Technical paper on the sixth review of the Financial Mechanism

Summary

By decision 3/CP.4, the Conference of the Parties (COP) decided to review the Financial Mechanism of the Convention every four years in accordance with Article 11, paragraph 4, of the Convention. At COP 20, the COP decided to initiate the sixth review of the Financial Mechanism at COP 22. The COP adopted the updated guidelines for the sixth review and requested the Standing Committee on Finance (SCF) to provide expert inputs to the sixth review, with a view to finalizing the review at COP 23 (November 2017). The secretariat prepared this technical paper in response to a request by the SCF. The paper aims at providing insights that can inform the SCF when deliberating on the effectiveness of the Financial Mechanism and preparing its expert inputs to be submitted to the COP.

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Summary of the technical paper on the sixth review of the Financial Mechanism, with recommendations of the Standing Committee on Finance to the Conference of the Parties

I. Background

1. At its 15th meeting, the Standing Committee on Finance (SCF) requested the secretariat to prepare a technical paper to inform the SCF in its deliberations on the effectiveness of the Financial Mechanism and in preparing its expert input to be submitted to the Conference of the Parties (COP). The paper builds on the criteria for the sixth review of the Financial Mechanism agreed by Parties at COP 22.[1] Those criteria have been grouped into clusters of issues and are covered in corresponding chapters as follows: (1) governance; (2) responsiveness to COP guidance; (3) mobilization of financial resources; (4) delivery of financial resources; (5) results and impacts achieved with the resources provided; (6) consistency of the activities of the Financial Mechanism with the objective of the Convention; and (7) consistency and complementarity of the Financial Mechanism with other sources of investment and financial flows.

2. The paper is informed by desk research and a literature review of the sources of information identified in the updated guidelines for the sixth review of the Financial Mechanism,[2] complemented by information from past decisions related to the Financial Mechanism and inputs from the secretariats of the operating entities of the Financial Mechanism.

3. The COP may wish to consider the following summary of the technical paper on the sixth review of the Financial Mechanism with recommendations of the SCF in its deliberations on the sixth review of the Financial Mechanism.

II. Summary of the technical paper

A. Governance

1. Transparency of the decision-making processes of the operating entities of the Financial Mechanism

4. This section of the technical paper covers the following issues relating to the transparency of the decision-making processes of the operating entities of the Financial Mechanism: intersessional decision-making by the governing bodies; openness towards observer engagement in decision-making; decision-making in the absence of consensus; proceedings, webcasting, reporting services and executive sessions; timely circulation and publication of official documents; official languages used for documents; accessibility to publicly unavailable information; ethics and conflicts of interest; and means for stakeholders to make complaints and criticisms and to resolve conflicts.

5. The decision-making processes of both operating entities follow international best practices regarding transparency, and both operating entities are in the process of strengthening their respective policies and procedures. There are remaining areas for further improvement; for example, the Green Climate Fund (GCF) needs to develop ways to make decisions in the absence of consensus. The GCF Board has been undertaking consultations on this issue under the guidance of its Co-Chairs. Furthermore, webcasting arrangements remain subject to review and the Board is scheduled to consider this issue. As for the Global Environment Facility (GEF), according to the sixth Comprehensive Evaluation of the GEF (OPS6), access to project-related information and documents should be improved further. According to the GEF secretariat, with a view to further enhancing the availability, accuracy, quality and timelines of data on GEF financing, operations and results, an upgraded information management system will be launched by the beginning of the seventh replenishment of the GEF (GEF-7) in July 2018.

[1] Decision 12/CP.22, annex, paragraph 3.
[2] Decision 12/CP.22, annex.

2. Engagement of stakeholders in meetings and operations of the operating entities of the Financial Mechanism

6. This section analyses stakeholders' engagement in the meetings and operations of the operating entities of the Financial Mechanism, such as civil society organizations, including indigenous peoples, recipient countries and the private sector.

7. With regard to engagement with civil society organizations, there are mechanisms in place to ensure adequate and meaningful stakeholder engagement at meetings and in the operations of the operating entities. However, according to Transparency International, there are no harmonized criteria for qualifying such engagement and, beyond the redress mechanisms, there is not a process to verify information on how stakeholder consultation and participation is ensured by the GCF and the GEF. There is no financial support for civil society organizations to participate in GCF meetings, and, even though there is funding for civil society organizations to participate in the work of the GEF, lack of access thereto has been raised as a limiting factor. The level of engagement of indigenous peoples in relation to the GEF is currently under examination, while the GCF is in the process of developing a policy thereon.

8. Recipient countries have actively engaged in the policy and programming of both entities, and such participation has been facilitated by the delivery of capacity-building programmes and enabling activities implemented by both entities, including national portfolio formulation exercises, expanded constituency workshops, preparedness funding, and structured dialogues and country programmes.

9. As to private sector engagement, the GCF, as per its Governing Instrument, has an action plan for maximizing engagement with the private sector in its strategic plan, including through the Private Sector Facility (PSF) and the Private Sector Advisory Group. As of 2017, the PSF is fully operational and it is prioritizing creating a strategic road map and operationalizing private sector programmes and projects. Furthermore, out of 54 entities accredited so far to the GCF, 8 are private sector entities; and out of 43 projects approved so far, amounting to USD 2.2 billion, 11 projects through the PSF and one public private partnership project, amounting to USD 1.2 billion, relate directly to the private sector. Many other entities accredited to the GCF, including national, regional and multilateral development banks, have brought forward private sector funding proposals to the GCF and it is possible for accredited entities to partner with the private sector or other entities to bring forward private sector proposals.

10. The GEF continues to actively engage with the private sector, including through an updated policy on the use of non-grant instruments, and OPS6 found that the level of performance of existing projects involving the private sector is high. For example, during the sixth replenishment of the GEF (GEF-6), the GEF launched a USD 110 million non-grant pilot programme to demonstrate and validate the application of non-grant financial instruments to combat global environmental degradation. Furthermore, the GEF awarded 10 non-grant projects covering multiple focal areas, including 7 projects that directly deliver climate change mitigation benefits, a total of USD 70.2 million in GEF financing and leveraged almost USD 1.6 billion in co-financing, including USD 1.1 billion from the private sector. However, OPS6 pointed out that the GEF needs to adapt its strategy to improve its engagement with the private sector, including by viewing the private sector more broadly than just as a source of financing. The GEF can affect industry and production practices along the supply chain. Where conditions are not ripe for investment, such as in biodiversity conservation, long-term regulatory and policy intervention by the GEF can help to prime the pump to catalyse private sector investment.

3. Gender-sensitive approaches

11. This section analyses the gender integration policies and action plans of the operating entities of the Financial Mechanism and the application thereof in their projects and programmes. Both operating entities have developed comprehensive gender policies, and efforts are being made to enhance gender mainstreaming across the portfolio of projects and programmes.

12. The GCF has adopted a gender policy and action plan with the objective of fully mainstreaming gender considerations in all operations of the fund and also seeking to ensure gender parity within the GCF institution itself. As at 8 September 2017, 84 per cent of all the funding proposals approved by the GCF contained an initial gender assessment and 67 per cent contained a project-level gender and social inclusion action plan. GCF readiness resources may also be used to

assist countries in meeting the standards of the GCF gender policy. Significant progress has been made by the GEF on the integration of gender issues, particularly in Least Developed Countries Fund (LDCF) and Special Climate Change Fund (SCCF) programming during GEF-6, with over 85 per cent of projects including a gender-sensitive results framework. However, OPS6 found that the policy could be improved in terms of clarity, and that the inclusion of gender-specific indicators in project documents was highly variable across the portfolio, pointing to the need for additional guidance. The GEF Council is expected to consider an updated policy on gender mainstreaming, together with operational guidelines, at its meeting to be held in November 2017, taking into account the results of OPS6 and lessons learned in implementation.

4. Environmental and social safeguards

13. This section analyses environmental and social safeguard policies and their application in projects and programmes. The operating entities of the Financial Mechanism are making efforts to improve, refine, implement and harmonize environmental and social safeguards.

14. The GCF is using, on a temporary basis, the International Finance Corporation Performance Standards, with which accredited entities are required to demonstrate their compliance on a ‘fit-for-purpose’ basis, meaning that accredited entities must demonstrate why a certain standard might not be applicable to their particular proposal or programme. It should be noted that when those standards were evaluated, some gaps in implementation were highlighted, notably in cases where project execution involves multiple financial intermediaries that are not themselves accredited or whose capacity to implement the standards is not well established.

15. As for the GEF, a 2016 evaluation found that the GEF minimum standards have been effective in catalysing efforts among the GEF agencies, but that some gaps in coverage remain, namely of a broad set of emerging topics, including human rights, climate change and disaster risks and the application of free, prior, informed consent. As the GCF and the GEF embark on the creation of broader partnerships and programmatic approaches, including with the private sector, issues such as these should be addressed in a coherent manner.

5. Fiduciary standards

16. The different fiduciary standards of the operating entities of the Financial Mechanism and other funds impose challenges and inefficiencies for institutions that access financial resources from more than one fund However, there are many similarities between the fiduciary standards applied by the two operating entities and there is evidence for an increasing trend towards the standardization of the basic fiduciary standards to which countries and implementing entities must respond. It should be noted that the GCF fiduciary standards were due to be considered in 2017.

B. Responsiveness of the operating entities of the Financial Mechanism to guidance from the Conference of the Parties

1. Level of responsiveness to guidance from the Conference of the Parties

17. This section is based on the SCF activities being undertaken to enhance the consistency and practicality of the guidance provided to the operating entities of the Financial Mechanism and an overview of the quantity and type of guidance provided so far to the operating entities (i.e. policy, programme priority and eligibility criteria).

18. It was pointed out that guidance provided to the operating entities by the COP is often cumulative, repetitive and ambiguous and it is often formulated with little discussion with the operating entities about ongoing relevant activities or feasibility of implementation. The SCF, as part of its role of preparing draft guidance to the operating entities for consideration by the COP, is undertaking a number of activities to enhance the consistency and practicality of the guidance provided to the operating entities. This includes: preparing a compilation and analysis of previous guidance to the operating entities; discussions to identify a set of draft core guidance that could serve as a basis for the provision of future guidance; increased collaboration with other constituted bodies in the development of draft guidance; and engaging more regularly with the secretariats of the operating entities to obtain factual clarification and information in checking the feasibility of guidance.

19. The aforementioned compilation and analysis shows that, with regard to the distribution of past guidance provided in terms of the criteria set out in Article 11, paragraph 1, of the Convention, most guidance provided to the GCF can be described as related to “policy”, followed by “other” and “programme priority”. In the case of the GEF, most guidance provided falls under “programme priority”, followed by “other” and “policy”. The compilation and analysis also shows that the operating entities have responded to most of the guidance given to them by the COP (including 285 paragraphs in 85 decisions for the GEF, and 236 elements of guidance to the GCF since its creation). The SCF reckons that, with further refinement, the compilation and analysis could serve as a useful database to track and analyse progress made by the operating entities in implementing COP guidance, which may be useful for preparing any additional guidance to be provided to the operating entities.

2. Efficiency and performance of the cycle of project/programme approval procedures of the operating entities of the Financial Mechanism

20. This section illustrates the project cycle of each operating entity and efforts undertaken by both operating entities to address any remaining inefficiencies in the project cycle.

21. The GCF project cycle followed interim procedures until 2017, when updated procedures to streamline the approval process were agreed at the 17th GCF Board meeting, in July 2017. An updated project cycle was adopted by the Board, including the conclusion of the review of the project cycle. The various actions being put in place include a prioritization process, standards for processing time by the secretariat and independent advisory panel, the creation of a simplified approval process for small-scale projects, the revision of project proposal templates, and delegating approaches relating to project preparation facilities to the secretariat, along with the publication of updated guidance.

22. In an effort to overcome a set of issues identified in the Fifth Overall Performance study of the GEF that created hurdles for recipient countries, since 2014 the GEF has launched many initiatives to improve its efficiency in approving projects. As a result, as of 2017 all of the projects approved were fully compliant with the new 18-month standard (this figure was 50 per cent in 2015). This was largely due to the approval of a strengthened cancellation policy, as well as to the consolidation of the guidance on the project cycle into a single document and the publication of additional guidelines in 2017. Other initiatives include the harmonization pilot between the GEF and the World Bank, which considerably shortened the time spent in designing and approving projects submitted by the World Bank.

C. Mobilization of financial resources

23. This chapter draws mainly on the 2016 biennial assessment and overview of climate finance flows (BA), which provides a snapshot of climate finance over the 2013–2014 period. A detailed review of all methodological issues involved in producing the BA is provided in the first chapter of the technical report on the 2016 BA.[3]

1. Role of the Financial Mechanism in scaling up the level of resources

24. As per Article 11, paragraph 5, of the Convention, the operating entities of the Financial Mechanism serve as channels through which developed country Parties fulfil their financial commitments, in addition to other bilateral, regional and multilateral channels. The operating entities play a crucial role in catalysing, leveraging and scaling up the level of resources by providing public finance that leverages additional public and private finance and investment. However, as noted in the 2016 BA, the operating entities remain a small part of the overall climate finance architecture and flows in the context of the broader climate finance landscape. Their role therefore must continue to be targeted and strategically defined.

2. Scale of resources provided to developing countries

25. The review of resources provided to developing countries concluded that the finances being provided to recipient countries through the Financial Mechanism continue to represent a very small proportion of overall climate finance. Tracking climate finance is a difficult exercise, given that

[3] Available at unfccc.int/10028.

there exists no comprehensive system or methodology or definition of climate finance and that data are not always harmonized. As noted in the 2016 BA, total adaptation funding provided through the operating entities amounted to USD 0.77 billion in 2013 and USD 0.56 billion in 2014, while climate finance provided through multilateral funds amounted to USD 1.85 billion in 2013 and USD 2.49 billion in 2014. The report also noted an increase of about 50 per cent between 2011 and 2014 in the climate finance provided by Parties included in Annex II to the Convention, including through multilateral institutions. Private sector financing and South–South financing both showed increasing trends over 2013–2014 biennium.

26. Since the fifth review of the Financial Mechanism, the equivalent of USD 10.3 billion has been pledged to the GCF (as at June 2017) for the initial resource mobilization period of 2015–2018 by 43 state governments, including nine developing countries.[4] The GCF Board is continuing efforts to finalize its initial resource mobilization plan, and reports that, as at March 2017, 42 countries, three regions and one city (out of 48 contributors) had signed the contribution agreements for part or all of their pledges, representing 10.1 billion of the 10.3 billion anticipated resources.[5] As at 2 June 2017, approximately USD 10.13 billion of the pledges had been converted into contribution agreements/arrangements, representing just over 98 per cent of the total pledged amount.

27. As decided by the GCF Board, the GCF aims for a 50:50 balance between adaptation and mitigation financing over time. As at June 2017, resources allocated through approved projects for mitigation represented 41 per cent, or USD 927 million, and resources allocated to adaptation projects represented 27 per cent, or USD 594 million. Resources allocated to projects for achieving both mitigation and adaptation represented a further 32 per cent, or USD 718.9 million. In total, the GCF portfolio consists of 43 projects and programmes, amounting to USD 2.2 billion (inclusive of USD 1.2 billion through the PSF), which is expected to attract an additional USD 5.3 billion in co-financing.

28. The GEF Trust Fund has been the primary source for grants provided by the GEF to recipient countries. It provides resources for the climate change mitigation focal area, technology transfer and enabling activities for the fulfilment of Convention obligations by developing countries. Recently, the Capacity-building Initiative for Transparency (CBIT) was also established as a separate trust fund, which has received total donor contributions amounting to USD 48 million. As at 30 June 2017, 10 national-level projects and a global project under the CBIT had been approved by the GEF.

29. Climate change mitigation funding has increased steadily from the GEF pilot phase to date, with cumulative totals amounting to USD 5.2 billion through 836 mitigation projects and programmes in over 165 countries. Currently, negotiations are ongoing for GEF-7, which will cover the period 2018–2022. Direct funding in support of climate change adaptation is currently delivered directly and exclusively through the LDCF and the SCCF. They both rely on voluntary contributions that can be made any time. Total cumulative pledges to the LDCF amount to USD 1.23 billion, of which USD 1.19 billion had been received as at 30 June 2017. Since its inception, USD 1.18 billion has been approved for projects, programmes and enabling activities under the LDCF. As for the SCCF, cumulative pledges amount to USD 351.7 million, of which 99 per cent has been paid by 15 contributing countries. As at 30 June 2017, the Special Climate Change Fund Adaptation Program (SCCF-A) had provided USD 287.9 million for adaptation projects and the Special Climate Change Fund Program for Technology Transfer (SCCF-B) had provided USD 60.7 million for 12 projects that support technology transfer.

3. Amount of finance leveraged and modalities of co-financing

30. Even though the GCF does not yet have a clear co-financing policy, it is integral to the decision-making process on funding proposals, as currently captured in the GCF investment framework. In fact, many projects submitted to the GEF do provide co-financing from national governments and other project partners. As at June 2017, co-financing expected to be mobilized from the 43 approved projects represented USD 5.3 billion, or a ratio of over 2:1. Of that, USD 1.2 billion has come through the fund's PSF. Discussions on whether to define a clearer co-financing policy and method for calculating additional costs have been initiated by the GCF Board. At its 17th meeting, the Board tasked the GCF secretariat with developing a proposal for the Board's

[4] See http://www.greenclimate.fund/documents/20182/24868/Status_of_Pledges.pdf/eef538d3-2987-4659-8c7c-5566ed6afd19.

[5] GCF document GCF/B.17/04.

consideration at its 19th meeting on the development and application of an incremental cost calculation methodology and guidance on the GCF approach to and scope for providing support to adaptation activities, as well as elements of a policy on co-financing.

31. The GEF policy on co-financing has evolved over the years and was last updated in 2014. The GEF policy defines co-financing as resources that are additional to GEF grants. The co-financing ratios have also evolved significantly since the inception phase, with the average ratios approaching 7.5:1 for the overall GEF Trust Fund and 13.8:1 for climate mitigation activities financed under GEF-6. The GEF notes that the climate change focal area has leveraged the highest levels of co-financing. The ratios of co-financing mobilized for LDCF and SCCF funds represent approximately 4:1 and 7.5:1.

4. Adequacy, predictability and sustainability of funds

32. A broader discussion on the adequacy of the resources available to meet the needs of developing countries is hampered by the fact that there is no agreed assessment of financing needs, as well as by the lack of a comprehensive system for tracking climate finance. Furthermore, an assessment of the adequacy of resources that looks only at the operating entities of the Financial Mechanism will be misleading because of its narrow scope. In addition, the adequacy of resources will ultimately depend heavily on enabling environments that allow for the effective use of funds as well as leverage public funding by co-financing from the private sector. This poses a challenge to a quantitative assessment of the adequacy of funds.

33. Concerning predictability and sustainability, during 2014–2017 developed countries continued to undertake efforts to mobilize resources to meet the USD 100 billion commitment by 2020, including through the development of the road map to USD 100 billion, which aims at increasing predictability and transparency regarding how the target will be reached. Moreover, there is ongoing work under the UNFCCC to identify the information to be provided by Parties in accordance with Article 9, paragraph 5, of the Paris Agreement, with a view to providing a recommendation for consideration and adoption by the Conference of the Parties serving as the meeting of the Parties to the Paris Agreement at its first session.[6]

34. In relation to finance channelled through the operating entities, the initial resource mobilization period of the GCF lasts from 2015 to 2018, and the GCF accepts new pledges on an ongoing basis. The GCF will initiate a formal replenishment process once its cumulative funding approvals exceed 60 per cent of the total contributions, confirmed by fully executed contribution agreements/arrangements, received during the initial resource mobilization. The GCF Board is currently engaged in discussions on how to initiate the first replenishment process and this issue is expected to be an important part of its 2018 workplan.

35. As for the GEF, the four-year replenishment process of the GEF Trust Fund resources makes it subject to a relatively good level of predictability. There is a high materialization of pledges made to the GEF; however, exchange rate fluctuations in the earlier months of GEF-6 mean that a shortfall from GEF-6 replenishment targets is still expected. The GEF has been working on an ongoing basis to minimize the potential consequences of the projected shortfall, aiming to maintain the balance among original allocations in the GEF-6 replenishment decision, assisting the least developed countries (LDCs) and small island developing States (SIDS) in accessing resources and supporting core obligations to the conventions for which the GEF is an/the operating entity of the Financial Mechanism. Over 99 per cent of all pledges made by the contributing countries to the GEF for GEF-6 have been deposited with the trustee, which is in line with 99 per cent of deposit made to all resources pledged since the establishment of the GEF. The GEF Council noted the contribution of the System for Transparent Allocation of Resources (STAR) to increased country ownership and country-led programming in the GEF,[7] in response to the mid-term evaluation and management response, and the OPS6 pointed to the ameliorated predictability of resources created by the STAR.

36. Funding for adaptation at the GEF is subject to less predictability than funding for mitigation. As the LDCF and the SCCF are not subject to a replenishment process, they rely on voluntary contributions from developed countries that can be made at any time. However, it is to be noted that,

[6] Decision 1/CP.21, paragraph 55.

[7] Paragraph 15 of the Joint Summary of the Chairs, 45th GEF Council Meeting. Available at http://www.gefieo.org/sites/default/files/ieo/council-documents/files/c-45-Chair-Summary-eng.pdf.

with few exceptions, resources have recurrently been pledged to both funds during the meetings of the LDCF/SCCF Council and that there has been an increase in the cumulative level of pledges to both funds, which have been supported by strong levels of materialization.

D. Delivery and effectiveness of financial resources

1. Accessibility

37. The accessibility of climate finance has been a significant concern for recipient countries, particularly for the SIDS and LDCs with capacity constraints. Upon examining the eligibility criteria and access modalities put in place by the operating entities of the Financial Mechanism, the review found that significant efforts have been made to facilitate access to climate finance by a broad range of partners and recipients: from creating specific funding windows of access for the private sector under the GCF, as well as measures to increase direct access and access by national entities, to broadening the range of partner agencies to the GEF through expanded partnership. Both entities are also engaging actively with recipient countries to increase their understanding of the processes and procedures involved in accessing funds, through capacity-building, readiness funding and support provided to national focal points.

38. However, some major gaps highlighted in a number of studies include: the lack of developing country capacity to devise a national strategy for utilizing available climate finance resources and for attracting climate-friendly investments; legal issues within entities; financial management and integrity; institutional capacity at the design, appraisal and implementation phases; and risk assessment capacity. To overcome these gaps at the international level, scaling up and coordinating financial resources to support capacity-building initiatives have appeared as a need. At the national level, better coordination among the national focal points across different ministries was underscored as being necessary. The increasing complexity of the global climate finance architecture, while in principle creating more choice for recipient countries, could create complications as countries often find it difficult to understand the requirements of the different funds and the differences between them.

2. Timeliness and rate of disbursement

39. An element of effectiveness is the time taken to develop, approve and begin implementation of projects funded through the operating entities. This relates to the speed at which access to climate finance is provided to the end user or intended beneficiary.

40. There are no fixed timelines or standards for projects seeking GCF approval. Practices are set to change as the initial approval process is modified to respond to the rapidly increasing pipeline. Processing time for project approval varies greatly, between 1 and 18 months or more. However, this was set to change as a result of discussions at the 17th GCF Board meeting, in 2017, where the Board instructed the secretariat to implement a clearer prioritization process for pipeline management, among other measures designed to increase efficiency. The rate of disbursement of GCF funding is still relatively low but is growing steadily, owing to the fact that a large number of projects have yet to meet the full conditions for disbursement.

41. As for the GEF, the review found that the average time spent by projects in the pipeline for approval has been reduced since GEF-4 and GEF-5, with only a marginal minority of projects not meeting the 18-month standard. For the LDCF and the SCCF the average preparation time was 20 months. A study undertaken by the GEF secretariat in 2016 found that 69 per cent of projects approved in GEF-5 had moved to first disbursement within one year and 89 per cent after two years.

3. Country ownership of programmes and projects

42. Country ownership of projects and programmes financed through the Financial Mechanism is ensured mainly through the network of national focal points and national designated authorities (NDAs). Country ownership is recognized as a core principle of the GCF, as stipulated in its Governing Instrument and initial investment framework. In this regard, the NDAs play a key role in ensuring country ownership, including to recommend funding proposals to the Board in the context of national climate strategies and plans and to be consulted on other funding proposals for consideration prior to submission to the GCF in order to ensure consistency with national climate

strategies and plans. The GCF Board recently adopted the guidelines for enhanced country ownership, which enjoins NDAs, accredited entities and delivery partners to follow the guidelines. The guidelines will be assessed annually and reviewed as needed but at least every two years. Recognizing country ownership is a continual process, with the guidelines stating that the principle will be considered in the context of all GCF operational modalities and relevant policies. The GCF also provides support to foster the capacity-building of NDAs, focal points and direct access entities to strengthen their capacities to efficiently engage with the GCF.

43. The GEF continues to make efforts to increase the national-level ownership of projects and programmes, including through readiness and enabling activities and through the development of country programme strategies and national portfolio formulation exercises, which are designed to provide a broader group of stakeholders with an opportunity and a voice in relation to the utilization of climate funds. An evaluation undertaken by the GEF independent evaluation office found that national portfolio formulation exercises enhanced ownership by creating more inclusive decision-making procedures for GEF programming. With a gradual shift to programmatic approaches, questions related to national ownership will remain of concern, as regional programmes generally benefit from less support than national programmes.

4. Sustainability of programmes and projects

44. There are guiding principles that aim to ensure the sustainability of GCF projects, even if many of the GCF-funded projects and programmes are only beginning implementation or have yet to begin implementation. For example, sustainability is a key aspect of the paradigm shift potential under the GCF investment framework criteria and sustainability is defined therein as the "degree to which the proposed activity can catalyse impact beyond a one-off project or programme investment". In addition, the GCF is actively seeking to finance projects that are scaled up from initial investments from the GEF and others. However, since many of the GCF projects have only just begun implementation, this section focuses more on the sustainability of GEF projects and programmes.

45. Even if the GEF does not have a formally established definition of sustainability, the initial criteria for project evaluation mention "sustainability of outcomes and results beyond completion of the intervention". The GEF evaluation of sustainability found that 77 per cent of projects in the climate change focal area cohort had satisfactory ratings for outcome and implementation. Recent evaluations of GEF climate mitigation activities have found evidence of significant impacts in countries as well as evidence of transformational projects. Regarding the sustainability of adaptation results supported through the LDCF and the SCCF, the GEF independent evaluation office found that over 98 per cent of national adaptation programme of action (NAPA) implementation projects showed a high to very high probability of delivering tangible adaptation benefits. The main concern regarding sustainability, across the GEF climate mitigation and adaptation portfolio, concerns the financial sustainability of project activities beyond the duration of the project. Lack of assured financing for future phases of implementation or for upscaling remains a concern for most projects. Many terminal evaluations recommend that projects identify and implement self-funding mechanisms in order to move beyond project-based approaches.

5. Enabling environments

46. As the summary reports on the workshops on long-term climate finance note, it is primarily governments in both developed and developing countries that set the enabling environment as it relates to policy and regulatory frameworks. However, most programming delivered through climate finance mechanisms aims to strengthen national capacities to achieve this objective. Readiness funding also supports an element of this enabling environment, as it relates to accessing finance. While it is too early to tell whether the GCF-funded projects will make a tangible, sustained contribution to the enabling environment, the GCF has highlighted various pathways through which it expects to contribute, including for example the creation of new markets and business activities, changed incentives for market participants, and reduced costs and risks of deploying climate technologies. Furthermore, the GCF is working with countries on the enabling environment also through the funding of readiness requests and national adaptation plans (NAPs) or adaptation planning. A separate activity area under the Readiness Programme for the formulation of NAPs was established by the GCF, whereby the Executive Director can approve up to USD 3 million to support the formulation of NAPs and other adaptation planning processes.

47. One of the key objectives of the GEF-6 climate change mitigation focal area is to foster enabling conditions to mainstream mitigation concerns into sustainable development strategies. Recent findings from the OPS6 point to the fact that GEF-6 projects play an important role in strengthening the enabling environment, for instance by proposing legal and regulatory measures to address constraints to mitigation and adaptation, building the capacity of public and private entities, reducing information barriers and supporting market change. Furthermore, GEF support for enabling activities for national communications and biennial update reports, as well as for the CBIT, also contributes to building the institutional and technical capacity of developing countries to meet transparency requirements. Furthermore, GEF support, through the LDCF and the SCCF, for NAP processes and its country engagement, including through expanded constituency workshops, further strengthen the enabling environments of developing countries.

E. Results and impacts achieved with the resources provided

1. Mitigation results

48. Of the funding approved by the GCF as at June 2017, 41 per cent was dedicated to mitigation and a further 32 per cent tackled both adaptation and mitigation. The anticipated emission reductions from these projects totalled 981 million tonnes of carbon dioxide equivalent (t CO_2 eq), with the potential for 74 projects in the pipeline reaching 701 million t CO_2 eq reduced or avoided over the lifetime of the proposed activities.

49. The GEF reports that, as at 30 June 2017, it has supported 867 projects on climate mitigation with over 5.3 billion in GEF funding. The total cumulative emission impact of all mitigation projects supported through the Trust Fund is estimated to be over 8,400 Mt CO_2 eq. In the first three years of GEF-6, projects and programmes were estimated to reduce emissions by more than 1.9 Mt CO_2 eq. In 2014, during OPS5, the GEF independent evaluation office calculated that the average cost per tonne of direct mitigation across all GEF project types was USD 1.2/t CO_2 eq. In the GEF-6 period, partially estimated benefits of 1,920 Mt CO_2 were achieved with GEF funding of USD 1,174.2 million, which would indicate an average cost of USD 0.61/t CO_2 eq. The GEF updated its mitigation calculation methodologies in 2014, coordinated with the International Financial Institution Framework for a Harmonized Approach to Greenhouse Gas Accounting exercise.

2. Adaptation results

50. The GCF projects that 140 million people are to benefit from reduced vulnerability and/or increased resilience through the 55 adaptation and cross-cutting projects in its pipeline. For the GEF, from its inception until 30 June 2017, the LDCF approved USD 1.1 billion for projects, programmes and enabling activities, including the preparation and implementation of NAPs and NAPAs. In addition, the SCCF provided USD 287.9 million to adaptation projects. The active portfolio under the LDCF is expected to reach 4.4 million beneficiaries and train over 34,000 people in adaptation, while also bringing over 1.1 million ha land under climate resilient management. The LDCF and the SCCF have both contributed to the adoption of national policies, plans and frameworks. The 2017 evaluation of the SCCF found that the fund had delivered significant results in terms of catalytic effect, generation of public goods and demonstration of technologies.

