February 2014

To Members and Alternate Members of the Green Climate Fund Board

We, the undersigned organizations, are writing to express our unified call to ensure that the Green Climate Fund (GCF) develops as an institution that truly prioritizes and meets the needs of climate-impacted people in developing countries, free of undue business and industry influence. The extraordinary corporate capture at the Warsaw climate summit in November provided a powerful warning of what must *not* happen at the GCF.

Regrettably, we already have reason for concern. At the GCF, many governments have hailed large-scale private finance as the preeminent solution to the developing world's climate change problems. The discourse at the GCF on how to attract and "leverage" private finance has overshadowed the urgently-needed fundamental discussion on how to secure a transformation toward low-carbon, climate-resilient development in recipient countries that puts people first, especially those most vulnerable to climate change impacts.

There is often a serious mismatch between addressing public need, on the one hand, and financiers' and corporations' attainment of financial return on the other. Climate finance must be needs-based and country-owned. Many areas in need of funding, especially adaptation, will not turn a profit. Decades of development experience demonstrate that the real needs of ordinary people in lower income countries, as well as in marginalized communities in all developing countries, cannot be met through private financiers and companies. Positive development outcomes and environmental integrity are lesser priorities -- and sometimes not priorities at all -- for the private sector and its financial backers.

At the GCF, there is already evidence of the placement of multinational corporate interest ahead of public interest. For example:

- There are nine non-governmental constituencies recognized within the UN Framework Convention on Climate Change (UNFCCC) process: organizations representing business and industry, environmental groups, local government and municipal authorities, Indigenous Peoples, research and independent institutions, trade unions, farmers and agriculture, women and gender, and youth. However, despite public efforts to implement this system of fairer representation at the GCF (a fund of the UNFCCC), only two constituencies are formally represented as active observers on the Board – private sector, which represents business and industry, and civil society, which is supposed to speak for all eight other constituencies. This automatically gives business and industry a disproportionately loud voice at the GCF Board table.

- The private sector active observer seats – one for developed countries and one for developing countries – have been captured by representatives of multinational corporations with long records of environmental devastation, corruption and, in some cases, human rights abuses.[1] Troublingly, the developing country private sector active observer seat is occupied by a developed country national representing the World Business Council on Sustainable Development, a corporate lobby group whose members include some of the world's biggest polluters.[2] This same "developing country" active observer is a vice president at Alstom Power Systems, a multinational corporation whose subsidiaries and affiliates have been sanctioned by the World Bank and other bodies for corrupt practices.[3]

The millions of developing country micro, small and medium enterprises, which are the most important economic actors and provide most of the employment in developing countries, are markedly unrepresented. However, it is precisely companies such as mini- and small-scale and off-grid renewable energy companies that carry out projects most likely to reach the poor. Though several developing country Board members have voiced concern about these representational imbalances, the issue remains unaddressed.

- Attempts by some developing country board members to ensure that adequate attention is paid to small and medium enterprises in developing countries when talking about private sector engagement at the GCF, as opposed to multinational corporations, have been stymied.[4]

- Early in the GCF design process, a number of developed countries made clear that their support for the new Fund was conditional on the inclusion of a private sector facility (PSF) as a major component of the GCF. Since that time, some have pushed for the PSF to be set up functionally as a parallel fund with its own governance structure, with the possible inclusion of private sector representatives as voting board members. Though this proposal was ultimately rejected, the initial structure of the GCF Secretariat over-emphasizes the PSF.[5]

- When the GCF Board decided to set up a Private Sector Advisory Group composed of Board members and outside experts, the proposed composition included eight private sector representatives, four Board members and no representation from civil society, a set-up supported by most developed country Board members. It was due to the persistence of developing country Board members, over the resistance of countries like the United States and Australia, that ultimately two civil society participant slots were added.

- Multiple workshops/conferences connected to the GCF -- many of them labeled as "practitioners workshops" and often lacking civil society participation on panels -- have placed a premium on engagement with corporations, particularly large corporations and conglomerates, as well as multilateral development banks, export credit agencies and development finance institutions. These financing institutions have a long history of massive support for the fossil fuel industry and a strong bias toward multinational corporations in larger, "middle income" countries for larger-scale projects, where financial returns are likely to be higher.[6] Further, these institutions overwhelmingly bypass the informal economy, which represents nearly 78 percent of total businesses in developing countries,[7] thus bypassing large populations, including many of the world's poor.

- With the support of some GCF board members, the Climate Markets and Investment Association (CMIA) proposed to offer a cash prize for the winner of a GCF logo competition. Fortunately, this proposal did not go forward due to concerns about conflict of interest and corporate influence. But it gives us great pause that the CMIA's offer was seriously considered despite the symbolic importance of the logo of the world's premier new multilateral climate fund, which is supposed to serve climate-impacted people and developing country governments, not corporations and industry.

