

July 11, 2023

36<sup>th</sup> Board Meeting of the Green Climate Fund (GCF)

*GCF Observer Network of Civil Society, Indigenous Peoples, and Local Communities*

*INTERVENTION*

## **FP212: &Green Fund: Investing in Inclusive Agriculture and Protecting Forests (FMO)**

Access the document: <https://www.greenclimate.fund/document/gcf-b36-02-add07>

We are extremely concerned about this proposal and strongly recommend that the GCF Board does not approve it. This is arguably the most troubling proposal we have seen put before the GCF board to date. It poses a significant risk to the Fund's reputation and is antithetical to the just climate action that the GCF seeks to support. The track record of the existing &Green Fund shows that it has provided financing to some very large companies that are implicated in causing deforestation, and the proposal seems intent on continuing this highly flawed approach.

It is well known that large-scale commodity production chains are particularly problematic environmentally, climatically and socially, and are one of the main drivers of deforestation in tropical forests. It is no secret that some of the biggest and most profitable companies that produce these products have been the driving forces behind illegal deforestation.

The &Green Fund already funds some major agricultural commodity companies which, as noted in point 44 of the ITAP assessment, do not encounter obstacles in accessing traditional financing for their operations from the banking and financial system. As such, the implementation of sustainable practices by these companies is not determined by lack of access to funding, but rather their willingness to do so. This is also a clear case of missing additionality, given that the &Green Fund would provide financing to companies that may easily find this elsewhere.

The &Green Fund's track record shows that it is financing companies that have evidenced little to no willingness to implement sustainable practices, and instead have shown a poor environmental record. For example, the Brazilian company Marfrig is the second largest animal protein processor in Brazil and one of the beneficiaries of the "&Green Fund". Marfrig has been accused several times of fueling illegal deforestation. Just last year, the IDB even canceled a planned investment in Marfrig given the risk that this would violate its sustainability policies.

Moreover, two of the Indonesian companies that have already received &Green financing, PT Hilton Duta and PT Dharma Satya, have been accused of illegally growing palm oil in protected forest areas. Villagers complained about the destruction of their spring water by the tailing from Hilton Duta operations, so they face difficulties to get clean water. PT. Hilton Duta also fails to support the villagers with clean water installation. The Indonesian

Commission for the Supervision of Business Competition fined PT. Dharma Satya three times due to the violation of the Law of Prohibiting Monopoly Practices and Unhealthy Business Competition.

Additionally, the proposed programme does nothing to acknowledge and address some of the main challenges and dynamics that promote illegal deforestation in commodity production chains, such as the practice of 'cattle laundering'. Cattle laundering, very common in some of the target countries – particularly Brazil and Colombia – refers to fattening cattle in “dirty” ranches that have been illegally deforested – including deforestation in protected areas – only to move them to “clean” ranches before they go to the slaughterhouses. This practice obscures the damage the cattle have caused, and has proven extremely difficult for both companies and supervisory bodies to trace. For instance, governments might prove to have strong jurisdictions on illegal deforestation, while lacking the capacity to track down and monitor the extremely complex dynamics that sustain illegal deforestation. On the other hand, private sector initiatives have shown little evidence to have the capacity to carry out this task on their own, as it would require an actual strengthening and strong collaboration with the public sector to respond to this problem. Failing to acknowledge and address cattle laundering, while funding companies that have been accused of it, gives us no guarantee that FMO could properly prevent it in the context of the “&Green Fund”.

Some of the specific proposed actions to be undertaken by the programme are highly problematic. For example, the proposal states that it will support the creation of plantations on “degraded” land. But the definition of “degraded” land is often highly contested, since there are cases of this definition being used to displace and undermine the land rights of Indigenous Peoples and local communities.

Or, to take a second example, one of the intervention strategies for soy is to move crops to areas at higher elevations, adjacent to protected areas. But moving soy beans to new areas – and even closer to protected forests, will surely cause more deforestation in even more fragile ecosystems. The deforestation or sustainability goals of this intervention seem absent.

We also consider the proposed due diligence and monitoring processes to be inadequate for a programme so risky. The GCF will have little opportunity to oversee the type of subprojects that will be implemented with its resources. Moreover, the proposed audit process seems to only be applied in the initial stages of the subprojects and not sustained throughout subproject implementation.

Finally, the Gender Action Plan, as is often the case with programmes, presents actions that are too broad and lacking specificity, which appears to overlook and fail to address the challenges identified in the gender assessment.

In short, this proposed programme goes against the very purpose of the GCF, paying polluters and offering companies implicated in deforestation a chance to greenwash their



reputation. The GCF should not act as though there is no alternative but to finance the companies that are causing the problem, in a last effort to have them follow environmental norms and regulations that they should have pursued as a matter of good corporate stewardship in the first place. There are so many more deserving initiatives that could advance real climate action and reduce deforestation, designed with the participation of the people that have guarded the forests forever, that go with nature and not against it, and that would thrive with GCF funding. We urge the GCF Board to reserve its resources for those proposals and to reject this corporate greenwashing scheme.

*A letter was initially sent as well to the Board last July 7, 2023, access the copy [here](#).*

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