HOW THE GREEN CLIMATE FUND COULD SUPPORT
IMPLEMENTATION OF THE PARIS AGREEMENT

June 2016

Submitted by:

The Center for Clean Air Policy
Sierra Club
World Resources Institute

Introduction

At its March 2016 meeting in Songdo, the Green Climate Fund (GCF) Board requested the Secretariat to present for Board consideration at its next meeting “a proposal on how the Fund could support the implementation of the Paris Agreement and related COP decisions….” (Decision B.12/19).

This submission recommends how the GCF can advance some of the more important provisions of the Paris Agreement. This submission was produced by World Resources Institute, Sierra Club, and the Center for Clean Air Policy.¹

In crafting this proposal, the Secretariat should apply three core principles from the Governing Instrument (GI). First, the purpose of the Fund is to work to achieve “the goals set by the international community to combat climate change.” (G.I., para 1). Second, the Fund is supposed to make a “significant and ambitious contribution” to the global effort to achieve those goals (G.I., para 1) by promoting “the paradigm shift towards low-emission and climate-resilient development pathways” in the context of sustainable development. (G.I., para 2). Third, the Fund must pursue a country driven approach to meeting these objectives. (G.I., para 3).

In light of these principles, we think the GCF should pursue three broad areas of work to advance the outcomes and objectives of the Paris Agreement:

1. **Integrate the goals of the Paris Agreement** into the work of the Fund, including its strengthened temperature target, its objectives regarding building climate resilience and shifting financial flows, and its guiding principles;
2. **Enhance and support NDCs and long-term planning** to promote transformational policy and action to achieve these goals, in the context of sustainable development; and
3. **Promote programmatic funding approaches** to deliver funding for transformational action at scale.

¹ With contributions from Tonya Rawe and Sven Harmeling of Care International
In addition, we also include specific recommendations for how the GCF can advance the objectives of the Agreement in the context of REDD+ activities.

1. Integrating the Agreement’s Goals Into the Work of the Fund.

The Paris Agreement adopts several critical overarching goals to focus the international community’s efforts to combat climate change. The GCF should operationalize these goals by integrating them into its policy framework.

1.1 Temperature targets: The Paris Agreement includes the temperature target of “holding global temperature increase to well below 2°C above pre-industrial levels, and pursuing efforts to limit the temperature increase to 1.5°C. (Art. 2.1(a)).

Given the Fund’s particular mandate to support the most ambitious “paradigm shifting” actions, it has a special responsibility to “pursue efforts” to hold temperature rise to 1.5°C. It is also well recognized that the ability of many developing countries to pursue their own efforts to limit temperature rise to 1.5°C will depend on the availability of finance, including from the GCF.

Accordingly, the GCF should adopt the more ambitious Paris temperature goals as its policy benchmark. It should:

- Integrate “well below 2°C” and the pursuit of “efforts to limit the temperature increase to 1.5°C” into its project selection criteria by revising the “Activity Specific Sub-Criteria” for Paradigm Shift (GCF/B.09/23, Annex III) as follows:

  Level of contributions to long-term global low emission development pathways, consistent with holding global temperature increase to well below 2°C above pre-industrial levels, and pursuing efforts to limit the temperature increase to 1.5°C.

- Substitute “well below 2°C, while pursuing efforts to limit temperature increase to 1.5°C” for 2°C in every other place in which a temperature target is referenced in a decision or other policy document.

1.2 Global peaking and the path toward zero emissions: To meet the temperature goal, the Agreement seeks to peak global emissions as soon as possible, recognizing that peaking will take longer in developing countries; to undertake rapid reductions thereafter; and to ensure that man-made sources and sinks are brought into balance in the second half of the century. (Art. 4.1). According to IPCC AR5, staying within a 1.5°C limit requires achieving such balance very early in the second half of the century, with energy-related emissions reduced to zero by around 2050, at the latest.
• The GCF should incorporate these peak, reduction and balancing goals into its project selection criteria by amending the “Activity Specific Sub-Criteria” for Impact Potential (GCF/B.09/23, Annex III) as follows:

Contribution to the shift to low-emission sustainable development pathways, the peaking of emissions as soon as possible and rapid reductions thereafter, and the shift toward zero emissions in the second half of the century.

