Climate Action Network-International (CAN-International) is the world's largest network of civil society organizations, with more than 600 in over 90 countries, working together to promote government action to address the climate crisis.

Climate Action Network-International
Submission to the Transitional Committee for the Green Climate Fund
29 July 2011

On behalf of the more than 600 member organizations in the Climate Action Network International, we appreciate the opportunity to provide the following submission to the Transitional Committee (TC) as it begins the preparation of options papers for consideration at its 3rd meeting. We would also like to thank the TC for its transparency in providing documents and meeting agendas on its website in a timely fashion.

Our overall interest is to ensure that the GCF plays a transformational role both in the way it is governed and operates and in terms of the adaptation and mitigation outcomes it achieves. It should accelerate the shift to low-carbon and climate resilient development pathways by scaling-up resource flows for ambitious and effective climate-related policies and actions in accordance with country-led strategies, and it should incentivise synergies between the GCF's strategic objectives and the achievement of overall national development strategies and the production of development co-benefits. We believe it is vital that civil society and other stakeholders be full partners, both at the international and national level, in determining the way in which the GCF will finance climate action.

Country-led strategies and direct access as basis for funding

At the 2nd meeting of the TC, there appeared to be an emerging consensus that finance should be provided by the GCF in accordance with country-led strategies. Indeed, GCF support will not be effective or transformational unless it is based on principles and modalities of country ownership, with an articulated national strategy and planning and budgeting processes that mainstream climate change as the core framework through which finance will be delivered. Where necessary and requested by a country, the GCF should provide resources and capacity to help countries develop national strategies and enhance the mainstreaming of climate change in their planning and budgeting processes.

Finance can be provided as budget support or for specific programs, but in any case (including for private-sector finance) should clearly be provided according to a country-led strategy and plans, such as NAMAs, low-carbon development strategies, NAPAs, NAPs, etc. As further described below, a country-led strategy should be developed and overseen by a multi-stakeholder mechanism that includes government, civil society, affected communities and the private-sector. These processes will need to be designed by countries according to their particular circumstances.

In order to ensure country ownership for the management of climate finance, it is also vital that the TC fully implement the direct access modality as the preferred method by which developing countries will access finance. This should include providing financing through nationally-based implementing entities, perhaps including multiple entities in individual countries, to coordinate the implementation of country-led strategy and plans.

In addition, direct access should be considered for subnational entities, such as subnational governments and women's and Indigenous Peoples' organizations, to facilitate innovative, diverse and locally-appropriate initiatives. Such funding also should be pursuant to national strategies and plans, while allowing access for sectors of society that are under-represented.

Multi-stakeholder mechanism for development and oversight of country-led strategies

Ensuring real country ownership and the most effective development and implementation of country-led strategies will depend on meaningful stakeholder engagement at the country level. Past experience with finance models such as the Global Fund to Fight AIDS, TB and Malaria and with country strategy processes such as the Comprehensive African Agriculture Development Program (CAADP) compacts can help to inform the development of such multi-stakeholder mechanisms and processes.

Multi-stakeholder mechanisms should aim to bring together government, civil society, affected communities (including women and Indigenous Peoples) and the private-sector to develop and oversee country-led strategies in order to ensure that those strategies and their implementation are as robust and inclusive as possible. It will not ultimately be possible to act in transformational ways to promote low-carbon and climate resilient development without an inclusive process that brings a range of country-level expertise and interests to the process. All of this also holds true for effective monitoring and evaluation of finance delivery and implementation.

In order to achieve these goals, we propose that the following language be included in options papers for the 3rd TC:

> *Funding shall be based on the development and implementation of country-led strategies developed and overseen by a multi-stakeholder mechanism/process that includes civil society, affected communities (including women and Indigenous Peoples),*

and the private sector. Such a mechanism/process should be designed by a country according to its particular circumstances.

Stakeholder participation and input must be meaningful, with full transparency regarding all aspects of finance and implementation and with adequate guidelines and capacity building to ensure full accessibility to the mechanism/process on an equitable basis, including for women, Indigenous Peoples, and other especially vulnerable populations and communities.

Monitoring and evaluation processes shall enable stakeholder participation and input, including from affected populations and communities, including women and Indigenous Peoples.

