

Initial recommendations to members of the Transitional Committee for the design of the Global Climate Fund

The design of the Green Climate Fund (GCF) must be underpinned by a vision of funding adaptation and mitigation effectively and at scale, so protecting and improving the lives of millions of poor people. The system for managing and disbursing these large and vital sums of climate finance must be: representative, equitable, accessible, accountable, transparent and efficient. This note sets out Oxfam's initial recommendations to the members of the Transitional Committee (TC) in this regard.

1. The Transitional Committee

Timeline and organisation of work

In order for the good will engendered by the establishment of the Global Climate Fund (GCF) in Cancun not to be lost, it is vital that the political momentum to operationalise the fund is maintained through the work of the Transitional Committee (TC). Sufficient political ambition and urgency is required to ensure that the Fund is designed and operationalised in time for first disbursements of finance to start no later than the end of the Fast Start Finance period. It is essential that the TC agree and communicate a clear timeline for its work towards this end at its first meeting, including substantive political decisions (covering, *inter alia*, the issues listed under 2. below) on the modalities of the GCF to be taken at COP-17 in Durban.

Civil society participation

As the experience of the Global Fund has shown, active civil society participation in the design process can contribute significantly to the effectiveness and legitimacy of the GCF. It is vital that arrangements are made to enable civil society to participate as active observers in the TC – including the right to take the floor in meetings as TC members can; propose agenda items; and participate actively in all drafting groups and full sessions. All sessions should be open to all UNFCCC observers and webcast, with all documents made available promptly on a relevant website ahead of meetings and in the five UN languages. Furthermore, a number of consultations should be arranged to allow further structured input and feedback from a range of civil society constituencies.

Expertise of members and secretariat

Decision 1/CP.16 invites members of the TC with “*the necessary experience and skills, notably in the area of finance and climate change*” (Decision 1/CP.16, §110) and requests arrangements enabling “*relevant United Nations agencies, international financial institutions, and multilateral development banks, along with the UNFCCC secretariat and the Global Environment Facility, to second staff to support the work of the TC*” (Decision 1/CP.16, §111). It is vital that a range of expertise is available to the TC including in the areas of gender, poverty-reduction, smallholder agriculture, and sustainable pro-poor development – and not only expertise from the international finance community. This means that the staff of no one UN agency, IFI or MDB should be allowed to dominate the support work available to TC members.

2. The Global Climate Fund

The GCF should be designed to govern the vast majority of public climate finance from 2013. Existing funds must be rationalised with the aim of the GCF becoming a ‘one stop shop’.

The current spaghetti bowl of channels needs streamlining into an integrated finance system to ensure that funds are allocated more efficiently and effectively. In order to reduce the considerable transaction costs on developing country governments the 20+ existing dedicated climate funds should be rationalised over time, with the new Fund becoming a central locus for global management of climate finance. This aspiration for adaptation finance is reflected in the Cancun Agreement's requirement that “*a significant share of new multilateral funding for adaptation should flow through the Green Climate Fund*” (Decision 1/CP.16, §15). This should equally be the case for public finance flows for mitigation.

In order to close the ‘Adaptation Gap’, it is vital that the TC recommend that a dedicated adaptation window is established, and at least 50% of the money channeled through the Fund is allocated to it as grant-based public finance.

The current system of climate financing is overwhelmingly privileging mitigation over adaptation. It is estimated that only around 10% of major dedicated public climate funds to date have been disbursed to adaptation (www.climatefundsupdate.org). In line with the “*objective of achieving balanced allocation between adaptation and mitigation*” set out in the Committee’s Terms of Reference (Decision 1/CP.16, Annex IV), it is vital that the new fund is designed to address this ‘Adaptation Gap’ by guaranteeing a fair share of resources for adaptation. These resources must flow as grant-based public finance only, to ensure that the most vulnerable communities within countries benefit from the resources they need.

The governance of the Fund should be carried out by a Central Fund Board and Separate Thematic Fund Boards.

The Central Fund Board should be responsible for allocating finance between thematic areas (for example mitigation, adaptation and REDD), reporting to the COP and recommending and establishing standards and funding modalities. Separate Thematic Fund Boards should have decision-making power over allocation and disbursement of funding to countries, and be responsible for developing strategic priorities and policies. Specific funding windows, with their own thematic boards, are needed to allow for technical specialisation and appropriate representation; to accommodate distinct strategies and objectives for different themes; and to ensure that the unprecedented scale of climate finance envisaged for the GCF – tens of billions of dollars per year at least – is managed effectively.

A fair and effective GCF must have women’s concerns at its heart. Women should be equitably represented on the new Fund’s Executive Board, and the Fund must guarantee gender-sensitive policies and programmes.

Women in poor countries are worst affected by climate change – as those responsible for providing drinking water or growing crops for their families, for example. They are critical to delivering effective adaptation solutions in their communities. Women are poorly represented in current climate funds, and a requirement to take consideration of gender balance in the composition of the Fund’s executive board was lost from the final LCA text – having appeared in the previous draft. A fair and effective GCF must address this, by guaranteeing that the concerns of women flow through the new Fund – from those managing the finance, to the policies and programme priorities the Fund supports.

Civil society should be fully involved in the decision-making structures of the GCF at all levels.

It is vital to the legitimacy and effectiveness of the GCF that arrangements are made to encourage and enable active and inclusive participation by civil society in the decisions and operations of the GCF. This should include: non-voting seats for civil society on the Executive Board of the GCF, ensuring equitable representation from civil society South and North; and the facilitation of inclusive national and sub-national level processes or mechanisms within recipient countries to enable participation in the spending of climate finance. Accountability must ultimately flow down to citizens within recipient countries. In particular, the participation of affected and marginalized communities and women should be supported.

The Fund should enable developing countries, with government leadership and full citizen and civil society engagement, to be the primary actors in designing, implementing, and channeling resources for national climate change strategies.

The Terms of Reference for the Committee require elaboration of the direct access modality. It is vital this modality is developed as the preferred method by which developing countries expect to access finance, as part of an approach to ensure full country-ownership over the management of climate finance. This should include arrangements to ensure inclusive civil society participation – with particular consideration to affected and marginalized communities and women – in shaping the priorities and ensuring oversight of climate finance resources within recipient countries.

The Fund must be predictably financed through assessed contributions and innovative finance.

As well as designing a fair fund this year, governments must not lose sight of the need to capitalise and ensure the predictable replenishment of the Fund. Although not strictly within the remit of the Transitional Committee, it is vital that members champion within their governments progress on predictable, new and additional sources of public climate finance – from both assessed budget contributions and innovative sources, such as an instrument to raise revenue from international shipping and aviation or a Financial Transaction Tax.

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