

Civil Society Recommendations for the Design of the UNFCCC's Green Climate Fund

The undersigned organizations note the establishment of the Green Climate Fund at the 16th Conference of Parties in Cancun, Mexico. We see the design stage, led by the Transitional Committee, as essential to ensuring that the Green Climate Fund will be able to effectively and equitably manage climate finance and help developing countries confront the climate crisis. We welcome the opportunity to engage in this process. Our organizations represent diverse constituencies. Based on our collective experience and expertise, we urge the Transitional Committee to implement the following recommendations.

Summary of Recommendations to the Transitional Committee:

1. Open all meetings of the Transitional Committee to all accredited UNFCCC observers, some of whom should have an “active observer” role.
2. Equitably balance secondments of experts from multilateral development banks (MDBs) and international financial institutions (IFIs) with experts from the UN and other agencies and bring in experts with a range of expertise and experience.
3. Include civil society representatives from developed and developing countries, and a representative from a climate-affected developing country community, on the GCF board.
4. Ensure that the board of the GCF and its secretariat are fully independent of any IFI or MDB and are under the guidance of and fully accountable to the UNFCCC.
5. Ensure that an adaptation window is established with at least 50% of GCF funding.
6. Ensure that thematic windows, supported by a technical body of experts, are established.
7. Ensure that the GCF has its own dedicated secretariat, independent of IFIs or MDBs.
8. Limit the role of the trustee to holding the financial assets of the GCF, maintaining appropriate financial records, and preparing financial reports as requested by the board.
9. Ensure that the GCF guarantees civil society and community-level participation—particularly through leaders and institutions accountable to poor people.
10. Design the GCF to ensure the application of social and environmental safeguards to include clear policies and procedures that prevent social and environmental harm and maximize participation, transparency, accountability, equity, and the protection of rights.
11. Ensure that gender equality is a guiding principle in the governance and operationalization of the Green Climate Fund.
12. Ensure direct access modalities, which are key to ensuring country-ownership and should increase the accessibility of funding to developing countries.
13. Ensure that funding for adaptation is provided only in the form of grants.
14. Ensure that no fossil fuel-based technologies are funded by the GCF; the GCF should only finance clean and efficient energy technologies.
15. Ensure that the Green Climate Fund has the capacity to manage large sums of new and additional finance from a variety of public sources.

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I. The Transitional Committee

Civil Society Participation in the Transitional Committee

We believe that input from civil society will greatly benefit the effectiveness of the Transitional Committee and contribute to its legitimacy and credibility moving forward. In order to have the most productive engagement of civil society possible, we suggest that:

1. All meetings of the Transitional Committee should be open to all accredited observers of the United Nations Framework Convention on Climate Change (UNFCCC)² and webcast;
2. A number of observers, whom we suggest be chosen from a self-selection process run by the relevant UNFCCC focal points that ensures North/South, regional, and gender balance, have an “active observer role,” meaning that they can (a) take the floor in meetings just as a Transitional Committee members can, (b) suggest agenda items, and (c) be active participants in all subcommittees, technical panels, workgroups, and drafting groups. While we strongly urge that all sessions be open, should there be any executive sessions, the "active observer" should be able to fully participate; and
3. All key documents to be discussed at Transitional Committee meetings be translated into the six official UN languages and posted to a website created for the Green Climate Fund at least one month before each meeting. Additionally, all minutes of the Transitional Committee meeting should be made public as soon as possible after the meeting and translated into the six official UN languages.

Secondments to the Transitional Committee

We urge the Transitional Committee to equitably balance secondments and other participation of experts from multilateral development banks and international financial institutions with experts from the UN and other agencies, including the Adaptation Fund, the Multilateral Fund for the Implementation of the Montreal Protocol, and the Global Fund to Fight AIDS, Tuberculosis and Malaria. Due to the World Bank’s inequitable governance structure, poor history of adhering to social and environmental safeguards, and continued role in fossil fuel lending, we urge the Transitional Committee not to place the World Bank or its personnel as the facilitator, secretariat, or lead institution of either the Transitional Committee or the Green Climate Fund.

We urge the Transitional Committee to bring in experts with a range of expertise and experience, including in gender, sustainable development, renewable energy and efficiency technologies, governance and transparency, and social and environmental safeguards. We further urge the Transitional Committee to design a process to formally draw on the expertise from those not

² This is consistent with paragraph 110 of the Outcome of the work of the Ad Hoc Working Group on long-term Cooperative Action under the Convention, which states that “the transitional committee meetings will be open to observers.”

formally named in the Cancun Agreements, including 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.