3. Technology transfer

51. The GEF reports that technology transfer for adaptation and mitigation is a key cross-cutting theme of all of its projects. It reports having supported 31 climate change projects with technology transfer objectives (USD 188.7 million), whereas 10 adaptation projects promoted the adoption of new technology (USD 79.7 million). Since 2008, the Poznan strategic programme on technology transfer has also been programmed, with USD 35 million from the GEF Trust Fund and USD 15 million from the SCCF. This was used to support technology needs assessments and finance priority pilot projects as well as to support the Climate Technology Centre and Network. In terms of adaptation technology, the GEF recognizes that there has been a modest focus on technology transfer for adaptation.

4. Capacity-building

52. Capacity-building is another cross-cutting theme of both GCF and GEF programming. Capacity-building and technical assistance are embedded in all GCF-approved projects, beyond the in-depth capacity-building that is a hallmark of the Readiness Programme. As at 8 September 2017, the GCF had committed funds totalling USD 39.5 million for 118 readiness activity requests. SIDS, the LDCs and African States make up 66 per cent of the total portfolio. As for the GEF, targeted capacity-building initiatives have included national capacity self-assessment as well as enabling activities, technology needs assessments, national portfolio formulation exercises, country programming strategies and readiness support, in addition to ongoing provision of support to national focal points, constituencies and designated authorities. According to the GEF report to COP 23, in 2016 alone the GEF Trust Fund, the LDCF and the SCCF supported 135 projects with various capacity-building priorities. The OPS6 noted that the GEF has had success in influencing the regulatory and policy framework in countries through capacity-building and enabling activities. Since the fifth review of the Financial Mechanism, the CBIT has been launched and operationalized by the GEF. As at 30 June 2017, it had received pledges of USD 54.6 million, and in the last year 11 projects were approved, totalling USD 12.7 million.

F. Consistency of the Financial Mechanism with the objective of the Convention

53. Article 2 of the Convention stipulates that the ultimate objective of the Convention or any legal instrument adopted by the Convention is to achieve, in accordance with the relevant provisions of the Convention, stabilization of greenhouse gas concentrations in the atmosphere at a level that would prevent dangerous anthropogenic interference with the climate system, within a time frame sufficient to allow ecosystems to adapt naturally to climate change, to ensure that food production is not threatened and to enable economic development to proceed in a sustainable manner. The objective of the Convention is embedded in the Governing Instrument and strategic plan of the GCF and the GEF programme priorities that are identified in the initial guidance from the COP and further guidance thereafter. The review finds that the mitigation and adaptation objectives of the operating entities are consistent with the objective of the Convention and that programming deployed according to the operating entities' objectives is also consistent with the objective of the Convention.

G. Consistency and complementarity of the Financial Mechanism

1. Consistency and complementarity between the operating entities of the Financial Mechanism

54. This section summarizes the steps that the operating entities have been taking to promote consistency and complementarity between themselves at the strategic and operational levels, and the pathways for collaboration that have been identified and applied since the fifth review of the Financial Mechanism.

55. For the GCF, the issue of consistency and complementarity is inscribed in its Governing Instrument. The initial strategic plan of the GCF highlights the comparative advantages of the GCF and notes the need to operate in coherence with other climate finance institutions. The GCF operational framework on complementarity and coherence was recently adopted at the 17th Board meeting, which provides guidance on pursuing complementarity at the Board and strategic level and enhanced complementarity at the activity level, at the national programming level and at the level of delivery of climate finance through an established dialogue.

56. The GEF notes that each fund may play different, complementary roles that can produce greater impacts and leverage more resources, if combined strategically. During GEF-6, given the growing significance of climate change influence on all areas of GEF interventions, the GEF climate change mitigation strategy sought to enhance synergies across focal areas and to enhance complementarity with other climate financing options, including the GCF. The ongoing policy debate around GEF-7 provides a unique opportunity to further refine the comparative advantages of the GEF.

57. Beyond the definition of strategic-level comparative advantages, both operating entities have sought to operationalize their complementarity. The Executive Director of the GCF and the GEF Chief Executive Officer have met on a number of occasions to explore potential cooperation at the

operational level. At the secretariat level, the GCF and the GEF secretariats frequently communicate on a wide range of topics and activities, such as mitigation and adaptation strategies, the status of resource allocation, project cycle modalities and lessons learned, project preparation grant guidelines, private sector engagement, templates, co-financing policy, accreditation of agencies, financial master agreements, trustee arrangements, and readiness and preparatory support. The secretariats of the two operating entities attend each other's Board/Council meetings to respond to any questions as needed, and share information and lessons learned from their work.

58. In fact, coordination and collaboration between the two operating entities have already led to some greater consistency and convergence between their policies, strategies and programmes. Some of these areas of convergence are highlighted in chapter A above, notably in terms of governance modalities, transparency of decision-making and information disclosure polices, as well as the application of increasingly convergent environmental, gender and social standards. Of particular interest is the scheduled revision of many of the key policies of the GCF in 2017 and 2018, as well as the policy revisions that have been initiated by the GEF, including those launched by the GEF-7 replenishment discussions in the same period. As these policies are reviewed by the GCF and the GEF, lessons learned and best practices can be integrated through coordination and information-sharing between the entities and their secretariats.

59. The COP has provided specific guidance to the GCF to "enhance its collaboration with existing funds under the Convention and other climate-relevant funds in order to enhance the complementarity and coherence of policies and programming at the national level". The two operating entities are working to promote complementarity at the national level through national planning exercises such as the GCF country programmes and the GEF national portfolio formulation exercises. Funding approvals by the GCF to date show how the GEF in some cases has helped pave the way for leveraging and enabling investments from the GCF. A recent report updating on the implementation of the GEF 2020 strategy noted that 'organic' complementarity between the GCF and the GEF is gradually emerging as the GCF ramps up project approvals.

60. More specifically, at the national level, an overview of a country's national context, policy framework and respective climate action agenda is summarized in a GCF country programme. In this exercise, a country identifies a pipeline of projects or programmes that it would like to undertake with the GCF, aligned with GCF strategic impacts, investment criteria and operational modalities. This exercise is similar to the NPFE process undertaken by the GEF. Furthermore, the GEF country support programme supports the execution of national dialogue initiatives, in which representatives or focal points for other climate finance mechanisms may participate. In order to harness the full opportunity to enhance coordination at the national level, a World Resources Institute report suggests that countries should "identify one ministry or body that serves as the national focal point or authority for all the climate funds". The same report also notes that there may be value in establishing a broader readiness hub or programme, or in combining readiness funds, to address overall planning and pipeline needs.

2. Consistency and complementarity between the operating entities of the Financial Mechanism and other sources of investment and financial flows

61. As noted in the fifth review of the Financial Mechanism, the global architecture of climate finance is rapidly evolving and becoming increasingly complex. Decision 11/CP.1, paragraph 2(a), states that consistency should be sought and maintained between the policies, programme priorities and eligibility criteria for activities established by the COP and the climate change activities beyond the framework of the Financial Mechanism. As the GCF has been working on becoming fully operational since the fifth review of the Financial Mechanism, the operating entities and other institutions have been cooperating by exchanging lessons learned and experience in order to inform the development of the operational policies of the funds. While each fund and mechanism has a distinct comparative advantage, and aims at supporting different objectives, there is increasing convergence between the strategies, policies, eligibility criteria, processes – and, as a result, projects and programmes – being supported by the various funds.

62. A matrix analysis was undertaken across a selected set of active multilateral funds to assess consistency and complementarity between the operating entities and other funds on adaptation and mitigation. On adaptation programming, a matrix analysis was done for the following funds: the GEF (SCCF and LDCF); the GCF; the Adaptation Fund (AF); the Climate Investment Funds (CIFs)

(Pilot Program for Climate Resilience (PPCR)); and the United Nations Capital Development Fund Local Climate Adaptive Living Facility (UNCDF LoCAL). The following observations can be made:

(a) There is convergence between the various mechanisms' goals and objectives of either "promoting resilience", "building adaptive capacity" or "supporting adaptation". One mechanism specifically refers to the Sustainable Development Goals in its objectives;

(b) A clear observation of how the mechanisms complement each other, or the specific niche or role of each mechanism in the climate finance landscape, is not possible from a review of their strategic programming directives. The articulation of these strategic directions, against which projects are often assessed, range from higher-level or more general principles (i.e. paradigm shift, awareness, country-drivenness) to statements more specifically focused on vulnerability, resilience and adaptation. Some commonalities include addressing social, physical and economic aspects of the impacts of climate change, and alignment and integration into development and development plans. Only one of the funds described has a narrowly defined specialization in infrastructure;

(c) The LDCF is the only fund supporting the preparation of NAPAs. The GEF, the SCCF and the LDCF, the GCF and the AF each support the implementation of NAPAs and the preparation or implementation of NAPs. The difference in support received from each is not identified;

(d) The LDCF, the AF and UNCDF LoCAL provide only grants, while the PPCR and the GCF also provide highly concessional loans and grants. The GCF also provides other non-grant financing, such as equity investments, risk guarantees, highly concessional loans and debt instruments and is also developing a results-based payment approach for REDD-plus.[8] This may be an indicator of the scope and type of projects and programmes supported by each fund.

63. On mitigation programming, a matrix analysis was done for the following multilateral and bilateral funds: the GEF; the GCF; the CIFs (Clean Technology Fund); United Kingdom International Climate Fund; and the International Climate Initiative. The following observations can be made:

(a) There is a degree of consistency between the objectives and goals of the various mechanisms in that they seek to support countries' transitions towards low-carbon development;

(b) A significant portion of the funds examined focus on a specific theme or sector, for example energy or forests, while the GCF and the GEF include the full spectrum of sectors in which to achieve potential emission reductions.

64. Furthermore, on technology programming, a comprehensive overview of initiatives relevant to climate technology development and transfer was undertaken by the secretariat upon request by the subsidiary bodies. On the basis of patterns and trends observed in the landscape of technology development and transfer, the mapping generated useful insights, including that:

(a) There are fewer adaptation technology programmes than those directed at mitigation. Yet, this may change under the GCF, in terms of allocation of funds, which would allow further implementation of adaptation technology activities and programmes;

(b) Although support for climate technologies, including finance, is increasing, it is more prevalent at the research and development and commercial or diffusion stages, leaving a gap at the demonstration and early stages of commercialization;

(c) There are growing numbers of international forums, partnerships and networks on technology development and transfer. Yet, to gain insight into the actual level of synergy and coordination between existing activities and initiatives, additional information would have to be gathered;

(d) On capacity-building programming, the GCF is undertaking efforts to provide capacity-building support, primarily through its Readiness and Preparatory Support Programme, a strategic priority for the GCF that was established to strengthen and build enabling environments to allow developing countries to access GCF resources. In particular, the GCF is strengthening its support provision to countries in order to build their capacity for direct access. Furthermore, the GCF is the convener and facilitator of the Global Readiness Coordination Mechanism, an initiative to coordinate institutions independently providing readiness support to enable countries to access

[8] Activities referred to in decision 1/CP.16, paragraph 70.

GCF funding, with core members from the African Development Bank, the Commonwealth Secretariat, the German Agency for International Cooperation (GIZ), the KfW, the United Nations Environment Programme, the United Nations Development Programme and the World Resources Institute, and a number of observer institutions.

65. Capacity-building efforts of the GEF include national capacity self-assessments, which were designed to assist countries in identifying capacity needs to implement the Rio Conventions, including the UNFCCC. The GEF provides support to the priority areas identified in the framework for capacity-building in developing countries established under decision 2/CP.7 and enabling activities for developing countries to meet the transparency requirements under the Convention. The CBIT is the most recently established capacity-building programme of the GEF,[9] which aims to support the institutional and technical capacities of developing countries to meet the enhanced transparency requirements of the Paris Agreement. In addition, ECW is a tool that enhances recipient country capacity and country ownership.

III. Recommendations of the Standing Committee on Finance

66. On the basis of this summary of the technical paper, the SCF recommends the following actions to the COP for its consideration:

(a) *Requests* the Board of the Green Climate Fund (hereinafter referred to as the Board), after reviewing its webcasting arrangements, to consider to make its webcast arrangements permanent;

(b) Requests the Board to consider how it may enhance the engagement of civil society organizations in its meetings and operations, with particular regard for those from developing countries;

(c) *Requests* the operating entities of the Financial Mechanism, as appropriate, to provide timely responses to countries' requests;

(d) *Requests* the operating entities of the Financial Mechanism to continue to improve private sector engagement;

(e) *Requests* the Board to assess the engagement of stakeholders in the meetings and operations of the Green Climate Fund;

(f) *Requests* the Board to assess the existing gaps in its interim environmental and social safeguards and to develop its own environmental and social safeguards urgently;

(g) *Requests* the Board to continue its work to improve project approval procedures in line with decisions taken at the 17th meeting of the Board;

(h) *Requests* the Board to further enhance direct access;

(i) *Requests* the Board to consider ways to improve availability of information on how to access Green Climate Fund funding, which may include making basic information on the Green Climate Fund and its processes available in the official United Nations languages, as appropriate;

(j) *Requests* the operating entities of the Financial Mechanism to continue to strengthen complementarity and coherence.

[9] Decision 1/CP.21, paragraphs 84–86.

Acronyms

AC	Adaptation Committee
ADB	Asian Development Bank
AE	Accredited Entity
AfDB	African Development Bank
AMA	Accreditation Master Agreements of the Green Climate Fund
AMR	Annual Monitoring Review of the Global Environment Facility
BA	Biennial Assessment and Overview of Financial Flows
BRs	Biennial Reports
BURs	Biennial Update Reports
CBIT	Capacity Building Initiative for Transparency of the Global Environment Facility
CCA	Climate Change Adaptation at the Global Environment Facility
CCM	Climate Change Mitigation focal area at the Global Environment Facility
CIF	Climate Investment Funds
COP	Conference of the Parties
CSO	Civil Society Organization
CTCN	Climate Technology Centre and Network
DAE	Direct Access Entity of the Green Climate Fund
ECW	Expanded Constituency Workshop of the Global Environmental Facility
EBRD	European Bank for Reconstruction and Development
ESS	Environmental and Social Safeguards
FP	Focal Point
FSPs	Full-sized Projects
GCF	Green Climate Fund
GEAP	Gender Equality Action Plan of the Global Environment Facility
GEF	Global Environment Facility
GEF IEO	Independent Evaluation Office of the Global Environment Facility
GEF-5	Fifth replenishment cycle of the Global Environment Facility
GEF-6	Sixth replenishment cycle of the Global Environment Facility
GEF-7	Seventh replenishment cycle of the Global Environment Facility
GEFTF	Global Environment Facility Trust Fund
GGP	Global Environment Facility Gender Partnership
GIZ	Deutsche Gesellschaft für Internationale Zusammenarbeit
IADB	Inter-American Development Bank
IFC	International Finance Corporation
INDC	Intended Nationally Determined Contributions
IPCC	Intergovernmental Panel on Climate Change
KFW	Kreditanstalt für Wiederaufbau (German development bank)
LDCF	Least Developed Countries Fund
LDCs	Least Developed Countries
MDBs	Multilateral Development Banks
MSPs	Medium-Size Projects
NAMA	Nationally Appropriate Mitigation Action
NAP	National Adaptation Plan
NAPA	National Adaptation Programmes of Action
NCSA	National Capacity Self-Assessment
NDA	National Designated Authority to the Green Climate Fund

NFP	National Focal Point
NGO	Non-governmental Organization
NGPP	Non-Grant Pilot Program of the Global Environment Facility
NPFE	National Portfolio Formulation Exercise
OFP	Operational Focal Point of the Global Environment Facility
OPS5	Fifth Overall Performance Study of the Global Environment Facility
OPS6	Sixth Comprehensive Evaluation of the Global Environment Facility
PIFs	Project Identification Forms
PPCR	Pilot Program for Climate Resilience
PPF	Project Preparation Facility of the Green Climate Fund
PSAG	Private Sector Advisory Group to the Board of the Green Climate Fund
PSF	Private Sector Facility of the Green Climate Fund
PSP	Poznan Strategic Programme on Technology Transfer
RCM	Readiness Coordination Mechanism
REDD-plus	Activities listed under decision 1/CP.16, paragraph 70: reducing emissions from deforestation; reducing emissions from forest degradation; conservation of forest carbon stocks; sustainable management of forests; and enhancement of forest carbon stocks.
SCCF	Special Climate Change Fund
SCF	Standing Committee on Finance
SIDS	Small Island Developing States
STAR	System for Transparent Allocation of Resources at the Global Environment Facility
TEC	Technology Executive Committee
TNAs	Technology Needs Assessments
UNDP	United Nations Development Programme
UNEP	United Nations Environment Programme
UNFCCC	United Nations Framework Convention on Climate Change
WRI	World Resources Institute

I. Introduction

A. Mandate

1. By decision 3/CP.4, the Conference of the Parties (COP) decided to review the Financial Mechanism every four years in accordance with the provisions of Article 11, paragraph 4, of the Convention. At its twentieth session, the COP decided to initiate the sixth review of the Financial Mechanism at its twenty-second session. At its twenty-second session, the COP adopted the updated guidelines for the sixth review of the Financial Mechanism[1] and requested the Standing Committee on Finance (SCF) to provide expert input to the sixth review with a view to the review being finalized at COP 23.

B. Objective of the technical paper

2. In line with the objectives outlined in the updated guidelines for the sixth review, this paper aims at providing insights on the elements that will be reviewed by the SCF when deliberating on the effectiveness of the Financial Mechanism. These elements include:

(a) The conformity of the Financial Mechanism with the provisions of Article 11 of the Convention and the guidance provided by the COP;

(b) The effectiveness of the activities funded by the Financial Mechanism in implementing the Convention;

(c) The effectiveness of the Financial Mechanism in providing financial resources on a grant or concessional basis, including for the transfer of technology, for the implementation of the Convention's objective on the basis of the guidance provided by the COP;

(d) The effectiveness of the Financial Mechanism in providing resources to developing countries under Article 4, paragraph 3, of the Convention;

(e) The effectiveness of access modalities for developing countries.

3. The paper also aims at providing elements for the deliberations of the COP on how to further enhance the consistency and complementarity between the operating entities of the Financial Mechanism and between the operating entities and other sources of investment and financial flows.

C. Scope and methodology

4. This paper elaborates on the policies, procedures and activities of the Financial Mechanism, including its operating entities and the funds under the Convention that are managed by the Global Environment Facility (GEF), the Special Climate Change Fund (SCCF) and the Least Developed Countries Fund (LDCF) and bilateral, regional and other multilateral channels through which financial resources related to the implementation of the Convention are provided. Furthermore, this paper also examines how consistency and complementary are sought between the activities funded under the Convention and those supported by the other sources of investment and financial flows.

5. This paper is informed by desk research and literature review of the sources of information identified in the updated guidelines,[2] complemented by other sources of information, which include:

(a) Submissions received on the sixth review of the Financial Mechanism;[3]

(b) Past decisions of the COP related to the Financial Mechanism;

(c) Information from the secretariats of the operating entities of the Financial Mechanism;

[1] Annex to decision 12/CP.22

[2] Annex to decision 12/CP.22, section B.

[3] Decision 12/CP.22, paragraph 3.

(d) Information from bilateral and multilateral channels of climate finance to assess the level of consistency and complementarity of the Financial Mechanism with other sources of investment and financial flows;

(e) Information from other constituted bodies of the Convention, including their submissions;

(f) Information from an appropriate sample of recipient countries to complement aspects where information is not fully available through sources and literature listed in the updated guideline.

II. Assessment and key findings

6. This chapter seeks to provide insights on the aspects that will be assessed by the SCF in deliberating on the effectiveness of the Financial Mechanism. In so doing, it reviews the policies, procedures and activities of the operating entities against the criteria identified in the updated guidelines for the review. As agreed by the SCF at its 15th meeting,[4] and in line with approach taken during the fifth review of the Financial Mechanism, these criteria have been grouped into the following chapters:

A. Governance;

B. Responsiveness of the operating entities of the Financial Mechanism to guidance from the COP;

C. Mobilization of financial resources;

D. Delivery and effectiveness of financial resources;

E. Results and impacts achieved with the resources provided;

F. Consistency of the Financial Mechanism with the objective of the Convention;

G. Consistency and complementarity of the Financial Mechanism with the other sources of investment and financial flows.

A. Governance

7. This chapter examines characteristics of the governance, the Green Climate Fund (GCF) and the GEF, from the perspective of transparency of the decision making processes, stakeholder engagement and policies relating to gender, environmental and social safeguards (ESS) and fiduciary standards.

1. Transparency of the decision-making process of the operating entities

(a) Overview of governance arrangements

8. This chapter presents the governance arrangements of the two operating entities, namely the GCF and the GEF. Both operating entities function under a constituency-based governing body (Board or Council), with regional representation and with representation from major groups, as seen in Table 1 below. The LDCF and the SCCF, established by the COP and managed by the GEF, follow a similar governance structure to that of the GEF Trust Fund (GEFTF); however, they are overseen by a distinct LDCF/SCCF Council which meets concurrently with the GEF Council.

[4] SCF/2014/6/11, paragraph 22.

Table 1
Description of governance arrangements of the Green Climate Fund and the Global Environment Facility

Governance structure	*Green Climate Fund*	*Global Environment Facility*
Body	Board, which meets three times annually	Council, which meets twice annually Assembly, which meets every four years with the primary role of endorsing the replenishment programing directions
Membership	Board:[c] 24 members, composed of an equal number of members from developing and developed country Parties, with one alternate member each. Developing country parties select Board Members on a constituency basis, as well as regionally.	Council:[a] 32 members, representing constituency groupings 16 members from developing countries 14 members from developed countries 2 members from Central and Eastern Europe and the former Soviet Union. An equal number of alternate members. The member and alternate member representing a constituency are appointed by the Participants[b] in each constituency. Assembly: consists of representatives of all Participants
Term limits for members	Three years, eligible to serve additional terms as determined by the constituency.[d]	Three years or until a new member is appointed by the constituency, whichever comes first, with the possibility of reappointment.
Chairmanship	Two co-chairs of the Board will be elected by the Board members from within their membership to serve for a period of one year, with one being a member from a developed country Party and the other being a member from a developing country Party	A co-chair is elected from among members for the duration of each meeting. The position alternates from one meeting to another between recipient and non-recipient Council members. The GEF Chief Executive Officer (CEO) serves as the other co-chair.

[a] For further details, see the GEF Instrument
[b] In the GEF Instrument, GEF member countries are referred to as Participants. In general terms there are developed and developing Participants in the GEF.
[c] GCF Governing Instrument, paragraphs 9–10.
[d] GCF Governing Instrument, paragraphs 12

(b) Decision-making of the governing bodies

9. Decisions in both governing bodies of the operating entities are made by consensus, and voting is seldom invoked. Decision making procedures at the GCF and the GEF are presented in Table 2 below:[5]

[5] See the GEF Instrument, Section IV and GCF Rules of Procedure of the Board, section VII.

Table 2
Decision-making procedures at the Green Climate Fund and the Global Environment Facility

	Green Climate Fund	*Global Environment Facility*
Quorum	A two-thirds majority of Board members must be present at a meeting to constitute a quorum	Two-thirds of the members of the Council shall constitute a quorum
Voting rights	Under development	Each member of the Council shall cast the votes of the Participant or Participants he/she represents
Polling procedure	Under development	Double-weighted majority (60% of participants and 60% of total contributions) Votes cast by each member on behalf of each Participant are recorded in the Chairs' joint summary of the meeting

10. Proceedings of the governing bodies of both operating entities are webcasted to the public and open to observer attendance, except for closed executive sessions. Discussions that may be the subject to closed or executive sessions are left to the discretion of the chairs, or upon request from a member. Information on open discussions is broadly disseminated by reporting services, such as the Climate Finance Advisory Service (which covers the meetings of the GCF Board, the SCF and the Adaptation Fund (AF) Board),[6] and the International Institute for Sustainable Development Reporting Services (which covers climate and environment conferences more broadly). Participation in the regular discussions and decision-making of the two operating entities are restricted to the members of the governing bodies.

11. Inter-sessional decisions[7] occur in both operating entities. In the context of the GEF, Council decisions between meetings are made on project concept approvals through the intersessional work programmes. The process allows all Council members and observers to provide comments. The GEF Rules of Procedure also allows submission of draft decisions to Council members on a no-objection basis (GEF, 2007). Under the GCF, inter-sessional decisions may only occur on an exceptional basis and a clear process for the circulation of intended Board decisions is set out under the rules of procedure (GCF, 2013). Decisions taken in between Board meetings have included decisions on appointments, accreditation, venue of meetings and administrative issues for which urgent action was required.

12. However, in some instances, observers raised concerns regarding decisions that have been made in between GCF Board meetings. For example, at the 13th GCF Board meeting (2016), a "civil society organization (CSO) active observer took the floor to comment on the process for taking decisions between meetings, highlighting two of the decisions taken as of particular importance to civil society and other observers: decision B.BM-2016/11 on the terms of reference for the review of observer participation and decision B.BM-2016/12 on updating the GCF Gender policy and Gender action plan. They noted that some consultation had been held on these matters, but that as active observers, they are unable to comment on between meeting decisions and therefore were unable to provide input either prior to or during the Board meeting on these decisions."[8]

13. Procedures for decisions in the absence of consensus are clearly articulated in the rules of procedure for both the GCF Board and the GEF Council and Assembly. In a rare occasion where consensus fails to materialize on the approval of a project or a policy, a number of formal and informal options are availed, such as:

(a) Adoption of a decision may be postponed while Parties negotiate informally or formally;

[6] The Climate Finance Advisory Service is an initiative which is delivered by a consortium of experts led by Germanwatch e.V. and funded by the Climate and Development Knowledge Network. See http://www.cfas.info/en.

[7] Decisions without Council/Board meetings or in-between meetings.

[8] GCF document GCF/B.13/33, paragraph 17.

(b) A member who objects can register a formal concern or objection in the proceedings of the meeting without blocking consensus;

(c) Voting may be called, according to the rules of procedure.

14. In accordance with the fifth review of the Financial Mechanism[9] and as per paragraph 14 of the Governing Instrument for the GCF, the GCF Board was scheduled to develop procedures for adopting decisions in the event that all efforts at reaching consensus have been exhausted. The 12th GCF Board requested the co-chairs of the Board to consult the members with a view to presenting, for consideration by the Board, further options for decision-making in the absence of consensus no later than its 15th meeting.[10]

(c) Availability and accessibility of information

15. The operating entities have provisions for advanced circulation of documents and prescribed periods for commenting on various types of documents, including project proposals (GCF, 2016a, GEF, 2016a). However, in some instances, as some non-governmental organizations (NGOs) have noted, the required procedures may not have been systematically respected: "… public notification for a number of [GCF] projects were out of compliance with the Fund's information disclosure policy, which requires a 120-day notification period for proposals with high social and environmental risk."[11]

16. In addition, as English is the working language of both entities, it limits the accessibility of information to a number of Parties and stakeholders. However, the GEF provides simultaneous translation to French and Spanish and translates some key Council documents, while the GCF also makes provisions for translation upon request during meetings (Tango et al., 2015).

17. To further enhance the availability and accessibility of information, the GCF and the GEF have developed procedures that can be used by stakeholders to request information that is not disclosed. The GEF information disclosure policy also provides for a complaint mechanism,[12] while the GCF is currently creating an Information Appeals Panel. As a first step, both secretariats are able to respond to ad hoc requests for information.

18. The fifth review of the Financial Mechanism concluded that there is room for improvement in disclosure by and accountability of the GEF agencies.

19. In addition, early documentation from the Sixth Comprehensive Evaluation of the GEF (OPS6) also indicates that the GEF could further improve access to specific types of information, such as project-based monitoring and evaluation documents (GEF, 2017d). Since the fifth review, the GEF has also taken further measures to improve accessibility of information, which includes providing enhanced access on the GEF website to all legal agreements concluded between the secretariat, the Trustee and the Agencies,[13] as well as information regarding mechanisms for conflict resolution and accountability by agencies.[14]

20. The GEF has also undertaken steps to further address transparency, accountability and integrity concerns, such as those that were highlighted in the 2014 Transparency International Report and noted in the technical paper supporting the fifth review of the Financial Mechanism (Transparency International, 2014). These include for example the publication of project information for the GEFTF, LDCF and SCCF projects, the development and dissemination of an updated Information Disclosure Policy, as well as providing clearer information on the conflict resolution, grievance and dispute mechanisms put in place by the GEF Agencies (Transparency International, 2017).

21. In 2016, the evaluation of the LDCF undertaken by the GEF Independent Evaluation Office (GEF IEO) concluded that the lack of funding predictability had impacted the overall perception of transparency in the governance of the LDCF. In particular, some stakeholders had stated that "they

[9] SCF/TP/2014/1, paragraph 17.
[10] GCF Board decision B.12/11, paragraph (a).
[11] See http://www.aida-americas.org/sites/default/files/featured_pubs/letter_to_green_climate_fund_board_12-dec-2016.pdf.
[12] GEF document GEF/C.41/INF.3, paragraph 56.
[13] See https://www.thegef.org/agency-mob-financial-procedures-agreement.
[14] See http://www.thegef.org/content/conflict-resolution-commissioner.

would appreciate more clarity regarding the outstanding LDCF balance for their country/the country in which they work. Although the LDCF operates on a first-come first-served basis, there are transparency concerns regarding decisions on which projects would be financed and in what order" (GEF IEO, 2016b). It should be noted, however, that the GEF provides Progress Reports on the LDCF and the SCCF twice a year on resources accessed by country, as well as on resources requested for technically cleared projects and total potential resources available for additional programming given the country-ceiling, for each individual LDC. The latest such report was submitted to the 22nd LDCF and SCCF Council meeting in May 2017.[15]

22. According to the GEF secretariat, with a view to further enhancing the availability, accuracy, quality and timeliness of data on GEF financing, operations and results, the secretariat aims to launch an upgraded information management platform by the beginning of GEF-7 in July 2018.

(d) Ethics, rules of procedure and dispute resolution mechanisms

23. Participation in both governing bodies of the operating entities is guided by ethical considerations, rules and procedures. At its 9th meeting, the GCF Board adopted a policy on ethics and conflicts of interest for the Board that requires covered individuals (Board members, Alternate members and advisors) to disclose all actual or potential conflicts of interest as soon as they arise and to recuse themselves from participating in the proceedings of the panel or group with respect to such matters.[16] GCF secretariat staff also sign such declarations. There are also different and specific requirements for the Executive Director and members of the Independent Integrity Unit as well as bodies established by the Board, such as the independent Technical Advisory Panel, established by GCF Board decision B.07/03 to provide an independent technical assessment of, and advice on, funding proposals.

