Some preliminary civil society views and recommendations (to be elaborated in more detail later) on work stream I: Scope, guiding principles, and cross-cutting issues

Initial contribution compiled by the Heinrich Böll Foundation

Suggested questions for the first technical workshop of the Transitional Committee on issues related to work stream I

Decision 1/CP.16 provides overarching guiding principles for the long-term finance under the Convention, including for the GCF[1]. 1/CP.16 also states that the GCF will "manage large scale of financial resources from a number of sources"[2]. In addition, on scope, the Cancun Agreements provide that the GCF should channel a significant share of new multilateral funding for adaptation,[3] as well as have multiple thematic funding windows.[4] There are other relevant articles from the Convention, in particular Article 11, that guide this work stream.

Introduction:

Thank you for the opportunity to submit some civil society views on work stream I: Scope, guiding principles, and cross-cutting issues. The reflections in this document[5] draw on a set of civil society recommendations for the Green Climate Fund which a number of groups, including the Heinrich Böll Foundation, had jointly elaborated in time for the first TC meeting at the end of April,[6] as well as a recent Böll publication[7]. They express the concern of a number of organizations about the need to ensure adequate and predictable sources of climate finance, substantial public finance, and responsible investment practices. They don't yet address all of the guiding questions posed by work streams I, but are only a first elaboration on the questions and themes suggested for work stream I. A more detailed response is in preparation.

While we appreciate the opportunity to comment on a set of questions meant to guide the work of the TC in work stream I, we strongly urge the Transitional Committee to give at least three weeks' notice for submissions on other topics in the future in order to ensure broad and high quality submissions by civil society to the process.

Below are some initial thoughts and responses (to be further elaborated in a collaborative effort with other civil society groups in the course of this week) to some of the posed questions. It is crucial for these questions, which include a number of cross-cutting issues of relevance for other work streams with respect to operationalization (especially funding windows and access modalities), governance, (such as fund size, funding sources and purpose), as well as civil society participation, transparency and accountability, to be addressed at the beginning of the work of the Transitional Committee at the first technical workshop. The Heinrich Böll Foundation, along with international civil society

[1] 1/CP.16, Paragraph 97
[2] 1/CP.16, Annex 3, Para 1(c) and 1/CP.16 Paragraph 99
[3] 1/CP.16, Paragraph 100
[4] 1/CP.16 Paragraph 102
[5] Contact: Liane Schalatek, liane@boell.org, Heinrich Böll Foundation North America
[6] Available at http://actionaidusa.org/assets/pdfs/climate_change/CSO_Recommendations_to_GCF.pdf, including a list of supporting and contributing civil society organizations.
[7] Schalatek, Liane: A Matter of Principle(s). A Normative Framework for a Global Compact on Public Climate Finance. Heinrich Boell Foundation, Vol.13 in the Publication Series on Ecology, Berlin 2011 (available at: http://www.boell.org/downloads/Matter_of_Principle(s)__Post-Cancun__FINAL.pdf).

organizations engaged in climate finance issues, is looking forward to the opportunity to provide substantive inputs on work stream I and other work streams in the near future.

On objectives and principles:

1. How should/could this Fund be different from existing climate funds?

The establishment of the Green Climate Fund as a financial mechanism under the UNFCCC is an important step toward the implementation of the UNFCCC and a recognition of the need to respond to the urgent needs of developing countries and their peoples and communities for mitigation and adaptation actions. Its creation is also an acknowledgement that existing multilateral and bilateral climate funds, including under the financial mechanism of the UNFCCC, have been unable to meet these needs. At present, the existing multitude of climate finance actors – bilateral and multilateral, via dedicated new funds and traditional development cooperation agencies and instruments – is confusing, cumbersome and costly.