II. The Green Climate Fund

Board Composition, Duties, and Decision Making

Paragraph 103 of the Outcome of the work of the Ad Hoc Working Group on long-term Cooperative Action under the Convention (referred to in this paper as the LCA text) states that the board of the GCF shall be governed by 12 developing and 12 developed country Parties. While the LCA text 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 the LCA text (hereafter referred to as the Terms of Reference for the TC), calls for “mechanisms to ensure stakeholder input and participation.”³

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).

Independence from International Financial Institutions and Accountability to the COP

We urge the Transitional Committee to ensure that the governance of the Green Climate Fund and its secretariat are fully independent of any international financial institution or multilateral development bank and, consistent with Article 11 of the UNFCCC as referenced in paragraph 102 of the LCA text, is *under the guidance of* and *fully accountable* to the UNFCCC.

Equal Funding 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-

³ 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

prioritization and under-funding of adaptation as compared to mitigation. Additionally, funding for adaptation should be provided only in the form of grants.

Thematic Windows and Technical Bodies

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.

Role of the Secretariat

Paragraph 108 of the LCA text decides that, “the operation of the fund shall be supported by an independent secretariat.” The Transitional Committee should operationalize this decision by ensuring that the GCF has its own dedicated secretariat staff, independent of any international financial institution or multilateral development bank, to provide administrative and legal support to the board of the GCF. Data collection and reporting shall be a core function of the secretariat, including information on the Fund’s impacts on women, Indigenous Peoples, marginalized communities, and the environment.

Role and Responsibility of the Trustee

The Transitional Committee should limit the role of the trustee to holding the financial assets of the Green Climate Fund, maintaining appropriate financial records, and preparing financial statements and other reports required by the Board of the Green Climate Fund. The work of the trustee must be conducted in accordance with internationally accepted fiduciary standards, including standards of financial transparency, disclosure and auditing. The Transitional Committee should also ensure that the trustee regularly issues public reports on resources available to and disbursed from the Green Climate Fund.

The Green Climate Fund should adopt responsible investment practices to ensure that its assets are not invested in environmentally harmful or risky sectors, companies and activities—particularly those that exacerbate climate change, such as the fossil fuel investments. It should also ensure that the Fund and its asset managers are not domiciled in offshore financial centers, which enables the avoidance of tax and financial regulations.

Further, the trustee should develop policies and report annually on the governance and risk management policy of the Fund, including detailed information on: (i) the use of lightly

regulated private pools of capital, such as derivatives and hedge funds, (ii) the remuneration structure of intermediaries for the purpose of asset management, and (iii) prevention of conflicts of interest. The Transitional Committee should also establish specific policies on engaging with and voting on shareholder resolutions at the companies owned by the Fund. Adoption of such investment guidelines and practices may impact the ability of the Global Climate Fund to co-mingle assets with the World Bank for administrative and investment purposes.

Consistent with paragraph 107 of the LCA text, the Transitional Committee should stipulate that a comprehensive review of the trustee be conducted at the end of the 3-year interim period to assess the quality of services offered by the trustee based on an agreed set of indicators. The terms and conditions for the trustee should leave open the possibility of selecting the permanent trustee via a competitive bidding process.

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.

Social Safeguards and Environmental 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 by conducting due diligence for all funds received and disbursed, as well as 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.

The Transitional Committee should also ensure that the Green Climate Fund mainstreams the principles of conflict prevention, conflict sensitivity, and peace building, including addressing sensitivity to the destabilizing factor of increased climate migration throughout its programmatic work, to ensure that funds do not inadvertently exacerbate tensions, migration pressures, and conflicts that already exist, leading to violent conflict.

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).

Definition of Clean Energy

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 clean and efficient energy technology is one with emissions that are at least 85 percent less than CO₂e 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.

Financing Modalities and Direct Access

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 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.

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 sunseting 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.⁴

⁴ 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)

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Global Witness
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KRuHA Water Coalition Indonesia
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LDC Watch
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Peoples Movement on Climate Change
Population Health Environment (PHE) Ethiopia Consortium
Practical Action
Resource Integration Centre (RIC) Bangladesh
Rural Reconstruction Nepal (RRN)
Skill Information Society Nepal (SISo Nepal)
South Asia Alliance for Poverty Eradication
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Voices for a Sustainable Future
WALHI Indonesia
Wetlands International
Women's Environment and Development Organization
World Development Movement
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