

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

Intervention on

## **FP296: Navis Decarbonization Fund I**

**Access the document:** <https://www.greenclimate.fund/document/gcf-b44-02-add12>

We are disappointed that the GCF is once again being asked to finance a blind-pool style investment fund with no confirmed pipeline of subprojects for investment, no clear sectoral or geographic allocations and, as such, no certainty on attendant climate benefits and risks. This type of investment structure simply asks that the GCF trusts fund managers to deliver impacts that prioritize climate benefits over profitability while avoiding harms. But trust cannot be a replacement for robust predictability, accountability, and transparency, and this is an even greater stretch in the case of a PSAA application from a private entity with no track record of climate projects and no prior relation with the GCF.

FP296 lacks clear and transparent criteria on how investments will be assessed and selected to ensure that climate impacts will be prioritized. The publicly available version of the proposal does not give us confidence that such criteria exist, but we would also like to stress that promoting investment funds whose potential impact is determined by unpublished selection criteria makes it very difficult for civil society to adequately assess such proposals. From the documentation that is provided, there do not appear to be targets in relation to sectoral or geographic balance. There is no meaningful way to offer ex ante assessments of the climate benefits on this basis, and the lack of transparency further obscures our ability to assess what this fund would achieve. The fact that the Fund will be structured as a Cayman Islands-regulated private fund – i.e. operating out of a secrecy jurisdiction that is not amongst the countries where the investments would actually be made – does nothing to build confidence in this respect.

We are concerned that some potentially risky subprojects could be financed under FP296. We share ITAP's concerns that, for example, this programme could give way to unsustainable biofuel expansion or bioenergy linked to natural gas, especially given the lack of strict criteria on bioenergy in the exclusion list which could threaten key land uses such as staple food production or smallholder land rights. The AE also does not publicly disclose environmental and social risks prior to investment, so claims of the AE fully meeting E&S requirements cannot be independently verified according to GCF standards. Further, neither the AE's grievance and redress system, DEI policy, or gender policy (if a standalone policy even exists) appear to be available online.

The gender assessment lacks detail and specificity. In part, this is a structural failing of this type of investment structure, where the lack of clarity on the pipeline or distribution of subprojects limits what can be set out in advance. Beyond this, what is outlined in the Gender Action Plan still falls short in terms of rigor and ambition, lacking virtually any meaningful

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targets or requirements of investee companies. The one clear portfolio target that is set - which aspires to less than one-third (30%) of investee companies meeting the 2x Challenge criteria - is greatly insufficient and falls a long way short of gender responsiveness. We would like to stress that companies can claim 2x alignment by meeting just one of six governance criteria - and these criteria are no substitute for meaningful targeting within the scope of Gender Action Plans.

The structure of the programme also undermines its engagement with civil society and its methods for acquiring free, prior, and informed consent (FPIC). Because the 10-15 subprojects are not finalized, no consultations with potentially or actually impacted communities, marginalized groups, or Indigenous Peoples have really taken place, and any previous consultation with civil society on the programme would not have yet reflected the lived realities of people on the ground. The proposal relies on a promise of future engagement rather than existing demonstration of community support, and without any provisions in the FP relating to engagement with civil society. By the time communities are consulted during the "90-day post-investment plan," the investment would have already been committed, leaving little room for communities to reject a project or demand fundamental design changes. Even in the event that a consultation with civil society is held, there are no assurances that the results of these consultations would be incorporated in the programme – and our concern about this is magnified by the experience of a member organization of the GCF observer network whose comments during a meeting with the AE and NDA about this FP were not discussed or addressed in this document.

The funding proposal also risks locking SMEs into debt that results in high prices for communities. The 'hybrid' financial instruments slated to be utilized by the investment fund could burden them with high capital costs. Providing adaptation services (like water and electricity) through a high fixed interest debt model risks prioritizing financial returns over the affordability and accessibility of those services for the poor. If an SME must pay high fixed interest for a water project such as Project Oasis - one of the indicative examples given - then those costs may be passed down to rural villagers/users, and there are currently no safeguards in the FP that would protect against this burden-shifting. In addition, as part of its exit strategy, the FP aims to attract "strategic buyers" for its SMEs' subprojects, which are likely to be large corporations seeking to privatize adaptation services in the long run, risking the accessibility of these services.

The GCF would also be dedicating significant financing to a single fund manager investing only in a dozen or so SMEs, taking away much-needed resources for many diverse, locally-adapted, and community-led climate initiatives that could have instead been supported.

The GCF should not be supporting this type of 'blind pool' investment that cannot determine climate benefits or risks in advance, and which operates on trust arbitrarily placed on a single



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private entity rather than verifiable safeguards and calculations. Taking fund managers only for their word and handing to them what is essentially a blank cheque is no viable way to operate the Fund.

We strongly urge the Board to reject FP296.