24. The GEF, at its May 2017 Council meeting, approved a Policy on Ethics and Conflict of Interest for Council Members, Alternates, and Advisers, and also created an ethics committee.[17] The policy also requires covered individuals (Council Member, Alternate Council Member, or Adviser, who are not working for or assigned to the GEF secretariat) "to disclose the existence of any actual, apparent, or potential conflict of interest" annually.[18] The policy foresees a process for addressing, through the Ethics Officer, Ethics committee and Council, cases in which conflicts of interest arise.

25. Another aspect of transparency in decision-making is the extent to which stakeholders have recourse to and may freely make criticisms and complaints, and resolve conflicts. The GCF and the GEF, enforce clear rules related to conflicts of interest and ethics, and set up procedures and mechanisms for considering potential breaches to the rules.[19,20]

26. No independent assessment of the transparency of decision-making at the GCF currently exists. However, the GCF policy instruments exhibit similar characteristics to those of the GEF and other bodies: the existence of a clear information disclosure policy and guidelines, redress and conflict resolution mechanisms, all indicate that the level of transparency at the GCF – if carefully implemented and monitored – will be comparable to those practiced in similar bodies.

2. Engagement of stakeholders in meetings and operations of the operating entities of the Financial Mechanism

27. The intent by the operating entities to install a climate of transparency is visible through the mechanisms in place for ensuring adequate and meaningful stakeholder participation at meetings and in operations. Both operating entities include provisions for observer participation at meetings of the governing bodies from various groups, including civil society, the private sector and international organizations. The engagement of different groups differs at various stages of the operationalization of the funds. The chapter below looks in particular at engagement by CSOs and private sector entities.

15 GEF document GEF/LDCF.SCCF.22/03/Rev.01.
16 GCF document GCF/B.10/13/Rev.01.
17 GEF document GEF/C.52/04, page 3.
18 GEF document GEF/C.52/04, paragraphs 2.7 and 4.1.
19 GCF document GCF/B.10/13/Rev.01.
20 See https://www.thegef.org/content/conflict-resolution-commissioner. See also GEF document GEF/C.52/04.

(a) Engagement of civil society organizations

28. In the GCF, the Board invites four observers to participate to its meetings as active observers: two civil society representatives, one each from a developing and a developed country; and two private sector representatives, one each from a developing and a developed country. Active observers are identified through a self-selection process. Representation is for a term of two years, with a maximum of two consecutive terms.[21] Participation of other observers is limited to an overflow room, and statements from active observers may be made by respective active observer(s), upon invitation of the Chair and if there is no objection. In 2016, the GCF reported that over 368 organizations from all over the world were accredited as observers, including 67 private sector organizations.[22]

29. The CSOs, including indigenous peoples' representatives can attend GEF Council meetings. CSO representatives may make statements on behalf of their constituency during Council debates and discussions; they are invited to do so at the end of each agenda item, and the statements are recorded in the summary of meetings. In addition to the above, the GEF organizes a special session/day dedicated to CSOs before Council and Assembly meetings.[23] The GEF secretariat provides financial and logistical support to the regional meetings of CSOs on the day prior to Expanded Constituency Workshops (ECWs) and a selected number of CSO network members also receive financial support to participate in Council meetings.[24] There is no financial support for CSOs to participate at GCF meetings, and active observers are self-supported. By way of comparison, "the Adaptation Fund NGO Network, which is composed of 10 financially supported NGOs in developing countries and coordinated by a German NGO, currently receives core funding through the German government (…) Besides the financially supported partners, the Adaptation Fund NGO Network has more than 165 associated members."[25] Lack of access to funding has been mentioned by regional NGO FPs as a limiting factor to meaningful engagement in the GEF.[26]

30. Regarding stakeholder participation in the GEF, the fifth review noted that "the transparency of Council meetings could be bolstered by opening them to a larger number of observers."[27] Measures taken to bolster observer participation include the establishment of "an ad-hoc working group of interested Council Members to develop an updated vision of the relationship between the GEF and civil society, and a plan to achieve it."[28] The working group's first report to the GEF Council in May 2017 provides recommendations on ways and means to improve participation of CSOs in the work of the GEF.[29] Further discussion is expected in 2017.

31. At the operational level, the GCF has also been inviting and facilitating the participation of CSOs and NGOs in the Structured Dialogues, which have occurred in Africa, Asia, Eastern Europe, the Caribbean and the Pacific. The stated purpose of the GCF Structured Dialogue is "to develop a roadmap for priorities of the Fund" in each region. Discussions provide opportunities for "GCF stakeholders to increase their understanding of GCF modalities and procedures, to identify priority projects, and to share their experiences in engaging with the Fund across key areas."[30]

32. The GEF secretariat invites CSOs, including indigenous peoples' representatives and other potentially interested stakeholders and members of the public, to GEF workshops, including ECWs, national dialogues and National Portfolio Formulation Exercises (NPFEs). The GEF has encouraged its country focal points (FPs) to hold at least one meeting every year with all interested CSOs.

33. Over the past few years, the GEF-CSO network has professionalized and developed its own strategic vision and planning, as well as internal governing structures and mechanisms. In 2015, the GEF-CSO network was composed of 500 members.[31] An evaluation of the GEF CSO network

[21] GCF document GCF/B.01-12/03.
[22] See http://www.greenclimate.fund/boardroom/the-board/observers/civil-society.
[23] GEF document GEF/C.47/INF.06.
[24] See for example https://www.thegef.org/partners/csos.
[25] See for example: GEF CSO Network, Review of the GEF Public Involvement Policy: www.gefngo.org/view_file.cfm?fileid=939.
[26] Ibid., page 9.
[27] SCF/TP/2014/1, paragraph 15.
[28] GEF document GEF C.52/INF.11, page 4.
[29] GEF document GEF/C.52/INF.12.
[30] See for example http://www.greenclimate.fund/-/gcf-structured-dialogue-with-asia.
[31] See http://www.gefcso.org/index.cfm?&menuid=2&lang=EN (last accessed 16 May 2017).

concluded that it had been influential in shaping GEF policies, particularly the "Policy on Public Involvement in GEF Projects, the GEF Policy on Minimum Standards on ESS, and support to indigenous peoples. The Network's efforts before and at replenishment meetings were also noted as an important contribution of the Network to ensure robust replenishments with strategic orientation" (GEF IEO, 2016a).

34. The "GEF 2020: Strategy for the GEF" presented to the Council in May 2014 indicated that the GEF would seek a stronger engagement with CSOs in the global environment arena.[32] Guidelines on the operationalization of this policy were presented and approved in 2014 and through an ad hoc working group, the GEF is currently considering options for strengthening CSO participation and involvement, including updating the existing policy on public participation, which is expected to be discussed at the November 2017 Council meeting.[33]

35. While the GCF and the GEF require that stakeholder consultation and active participation be extended all the way to the local level during project preparation and implementation, and be documented, there are no harmonized criteria for qualifying or characterizing such engagement and none of the entities have a process to verify information received, beyond the redress mechanisms (Transparency International, 2011).

(b) Engagement of recipient countries

36. A total of 138 countries have selected GCF national designated authorities (NDAs) and FPs. As of May 2017, 75 countries and 101 requests had been approved for support under the Readiness and Preparatory Support Programme, which has received an initial allocation of USD 30 million.[34] The programme disbursed USD 6 million to date. The GCF secretariat has worked to engage with recipient countries through events such as Structured Dialogues by region, Regional Workshops, Direct Access Week for national entities, and the development of Country Programmes for enhanced pipelines.

37. The GEF actively engages with the recipient countries to facilitate communication with the GEF and promote coherence and coordination on the national level by, inter alia, holding ECWs, national dialogues and NPFEs, ECWs aim to provide an opportunity for GEF political and operational FPs, national Convention FPs, including United Nations Framework Convention on Climate Change (UNFCCC) National Focal Points, and other key partners, to discuss and plan GEF programming and strategy at the national and regional level.[35] The GEF notes that many of the FP representatives are also GEF Council members and national climate change decision-makers. In Fiscal Year 2017 (July 2016-June 2017), the GEF secretariat held 12 ECWs that covered 144 countries.

38. Regarding the NPFEs, the fifth review found that their promotion by the GEF during the fifth replenishment of the GEFTF (GEF-5) has helped to improve transparency at the stage of project preparation and recipient countries were encouraged to continue to undertake the NPFEs to facilitate the identification of projects.[36]

(c) Private sector engagement

39. As for the GCF, the Governing Instrument stipulates that "the GCF will have a Private Sector Facility that enables the GCF to directly and indirectly finance private sector mitigation and adaptation activities at the national, regional and international levels."[37] It also states that the Facility will promote the participation of private sector actors in developing countries, in particular local actors, including small and medium-sized enterprises and local financial intermediaries, and that it will support activities to enable private sector involvement in small island developing States (SIDS) and the least developed countries (LDCs).[38] As of 2017, the PSF is fully operational. The priorities

[32] GEF document GEF/C.47/INF.06, paragraph 4.
[33] GEF document GEF/C.52/INF.12.
[34] See GCF readiness results (as of 31 August 2017). Available at http://www.greenclimate.fund/documents/20182/466883/Readiness_Support_State_of_Play.pdf/60519d7a-e334-40d5-a0ab-86f79b60e36d.
[35] FCCC/CP/2017/7.
[36] SCF/TP/2014/1, paragraph 9.
[37] GCF Governing Instrument, paragraph 41.
[38] Ibid., paragraph 43.

for action of the PSF for 2017 include the development of a strategic roadmap, and to assist in the operationalization of private sector programs and projects.[39]

40. The GCF strategic plan lays out an action plan for maximizing engagement with the private sector. One of the operational priorities of the GCF strategic plan is maximizing the impact of the GCF by supporting projects and programmes that catalyse climate finance at the international and national levels, including by maximizing private sector engagement.[40]

41. The Private Sector Advisory Group (PSAG) was created through GCF Board decision B.04/08, to provide advice to the Board on Fund-wide engagement with the private sector and modalities. Membership of the PSAG can include "Up to four private sector representatives from developing countries; (b) Up to four private sector representatives from developed countries; and (c) Up to two civil society representatives from developed and developing countries."[41] During the period 2016–2017 the PSAG provided advice on means to strengthen engagement and to address the barriers to private sector participation in climate finance, including a shortlist of recommendations for the Board's consideration, which is expected to continue during the course of 2017.[42]

42. Private sector plays an important role in the GEF Partnership and its operations, including through dedicated programming, and there are ongoing discussions to increase its involvement in the GEF activities to maximize the scale of GEF projects and impacts. According to the GEF IEO, "In GEF-4 and GEF-5, projects geared towards private sector engagement tended to use set-aside funding and included non-grant instruments (NGI), to address important barriers to private sector engagement. More recently, during GEF-6, the GEF launched a USD 110 million non-grant pilot program to demonstrate and validate the application of non-grant financial instruments to combat global environmental degradation. Furthermore, the GEF awarded 10 non-grant projects covering multiple focal areas, including seven projects that directly deliver climate change mitigation benefits amounting to a total of USD 70.2 million in GEF financing and leveraging almost USD 1.6 billion in co-financing, including USD 1.1 billion from the private sector.

43. The fifth review found that "challenges have been faced when private sector engagement has occurred on an ad hoc basis and has not been integrated at any stage in project design and implementation. The reality of dealing with multiple requirements across GEF Agencies has also erected barriers to effective participation.[43] The GEF Council, as part of its policy recommendations for the sixth replenishment of the GEFTF (GEF-6), adopted an updated policy on the use of NGI at the 47th Council meeting in 2014, along with the creation of a NGPP. The NGPP has implemented a portfolio of 10 projects, using USD 91 million: "The full-size projects covered a full range of modalities, including four equity investments, one private sector loan, one risk guarantee, one reimbursable grant. The medium-size projects use debt-aggregation and blended finance."[44] In addition, the GEF has noted that private sector participation has been sought at Council level and that project reviews were "complemented by an independent appraisal by three internationally recognized senior financial experts who provided comment on each proposal regarding their financial soundness and reasonability."[45]

44. Despite these successes, the recent evaluation undertaken by the GEF IEO on the private sector engagement at the GEF finds that "the GEF is…perceived as having weak outreach to the private sector and the specifics of its work are not well known even among a number of its nominal partners. Its funding mechanisms are generally believed to be inaccessible and bureaucratic.…the GEF still has much room to improve its private sector engagement."[46] However, the evaluation also notes the high levels of performance of the existing projects involving private sector, noting that operational constraints such as the Resource Allocation Framework and subsequently the System for Transparent Allocation of Resources (STAR) allocations, may have limited private sector

[39] GCF document GCF, B.17/INF.01.
[40] FCCC/CP/2016/7/Rev.1.
[41] GCF Board decision GCF.B.05/13, Annex XIX.
[42] GCF document GCF/B.16/INF.04/Add.01.
[43] SCF/TP/2014/1, paragraph 21.
[44] http://www.thegef.org/topics/non-grant-instruments (last accessed 28 June 2017).
[45] GEF document GEF/C.49/INF.12, paragraph 8.
[46] GEF document GEF/ME/C.52/Inf. 04/A.

participation.[47] The evaluation concludes that "The GEF should continue to engage with a wide variety of for-profit entities that vary in their industry focus, size, and approach to environmental issues using a mix of intervention models."[48] The GEF can affect industry and production practices along the supply chain. Where conditions are not ripe for investment, such as in biodiversity conservation, long-term regulatory and policy intervention by the GEF can help prime the pump to catalyse private sector investment.

(d) Engagement by indigenous peoples

45. At the 15th Board meeting, the GCF Board requested the secretariat to prepare for consideration by the Board, at its 17th meeting, a fund-wide Indigenous Peoples Policy" and invited "submissions from the Board, and Alternate members and observer organizations in relation to the development of the GCF Indigenous Peoples Policy."[49] The policy is currently under development. Meanwhile, each REDD-plus[50] /forestry project is assessed on an ad-hoc basis to ensure consultations with stakeholders are carried out and concerns are addressed, including with indigenous peoples' groups. In addition, the GCF has engaged with Indigenous Peoples representative organizations such as Tebtebba Foundation, together with the International Work Group for Indigenous Affairs and the Forest Peoples Programme". The indigenous people groups report that "To date, indigenous peoples have submitted 16 letters and submissions to the GCF from 2015 to February 2017 on issues in relation to the proposed Indigenous Peoples Policy, safeguards, participation, free, prior and informed consent, grievance and redress mechanism, and access of indigenous peoples, among others" (Tebtebba Foundation, 2017).

46. The fifth review acknowledged the work of the GEF in implementing the principles and guidelines for engagement with indigenous peoples and that it has been appreciated by GEF participants to the replenishment process.[51]

47. GEF engagement with indigenous peoples has been governed by a set of principles and guidelines for engagement with indigenous peoples, as well as the Policy on Agency Minimum Standards on ESS and the Policy on Public participation in projects (GEF, 2012). This engagement is also guided by the Indigenous Peoples Advisory Group whose purpose is "to enhance coordination between the GEF and Indigenous Peoples."[52] An independent evaluation of the GEF's engagement with indigenous peoples is currently being conducted by the GEF IEO, which is expected to conclude in December 2017.

3. Gender-sensitive approaches

(a) Gender policies of the operating entities

48. At the policy level, the operating entities have each developed and continue to refine comprehensive gender integration policies, including time-bound gender action plans, and gender-related performance indicators. At the operational level, individual projects and programmes are also required to document their integration of gender issues.

49. The GCF Gender Policy and Action Plan was adopted in 2015 by GCF Board decision B.09/11, with the objective to fully mainstream gender considerations throughout the Fund's administrative and operational processes: it applies to all the Fund's activities, irrespective of the implementing entity, and across the Fund's full project/activity cycle. The policy supports the call in the Fund's Governing Instrument for gender parity in the makeup of the GCF Board and the staff of the GCF secretariat. In addition, the Fund's accreditation process requires that entities seeking accreditation demonstrate that they have policies, procedures and competencies in place in order to

[47] GEF document GEF/ME/C.52/INF.04/A, paragraph 26.

[48] Ibid., paragraph 24.

[49] GCF Board Decision B.15/01.

[50] In decision 1/CP.16, paragraph 70, the COP encouraged developing country Parties to contribute to mitigation actions in the forest sector by undertaking the following activities: reducing emissions from deforestation; reducing emissions from forest degradation; conservation of forest carbon stocks; sustainable management of forests; and enhancement of forest carbon stocks.

[51] SCF/TP/2014/1, paragraph 22.

[52] https://www.thegef.org/content/indigenous-peoples-advisory-group.

implement the Gender Policy and Action Plan. If needed, NDAs/FPs and entities can request readiness and preparatory support from the GCF in order to implement the Gender Policy.[53]

50. As of 8 September 2017, 84% of all the funding proposals approved by the GCF contained an initial gender assessment and 67% contained a project-level gender and social inclusion action plan, which is a design tool rather than a mandatory requirement.[54] The GCF secretariat is expected to present a review of, and update to, the Gender Policy at the Board's 18th meeting in November 2017.[55] UN Women and GCF have prepared a Mainstreaming Gender in GCF Projects training manual (forthcoming) with tools and methods to promote gender equality in the development of GCF projects and programmes.[56]

51. The GEF's Policy on Gender Mainstreaming was approved in 2011. In 2014, the GEF Council approved the Gender Equality Action Plan (GEAP) to support the implementation of the Policy on Gender Mainstreaming. The GEF secretariat subsequently established the GEF Gender Partnership (GGP) in 2015 to serve as an ongoing platform for consultation and space to exchange information, share lessons learned and collaborate on other GEAP work products and events. The GGP is now formally operational with active participation of gender FPs from each GEF Agency, secretariats of the conventions, and representatives of the GEF Network of CSOs, the GEF Indigenous Peoples Advisory Group and other key partners.[57] The establishment of the GGP has been identified as one of the "most significant achievements of the GEAP" and it has been recommended as "the stakeholder engagement vehicle for revisions to the gender policy" (GEF, 2017b).

52. The evaluation of Gender Mainstreaming undertaken in the framework of the most recent GEF OPS6 found that the proportion of projects with a gender mainstreaming strategy reached over 98 per cent, compared with 58 per cent under the OPS5, prior to the adoption of the Gender Strategy in 2011 (GEF, 2017b).[58] The 2016 evaluation of the LDCF also found that, for GEF-6 projects only, "over 90 percent of the projects either include or give a strong indication that a gender mainstreaming strategy or plan is being or will be developed" (GEF, 2016b).

53. The evaluation also found that "Just under a third (31.3 percent) of all LDCF projects" and "10.9 per cent of GEF-6 LDCF projects included a gender-responsive results framework, however, this score also reflects that results frameworks have not been fully developed for projects early on in their development" (GEF, 2016b). As regards the SCCF, the evaluation of the SCCF undertaken by the GEF IEO in 2017 found that only 12.5% of SCCF projects approved during GEF-6 did not have a gender mainstreaming plan, compared with 29.3 percent during GEF-5 and 85% during GEF-4, noting that the main driver for this change appears to be the adoption of the Gender policy and Gender action plan. Over 87% of SCCF projects approved under GEF-6 had a gender-sensitive results framework" (GEF 2016c).

54. The IEO's 2017 evaluation of gender mainstreaming at the GEF concludes that "while the GEF Policy on Gender Mainstreaming has increased attention to, and performance of, gender in GEF operations, it does not provide a clear framework and remains unclear on certain provisions and implementation. The inclusion of gender-disaggregated and gender-specific indicators in project results frameworks is highly variable across GEF projects, as is the collection and use of gender-related data to measure gender equality-related progress and results during monitoring, in mid-term reviews and terminal evaluations" (GEF IEO, 2017b) The GEF secretariat is expected to present an updated Policy on Gender Mainstreaming, together with operational guidelines, to the GEF Council at its 53rd meeting in November 2017, taking into account the results of evaluations and lessons learned in implementation.[59]

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53 GCF document GCF/B.08/19, paragraph 19.

54 GCF document GCF/B.16/04, paragraphs 26–27.

55 GCF Call for Input DCP/20-04-2017: http://www.greenclimate.fund/documents/20182/24913/DCP_20-04-2017_-_Review_and_update_of_the_GCF_Gender_Policy_and_Action_Plan.pdf/56a2133f-bd9f-4b17-9577-22c2283c8c4a.

56 See http://www.greenclimate.fund/how-we-work/mainstreaming-gender/gender-action-in-practice (last accessed 21 August 2017).

57 See https://www.thegef.org/topics/gender.

58 Medium and full sized projects that include gender consideration in project documentation.

59 GEF document GEF/C.52/INF.09.

(b) Consistency of the gender policy between the operating entities and other funds

55. The GCF and GEF secretariats are closely collaborating on the development of their respective gender policy and action plans. The GEF gender FPs have discussed and shared the GEF gender experiences and policy foundation in workshops organized by the GCF. The workshop held in May 2015 at the GEF premises with the engagement of the AF to discuss gender-responsive indicators for the GCF provided an opportunity to share the GEF's gender core indicators. This also builds on the close collaboration between the GEF and the Climate Investment Funds (CIF).[60]

56. Support for implementation of the respective gender policies and action plans differs with regard to some aspects. In particular, the GCF offers targeted financing for readiness and preparatory support for implementation of the gender policy by national designated entities/FPs and entities, whereas a comparable funding support programme is not currently available under the GEF.[61] However, the GEF is collaborating with the GEF Small Grants Programme and the GGP to develop a free open- access online course and webinar series on gender equality and environment, including a dedicated module on climate change, which is expected to assist in developing the capacity of, among others, country FPs of multilateral environmental agreements and GEF country-level stakeholders, staff and agency project managers.[62]

57. More information on how the operating entities are collaborating for coherence and complementarity is elaborated further in this paper in chapter G.2 "Consistency and complementarity between the operating entities."

4. Environmental and social safeguards

58. Table 3 provides a brief comparison of issues covered in the ESS policies of the GCF and the GEF.

Table 3
Summary of environmental and social safeguards policies for the Global Environment Facility and the Green Climate Fund[63]

Green Climate Fund	*Global Environment Facility*
Performance Standard (PS)1: Assessment and Management of Environmental and Social Risks and Impacts	Minimum Standard 1: Environmental and Social Impact Assessment
PS2: Labour and Working Conditions	Minimum Standard 2: Protection of Natural Habitats
PS3: Resource efficiency and Pollution Prevention	Minimum Standard 3: Involuntary Resettlement
PS4: Community Health, Safety, and Security	Minimum Standard 4: Indigenous Peoples
PS5: Land Acquisition and Involuntary Resettlement	Minimum Standard 5: Pest Management
PS6: Biodiversity Conservation and Sustainable Management of Living Natural Resources	Minimum Standard 6: Physical Cultural Resources
PS7: Indigenous Peoples	Minimum Standard 7: Safety of Dams
PS8: Cultural Heritage	Minimum Standard 8: Accountability and Grievance Systems
A fit-for-purpose approach, which requires accredited entities to explain why they believe that certain standards may not be applicable	No exceptions allowed to Minimum Standards 1, 2 and 8

Source: World Resources Institute 2017. The Future of the Funds: Exploring the Architecture of Multilateral Climate Finance.

[60] FCCC/CP/2015/4, page 19.
[61] GCF document GCF/B.08/19, paragraph 19.
[62] GEF document GEF/C.52/INF.09.
[63] An expanded version of this table is contained in chapter G.

59. The GCF adopted, on an interim basis until 2017, the International Finance Corporation (IFC) Performance Standards. Furthermore, in order to uphold the safeguard for REDD-plus activities stipulated in the Cancun Agreement,[64] the GCF Board is planning to discuss at its 18th meeting about incorporating the Cancun safeguards into its environmental and social safeguard framework and strengthening application of the Cancun safeguard in its project approval process.

60. As noted in the fifth review, the GEF takes a system-approach to the application of ESS, meaning that implementing agencies are required to demonstrate that they are able to meet the required standards. The GEF IEO found, in 2016, that the adoption of minimum standards in 2011 helped to catalyse efforts among GEF agencies to strengthen their own safeguards policies. However, the evaluation notes that "the GEF minimum safeguards exhibit some coverage gaps and would benefit from an update." In addition, the evaluation notes that while the GEF secretariat is informed ex ante about potential project-level environmental and social risks and impacts, it has not developed guidance regarding reporting on safeguard-related issues during project implementation (GEF, 2017f). In response to this finding, in October 2016, the Council adopted a Policy on Monitoring Agencies' Compliance with GEF safeguards, fiduciary standards and gender policies. This policy sets out rules for periodical self-assessment and reporting by Agencies combined with a risk-based review by the secretariat, albeit it does not however address the need for project-level monitoring and reporting. It is expected that this will be addressed in the review and update of the GEF's minimum safeguards and standards, which was launched by the GEF Council at its May 2017 meeting. Initial discussions on the policy review are set to begin at the November 2017 Council meeting.[65]

61. In terms of application of the standards at the GEF, the OPS6 also finds that there is scope for enhanced monitoring and reporting of safeguards. "Even with the adoption of the GEF Minimum Standards, a general assumption exists that, given the GEF's focus on securing global environmental benefits, relatively few or minor environmental and social risks arise in GEF-supported projects and programs. However, a preliminary review of 198 projects in the GEF-6 portfolio does not necessarily support this assumption. Of the 105 categorized projects, 3 percent were rated high risk, 56 percent were rated moderate risk, and 41 percent were rated low risk" (GEF, 2017f). The evaluation also notes that there is no portfolio-level tracking of ESS risks. At its June 2016 meeting, the GEF Council agreed "on the need for periodic self- and third party-assessment of Agencies' on-going compliance with GEF Policies on ESS, Gender, and Fiduciary Standards",[66] and in October 2016, Council approved a Policy on Monitoring Agencies' Compliance.

62. As for the GCF, a similar issue is also raised in the context of an independent evaluation of the IFC Performance Standards, which highlighted some implementation deficits, particularly in the case where project execution involves multiple financial intermediaries who are not themselves officially accredited, or whose capacity to implement the standards is not well established. This has led some CSOs to call for the development and application of safeguards for the GCF based on a "do-no-harm" approach rather than a risk mitigation approach (Smith B et al., 2014).

5. Fiduciary standards

63. The challenges identified for the environmental and social safeguard are also relevant to the development and application of fiduciary standards in each of the bodies concerned. One study found that "the fact that the funds have different standards and safeguards can cause challenges and inefficiencies for institutions that access money from more than one fund, as they must understand and meet different requirements" (WRI, 2017).

[64] Decision 1/CP.16 and appendix I.
[65] GEF, Joint Summary of the Chairs (C.52), page 8.
[66] GEF document GEF/C.51/08/Rev.01, page 1 and GEF, Joint Summary of the Chairs (C.51), page 5.

Table 4
Fiduciary and safeguard policies and monitoring systems

Fund	*Fiduciary and safeguard policies*	*Monitoring systems*
Global Environment Facility (and Least Developed Countries Fund/Special Climate Change Fund)	GEF Environmental and Social Policy GEF Fiduciary Standards Gender Mainstreaming Policy Indigenous Peoples Policy (separate from the Environmental and Social Policy)	Annual reporting by agencies Agency-led midterm review for full-size projects Agency-led terminal evaluation of projects/programs, which must have independent review Independent Evaluation Office plays a central role in evaluations from more than one GEF agency
Adaptation Fund	AF environmental and Social Policy AF Fiduciary Standards Gender Policy and Action Plan	Annual performance reporting. Regular projects subject to midterm and terminal evaluations. Terminal evaluations must be conducted by an independent investigator of entity's choosing. Small-scale project evaluation will be as deemed necessary.
Climate Investment Funds	Applies fiduciary standards and safeguards policies of each multilateral development bank (MDB) partner Gender Action Plan	Applies each MDB's system for monitoring fiduciary standards and safeguards. Typically involves reporting at each stage of the project cycle.
Green Climate Fund	GCF Fiduciary Standards and Interim Safeguards (applies the International Finance Corporation's Performance Standards) Gender Policy and Action Plan Mandate to develop an Indigenous Peoples policy	Accreditation: Annual self-reporting on systems compliance with standards and safeguards. Secretariat conducts midterm review and any ad hoc compliance reviews. Activities: Quarterly financial, semi-annual progress reports, and midterm and final evaluations. Participatory monitoring encouraged. Spot checks: GCF can conduct spot checks using a risk-based system.

Source: World Resources Institute 2017. The Future of the Funds: Exploring the Architecture of Multilateral Climate Finance, page 56.

64. Table 4 illustrates the differences among the operating entities' standards, which are not excessively wide. For example, the Recommended Minimum Fiduciary Standards for GEF Implementing and Executing Agencies include "external and internal audit, financial management and controls, financial disclosure, codes of ethics, investigation, and hotline and whistle-blower protection. Requirements for monitoring and evaluation are covered under GEF Monitoring and Evaluation Policy. Project appraisal standards, procurement processes and project-at-risk systems may vary to some degree, depending on the type of programs and activities, in terms of the appropriate criteria and objectives used. However, the core principles are consistent across different types of operations and activities."[67]

65. The GCF fiduciary standards are due to come under consideration in 2017. For the interim period, the initial fiduciary principles and standards "distinguish between basic and specialized fiduciary criteria," [68] including key administrative and financial capacity, transparency and accountability policies and procedures, and specialized standards related to project management, grant award and funding allocation mechanisms, as well as standards used for on-lending or blended financial instruments. Like the accreditation process and ESS, the GCF adopts a fit-for-purpose approach to the application of fiduciary standards.

66. There is an increasing push towards the standardization of the basic fiduciary standards to which countries and implementing entities must respond. It is expected that further coordination in

[67] GEF document GA/PL/02.
[68] SCF/TP/2014/1, paragraph 42.

the various readiness support programmes would also help to further harmonize these, and assist countries and those seeking direct access, in meeting the requirements across the various funds. At the 17th meeting of the Board of the GCF, the Board adopted the Operational Framework for complementarity and coherence which envisions under “Pillar II: Enhanced complementarity at the activity level” to exchange experiences and identify possible steps to streamline the implementation of, among others, ESS, fiduciary standards, monitoring and evaluation approaches.

67. As with the application of ESS, however, monitoring and control are becoming increasingly important, if not problematic issues for the operating entities. First, the operating entities are encouraged to move towards programmatic approaches – and this is particularly relevant to the seventh replenishment of the GEFTF (GEF-7) – yet “programmatic funding can make it harder for the fund and stakeholders to assess actual project impacts, in part because specific activities may not be known when a proposal is brought forward” (WRI, 2017). For the GEF, checks and balances may be maintained through CEO approvals and Council reviews of programs; though for the GCF, this could also render the “fit-for-purpose” approach more difficult to manage, in addition to the necessity to track the fiduciary capacity of multiple implementing partners within a single programme.

B. Responsiveness of the operating entities of the Financial Mechanism to guidance from the Conference of the Parties

68. Article 11, paragraph 1 of the Convention states that the Financial Mechanism shall function under the guidance of and be accountable to the COP, which shall decide on its policies, programme priorities and eligibility criteria related to the Convention. The COP provides guidance to the Financial Mechanism through its operating entities. This chapter examines the responsiveness of the operating entities to COP guidance and efficiency and performance of the cycle for project/programme approval procedures.