Thus, the GCF should not replicate inadequate existing funds and financing instruments, but instead overcome them by operationalizing best practices as well as innovative approaches and thinking, especially with respect to transparency and accountability measures and the active participation in Fund decision-making by civil society, affected communities and particularly vulnerable groups such as women and Indigenous Peoples. This will involve the streamlining of the multitude of funding mechanisms that currently exist, including the termination/dissolution of existing instruments, such as the Climate Investment Funds (CIFs) at the World Bank (which are stipulated to sunset upon operationalization of the Green Climate Fund).[8] Ideally, the GCF should overcome the current lack of a single coherent framework and become the single overarching global fund with a new Standing Committee acting as a permanent advisory finance board supervising and coordinating all climate finance actors. Thus, the TC should see its work also as designing a unifying, binding set of rules and principles codifying explicit criteria and indicators on what constitutes efficient, effective and equitable "good climate finance" that are politically acceptable to both contributor and recipient countries. The TC work for the GCF could thus create a global joint understanding on climate finance, corresponding to efforts to streamline ODA via the Paris Declaration and Accra Agenda.

Current climate funding mechanisms are plagued by the inadequacy and unpredictability of mostly voluntary contributions. In contrast, funding for the GCF must come from predictable and enforceable assessed budgetary contributions and from innovative financing mechanisms, such as from financial transaction tax, use of Special Drawing Rights, or mechanisms in the transport sector.

Current climate funding mechanisms and most existing bilateral and multilateral climate funds are still for the most part focused on a project approach with funds to be accessed via multilateral implementing agencies. The new GCF instead needs to be enabled to deliver large-scale funding for programmatic sector-wide transformations in line with recipient country priorities via direct access modalities to countries and sub-national actors, including civil society groups, communities and Indigenous Peoples. It also needs to address the structural underfunding of adaptation in the existing

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[8] 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)

climate finance architecture by delivering at least 50 percent of its funding for adaptation in form of grants.

2. ***Some broad objectives and guiding principles of the GCF have been agreed in the decision 1/CP.16, Cancun Agreements How can these be further developed, enhanced and operationalized?***

We appreciate the focus of work stream I on broad objectives and guiding principles for the GCF. These are important, because climate finance decisions are not made within a normative vacuum. Indeed, an impressive body of conventions, binding treaties, regulations and principles exists that codifies normative frameworks for both international environmental law and universal and unalienable human rights as obligations by why all actors in global climate change finance are already customarily bound as Parties to the UNFCCC and its financial mechanism, thus including the future GCF. So, in our view, the question above, while providing a good starting point, should be extended to also ask the following under Question 2:

> ***Which other principles need to be taken into account with respect to the mobilization of funding for the GCF, the governance of funds by the GCF and the operational modalities for disbursing funding through the GCF?***

Decision 1/CP.16, Cancun Agreements established some broad objectives and guiding principles of the GCF. The Cancun Agreements also confirmed long-term climate finance commitments by developed country Parties, elaborated earlier under the Bali Action Plan, to provide "scaled-up, new and additional, predictable and adequate funding"[9] with relevance for the GCF. Other relevant articles of the Convention include Article 3, which elaborates relevant principles for the Convention, and the stipulation to take action, including on finance "on the basis of equity and in accordance with [Parties'] common but differentiated responsibilities and respective capabilities."[10]

In their work on climate finance, the Heinrich Böll Foundation and other civil society organizations have repeatedly pointing out the need for a normative framework for climate change financing with a set of principles that should guide the mobilization and sourcing of climate finance, as well as its governance and disbursement. These principles are also worth considering in the design of the Green Climate Fund.

Throughout the funding cycle, core democratic principles such as transparency and accountability as well a public/stakeholder participation in decision-making need to be considered as cross-cutting issues and principles relevant for discussions in all four work streams of the TC, and should be addressed specifically. The future effectiveness and efficiency of the GCF – a major concern of TC members in designing the GCF – depends on operationalizing these principles throughout the new Fund.

MOBILIZATION OF GCF FUNDING – Some Guiding Principles

While the TC has no explicit mandate from the COP to make any decisions on the mobilization of sources, the questions of how funds are raised and what principles are applied will determine nevertheless the capitalization of the future GCF. Principles relevant for the mobilization of climate finance with importance for the work of the TC include:

Transparency and accountability – The MRV of climate finance – namely the measuring of the amounts of climate finance transferred from developed to developing countries, the reporting of

[9] 1/CP.16, 97.
[10] UNFCCC, Art. 3.1.

these flows to the global public and the verification of the completeness and accuracy of reported data of climate finance flows into the GCF and from the GCF to developing countries – is crucial to ensure accountability and transparency in finance mobilization. A common reporting format for public climate finance flows is needed, with the goal of separating these from development aid flows. The work of the TC should include work on a common reporting format with a view to rationalizing all climate finance reporting.