In light of the above, the Board of the GCF should:

Re. Purpose of GCF

1. Act strictly in the public interest, not in the interest of Wall Street, the City of London or other financial sector hubs around the world representing financial systems driven by high returns, not high principles;

2. Focus on supporting ordinary people in developing countries – like pastoralists in Tanzania or wastepickers in India – in the face of the climate crisis, for example, through small-scale, community-based adaptation and mitigation projects that reach the rural and urban poor and create truly clean and sustainable local energy economies that, when bundled together, produce national scale transformation;

3. Not attempt to substitute direct public finance with private climate finance;

4. Ensure that all GCF-affiliated workshops/conferences include robust representation of affected communities and civil society;

5. Ensure that micro, small and medium-sized businesses as well as informal private sector actors are prioritized in discussions on how to engage the private sector, including at GCF-affiliated workshops/conferences, rather than focusing on multinational corporations largely based in developed countries;

6. Ensure that funded activities produce effective mitigation and adaptation outcomes in accordance with ecologically sound development while respecting the full range of basic human rights;

7. Ensure that the GCF active observer seat reserved for developing country private sector representation is, in fact, occupied by an individual representing developing country private sectors, not developed country companies/private sector organizations operating in developing countries.

Re. Code of Conduct and Governance

8. Approach private companies and financiers slowly and with a high degree of caution and full transparency, and engage them only to the extent that they can guarantee compliance with high standards on environmental, social and development effectiveness and human rights;

9. Require and implement robust and transparent processes, complete with documented public consultation and consent, to address the financial, social and environmental risks of any private sector activities supported by the GCF;[8]

10. Follow the precedent set by Article 5.3 of the Framework Convention on Tobacco Control and its accompanying guidelines, which drastically curtail any role for the tobacco industry in making public health policy, because of the "fundamental and irreconcilable conflict between the tobacco industry's interests and public health policy interests." In the context of the UNFCCC writ large and the GCF specifically, fossil fuel and other corporations - including from the financial sector - responsible for violating human rights, compromising public health, devastating the environment and undermining minimum social safety net provisions worldwide should be considered in a similar light. Rules should be put in place to ensure that polluting industries are not allowed to undermine or subvert GCF policies, which must prioritize the adaptation and mitigation needs of ordinary

people in developing countries;

11. Put rules in place that prevent any corporate sponsorship of GCF-affiliated activities;

12. Utilize international best practices in transparency and strictly prevent conflicts of interest; and

13. Prohibit engagement with private sector actors involved in money laundering, tax evasion, fraud, corruption or any other instance of gross misconduct, including but not limited to those actors included within the debarment lists held by multilateral development banks.

Endorsers

11.11.11 - Coalition of the Flemish North-South movement

350.org

African Biodiversity Network (ABN)

Aksyon Klima Pilipinas

Alliance Sud

Amigos de la Tierra España

Asia Indigenous Peoples Pact

Asociacion Ambiente y Sociedad

Beyond Copenhagen collective / Bharat Jan Vigyan Jatha

Both ENDS

Campaign for Climate Justice

CEETA

Center for Biological Diversity

Centre for Community Economics and Development Consultants Society

Center for International Environmental Law

Centro Mesoamericano de Estudios sobre Tecnología Apropiada (CEMAT)

Columban Center for Advocacy and Outreach

Corporate Europe Observatory

CounterCurrent - GegenStroemung

CTS EMBARQ México

Diakonia

Earth in Brackets

Easterluna Canoy

Ecoa

Ecologistas en Acción

Equidad de Género: Ciudadanía, Trabajo y Familia

ETC Group (Action Group on Erosion, Technology and Concentration)

Ethiopian Consumer Society

FERN

Food & Water Watch

Forest Peoples Programme

Foro Ciudadano de Participación por la Justicia y los Derechos Humanos FOCO

Friends of the Earth EWNI

Friends of the Earth Malaysia

Friends of the Earth U.S.

Friends of the Earth- Ghana

Focus on the Global South, Thailand

Fuceera

Fundación -Cambio Climático de Honduras

Fundación de Iniciatvas de Cambio Climático de Honduras

Fundación Solón

Global Alliance for Incinerator Alternatives

Halifax Initiative

IBON International

Institute for Agriculture and Trade Policy

Institute for Climate Change Action

Institute for Policy Studies

Interamerican Association for Environmental Defense (AIDA)

International Rivers Network

International Trade Union Confederation

Jamaa Resource Initiatives

Jeunes Volontaires pour l'Environnement

Jubilee Debt Campaign

Jubilee South - Asia/Pacific Movement on Debt and Development

Justicia Climatica Rep. Dom.

