April 12, 2019

CSO Comments on Strategic Programming Prepared for First Replenishment Consultation Meeting in Oslo, Norway, April 4-5, 2019

(*These comments are based on a jointly elaborated CSO draft intervention with the participation of CSOs active in the GCF both from developing and developed countries, which was prepared for the First Replenishment Consultation Meeting in Oslo, Norway; following the meeting, the statement was updated to take into account some of the discourses during the meeting and to give CSO colleagues the opportunity to further comments; CSOs active in the GCF are currently working on a longer, more elaborated joint submission on the strategic programming paper to be submitted by April 26th*).

We heard a lot about the urgent need to act and the GCF's ability to disrupt business-as-usual in the discussions last week. For the GCF to be a leading force for transformation, it has to maintain and expand its position as the main multilateral financing channel under the UNFCCC and as the primary financial mechanism supporting the implementation of the Paris Agreement by assisting developing country Parties in implementing their Nationally Determined Contributions (NDCs). The replenishment process therefore must send the signal that the GCF **can act at scale** to give developing countries the confidence needed to increase the ambition of their NDCs in 2020 *both* in process (by involving a wide range of in-country stakeholders, especially civil society) and output and align them with a 1.5 degree pathway. CSOs active in the GCF call <u>on developed country Parties to contribute their fair share to ensure that the GCF replenishment process **mobilizes significantly beyond double the commitments made during the initial resource mobilization (IRM).**</u> These contributions should overwhelmingly be given as grants, not loans or capital contributions, to provide the GCF with maximum flexibility to fulfill its mission. In this respect, we welcome Germany's and Norway's early commitments to GCF replenishment and urge other countries to follow swiftly in announcing their own scaled-up contributions.

What considerations should shape the overall ambition for the GCF's first replenishment? The updated strategic programming document provides a lot of options and different scenarios and approaches. As CSOs engaged in the GCF as well as representing affected communities and intended beneficiaries in recipient countries, we will be submitting more detailed comments by the deadline of April 26 as this paper will be discussed in a revised form at B.23 and will then feed into the replenishment report.

Now, we would like to comment on a few issues of particular importance for civil society. The discussion of the "high ambition" and "programming for impact" scenarios are useful, as we agree with everybody at the Oslo Replenishment Consultation Meeting that business as usual (BAU) for the first replenishment period is not an option and that to speak to the IEU's assessment, the GCF has to become better, smarter, and faster.

However, we feel that focusing overwhelmingly on the role of cost-effectiveness of emissions reduction efforts and/or co-financing (leveraging) in mitigation is too narrow to gauge the overall effectiveness of GCF programming over the first replenishment period. Effectiveness does not only mean cost-effectiveness considerations, but instead must take into account the impacts of GCF funded actions. As such, some of the outcomes that we are looking for require time to come to full fruition. A focus on supporting country-driven behavioral and policy changes reflecting broad country-ownership beyond a narrow government focus to also include a wide range of in-country stakeholders, organizations and specifically communities in recipient countries must be part of the

GCF's efforts to maximize investment impacts. This requires iterative and generous investing in institutional and human capacity to ensure lasting societal and institutional change.

Country ownership and country-driven programming must remain at the core of the GCF's work, but this means focusing more than within the IRM period on those that have not yet been reached or profited from GCF resources. Responding to priority countries' needs means a renewed attention on adaptation, including safeguarding future options for full cost adaptation financing and doing away with the harmful dichotomy between adaptation and development, and related incremental cost approaches, that underfund effective and sustainable implementation of climate action on the most local level. This only works if the GCF is committed to enhancing and scaling up meaningful and effective engagement of the public and stakeholders, especially of indigenous peoples, local communities, affected people, and women in the design and implementation of projects and programs. Increased and inclusive engagement of civil society is key to achieve the quality in design and implementation that so many spoke of last week and to truly realizing country-ownership.

In the strategic programming discussion and the paper, we were concerned that we did not see a commitment to the GCF setting in its programming -- and influencing through its growing network of 84 accredited entities -- new better and best practices in consideration and integration of human rights in climate investments, including through forward-looking gender and Indigenous Peoples' policies, a strong human rights centered Environmental and Social Policy (ESP), and a set of independent accountability mechanisms that safeguard zero to low tolerance for failure to comply with these policies both in the GCF internally as well as with its counterparties/implementation partners.