The polluter pays – This principle (Rio Principle 16, as well as the elaboration in the UNFCCC as 'common but differentiated responsibilities) relates the level of GHG emissions to the amount the respective country will have to pay for climate action, although it is unclear whether and how to include historical cumulative emissions (the question of an adequate base year). Besides determining the quantity of climate funding, applying the polluter pays principle will define a legal obligation for compensatory finance, different from aid flows. For the GCF discussions this means that the stable core funding for the GCF need to be in form of assessed and enforceable budgetary contributions by developed countries, not hoped for privately leveraged funding.

Respective capability – Countries' contributions to the GCF should be in the form of mandatory assessed payments and should relate to a measure of national wealth broadly defined (e.g. percentage of GDP) as well as the status and trend of national economic and social development. A country's obligation to pay for climate action should be correlated with a minimum development standard for each of its citizens.

New and additional – Climate change imposes new challenges that are distinct from existing development hurdles. Climate funding should thus be additional to existing official development assistance (ODA) commitments and other pre-existing flows from developing countries in order to avoid the diversion of funding for development needs to climate change actions. This is commonly understood to be above and beyond the ODA target of 0.7 percent of gross national income (GNI) set in 1970, a target which has been unfulfilled by most developed countries.

Adequacy and precaution – In order to "take precautionary measures to anticipate, prevent or minimize the causes of climate change and mitigate its adverse effects" (UNFCCC, Art. 3.3.), the level of funding needs to be sufficient to keep a global temperature increase as low as possible. Most current estimates of global funding needs use a top-down approach by tying their costing to a 2-degrees-Celsius temperature increase scenario. A better gauge of adequacy would be through a devolutionary approach that aggregates estimates based on countries' own climate action plans. Thus, the GCF should respond to funding needs and priorities as articulated by recipient countries.

Predictability – Currently, climate change financing flows are characterized by the unreliable and unpredictable nature of voluntary contributions. A sustained and sustainable flow of climate finance is needed in the medium to long-terms in multi-year funding cycles (ideally at least 5–10 years) to allow for adequate investment program planning in developing countries or to scale up or maintain existing efforts. Thus, the GCF needs to be designed to be significantly larger than existing multilateral climate funds (for example, several times larger than the CIFs), while being flexible enough to scale up with rising long-term finance commitments by 2020.

GOVERNANCE OF THE GCF – Some Guiding Principles

The administration and governance of the GCF (to be taken up primarily in work stream II) should likewise be guided by some key principles, chiefly among them transparency and accountability. Accountability suggests that broad and equitable stakeholder participation and representation should be ensured in the administration of climate funding. Applied to the work of the TC on GCF governance, these principles include:

Transparent and accountable – While relevant for all stages of the climate-funding cycle, transparency and accountability as democratic core principles are most strongly tied to the governance of climate funds. A transparent administration of climate funding in the future GCF requires publicly available, accurate and timely information on its funding structure; its financial data; the structure of its board; its decision making-process; as well as actual funding decisions made. The principle of accountability demands the existence of a redress mechanism as well as robust oversight, both by the COP within the UNFCCC, as well as parliamentary oversight in contributing and recipient country Parties.

Accountability to the UNFCCC and guidance by the UNFCCC – With the climate financing question inseparable from the realization of global mitigation obligations under the UNFCCC's Kyoto Protocol and the UNFCCC adaptation action mandate, so should the global oversight of the needed funding for global climate action be entrusted to a GCF fully accountable to and under the guidance of the UNFCCC COP. The principles of equity and environmental integrity likewise require a broad UNFCCC authority, as each party enjoys an equal vote under the COP, irrespective of a country's role as either financial beneficiary of or financial contributor to public climate finance. It is thus essential that the GCF will become the preeminent multilateral climate fund with respect to capitalization and fund innovation.