1.3 Adaptation and resilience goal: The Paris Agreement establishes a global goal on adaptation of “enhancing adaptive capacity, strengthening resilience and reducing vulnerability to climate change”, which is anchored both in the key objectives section of Article 2, and the adaptation article. (Art. 7.1). Furthermore, Art. 7.5 specifies that adaptation efforts should reflect a “country-driven, gender-responsive, participatory and fully transparent approach, taking into consideration vulnerable groups, communities and ecosystems” (building on the previous Cancun Adaptation Framework), and the accompanying decision explicitly asks the GCF Board to take into account these principles (para. 21 of 7/CP.21).

In response, the GCF should ensure that its project assessment criteria are consistent with the global adaptation goal. Additionally, the indicators for resilience in the RMF, PMF, and Investment Framework tend to focus on numbers of people affected, area of land affected, or the value of infrastructure, in aggregate terms. The indicators do not necessarily provide an understanding of what resilience means in a given context (e.g. how a food secure household is defined) and whether it is measured in light of multiple factors that are relevant for sustainable livelihoods (e.g. human, financial, social, environmental and economic capital). As such, the GCF should:

• Update guidance documents and templates for concept notes and programs to help project developers and implementers integrate the elements of Art. 7.5 into project and program proposals;
• Encourage the sponsors of adaptation proposals to clearly articulate the assessment factors that should be used to measure resilience impacts, given the specific human, social, environmental, financial, and economic context of the proposal;
• Provide readiness and project preparation support to address these issues as needed; and
• Identify and support country-driven programming that integrates emissions reduction efforts and resilience considerations for relevant sectors (e.g. energy, agriculture), in order to maximize progress towards both goals.

1.4 Finance flows objectives: The Agreement sets an objective of “making finance flows consistent with a pathway towards low greenhouse gas emissions and climate-resilient development.” (Art. 2.1(c)).
As an operating entity of the Paris Agreement’s financial mechanism with the largest capitalization of climate finance, the Fund should be at the forefront of the global effort to align investment flows with the Agreement’s climate and sustainable development objectives. In addition to the specific recommendations provided below, which are relevant to current Board discussions, the Board should consider how the GCF can contribute to shifting financial flows as a matter of ongoing strategic importance.

**Shifting the portfolios of accredited entities**: A central contribution to achieving this objective will be for the GCF to encourage its accredited entities to shift their overall portfolios in line with Article 2.1(c), and to set an example for other financial institutions to do the same. Towards these ends, the Board has already requested the Accreditation Panel to develop tools to assess “the extent to which the accredited entities’ overall portfolios of activities beyond those funded by the GCF have evolved in this direction during the accreditation period.” Decision B.12/29(c).

Accordingly, the GCF should:

- Develop tools that benchmark progress against the Paris Agreement’s temperature goals, net-zero emissions, and peak and reduction, and resiliency goals discussed above, and define best practice standards for other financial institutions that will work to align their investments with the objectives of Article 2.1(c).
- Consider how the GCF could create additional incentives for accredited entities to evolve their portfolios.

