

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

Intervention on

FP286: Mandala Capital SSEA Food Programme**Access the document:** <https://www.greenclimate.fund/document/gcf-b43-02-add20>

We recognize the importance of supporting climate adaptation in Southeast Asia's food and agriculture sector, which is among the most vulnerable to climate shocks and disruptions. However, we are concerned that the proposed investment and governance structure exposes the GCF to particular risks that are not addressed, while the lack of oversight or a meaningful track record in upholding fiduciary standards, environmental, social, and gender standards exemplifies a weakness in GCF's Project-specific Assessment Approach (PSAA). We also do not share the programme's thesis that investing in mid-sized agribusinesses is a well-targeted approach to supporting the climate resilience of smallholders.

Of particular concern, the Fund's "concentration limits" per country and, in particular, per investee (20 per cent) are higher than those of other private equity funds that GCF has invested in. The proposal also states that the GCF share could account for up to "50 per cent of disbursement from senior private sector limited partners" in the Fund. Within these rules, the GCF could find itself investing significant funds in a handful of companies without any clear oversight and despite the entity offering only a vague "project selection" process that is not backed by any track record of selecting for climate impact.

As noted by ITAP, the entity's investment model is "a departure from the approach typically observed in GCF-supported fund vehicles" in acquiring "controlling or majority stakes in the portfolio companies" (p.113). While this is not inherently problematic and could, in theory, help ensure climate benefits, that outcome would only be secured with far greater transparency and more accountability to the GCF. As it stands, the GCF would become a major investor (perhaps even the largest single investor) in a handful of mid-sized agribusiness companies, with no direct oversight over how these companies are selected or what they do. As ITAP notes, "taking control positions heightens reputational and fiduciary risks for GCF" and "could stretch Mandala Capital's capacity" (p.114). This problem is compounded by the proposed entity's weak fiduciary and ESS standards.

At a minimum, the GCF should have a direct voice in the investment process, either through Board membership and/or a presence on the investment committee. While this is not how the GCF normally operates, such protections would be appropriate in this case because the proposal departs from its usual approach. As GCF resources would be concentrated in a handful of investee companies, a concomitant increase in scrutiny on how these investments are made is merited. ITAP's suggestion (to which the entity did not explicitly respond) that "the GCF Secretariat should explore formalizing the role of a GCF-nominated climate expert as an observer to the Investment Committee" gestures at this problem but does not, in our

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view, offer an adequate protection to ensure that climate priorities are upheld, social and environmental benefits are considered, and that the GCF is not exposed to excessive reputational risk. Any further protection should be binding and ensure greater oversight by the GCF.

The lack of oversight is particularly concerning given Mandala Capital Limited's (MCL) lack of a track record in environmental and social (E&S) management and gender integration. Its E&S system was adopted only recently, while its gender policy was approved only in December 2024, and there is no evidence that either has been tested yet.

The Secretariat's assessment also notes that the entity has "no internal audit function" and "no dedicated monitoring and evaluation function", and that its risk management framework was adopted only in May 2025 (p.95). The failure to meet these basic fiduciary standards would be disqualifying for regular accredited entities, yet this proposal is waived through without asking for further checks in place - another sign that the PSAA double standard exposes the GCF to new risks and weakens its oversight capabilities.

We further note that MCL's geographic expansion into Southeast Asia carries execution risks. While it has experience in South Asian agribusinesses, the operational and cultural familiarity with the Southeast Asian SME landscape is limited. Although MCL has committed to establishing local offices, to reiterate iTAP's assessment, the success of the programme still hinges on the manager's ability to identify and structure local investments that balance commercial viability and adaptation outcomes.

MCL's proposed management fee of USD 25.6 million (p.39) under Component 1 appears high, unaligned with the GCF's usual fees policy, and notably larger than the USD 10 million allocation for its Component 2, the Technical Assistance Facility, which is intended to deliver and support the programme's adaptation and social impacts. It is not clear to us how the entity proposes to reconcile a management fee that amounts to 16.6 per cent of the Fund's projected total cost with the GCF's typical fee cap of up to 5 per cent for medium-sized projects and programmes. Are the reported fees accurate? We are repeatedly told that private sector financing is the route to efficiency, so we are confused as to why a private sector entity would attract fees that are three times higher than those that public sector entities are allowed to charge. It is also not clear how the USD 25.6 million management fee quoted in the main proposal relates to the suggestion in the ITAP review that management fees would be two per cent per annum. We would therefore appreciate it if the management fees could be explained.

Finally, the approval of this programme should be conditional on a requirement that the entity publicly discloses environmental and social safeguards information about subprojects, including through posting on the GCF website and sharing directly with Active Observers for



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distribution to the larger observer network. This is already a provision for several existing GCF programmes.