Equitable representation – In a clear break with existing ODA delivery mechanisms and the unequal power relationship between donor and recipient countries (which give contributor countries a bigger voice in funding decisions), climate funds need to be governed based on equitable representation. This goes beyond a focus on nation states and requires the inclusion of a broad group of stakeholders into fund management and decision-making structures. In following the example of the Kyoto Protocol Adaptation Fund, the TC should recommend permanent seats for representatives of especially vulnerable country groups, such as LDCs and SIDS, in the GCF Board and in all Subcommittee or funding window boards. It should also suggest ways to allow for the participation of affected groups and local communities in recipient countries in GCF Board and Subcommittee/funding window board meetings.

Public participation in decision-making – In violation of countries' obligations under the Aarhus Convention, public participation is still insufficient in most public climate finance instruments and usually relegated to often purely perfunctory consultation processes with no influence on the actual practice of funding decisions. A systematic, comprehensive and targeted "bottom-up" inclusion of relevant stakeholder groups is needed in the GCF that goes beyond sporadic, perfunctory consultation. The TC should build on "best practice efforts" for public participation in climate finance instruments and suggest that self-selected representatives of communities and groups directly affected by GCF funding decisions be present and ideally vote at the GCF Board or Subcommittee/funding window board making such a decision.

DISBURSEMENT OF GCF FUNDING – Some Guiding Principles

Lastly, considering the operational modalities for the disbursement of GCF funding (work to be primarily handled under work stream III), relevant cross-cutting principles for consideration by the TC its work streams, but to be elaborated under work stream I, include:

Transparency and accountability – Safeguards are necessary to ensure that the climate funding disbursed reaches those – countries and the most vulnerable population groups within a recipient country – who need it most. In addition to drafting, applying and enforcing a set of rigorous social and environmental safeguards to GCF funding, developing country recipients for GCF funding will have to also domestically apply robust monitoring, reporting and evaluation standards that are based on solid safeguards.

Subsidiarity and national/local ownership – In order to guarantee that the disbursement of GCF funding meets actual spending needs in recipient countries, funding decisions by the GCF Board and possible sub-Boards– in keeping with the concept of subsidiarity as expressed in the Paris Declaration on Aid Effectiveness and the Rio Declaration (Principle 10) – should be made that follow the funding priorities as expressed at the lowest appropriate level in recipient countries and brought to the attention of the GCF via national planning documents compiled in an open and transparent and participatory manner.

Appropriateness – Climate funding through the GCF should not place an extra development burden on the recipient country. Depending on which finance modality is used to disburse GCF finance to developing countries – for example grants or loans – recipient countries (many of which are still highly indebted) might be placed in a situation where climate action would come at the expense of its own development priorities or the fulfillment of international human rights' obligations. Thus, the GCF should disburse funding for all adaptation projects and programs exclusively in the form of grants. All climate funding for the two country groups most vulnerable to climate change, LDCs and SIDS, should likewise be in form of grants. Mitigation lending through the GCF should have strict limits and safeguards, prioritizing grant delivery were possible.

(**Direct) access for the most vulnerable –** Access to and the benefits of climate finance should be distributed equitably, thus corresponding to the differing needs and capabilities of countries and regions to deal with the challenges of climate change, as well as the social and economic realities of recipient countries and the people living in these countries. Direct access should be the funding modality of choice in the GCF and be extended beyond recipient countries to include non-state agencies, including civil society organizations, local communities and grassroots groups. The GCF should make special funding provisions or a set of special funding guidelines for LDCs and SIDS.

Gender equity – Women and men, due largely to their gender roles and respective rights (or lack thereof), have differing vulnerabilities to climate change as well as differentiated capabilities to mitigate emissions, and adapt to and cope with climate change impacts. These differences need to be taken into account by creating the GCF as a gender-aware climate financing mechanism with gender-equitable fund disbursement guidelines and criteria. The GCF should develop a gender action plan as well as gender funding guidelines for each of the proposed GCF funding windows; aside from thematic windows, the TC should explore the possibility of creating smaller funding windows benefitting vulnerable societal groups in recipient countries, such as women or Indigenous Peoples.