**Transforming private flows**: The Fund is also uniquely positioned to help transform financial flows through its Private Sector Facility (PSF), which has a mandate to engage the private sector and mobilize private funding flows from commercial banks and institutional investors at the local, regional and national level. To ensure the PSF contributes effectively to aligning financial flows, the GCF should:

- Develop and expedite the launch of requests for proposals (RFPs) that address specific barriers to private sector participation and investment in low-carbon, climate resilient development, and which promote the replication of innovative approaches. To this end, the Board might consider issuing RFPs that offer specific financial instruments that address identified gaps in local markets (e.g., equity finance to address risk; local currency hedge instruments), or that target technologies, sectors, and geographies not currently being adequately addressed by existing sources of financing;
- Build the capacity of the GCF to effectively engage with the private sector, including to operationalize the RFPs, by growing the internal PSF team and soliciting external support with domain and market expertise;
- Develop approaches to engage with a broader set of investors to mobilize climate-compatible investment at scale, including institutional investors; and
Maximize participation of the domestic private sector by channeling climate finance through domestic financial institutions and working to encourage these institutions to finance climate-compatible projects.

1.5 Support evaluation of progress towards goals, including by contributing to the Global Stocktake: The Parties agreed to take stock periodically of progress made toward meeting the objectives of the Paris Agreement, first in a facilitative dialogue in 2018 (Decision, para. 20), and then in global stocktakes every five years beginning in 2023 (Art. 14). Once it has fully integrated the goals of the Paris Agreement into the work of the Fund, the GCF can contribute to the understanding of progress made towards these objectives. For example, the GCF would have potentially useful aggregate information about mitigation and adaptation activities it funds, private sector finance leveraged, and (eventually) shifts in overall portfolios of accredited entities. In particular, this work can support the stocktake’s review of the “adequacy and effectiveness” of support provided for adaptation as called for in the Paris Agreement (Art. 7.14).

1.6 Guiding principles in preamble and selected articles: The Paris Agreement consistently frames its climate objectives within a broader range of social, ecological and sustainable development goals. (See, e.g. Article 2.1). The Paris Agreement firmly recognizes the importance of safeguarding food security and ending hunger, ensuring ecological integrity and the responsibility to respect, promote and consider obligations on human rights, gender equality, rights of indigenous peoples, and intergenerational equity (among others). (Preamble).

Furthermore, as noted above, COP decisions ask the GCF Board to take into account specific principles (para 21 of 7/CP.21) related to adaptation as contained in Art. 7.5 (building on the previous Cancun Adaptation Framework).

In addition, last year, with the agreement on the Sustainable Development Goals (SDGs), the international community reached a consensus on the priority sustainability issues that must guide the international development agenda through 2030.

The GCF should promote coherence between the Paris Agreement and such overarching principles and relevant obligations by:

- Evaluating the anticipated sustainable development co-benefits/impacts of proposed projects and programs with reference to the SDGs by clarifying that sustainable development co-benefits (in the RMF, PMF, and Investment Framework) could be assessed on the basis of the SDG framework;
- Incorporating criteria/sub-criteria that support safeguarding food security and ecological integrity, just transition, and promotion of human rights and rights of indigenous peoples as co-benefits into the RMF, PMF, and Investment Framework;
• Ensuring that the next iteration of safeguards adopted by the GCF contains provisions for respecting and promoting human rights (including related issues referenced in the Paris Agreement) and ensuring ecological integrity;
• Updating GCF gender policies and guidelines, including the gender action plan, to reflect the ‘gender-responsive’ approach referenced in the Paris Agreement. This would be an advancement from the GCF’s current mandate to take a gender-sensitive approach; and
• Capturing GCF knowledge and experience on these issues, as part of its contribution to the global effort.

2. Enhancing and Supporting NDCs and Long-term Planning.

The GCF has a critical role to play in helping countries to implement their emission reduction and adaptation strategies, and in helping them to plan over the long term to address these challenges.

The Agreement and accompanying decision stipulate that financial resources should be provided to developing countries to enhance their policies, strategies, regulations and action plans and their climate change actions. (Dec., para. 53). The text also emphasizes “efficient access to financial resources through simplified approval procedures and enhanced readiness support” with a particular focus on LDCs and SIDs, “in the context of their national climate strategies and plans” (Art. 9.9).

Mitigation: The Paris Agreement relies on “nationally determined contributions” (NDCs) as the key building block of the global effort to combat climate change. (Arts. 4.2, 4.3).