1. Level of responsiveness of the operating entities of the Financial Mechanism to guidance from the Conference of the Parties

69. The COP provides guidance to the operating entities, based on their annual reports to the COP in which each operating entity reports on its progress. Consistent with the memorandum of understanding between the COP and the Council of the GEF, and in the arrangements between the COP and the GCF, both the GCF and the GEF include in their annual reports to the COP information on how they have responded to COP guidance.

70. The SCF, as part of its mandate to assist the COP in exercising its functions with respect to the Financial Mechanism, prepares and recommends to the COP draft guidance to the operating entities. In doing so, they seek to improve the coherence and practicality of such guidance. At COP 21 and 22, the COP noted the work of the SCF on this and the draft guidance prepared by the SCF,[69] and Parties agreed to use them as a basis for negotiations.

71. In preparing draft guidance to the operating entities, the SCF takes into account submissions from Parties and the annual reports of the operating entities. Furthermore, the SCF invites the Adaptation Committee (AC) and the Technology Executive Committee (TEC) to provide inputs to the draft guidance to the operating entities. Furthermore, the secretariats of the GCF and the GEF participate as observers in the meetings and interact with the SCF members to provide clarifications and information as needed.

(a) Responsiveness of the operating entities to guidance from the Conference of the Parties

72. The fifth review of the Financial Mechanism, based on findings from OPS5, had noted[70] a number of features of COP guidance that made it difficult to operationalize. These included:

(a) Cumulative and repetitive nature of the guidance;

(b) Ambiguities in the language of the guidance;

[69] See decisions 7/CP.21, 8/CP.21, 10/CP.22 and 11/CP.22.

[70] SCF/TP/2014/1, paragraph 52.

(c) Challenges in prioritization;

(d) Timing of the guidance in relation to the policy and project cycle of the operating entities;

(e) Lack of coordination with the operating entities about forthcoming guidance.

73. Furthermore, the technical paper prepared for the fifth review also noted that the GEF secretariat pointed to the fact that guidance was often formulated with little discussion with the GEF about its feasibility and or ease of implementation.[71] While these findings mostly applied to the GEF at the time, since the GCF became operational, the GCF Board also had similar challenges to implement the COP guidance for the same reasons.

74. Since the last review of the Financial Mechanism, the SCF has undertaken the following activities to enhance the consistency and practicality of guidance provided to the operating entities, and to reduce redundancies, incoherence and inconsistencies within the guidance provided to the operating entities:

(a) Compilation and analysis of previous guidance provided to the operating entities of the Financial Mechanism;

(b) Discussions on identification of a set of draft core guidance to serve as a basis for the provision of future guidance;

(c) Increased collaboration between the SCF and other constituted bodies of the Convention, in the development of draft guidance to the operating entities.

75. Also, the GCF and GEF secretariats regularly attend the meetings of the SCF, as well as the meetings of the TEC and the AC to provide inputs to the work of these bodies. Staff from both operating entities secretariats also attend meetings of the Least Developed Expert Group, Climate Technology Centre and Network (CTCN), AF, and CIF. Furthermore, participation as observers by the secretariats of the operating entities in the COP negotiations on the guidance to the operating entities has helped in obtaining factual clarifications and information on the ongoing activities of the operating entities and in checking the feasibility of the guidance.

(b) Analysis of past guidance provided to the operating entities

76. The compilation and analysis prepared by the SCF has been done with a view to enhancing consistency and practicality of new guidance, tracking progress, avoiding duplication and possibly extracting core guidance. The SCF has invited other constituted bodies to consult the database in order to avoid repetitive or contradictory guidance. The SCF also collaborates with the secretariats of the operating entities in building this database, which continues to be improved.

77. Also, the GEF publishes annually a report compiling how it has responded to guidance from each session of the COP.[72] In addition to these annual reports to COP, the GEF published a compilation of all guidance and responses to it entitled “Guidance from the Conference of the Parties and responses by the Global Environment Facility COP1 – COP 21” in which it notes that a total of 285 paragraphs contained in 85 COP decisions from COP 1 to COP 21 contained guidance to the GEF (GEF, 2016b).

(i) Guidance to the GCF

78. The GCF has been receiving guidance from the COP for a shorter amount of time than the GEF, since it’s launching at COP 17 in 2011 to COP 22 in 2016 at time of writing. However, during this 6-year period, the GCF received 236 elements of guidance from the COP, which amounts to approximately 60 per cent of the number of requests that the GEF has received from the COP over a 22-year period.[73]

79. The GCF, in its latest report to the COP, highlights how it has responded to the latest guidance. This includes continued progress on financing for forests, including REDD-plus, private sector

[71] SCF/TP/2014/1, paragraph 53.

[72] See for example FCCC/CP/2016/6 and FCCC/CP/2017/7.

[73] According to the C&A, as at July 2017, the GCF received 236 guidance from the COP since its inception and the GEF received 410.

engagement and alternative approaches, which the Board is continuing to consider. The Board is also continuing its work to enhance access from direct access entities (DAEs) and national implementing entities, but at its 16th meeting it recognized these were in smaller numbers than expected.

80. Finally, in terms of delivery of resources, COP guidance urged the GCF to accelerate the pace, simplify procedures and increase effectiveness. A number of initiatives are under way to achieve optimal resource delivery, including work on a simplified approval process, increased funding for readiness, and the signing of legal agreements allowing for fund disbursements. As at 12 June 2017, accreditation master agreements (AMAs) had been signed with 25 of the 48 entities accredited to the GCF. Out of the 43 projects and programmes approved, Funded Activity Agreements for 18 projects had been signed, corresponding to USD 478 million of GCF funding allocated to these projects and programmes.[74]

(ii) Guidance to the GEF

81. In general, OPS6 has found that the GEF-6 Climate Change Focal Area Strategy continued to be highly responsive to COP guidance, but that the COP guidance on climate change mitigation (CCM) programming issues relevant for the GEF-6 Strategy continues to be comparatively sparse. The GEF has also been responsive to guidance issued after the finalization of the GEF-6 Strategy. For example, the GEF established and operationalized the CBIT as a direct result of guidance received at COP 21.[75]

82. The evaluation of the SCCF, undertaken over the course of 2016–2017 by the GEF IEO reviewed the alignment between the projects supported by the SCCF (74 in total) and COP guidance. The evaluation distilled 8 guidance areas of relevance to the SCCF, as follows:

(a) SCCF-A: Adaptation activities in one or more of the 7 topics: (1) water resource management, (2) land management, (3) agriculture, (4) health, (5) infrastructure development, (6) fragile ecosystems and (7) integrated coastal zone management;

(b) SCCF-A: Build disaster risk management capacity in areas prone to extreme weather events;

(c) SCCF-A: Support of the national adaptation plan (NAP) process in non-LDCs;

(d) SCCF-B: Implementation of the results of technology needs assessments (TNA);

(e) SCCF-B: Technology information to support technology transfer;

(f) SCCF-B: Capacity-building for technology transfer;

(g) SCCF-B: Support of enabling environment for technology transfer.

83. As illustrated in Figures 1 and 2, the evaluation found that adaptation-related projects reflected the guidance to the SCCF in terms of being consistent with overall programming themes, but very few responded to other, more specific guidance. However, the GEF IEO reports that there was a stronger level of coherence between SCCF-B outcome areas and related COP guidance and decisions, especially for the outcome areas on technology information, capacity-building and support of enabling environments for technology transfer.

[74] FCCC/CP/2017/5, paragraph 37.

[75] See for example http://www.thegef.org/topics/capacity-building-initiative-transparency-cbit.

Figure 1
Special Climate Change Fund (A) project's alignment to guidance from the Conference of the Parties

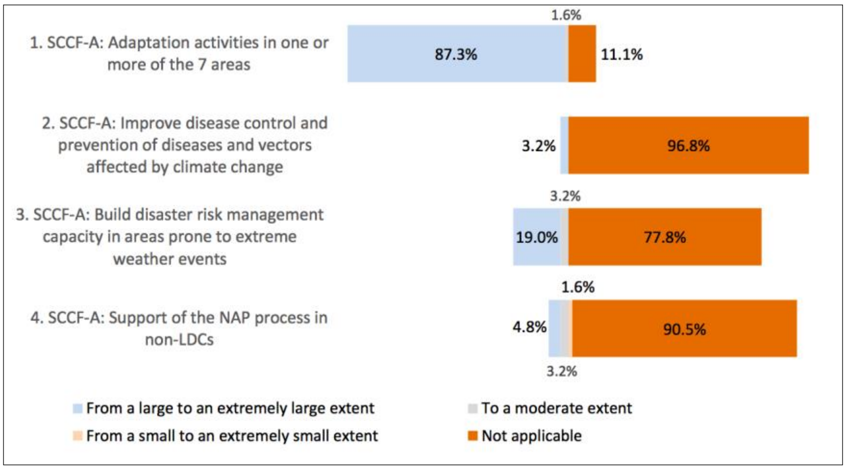
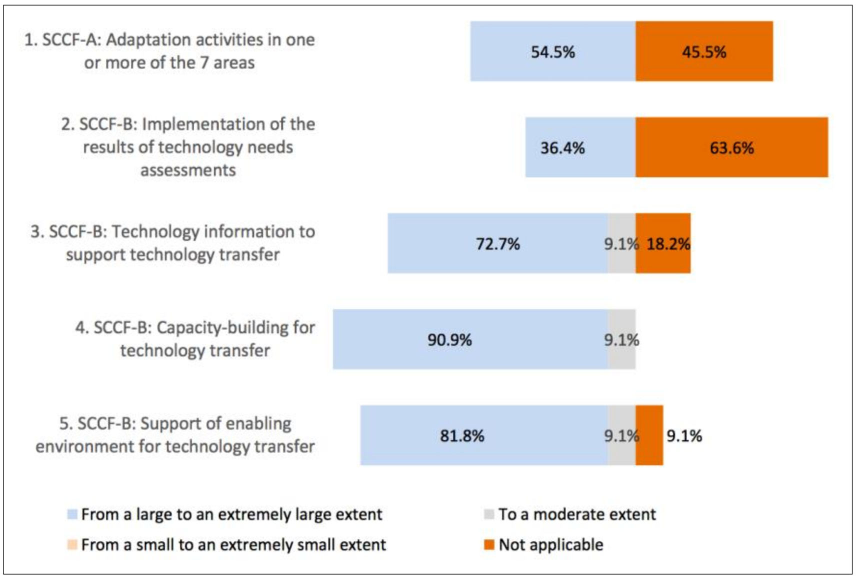


Figure 2
Special Climate Change Fund (B) project's alignment to guidance from the Conference of the Parties



84. A similar evaluation was conducted for the LDCF. The GEF IEO systematically reviewed the degree of alignment between national adaptation programmes of action (NAPA) country reports prepared with LDCF support, subsequent NAPA implementation projects financed by the LDCF and relevant COP guidance and decisions. The evaluation found that both the NAPA documents and the NAPA implementation projects supported through the LDCF were highly consistent with most of the elements of guidance provided by the COP. In terms of the NAPA implementation projects, "86.2 percent were aligned from a large to an extremely large extent with six of the seven elements of guidance. The lowest degree of alignment (79.6 percent aligned from a large to an extremely large extent) related to UNFCCC guidance calling for projects to be "cost-effective and complementary to other funding sources."[76]

[76] GEF document GEF/LDCF.SCCF.20/ME/02, paragraph 47.

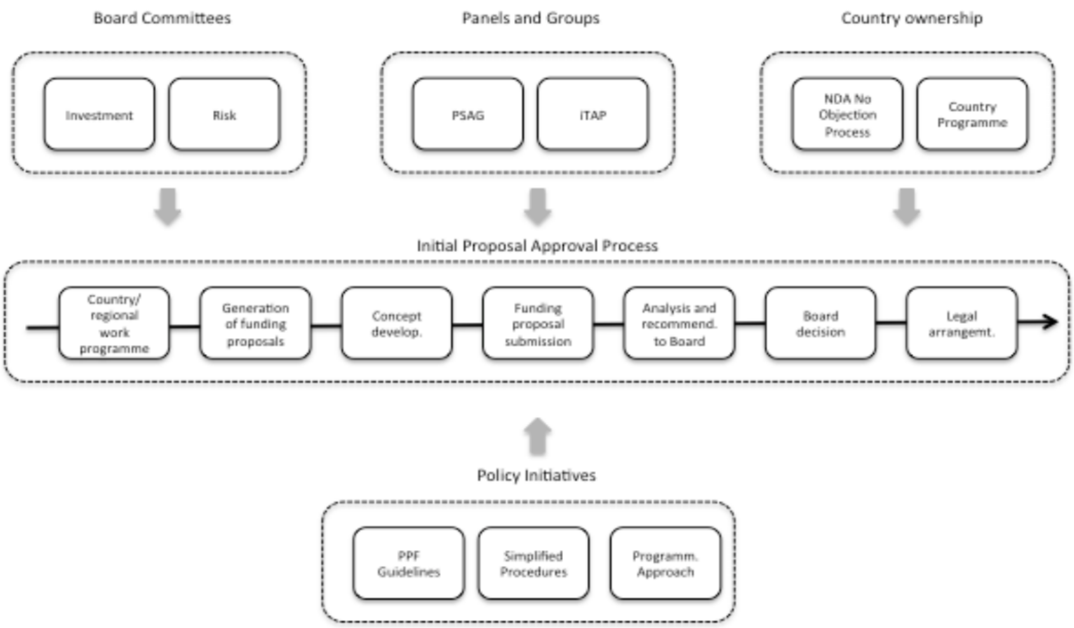
2. Efficiency and performance of the cycle for project/programme approval procedures of the operating entities of the Financial Mechanism

(a) The project and programme cycle of the Green Climate Fund

85. Since the inception of the GCF, the COP has been providing guidance to the GCF relating to establishing policies and programmes of the Fund, much of which can be associated with the operationalization of the GCF. Concurrently, and more recently since the GCF Board started to approve project proposals, the COP has also been providing guidance relating to enhancing the delivery of resources and project approval. Such guidance includes requests for a simplified process for approval of project proposals [77] and addressing any measures that are delaying the implementation of projects.[78]

86. The GCF project cycle was originally approved by GCF Board decision B.07/03 and was reviewed at the 12th Board meeting. Further work on the issues identified in the review has occurred, will be presented for consideration at B.17. The Figure 3 below provides details on the various stages between preparation and implementation. There is, however, no standard timeline, as the pipeline is gradually being built up, and the secretariat staff is reaching its full complement.

Figure 3
Initial project approval cycle at the Green Climate Fund



87. As of May 2017, 58 public- and private-sector funding proposals, which request a total GCF funding of USD 3.4 billion to support projects and programmes totalling USD 13.2 billion, when taking co-financing into account. Of the 58 funding proposals in the pipeline, 43 are public-sector proposals requesting GCF funding of USD 2.3 billion, and 15 are private-sector proposals requesting GCF funding of USD 1.1 billion. Since the 16th meeting of the Board (B.16), 18 new funding proposals were submitted to the secretariat, of which 9 were developed from concept notes.[79]

88. A number of recommendations were made at the 15th Board meeting on the streamlining of the project approval cycle, which were still under discussion at the time of writing.[80] Recommendations included items such as:

(a) Creating a fit for purpose approval process (Simplified Approval Process);

(b) Simplifying templates and documentary requirements;

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[77] Decision 7/CP.21, paragraph 14.
[78] Decision 10/CP.22, paragraph 10.
[79] GCF document GCF/B.17/09.
[80] GCF document GCF/B.15/10.

(c) Limiting or better defining the scope of secretariat reviews;

(d) Delegating approvals of project preparation facilities (PPFs) to the secretariat;

(e) Establishing an intersessional decision process on funding proposals;

(f) Developing business standards, including timelines for the various stages of the submission process;

(g) Defining further decision-making options, such as deferral of consideration of proposals in the absence of consensus.

89. In terms of timelines and efficiency of the project cycle, no systematic assessment has been made; however, a study found that it took on average 3 months for the 'greenlighting' of a concept note, 7 months to develop a full project proposal and 3 months for secretariat and independent Technical Advisory Panel review[81] – bringing the total project cycle to anywhere between 13 and 15 months (Fayolle, 2017). It could be expected that the project cycle would be further streamlined once PPFs are approved. At time of writing, the Board had approved 2 PPFs and one was under implementation. Out of the five requests for PPF support submitted by DAEs, one was under implementation, and others were undergoing the process of due diligence by the secretariat. In total, in May 2017, there were 18 PPF requests submitted to the GCF.

90. In terms of approvals for readiness funding, as at March 2017, the GCF had engaged with 105 countries on 165 readiness requests, bringing the total of committed funds to USD 38.4 million.[82] 72 of the 105 countries are SIDS, LDCs or African States, which make up 69 per cent of the total portfolio. Of the approved readiness requests, 55 per cent have entered the implementation stage and this ratio is projected to increase to around 70 per cent by the end of the third quarter of 2017. The secretariat is also working with countries to advance their requests for support to adaptation planning processes, including NAPs. As at May 2017, 2 NAP projects had been approved with an additional 15 proposal submitted.[83]

91. The GCF is continuing its work on simplified processes for approval of proposals of certain activities, in particular small-scale activities.[84] For example, in response to GCF Board decision B.13/09, paragraph (h), the GCF secretariat revised the Readiness and Preparatory Support Programme proposal template to incorporate the support that can be extended to countries for developing their NAPs and/or other adaptation planning process. This was released in June 2017, along with an updated guidebook to assist countries in submitting quality proposals. However, a number of key policy decisions are still pending that will have an impact on the overall project cycle, including decisions on the policy guidelines for a programmatic approach.

92. The GCF is also undertaking measures to facilitate a simplified process for approval of projects and programmes. The GCF reported to the COP that its strategic plan "outlines the intention of the GCF to enhance predictability through a more transparent planning of its resources; to signal more clearly the kinds of projects and programmes it is seeking to finance; to simplify its processes and templates, particularly for microscale activities in LDCs and SIDS; and to revise and simplify, as appropriate, the proposal approval process and procedures."[85]

93. Finally, it should be noted that while projects have been approved by the Board, implementation cannot become effective until AMAs are signed and funded activity agreements are ratified. In addition, projects that were approved with conditions still have to meet said conditions before they can become effective. As of 31 July 2017, USD 45.75 million has been disbursed for 8 approved projects.[86]

[81] This was reported based on a survey of early project submissions, conducted by Eco Ltd (June 2016) with national designated authorities, accredited entities, implementing entities, project developers and other key stakeholders.
[82] GCF document GCF/B.17/INF.06.
[83] Ibid.
[84] GCF document GCF/B.15/25.
[85] FCCC/CP/2016/7/Rev.1, page 10.
[86] GCF document GCF/B.17/09.

(b) The project and programme cycle of the Global Environment Facility

94. The GEF project cycle is a series of steps through which a project must go in order to access funding from the GEF and achieve its objectives. The COP has hitherto provided guidance to the GEF on its project cycle. Such guidance ranges from requests to streamline the project cycle and make it more simple, transparent and efficient, to invitations to the GEF to coordinate its project cycle with the ones of its implementing agencies to facilitate expedited approval and implementation of projects in recipient countries.

95. The fifth review also pointed out that "[the GEF] procedures that guide project identification and approval by agencies as well as implementation of projects should also be simplified to promote greater transparency and understanding at the country level."[87] Related to this, the COP, by decision 8/CP.20, paragraph 12, requested the GEF to continue to work with its implementing agencies to further simplify its procedures and improve the effectiveness and efficiency of the process through which Parties not included in Annex I to the Convention receive funding to meet their obligations under Article 12, paragraph 1, of the Convention. Since then, the GEF reported to the COP that it "is exploring ways to further simplify the procedures and improve the effectiveness and efficiency of the process through which Parties not included in Annex I to the Convention receive funding to meet their obligations under Article 12, paragraph 1, of the Convention."[88] .

96. Since 2014, the GEF has launched many initiatives to improve its efficiency in terms of approving projects. An 18-month cancellation policy for project preparation was approved in 2011 (reduced from 22 months). In 2014, only about one third of projects submitted for CEO endorsement under GEF-5 met the 18-month time standard for preparation;[89] however, OPS6 found that progress had been made in this regard. As of 2017, according to the GEF, "of the 50 full-sized projects (FSPs) approved by the Council in fiscal year 2015, excluding programme child projects, only 25 projects (50 %) had received CEO Endorsement within 18 months from Council Approval."[90] According to the GEF secretariat, CEO endorsements in the first half of 2017 were fully compliant with the 18-month standard.

97. It was also noted that the consolidation of the project cycle into one document in 2016 has been appreciated and has provided added clarity and guidance on procedures and timelines. This was recently supplemented by the guidelines on the project and programme cycle policy,[91] which provide additional detail on the management of the GEF pipeline and are expected to help to further streamline the approval process. The guidelines notably provide additional information on topics such as: operational FP letters of endorsement, eligible items for project preparation grants, procedures in addressing Council and other stakeholders' comments, thresholds and procedures for enabling activities including umbrella projects, programme submission and resubmission procedures, project management cost, agency's implementation versus execution functions, use of agency fees, monitoring and evaluation components and budget, procedures for NGI projects, projects and programmes reporting requirements, Scientific and Technical Advisory Panel reviews of FSPs, and project/programme terminal evaluation.[92]

98. The strengthening of the cancellation policy has also created incentives for projects to be prepared expeditiously. At its 48th meeting, in June 2015, the GEF Council approved additional measures to improve the project cycle by expediting the preparation of the stock of delayed projects. In particular, the Council approved a one-time cancellation by 30 June 2016 of overdue (i) FSPs whose project identification forms were approved prior to the October 2014 Council meeting; and (ii) medium-sized projects (MSPs) whose project identification forms (PIFs) were approved prior to the June 2015 Council meeting. In addition, the Council approved an amendment to the Project Cancellation Policy previously approved in the October 2014 Council meeting to include provisions for the cancellation of overdue MSPs that are approved after the June 2015 Council meeting, as set out in annex II to that decision.[93]

87 SCF/TP/2014/1, paragraph 14.
88 FCCC/CP/2015/4, page 18.
89 GEF document GEF/C.47/07/Rev.1.
90 GEF document GEF/R/02, paragraph 46.
91 GEF document GEF/C.52/INF.06/Rev.01.
92 Ibid.
93 FCCC/CP/2016/6.

C. Mobilization of financial resources

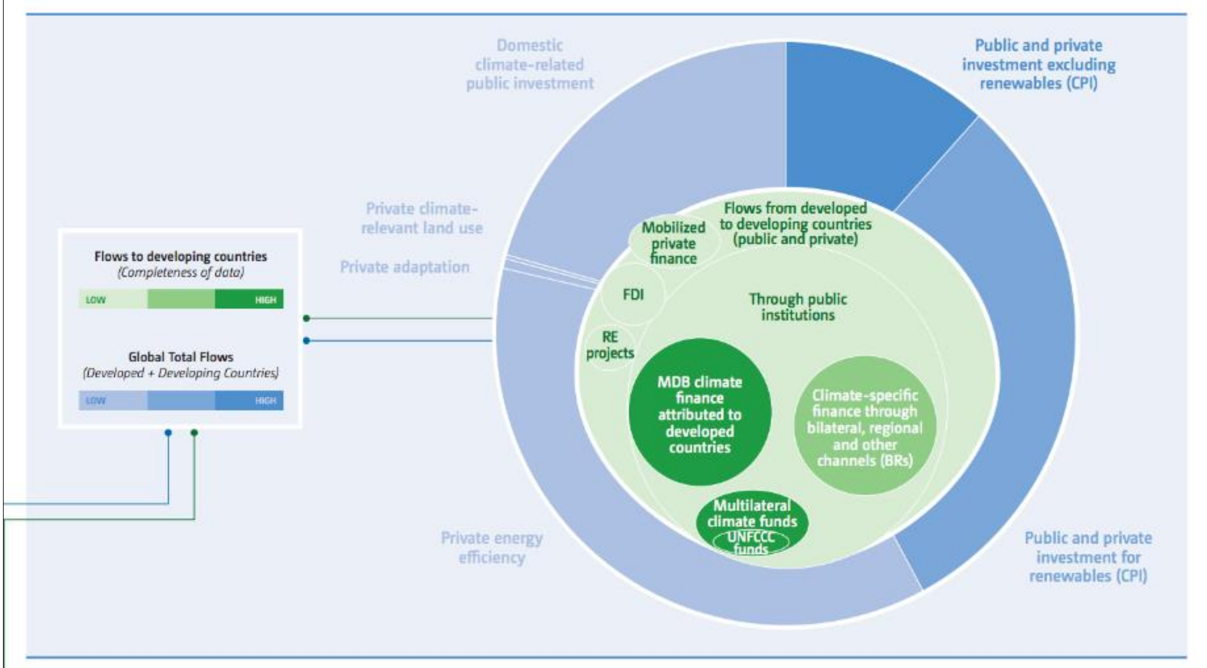
99. This chapter reviews the efforts made by Parties to mobilize, through the Financial Mechanism and its operating entities financial resources for climate action in developing countries. In doing so, it addresses issues such as the adequacy, predictability and sustainability of resources, co-financing, as well as the role of the Financial Mechanism in scaling-up the level of resources.

1. Role of the Financial Mechanism in scaling up the level of resources

100. Achieving the mitigation and adaptation goals of the Convention and the Paris agreement will require profound transformations. Moreover, the Intergovernmental Panel on Climate Change (IPCC) has noted that emissions patterns that limit the temperature increase from pre-industrial levels to no more than two degrees Celsius, will require considerably different patterns of investments (IPCC, 2014).

101. The operating entities of the Financial Mechanism serve as one of the channels through which developed country Parties are fulfilling their financial commitments, in addition to others, such as bilateral, regional and multilateral channels.[94] The operating entities also play a crucial role in catalysing, leveraging and scaling up the level of resources by providing public finance that leverages additional public and private finance and investment. However, as illustrated in Figure 4, the operating entities remain a small part of the overall climate finance architecture and flows in the context of the broader climate finance landscape. Their role therefore must continue to be targeted and strategically defined.

Figure 4
Climate finance flows in 2013–2014 (USD billion and annualized)



Abbreviations: BR = biennial report, CPI = Climate Policy Initiative, FDI = foreign direct investment, MDB = multilateral development bank, RE = renewable energy.
Note: Figure is not to scale, but seeks to show the relative size of flows. Flows to developing countries are a subset of global total flows.

Source: Summary and recommendations by the SCF on the 2016 BA.

102. Tracking resource flows for climate change has been a challenging task, as noted in the 2016 Biennial Assessment and Overview of Climate Finance Flows (BA) report developed by the SCF, and this challenge is particularly felt in tracking private sector resources or indirect resource flows such as subsidies, taxes, or levies. Yet expectations are that private sector funding and investment in climate change will greatly exceed available public finance.

[94] Article 11.5 of the Convention.

2. Scale of resources provided to developing countries

103. As noted in the Technical Report for the 2016 BA, "a comprehensive system to track climate finance does not exist. Rather, estimates of climate finance must be assembled from multiple sources." This chapter draws on the work undertaken during the compilation of the 2016 BA and presents data related to resource flows in 2013 and 2014. A detailed review of all methodological issues involved in producing the BA is provided in the first Chapter of the Technical Report.

104. As reported in the 2016 BA, total adaptation funding provided to developing countries through the operating entities of the Financial Mechanism amounted to USD 0.77 billion in 2013 and USD 0.56 billion in 2014. Climate finance provided through multilateral funds amounted to USD 1.85 billion for 2013 and USD 2.49 billion for 2014. The report also notes an increase of about 50% between 2011 and 2014 of climate-related finance provided by Annex II parties, including through multilateral institutions. Finally, "bilateral assistance reported by OECD DAC members for projects with climate change as a principal objective amounted to USD 13.9 billion in 2013 and USD 15.9 billion in 2014." Table 5, reproduced from the 2016 BA Technical Paper, summarizes climate finance flows from developed to developing countries.

105. The types of financial instruments used to channel climate finance vary by source, and include grants, concessional loans, loans, or equity. For climate finance channelled through multilateral funds "about 53% of funding (…) is provided as grants, and the remainder is largely concessional loans. Over time, the use of concessional loans, particularly through the CIF, has increased." For climate finance originating from bilateral sources, "32% of bilateral, regional and other finance reported to the UNFCCC in biennial reports (BRs) is spent as grants, 20% as concessional loans, 11% as non-concessional loans, and the remainder through equity and other instruments in 2014. About 38% of the reported finance in BRs is channelled through multilateral institutions."

Table 5
Summary of estimated climate finance flows from developed to developing countries, 2013 and 2014

		2013 (USD billion face value)	*2014 (USD billion face value)*	*Source of date*
Flows to developing countries	UNFCCC funds	0.6	0.8	Fund financial report, CFU
2013-2014 average total	Multilateral climate funds (including UNFCCC funds	1.9	2.5	Fund financial report, CFU
	Climate-specific finance through bilateral, regional and other channels	23.1	23.9	CTF table 7(b)
Public: USD 41 billion	Of which grants and concessional loans	11.7	12.4	CTF table 7(b)
Private: USD 2 billion renewables	MDB climate finance attributed to developed countries (own resources only)	14.9	16.6	MDB climate finance reporting
USD 24 billion FDI	Renewable energy projects[c]	1.8	2.1	CPI landscape of climate finance, BNEF
	FDI in greenfield alternative and renewable energy	26.4	21.6	CPI landscape of climate finance, fDi Intelligence
USD 14.8 billion mobilized	Mobilized private finance[d]	12.8	16.7	OECD CPI report (2015)

[a] Includes commitments approved during 2013 and 2014. Almost all contributions are contributed by Annex II Parties. The values do not reflect pledges to the GCF amounting to 10.2 billion USD by the end of 2014.

[b] From Annex II Parties no non-Annex I Parties. Values are derived by excluding climate finance to Annex I Parties from the total climate finance provided by MDBs from their own resources to arrive at climate finance provided to non-Annex I Parties, and by attributing 85% if this to Annex II Parties.

[c] From Annex II Parties to non-Annex I Parties.

[d] From Annex II Parties as well as Czechia, Poland, Slovakia and Slovenia.

Source: 2016 BA Technical Report.

106. Overall, the 2016 BA Technical paper notes that, “On a comparable basis, the high-bound estimate of global total climate finance increased from USD 650 billion for 2011–2012 to USD 687 billion for 2013 and USD 741 billion for 2014.” The Table 6 below, reproduced from the same report, provides a summary of total global climate finance flows in 2013–2014.