- ***1g) Appendix III "periodic independent evaluation of the Fund's performance"***

The new GCF should learn from the experience of multilateral development bank (MDBs) best practices that have established independent review mechanisms such as the Independent Evaluation Group (IEG) at the World Bank. Such an independent evaluation body should be tasked in reviewing and evaluation ongoing work and procedures by the GCF. A work plan could include regular monitoring and evaluation of the efficiency, effectiveness and equity (addressing the question of whether GCF funding reaches the intended recipients, including the most vulnerable countries, societal groups and Peoples) of the GCF operations. Funding modalities and safeguards as well as trustee arrangements should be under a periodic review (of not more than 5 years) to allow for flexibility in adjusting to changing needs over time. Similarly, the TC should build from best practices on mechanisms for recourse or redress, such as the Inspection Panel at the World Bank and similar mechanisms at other MDBs. Such a mechanism should be responsive to individuals and societal groups directly impacted by GCF funding decisions.

- ***1 i) Appendix III "appropriate expert and technical advice, including from relevant thematic bodies established under the Convention"***

The GCF should be able to draw on experts with a range of expertise and experience beyond climate and finance, including in gender, sustainable development, renewable energy and efficiency technologies, governance and transparency, and social and environmental safeguards. In addition to drawing on the expertise assembled in relevant thematic bodies already existing or to be established under the Convention, such as the future Adaptation and Technology Committees and SBSTA, the GCF should look beyond the Convention to include experts from observer organization. These should those within academia, independent research institutions, labor unions, human rights and women's rights organizations, organizations representing climate-affected communities, and other areas of civil society.

- ***1 j) Appendix III "stakeholder input and participation"***

Addressing "stakeholder input and participation" and improving upon best practice of existing climate funds and financing mechanisms in the GCF with respect both to the governance (addressed primarily in TC work stream II) and operational modalities (addressed in TC work stream III) is crucial for the success of the new Fund.

<u>Governance – Board Composition and Decision-Making:</u>

While text 1/CP.16 does not explicitly include civil society representatives on the board, the Terms of Reference for the design of the Green Climate Fund, listed in Annex III of 1/CP.16 calls for "mechanisms to ensure stakeholder input and participation."[11]

To that end, we urge the Transitional Committee to include at least two civil society representatives from developed countries, at least two civil society representatives from developing countries, and at least one representative from a climate-affected community in a developing country (with special preference given to a representative from a women's or Indigenous Peoples group) as members of the GCF board. Civil society members should be allowed to take the floor in meetings just as government members can, suggest agenda items, and be active participants in all subcommittees, technical panels, workgroups, drafting groups, and executive sessions (should there be any).

<u>Operational Modalities</u>

It is widely accepted that a sense of 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:

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[11] 1/CP.16, Outcome of the work of the Ad Hoc Working Group on long-term Cooperative Action under the Convention. Annex 3. Point j. Page 27. http://unfccc.int/files/meetings/cop_16/application/pdf/cop16_lca.pdf

- 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.

Thematic scope:

3. ***How many and what thematic funding windows should be adopted? What activities should be covered by each thematic window?***

In addition to the question of what activities should be covered, the TC should have clear recommendations for the COP 17 what activities should not be covered or not funded by each thematic window. Erring on the side of caution, the GCF should ensure its funding is coherent with its own mandate of climate protection and not in violation of existing obligations under international human rights conventions and bodies as well as soft environmental law. Its investment guidelines under each thematic window should thus exclude funding for programs and projects that have at best dubious benefits for the climate and will harm sustainable (meaning low-carbon, climate resilient, gender equitable) development objectives as well as violate human rights in the recipient countries. Investment guidelines for the GCF should follow a “do no harm” approach and therefore exclude, *inter alia:*

- Investment in largely business-as-usual fossil fuel projects in oil, gas and mining (including “clean coal”). Instead prioritize renewable energy projects that focus on providing direct energy access for the poor as an intended main goal of the investment, including via localized off-grid solutions
- Investments in nuclear power generation
- Investments in industrial scale export production of agrofuels and plant oils
- Investments in GMO agriculture solutions
- Investments in large hydro dams
- Investment in monoculture reforestation efforts under REDD financing

At a minimum, thematic windows for adaptation, clean energy/mitigation and forest protection should be adopted 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 powers with respect to its program priorities and funding allocations and disbursements. Within each window, special consideration should be given to activities in Least Developed Countries (LDCs) and Small Island Developing States (SIDS), which have been neglected by many existing climate funds, especially for clean energy provision. Likewise, activities submitted by non-state actors (subnational entities and civil society organizations) should be covered via direct access modalities.

