In order to bridge the gap between scientific and technical analyses and policy-making, the Transitional Committee should establish a mechanism for synthesizing the findings of the technical bodies for use by the board and UNFCCC parties. The deliberations and recommendations of all technical bodies should be made publically available.

Balanced Access for Adaptation and Mitigation

In the Terms of Reference for the TC, item 1(c) calls for "achieving balanced allocation between adaptation and mitigation." To that end, the Transitional Committee should ensure not only that an adaptation window is established, but also that at least 50% of GCF funding is dedicated to the adaptation window. This is a critically important goal to assure that the needs of vulnerable countries and populations already facing the adverse and serious effects of climate change are being adequately addressed. Moreover, this is essential in order to reverse the under-prioritization and under-funding of adaptation as compared to mitigation. Additionally, funding for adaptation should be provided only in the form of grants.

Access Modalities

Paragraph 1 (c) of the Terms of Reference for the TC recognizes direct access as a financing modality of the GCF. Direct access is key to ensuring country-ownership and should increase the accessibility of funding to developing countries. Direct access indicates that in-country funding entities which meet agreed fiduciary standards and social and environmental safeguards

[1] The Pilot Program on Climate Resilience is scheduled to sunset in 2012 (see: http://www.climateinvestmentfunds.org/cif/sites/climateinvestmentfunds.org/files/Strategic_Climate_Fund_final.pdf). The Clean Technology Fund and the Strategic Climate Fund is scheduled to sunset once a new financial architecture is effective (see: http://www.climateinvestmentfunds.org/cif/sites/climateinvestmentfunds.org/files/Clean_Technology_Fund_paper_June_9_final.pdf and http://www.climateinvestmentfunds.org/cif/sites/climateinvestmentfunds.org/files/Strategic_Climate_Fund_final.pdf)

have the right to apply for and receive funding directly from the GCF without having to work through a multilateral implementing entity. In-country entities include national governments but also, for example, representative civil society bodies, local and municipal governments, Indigenous Peoples groups, and other such entities. Sectors of society which are under-represented through formal channels should also have the option of applying for funds through such in-country funding entities.

Direct access modalities as elaborated by the Transitional Committee must ensure the active participation of civil society and affected communities in program prioritization, preparation, and oversight. Where necessary, the Green Climate Fund should help build the institutional capacity of in-country entities to utilize direct access.

Participation of Stakeholders, Including Affected Communities

It is widely accepted that a sense of democratic country ownership is the cornerstone of effective development strategies. Financing for adaptation and mitigation to countries should be based on national level strategic development processes that are determined by national governments but designed and implemented with the full engagement of civil society and other stakeholders.

It is essential that the Transitional Committee ensure that the Green Climate Fund guarantees civil society and community-level participation—particularly through leaders and institutions accountable to poor people, such as parliaments; local governments; community-based organizations; women's organizations; farmers' organizations; and trade unions, including representatives from workers in the informal sector. Community participation must be at the heart of determining how funds are disbursed, used, monitored, and evaluated.

Arrangements designed by governments to achieve these goals should reflect national circumstances, but the Fund should ensure that each country's national-level strategic development process and lead implementing agency meet a global set of principles and criteria for channeling climate finance in a way that provides for full stakeholder participation and accountability to communities and other stakeholders.

The Transitional Committee should specify the following criteria and principles in the operational guidelines of the GCF:

- Full participation of civil society and other stakeholders, including local communities and marginalized populations, local governments, Indigenous Peoples, and parliaments in the development of national adaptation and mitigation strategies and planning processes;
- Full participation of those same stakeholders in the implementation process;
- Complete reporting on that participation and on the extent to which the views of these stakeholders were reflected or not in strategies and implementation; and
- A robust monitoring and evaluation process of the implementation of climate finance that includes full participation of stakeholders.

In order to make this participation possible, the Transitional Committee must ensure that the Fund will provide resources to build the capacity of governments and other stakeholders to be able to fully engage in participatory processes and meet the principles and criteria established above.

Gender

The Transitional Committee must ensure that gender equality is a guiding principle in the governance and operationalization of the Green Climate Fund. In 2010, a number of Parties to the UNFCCC recognized the importance of gender equality as a key driver toward the Convention goals of sustainable development and poverty eradication, especially in the context of climate finance. This has been made evident by past decisions of the UNFCCC, including Decision 36/CP.7, which urges Parties to take necessary measures to enable women's full participation in all levels of decision-making on climate change. Therefore, the Transitional Committee must take this decision into account and ensure gender balance on the board and other structures of the Green Climate Fund.

Gender parity is only one aspect of gender equality. The Transitional Committee must ensure that socio-economic development and gender expertise are represented throughout the Green Climate Fund structures (including, for example, the board, windows, and advisory groups) to ensure that funding is being equitably accessed by both women and men and is reaching those persons and communities who most urgently need funding. To this effect, the allocation guidelines for the GCF should include mandatory gender analyses at the project planning stage, the inclusion of gender indicators for project appraisal and approval, as well as gender budgeting and gender auditing of project funding.

The Transitional Committee must also ensure that the Green Climate Fund is designed to incorporate the active involvement of stakeholders at the project level, taking into account gender balance and leadership by women. The recent report of the Adaptation Fund Board can be used as a learning experience for the GCF. The project and program committee expressed concern about the lack of consultation with local stakeholders and, in particular, the need to consider gender when consulting with local stakeholders (Decision B.12/6, paragraph 29).