Kasarian-Kalayaan (SARILAYA)

KFEM-CIES

Labor Network for Sustainability

Labour,Health and Human Rights Development Centre

LDC Watch

Maryknoll Office for Global Concerns

Médecine pour le Tiers Monde

Mexican Environmental Law Center

Nuclear Information and Resource Service

PROTOS

Push Europe

Rainforest Action Network

Re:Common

Right to Food Network

Support for Women in Agriculture and Environment (SWAGEN)

SUSTAINLABOUR

Taiwan Youth Climate Coalition

The Philippine Rural Reconstruction Movement

Third World Network

TI-Korea Chapter

Transparency International Secretariat

Ulu Foundation

Urgewald

VOICES

Water Initiatives Odisha

WomanHealth Philippines

World Development Movement

Yayasan Manikaya Kauci

Youth Against debt - Eastern Visayas

Zambia Climate Change Network

Notes

1 The private sector active observer for developed countries is Managing Director and Global Head of Carbon Markets at Bank of America Merrill Lynch, which is the third largest financier of coal-fired electricity and coal mining, and is heavily involved in financing mountaintop removal coal mining. See e.g. http://ran.org/sites/default/files/extremeinvestmentsprint_pages_5-1_final.pdf ; http://ran.org/sites/default/files/ran_bank_of_america_risking_public_health_and_the_climate_briefing.pdf; http://www.rollingstone.com/politics/news/bank-of-america-too-crooked-to-fail-20120314. The private sector active observer for developing countries is Vice President of Power and Environmental Policy Australia/Asia at Alstom Power Systems, which has been involved in cases involving environmental and human rights abuses as well as corruption scandals for which its executives have been found guilty of bribing foreign officials in order to secure contracts. See e.g. http://www.thecornerhouse.org.uk/sites/thecornerhouse.org.uk/files/MeroweSudanStudies.pdf; http://www.banktrack.org/manage/ajax/ems_dodgydeals/createPDF/belo_monte_dam ; http://www.nytimes.com/2010/03/30/business/global/30alstom.html?pagewanted=all

2 18 of the World Business Council on Sustainable Development's members are among the top 50 publicly-traded companies responsible for nearly three-quarters of the Global 500's total greenhouse gas emissions for 2009-13, available at https://www.cdp.net/CDPResults/CDP-Global-500-Climate-Change-Report-2013.pdf; 15 of its members have been identified as "Carbon Majors," 90 entities that have been identified as the largest historic contributors of greenhouse gas emissions for 1751-2010, available at http://www.climateaccountability.org/pdf/Heede%20SupplementaryMaterials%20Nov13.pdf

3 In addition to sanctions issued by the World Bank, *Alstom* Hydro France and *Alstom* Network Schweiz were debarred from working on projects financed by the African Development Bank, the Asian Development Bank, the European Bank for Reconstruction and Development, and the Inter-American Development Bank, in accordance with the Agreement of Mutual Recognition of Debarments that was signed on April 9, 2010, see e.g. http://web.worldbank.org/WBSITE/EXTERNAL/NEWS/0,,contentMDK:23123315~pagePK:64257043~piPK:437376~theSitePK:4607,00.html

4 For example, at the June 2013 Board meeting, Zambia unsuccessfully advocated for a paper on modalities to promote involvement of small and medium enterprises in small island developing states and least developed countries. Similarly, attempts by India and others to ensure that adequate resources are explicitly allocated to small/medium enterprises also failed.

5 For example, though mitigation and adaptation are the only two thematic foci of the Fund and each requires its own window, combined, they constitute only one division of the Secretariat. The PSF, in contrast, constitutes its own division. The number of dedicated staff for the PSF is equal to the total number of staff for the entirety of the mitigation/adaptation division. The implication is that the PSF has equal, or even greater, status than the mitigation/adaptation windows.

6 For example, in 2012 less than 29% of IFC's investments went towards the poorest countries (i.e. IDA countries). Of the IFC's investment in low income and lower-middle income countries from 2006 to 2011, only 2.4% went to small and medium enterprises. The European Investment Bank directed only 0.4% of its investments in non-European countries to small and medium enterprises from 2007 to early 2012. Sources: http://www1.ifc.org/wps/wcm/connect/CORP_EXT_Content/IFC_External_Corporate_Site/Annual+Report/2011+Printed+Report/Global_Results/; Pereira, Javier, Eurodad, Cashing in on climate change: Assessing whether private funds can be leveraged through the Green Climate Fund and other channels to help the poorest countries respond to climate challenges, April 2012, http://eurodad.org/wp-content/uploads/2012/04/CF_report_web.pdf

7 Elaboration based on Dalberg (2011) Report on Support to SMEs in Developing Countries through Financial Intermediaries. Dalberg, November 2011.

8 We urge the GCF to learn from and avoid repeating the problems – including lack of consultation, lack of due diligence and lack of consent – which have been a hallmark of existing climate funds such as the World Bank's Climate Investment Funds, including the Forest Investment Program.