Adaptation:

Adaptation measures to be financed by the Green Climate Fund should be guided by a country-driven, gender-sensitive, participatory and fully transparent approach which takes into account consideration of vulnerable groups (especially women and Indigenous Peoples), local communities and ecosystems and traditional and indigenous knowledge. They should be based on financing needs and priorities identified in national and subnational adaptation plans and strategies, including NAPAs for LDCs, national communications, technology needs assessments, impact and vulnerability assessments and other relevant national and subnational planning documents by developing country Parties. Special consideration should be given to financing proposals by LDCs, SIDS, African states and most affected communities and groups, including women and Indigenous Peoples. All funding for adaption through a GCF adaptation window should be in forms of grants.

Clean Energy/Mitigation:

Any financing by the Green Climate Fund involving energy should ensure that no fossil fuel-based technologies are funded, that full life cycle analyses of emissions are used, and that nuclear, large hydropower and industrial scale use of plant biomass for liquid or solid fuels are excluded. We urge the Transitional Committee to only finance clean and efficient energy technology that comply with the following definition: A technology with emissions that are at least 85 percent less than CO_2 emissions if coal were used for the same purpose either directly or as a fuel for conversion to another energy form on a full life cycle basis. Clean and efficient energy technology does not include (i) hydropower over 10 MW; or (ii) any technologies that produce fissile materials, such as plutonium-239 or uranium-233, in the course of their operation.

4. ***Should the number of thematic windows be determined by the founding size and design of the fund or should more be added by the Board as the Fund's capital grows in size or/and new needs are identified?***

The Green Climate Fund should start out with dedicated thematic funding windows for clean energy/mitigation, adaptation and forest protection; the Board, however, should retain the capacity and flexibility, depending on identified needs/funding gaps and provision of additional capital to add new funding windows. These could instead address cross-cutting thematic issues and concerns such as capacity-building and technology transfer more forcefully, or go beyond thematic focus and instead focus on a specified group of funding recipients, for example by reserving a certain guaranteed funding amount for activities by civil society actors or often marginalized or particularly vulnerable groups (such as Indigenous Peoples and women).

5. ***The Cancun Agreements refer to "balance" between mitigation and adaptation. How do we define and achieve "balanced allocation" between 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.

Size and scalability;

6. ***What is the foreseen size of the GCF compared to other existing funds?***

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.

In the Cancun Agreements, developed country Parties committed to a goal of mobilizing jointly USD 100 billion per year by 2020 (1/CP.16, Paragraph 98), coming from a variety of sources (1/CP.16, Paragraph 99). The majority of these funds should come from public and innovative funding sources, with private funding playing only a complementary role. 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. 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. In order for the GCF to be transformational in nature and contribute to a rationalization and consolidation of the existing proliferation of funds and funding instruments for a more synergetic and coordinated global climate finance architecture at least half of developed countries' mobilization commitment per year should be flowing through the Green Climate Fund. Given the Cancun Agreements' decision on long-term financing goals, this could reach up to USD 50 billion per year by 2020.

7. ***What is meant by "large scale" in terms of the expected volume of the GCF, and should a minimum and maximum volume be considered? AND***

8. ***Should the GCF design be scalable over time, or should the GCF design immediately match the volume goal?***

The volume of the GCF should be tied to the mobilizing commitment by developed country Parties for long term financing. Parties should agree on a certain percentage of all long-term finance mobilized by developed country Parties to be channeled through the GCF. This should include the majority of public funding and of all multilateral finance commitments. To this end, it is critically important to establish mandatory financing sign-post for scaling-up developed country Parties' funding commitments from 2013 to 2020 from the USD 10 billion fast-start commitment in 2012 to the USD 100 billion yearly long-term commitment by 2020. Ideally, at least half of mobilized long-term finance and a majority of both public financing and multilateral climate financing should flow through the GCF, reaching up to USD 50 billion by 2020. The GCF design thus needs to be scalable over time.