Stakeholder and civil society representation on GCF Board

Experience with multilateral funds over the past decade has shown that stakeholder representation and participation on the board of such funds can provide significant benefits in terms of contributing expertise and knowledge, strengthening public support, and facilitating effective governance and oversight. Examples, using varied models, include the Global Fund to Fight AIDS, TB and Malaria, the Global Agriculture and Food Security Program, and the Climate Investment Funds. To achieve these benefits, and drawing on these past experiences, we propose the following stakeholder participation model for the GCF:

The GCF Board should include the following stakeholders as ***non-voting members****:*

- *Developing country CSO representative (1)*
- *Affected communities representative (1)*
- *Developed country CSO representative (1)*
- *Private-sector representative (1)*

Gender Sensitivity and Inclusiveness

At the 2nd meeting of the TC, there was substantial discussion of gender as a key issue for the TC to address. Women are disproportionately affected by climate change, and they are also key actors in building successful adaptation and mitigation responses at local, national and global levels. In order to fully address gender and women's concerns, the GCF should ensure:

- Balanced gender representation on the GCF Board and all Fund sub-boards, as well as in a future GCF Secretariat, advisory panels and other GCF bodies.

- Full participation of women at country level in development and implementation of country-led strategies and plans (including balanced representation in country-level mechanisms and processes)
- Full participation of women in affected and local communities in project planning, implementation and evaluation, together with safeguards and indicators to ensure gender equality
- In following best practice at other global financial mechanisms (Global Fund and GAVI), the development of a GCF gender policy and a GCF gender implementation plan of action

Social and environmental safeguards

The TC should align the GCF's social (including gender) and environmental policies with those internationally-agreed conventions, codes, action plans, soft law instruments, and sectoral best practice standards that give substantive content to the Parties' commitments to promote sustainable development and environmental protection in their climate-related actions.

The GCF should build on the work of other international institutions that have already undertaken some standard setting in their areas of expertise, and create an institutional mechanism to ensure harmonization with other relevant UN treaties including, but not limited to, the UN Declaration on the Rights of Indigenous Peoples, the Convention on the Elimination of Discrimination Against Women, and the Convention on Biological Diversity. The policies and procedures of multilateral development banks provide an additional resource for developing standards, to the extent that they may represent the highest standard, but they should not necessarily be the primary benchmark for harmonization.

The TC should ensure that the GCF's social and environmental policies use at least the current highest standard of safeguards. Proliferation of standards overburdens develops countries and can lead to a least common denominator approach; conversely, common high standards will ensure both social and environmental integrity as well as increase effectiveness and efficiency.

Public access to critical project information is also essential, in particular for affected people to have a meaningful voice in how projects will be designed and implemented, how project costs and risks will be distributed among affected people, and how negative impacts will be mitigated and managed. As a practical matter, placing such information in the public domain in ways that are timely and easily accessible may substantially improve its quality and rigor. Allowing affected individuals and civil society organisations the opportunity to independently scrutinize the assumptions and methodologies of the project sponsor, and to test its conclusions against their own understanding of the local conditions, would help ensure that the GCF makes decisions based on the highest quality data available.

Transformational Action for Mitigation

At the second TC meeting, there was apparent consensus on the need to target Green Climate Fund mitigation funding towards those actions that are designed to have a "transformational" impact. Two categories of actions should meet this benchmark. First, it should include economy-wide or sector-wide actions, based on country-led strategies that would rapidly and significantly lower a country or region's emissions trajectory. The GCF should assess programmatic interventions to determine those that can deliver the most tonnes of CO_2 abated per dollar spent and per year, to ensure that its resources are devoted to securing the fastest, cheapest elimination of tonnes of CO_2, also taking into account development objectives and safeguards. The focus here should be on supporting policies and programs to reduce financial and other barriers to the widespread deployment of proven technologies. The GCF should only support clean, safe, sustainable and efficient and non fossil fuel-based energy technologies. Second, "transformational action" should also include initiatives that may deliver smaller immediate reductions, but have the power to radically transform markets and patterns of private-sector investment over the medium to longer term.

