

Oxfam submission on views concerning work stream I of the Transitional Committee

Objectives and principles:

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

The GCF should be designed to govern the vast majority of public climate finance from 2013. Existing funds should be rationalised with the aim of the GCF becoming an anchor fund and ultimately a 'one stop shop'. To date, the climate finance landscape has been characterised by a disparate jumble of sources, channels, institutions, and governance arrangements. There are currently over 20 dedicated climate funds, as well as a considerable number of non-climate-focused funds that fund adaptation. Within this mix there is significant duplication. For developing countries, fund proliferation undermines the effectiveness of finance and reduces the amount of support they receive. It increases the burden of transaction costs on countries that often have limited capacity to access funds, and fragments their ability to manage resources strategically.

What is missing is a global climate fund that can act as an anchor for climate finance worldwide, reducing complexity. In order to reduce the considerable transaction costs on developing country governments the 20+ existing dedicated climate funds should be rationalised over time, with the new Fund becoming a central locus for global management of climate finance. This aspiration for adaptation finance is reflected in the Cancun Agreement's requirement that "*a significant share of new multilateral funding for adaptation should flow through the Green Climate Fund*" (Decision 1/CP.16, §15). This should equally be the case for public finance flows for mitigation.

The Fund should be transformative by fully supporting the development and implementation of country-driven national climate change strategies, both for adaptation and mitigation. The fund should enable developing countries, led by governments and with full civil society participation, to be the primary actors in designing, implementing, and channeling resources for their national climate change strategies. Climate finance has often mirrored traditional donor/recipient aid dynamics and has been largely donor-led. While climate finance is not aid, to be effective and transformative it needs to build on the spirit and goals of existing and future reforms to the international aid system. Country ownership, as enshrined in the Paris Declaration and the Accra Agenda, is critical in enabling governments to respond to their own unique needs and develop effective and transformative climate change strategies. Effective and transformative climate finance ultimately depends on whether the Fund promotes the development and implementation of country-led strategies.

The Terms of Reference for the Committee require elaboration of the direct access modality. It is vital this modality is developed as the preferred method by which developing countries expect to access finance, as part of an approach to ensure full country ownership over the management of climate finance. This must be paired with full stakeholder engagement – ultimately, meaningful country ownership depends on the degree of accountability to citizens, civil society and vulnerable communities. The Terms of Reference for the Committee requires the development of mechanisms to ensure stakeholder input and participation, and in line with this goal, inclusive civil society participation is necessary to the process of shaping the development and implementation of national climate strategies.

To achieve its purpose, the Fund must also be committed to adequately funding national climate change strategies – that is, not only promoting their development but also actually backing their implementation.

Civil society should be fully involved in the decision-making structures of the GCF at all levels. It is vital to the legitimacy and effectiveness of the GCF, and a critical innovative step, to ensure active and inclusive participation by civil society in the decisions and operations of the GCF. This should include: seats for civil society on the Executive Board of the GCF and on oversight bodies for thematic windows. This would include the right to request

agenda items, observe proceedings, intervene in meetings, and recommend experts to speak on specific agenda items. There should be a guarantee of equitable representation from civil society South and North.

As noted above, the Fund must also facilitate and ensure inclusive processes or mechanisms within recipient countries to enable participation in the design and implementation of national climate strategies and spending of funds. Accountability must ultimately flow down to citizens within recipient countries. Models from outside climate finance, such as the Country Coordinating Mechanisms for the Global Fight to Fight AIDS, TB and Malaria, should be considered as important examples of means to achieving this goal.

The GCF should have women's concerns at its heart. Women should be equitably represented on the new Fund's Executive Board, and the Fund must guarantee gender-sensitive policies and programmes. Women in poor countries are disproportionately affected by climate change and are critical to delivering effective climate solutions in their communities. Women are poorly represented in current climate funds, and a requirement to take consideration of gender balance in the composition of the Fund's executive board was lost from the final LCA text – having appeared in the previous draft. A fair and effective GCF must address this, by guaranteeing that the concerns of women flow through the new Fund – from those managing the finance, to the policies and programme priorities the Fund supports.

A key role of the Fund should be to help close the 'Adaptation Gap' of imbalanced funding between adaptation and mitigation, and at least 50% of the finance channeled through the Fund should be allocated to grant-based adaptation finance. The current system of climate financing is overwhelmingly privileging mitigation over 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 Committee's Terms of Reference in 1c) Appendix III, it is vital that the new fund is designed to address this ‘Adaptation Gap’ by guaranteeing a fair share of resources for adaptation. These resources must flow as grant-based public finance only, to ensure that the most vulnerable communities within countries benefit from the resources they need.

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

As noted above, “direct access” in 1c) Appendix III should be implemented by ensuring that entities designated by national governments are the channel for climate finance and the means by which country-led climate strategies are developed and implemented.

