GCF WATCH

42nd Board Meeting of the Green Climate Fund

June 30 - July 3, 2025, Port Moresby, Papua New Guinea

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

FP276: GCF's Investment into the Global Green Bond Initiative (GGBI), previously known as the Green and Resilience Debt Platform (GRDP)

Access the document: https://www.greenclimate.fund/document/gcf-b42-02-add18

We have significant concerns about this proposed programme and call for the Board not to adopt it at this meeting.

As ITAP points out, a programme "structured around bond market dynamics… inherently limit[s] the application of certain GCF standards." The GCF has so far not managed to deliver on green bonds, as seen from previous failed attempts. This requires further consideration at the level of policy, rather than pushing through a programme that would also lapse or, if pursued, lacks country ownership and is at high risk of failing to deliver on climate goals or that can be used for greenwashing.

FP276 has a number of issues. First, the target countries have little to nothing in common from a climate-needs perspective. There is also no detailed assessment of countries' needs.

The proposal formally includes a broad range of sectors across mitigation and adaptation, and an incoherent selection of countries. In practice, the market-driven approach would concentrate subprojects in electricity and infrastructure in the higher-income countries of those eligible rather than addressing country needs. The failure to include sectoral targets, targets for adaptation, and minimum thresholds for countries exposes the contradiction between the programme's business case and a country-based and climate-related needs assessment.

We also find it problematic that the EIB serves both as technical advisor and first buyer of the green bonds to be issued by the target countries. This could lead to a conflict of interest in the very way the facility is conceived.

On the same note, the lack of high-integrity climate criteria for investments results in limited climate ambition. As such, there is a high risk that significant GCF-funds would be allocated to a programme that fails to adequately deliver on climate action.

Accountability issues are further exacerbated by the proposal's failure to align with the Integrated Results Management Framework. It does not require the use of standardized or project-specific methodologies to estimate ex-ante emission reductions or resilience outcomes attributable to GCF-supported green bond investments. In addition, issuers are not contractually bound to follow GCF-aligned methodologies.

The MRV system for the GCF sub-fund is solely based on voluntary, non-transparent reporting, again without binding standards or third-party verification, adding to the accountability and traceability issues related to the climate results of the investments.

Misalignment risk in the use of GCF funds is also evidenced in the fact that, while the proposal claims that all GCF equity proceeds will be allocated to climate-eligible investments, it only sets a portfolio-level target of 60% for climate-focused bonds, creating ambiguity about whether the remaining 40% could be used to support bonds with minimal or no real climate relevance to the GCF's mission.

In addition to the more climate-focused concerns, the proposal also poses serious concerns from the social, environmental and gender governance aspects. The proposed non-binding ESG advisory body lacks real authority, while there is no formal response mechanism to address ESG failings or underperformance.

With regard to gender, the proposal's gender assessment lacks detail. It provides only general overviews but lacks specific analysis of climate-related needs in the prioritized sectors. Gender considerations are disconnected from the process for making investment decisions. Similarly, the activities outlined in the Gender Action Plan remain vague. The proposed approach seems like a "best effort" excuse rather than an assurance that gender is a real factor in the programme's design and implementation. Moreover, the absence of a dedicated budget for gender-related activities raises concerns about transparency and whether the allocated resources are adequate.

We agree with ITAP's conditions, and the programme would be further improved if ITAP's additional recommendations were also framed as conditions. However, applying conditions seems like a sticking plaster that falls short of actually fixing the issues. The proposal appears to have been pushed through despite extensive reservations. Approving it would set a troubling precedent. Therefore, we urge the Board not to approve this programme.