In adopting the Agreement, however, the Parties recognized that the emissions reductions included in the first round of NDCs would not be sufficient to meet the global temperature targets, and that “much greater” emission reductions will be required. (Dec., para. 17). For this reason, they included a number of provisions to ramp up action over time. They established a process wherein Parties report on their progress and strengthen the ambition of their targets every 5 years (Dec., paras. 23, 24; Arts. 3, 4.3). The Agreement also calls for the development and communication of long-term low greenhouse gas emission development strategies (Art. 4.19).

Adaptation: In addition to the mitigation cycles and long-term planning, the Paris Agreement also encourages countries to plan for their long-term resilience. Towards this end, the Agreement provides that each Party shall, as appropriate, “engage in adaptation planning processes and the implementation of actions, including the development or enhancement of relevant plans, policies and/or contributions….” (Art. 7.9). The Agreement also recognizes that these efforts should be assisted by “continuous and enhanced international support,” (Article 7.13), and the

---

2 While the explicit reference to gender-responsiveness is contained in Article 7 (adaptation), taking into consideration preambular language, the GCF should advance this approach in all aspects of its work.
accompanying decision specifically requests the GCF to “expedite support for the least developed countries and other developing country Parties for the formulation of national adaptation plans, consistent with decisions 1/CP.16 and 5/CP.17, and for the subsequent implementation of policies, projects and programmes identified by them.” (Decision, para. 47).

Taken together, these mitigation and adaptation provisions establish a comprehensive regime for enhancing nationally determined pledges and adaptation objectives over time to realize the Agreement’s shared objectives. Considering its mandate to only support ambitious and paradigm shifting action, the GCF should assist the implementation of this regime by:

- Providing early and meaningful readiness and preparatory support to build national capacity and strong country pipelines for mitigation and adaptation, including by:
  
  o Helping countries to convert their NDCs into ambitious and paradigm shifting policies and measures to reduce emissions and increase resilience;
  o Helping countries to prepare NDC investment strategies or national climate finance strategies that can help attract financing from a wide set of public and private sources and identify strategic and catalytic uses of GCF support;
  o Scaling-up resources for readiness and preparatory support and streamlining the approval process to ensure timely provision of support; and
  o Helping countries to develop long-term low greenhouse gas emission, climate resilient development strategies, when requested.

- Providing support to countries to help implement projects and programs that contribute to NDC goals and support long-term, enhanced ambition, including by:
  
  o Prioritizing support for transformational mitigation approaches that will help countries achieve, and where feasible exceed the objectives of their initial NDCs and prepare more ambitious NDCs in the next rounds;
  o Prioritizing support for transformational adaptation approaches that will help countries achieve and, where feasible, exceed the objectives of their initial adaptation plans;
  o Seek opportunities to support programs that provide both mitigation and adaptation benefits; and
  o Avoiding support for programs or projects that produce only one-off mitigation or adaptation benefits, and do not catalyze the kind of fundamental transformations that can lead to progressively stronger NDCs and adaptation strategies.
3. Promote Programmatic Funding Approaches

*Promoting a programmatic approach to achieve funding at scale:* The Paris Agreement emphasizes the need for “efficient” access to funding, and urges scaled-up resources for mitigation and adaptation. Expedited access is a guiding principle of the GCF, and the timely delivery of transformational funding at scale will be essential in achieving the desired paradigm shift. Accordingly, the GCF should consider how to move toward programmatic approaches, whereby the Fund would enter into accountability arrangements with partners that go beyond individual projects. It should:

- Pursue country-driven programmatic funding approaches with accredited entities that can demonstrate the capacity to manage delegated decision making authority for individual projects. Under such an approach, the Board would approve key parameters such as a results-based framework, financing limits and instruments, and regional or sectoral impacts. The Board should aim to partner with a diverse set of accredited entities to deliver programmatic support, including through:
  - The expeditious launch of the enhanced direct access (EDA) program with a view to scale-up the EDA modality based on lessons learned from the first phase; and
  - Engaging with international public and private partners that can help deliver programmatic funding at the scale needed to accelerate progress toward NDC goals. For instance, larger-scale programmatic approaches could be well-suited for multi-country programs or global sectoral programs.