In discussing policy gaps that need to be closed, we would highlight the need to complete the GCF's Environmental and Social Management System (ESMS) including the development of the GCF's own environmental and social safeguards to ensure GCF programming during the First Replenishment Period maximizes its beneficial impacts and a set of strengthened stakeholder engagement policies. There was a lot of discussion on achieving better value and greater impact. A multiple benefit approach is smarter investment, embedding climate action in a broader pursuit of other environmental, social, economic, and gender equality outcomes. This is also consistent with the mandate of the Governing Instrument, which demands that all GCF investments are placed in the context of sustainable development. In our view, this is the best way to increase the overall effectiveness, efficiency, and lasting impact of GCF investments.

We would also like to highlight that civil society aids in increasing the impact of the Fund and ensuring it fulfills its mandate. While principles such as enhancing accessibility and unlocking the full potential of the GCF were discussed within the presentations, the role of civil society in these activities, including knowledge and awareness building, contributing technical expertise, and ensuring policies reflect best practice, was not acknowledged. As the Fund develops, so does our CSO community, and we look forward to the review of observer participation to further articulate the ways in which we can contribute to the effective GCF that we want to see.

We agree with speakers such as Germany who, during the replenishment meeting, urged that during the 1st replenishment period, we focus on strengthening the accessibility of GCF finances through direct access and enhanced direct access. We would like to see such access improved, specifically the access of the smaller direct access entities (DAEs) and the people and communities they serve, and the expansion and streamlining of the Simplified Approval Process and Enhanced Direct Access pilots for this group. This also means an end to the first-come, firstserved approach to project financing, which Finland raised as something to be discontinued. We wholeheartedly agree. It is not compatible with the GCF's mandate for innovation and transformation that 84% of its financing currently continues to be programmed through MIEs. This percentage should shrink significantly over the first replenishment period, and while CSOs do not support portfolio sector targets, the GCF might need to consider ring-fencing a significant portfolio share for DAE access. MIEs should also be held accountable in reaccreditation, starting next year, for how much they support the capacity building of national actors in line with the accreditation framework mandate, for example through twinning with DAEs.

Related to accreditation and the accreditation framework review, we are wary of the proposed project-specific assessment approval, particularly if it is meant to facilitate one off proposals from larger scale private sector actors. In our view, in doing so, the GCF gives up the potential to use its accreditation process and partnership to influence the overall portfolio shift of exactly those actors. Proof of such a portfolio shift is currently part of the re-accreditation requirement. We agree with Sweden that fully operationalizing this re-accreditation approach is another policy gap that should be speedily closed.

Lastly, we are concerned that a number of the proposed new programming options would fundamentally alter the nature of the GCF as a fund under the UNFCCC and make it more like a development bank. Potential directional shifts of this magnitude merit broader engagement of all GCF stakeholders and not just the views of potential contributors. We are glad to hear that other speakers agree with us that the GCF should not issue its own "green climate bonds". Also a proposed co-investment framework with a focus on institutional investors raises a number of red flags, as does the mention of "policy loans," which are more suitable for a multilateral development bank than a Fund under the UNFCCC.

The GCF's first replenishment needs to send important signals both on quantity and quality commensurate with the key role of the GCF in the global climate finance architecture and for the implementation of the Paris Agreement. It needs to not only demonstrate the continued commitment to the GCF through significantly scaled-up contributions from developed countries, but should also demonstrate the GCF's commitment to fulfilling its mandate to support lasting transformational shifts in developing countries in line with the Governing Instrument.

For further information or questions, please contact:

Lidy Nacpil, CSO Active Observer for Developing Countries, lnacpil@gmail.com
Liane Schalatek, CSO Active Observer for Developed Countries, liane.schalatek@us.boell.org

Or the rest of the CSO Active Observer Team:

Helen Magata, Alternate CSO Active Observer for Developing Countries, len@tebbteba.org
Julius Ngoma, Alternate CSO Active Observer for Developing Countries, julius@cisoneccmw.org
Erika Lennon, Alternate CSO Active Observer for Developed Countries, elennon@ciel.org
Daan Robben, Alternate CSO Active Observer for Developed Countries, d.robben@bothends.org