

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

Intervention on

SAP037: Avaana Sustainability Fund

Access the document: <https://www.greenclimate.fund/document/gcf-b38-02-add04>

We oppose the approval of this programme at the current Board meeting and do not think that it can be considered for approval until it is properly identified as a risk Intermediation-2 or above categorization and submitted under the regular project approval process. We are very surprised and disappointed to find that this proposal has passed through the Simplified Approval Process, which is designed for activities that have minimal environmental and social risks. The Avaana Sustainability Fund could support technologies (such as those for carbon sequestration) that may have significant environmental and social impacts, which clearly disqualifies the project for the SAP minimal risk categorization.

The current proposal appears to use different scopes when judging the risks and potential results of the programme. The environmental and social risk assessment only looks at the direct activities of the companies producing new technologies, without considering the impact of the technology itself. However, the programme's projected results and estimated mitigation impact make assumptions about the subsequent deployment and use of these technologies by other companies. There is a need for consistency here - you can't claim the impacts without owning up to the risks.

The fact that Avaana will be a lead investor at early-stage startups increases the investment risk too. The assumption that the GCF's reputation will produce a "halo effect" contributing to "superior dealflow" is yet to be tested. Assuming this effect poses additional financial risks.

As a consequence of this being an SAP proposal under Category C, no environmental and social impact assessment was required and there is no required documentation for the fund's Environmental and Social Management System. In line with the necessary recategorization, not only should there be a full scale, environmental and social impact assessment, but also a fully articulated Environmental and Social Management system, in which some technology exclusions are made explicit.

As the Fund may finance "drought resistant crop varieties" we would like to see an explicit statement excluding financing Genetically Modified Organisms (GMOs).

The proposal also includes sequestration technologies such as “chemicals production from direct air capture” within the potential financing scope. However, the deployment of these technologies will likely have significant environmental or social impacts, including increased greenhouse gas emissions, which have, because of the program’s miscategorization as Cat. C, not been assessed and therefore should likewise be excluded.

The potential conflict of interest arising from SIDBI being both the AE and an investor to Avaana is not fully addressed by the SIDBI’s mere claim that it has already tested such an arrangement in the past. The financial risks associated with being first movers in nascent industries such as start-ups pose high financial risks and losses that SIDBI might choose not to disclose to the GCF in fulfilling its role as AE. The illustration of the financial flows and equity arrangements makes this scenario possible.

As we have unfortunately seen with other such Funds and programmatic approaches, the lack of details on the project pipeline, sectors or technologies to be financed raises questions about the credibility of its claimed impacts, and underlying assumptions would have to be explained further in a resubmission under the regular approval process.

As noted by ITAP, there is a significant risk that emissions reductions produced through the deployment of the technologies financed end up being “double counted” (once by the ASF platform and again by end users). It remains unclear to us how the proposed monitoring of the Fund’s impacts will address this.

Moving forward, the SAP should be used solely for activities with minimal environmental and social impacts. Particular caution is needed to consider the full environmental and social risks associated with technology incubators and accelerators, which are unsuitable for the SAP.

###