*Institutional arrangements for the effective delivery of resources for small-scale activities through existing Convention funds:* Programmatic approaches can play a central role in fulfilling the objectives of both the Paris Agreement and the GCF to support adaptation, with a particular focus on LDCs and SIDS. Meeting these objectives will likely require delivering support to a range of activities, some of which will be small-scale. However, many of the most vulnerable countries may not be in a position to have a national entity accredited that can directly administer such programs for some time.

Therefore, while continuing to promote direct and enhanced direct access as a matter of urgency, the GCF should:

- Consider options for institutional arrangements with existing entities, including the Adaptation Fund and the Least Developed Countries Fund (LDCF), in order to leverage the strong track-record of these institutions in delivering small-scale adaptation support, and in the case of the Adaptation Fund, through its direct access modality; and
- Consider similar arrangements to partner with the Climate Technology Center and Network (CTCN) for the delivery of small-scale support for both mitigation and
adaptation-related technology, including the development of program proposals for ultimate financing by the GCF.

Such arrangements would help create synergies between entities of the Agreement and ensure alignment with GCF policies and criteria, while recognizing the existing modalities of these entities.

4. Considerations for REDD+ Finance

The Paris Agreement explicitly incorporates REDD+ and encourages countries to “take action to implement and support, including through results-based payments” the existing REDD+ framework (Art. 5.2). This means that existing social and environmental safeguards as well as gender and tenure considerations contained in the Warsaw REDD+ framework are to be maintained in the framework moving forward. Art. 5.2 also recognizes alternative policy approaches, such as joint mitigation and adaptation approaches, and the importance of incentivizing non-carbon benefits.

The GCF’s logic model for REDD+, however, does not fully reflect considerations such as non-carbon benefits, even on a voluntary basis. In addition, the current interim safeguards do not fully reflect the agreed Cancun REDD+ safeguards (1/CP.16, Annex 1). For example, safeguards precluding the conversion of forests in REDD+ areas, avoiding leakage, and ensuring permanence of emission reductions are not precisely covered by the interim safeguards (IFC Performance Standards). In addition, there is a need to determine how REDD+ safeguards will be integrated into the ESMS and assessed for purposes of GCF funding. Finally, REDD+ readiness and pilot activities still require significant investment in developing countries, particularly where land title or tenure arrangements are not secure. Therefore, the GCF should:

- Specify that entities planning to implement REDD+ activities should be accredited on the basis of the REDD+ safeguards as well as the interim IFC performance standards;
- Incorporate non-carbon benefits into its logic framework as a qualitative indicator of paradigm shifting potential;
- Develop criteria for how the REDD+ safeguards will be assessed for the purposes of demonstrating that they have been addressed and respected;
- Adopt an Indigenous Peoples Policy as part of the Environmental and Social Management System that addresses how the GCF will proactively engage with Indigenous Peoples and is consistent with international best practice; and
- Support readiness and pilot-phase actions in the forest sector that have paradigm shifting potential and that incorporate non-carbon benefits into its design.
Contact details

Laurence Blandford
Director, International Policy Analysis
Center for Clean Air Policy
lblandford@ccap.org

Hannah Pitt
International Policy Analyst
Center for Clean Air Policy
hpitt@ccap.org

Steve Herz
Senior Attorney
Sierra Club
Steve.herz@sierraclub.org

Niranjali Amerasinghe
Climate Finance Associate
World Resources Institute
namerasinghe@wri.org

Tonya Rawe
Senior Advisor for Policy and Research
CARE International
trawe@care.org

Sven Harmeling
Climate Change Advocacy Coordinator
CARE International
sharmeling@careclimatechange.org