Also as noted above, “stakeholder input and participation” in 1j) Appendix III should be implemented by ensuring that national climate strategies are developed and implemented with full civil input engagement and participation, from the design stage through monitoring and evaluation. This should include ensuring full and meaningful input and participation by women at the national level.

This objective should also be implemented through seats and active participation for civil society on the GCF Board, with equitable balance between representatives from North and South. Stakeholder input participation should also encompass gender balance and expertise on the GCF Board.

To implement the “objective of achieving balanced allocation between adaptation and mitigation” set out in the Terms of Reference in 1c) Appendix III, at least 50% of the finance channeled through the Fund should be allocated to grant-based adaptation finance.

Thematic scope:

Suggested questions/issues:

5. The Cancun Agreements refer to “balance” between mitigation and adaptation. How do we define and achieve “balanced allocation” between adaptation and mitigation?

As noted above, particularly given the existing significant imbalance in funding between adaptation and mitigation, “balanced allocation” should require that at least 50% of the GCF funding be directed to adaptation.

Size and scalability;

Suggested questions/issues

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

In order to achieve the goal of rationalizing climate finance and creating an anchor fund, the majority of climate finance should eventually flow through the GCF. A specific pre-allocation of multilateral funding is necessary to ensure that the new Global Climate Fund benefits from predictable and sustainable financial contributions at scale. This is recognised by the EU, which has expressed concerns that the Fund not be an ‘empty shell’ – the best way for the EU to avoid this would be a commitment to guaranteed funding. At least 50 per cent of public finance should be channeled through the new Fund. In addition, all revenues from any new and innovative international instruments established to secure resources for climate purposes should be channeled through the new Fund.

Country-led and results-based approaches;

Suggested questions/issues

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

The country-led principle should be achieved by ensuring that national governments play the lead role in channeling finance from the GCF, with full input and participation of civil society, local governments, and parliaments. Climate funding should be fully integrated into and consistent with national development and poverty reduction processes.

The funding should be provided to a national-level entity formed or led by the national government, such as a lead ministry or other institution chosen by the government. Whenever possible, climate funding should be provided as budget support to implement the national climate strategies. In some cases, there may need to be project-based or programme support until governments are able to channel funding through budget support, for example in fragile states or countries with inadequate mechanisms to tackle corruption. Specific details for all funding provided should be made transparent and public.

In order to help ensure country ownership, the GCF must deliver substantial resources aimed at building the capacity of both the government and civil society of the developing country. Capacity-building will need to span technical and scientific competencies; ‘softer’ capacities, such as civil society and community engagement. Resources for capacity-building need to be provided rapidly and up-front and should also be sustained, and a minimum level of support should be provided for developing and updating national strategies.

As noted above, meaningful country ownership will also ultimately depend on the degree of accountability to citizens, civil society and vulnerable communities. In order to help achieve this, civil society and vulnerable communities must be fully represented in the process of designing national climate strategies and of overseeing their implementation. This should include a transparent, participatory, and inclusive process for monitoring and evaluation.

The GCF should ensure that each country can meet a global set of principles for participation and accountability. The required criteria would ensure civil society is able to meaningfully participate and for stakeholder views to be reflected in strategy formulation and implementation, throughout all stages of the process from design and prioritization to implementation and project selection to monitoring and evaluation.

While countries will need flexibility in designing appropriate processes and mechanisms, it may also be essential for the Fund to provide guidance in ways to implement the stakeholder participation criteria. As noted above, models such as the Country Coordinating Mechanisms (CCM) of the Global Fund to Fight AIDS, TB and Malaria should be considered as examples of means to achieving the goal of civil society participation. At the same time, the Fund can learn from the shortcomings of the CCMs and other processes at country level.

The ability of some developing countries to carry out participatory processes in a fully inclusive manner may be compromised by a lack of sufficient human, institutional, or technical capacity. This should not be used as an excuse to deny such countries access to funding. The GCF must provide substantial capacity to governments aimed at engaging stakeholders, including through sustained financial and technical support to build the capacity of local and regional government offices to lead on adaptation planning and priorities. In addition, a separate pool of funds should be made available for civil society and community capacity-building. This support can be targeted at building skills to engage in developing national climate strategies, participating in program implementation, and undertaking monitoring and evaluation. Countries will need flexibility and financial support in order to put in place and carry out these processes.

Last but not least, women should be prioritized in developing participatory mechanisms for climate finance at the country level, particularly given their greater vulnerability to climate-related risks and untapped potential in leading climate-related solutions. Gender-specific objectives and indicators should be core components of the national climate strategy. Women's ministries and gender units within all ministries need to play a more central role in climate funding processes, and establish climate change as a core element of their mandate. A systematic capacity-building process should be available to these women's government departments, as well as national women's organizations and gender experts.

Complementarity and value added;
Suggested questions/issues

12. What should be the value-added of the design and operations of the green Fund?

See responses above to question #1, which largely address the issue of value-added.