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Thank you for your consideration of the following recommendations to the October 7 version of the Annex of the “Draft report of the Transitional Committee to the seventeenth session of the Conference of the Parties,” (TC-4/2). The order of these recommendations roughly follows the paragraph order of TC-4/2, Annex.

**Ambition in objectives and guiding principles** (Annex, para. 1-2) – In light of the tremendous threat posed by climate change, the GCF should be appropriately ambitious. But this must be defined from the vantage points of both developed and developing countries. Rather than using the contentious term “transformational,” we recommend language in the objectives and guiding principles to the following effect: “Both developed and developing countries must be ambitious in confronting the tremendous threat posed by climate change. Developed countries should be ambitious in mobilizing public resources to capitalize the GCF. Developing countries should match this level of ambition in prioritizing high-impact mitigation and adaptation activities that could be supported by the GCF.”

**Gender** – At a minimum, existing references to gender and women need to be maintained, including requiring a gender-sensitive approach in the guiding principles for the Fund (para. 2) and gender balance in the GCF Board and Secretariat (paras. 14 and 26). In para. 26, gender expertise should be added as required experience for Secretariat staff.

**Secretariat** (para. 24) - In addition to the qualifications listed, it should be specified that the secretariat will not be housed or co-located within any existing financial institutions.

**Financial instruments** - Any references to financial instruments aside from grants and concessional loans should be removed from the text [e.g. “guarantee agreements,” para. 28 (g); “guarantees, equity investments,” para. 28(h); para. 68]. If financial instruments are to be approved by the Board, then there is no need for the Transitional Committee to prescribe their decision-making process. We also recommend the deletion of the following sentence from para. 68, to avoid the appearance of restricting the use of grants: “Financing will provide a grant element tailored to cover at least the identifiable costs of the investment necessary to make the project viable.” Para. 69 should clarify that results-based financing approaches should not include instruments also used to meet developed countries’ non-finance commitments (i.e. carbon offset payments).

**Trustee** (para. 31) - To ensure that GCF is fully independent from existing international financial institutions, especially those which may involve possible conflicts of interest, the text should specify that the World Bank should serve a maximum of three years as Interim Trustee and further, having served as such, should no longer be eligible for selection as Trustee.

**Financial inputs** (paras. 35-37) – The GCF must be capitalized with grants, not loans. At least until the GCF’s capitalization reaches \$100 billion, all financial inputs must come from developed country public

sources, including from budgetary contributions and innovative sources. “Innovative public sources” should replace “alternative sources” (para. 35). Earmarking funds to specific windows or facilities of the GCF should be prohibited.

**Country leadership** (para 38) – Programs and projects financed by the GCF should be demand-led, not selected through a top-down approach. The current text states that recipient countries should be “involved in” the identification, formulation and implementation of programs, projects and other climate change-related activities; this should be replaced with “leading.”

**Complementarity and coherence** (paras 40-42) – To ensure that the GCF does not violate international law, we suggest adding language to the following effect: "The GCF shall take necessary measures to ensure that it does not support activities, projects or programs which violate, undermine, or provide financial incentives to violate or undermine, international law. These measures shall be independent of and additional to national legal compliance mechanisms."

**Private sector facility** (paras. 49-51) - Any reference to a “private sector facility” and to “directly” financing the private sector should be removed. Whether called a “window” or “facility,” there must not be a channel by which the private sector can bypass country-led strategies and plans. Para. 51 is especially worrying in its reference to separate “funding, governance, access modalities and approval procedures.” At minimum, any GCF resources utilized by the private sector must be: facilitated by recipient countries in accordance with national plans; in compliance with environmental, gender, and social safeguards (including at the financial intermediary level); and subject to the same governance structure and redress mechanisms as other GCF resources. We therefore recommend deletions of paras. 49, 50, and 51.

**Access modalities** (paras. 52-58) – Terms like “national implementing agency,” “national designated authority,” and “executing agency” should be clearly defined. Implementing agencies should be public/non-commercial entities. All implementing agencies, regardless of level (international, regional, national, or sub-national) should be in compliance with the Fund’s fiduciary principles and standards and environmental and social safeguards, rather than the lower threshold of “consistent with” them. As is the practice of other institutions, various levels of accreditation, differentiated by types of activities/entities, would then be subject to compliance with safeguards appropriate to risk level.

**Allocation** (paras.59-62) – Given the current severe imbalance between adaptation and mitigation funding, the GCF should set a floor of 50% of funding for adaptation, subject to future review of the adaptation-mitigation funding balance.

**Results-based financing** (paras. 60 and 62(c), 69) - It is not clear what “results based” financing for mitigation or adaptation would entail a priori. Additionally, it is difficult to capture qualitative impacts, such as environmental, social, economic, and development co-benefits, as well as gender-sensitivity, which are correctly identified as important objectives of GCF financing (para. 2). A results-based allocation approach therefore has serious limitations and is particularly inappropriate for adaptation. Para. 60 and the criteria list in para. 62 should be deleted.

**Risk** (para. 70) – To ensure that the TC does not pre-ordain risk policy to be set by the Board while also reflecting that the GCF should not engage in risky investments, we suggest that the following clause be removed: “including risk-sharing arrangements with implementing entities.” However, the beginning of the sentence should be retained: “The Board will develop an appropriate risk policy for funding and financial instruments.”

**Monitoring** (para. 73) - Monitoring through a results measurement framework must reflect the objectives and guiding principles of the Fund.

**Financial intermediaries** – All financial intermediaries through which GCF resources flow must fully comply with the Fund’s environmental, gender, and social safeguards, and transparency and fiduciary standards. This should be added to paras. 76 and 78.

**Transparency** – It should be specified in the text that the GCF’s information disclosure policy (para. 80) should be in line with internationally recognized norms related to access to information. Transparency should also be included as a principle of the fund.

**Redress mechanism** (para. 82) – The text should specify that the redress mechanism must be independent; it should have the power to review a wider set of concerns, including violations of customary, national and international law; and it should have the power to halt funding/implementation in case of violations.

**Inclusion of civil society, including affected communities** –The text on participation of civil society is currently weak and must be strengthened to reflect the importance of civil society’s active participation - including that of affected communities, Indigenous Peoples, and women – in the operations of the GCF, from the local to the national to the Board level. Specifically,

- Section 13, “stakeholder input and participation” (paras. 84-85) should be rewritten to clarify this and ensure civil society’s effective input and participation. This should also be included in para. 42, when describing the establishment of coherence at the “national level through appropriate mechanisms.”
- Paras. 84-85 should be additionally revised to make clear that although private sector and civil society organizations may serve different functions to achieve Fund objectives, the input of the private sector must not be privileged; input and participation in Fund activities must be on an equal basis.
- Non-voting civil society board members should be included in para. 12, with a minimum of one developing country representative, one affected communities representative, and one developed country representative, as determined through self-selection processes. No more than one private sector representative should be allowed.
- In “operational modalities” (paras. 38-39), civil society - including affected communities, Indigenous Peoples, and women - should be specifically listed as stakeholders with participation guaranteed (not just “encouraged”); and para. 53 of “access modalities” should also specifically mention civil society’s inclusion in the consultation process.
- Further, language should be added that ensures the free, prior, and informed consent of impacted communities.