Table 6
Estimates of global total climate finance, 2011–2012, 2013 and 2014 (billions of USD)

	2016 BA		*2014 BA*
	2013	*2013*	*2011-2012*
Global estimate (CPI)	High bound 346 (low bound 339)	High bound 397 (low bound 387)	343-385
Of which public and private investment in renewables	244	284	265
+Adjustments to CPI estimates[a]			
Private investment in energy efficiency, section 2.4	334[a]	337[a]	270
Private investment in sustainable transport, section 2.4.4	Not available	Not available	No adjustment
Private climate-relevant land-use expenditures, section 2.4.5	5[a]	5[a]	No adjustment
Private investment in adaptation, section 2.4.6	1.5[a]	1.5[a]	No adjustment
The global climate finance reported in the BA	687	741	340-650[b]
+Domestic climate-related public investment, section 2.4.7	192[a]	192[a]	No adjustment
Total including domestic climate-related public investment	880[b]	930[b]	No adjustment

[a] The data used to estimate the adjustments do not relate to specific years, so the same amounts are applied to both 2013 and 2014. For energy efficiency, the global total is taken to be USD 365 billion for both years. The adjustments are USD 365 billion less the USD 31 billion already included in the CPI total USD (365-31=) USD 334 billion and less the USD 28 billion already included in the CPI total USD (365-28=) USD 337 billion for 2014.
[b] Rounded values.

Source: 2016 BA Technical Report.

107. The following paragraphs provide added details on resources channelled through the operating entities of the Financial Mechanism.

(a) Resources mobilized through the operating entities

(i) Green Climate Fund funding for mitigation and adaptation

108. Since the fifth review of the Financial Mechanism, the equivalent of USD 10.3 billion was pledged for the initial resource mobilization period of 2015–2018 (as of June 2017), by 43 state governments, including 9 from developing countries.[95] Of this amount, 10.1 billion had been signed into effectiveness as of June 2017, and USD 2.2 billion had been committed through projects.[96]

109. According to the a decision by the Board at its 6th meeting,[97] 50% of total resources should be allocated to mitigation projects, and 50% to adaptation. As of June 2017, resources allocated through approved projects for mitigation represented 41% or USD 927 million, and resources allocated to adaptation projects, 27% or USD 594 million. Resources allocated to projects achieving both mitigation and adaptation represented a further 32%, or USD 718.9 million. In total, GCF's portfolio consists of 43 projects and programmes amounting to USD 2.2 billion (inclusive of USD 1.5 billion through the PSF) which is expected to attract additional USD 5.1 billion in co-financing.

110. In addition, the GCF Board is continuing efforts to finalize its initial resource mobilization plan, and reports that as at March 2017, 42 countries and regions and 1 city (out of 48 contributors) had signed the contribution agreements for part or all of their pledges, representing USD 10.1 billion of the 10.3 billion anticipated resources.[98] As at 2 June 2017, approximately USD 10.13 billion of the pledges had been converted into contribution agreements/arrangements, representing just over 98 per cent of the total pledged amount.[99]

[95] Green Climate Fund, Status of Pledges and Contributions, June 20, 2017: http://www.greenclimate.fund/documents/20182/24868/Status_of_Pledges.pdf/eef538d3-2987-4659-8c7c-5566ed6afd19.
[96] http://www.greenclimate.fund/what-we-do/portfolio-dashboard (last accessed 14 July 2017).
[97] GCF Board decision, B.06/06.
[98] See GCF document GCF/B.17/04.
[99] FCCC/CP/2017/5, paragraph 39.

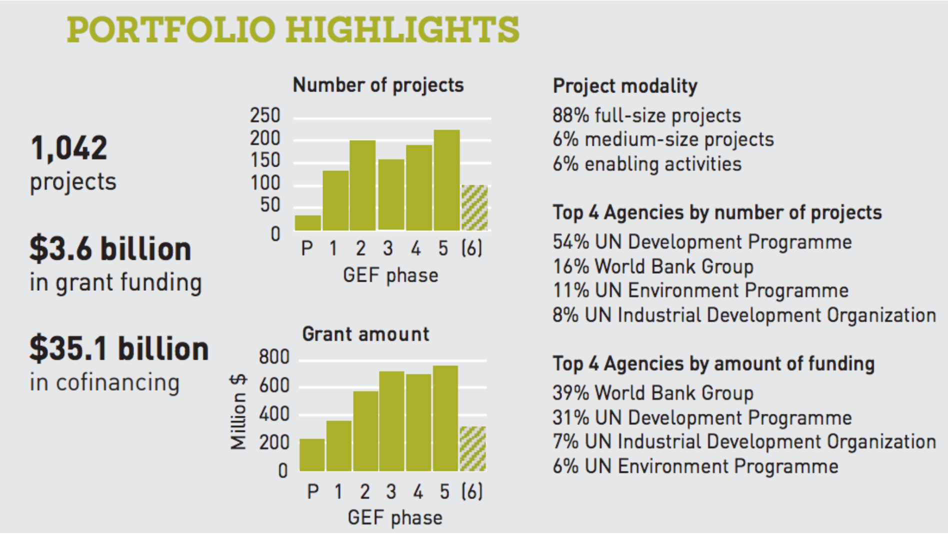
(ii) GEF funding for mitigation

111. The GEFTF has been the primary source for grants provided by the GEF to recipient countries. Funding for climate change at the GEF can be classified in terms of direct and indirect funding. The former directly supports climate change projects and the latter supports projects which are considered as climate relevant, while supporting projects under other thematic areas of the GEF.

112. In terms of directly financing climate change projects, resources under the GEFTF have been allocated to mitigation through the CCM focal area, which also channels funding for technology transfer and for the fulfilment of Convention obligations by developing countries. Recently, the CBIT in reporting on climate change (CBIT) was also established as a separate trust fund as another mechanism to channel direct financing for climate change reporting.[100] CCM funding has increased steadily from the GEF Pilot Phase to date, with cumulative totals amounting to USD 5.2 billion through 836 mitigation projects and programs in over 165 countries.[101] Programming includes themes such as technology transfer, energy efficiency, renewable energy, transport, agriculture, forest and other land use.

113. In addition, the GEF also channels a portion of CCM funding through the Small Grants Program, funding towards Convention-related obligations and "enabling activities" such as Biennial Update Reports (BUR), National Communications (NCs), Intended Nationally Determined Contributions (INDCs), etc. Figure 5 below summarizes historical allocations for climate mitigation through the GEF replenishment cycles (GEF IEO, 2017c). Since its creation in 1992, the SGP has channelled funding for community-based mitigation projects totalling USD 131 million.

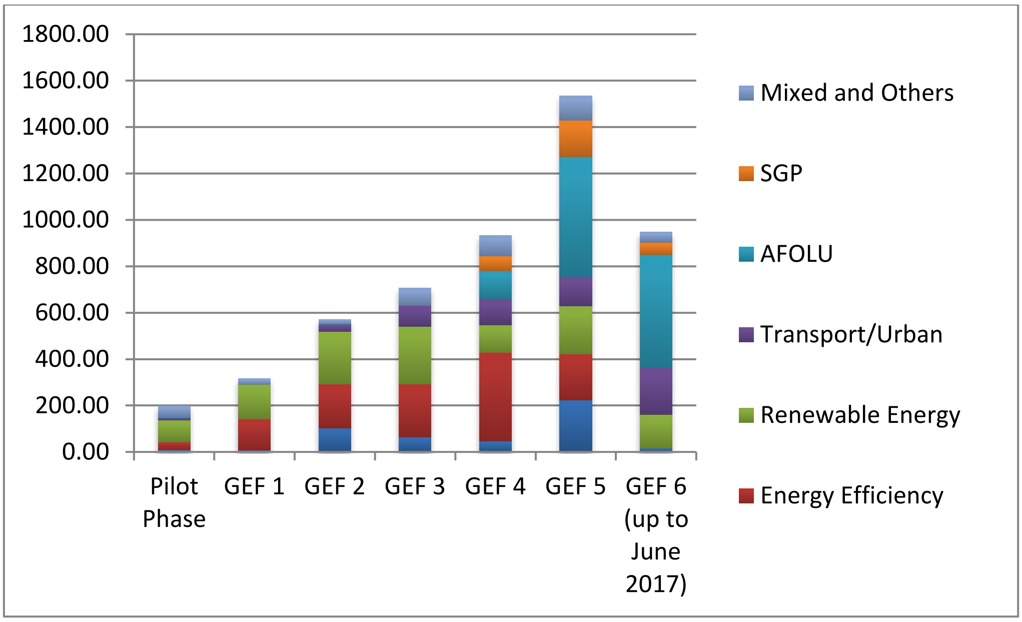
Figure 5
Snapshot of historical financing for climate change mitigation at the Global Environment Facility



114. Figure 6, taken from the annual report of the GEF to the COP,[102] illustrates historical funding allocated to approved climate change projects in the various themes. Figures for GEF 6 only reflect programming as at June 2017.

[100] GEF document GEF/C.50/05.
[101] FCCC/CP/2016/6, paragraph 77.
[102] FCCC/CP/2017/7, page 30.

Figure 6
Global Environment Facility projects on climate change mitigation by phase (excluding enabling activities, national communication and biennial update report projects) (in USD million)



115. Currently, negotiations are ongoing for the GEF-7, which will cover the period from 2018 to 2022.

(iii) Global Environment Facility funding for adaptation

116. Direct funding in support of Climate Change Adaptation (CCA) at the GEF is currently delivered directly and exclusively through the LDCF and SCCF, although support for projects under other focal areas, such as land degradation and biodiversity, have also brought indirect adaptation benefits. Both funds rely on voluntary contributions that can be made at any time. Total cumulative pledges to the LDCF "amounted to USD 1.23 billion, of which USD 1.19 billion had been received as of June 30, 2017."[103] Contributions have made by 26 participants. From the inception to June 30, 2017, USD 1,175 million has been approved for projects, programs, and enabling activities under the LDCF.

117. As for the SCCF, cumulative pledges amounted to USD 351.7 million, of which 99 percent had been paid (USD 346.7 million), with resources being contributed by 15 participants.[104] As at June 30, 2017, the GEF, through the SCCF-A, has provided USD 287.9 million for adaptation projects. The SCCF-B (technology transfer window), has provided USD 60.7 million for twelve projects that support technology transfer. The trends of contributions to the LDCF are illustrated in Figure x below,[105] while the trends of contributions to the SCCF are illustrated in Figure 7.[106]

[103] FCCC/CP/2017/7, paragraph 112.
[104] GEF document GEF/LDCF.SCCF.22/03/Rev.01. page iii and FCCC/CP/2017/7, paragraph 121.
[105] GEF document GEF/LDCF.SCCF.22/03/Rev.01. page 3.
[106] GEF document GEF/LDCF.SCCF.22/03/Rev.01. page 14 and FCCC/CP/2017/7, paragraph 121.

Figure 7
Total annual and cumulative pledges to the LDCF by fiscal year (million USD eq.)

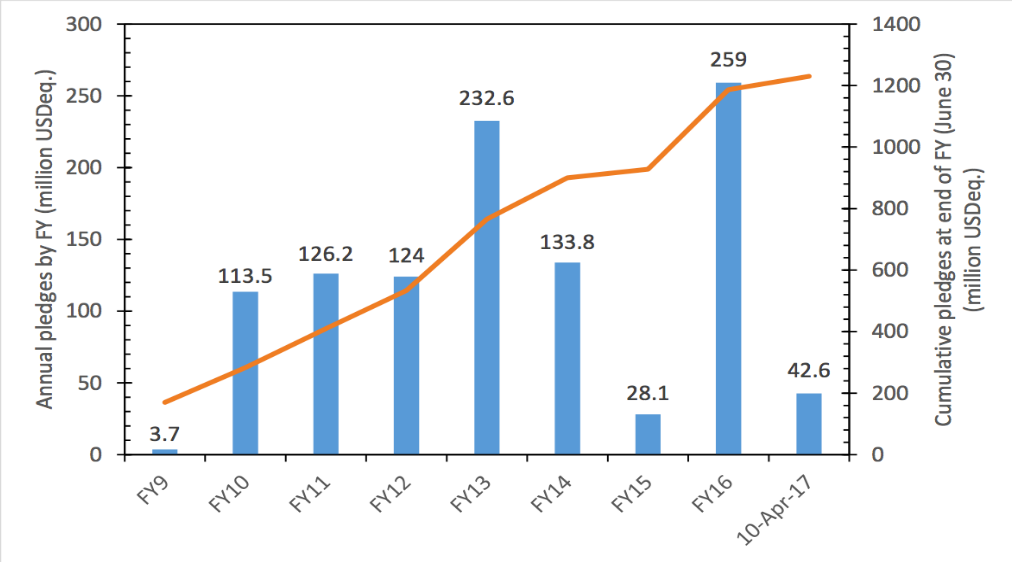
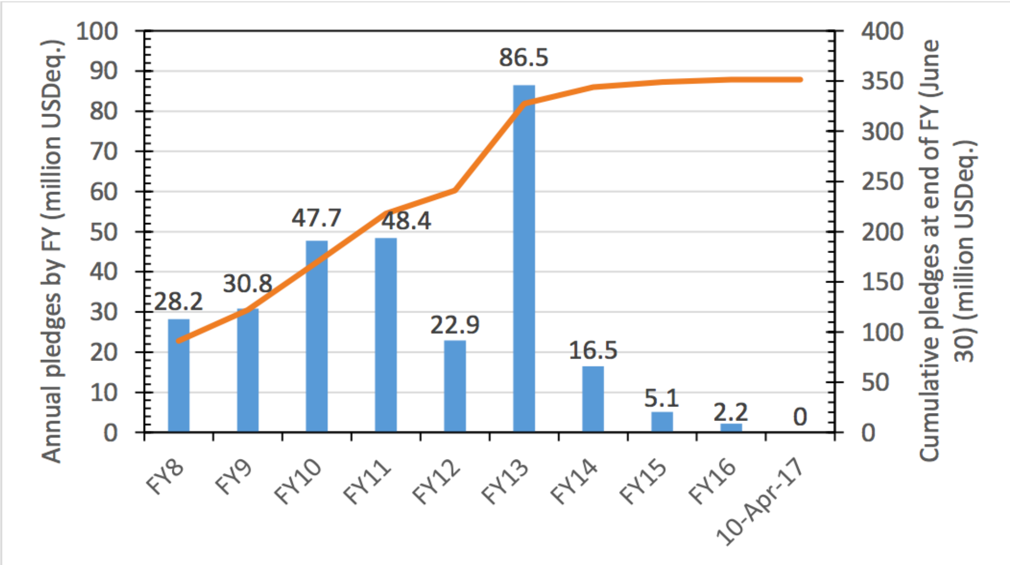


Figure 8
Total annual and cumulative pledges to the SCCF by fiscal year (million USD eq.)



3. Amount of finance leveraged and modalities of co-financing

(a) Co-financing at the Green Climate Fund

118. Co-financing is integral to the decision-making process in the GCF on funding proposals, which is currently captured in the "Economic efficiency" category of the Investment Framework.[107] The GCF Board, through decision B.17/10, decided to consider an explicit policy on co-financing by the 19th Board.[108] Many projects submitted to and/or approved by the GCF provide co-financing from national governments and other project partners. At June 2017, co-financing expected to be mobilized from the 43 approved projects represented USD 5.1 billion, or a ratio of over 2:1. Of these, USD 1.2 billion has come through the Fund's PSF and is anticipated to help mobilise a USD 41 billion in on-ground investment."[109]

[107] GCF document GCF/B.09/07, page 14–15.
[108] GCF document GCF/B.17/21, annex I.
[109] GCF document GCF/B.17/02, paragraph 4.

119. Discussions on whether to define a clearer co-financing policy and method for calculating additional costs have been initiated through the GCF Board, “in accordance with the strategic plan for the GCF, which outlines that the Board intends to prioritize the development of its proposal pipeline by “identifying opportunities for the GCF to add value by co-financing projects and programmes together with the GEF, the AF or multilateral development banks (MDBs).”[110] The Board, at its 17th meeting, tasked the GCF secretariat to develop “a proposal for the Board's consideration at its nineteenth meeting, taking into account best practices from other multilateral funds and other approaches, to address the following: (i) the development and application of an incremental cost calculation methodology and/or alternative methodologies, as appropriate; (ii) guidance on the GCF’s approach and scope for support to adaptation activities; (iii) a policy on co-financing; and (iv) options for further guidance on concessionality, building on related work.”[111]

(b) Co-financing at the Global Environment Facility

(i) Mitigation

120. The GEF’s policy on co-financing has evolved over the years, and was updated in 2014 in response to the OPS5. The goal of a new policy was to “seek clarity in the definition and approaches to co-financing, aim for a portfolio ambition of 6:1 in GEF-6, and create expectations for higher co-financing in engagement with upper middle income and high income countries.”[112]

121. The policy defines co-financing “for GEF-financed projects, excluding LDCF and SCCF projects, (…) as resources that are additional to the GEF grant and that are provided by the GEF Partner Agency itself and/or by other non-GEF sources that support the implementation of the GEF financed project and the achievement of its objectives. Co-financing is required for all FSPs, MSPs and programmatic approaches at the GEF, excluding the ones funded through the LDCF and SCCF. The GEF secretariat does not set minimum co-financing thresholds for GEFTF projects. Co-financing is optional for GEF enabling activities.[113] Co-financing is optional for GEF enabling activities.[114]

122. Co-financed resources can include any or all of the following categories: grants, loans at market or concessional rates, guarantees, cash and specific in-kind support. The provisions on co-financing aim not only to contribute to a further mobilization of resources but also to ensure that the GEF supports only the incremental cost of projects financed, as per its mandate.

123. The co-financing ratios for the overall GEFTF have significantly evolved since the inception phase, as can be seen in the Table 7 below.[115] The 2016 Annual Monitoring report also notes that portfolio-wide anticipated co-financing ratios for GEF-6 are also higher, approaching 7.5:1 to date.[116] This trend is also reflected in co-financing ratios for climate mitigation activities funded from the GEFTF which have gone from 6.7:1 in all phases up to GEF-3, to 12.2:1 during GEF4-5,[117] and 13.8:1 for GEF-6.[118]

[110] GCF document GCF/B.14/INF.02.
[111] GCF document GCF/B.17/21, Annex I.
[112] GEF document GEF/C.46/09, paragraph 3.
[113] Ibid., Annex I, paragraph 305
[114] Ibid.
[115] GEF document GEF/C.46/09, annex II, paragraph 3.
[116] GEF document GEF/C.51/03, page 32.
[117] Ibid., Annex 2, co-financing data, page 13
[118] GEF document GEF/C.51/03, page 33.

Table 7
Co-financing ratios for the Global Environment Facility portfolio and the climate mitigation projects (GEFTF)

GEF Period	*Overall Co-financing ratio*	*Co-financing ratio for mitigation projects*
Pilot Phase	4.1	
GEF-1	2.5	
GEF-2	3.9	
GEF-3	4.4	6.7
GEF-4	6.3	
GEF-5	6.8	12.2
GEF-6 to date	7.5	13.8

124. The GEF secretariat notes that "Since the GEF's inception, the climate change focal area has had the highest co-financing ratio (reaching 12.2 in GEF-5) and has accounted for about 50 percent of total mobilized co-financing to date." The largest source of co-financing for the climate change focal area has been national governments, with an estimated 4.7 billion USD eq leveraged in GEF-4 and 5, followed by GEF Agencies (3.8 billion) and private sector (4.2 billion).[119] The CCM is by far the focal area that has mobilized the most co-financing from the private sector, with numerous projects and programs demonstrating high volumes of private sector co-financing, especially in sectors including renewable energy, transport, and energy efficiency.[120]

(ii) Adaptation

125. The determination of co-financing resources for adaptation is slightly different. Since the GEF is requested to fund the full additional costs of adaptation through the LDCF and SCCF, "The full adaptation cost translates into the term "additional cost" in COP decisions and LDCF/SCCF programming papers. This concept is used to explain how the costs of adaptation are added to costs of business-as-usual development. Business-as-usual refers to activities that would be implemented also in absence of climate change. The full costs of adaptation are fully paid by the LDCF/SCCF, while the costs of business-as-usual development represent co-financing (GEF, 2011). There is no prescribed ratio of co-financing to baseline financing in LDCF or SCCF projects.

126. Overall, the ratio of co-financing to the LDCF portfolio (cumulative) represents approximately 4:1, with a total of over 4.53 billion in co-financing, whereas the ratio is higher in the projects supported by the SCCF, approximately 7.5:1.[121] A noted in the Program Evaluations of the LDCF and SCCF, both conducted by the GEF IEO, co-financing shares and ratios vary across Agencies (GEF IEO, 2016b and 2017e). For both the LDCF and SCCF, multilateral GEF Agencies generate the larger amounts of co-financing. The higher rates of co-financing mobilized by SCCF projects are attributed by the GEF IEO to the fact that "SCCF money is not used to support a discrete, standalone project, rather it finances the introduction or mainstreaming of adaptation across an existing, larger project" (GEF IEO, 2017e).

4. Adequacy, predictability and sustainability of funds

(a) Adequacy

127. According to Article 4.3 of the Convention, the provision of new and additional financial resources by developed country Parties to assist developing countries in implementing the Convention shall take into account the need for adequacy and predictability in the flow of funds. Such principles are essential to assist developing countries in integrating and mainstreaming climate change into their development planning and to foster an impact in the context of long-term action on climate change.

[119] GEF document GEF/C.46/09, page 14.
[120] GEF document GEF/C.51/03, page 32 and 33.
[121] GEF document GEF/LDCF.SCCF.22/04, page 5.

128. A broader discussion on the adequacy of resources available in general to meet the needs of developing countries to implement the Convention is hampered by the fact that there is no agreed assessment of the financing needs of developing countries. This poses a challenge to a quantitative assessment of the adequacy of the funds. Furthermore, an assessment of the adequacy of resources that looks only at the Operating Entities of the Financial Mechanism will be misleading because of its narrow scope. In addition, the adequacy of resources will ultimately depend heavily on enabling environments that allow for the effective use of funds as well as leverage of public funding by co-financing from the private sector. Nevertheless, some work on this has progressed over the years.

129. The 2014 BA, for example, compiled financing needs specified in Nationally Appropriate Mitigation Actions (NAMAs) submitted to the UNFCCC. The resulting needs assessment was comprised of varied sources of information, but the needs expressed through 26 NAMAs totalled nearly USD 5 billion (SCF, 2014). More recently, the 2016 BA found that needs expressed in NDCs approached USD 3.548 trillion (SCF, 2016). The assessment of needs for both mitigation and adaptation is however complicated by variations in methodologies, timeframes and reporting formats.

130. With respect to the adequacy of the operating entities to meet the demands, the GEF notes that currently available resources, for example under the LDCF, are insufficient to meet the demand for adaptation programming: "Due to lack of available resources, the GEF remained behind in terms of being able to program LDCF resources at the level proposed in the illustrative scenarios contained in the Programming Strategy on Adaptation to Climate Change for the LDCF and the SCCF" ."[122] As at June 30, 2017, the GEF secretariat notes that "the demand for LDCF resources considerably exceeds the funds available for new approvals. In the reporting period, the LDCF supported 23 projects with USD 164.8 million, whereas 27 priority projects that had been technically cleared by the GEF secretariat remained unfunded in the pipeline, amounting to USD 175.5 million as at June 30, 2017. On the same date, funds available for new funding approvals amounted to USD 57.3 million[123].

(b) Predictability

131. Under the UNFCCC process, developed countries committed to jointly mobilize USD 100 billion per year by 2020 from a variety of sources, public and private, bilateral and multilateral, including alternative sources, in the context of meaningful mitigation actions and transparency on implementation.[124] During the period of this review, 2014–2017, developed countries continued to undertake efforts to mobilize further resources to assist developing countries in implementing the objectives of the Convention. Work is currently on-going at the level of the Convention to provide clarity on how climate finance is being scaled-up to achieve this goal by 2020.

132. Upon request from the COP,[125] developed countries, in 2014 and 2016, submitted BRs on their updated strategies and approaches for scaling up climate finance from 2014 to 2020, including any available information on quantitative and qualitative elements of a pathway. These two rounds of biennial submissions have been compiled and synthesized by the secretariat into UNFCCC official documents.[126] The latest compilation and synthesis document contains summarized information provided by developed countries on expected levels of climate finance, as presented in Table 8 below.

133. Furthermore, responding to a COP decision relating to scaling up the level of financial support by the developed countries, in 2016, Australia and the UK led developed countries in delivering a *Roadmap to USD 100 Billion*,[127] aiming to provide increased predictability and transparency about how the USD 100 billion goal will be reached, and presented the range of actions developed countries will take to meet the goal. According to the roadmap, which draws on from the OECD work on the *2020 Projections of Climate Finance Towards the USD 100 Billion Goal*,[128]

[122] GEF document GEF/LDCF.SCCF.22/03/Rev.01, paragraphs 2–3.
[123] FCCC/CP/2017/7, paragraph 114.
[124] Decision 1/CP.16, paragraph 98.
[125] Decision 3/CP.19, paragraph 10.
[126] FCCC/CP/2015/INF.1 and FCCC/CP/2017/INF.1.
[127] Available at http://dfat.gov.au/international-relations/themes/climate-change/pages/climate-finance-roadmap-to-us100-billion.aspx.
[128] Available at http://www.oecd.org/environment/cc/oecd-climate-finance-projection.htm.

"Since the commitment was made in 2010, developed countries have significantly scaled-up support to developing countries – aggregate levels were estimated at USD 62 billion in 2014, up from USD 52 billion in 2013 (…) and pledges made in 2015 alone will boost public finance from an average of USD 41 billion over 2013-14 to USD 67 billion in 2020." The OECD analysis notes that " modest assumptions about increased leverage ratios would lead to projected overall finance levels in 2020 above USD 100 billion" and that "that the amount of public adaptation finance (bilateral and attributed multilateral) is projected to at least double in volume between 2013-14 and 2020."[129] The Roadmap reiterates the commitments of developed countries to make good on their pledges and sets forth a series of actions that countries will implement in order to accelerate the achievement of financing targets.

134. Moreover, the COP decided to initiate at COP 22 a process to identify the information to be provided by Parties, in accordance with Article, 9, paragraph 5, of the Paris Agreement with a view to providing a recommendation for consideration and adoption by the COP serving as the meeting of the Parties to the Paris Agreement at its first session.[130] Article 9 paragraph 5 of the Paris Agreement stipulates that developed country Parties shall biennially communicate indicative quantitative and qualitative information related to paragraphs 1 (provision of climate finance) and 3 (mobilization of climate finance) of the Article, as applicable, including, as available, projected levels of public financial resources to be provided to developing country Parties; and other Parties providing resources are encouraged to communicate biennially such information on a voluntary basis. Process under the UNFCCC is ongoing to engage from a technical point of view on the process to identify the information to be provided by Parties in accordance with Article 9, paragraph 5 of the Paris Agreement.[131]

135. In relation to finance channelled through the operating entities, GCF's initial resource mobilization period lasts from 2015 to 2018, and the Fund accepts new pledges on an ongoing basis.[132] The GCF will initiate a formal replenishment process, once the Fund's cumulative funding approvals exceed 60 percent of the total contributions received during the IRM, confirmed by fully executed contribution agreements/ arrangements. The GCF Board is currently engaged in discussions on how to initiate the first replenishment process[133] and this issue is expected to be an important part of its 2018 workplan.[134]

[129] Ibid.

[130] Decision 1/CP.21, paragraph 55.

[131] A roundtable discussion was held in May 2017 in conjunction with SB47, which aimed at providing Parties with the opportunity to engage from a technical point of view on the process to identify the information to be provided by Parties in accordance with Article 9, paragraph 5 of the Paris Agreement. Programme of the roundtable discussion is available at https://unfccc.int/files/meetings/bonn_may_2017/in-session/application/pdf/exante_roundtable_programme_1305.pdf.

[132] http://www.greenclimate.fund/partners/contributors/resources-mobilized.

[133] The GCF Board considered two options on the initial replenishment process at its 11th meeting. See GCF document GCF/B.11/25, paragraphs 178–200. Furthermore, the Board requested the GCF secretariat to prepare a legal note to be presented at the 15th meeting.

[134] GCF document GCF/B.16/23, paragraph 29.

Table 8
Information provided by developed country Parties on expected levels of climate finance

Party	*Reported levels of expected climate finance*	*Time frame*
Australia	At least AUD 1 billion (the AUD 200 million annual floor in public finance will be maintained)	2016–2020
Austria	Austria will strive to provide at least EUR 0.5 billion (in addition to the current Austrian pledge to the GCF)	2015–2020
Belgium	EUR 50 million (annually in public finance)	2016–2020
Canada	CAD 2.65 billion	2016–2020
	CAD 800 million (annually)	By 2020
Czech	Approximately USD 5.3 million (to the GCF) and EUR 1.4 million for the German Climate Finance readiness programme	2014–2018
	Approximately 10% of the EUR 3.7 million annual budget for bilateral development cooperation (annually)	2018–2019
Denmark	DKK 270 million (approximately USD 38 million; earmarked climate finance, including DKK 156 million to the LDCF	2016
Estonia	EUR 1 million (annually)	2015–2020
European Union and its member States	At least 20% of the EU budget to be spent on climate-relevant activities (approximately EUR 180 billion)	2014–2020
	The European Commission intends to more than double climate finance grants from the EU budget, reaching EUR 2 billion per year on average	Up to 2020
Finland	EUR 65 million (for GEF-6)	Ends 2018
	EUR 80 million (for the GCF)	2015–2018
	EUR 500 million (in new investment funding for developing countries, a substantial part of which will contribute to climate finance)	2016–2019
France	EUR 5 billion (annually in bilateral and multilateral finance)	By 2020
	France announced that within this target adaptation finance will be tripled to EUR 1 billion annually	
Germany	EUR 2.438 billion (from budgetary sources)	2016
	In addition, Germany continues to provide significant amounts of mobilized public climate finance, from KfW and DEG as well as mobilized private finance	
	Germany aims to double its international climate finance as compared with 2014	By 2020
Hungary	HUF 1 billion (approximately EUR 3.2 million; including bilateral and multilateral finance; in addition to its 2015 pledge to the GCF of HUF 1 billion)	2016 to latest 2020
	Hungary’s ODA type bilateral climate finance is expected to remain at a similar level in the coming years	
Ireland	EUR 175 million (in public grant finance, primarily for adaptation)	2016–2020
	Additional EUR 2 million (to the GCF) with a view to building up its support for the fund	2016
	Ireland will continue to support the LDCF and will provide, subject to budget availability and approval, at least EUR 6 million in grant-based funding by 2020	
Italy	At least USD 4 billion (bilateral and multilateral finance and mobilized private finance)	2015–2020
Japan	JPY 1.3 trillion (public and private finance)	In 2020

Party	*Reported levels of expected climate finance*	*Time frame*
Lithuania	Lithuania is determined to mobilize climate-related support in amounts similar to or higher than those mobilized in 2015 (approximately EUR 0.5 million)	Over the coming years
Netherlands	EUR 1.7 billion (expected amount of public climate expenditures)	2010–2016
	EUR 273 million (mobilized private finance)	2010–2016
	EUR 660 million (including EUR 360 million in public finance and EUR 300 million in mobilized private finance)	2017
New Zealand	Up to NZD 200 million	2016–2019
	Most recent projections suggest this commitment will be met in three years rather than four and it is expected that this figure will be once again exceeded as new adaptation and mitigation projects come online. New Zealand is committed to further increasing finance in the period beyond 2019	
Norway	Norway intends to continue its REDD-plus[a] finance at least at current levels (2016 budget: NOK 2.8 billion)	Up to 2020
	Norway pledged to continue to provide finance for REDD-plus	Up to 2030
	NOK 1.6 billion (to the GCF)	2015–2018
	Norway will double its contribution to the GCF by 2020 if the fund secures verified emission reductions from deforestation and forest degradation in developing countries	
	NOK 108 million (annually; to the regular replenishment of the GEF)	2016–2017
Poland	USD 8 million	Up to 2020
Slovakia	While there is no forward-looking information on expected levels available, financial information provided in annual reports for 2014 and 2015 demonstrates an upward trend	
Spain	Spain aims to double its international climate finance as compared with 2014 (by mobilizing an amount of EUR 900 million)	By 2020
Sweden	Sweden will nearly double levels of multilateral climate finance as compared with 2015	2016
United Kingdom of Great Britain and Northern Ireland	GBP 5.8 billion in ICF	2016–2020
	In 2020, the United Kingdom’s annual climate finance will be double that of 2014, with a commitment to achieve a 50:50 balance between adaptation and mitigation spent over this period	
	Over the lifetime of the existing ICF portfolio, the United Kingdom expects to mobilize GBP 4.1 billion of private climate finance	
United States of America	The United States committed to doubling its grant-based public finance for adaptation	By 2020

Abbreviations: AUD = Australian dollar, CAD = Canadian dollar, DEG = Deutsche Investitions und Entwicklungsgesellschaft mbH, DKK = Danish krone, EU = European Union, HUF = Hungarian forint, GBP = pound sterling, GEF = Global Environment Facility, GEF-6 = the sixth replenishment of the GEF, GCF = Green Climate Fund, ICF = international climate finance, JPY = yen, KfW = Kreditanstalt für Wiederaufbau, LDCF = Least Developed Countries Fund, NOK = Norwegian krone, NZD = New Zealand dollar, ODA = official development assistance.