While there was apparently broad agreement at the second TC meeting that the GCF should have the capacity to "leverage private-sector investment," most of the discussion addressed the need for mechanisms to encourage private-sector co-financing of GCF supported actions. This kind of support is not necessarily transformational. Rather, the GCF should focus on supporting initiatives that reduce costs and eliminate barriers and perceived risks to the deployment of emerging low- and zero- carbon technologies and approaches, so that they can more quickly outcompete high-emitting technologies without ongoing public support. Feed in tariffs are an example of an approach that can catalyze the diffusion of near market technologies, and thus accelerate learning and the achievement of economies of scale. One-off projects that do not have broader market impacts should not be considered transformational.

Private-sector finance

Private-sector finance was discussed extensively at the 2nd meeting of the Transitional Committee. As various modes of undertaking private-sector finance are considered, it will be vital to ensure that private-sector investment (1) is undertaken through national institutions and in accordance with country-led strategies and plans, and (2) strengthens sustainability and resiliency of economies in countries receiving climate finance. If this is not done, the GCF will run a serious 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.

In addition, engaging the private-sector should not add to unsustainable debt or pass significant risk burden from the private to public sector in developing countries. Moreover, the GCF should engage private finance only when private financiers can guarantee transparency and accountability for complying with robust standards on environmental, social, and development effectiveness, as well as the implementation of robust due diligence processes designed to address financial, social, and environmental risks, and produce effective mitigation and adaptation outcomes. Further, the GCF should uphold best practice in financial oversight and governance practices.

The TC should also take into account that experience in development finance and carbon finance demonstrate the difficulty of matching the private-sector's need for return on investment with the need for financing global public goods. Left on its own, international private finance often bypasses poorer countries, resulting in investments disproportionately going to larger middle-income countries and towards large-scale mitigation projects.

The TC should ensure that GCF resources directed toward the private-sector make substantial contributions to sustainable, vibrant local economies in developing countries, including in low-income countries. In order to support endogenous development that stimulates local entrepreneurship, the TC should assure access to financing for small, medium and microenterprises.

Finally, the GCF should not inappropriately provide finance for carbon offset projects and should ensure that its private-sector finance does not result in any double-counting of mitigation action by developed countries.

Balanced allocation for adaptation & mitigation

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. The current system of climate financing is providing significantly greater resources to mitigation than to adaptation. It is estimated that less than 20% of major dedicated public climate funds to date have been disbursed to adaptation. In line with the "objective of achieving balanced allocation between adaptation and mitigation" set out in the TC's Terms of Reference (Appendix III, 1c) it is vital that the GCF is designed to address this gap by guaranteeing a fair share of resources for adaptation. In addition, adaptation finance should be provided in the form of grants.

Restrictions on earmarking by donor governments

In order to ensure that a fully balanced allocation between adaptation and mitigation is achieved, and to avoid allocating funds not in keeping with the goals of the GCF Board, contributions to the Fund should be made without advance earmarking. Decisions on allocation between programmes, countries, or thematic windows should be made by the GCF board. Earmarking for specific windows should be allowable only if evidence of the need to do so is agreed by the GCF Board.

Ability to access wide range of financial sources

The GCF should be structured in such a way that it can receive funding from a wide range of financial sources, including national budgetary contributions and innovative public financing, such as from international transport mechanisms or financial transactions taxes. Both regular replenishments from national budgets and continual sourcing should be available to the Fund.

Legal personality

At the 2nd meeting of the Transitional Committee, the issue of the legal personality of the GCF was raised by a number of parties. In our view, the GCF should be granted or acquire explicit legal personality in order to ensure that the Fund has the requisite legal capacity to undertake its functions effectively. This is particularly necessary so that the Fund can enter into contracts in order to implement direct access to the Fund.

Redress mechanism

Another important element for effective stakeholder inclusion early-on is to ensure that there are easily accessible 'redress mechanisms' at every level of decision-making, including national and international levels, to which stakeholders can take their grievances. Such a mechanism has also been referred to in the WS IV scoping paper (TC-2/WSIV/1, page 7).

Three minimum criteria are necessary for these redress mechanisms to be credible: independence, public accountability and effectiveness. To ensure the independence of the mechanism, members should be chosen from outside the institution, and their budget should be independent and adequate. For public accountability, the public and affected people should have access to every stage of the redress process, and the mechanism must be transparent so that it is credible and understandable for affected people. To be effective, the mechanism must have the authority to ensure that their recommendations are acted upon.