Country-led and results-based approaches;

9. ***How could the GCF encourage the application of the country led principle?***

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 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.

Programs, priorities and actions identified by recipient bodies (national and sub-national, including civil society and Indigenous Peoples groups) in gender-sensitive, participatory and fully transparent processes taking into consideration vulnerable groups, communities and ecosystems as well as traditional and indigenous knowledge should form the basis for funding proposals for and funding decisions by the GCF. Those should include, *inter alia,* documents such as national and subnational adaptation plans and strategies, future National Adaptation Plans (NAPs), existing National Adaptation Programmes of Action (NAPAs) for LDCs, self-identified Nationally Appropriate Mitigation Actions (NAMAs) by developing countries, national communications, technology needs assessments and other relevant national and subnational planning documents.

10. What is needed to ensuring the country led principle alongside the application of environmental and social safeguards as well as internationally accepted fiduciary standards and sound financial management?

Application of environmental and social safeguards

Paragraph 1 (h) of the Terms of Reference for the TC specifically calls for the development of a mechanism "to ensure the application of social and environmental safeguards." This mechanism must include clear policies and procedures that prevent social and environmental harm and maximize public benefit, participation, transparency, accountability, equity, and the protection of rights. Safeguards must be consistent with existing international conventions, standards and obligations and help further the UNFCCC objective of allowing economic development to proceed in a sustainable manner.

In this context, the following internationally-recognized safeguards are indispensable to sustainable development and must be included in the design and operations of the GCF:

- Anticipate, analyze and mitigate social and environmental impacts through environmental and social impact analyses, including analyses on inputs such as water, food, and land, gender and human rights, taking into account broader associated impacts, conducted by independent agencies sufficiently in advance of decision-making to respond to community concerns and incorporate meaningful public input;
- Respect the rights of Indigenous Peoples, women, and local communities and involve them in decision-making. Specifically, require the full and effective participation of local communities and Indigenous Peoples and ensure consistency with the UN Declaration on the Rights of Indigenous Peoples, including requirements of free, prior and informed consent (FPIC) as well as with the Convention on the Elimination of All Forms of Discrimination Against Women (CEDAW);
- Ensure that local communities and Indigenous Peoples are not forcibly removed from their lands or territories. No relocation should take place without the free, prior and informed consent of the local communities or Indigenous Peoples concerned and without agreement on just and fair compensation and, where possible, the option of return;
- Avoid the destruction of cultures, species, or ecosystems, including areas that are legally protected, officially proposed for protection or recognized as protected by customary practices or indigenous or local communities;

- Comply with and support existing international obligations, including on human and gender rights, labor standards, including but not limited to the respect of ILO Core Labor Standards, and multilateral environmental agreements; and
- Ensure fiscal transparency, along with improvements in governance of both forests and other areas relevant for adaptation, which are necessary preconditions to ensure the application of the social and environmental safeguards.

The safeguards under the GCF should be developed with input from stakeholders across the globe. The GCF safeguard framework must: (1) include provisions on information disclosure that are based on internationally recognized norms related to access to information; (2) maintain clear policies and processes that help countries implement them in national laws and systems that support low-carbon sustainable development, have good governance structures, and are consistent with international obligations; and (3) incorporate ex-ante analysis of employment impact of investments and identification of Just Transition policies for workers and communities who might be affected by decisions derived from these investments. It is also essential to ensure that the agreed safeguards apply not only to GCF fund directly, but also to funds leveraged by the GCF financing.

Independent national and international-level grievance and recourse mechanisms should be established and operationalized to ensure compliance with safeguard policies. Standardized and regular reporting requirements (including participatory monitoring) must also be developed regarding how safeguards are addressed and respected throughout the design and implementation of activities.