[a] In decision 1/CP.16, paragraph 70, the Conference of the Parties encouraged developing country Parties to contribute to mitigation actions in the forest sector by undertaking the following activities: reducing emissions from deforestation; reducing emissions from forest degradation; conservation of forest carbon stocks; sustainable management of forests; and enhancement of forest carbon stocks.

136. The fifth review of the Financial Mechanism noted that the 4-year replenishment process for the GEFTF resources makes the GEF subject to a good level of predictability.[135] According to the latest GEF report on resource availability, there is a high materialization of pledges made to the GEF, however, exchange rate fluctuations in the earlier months of GEF-6 mean that a shortfall from GEF-6 replenishment targets is still expected.[136] The COP took note of the projected shortfall of resources and the decision of the GEF Council on that matter.[137] The GEF has been working on an ongoing basis to minimize potential consequences of the projected shortfall, aiming to maintain the balance among original allocations in the GEF-6 replenishment decision, assisting LDCs and SIDS in accessing resources and supporting core obligations to the conventions for which the GEF is a/the Financial Mechanism.[138]

137. The GEF Trustee has also reported on the status of the GEFTF to date. As of March 31, 2017, of the USD eq. 16.6 billion that has been pledged to the GEF since its establishment, over 99 per cent has been disbursed by the donor countries and “GEF-6 pledges total SDR 2,460 million (USD eq. 3,716 million), of which Donors have deposited SDR 2,440 million or 99% of the amount with the Trustee.”[139] The GEF Council noted the contribution of the STAR to increased country ownership and country led programming in the GEF,[140] in response to the mid-term evaluation and management response, and the GEF OPS6 also points to the ameliorated predictability of resources created by the STAR.

138. Funding for adaptation at the GEF is subject to less predictability than funding for mitigation, which is set at the start of a replenishment. As the LDCF and SCCF are not subject to a replenishment process, they rely on voluntary contributions from developed countries that can be made at any time. However, it is to be noted that, apart from few exceptions, resources have recurrently been pledged to both funds during the meetings of the LDCF/SCCF Council and that there has been an increase in the cumulative level of pledges to both Funds (see chapter C.1) which have been supported by strong levels of materialization: as of as of June 30, 2017, 99% of all 1.23 billion USD pledged to the LDCF[141] and 98 per cent of the 351.7 million USD pledged to the SCCF had been materialized.[142]

D. Delivery and effectiveness of financial resources

139. The delivery and effectiveness of finance, especially by the operating entities, are issues of paramount concern to all Parties to the UNFCCC. This chapter reflects on the emerging experiences in accessing resources from the operating entities, timeliness and rate of disbursement, the promotion of country-ownership of projects and programmes, and the creation of enabling environments for catalysing investments.

1. Accessibility

140. The accessibility to climate finance resources has been a substantial concern for recipient countries, particularly for smaller and less developed countries that have more modest capacity. Accessibility can be indirectly determined by considering eligibility and access modalities for the various financial sources, in particular those provided through the operating entities of the Financial Mechanism.

141. The Governing Instrument for the GCF states that access to the Fund resources will be through sub-national, national, regional and international implementing entities accredited by the Board. Each country is free to determine the mode of access and these options may be used simultaneously.[143] Accreditation is subject to norms set forth in the accreditation framework, which

[135] SCF/TP/2014/1, paragraph 96.
[136] GEF document GEF/C.52/INF.10/Rev.01, paragraph 2.
[137] Decision 11/CP.22, paragraph 5.
[138] FCCC/CP/2017/7, Table 1.
[139] GEF document GEF/C.52/INF.13, page 1.
[140] Joint Summary of the Chairs (C.45), paragraph 15.
[141] GEF/LDCF.SCCF.22/INF.02, page 4
[142] FCCC/CP/2017/7, paragraphs 112 and 121.
[143] GCF Governing Instrument, paragraphs 45–48.

assesses the entity's performance against the GCF fiduciary principles and standards, safeguards policies and gender policy, among others.[144]

142. As at 31 July 2017, a total of 54 entities had been accredited to the GCF, including 27 DAEs, 17 national and 10 regionals. A full 50% of entities accredited are therefore DAEs, up from 39% at the same time in 2016. Currently there are 190 entities in the pipeline seeking accreditation. 77 entities had completed and submitted their applications for accreditation and were in the first stage of the accreditation process (institutional assessment and completeness check) and 11 applications were under review by the independent Accreditation Panel (third stage of the accreditation process).[145]

143. Consideration of accreditation requests has been subject to a prioritization process, and the GCF is continuously identifying new potential DAEs: "through regional workshops and structured dialogue events, the secretariat is working with NDAs and FPs to identify entities that may be nominated to seek accreditation to the GCF"[146] and providing ongoing support to entities seeking accreditation or in the process of accreditation. In April 2017, the GCF launched "GCF 101", an online web resource[147] to guide entities on how to access the GCF.

144. The GCF launched a pilot phase for enhanced direct access in 2016. The Enhanced Direct Access modality provides a different mechanism for accessing and managing funds provided by the GCF. Under that modality, "decision-making on the specific projects and programmes to be funded will be made at the country/entity level"(…) This implies that the screening, assessment and selection of specific pilot activities would be made at the national or subnational level."[148] At June 2017, 16 concept notes or proposals had been received by the secretariat, one of which had been approved by the 17th Board meeting.[149] Another pilot programme was launched at the 10th Board meeting which seeks to increase the access to GCF resources from small and medium[150] sized enterprises.[151] At the 17th Board meeting, the secretariat reported that "the Board approved two projects for GCF funding of USD 32 million at B.15" One more proposal was being presented for consideration at B.17. "On closing the first pilot programme, the total portfolio of the first pilot is expected to comprise up to five MSME proposals within the envelope of USD 100 million as decided by the Board. Building on the lessons learned from the first pilot, the second pilot programme is expected to be launched after the nineteenth meeting of the Board (B.19)."

145. Furthermore, the GCF is providing readiness support to enhance access and has created tools and guidance materials to further support the emergence of AEs at all levels. This includes providing readiness support for capacity gap assessments for 21 DAEs nominated by 18 countries from different geographical/regional areas (June 2017).[152] Furthermore, the GCF secretariat is working with the 54 AEs in order to update or develop draft Entity Work Program briefs that highlight objectives for engagement with the GCF, areas of focus and thematic priorities, "as well as challenges, barriers, readiness needs and potential solutions to bringing the pipeline to the GCF."[153] In regards to strengthening the capacities of DAEs in the areas of ESS, and the gender policy, the GCF has completed a process of creating a roster of institutions that can provide such support, which is available for countries to request for their DAEs.

146. Moreover, the GCF operates Project Preparation Facility (PPF) to support project and programme preparation requests from all AEs, especially DAEs, and especially for projects in the micro- to small-sized category, with a view to enhancing the balance and diversity of the project pipeline support developing countries prepare projects and programmes.[154]

[144] http://www.greenclimate.fund/documents/20182/319135/1.3_-_GCF_Accreditation_Introduction_February_2017.pdf/4d44997c-6ae9-4b0e-be5d-32da82e62725.
[145] FCCC/CP/2017/5.
[146] GCF document GCF/B.17/05, paragraph 15.
[147] http://www.greenclimate.fund/-/gcf-101-new-guide-on-how-to-access-the-green-climate-fund.
[148] GCF document GCF/B.10/05, paragraph 10.
[149] GCF document GCF/B.17/05, paragraph 15.
[150] GCF document GCF/B.17/INF.01, paragraph 34.
[151] Decision B.10/11, paragraph (a).
[152] GCF document GCF/B.17/05, paragraph 18.
[153] Ibid., paragraph 41.
[154] See GCF Board decision B.13/21 for more details.

147. The first PPF proposal, which was from the Ministry of National Resources of Rwanda for USD 1.5 million, was approved at the 12th meeting of the GCF Board, and has now completed all activities. On 30 April 2017, the Ministry of National Resources of Rwanda submitted its funding proposal of the underlying project, the Rural Green Economy and Climate Resilient Development Project, to the secretariat. A second PPF request has been approved related to early warning systems in Fiji, Papua New Guinea, Solomon Islands, Timor-Leste and Vanuatu. As at 31 July 2017, DAEs had submitted 11 PPF requests and the secretariat is working with all DAEs to help them to develop further PPF requests. Much of the support sought in the PPF requests is to conduct feasibility studies, environmental and social impact assessments, and stakeholder consultations.

148. The GEFTF can be accessed through its implementing agencies and, for certain types of enabling activities (Convention reports and NPFEs), through direct access, since GEF-5.[155] Both the SCCF and the LDCF follow the GEF policies and procedures for access modalities.

149. Efforts have been made to expand the range of agencies and partners to the GEF in recent years, leading to the addition of 8 new implementing agencies in 2012, including some national agencies.[156] A recent evaluation of the expanded partnership undertaken by the GEF IEO has found that this expansion has “increased the Partner Agency choices available in each GEF focal area at the overall Partnership level. In addition, the expansion has also increased the choices available to the recipient countries for programming GEF resources.” Similarly, this expansion has also opened new areas within countries to accessing GEF resources.[157] However, the evaluation also found that “a relatively higher percentage of countries that experienced little or no increase in Agency choice from the second round of expansion were LDCs, SIDS and land locked countries.”[158]

150. The GEF is taking steps to engage with countries to increase their awareness and understanding of policies and procedures to access the GEF resources. The GEF aims to ensure efficient access to financial resources through simplified approval procedures and enhanced readiness support for developing country Parties, in particular for the LDCs and SIDS, in the context of their national climate strategies and plans.[159] ECWs and NPFEs provide such opportunities.

151. Important efforts are being made to increase access to the GCF and the GEF, in particular by entities other than multilateral institutions. A recent report highlights some capacity-building support needed to strengthen access to financing. Key challenges highlighted by many stakeholders include:[160] the lack of developing country capacity to devise a national strategy for utilizing available climate finance resources and for attracting climate-friendly investments; legal issues within entities, financial management and integrity, institutional capacity at the design, appraisal and implementation phases, or risk assessment capacity. To overcome these gaps at the international level, scaling up and coordinating financial resources to support capacity-building initiatives have appeared as a need. At the national level, better coordination among the national FPs across different ministries was underscored as being necessary.

152. Countries also highlighted similar issues under the framework of the long-term climate finance discussions, where they highlighted the need for “continued efforts from the funds to simplify accreditation procedures and access modalities, enhanced readiness of recipient countries, including adequate institutional capacities and financial governance and management systems, and improved communication between the funds and recipient countries. Furthermore, the need to enhance the role of the NDAs or FPs of the different Funds to ensure greater country-drivenness and coherence was highlighted.”[161]

[155] Latest list https://www.thegef.org/partners/GEF-agencies.

[156] The eight organizations included as GEF Project Agencies are: Conservation International (CI), Development Bank of Latin America (CAF), Development Bank of Southern Africa (DBSA), Foreign Economic Cooperation Office (FECO, China), Fundo Brasileiro paragraph a Biodiversidade (FUNBIO), International Union for Conservation of Nature (IUCN), West African Development Bank (BOAD), and World Wildlife Fund (WWF-US).

[157] GEF IEO, Evaluation of The Expansion Of The GEF Partnership - First Phase, 2016. Available at: http://www.gefieo.org/sites/default/files/ieo/evaluations/files/expansion-partnership-2016-phase-1.pdf.

[158] Ibid., page 4 and 6, paragraph 24.

[159] FCCC/CP/2016/6, page 17.

[160] FCCC/SBI/2016/14.

[161] FCCC/CP/2017/4, page 2.

153. Furthermore, the global governance architecture, including the climate finance architecture is, at times, experienced by many as fragmented and inefficient (Graham, 2016). Countries often find it difficult to understand the requirements of the Funds and the differences between them, and to meet the access requirements established. However, the case of the LDCF shows that once access modalities are well established, the demand for finance considerably increases over time. It is thus congenial to continue to provide finance through proven access modalities and Funds in order to meet the special needs and circumstances of LDCs.

154. Efforts are underway to enhance coordination among the funds, as can be seen in chapter G of this paper. For example, the GCF secretariat has initiated a Readiness Coordination Mechanism (RCM), a group which consists of institutions providing dedicated readiness support to access GCF funding. Core members include the African Development Bank (AfDB), the Commonwealth secretariat, Deutsche Gesellschaft für Internationale Zusammenarbeit, KfW Development Bank, the UNEP, the United Nations Development Programme (UNDP) and the World Resources Institute (WRI), and in addition there are a number of observer institutions. The aim of the RCM is to strengthen coordination among readiness providers to avoid duplication of efforts and maximize collaborative opportunities to ensure harmonized approaches at the country level and globally. It is expected that these efforts will also make a significant contribution to enhancing access, as procedures become streamlined and coordinated.

2. Timeliness and rate of disbursement

155. An element of effectiveness is the time taken to develop, approve and begin implementation of projects funded through the operating entities. This relates to the speed at which access to climate finance is provided to the “end user” or intended beneficiary.

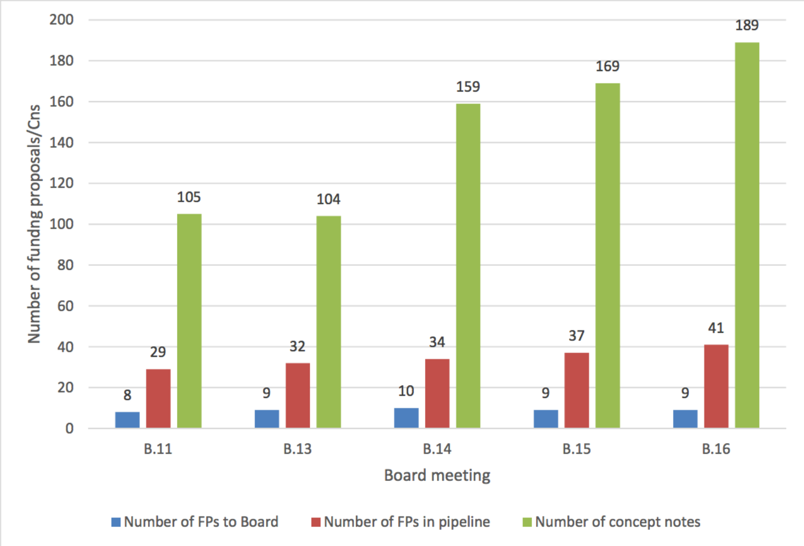
156. For projects seeking approval at the GCF, there are no fixed timelines or standards, and practices are set to change as modifications are brought to the initial approvals process to respond to the rapidly increasing pipeline. Figure 9 shows trends in submissions and approvals as well as a snapshot of current pipelined projects.[162]

157. Experience by the secretariat and GCF Board points to the need for increased efficiency in pipeline management: “The current processes of second-level due diligence require increased efficiency at the secretariat level, while the AEs need more information regarding the documentation required. To facilitate this process, the secretariat is currently revising concept note and funding proposal templates as well as the structure and format of the secretariat’s assessment, including more clarity on the expected level of documentation to complete its second - level due diligence and ensure the high quality of proposals to be submitted to the Board. The processing time varies greatly, depending on the response time from both the secretariat and the AEs, and can take between one month to 18 months or more. In most cases, the length of the response time is linked to the lack of information/analysis/documentation provided in the funding proposal or differing views on technical aspects between the secretariat and the AEs.”[163]

[162] GCF document GCF/B.17/18, page 3
[163] GCF document GCF/B.17/18, paragraph 27.

Figure 9

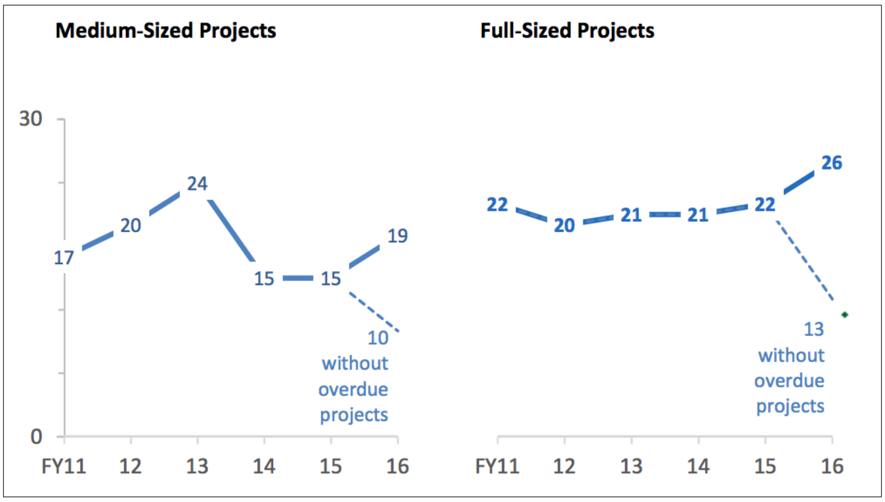
Proposals for consideration relative to Green Climate Fund pipeline as at 17th Board meeting



158. Regarding time spent by each project in the pipeline, average times for approval at the GEF were reduced since GEF-4 and GEF-5, with only a marginal minority of projects not meeting the 18-month maximum. The 2016 Annual Portfolio Monitoring Review notes that "A large number of GEF-5 overdue projects (90% of FY16 endorsed/approved projects) were submitted in FY16 to meet the one -time cancellation deadline of June 30, 2016. Therefore, the average time between project identification form approval and CEO endorsement/approval has significantly increased in FY16. In the graphs, the dashed lines show the trends without GEF-5 overdue projects." Trends in approval timelines are indicated in the Figure 10.[164]

Figure 10

Average time (months) between Global Environment Facility project identification form approval and endorsement/approval



159. This also applies to the LDCF and SCCF. As noted in the Annual Monitoring Review (AMR) of the LDCF and SCCF (2016), "the standard for the time elapsed between Council Approval of a project identification form for an FSP, and CEO endorsement of a fully developed project was set at 18 months (…). During the GEF-5 period, the LDCF/SCCF Council approved 110 FSPs under the LDCF. As at May 1, 2017, 107 of these projects had been endorsed; 40 of them, or 41 per cent, within the 18-month standard. The average preparation time for the endorsed LDCF projects was 20 months and has continued to improve in the second half of GEF-6 due to effective implementation

[164] GEF document GEF/C.51/03, page 4.

of refined project cycle policies. Three projects had yet to be endorsed as at May 1, 2017. Under the SCCF, the LDCF/SCCF Council had approved 42 FSP during GEF-5, including three FSPs that form part of three programmatic approaches. As at May 1, 2017, 40 projects had been endorsed; 16 of them, or 43 per cent, within the 18-month standard. The average preparation time for the endorsed SCCF projects was 20 months."[165] In most instances, however, countries already benefit from project approvals before CEO endorsement, given that project preparation activities carried out ahead of CEO endorsement include, inter alia, stakeholder consultations with local communities and related measures such as sustainability and finance strategy development, as appropriate.

160. Moving from approvals to disbursement, the expert inputs to the fifth review of the Financial Mechanism noted that once project approval has been secured by the GEF, there was an average of two years before first disbursement.[166] A study undertaken by the GEF secretariat in 2016 found that for projects "that were CEO Endorsed/Approved in GEF-5 (FY11- FY14 (…) within one year the first disbursement rates (the percentage of endorsed/approved projects that get disbursed in a certain period of time) for MSPs are slightly higher than for FSPs: 75 versus 69 percent. The first disbursement rates of MSPs and FSPs are the same: 81 percent. These rates increase to 89 percent for FSPs and 88 percent for MSPs after two years from the endorsement/approval." Therefore, at the end of GEF-5, an estimated 11 percent of projects had not achieved first disbursement after 2 years following approval. The rates vary according to agency, and "UN Agencies tend to have faster first disbursement rates in comparison with MDBs/IFIs (except for the European Bank for Reconstruction and Development (EBRD))", mostly owing to different internal approvals and effectiveness procedures.[167]

161. The fifth review of the Financial Mechanism also noted that average times to first disbursement did not vary much according to country income levels (9.2 months for low income countries, and 8.6 for higher income countries). Reasons cited by the GEF Agencies for delays beyond one year included "lengthy government approval process, prolonged recruitment process, and executing agency issues."[168]

162. The rate of disbursement at the GCF is beginning to increase, with an estimated 47.6 million USD disbursed for 8 projects, as of July 31, 2017.[169] This relatively low figure is due to the fact that, until recently, a number of conditions remained unfulfilled for projects to become effective, including the signing of AMAs and other legal conditions.[170] However, according to the GCF secretariat's latest report to COP, as of July 31, 2017, AMAs had been signed with 28 of the 54 entities accredited to the GCF. Out of the 43 projects and programmes approved, Funded Activity Agreements for 18 projects had been signed. As for readiness funding, as of July 31, 2017, USD 38.5 million had been approved for 118 readiness requests from 87 countries and USD 4.3 million had been expended on readiness events. Legal arrangements had been completed for 89 of the approved readiness proposals, either in the form of bilateral grant agreements or under the GCF framework agreement with multilateral agencies and USD 9 million had been disbursed for 66 readiness requests.

3. Country-ownership of projects and programmes

163. Measures to ensure ownership at the GCF follow a similar path as those put in place by the GEF. The Governing Instrument recognizes country ownership as a core principle for the GCF, and indeed requirements for documenting this country ownership are integrated in the templates and requirements for projects and programs.[171] Elements of country ownership indicated in the initial investment framework include the degree to which the "Programme or project contributes to country's priorities for low emission and climate-resilient development as identified in national climate strategies or plans, such as NAMAs, NAPs or equivalent, and demonstrates alignment with technology needs assessments, as appropriate" and the "Degree to which the activity is supported

[165] GEF document GEF/LDCF.SCCF.22/04, paragraph 52.
[166] SCF/TP/2014/1, paragraph 124.
[167] GEF document GEF/C.50/INF.05, pages 4–5.
[168] GEF document GEF/C.50/INF.05, page 6.
[169] FCCC/CP/2017/5.
[170] GCF document GCF/B.17/09, paragraph 21.
[171] GCF Governing Instrument, paragraphs 3 and 31 and GCF document GCF/B.09/23, Annex 2.

by a country's enabling policy and institutional framework, or includes policy or institutional changes."[172]

164. In this regard, the NDAs play a key role in ensuring ownership, by recommending "to the Board funding proposals in the context of national climate strategies and plans, including through consultation processes." For projects not emerging directly from the NDA, it is understood that they must be "consulted on other funding proposals for consideration prior to submission to the Fund, to ensure consistency with national climate strategies and plans."[173] NDAs also "facilitate the communication of nominations of entities to the Fund; seek to ensure consistency of funding proposals from national, subnational, regional and international intermediaries and implementing entities with national plans and strategies; and act as the FP for Fund communication."[174] DAEs seeking accreditation to the GCF must seek no-objection letters from the NDA and any project proposal must be accompanied by a No-Objection letter from the NDA prior to being considered by the Board.[175]

165. Guidelines for enhanced country ownership were initially discussed at the 14th Board meeting, and was subsequently taken up by the 17th Board meeting.[176] The GCF Board adopted the guidelines for enhanced country ownership and country drivenness enjoining NDA, AEs and delivery partners to follow the guidelines. The guidelines will be assessed annually and reviewed as needed at least every 2 years. The guidelines provide options for the strengthening of country ownership through the formulation of country programmes, as well as through integration in the GCF's modalities. "The principle of country ownership will be considered in the context of all GCF operational modalities and relevant related policies including the Readiness and Preparatory Support Programme and the Project Preparation Facility, the Proposal Approval process, including the simplified approval process, as well as the Accreditation process, recognising that country ownership is a continual process. NDAs/FPs have a key role in these processes in a way which builds national and institutional capacity and facilitates engagement with relevant stakeholders."[177]

166. The GCF also provides support to capacitate NDAs and FPs, including through the Readiness Programme. "The GCF Readiness Programme is a funding programme to enhance country ownership and access to the Fund. The Programme provides resources for strengthening the institutional capacities of NDA or FPs and DAEs to efficiently engage with the Fund. Resources may be provided in the form of grants or technical assistance. All developing countries can access the GCF Readiness Programme, and the Fund aims for a floor of 50 percent of the readiness support allocation to particularly vulnerable countries, including LDCs, SIDS, and African States." The Readiness programme provides up to USD 1 million per year to support NDAs and up to 3 million USD per country for the formulation of adaptation plans.[178] As at 31 July 2017, a cumulative amount of USD 42.8 million had been committed or spent. USD 38.5 million had been approved for 118 readiness requests from 87 countries. Of the 87 countries, 60 were SIDS, African States and the LDCs.

167. Country ownership of projects and programs financed through the GEF, LDCF and SCCF is ensured in multiple manners. First, the GEF operates through a network of political and operational FPs. The Operational Focal Point (OFP) coordinates all GEF-related activities within a country. The OFP reviews project ideas, checks against eligibility criteria and ensures that new project ideas will not duplicate an existing project. The FP also ensures that project proposals are consistent with national priorities. Projects cannot be submitted to the GEF without the clearance and endorsement of the OFP.[179] Second, the project review process requires a demonstration of how funding requests are "consistent with the recipient country's national strategies and plans or reports and assessments under relevant conventions."

168. Further efforts are being made at the national level to facilitate the identification of programming opportunities in a country-owned, coordinated and participatory manner. Country

172 GCF document GCF/B.09/23, Annex 2, page 29.
173 GCF Governing Instrument, paragraph 46.
174 GCF Board decision B.04/04, as quoted in GCF/B.14/05/Rev.01.
175 GCF Board decision B.08/10 Annex XIII.
176 GCF document GCF/B.16/24, paragraph 150. Also refer GCF document GCF/B.17/14.
177 GCF document GCF/B.17/14 paragraph 8.
178 https://www.greenclimate.fund/how-we-work/empowering-countries.
179 See for example GEF document GEF/C.50/08/Rev.01.

Support Programmes, managed by the secretariat, provide support for the organization of National dialogues, ECW and Constituency Meetings. These, combined with the effects of the STAR on predictability of resource availability for programming, support increased ownership. The GEF IEO, for example, finds in the GEF OPS6, that the STAR allocation system continues to provide “some GEF resources to all countries, resulting in increased country ownership, enhanced transparency in resource allocation, and improved project preparation (GEF IEO, 2016d).”

169. Countries can also access financial support for the organization of NPFEs. All these initiatives are meant to foster dialogue among the GEF stakeholders at national level, and to foster collaboration.[180] In 2013, the GEF IEO undertook a mid-term evaluation of the NPFE, then in its 3rd year of implementation. Despite delays in uptake of the exercise, the evaluation found that “the NPFE initiative enhanced country ownership through consultations with a wide range of stakeholders and through the creation of national steering committees to provide a broader decision-making and coordinating structure for GEF programming” and that it helped shift the responsibility of identifying and promoting programming ideas from GEF Agencies back into the hands of recipient countries (GEF IEO, 2014). The evaluation found that NPFEs delivered their full potential in countries where stakeholders had a minimal level of familiarity with the GEF and its procedures. To date, 30 countries have accessed resources (up to USD 30,000) from the GEF to undertake NPFEs.

170. With a gradual shift towards programmatic approaches, seen for example through the Integrated Approach Pilots under GEF-6, questions related to national and local ownership will remain front and centre of discussions. The GEF’s IEO found, in a 2016 evaluation of programmatic approaches, that country programs experience more ownership than regional ones, because they tend to be more closely aligned to national policy priorities. Regarding the expansion of the GEF partnership, “The OFPs of recipient countries that have an accredited national Agency opine that the recent expansion has contributed to increased country ownership. Other OFPs have mixed opinions on the topic (GEF IEO, 2016d).” Finally, findings from the evaluation of the LDCF, which are also relevant to other areas of programming within the GEF point to the need to integrate climate change concerns into national policies in order to ensure continued ownership of programming results (GEF IEO, 2016b).

