

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

Intervention on

**FP301: Responsible Commodities Facility -
Deforestation and Conversion Free: Finance for soy
production in the Cerrado, Brazil (RCF-DCF Project)**

Access the document: <https://www.greenclimate.fund/document/gcf-b44-02-add17>

This programme makes a very substantial funding request given that the entity is relatively new, has a limited track record, is operating in a very risky sector, and is proposing activities in the Cerrado, which is a highly vulnerable ecosystem. Given the associated risks, we are surprised that it is considered ESS category I-2.

In addition, as identified and highlighted by the ITAP, we have serious concerns about the completeness and methodological rigor of the GHG accounting and mitigation claims that underpin the programme. As with all such investment funds, the *ex ante* calculation of emissions reductions is largely speculative in the absence of a transparent pipeline of subprojects, or sectoral and geographical allocations. In addition, there are various issues regarding the identified methodologies and assumptions, including both the exclusion of consideration of soil organic carbon, and the failure in the proposal to quantify leakage. Specifically, both primary leakage such as deforestation of non-financed portions of participant farms, and secondary leakage, namely displacement to areas within buffer zones are possible.

The assumptions underlying the programme's baseline scenario raise further questions. As noted by ITAP, the baseline assumes that farmers would exercise their full legal authorization rights to deforest native vegetation absent the programme intervention. This is not consistent with evidence of current practice and is questionable on several grounds, given countervailing pressures including regulatory pressure and increasing demand for deforestation-free soy, driven by measures such as the European Union Deforestation Regulation (EUDR) which will become effective during the programme's implementation, as well as potential limits on the profitability of expanding soy production, Brazilian Forest Code enforcement trends, and the commercial risks of deforestation-linked production in major export markets. The suggested approach also does not address the moral hazard risk: farmers may participate in years when they have no deforestation plans, then exit the programme to deforest if market conditions make conversion profitable, generating windfall profits without delivering additional GHG reductions. The permanence of paid-for emissions reductions is in doubt, given that there is no mechanism to ensure that conservation commitments persist after the programme ends or if farmers choose to exit the programme.

44th Board Meeting of the Green Climate Fund

March 25-28, 2026, Songdo, Incheon, Republic of Korea

In addition, the programme has a weak exit strategy. While SIM adds some verification steps beyond the CAR self-declaration, including independent satellite monitoring and GIS cross-referencing of farm boundaries against national maps, the proposal presents no plan to transfer these monitoring capacities to Brazilian government institutions during or after the 12-year implementation period. The ITAP acknowledges this gap directly, noting that "the absence of complementary institutional strengthening activities limits the project's systemic impact potential" and that Brazil's Forest Code enforcement deficit "is partly an institutional challenge that financial incentives alone may not fully resolve". ITAP Condition 2 requires SIM to develop partnerships with enforcement agencies to share monitoring data and compliance methodologies, but even this stops short of requiring genuine capacity transfer. For a programme deploying concessional public funds over 12 years, the concessionality should go further by using the programme's privileged access to farm-level environmental data and monitoring infrastructure to strengthen the Brazilian state's long-run enforcement capacity, rather than leaving it entirely dependent on the continued operation of a private fund.

We also have governance concerns regarding this programme. The financial structure seems unnecessarily complex and designed more to protect the funds from indemnity, and to protect the equity holders from any losses, rather than to promote accountability - as evidenced by the intention to channel funding through a Luxembourg-based pass-through special purpose vehicle (SPV).

The fact that the PSAA applicant has no track record of annual audited financial statements and "does not currently maintain an internal audit function" seems highly risky given the size of the proposed financing. Opea – the entity that is responsible for financial management – is also reported to lack formal reporting procedures, and the GCF Secretariat's own assessment team could not review its internal controls because documentation was "not available for review," illustrating how opacity can persist even for the Fund's own oversight bodies. The RCF Impact Fund does not yet have "a programme-level risk policy and formal risk management framework." This is further evidence of double standards - the aspects that would be disqualifying for community-led or regional public and non-profit entities are waived through in the case of private investment funds, especially those applying through the PSAA.

It is also highly disappointing that "at the institutional level, SIM does not have a stand-alone gender policy." A programme level gender action plan is no substitute for a policy that covers the whole entity, especially since the proposed GAP is presented as cost-neutral, with the limited activities described absorbed into the overall costs and no discrete budget allocation. In the absence of a dedicated GAP allocation, we do not have confidence that the stated intent to track and report gender outcome targets over a 12-year programme managing USD 425 million in assets will be adequately realized, especially given the lack of policy support and gender experience within the fund management team.

44th Board Meeting of the Green Climate Fund

March 25-28, 2026, Songdo, Incheon, Republic of Korea

The programme spans multiple jurisdictions and legal entities, creating a significant distance between public accountability and the point where GCF funds are actually deployed. The PSAA applicant is regulated in the United Kingdom, the fund is governed by Luxembourg law, and the operational vehicle that actually contracts with farmers and deploys capital is a Brazilian securitization company answerable to Brazil's Securities Commission. Of all the entities in the structure, only the Brazilian operational vehicle falls within the jurisdictional reach of affected communities, yet it is precisely this entity whose internal controls, again, could not be reviewed even by the GCF Secretariat. In this context we sincerely question whether the PSAA applicant is capable and willing to ensure an accountability architecture that secures meaningful transparency and accountability for civil society organizations and affected communities.

The lack of stakeholder consultations with civil society organizations representing affected communities, smallholders, rural workers and marginalized groups (as noted by ITAP) reinforces our concern. Our civil society partners based in Brazil have expressed concerns regarding greenwashing. It is therefore even more important to have clarity on what programme information will be publicly accessible, what mechanisms will allow CSOs to formally request data beyond voluntary disclosure, and how independent audits of the Brazilian operational vehicles will be made available to the public.

The Secretariat review states that "external stakeholders can submit grievances through SIM's publicly advertised Canal Ética (Ethics Channel) email address, and grievances may be submitted via email or through an anonymous online form." Yet these are buried in a footer to the entity's website (<https://sim.finance/>), and the single paragraph that explains the grievance procedure is not even translated into Portuguese.

Finally, we would like to express our disappointment that the GCF intends to dedicate such a substantial proportion of its scarce resource to a programme that would benefit medium- and large-scale commercial soy farmers, with no direct benefits for smallholders, rural communities or Indigenous Peoples. The programme explicitly acknowledges it has no direct activities targeting Indigenous Peoples OR local communities. However, that does not mean that these communities, while not receiving any direct benefits, are isolated from potential harm of the programme: The Cerrado hosts 216 Indigenous protected territories from 83 ethnic groups and 44 Quilombola territories, whose livelihoods depend on the native vegetation that the programme seeks to protect. While the eligibility criteria exclude farms overlapping these territories, these could be negatively impacted by leakages while not being covered by the benefits of the proposal.

Ultimately, this programme raises the question as to how GCF prioritises financing and why it is focussing financing on commercial soy farmers rather than supporting communities. It is difficult to establish that a programme benefiting commercial soy farmers operating medium-to-large farms, typically exceeding 500 ha, with annual loans in the region of USD 1



44th Board Meeting of the Green Climate Fund

March 25-28, 2026, Songdo, Incheon, Republic of Korea

million per farming group – is indeed needs-based, and we are unconvinced of the merits of the GCF choosing instead to service commercial interests with little certainty of meaningful climate benefits.