

Discussion Draft: Supporting Transformational Climate Action through the Green Climate Fund

November 2013

The Green Climate Fund (GCF) offers a tremendous opportunity to support transformational, low-carbon development in developing countries. The GCF Board made a strong commitment to operationalize the Fund in 2014 with the goal of structuring the key provisions of the Fund by May 2014 and engaging countries to mobilize resources for the Fund soon thereafter. One of the key provisions to be decided will be the criteria for selecting programs to receive funding. In order to promote a paradigm shift towards low-carbon development, GCF support should be offered on a competitive basis with greater funding and a greater degree of concessionality offered to the most transformational proposals. Based on CCAP's experience working directly with developing countries in Latin America and Asia to design sector-based climate programs under the UN framework of nationally appropriate mitigation actions (NAMAs), we propose that the GCF select proposals for funding based on the following criteria¹.

GCF Mitigation Window Core Criteria²

1. Supported and endorsed by the host country government, including a commitment to provide financial support from the government for the program.
2. Has the potential to achieve significant greenhouse gas reductions in the near and long-term.
3. Contributes to sustainable development goals.
4. Catalyzes emission reductions across a sector or nationally.
5. Includes policy actions and financial mechanisms to address barriers to low-carbon development across a sector or nationally.
6. Utilizes GCF funding to catalyze private sector investment and to mobilize additional climate finance from bilateral institutions, international and domestic development banks and financial institutions.

Rationale

Based on CCAP's on the ground work with developing countries to design specific NAMAs in Latin America and Asia, as well as our work with developed countries and other donor institutions, a shared vision has emerged on how NAMAs and NAMA funding can lead to transformational change.³ This vision

¹ For more information, see CCAP's [UNFCCC Submission on Guidance to the Operating Entities of the Financial Mechanism of the Convention](#), August 2013.

² Note, these criteria are not meant to be comprehensive, but rather to reflect how the GFC can promote a paradigm shift to low carbon, sustainable development. Other criteria, for example, stakeholder involvement and a plan for MRV, would also need to be part of the decision criteria.

³ For more information, see CCAP's Policy Brief, [The NAMA Opportunity](#), July 2013.

is similar to the framework laid out in the Germany-UK NAMA Facility⁴. Both this shared NAMA vision and the Germany-UK NAMA Facility can serve as a model for the GCF.

In order for the GCF to promote a paradigm shift, the climate mitigation proposals they select should be **host country-driven and incorporate the dual goals of greenhouse gas mitigation and sustainable development**. Clearly, host countries are in the best position to advance efforts to move towards a low-carbon economy. Aligning mitigation actions with core sustainable development, poverty reduction and health protection objectives will build the necessary host country political support and will also ensure that such policies are sustained after the international assistance has ended.

The GCF should also support **sector- or economy-wide actions, rather than just individual projects, with an emphasis on shifting to a lower carbon development path**. Given the magnitude of the emissions reductions estimated to be needed to keep global temperature increases below 2 degrees, sector-wide or national scale programs to reduce GHG emissions will be needed. These programs must catalyze project investments across a sector in order to achieve transformational change.

In addition, the GCF should support proposals that **include both policy change and financial mechanisms that are targeted to address barriers to mitigation activities**. In order to achieve the desired paradigm shift to a low-carbon development path, mitigation actions will need to address the key financial and non-financial barriers to low-carbon investment. Coupling domestic policy changes with a financial mechanism can drive demand for low-carbon technologies and infrastructure, and catalyze private sector investment. The policy change should create demand for low carbon investments, and the financial mechanism should support low carbon investments by reducing risks and/or creating additional incentives that improve the investment return of projects.

Finally, **GCF funding should attract additional funding from the host country, development banks and the private sector**. GCF funding alone will be insufficient to bridge the climate financing gap. Therefore, GCF funds need to be deployed in a manner that steers host-country funds towards low-carbon growth, and attracts investment and financing from the private sector, development banks, and international financial institutions.

Relationship Between the Mitigation Window and the Private Sector Facility (PSF)

The objective of the PSF is to finance private sector mitigation and adaptation activities. In addition, it is meant to “promote the participation of private sector actors in developing countries, in particular local actors, including small and medium-sized enterprises and local financial intermediaries.”⁵ In order to best achieve the overall goal of the GCF in bringing about a paradigm shift to low-carbon development, the funding criteria for projects under the PSF should mirror the funding criteria for the mitigation window in that projects should achieve significant GHG reductions in the near and long-term, contribute to the government’s sustainable development goals and priorities, and blend GCF funding with additional climate finance from development banks, financial institutions and/or additional private sector entities. Project proposals that are consistent with the government’s low carbon development priorities as expressed through NAMAs and other government policies that encourage sustainable development and reduce greenhouse gases should receive priority in the selection process.

⁴ See the International NAMA Facility, [General Information Document](#), May 15, 2013.

⁵ Paragraph 43 of the [Governing Instrument for the GCF](#).