4. Sustainability of funded projects and programmes

171. Even if many of the GCF funded projects and programs are only beginning implementation or have yet to begin implementation, there are guiding principles that aim to ensure sustainability of the GCF projects. For example, sustainability is a key aspect of the paradigm shift potential under the GCF investment framework criteria[181] and sustainability is defined therein: “Degree to which the proposed activity can catalyse impact beyond a one-off project or programme investment.” In addition, the GCF is actively seeking to finance projects that are scaled up from initial investments from the GEF and others. For example, the GEF approved in April 2017 a mitigation project called GEEREF Next, which builds on the success of its predecessor fund, the Global Energy Efficiency and Renewable Energy Fund. Catalysed by the GCF funding, GEEREF NeXt will offer risk-averse private investors a broad diversification of capital across different projects and technologies in developing countries.[182]

172. The GEF defines sustainability as the maintenance of the benefits of the project and programs beyond the life of the intervention. Elements that contribute to sustainability include avenues and the likelihood of upscaling (e.g. results are replicated more widely); increased capacity of governments and stakeholders, and mainstreaming of relevant practices into wider policies and regulations. The GEF does not have a formally established definition of sustainability, however, the initial criteria for project evaluation mention “Sustainability of outcomes and results beyond completion of the intervention” as linked to the creation of an enabling environment.[183]

173. The fifth review, based on the OPS5, found that found 70% of 298 projects (2006–2013) were rated moderately satisfactory or higher, in terms of sustainability. The GEF OPS6 considers various aspects of the sustainability of GEF-supported projects and programs in all focal areas

[180] See for example GEF document GEF/C.47/08

[181] GCF document GCF/B.09/07, annex II.

[182] More information available at https://www.greenclimate.fund/-/geeref-next?inheritRedirect=true&redirect=%2Fwhat-we-do%2Fprojects-programmes.

[183] GCF document GCF/B.09/23, page 27.

including in the climate change focal area as well. Additional evaluative evidence on the sustainability of adaptation-related initiatives is found in the 2016 LDCF evaluation and the 2017 SCCF evaluation. For the GEF overall, "Seventy-nine percent of 581 projects from the OPS6 cohort have satisfactory outcome and implementation ratings (GEF IEO, 2017d)." For the Climate Change Focal Area, this rating is 77%, and 68% of projects under the GEF-6 cohort exhibit sustainability ratings of moderately likely or higher (GEF IEO, 2017c).

174. The evaluation found that "By theme, projects with biomass, energy efficiency, and adaptation components had higher sustainability ratings on average; projects with transport and renewable energy had lower sustainability ratings",[184] and noted that "Recent evaluations of GEF CCM activities have found evidence of significant impacts in countries with some of the largest GEF climate change portfolios, as well as evidence of transformational projects in the climate change focal area."[185] The OPS6 also notes that "Projects implemented under programs have higher performance ratings on outcomes and sustainability as compared with stand-alone projects (GEF IEO, 2017d)."

175. Regarding the sustainability of adaptation results supported through the LDCF and SCCF, a quality at entry analysis of 116 CEO-approved projects found that "over 98 percent of NAPA implementation projects had a high to very high probability of delivering tangible adaptation benefits" and that "8 of the 11 completed projects (…) received ratings in the likely range (GEF IEO, 2016b)."

176. The analysis of evaluative evidence shows that "the main area of potential concern is the financial sustainability of project activities beyond the scope of project-related funding. Even projects receiving moderately likely or likely ratings in terms of their financial sustainability cite a lack of assured financing in future phases of project implementation as an issue. Terminal evaluations recommend that projects identify and implement self-funding mechanisms in order to move beyond the need for project-specific funding that is not assured into the future. Two other issues raised repeatedly in terminal evaluations relate to integrating climate change adaptation with national policies and programs (institutional sustainability), and the need for country ownership to ensure sustainability (socio-political sustainability) (GEF IEO, 2016b)."

177. For projects supported through the SCCF, results in terms of sustainability were also found to be positive, for those projects that were ending implementation: "no projects were assessed as having outcomes that were 'unlikely' to be sustainable, and only 3 projects were rated as 'moderately unlikely' (…) Across those (…) a common theme was the lack of weakness of sustainability-focused planning within the original design documentation (GEF IEO, 2016c)." Among the key factors of sustainability success, the evaluation reports noted "The most common factor was the strength of national frameworks and institutions, and the extent to which these structures were already geared towards climate change and adaptation."

5. Enabling environments

178. As for the GCF's contribution to enabling environment, as noted above, it is inscribed as part of the investment framework and closely linked to the prospects of achieving sustainability of impact and as a key manner in which to achieve a paradigm shift.[186] This includes programming towards the following elements:

(a) Arrangements that provide for long-term and financially sustainable continuation of relevant outcomes and key relevant activities derived from the project/programme beyond the completion of the intervention;

(b) Creation of new markets and business activities at the local, national or international levels;

(c) Changed incentives for market participants by reducing costs and risks, eliminating barriers to the deployment of low-carbon and climate-resilient solutions;

[184] Ibid.
[185] Ibid.
[186] GCF document GCF/B.09/07, page 11.

(d) Assistance to overcome systematic barriers to low-carbon development to catalyse impact beyond the scope of the project or programme;

(e) Advancing the national/local regulatory or legal frameworks to systemically promote investment in low-emission or climate-resilient development;

(f) Shifting incentives in favour of low-carbon and/or climate-resilient development or promotes mainstreaming of climate change considerations into policies and regulatory frameworks and decision-making processes at national level.[187]

179. Furthermore, the GCF is working with countries on enabling environments also through the funding of readiness requests and NAPs/adaptation planning. The COP, by decision 1/CP.21, paragraph 46, requested the GCF Board to expedite support for the LDCs and other developing countries for the formulation of NAPs, consistent with decisions 1/CP.16 and 5/CP.17, and for the subsequent implementation of policies, projects and programmes identified by them. In response to this guidance, the Board established a separate activity area under the Readiness Programme for the formulation of NAPs, and delegated authority to the Executive Director to approve up to USD 3 million to support the formulation of NAPs and other adaptation planning processes, taking into consideration the UNFCCC NAP technical guidelines and the importance of coordination and complementarity with other NAP-related initiatives and support. As at 31 July 2017, the GCF had approved 3 proposals and had received NAP proposals from 26 additional countries.

180. The element of effectiveness, closely connected to sustainability and the likelihood of maintained impact, is the extent to which climate-financed programming leads to the creation or strengthening of enabling environments. Enabling environments are defined as: policies and regulatory frameworks, enhanced governance and capacity-building that will enable low carbon and climate resilient development and scale up climate action with private sector / CSO participation. Under the UNFCCC process, it is notable that discussion on the enabling environments is held under the long-term climate finance process, focusing on facilitating mobilization and effective deployment of climate finance in developing countries.

181. The 2014 report on Long Term Finance notes that it is primarily governments, in both developed and developing countries, that set the enabling environments as they relate to policy and regulatory frameworks – both enabling environments for mobilizing climate finance in developed countries and enabling environments for effectively facilitating the mobilization and deployment of climate finance in developing countries.[188] However, much of the programming delivered through existing climate finance mechanisms aim to strengthen governments' capacities to achieve this objective.

182. According to the GEF (GEF, 2016b), it plays a unique role in several ways to have a long-lasting impact on the enabling environment in recipient countries, including:

(a) Early policy lock-in and regulatory reform to support governments in catalysing partners to invest in low-emission, climate-resilient technologies;

(b) Demonstrating innovative technologies and business models, with a view to unlock the market for low-emission, climate-resilient technologies or enable partners to conduct large-scale replication;

(c) Strengthening institutional capacity and decision-making processes at the sub-national, national and regional level to improve information, participation, and accountability in public and private decisions that enable partners to design and implement low-emission, climate-resilient plans and policies;

(d) Building multi-stakeholder alliances to develop, harmonize, and implement sustainable practices to pursue integrated approaches that further the global commons through the promotion of synergies amongst sectors and the delivery of multiple benefits; and

(e) De-risking partner investments by applying guarantees and equity instruments to re-direct private sector investments into low-emission, climate-resilient business models.

[187] GCF document GCF/B.09/23, page 27.
[188] FCCC/CP/2014/3, paragraph 26.

183. One of the key objectives of the GEF-6 CCM Focal Area is to foster enabling conditions to mainstream mitigation concerns into sustainable development strategies (CC3). Recent findings from the OPS6 on the Climate Change Focal Area notes that GEF projects play “An important role in strengthening the enabling environment for scaling-up climate investments. GEF climate change projects have frequently focused on developing and proposing legal and regulatory measures to address CCM (84 percent of projects reviewed), public and private sector capacity-building (76 and 80 percent, respectively), and reducing information barriers and supporting market change through raising awareness of key stakeholder groups (98 percent). The GEF is sometimes the first to tackle policy barriers as a key cornerstone of the enabling environment (GEF IEO, 2017c).”

184. Furthermore, GEF support to NCs and BURs also contribute to building capacity for setting the enabling environment. In addition, the CBIT also focuses on institutional and technical capacity of developing countries to meet the enhanced transparency requirements of the Paris Agreement. Furthermore, GEF support, through the LDCF and the SCCF, for NAP processes and GEF’s country engagement, including through ECWs further strengthen enabling environments of developing countries. Further information on capacity-building support provided by the GEF is included under chapter E.4.

E. Results and impacts achieved with the resources provided

185. This chapter focuses on the impacts and results achieved through the resources provided through the operating entities and, to a certain extent, through resources leveraged outside the Convention processes. Because the GCF resources are just beginning to be programmed, it is too soon to discuss tangible impacts and results, but expectations can be derived from the current portfolio of approved and pipelined projects. Insights from this chapter may be useful in deliberating the effectiveness of the activities funded by the Financial Mechanism of the Convention.

1. Results and impacts achieved in mitigation

186. As noted in earlier chapters, the GCF has approved, as at July 2017, 43 projects; 41% of committed resources for projects are for climate mitigation projects and 32% tackle both mitigation and adaptation objectives. From these 43 projects, it is anticipated that an estimated 981 million tCO2 would be avoided or sequestered.[189]

187. In addition, the current pipeline is comprised of 74 public‐ and private‐sector funding proposals, which request a total GCF funding of USD 3.4 billion.[190] The GCF estimates the climate impact potential of this pipeline to be “701 million tonnes of carbon dioxide equivalent reduced or avoided over the lifetime of the proposed activities, and 140 million people that are projected to benefit from reduced vulnerability and/or increased resilience.”[191]

188. The GEF reports that, as at June 30, 2017, it had “supported 867 projects on CCM with over USD 5.3 billion GEF funding in more than 165 countries (…). To date, the GEF has also supported 353 enabling activities, including NCs and BURs as countries’ obligation under the Convention, with USD 445.5 million in funding from the GEFTF.”[192] In addition, “Twenty CCM projects were approved in FY 2017 through the SGP, with grant funding amounting to USD 603,516. According to the SGP Annual Monitoring Report 2015–2016 , 848 SGP CCM projects were active in the reporting period, with total GEF investment of USD 29.06 million”[193]

189. According to the GEF secretariat, the total cumulative emissions benefit of all GEF projects supported through the GEF Trust Fund is estimated to be over 8,400MtCO2 eq, with the distribution across GEF phases as illustrated in Table 9 below. “In the first three years of GEF-6, projects and programs are estimated to reduce more than 1,920 Mt CO_2 eq, thus exceeding the GEF-6 target GHG emission reduction goal of 750 Mt CO_2 eq.”[194] Table 10 illustrates the expected mitigation benefits of projects approved in 2017.

[189] http://www.greenclimate.fund/what-we-do/portfolio-dashboard.
[190] GCF document GCF/B.17/09, Status of the pipeline, paragraph 2.
[191] Ibid.
[192] FCCC/CP/2017/7, paragraph 76.
[193] Ibid., paragraph 100.
[194] Ibid., paragraph 84.

Table 9
Distribution of estimated greenhouse gas benefits across replenishment cycles of the Global Environment Facility

Phase	*Estimated GHG benefit (MtCO2 Eq.)*
Pilot phase	88
GEF-1	440
GEF-2	578
GEF-3	1 448
GEF-4	1 940
GEF-5	2 000
GEF-6 (partial)	1 920

Table 10
Emissions reductions expected from projects approved by the Global Environment Facility in fiscal year 2017

Type of Projects and Programs	*Total Emission Reductions (Mt CO2 eq)*
Technology Transfer/ Innovative Low Carbon Technology	0.96
Energy Efficiency	11.75
Renewable Energy	1.00
Urban/Transport	1.71
AFOLU	32.89
Mixed/others	7.63
Total	55.94

190. The OPS5 noted that emissions reductions expected from the projects with explicit emissions targets was 10.8 billion tons. The GEF OPS6, in its climate Change Study, notes that a significant majority of projects under the CCM focal area have ratings in the satisfactory range and that sixteen of the 18 projects assessed in China, India, Mexico, and Russia resulted in significant direct GHG emissions reduction impact; of these, four dominated in terms of making significant contributions to GHG avoidance, three of which were in China (GEF IEO, 2017c).

191. In 2014, during OPS5, the GEF Evaluation office calculated that the “median and average cost per ton of direct mitigation across all GEF project types is $5.8 and $1.2 per tCO2eq, respectively”.[195] For the GEF-6 period, partially estimated benefits of 1,920 MtCO2 were achieved with GEF funding of USD 1,174.2 million, which would indicate an average cost of $0.61/tCO2eq and median value of $1.30/tCO2eq.; counting co-financing of 11.552.3 million mobilized for this portfolio, the average cost would be 6.63/tCO2 eq. [196]

192. In November 2014, the GEF secretariat, in cooperation with the Scientific and Technical Panel, reviewed its GHG accounting methodologies. The Guidelines for Greenhouse Gas Emissions Accounting and Reporting for GEF Projects present the results of this exercise and propose additional guidance for various themes tackled by GEF programs, including methodologies for calculating indirect emissions reductions.[197] The methodologies were also harmonized with those of MDBs and international financing institutions participating in the GEF, through the International Financial Institution Framework for a Harmonized Approach to Greenhouse Gas Accounting exercise.[198]

[195] GEF IEO, OPS5 Technical Document # 20: GEF Climate Change Mitigation GHG Analysis.
[196] Preliminary data assessment, GEF Secretariat, September 5, 2017.
[197] GEF document GEF/C.48/INF.09.
[198] https://www.thegef.org/topics/greenhouse-gas-ghg-accounting.

2. Results and impacts achieved in adaptation

193. The GEF, LDCF and SCCF have supported efforts to adapt to climate change and to strengthen resilience of communities and ecosystems. Since the completion of programming under the Strategic Priority on Adaptation, a pilot 50-million allocation of funds from the GEFTF to support adaptation, all adaptation funding is channelled through the LDCF and SCCF.

194. The fifth review of the Financial Mechanism noted the fact that projects financed through the LDCF reflected the priorities identified in NAPAs. The GEF now also supports the preparation of NAPs through the LDCF and the SCCF. "Total funding from the LDCF towards the LDCs' NAP processes amounts to USD 41.7 million as of June 30, 2017." This amount comprises projects that are explicitly devoted, as the sole project objective or through dedicated components, to enhancing a country's NAP process" .[199]

195. From its inception to June 30 2017, the LDCF approved USD 1,175.2 million has been for projects, programs, and enabling activities. This included the preparation of 51 NAPAs, all of which have been completed, and the approval of 197 subsequent NAPA implementation projects. "The LDCF support for approved CCA projects and programs currently totals USD 1,163 million and it mobilized USD 4.5 billion in co-financing. As at June 30, 2017, cumulative pledges to the LDCF amounted to USD 1.23 billion, of which USD 1.19 billion have been received." For the SCCF, as at June 30, 2017, the GEF, had provided "USD 287.9 million for adaptation projects. Sixty-six projects were approved for funding, mobilizing nearly USD 2.3 billion in co-financing. The SCCF-B (technology transfer window) has provided USD 60.7 million for twelve projects that support technology transfer, mobilizing USD 382.3 million in co-financing.[200]

196. In terms of adaptation results through the LDCF, the FY 2016 AMR of the LDCF and the SCCF provides information on 79 active projects under the LDCF. It notes that the majority of projects obtain ratings above Moderately Satisfactory. "As at June 30, 2016, the 79 projects contained in the active LDCF portfolio have already reached more than 4.4 million direct beneficiaries and trained some 340,000 people in various aspects of CCA. Through these 79 projects, an estimated 1.1 million hectares of land have also been brought under more resilient management. Moreover, 51 national policies, plans or frameworks in 15 LDCs have been strengthened or developed to better address climate change risks and adaptation, while 33 projects have enhanced climate information services in 32 countries."[201]

197. The 2017 Program evaluation of the SCCF found the Fund to have delivered significant results in terms of catalytic effect, generation of public goods and demonstration of technologies, across the portfolio. The analysis also showed that the contribution of SCCF projects to Global Environmental Benefits was limited, except for the Sustainable Land Management thematic area, which is one that bears strongest linkages to adaptation. Fourteen percent of SCCF projects were found to have significant contributions to the promotion of low-carbon development pathways (GEF IEO, 2017e).

3. Results and impacts achieved in technology transfer

198. The GEF reports that technology transfer for climate adaptation and mitigation is a key cross-cutting theme for GEF programs. "The GEF-6 CCM Strategy for the period of July 2014 to June 2018 promotes the timely development, demonstration and financing of low carbon technologies and CCM options. The GEF supports the development, adoption and implementation of policies, strategies, regulations and financial or organizational mechanisms that accelerate CCM technology innovation and uptake (GEF, 2014)." Similarly, the RBM framework for the SCCF and LDCF includes climate-resilient technologies and practices adopted and scaled up as one of nine overarching outcomes. Furthermore, the entire GEF climate change portfolio can be characterized as supporting technology transfer as defined by the IPCC and by the technology transfer framework adopted by COP 7."[202]

199. In its most recent report to the UNFCCC, the GEF reports that "in the reporting period, for CCM, 19 projects with technology transfer objectives were approved with USD 111.7 million in

[199] FCCC/CP/2017/7, paragraph 126.
[200] Ibid., paragraph 109.
[201] Ibid., paragraph 116.
[202] FCCC/CP/2017/7, paragraph 161.

GEF funding and USD 709.3 million in co-financing. For CCA, 24 projects to promote technologies for adaptation were approved with USD 165.9 million from the LDCF and SCCF, and USD 572.5 million of co-financing."[203]

200. Since 2008, the Poznan Strategic Programme on Technology Transfer (PSP) was programmed with USD 35 million from the GEFTF and USD 15 million from the SCCF. This was used to support for TNAs and financing priority pilot projects on the transfer of environmentally sound technologies. The GEF channels its support to the CTCN through this financing. In 2015, the TEC submitted an evaluation of the PSP to the 43rd Subsidiary Body for Implementation (SBI). The SBI (…) encouraged the GEF to share the midterm evaluation of the climate technology transfer and finance centres and pilot projects under the program with the TEC and the CTCN.[204]

201. Projects currently supported by the GEF under the PSP include the regional and global initiatives listed in Table 11 below.[205] The GEF also reports having approved new global initiatives including a project aiming to provide support for the Industrial Energy Efficiency Accelerator. At the national level, 11 projects are under implementation in "Cambodia, Chile, China, Colombia, Côte d'Ivoire, Jordan, Kenya, Mexico, Russian Federation, Sri Lanka, Swaziland and Thailand. The funding from the GEFTF and SCCF-B for these projects amounted to USD 49.4 million and USD 2.4 million, respectively, and the total co-financing amounted to USD 223.2 million and USD 5.7 million, respectively. (…) The technologies targeted by the endorsed projects address both CCM and CCA, and are diverse and innovative. They include technologies on renewable energy (solar, biomass, wind), energy efficiency (insulation materials, efficient and hydro-chlorofluorocarbon-free appliances), transport ("green" trucks), and composting. Membrane drip irrigation, flood and drought-resistant crops with sustainable land management practices were included as CCA-related technologies."[206] In the period 2016–2017, the GEF approved 16 climate mitigation national projects with technology transfer objectives, with USD 89.2 million in GEF funding and USD 681.2 million in co-financing. For climate adaptation, 24 national projects to promote technologies for adaptation were approved with USD 165.9 million from the LDCF and SCCF, and USD 572.5 million in co-financing.[207]

202. The terminal evaluation of the program of support to the development of TNAs (UNEP, 2016b), which has thus far supported 80 developing countries, found that "The positive achievements of the project include the fact that it successfully completed a process of providing assistance and support to 32 countries that submitted their reports: eleven countries in Africa and the Middle East, 13 countries in Asia and Eastern Europe, and eight in LAC.

203 Ibid., paragraph 153.
204 FCCC/CP/2016/6, paragraph 138.
205 Ibid., paragraph 154.
206 Ibid., paragraph 167–169.
207 FCCC/CP/2017/7, paragraph 169.

Table 11
Global Environment Facility projects for climate technology transfer and financing centres and the Climate Technology Centre and Network[a]

Title	*Region*	*Agency*	*GEF financing (USD million)* GEFTF	SCCF	*Co-financing (USD million)*	*Status*
Promoting accelerated transfer and scaled-up deployment of CCM technologies through the CTCN	Global	UNIDO	1.8	0	7.2	Under implementation
Pilot Asia-Pacific Climate Technology Network and Finance Center	Asia and Pacific	ADB/ UNEP	10.0	2.0	74.7	Under implementation
Pilot African Climate Technology Finance Center and Network	Africa	AfDB	10.0	5.8	89.0	Under implementation
Finance and Technology Transfer Center for Climate Change	Europe and Central Asia	EBRD	10.0	2.0	77.0	Under implementation
Climate Technology Transfer Mechanisms and Networks in LAC	LAC	IDB	10.0	2.0	63.4	Under implementation

[a] Reproduced from the GEF report to COP 23.

203. In terms of adaptation technology, the GEF recognizes that "there has been a modest focus on technology transfer for adaptation," despite technology transfer being an objective included in the adaptation results framework for the GEF, SCCF and LDCF."[208] The SCCF Program Evaluation undertaken in 2017 notes that "adaptation-focused SCCF-A projects rarely contribute to SCCF-B (technology transfer–focused) outcomes." Despite this difficulty, the GEF IEO, in its OPS5 noted that 42 of the 71 LDCF projects with relevant objectives contribute directly to technology transfer.

4. Results and impacts achieved in capacity-building

204. The GCF has not developed a dedicated approach or policy regarding capacity-building. However, the GCF secretariat notes, in its report on the implementation of the strategic plan, that "specific measures were identified to promote the implementation of the operational priorities, including the development of country programmes and entity work programmes. Further, through the process of structured dialogues between NDAs/FPs, AEs and the secretariat, determine which priorities identified by countries are the best match for GCF support."[209] As part of the programming process, the GCF supports countries and entities in "Identifying institutional needs to build and strengthen capacity." Furthermore, capacity-building and technical assistance are embedded in all GCF approved projects, beyond the in-depth capacity-building that is a hallmark of the Readiness programme. As at 8th September 2017, the GCF has committed funds totalling USD 39.5 million for 118 Readiness activity requests. SIDS, LDCs or African States make up 66 per cent of the total portfolio.

205. Capacity-building is also a strong element of the readiness programme, in which the GCF supports countries and entities in accessing funds. The GCF is strengthening its support to countries in order to build their capacity for direct access. This includes "Capacities to identify the best

[208] FCCC/CP/2017/7, paragraph 164.
[209] GCF document GCF/B.16/04/Add.01.

national partners to execute projects, to develop bankable projects and programs, and to undertake financial management and good fiduciary practices, are to be developed.” [210]

206. Capacity-building is transversal to all projects supported through the GEF, LDCF and SCCF. The GEF reports that capacity-building lies “at the core of all GEF programming”, and that most climate change related initiatives comprised of a combination of demonstration and institutional capacity.[211]

207. According to the GEF report to COP 23, “in the calendar year 2016, the GEFTF, LDCF and SCCF portfolios supported 135 (96 CCM and 39 CCA) stand-alone and MFA projects with various capacity-building priorities (…). The total GEF funding towards supporting these capacity-building activities in 2016 amounted to approximately USD 216.9 million. Of these activities, 48 projects provided support to 36 SIDS and LDCs with capacity-building activities amounting to USD 76.5 million.”[212]

208. The GEF OPS6 notes that “the GEF has had success in influencing the regulatory and policy framework in countries, including through capacity-building and enabling activities. Furthermore, the evaluation of the Climate Change Focal Area found that “80 percent of closed projects included activities focused on building private sector capacity, and a third of projects also provided direct assistance to support private sector entities e.g., in piloting technologies (GEF IEO, 2017c).

209. Since the fifth review, the CBIT was launched at COP 22 and was operationalized by the GEF. As at June 30, 2017, the CBIT Trust Fund had received pledges of USD 55.6 million. In its latest report to the COP, the GEF notes that “in the reporting period, ten national projects and one global project were approved, amounting to USD 12.7 million of CBIT funding and USD 14.8 million in co-financing.” The global project aims to establish a global coordinating platform to enable coordination, maximize learning opportunities and foster knowledge-sharing to facilitate transparency enhancements, while the national projects “respond to nationally identified priorities, and are thus specific to each country’s transparency-related capacity-building needs. In general, they all seek to enhance coordination at the national level, improve or further develop national MRV frameworks, and strengthen the institutional capacity for transparency-related activities. All projects have components on GHG inventories and transparency of CCM actions, and some have a sector-specific focus. In addition, some projects also include transparency of CCA actions and of support needed and received.”[213]

F. Consistency of the Financial Mechanism with the objective of the Convention

210. This chapter examines how the resources provided by the operating entities contribute to achieving the objective of the Convention.

211. Article 2 of the Convention states that “the ultimate objective of this Convention and any related legal instruments that the COP may adopt is to achieve, in accordance with the relevant provisions of the Convention, stabilization of greenhouse gas concentrations in the atmosphere at a level that would prevent dangerous anthropogenic interference with the climate system. Such a level should be achieved within a time-frame sufficient to allow ecosystems to adapt naturally to climate change, to ensure that food production is not threatened and to enable economic development to proceed in a sustainable manner.”

212. The fifth review of the Financial Mechanism noted that the provisions of the Convention were agreed upon to meet the objective of the Convention. Decisions taken by the COP hitherto, including initial and subsequent guidance on policies, programme priorities and eligibility criteria to the operating entities have been adopted with the same aim.[214]

213. Over the years, the operating entities have deployed programming priorities in response to guidance provided by the COP (see also chapter B), aligning themselves with the objective of the

[210] http://www.asiapacificadapt.net/adaptationforum2013/sites/default/files/Eunhae%20Jung.pdf.
[211] Presentation given by the GEF at the second meeting of the Durban Forum on Capacity-building (2013) https://unfccc.int/files/cooperation_and_support/capacity_building/application/pdf/df2cbm03.pdf.
[212] FCCC/CP/2017/7, paragraphs 202–205.
[213] FCCC/CP/2017/7, paragraphs 138–140.
[214] SCF/TP/2014/1, paragraph 174.

Convention, in terms of both emission reduction and adaptation. Table 12 describes the portfolio-level adaptation and mitigation goals, objectives, and operational principles for the two operating entities.

214. In terms of the GCF, consistency with the mitigation objective of the Convention is enshrined in its Governing Instrument and its strategic plan.[215] The Governing Instrument recognizes that the GCF will aim to make "a significant and ambitious contribution to the global efforts towards attaining the goals set by the international community to combat climate change" and "contribute to the achievement of the ultimate objective of the United Nations Framework Convention on Climate Change." The Governing Instrument also notes that the Fund will promote paradigm shift towards low-emission and climate-resilient development pathways by providing support to adapt to the impacts of climate change."[216]

215. As noted in the fifth review of the Financial Mechanism, the objective of the Convention is embedded in the GEF programme priorities that are identified in the initial guidance from the COP and in further guidance provided thereafter.[217] The MOU between the COP and the GEF Council states that "the Financial Mechanism is to provide financial resources on a grant and concessional basis, including for the transfer of technology, and is to function under the guidance of and be accountable to the COP, which shall decide on its policies, programme priorities and eligibility criteria related to the Convention."[218]

Table 12
Overview of adaptation and mitigation portfolio objectives of the operating entities

	GEF – LDCF and SCCF	*GCF*
	Adaptation	
Goals/ Objectives	The goal of the GEF Adaptation Program is to increase resilience to the adverse impacts of climate change in vulnerable developing countries[a] Three strategic objectives: Reduce the vulnerability of people, livelihoods, physical assets and natural systems to the adverse effects of climate change; Strengthen institutional and technical capacities for effective climate change adaptation; Integrate climate change adaptation into relevant policies, plans and associated processes	To make a contribution to increased climate-resilient sustainable development[b]
Operational Principles	Pillar I: Integrating climate change adaptation into relevant policies, plans, programs and decision-making processes Pillar II: Expanding synergies with other GEF focal areas Gender Mainstreaming	Six investment criteria: Mitigation Impact potential Paradigm shift potential Needs of the recipient Country ownership Efficiency and effectiveness Sustainable development potential
	Support to the preparation of NAPs; Private sector engagement Risk transfer and insurance Ecosystem-based adaptation	Support to the preparation of NAPs; Private sector engagement The LDCs, the SIDS, African States adaptation priority (target of 25% of total portfolio) [From results management framework (B.07/04)]:

215 GCF Board decision B.12/20. See also GCF document GCF/B.16/04.
216 GCF Governing Instrument, paragraphs 1 and 2.
217 SCF/TP/2014/1, paragraphs 175 and 176.
218 Annex to UNFCCC decision 12/CP2

	GEF – LDCF and SCCF	GCF
		Increased resilience and enhanced livelihoods of the most vulnerable people, communities and regions; Increased resilience of health and well-being, and food and water security; Increased resilience of infrastructure and the built environment to climate change threats; and Improved resilience of ecosystems
	Mitigation	
Goals/ Objectives	To support developing countries and economies in transition to make transformational shifts towards a low emission, resilient development path[c]	To make a contribution to the shift to low-emission sustainable development pathways[d]
Operational principles	Promote innovation, technology transfer, and supportive policies and strategies; Demonstrate mitigation options with systemic impacts; Foster enabling conditions to mainstream mitigation concerns into sustainable development strategies	Six investment criteria: Mitigation Impact Potential Paradigm shift Needs of the recipient Country Ownership Efficiency and Effectiveness Sustainable Development potential
	- 5 eligible programs: 1. Promote timely development, demonstration and financing of low-carbon technologies and mitigation options 2. Develop and demonstrate innovative policy packages and market initiatives to foster new range of mitigation actions 3. Promote integrated low emission urban systems 4. Promote conservation and enhancement of carbon stocks in forest, and other land use, and support climate smart agriculture 5. Integrate findings of Convention obligations enabling activities into national planning processes and mitigation contributions - CBIT	[From results management framework (B.07/04)]:[e] Low-emission energy access and power generation; Access to low-emission transport; Energy-efficiency in buildings, cities and industries; Sustainable land use and forest management, including REDD-plus

[a] GEF document GEF/LDCF.SCCF.16/03/Rev.01.
[b] Annex III to GCF document GCF/B.09/23.
[c] GEF-6 CCM Strategy and GEF document GEF/A.5/07/Rev.01.
[d] As footnote 91 above.
[e] GCF Board decision B.07/04, paragraph (b)(ii)(2).

