GCF WATCH

38th Board Meeting of the Green Climate Fund (GCF)
4-7 March 2024, Kigali, Rwanda

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

FP227: Increase Resilience to Climate Change of Smallholders Receiving the Services of the Inclusive Agricultural Value Chains Programme (DEFIS +)

Access the document: https://www.greenclimate.fund/document/gcf-b38-02-add07

We are very concerned by the use of loans in this adaptation project, which is aimed at supporting some of the most vulnerable peoples and communities. The use and rationale for use of loans as part of the GCF funding, but particularly as part of the co-financing provided by IFAD, seems to directly contradict the purpose of the GCF.

As the funding proposal itself points out, Madagascar is a least developed country, where more than 80% of the population lives below the poverty level of USD 2 per day, a percentage that has been rising since 2019, pushing over a million people below the poverty line. At the same time, the proposal also recognises the difficult debt situation of Madagascar and the importance of ensuring the country's debt sustainability, while using this as a justification for requesting GCF resources mostly in the form of non-reimbursable grants. Yet IFAD is providing most of its co-finance in the form of loans, while the highly concessional GCF lending terms and conditions will actually apply to IFAD and not directly to Madagascar. This financial set-up is never addressed. If the financial response to high levels of indebtedness and poverty is going to be offering a high ratio of loans (48%) when considering the full project, at the very least, this project should include clear assurances that 100% of the concessionality provided by the GCF will be passed on to the Government of Madagascar.

Furthermore, as part of their assessment, iTAP points out that Madagascar could potentially face difficulties repaying this USD denominated loan, considering the potential for devaluation of its own currency, thus harming the country's already high financial risk rating. It is unacceptable that GCF funded projects and programmes that are supposed to benefit vulnerable countries and communities are designed in a way that instead creates risks of harm. This is a clear example of why grants are the best way to finance adaptation, particularly in contexts where the population is already facing high levels of vulnerability.

Additionally, we firmly reject the framing being used in the Secretariat's assessment, which addresses the existing low-income levels and the low level of economic development of Madagascar as an execution risk, instead of a reason to support the country through the use of grants as the most appropriate instrument. This evaluation seems to suggest that countries should somehow be punished for their poverty levels, instead of appropriately supported in their adaptation efforts. Considering the GCF has often lauded their interest and willingness to take on higher risk to ensure impact, these kinds of risks should not be presented as an issue to be dealt with, but straightforwardly addressed with the highly concessional finance of the GCF.

We would also like to reflect on the repeated calls for sustainability in the different assessments for this proposal. First, we would like to remind the Secretariat that sustainability is not an investment criterion. In this context, the sustainability will depend on the ability of the beneficiaries, which include some of the poorest and most vulnerable people, to generate enough income to maintain many of the project's investments. However, it is unrealistic to expect this project, which has an implementation period of only 6 years, to drive enough transformation in that short period of time to ensure that further climate adaptation interventions along these lines will not be required or requested, including through the GCF, which exists to serve the complex and long-term challenge of climate change, which is not solved through individual projects. It is only through patient capital and long-term investments that climate needs can be addressed and transformation can be achieved.

We are also concerned that the mechanisms by which the loans will be passed on to the community beneficiaries are unclear, with microfinance institutions mentioned only in the assessment portions and not in the proposal itself. If microfinance institutions are indeed to provide finance to the participating communities or farmers, at the very least it should be stated in the proposal and disseminated to the future participants in a timely manner.

In terms of the interventions, we are concerned about the use of Climate Smart Agriculture across this proposal, and remind the Board of our longstanding position that this term should not be adopted given the lack of definition of the exact activities that it entails. Ultimately, there was a clear lack of focus on centering these interventions on food security and food sovereignty, with market access overemphasised and the means, access, often conflated with the ends of food security. We did expound on these critiques in our extensive comments on the sectoral guide on agriculture, which we regrettably note has now been referenced in this proposal despite a lack of Board discourse on the variety of comments and their integration into the sectoral guidance.

Finally, though we appreciate the consistent mention of gender and youth throughout the proposal, the Gender Action Plan fails to specify mechanisms for achieving its women's participation targets. As we see often, the GAP merely provides minimal targets for participation of women and youth, yet the actual gender barriers identified are not actively addressed beyond securing participation. Differentiated outreach and work with communities to ensure support for women's full engagement and participation, flexible schedules, engagements with men about gender equality, and childcare provision are among measures that have proven helpful and/or necessary to address the inequalities that underpin historically low women's participation. Despite our encouragement at seeing the regular monitoring of the GAP indicators, often at six months intervals, rather than only at project end, we caution that monitoring is not enough if comprehensive interventions are not planned and resourced. We also echo ITAP's concern that land tenure rights should be directly addressed and would like to see this in the GAP as well as the project implementation manual, beyond the singular activity associated with output 1.1.

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