

Arrangements for the Third Formal Replenishment of the GCF

Access the document: <https://www.greenclimate.fund/board-document/gcf-b45-19>

Thank you, co-chair, and thank you to the Board, the Secretariat, Independent units, and our host country as we deliver our second intervention of this meeting on behalf of the GCF observer network of civil society organizations, Indigenous Peoples, and local communities.

We urge the Board not to adopt the Arrangements for the Third Replenishment as currently presented.

We demand the removal of Annex III from the package as standard practice has been to only set out *procedures* for replenishment. The proposed approach to the policy on contributions in Annex III already references “contributor guarantees” as a “key priority.” This pre-judges later deliberations on the Policy for Contributions. Board decision B.33/11, which launched the Second Replenishment, instead properly sequenced a separate, later decision to update the Policy for Contributions.

The Board's separate deliberation should consider how the proposed contributor guarantees or ‘callable capital’ will fundamentally change the nature of the GCF. Replacing grants with “contributor guarantees” risks weakening the predictability and adequacy of resources. The GCF was established to provide resources for climate action, not to leverage contingent liabilities or expand its balance sheet. MDBs receive callable capital because it is written into their founding documentation. Receiving callable capital is effectively changing the GCF's mandate and requires an explicit change to the Governing Instrument. Such a major decision *cannot* be greenlit as a detail in an annex, but must be thoroughly deliberated by the Board and *elevated* to the COP and CMA for decision.

Furthermore, Annex III suggests major changes to the Fund's prudential debt limits by raising the debt ceiling or removing caps on loan contributions. This could reconstitute the GCF as a lending facility that would likely contribute to the increasing debt burden of developing countries, and further constrain fiscal space for climate action and other development priorities in countries already struggling with debt crises. It is also likely to further restrict access to climate finance, particularly adaptation finance, for countries that cannot afford to take on more debt. Importantly, it contributes to diluting the responsibility of developed countries to provide climate finance, and places further burden of financing climate action on developing countries.

Similarly, the background and Annex II must be stripped of any content that prejudices the Policy for Contributions. Listing new alternative sources - including capital markets and carbon markets- is inappropriate. Carbon markets are also not climate finance.

In the background document in paragraph 12 (a), a clear differentiation must be made in reference to public sector contributors from developed and developing countries. Para. 29 of the Governing Instrument of the Fund highlights the *primacy* of climate finance provision by developed countries, over inputs by other contributors. As an operating entity of the UNFCCC Financial Mechanism, the GCF is guided by Article 9.1 of the Paris Agreement and Article 4.3 of the Convention. Developed countries are legally obligated to provide climate finance to developing countries, with appropriate burden-sharing among developed countries. This burden must *not* be shifted to developing countries. Therefore, the paragraph should be restructured to point out the obligation of developed countries first and foremost, and the contributions of developing countries are voluntary at best.

The delivery of developed countries' financial obligations through public finance must be delineated from the broader strategy of mobilizing funds from other sources. While we recognize board members' efforts to ensure that their country contributions continue to flow, the conditions of developed countries must not be placed above legal obligations and country needs. As the Fund enters its third replenishment, we urge the Board to ensure the process remains grounded in equity and the Convention's principles. The entire replenishment process must reflect the realities of developing countries who have been deprived of adequate climate finance support as they face the worst climate impacts, as mentioned by several Board members. The focus should not be on the perceived scarcity of resources, nor in accommodating the concerns of so-called "donors", but rather on fulfilling long-standing obligations as well as recent obligations, such as the New Collective Quantified Goal. Developed countries are not donors that can unilaterally steer the direction of the Fund. The GCF is neither a bank nor a charity.

Furthermore, we find the inclusion of representatives from the Climate Investment Funds (CIFs) in the replenishment meetings inappropriate given that the CIFs have no UNFCCC linkage. The NCQG para.16 gives a clear mandate regarding the scaling up of finance delivery through UNFCCC funds, which do not include the CIFs. Their participation is thus not warranted here, as it was not warranted by the arrangements for the second replenishment.

We also ask if the Board will have an opportunity to review or endorse the proposed chairperson before appointment?

Finally, as in previous replenishment rounds, the full ability of the active observers to engage throughout the replenishment meetings must be ensured. Public summaries must be



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provided. Transparency and accountability are hallmarks of the GCF that should be upheld throughout this process.

The mandate of the GCF is to enact the principles and obligations of the UNFCCC, and that should not be changed, especially not through annexes with little discussion.