

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

Intervention on

## **Review of the Policy on Restructuring and Cancellation**

**Access the document:** <https://www.greenclimate.fund/document/gcf-b43-19>

While we recognize the importance of this policy for overall effective management of an ever-growing GCF portfolio, these updates overlook the importance of ensuring the Board has adequate oversight of the intended purpose/outcome of approved funding and the imperative to explicitly ensure communication with NDAs as an unnegotiable core part of country ownership. We call on the Board to continue deliberation for reconsideration at B.44 of an updated draft that addresses key gaps and missteps in this attempted revision.

A funding decision is not just the approval of the funding amount, it is also an endorsement of the potential results to be achieved, including lasting impacts beyond the implementation period. This focus on adaptability also shortchanges the broader accountability and oversight function of the updated PRC, downplaying the important and significant role that cancellation can and should play in certain circumstances in maintaining the integrity of the GCF portfolio in line with its mandate.

By reducing the scope of what comes to the Board for review and approval, this proposed policy weakens accountability to the Board and undermines the Board oversight and strategic guidance that provides direction to the GCF. While we note the proposed policy's attempt to separate the strategic from the operational, the suggested line of division is not appropriate, leaving too much at the discretion of the Secretariat that is a matter of Board strategic oversight, accountability, and learning. The value of information-sharing is not recognized, as the Board and the wider public learns from instances of major changes in ways that can inform the Board's future decision-making on projects and programmes, in keeping with the GCF as a learning institution. Any of the proposed streamlined reporting on second-time extension decisions, for example, would need to provide the same level of value as currently published Board documents on change requests .

The existing requirements for notifying and or consulting with NDAs/FPs on significant changes to GCF activities must be maintained. Country-impacting changes should be constantly treated as major concerns that should trigger Board-led processes.

We would also like to see further consideration given to communication with stakeholders of when a project or programme or subproject is restructured or cancelled, with specific priority given to the potential beneficiaries. There should be a requirement to communicate to those who were led to believe they would be benefitting from a funded activity, if promised benefits

change, will be substantially delayed, or will no longer materialize. There is at present no mention of the communication in the policy to even anchor further consideration and development at the operational stage.

Here too, a policy linkage to the Information Disclosure Policy and the principle of maximum access to information should be invoked. Beyond disclosure and access to information, many changes may merit additional engagement and consultation with planned beneficiaries. For example, in the case of the change in ESS risk categorization to a higher risk category, it requires additional ESS disclosure and related consultations with stakeholders and those affected or potentially benefitting. We would like to see a clear commitment that this will be addressed in the guidelines.

We disagree that the removal of certain criteria is merely an act of streamlining in the name of administrative efficiency. For example, the existing criteria state that actions that “would trigger additional [environmental and social] safeguards standards to be applied or require additional due diligence” constitute a Major Change - narrowing this criteria to focus only on a change in the risk category removes a potentially important (though rarely used) layer of oversight. Moreover, given the finding of the recent IEU evaluation on the GCF approach to Indigenous Peoples, where inadequacies in Free, Prior and Informed Consent (FPIC) - often only at the point of project origination - were identified, we request that any material or adverse change that affects Indigenous Peoples should be designated as a Major Change. We would like to see the retention of the original criteria on safeguards along with the further specification that these include any changes that affect Indigenous Peoples, including their beneficiary status, and their FPIC.

We disagree with the Secretariat’s written assertion that any such changes would trigger a higher risk category. That is untrue for several reasons, but the case of a category A project making changes that affect Indigenous Peoples is the easiest one in which to spot the lack of logic - there is no higher risk category.

We are also concerned that the circumstances under which waiver authority would be delegated to the Secretariat were not specified.

Finally, we welcome the fact that the Secretariat will develop the detailed operational procedures in consultation with relevant stakeholders. We would like to see this statement clearly and explicitly specify NDAs/FPs, Indigenous Peoples (including, but not limited through IPAG), and civil society.

Ultimately, the proposed policy update does not appear to have taken on board many of the relevant concerns expressed by ourselves and others, or to be based on a complete review that takes adequate consideration of the scope of restructuring and cancellation issues. For



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these reasons, we would advocate for a continued dialogue with a view to a revised proposal being presented at B.44.