1. Adaptation

216. Article 4 of the Convention states that Parties should “cooperate in preparing for adaptation to climate change” and that “the developed country Parties and other developed Parties included in Annex II shall also assist the developing country Parties that are particularly vulnerable to the adverse effects of climate change in meeting costs of adaptation to those adverse effects.” The operating entities have integrated these objectives into their strategies and programmatic frameworks for adaptation.

217. The GCF programming related to adaptation is expected to make a strong contribution to reducing vulnerability and increasing resilience, with so far an estimated 128 million people

benefiting from adaptation-related project interventions (through 43 projects)[219] and an estimated 44 per cent of approved funding dedicated for adaptation projects. The pipeline of projects, as it stood at the 16th Board meeting, was expected to reduce the vulnerability or increase the resilience of 218 million people.[220]

218. The GEF strategy for adaptation (see Table 12 above) was developed to guide the operationalization of the LDCF and the SCCF, through which the GEF channels adaptation-related funding. GEF programming priorities on adaptation have been guided by the objective of the Convention, according to the GEF: “the strategic thrust of GEF-financed climate change activities is to support sustainable measures that minimize climate change damage by reducing the risk, or the adverse effects, of climate change. The GEF will finance agreed and eligible enabling, mitigation, and adaptation activities in eligible recipient countries.”[221]

219. As set forth in the GEF adaptation strategy, the goal of the LDCF is to “support developing countries to increase resilience to climate change through both immediate and longer term adaptation measures in development policies, plans, programs, projects and actions.” The SCCF promotes the same objective but “may finance a wide range of concrete adaptation measures, which may include longer term time horizons. Projects have the option to focus on long-term planned response strategies, policies, and measures, rather than short-term activities.”

220. In terms of progress towards the achievement of the objective of the Convention, the GEF reports that it has provided over USD 1.5 billion in grant financing for 325 adaptation projects through the LDCF and SCCF. These projects are expected to directly reduce the vulnerability of at least 20 million people.[222] Key expected benefits from these projects include the provision of expanded access to climate information services (75 LDCF projects and 30 SCCF projects) and climate related early warning information (57 LDCF projects and 14 SCCF projects), as well as the development of over 1,869 sub-national plans and processes related to adaptation (through both LDCF and SCCF).[223] Key expected results for the SCCF include Furthermore, the GEF also reports that all countries have received support to meet their planning commitments under the Convention, namely for the development of NAPAs and other enabling activities.

2. Mitigation

221. As set forth in Article 11, the role of the Financial Mechanism of the Convention is to support the achievement of the objective of the Convention through the “provision of financial resources on a grant or concessional basis, including for the transfer of technology.”

222. As context, according to the summary for policymakers in the contribution of Working Group III to the Fifth Assessment Report of the IPCC,[224] global emissions in 2010 were approximately in the order of 49 Gt CO_2 eq. At COP 21, Parties noted with concern that estimated aggregate greenhouse gas (GHG) emission levels reflected in INDCs lead to a projected level of 55 Gt CO_2 eq in 2030. They also noted that greater efforts were needed to reduce emissions to 40 Gt CO_2 eq.[225]

223. While it is too soon to identify the contribution of the GCF to the stabilization of GHG concentration in the atmosphere, its programming priorities and policies indicate that important reductions could be achieved through GCF investment. Recent estimates by the GCF of the anticipated impacts of the current portfolio place GHG emission reductions at Mt 981 CO_2 eq for 43 approved projects, amounting to a total of USD 2.2 billion in committed funds, of which 41% is dedicated to mitigation-related programming (USD 927 million), and a further 32% to cross-cutting programming (718.9).[226] According to the GCF secretariat, “the climate impact potential of the

[219] http://www.greenclimate.fund/projects/portfolio (last accessed 24 May 2017).
[220] FCCC/CP/2017/5, paragraph 28.
[221] Ibid.
[222] GEF/LDCF.SCCF.22/03/Rev.01, page 1. See also http://www.thegef.org/topics/climate-change-adaptation. and GEF. Time to Adapt: Insights from the Global Environment Facility’s Experience in Adaptation to Climate Change.
[223] GEF/LDCF.SCCF.22/03/Rev.01, pages 11 and 21.
[224] Ibid., page 23.
[225] Decision 1/CP.21, paragraph 17.
[226] FCCC/CP/2017/5, paragraph 28. See also https://www.greenclimate.fund/what-we-do/portfolio-dashboard.

pipeline is estimated to be 2.5 billion tonnes of CO2 Eq reduced or avoided over the lifetime of the proposed activities."[227]

224. According to the GEF, in 2016, its historical programming in energy efficiency and renewable energies has led to a reduction in emissions of 963 Mt CO_2 eq (GEF, 2016c). The GEF reports having directed funding towards programmes and projects that aim to reduce GHG emissions through a climate change portfolio that has now reached over 1,000 projects and USD 3.6 billion in grant funding. In addition, according to evidence from the OPS6, additional GHG benefits were achieved through multi-focal projects that did not claim CCM funding, mostly in the land use and forestry focal areas (GEF IEO, 2017c). In addition to these results, projects approved in the first 3 years of the GEF-6 period (July 2014 to May 2017) are expected to mitigate and avoid an additional 1,243 million tonnes of CO2.[228]

225. OPS6 finds that the "GEF-6 Climate Change Focal Area Strategy is highly responsive to UNFCCC guidance (GEF IEO, 2017c)." Preliminary evidence of the evaluation of the climate change portfolio undertaken in the framework of OPS6 shows that most climate change projects under GEF-6 were successful in delivering positive environmental impacts and global environmental benefits, that is, mitigation of emissions. The OPS6 review found that about three quarters of GEF climate change projects showed evidence of environmental impact at project closure, although in some projects the extent of GHG reduction impacts was marginal (GEF IEO, 2017c). It should also be noted that multiple environmental co-benefits are achieved but these are beyond the scope of this paper.

G. Consistency and complementarity of the Financial Mechanism

226. This chapter aims to examine the consistency and complementarity between the strategies, policies and programmes of the operating entities and between the operating entities and other climate finance delivery channels. A selected number of dedicated multilateral climate change dedicated funds were selected for the purposes of this paper but are not meant to be comprehensive. The chapter begins with an overview of the climate finance context and is then organized by thematic area of adaptation, mitigation, technology transfer, capacity-building and REDD-plus. Though not the focus of this report, a small chapter on complementarity with the private sector is also included. Insights from this chapter may inform deliberations by the COP on consistency and complementarity (i) between the operating entities and (ii) between the operating entities and other sources of climate finance.

1. Overview

227. As noted in the fifth review,[229] the global architecture of climate finance is rapidly evolving, and a number of mechanisms, funds and initiatives are now responding to the objective of the Convention in terms of mitigation and adaptation. These resources are channelled through an increasingly complex climate finance architecture, which includes a number of multilateral and bilateral climate funds. Article 11.5 of the Convention stipulates that "the developed country Parties may also provide and developing country Parties avail themselves of, financial resources related to the implementation of the Convention through bilateral, regional and other multilateral channels." Furthermore, decision 1/CP.11, paragraph 2(a) the COP took note of the conclusions of the Intergovernmental Negotiating Committee for a Framework Convention on Climate Change that reads: Outside the framework of the Financial Mechanism – Consistency should be sought and maintained between activities (including those related to funding) relevant to climate change undertaken outside the framework of the Financial Mechanism and the policies, programme priorities and eligibility criteria for activities as relevant, established by the COP. Towards this end and in the context of Article 11.5 of the Convention, the secretariat should collect information from multilateral and regional financial institutions on activities undertaken in implementation of Article 4.1 and Article 12 of the Convention; this should not introduce new forms of conditionalities.

228. Multilateral climate funds provide financial support to climate-related projects in developing countries from funds contributed by multiple developed countries. There are funds that provide

[227] Ibid.
[228] GEF document GEF/C.52/INF.05, page 1.
[229] SCF/TP/2014/1.

funding both for mitigation and adaptation, such as the GCF and the SCCF, and there are also other mitigation-, adaptation- and forest-dedicated funds. For example, according to the 2016 BA by the SCF, the Clean Technology Fund and the Scaling Up Renewable Energy Program were the mitigation-dedicated funds that received largest funding commitments in 2013–2014. The Forest Investment Program followed by the UN-REDD Programme and the Forest Carbon Partnership Facility are some of the more significant sources of committed funds for forests and the Pilot Program For Climate Resilience (PPCR) has been the largest single source of funding for adaptation by commitments, followed by the LDCF and the Adaptation for Smallholder Agriculture Program and the AF, in 2013–2014.A similar set of bilateral funds also channel resources to developing countries using development cooperation pathways Annex I and II contains more detail on funding sources for mitigation and adaptation and scope of funding.

229. The COP has requested the GEF to report on resources for capacity-building and technology transfer, which it does through its annual reports to COP. However, it should be noted that financing specifically dedicated to capacity-building and technology transfer is difficult to isolate, as it is in most cases integrated into project activities, and not exclusively tracked separately by many funds.

2. Consistency and complementarity between the operating entities

230. This chapter summarizes the steps that the operating entities have been taking to promote consistency and complementarity between themselves at the strategic and operational levels, and the pathways for collaboration that have been identified and applied since the fifth review of the Financial Mechanism.

231. The issue of consistency and complementarity is inscribed in the Governing Instrument, which states that "the Fund shall operate in the context of appropriate arrangements between itself and other existing funds under the Convention, and between itself and other funds, entities, and channels of climate change financing outside the Fund." [230] The Governing Instrument also states that "the Board will develop methods to enhance complementarity between the activities of the Fund and the activities of other relevant bilateral, regional and global funding mechanisms and institutions, to better mobilize the full range of financial and technical capacities" and specifies that coherence should be promoted "in programming at the national level through appropriate mechanisms."[231]

232. The GCF, in its initial strategic plan, which was approved at the 12th Board meeting, also highlights the comparative advantages of the GCF and notes the need to operate in coherence with other climate finance institutions.[232] This comparative advantage is defined as follows: "its ability to programme and manage financing at scale; engage in partnerships with both public and private actors at various levels; take on risks that other funds/institutions are not able or willing to take, including risks associated with deploying innovative climate technologies; pilot and potentially scale-up and replicate innovative approaches; deploy the full range of financial instruments at its disposal; leverage additional financial inputs from innovative and alternative sources; and leverage its status as an operating entity of the Financial Mechanism of the UNFCCC to set new standards with regard to country ownership, direct access and level of ambition impacting the global practice of climate finance beyond its immediate engagement."[233]

233. The COP has provided guidance on this issue over the years, encouraging both entities to "further articulate and build on the complementarity of their policies and programmes within the Financial Mechanism of the Convention."[234]

234. The GEF, in a report by the secretariat to the 52nd Council, held in May 2017, noted that each fund may play different, complementary roles that can produce higher impacts and leverage more resources, if combined strategically.[235]

235. During GEF-6, given the growing significance of climate change influence on all areas of GEF interventions, the GEF CCM strategy sought to enhance synergies across focal areas and to

[230] GCF Governing Instrument, paragraph 33.
[231] Ibid., paragraph 34.
[232] GCF document GCF/B.13/08, paragraph 4.
[233] GCF document GCF/B.12/32, annex I, page 29.
[234] Decision 8/CP.21, paragraph 14.
[235] FCCC/CP/2016/6, paragraph 74. See also GEF document GEF/C.52/03.

enhance complementarity with other climate financing options, including the GCF.[236] The ongoing policy debate around GEF-7 provides a unique opportunity to further refine the comparative advantages of the GEF.

(a) Summary of efforts to build consistency and complementarity between operating entities

236. Beyond the definition of strategic-level comparative advantages, both operating entities have sought to operationalize their complementarity. At the senior management level, the GEF CEO and the GCF Executive Director have met on a number of occasions to explore potential cooperation at the operational level. For instance, the GEF CEO and the GCF Executive Director held bilateral meetings on the margins of COP 22, as well as on the occasion of the GCF Executive Director's visit to Washington, DC in March 2017. [237]

237. At the secretariat level, the GCF and the GEF secretariats frequently communicate on a wide range of topics and activities, such as mitigation and adaptation strategies, the status of resource allocation, project cycle modalities and lessons, project preparation grant guidelines, private sector engagement, templates, co-financing policy, accreditation of agencies, financial master agreements, trustee arrangements, as well as readiness and preparatory support.[238] The GEF secretariat has, for example, included the GCF in the GGP, which is comprised of gender FPs from GEF Agencies, other climate funds, conventions.[239] According to the GEF IEO, the partnership has become an important forum for leveraging increased action and convergence on gender and environment. This has enabled the concurrent review of gender policies (see chapter A.3) which are expected to be completed in the fall of 2017.

238. The GEF secretariat also attends GCF Board meetings and responds to questions from the Board members, alternate members and advisors, as needed, and shares information and lessons learned from its work.[240] Likewise, representatives of the GCF secretariat attend meetings of the GEF, as well as other institutions such as the Board meetings of the AF, the Multilateral Fund for the Implementation of the Montreal Protocol and CIF.[241] Both secretariats attend Convention-related bodies, including NAP Expo and the LEG meetings, the SCF, Regional NDC workshops, AC, and TEC, to list a few.

239. On the margins of COP 22, technical personnel of both secretariats, led by the GEF Director of Programs and the GCF Director of Country Programming and the Secretary to the Board, held a working session to discuss areas for potential cooperation. As a result, the following ideas for collaboration were identified:[242]

(a) "Explore further a pilot for coordinated national strategy and project development - identify countries where GEF OFPs and GCF NDAs are identical to facilitate easier start-up conversations;

(b) Conduct joint country missions to 5+ countries for national strategy/project development;

(c) Organize joint outreach to GEF agencies/GCF international entities, as needed;

(d) Consider mutual engagements in the GCF Structured Dialogue and GEF ECWs;

(e) GEF to support GCF in the annual Dialogue with Climate Finance Delivery Channels, as requested by the GCF Board, including suggestions on agenda and active participation;

(f) GCF to support GEF on elements related to transparency of support for CBIT;

(g) Convene small working groups on key topics, such as technology transfer, capacity-building and NAPs;

[236] GEF document GEF/A.5/07/Rev.01, paragraph 7.
[237] FCCC/CP/2016/6, paragraph 74.
[238] GEF document GEF/C.50/09, paragraph 71.
[239] GEF document GEF/ME/C.52/INF.09.
[240] FCCC/CP/2016/6, paragraph 72.
[241] GCF document GCF/B.13/08.
[242] GEF document GEF/C.52/03.

(h) Discuss fund-to-fund arrangements, also informed by small working group discussions on key topics; and

(i) Collaborate with a view to potentially addressing parts of COP guidance jointly as Financial Mechanism at large."

240. According to the GEF secretariat, follow-up meetings have taken place at the technical level in the margins of the AC meeting in March 2017 and the SBI in May 2017, between the GCF and secretariat Staff.

241. As the GCF has been working on becoming fully operational since the fifth review, the GCF and the GEF secretariats, as well as other institutions (see chapter G.1 above) have been cooperating by exchanging lessons learned and experiences in order to inform the development of the operational policies of the funds. This has contributed to shaping various policy elements that now govern the GCF and its operations, including, specifically, accreditation procedures, safeguards policies, investment frameworks and results monitoring policies.

242. The GCF reported on its actions to enhance complementarity, including with the GEF, in its proposed framework for coordination. Among actions undertaken, it includes:

(a) Assessment of existing accredited national, regional and international intermediaries and implementing entities by other relevant funds and development of a work programme on complementarity and coherence with the accreditation systems and processes of other relevant funds, as well as relevant private sector associations;

(b) Identification of potential relevant private sector international best practice fiduciary principles or standards and ESS and the adoption of IFC performance standards;

(c) Consultations with relevant bodies and observer organizations in setting out the options for a GCF-wide gender-sensitive approach, and for developing the Gender Policy and Action Plan for the GCF;

(d) Survey of the methodologies used by relevant institutions in order to define and determine their risk appetite when preparing an analysis of the potential risk appetite of the GCF;

(e) Consideration of the best practices of other institutions when developing the minimum benchmarks for the criteria of the GCF investment framework; and

(f) Consultations with the relevant experts and thematic bodies when developing the initial results management framework of the GCF.[243]

243. A complementarity and coherence operational framework was adopted at the 17th Board meeting in 2017, which provides guidance on pursuing complementarity at Board/strategic level, Enhanced complementarity at the activity level, at the national programming level, and at the level of delivery of climate finance through an established dialogue."[244] Examples of recent progress include the establishment of a RCM to collaborate with partners delivering readiness support with regards to GCF resources (see chapter D.1) or the development of a fast-track accreditation process for entities already accredited to GEF and AF.

244. In addition, the GCF secretariat continues to engage on critical issues with a number of climate finance channels beyond the GEF, including the AF (readiness and DAE coordination), NAMA Facility (knowledge sharing on national programming), CIFs (programmatic approaches and alignment of pipelines), CTCN (linkages with the TEC and financing R&D as well as technology-relevant readiness) and others.

(b) Complementarity at the national level

245. The COP has further provided specific guidance to the GCF to "enhance its collaboration with existing funds under the Convention and other climate relevant funds in order to enhance the complementarity and coherence of policies and programming at the national level."[245]

[243] GCF document GCF/B.13/08.
[244] GCF document GCF/B.17.08, pages 4–5.
[245] Decision 7/CP.20, paragraph 16.

246. The two operating entities are working to promote complementarity at the national level through national planning exercises such as the GEF NPFEs, the expanded constituency workshops and the GCF country programmes. As noted above, the two secretariats have identified the opportunity to deploy “a pilot for coordinated national strategy and project development.” A recent report updating on the implementation of the GEF 2020 strategy notes that “’Organic’ complementarity between the GEF and GCF is gradually emerging, as GCF ramps up project approvals. Funding approvals by the GCF to date show how GEF in some cases has helped paved the way for leveraging and enabling investments from the GCF.”[246]

247. As further noted by the GCF, “Country programmes present an overview of a country’s national context, policy framework and plans (e.g. nationally determined contributions, NAPs, NAMAs, etc.), and summarize their respective climate action agendas. They also include a pipeline of projects or programmes that the country would like to undertake with the GCF, aligned to GCF strategic impacts, investment criteria and operational modalities.”[247] This exercise is similar to the NPFE process undertaken in the GEF. In addition, the country support programme of the GEF supports the execution of National Dialogue initiatives, in which representatives or FPs for other climate finance mechanisms may participate.[248]

248. In terms of moving this coordination forward, as noted in a recent WRI report, “one possible solution is for countries to identify one ministry or body that serves as the national FP or authority for all the climate funds.”[249] The same report also notes that there may be value in establishing a broader readiness hub or programme, or in combining readiness funds, that addresses overall planning and pipeline needs.

(c) Consistency between the environmental and social safeguards, fiduciary standards and gender policies of the operating entities

249. The coordination and collaboration processes outlined above have led to some greater consistency and convergence between the policies, strategies and programmes of the two operating entities. Some of these areas of convergence are highlighted in chapter A, notably in terms of governance modalities, transparency of decision-making and information disclosure polices, as well as the application of increasingly convergent environmental, gender and social standards. Table 13 below summarizes the content of the above-mentioned safeguards, standards and policies.

250. Of particular interest is the scheduled revision, in 2017 and 2018, of many of the key policies of the GCF, as well as the policy revisions which have been initiated by the GEF, including those launched by the GEF-7 discussions in the same period.[250] As these policies are reviewed by the GCF and the GEF, lessons learned and best practices can be integrated through coordination and information sharing between the entities and their secretariats.

[246] GEF document GEF/C.52/Inf.03, page 10.
[247] GCF document GCF/B.15/INF.09, paragraph 5.
[248] https://www.thegef.org/documents/npfd.
[249] Ibid.
[250] For examples, see decisions by the 51st and 52nd GEF Councils on launching the revision of safeguards policies, for example GEF C.52 Joint Summary of the Chairs, page 8.

Table 13

Summary of Global Environment Facility and Green Climate Fund environmental and fiduciary safeguards and gender policy

	Global Environment Facility	*Green Climate Fund*
Environmental and social safeguards[a]		
Key documents	Minimum standards (MS) (2011, under likely review in 2017–2018)	IFC Performance Standards (PS) (under review in 2017) (reference from GCF docs to be added)
Scope	MS 1: Environmental and social impact assessment	PS1: Assessment and management of environmental and social risks and impacts
	MS 2: Protection of natural habitats	PS6: Biodiversity conservation and sustainable management of living natural resources
	MS 3: Involuntary resettlement	PS5: Land acquisition and involuntary resettlement
	MS 4: Indigenous peoples	PS7: Indigenous peoples
	MS 5: Pest management	N-A
	MS 6: Physical cultural resources	PS8: Cultural heritage
	MS 7: Safety of dams	N-A
	MS 8: Accountability and grievance systems	N-A
	N-A	PS2: Labour and working conditions
	N-A	PS3: Resource efficiency and pollution prevention
	N-A	PS4: Community health, safety and security
Operationalization	No exceptions allowed to MS1, 2 and 8	A fit-for-purpose approach, which requires AEs to explain why they feel certain standards may not be applicable
Fiduciary standards[b]		
Key documents	GEF/C.31/6, “Recommended minimum fiduciary standards for GEF implementing and executing agencies” (2007)	Interim Fiduciary Standards, to be revised in 2017
Scope	External and internal audit, financial management and controls, financial disclosure, codes of ethics, investigation, and hotline and whistle-blower protection	Key administrative and financial capacity, transparency and accountability policies and procedures, and specialized standards related to project management, grant award and funding allocation mechanisms, as well as standards used for on-lending or blended financial instruments
Operationalization	Through accreditation, universally applied	Through accreditation, using a fit-for-purpose approach
Gender policies[c]		

	Global Environment Facility	*Green Climate Fund*
Key documents	Policy on Gender Mainstreaming (2011, to be updated in Nov. 2017); Gender Equality Action Plan (2014).	Gender Policy and Action Plan (2015, to be reviewed and updated in November 2017)
Objectives	To mainstream gender into GEF operations To attain the goal of gender equality	To ensure that by adopting a gender-sensitive approach, the Fund will achieve greater, more effective, sustainable, and equitable climate change results To build equally women's and men's resilience to, and ability to address, climate change, and to ensure that women and men will equally contribute to, and benefit from, activities supported by the Fund To address and mitigate against assessed potential project/programme risks for women and men To contribute to reducing the gender gap of climate change-exacerbated social, economic and environmental vulnerabilities
Operationalization	Minimum criteria: a gender analysis at design, gender expertise within agencies Through the accreditation process. All the LDCF and the SCCF projects are required to report on sex-disaggregated indicators, where appropriate; and incorporate GEF gender indicators	Through the accreditation process and application of safeguards in projects Gender disaggregated indicators are required in the project proposal template

[a] See GEF document GEF/ME/C.52/inf.08; GEF Guideline SD/GN/03; World Resources Institute 2015. *Environmental and Social Safeguards at the Green Climate Fund* (*http://www.gcfreadinessprogramme.org/sites/default/files/Environmental%20and%20Social%20Safeguards%20at%20the%20Green%20Climate%20Fund.pdf*) ; and annex III to GCF document GCF/B.07/11;

[b] See annex II to GCF document GCF/B.07/11 and GEF document GEF/C.31/6;

[c] See annex XIII to GCF document GCF/B.09/23; GCF document B.BM-2016/12; GCF Call for Input DCP/20-04-2017; and GEF IEO. 2017. *Evaluation on Gender Mainstreaming in the GEF*. Unedited report.

3. Consistency and complementarity by thematic area

251. In addition to seeking complementarity between the operating entities, paragraph 2(a) of decision 11/CP.1 states that consistency should be sought and maintained between the policies, programme priorities and eligibility criteria for activities established by the COP and the climate change activities beyond the framework of the Financial Mechanism.

252. At its 13th meeting, the GCF Board decided to initiate an annual dialogue with climate finance delivery channels in order to enhance complementarity and coherence between the GCF and other funds at the activity level, commencing at, and to be organized in conjunction with, the 15th meeting of the Board. The GCF secretariat developed a concept note to guide this dialogue. It specifies that the "annual dialogue should complement the key elements of the operational framework and help participants to better understand the climate finance landscape, the priorities and strengths of the various climate finance delivery channels, and to identify synergies and opportunities for cooperation at the delivery level of climate finance."[260]

253. In addition to the operating entities, the following organizations will be invited to the dialogue: the AF, CIF, the World Bank, the LDCF, the SCCF, the UNDP, the UNEP, the IADB, the European Investment Bank, the AfDB, the ADB, the EBRD and IFC.[261] The dialogue has not yet taken place and the concept note is pending approval from the GCF at time of writing.

254. The AF secretariat highlighted, in document AFB/B.24-25/1, the potential linkages between the AF and the GCF and explored options for operationalizing such linkages. These include "establishment of an operational linkage with the GCF, through either accreditation" (for example, the potential for the Fund to apply as a financial intermediary of the GCF) or "an ad hoc agreement or memorandum of understanding, and…institutional integration between the two funds."[262] In the short term, linkages continue to be made at the programming level: as per GCF Board decision B.13/09, countries may access up to USD 3 million under the GCF to support the development of NAPs, whose implementation could then be supported by the AF. Funding to support the NAP process (development and implementation) can also be accessed from the LDCF.[263] According to the most recent report on the LDCF, "As at April 10, 2017, 51 LDC had accessed USD 12.20 million in support of the preparation of their NAPA. Of the 51 countries that had completed their NAPAs, 49 LDCs had accessed a total of USD 1,147 million for 195 projects in support of the implementation of their NAPAs" and USD 41.7 million were dedicated to supporting the NAP process, either through dedicated projects or through combined NAPA-NAP projects.[264]

(a) Consistency and complementarity in adaptation programming

255. Annex I is a description of selected adaptation finance funds, summarizing the goals and objectives, strategic programming orientations and principles, special topics and financial instruments available for a selected set of active multilateral funds with a significant or sole focus on adaptation financing, including the GCF and the GEF. A number of observations can be made:

(a) There is convergence in the various mechanisms' goals and objectives of either "promoting resilience", "building adaptive capacity" or "supporting adaptation." One mechanism specifically refers to SDGs in its objectives;

(b) A clear observation of how the mechanisms complement each other, or the specific niche or role of each mechanism in the climate finance landscape is not possible from a review of their strategic programming directives. The articulation of these strategic directions, against which projects are often assessed, range from higher-level or more general principles (i.e. paradigm shift, awareness, country driven) to statements more specifically focused on vulnerability, resilience and adaptation. Some commonalities include addressing social, physical and economic aspects of the impacts of climate change, alignment and integration into development and development plans. Only one of the funds described has a narrowly defined specialization in infrastructure;

260 GCF document GCF/B.14/Inf.12.
261 Ibid.
262 AF Board document AFB/B.29/6.
263 GEF document GEF/LDCF.SCCF.14/06.
264 GEF/LDCF.SCCF.22/03/Rev.01, pages 2 and 4.

(c) The LDCF is the only fund supporting the preparation of NAPAs. The GEF, the LDCF, the GCF and the AF each support the implementation of NAPAs and the preparation or implementation of NAPs. The difference in support received from each is not identified;

(d) The LDCF, the AF and UNCDF LoCAL provide only grants while the PPCR and GCF also provide highly concessional loans and grants. The GCF also provides other non-grant financing, such as equity investments, risk guarantees, highly concessional loans, debt instruments, and is also developing a results-based payment approach for REDD+. This may be an indicator of the scope and type of projects and programmes supported by each fund.

256. An overview of the definitions and criteria used by the GEF, the LDCF, the GCF, UNCDF LoCAL, the AF and PPCR to identify adaptation-related costs and other costs (e.g. "baseline", "development" costs) is also provided in Table 14 below. The AF is the only fund discussed in this paper supporting the full costs of adaptation while the GCF and the GEF specify that additional costs of adaptation are covered. The PPCR and the UNCDF LoCAL do not define the scope of their adaptation financing.

Table 14
Scope of adaptation costs supported by four multilateral funds

	Scope of funding	*Definition*	*Guidance provided by respective funds*
GEF-SCCF/LDCF	Additional costs of adaptation	Additional costs is used to refer to the costs imposed on vulnerable countries to meet their immediate adaptation needs[a]	Full adaptation cost translates into the term "additional cost" in COP decisions and LDCF / the SCCF programming papers. This concept is used to explain how the costs of adaptation are added to costs of 'business as usual' development. business as usual refers to activities that would also be implemented in absence of climate change. The full costs of adaptation are fully paid by the LDCF) and the SCCF
AF	Full costs of adaptation	Full cost of adaptation is used to refer to the costs associated with implementing concrete adaptation activities that address the adverse effects of climate change[b]	The fund will finance projects and programmes whose principal and explicit aim is to adapt and increase climate resilience. The project/programme proponent is to provide justification of the extent to which the project contributes to adaptation and climate resilience
GCF	Additional costs of adaptation	The identifiable additional cost required to make the investment viable[c]	The ability of a proposed activity to demonstrate its potential to adapt to the impacts of climate change in the context of promoting sustainable development and a paradigm shift.d In practice, similar definitions of "adaptation costs" are applied to those of the GEF
UN CDF LoCAL	N-A	The additional costs of making infrastructure climate resilient[e]	The Local Climate Adaptive Living Facility (LoCAL) grants are disbursed as part of a local government's regular budget envelope and can thus finance the adaptation element of larger investments. Using a fit-for-purpose approach in which the first phase of the local programme supports the

	Scope of funding	Definition	Guidance provided by respective funds
			definition of the grant component
PPCR	N-A	No definition provided	Full costs of technical assistance to integrate climate resilience into planning and (highly concessional loans and grants) to put the SPCR plan into action and pilot innovative public and private sector solutions to pressing climate-related risks[f]

[a] GEF/LDCF.SCCF.12/Inf.04 May 7, 2012
[b] Adaptation Fund, Operational Policy Guidance, 2016
[c] GCF, Governing Instrument
[d] Green Climate Fund, Board Decision B.05/05
[e] UN CDF, LOCAL Annual Report 2016. See also http://www.local-uncdf.org/objectives-and approach.html
[f] PPCR Fundamentals; Lessons learned from PPCR Phase 1

(b) Consistency and complementarity in mitigation programming

257. Regarding mitigation, Annex II illustrates a description of selected mitigation related Funds and it shows that there is a degree of consistency between the objectives and goals of the various mechanisms in that they seek to support countries' transitions towards low-carbon development.

258. However, a significant portion of the funds examined focus on a specific theme or sector, for example energy or forests, while the GCF and the GEF include the full spectrum of sectors in which to achieve potential emission reductions.

(c) Consistency and complementarity in REDD-plus programming

259. Annex III is a description of selected REDD-plus related funds and it summarizes the goals and objectives, strategic programming orientations and principles, including the GCF and the GEF.

260. The GCF's support to REDD-plus is shaped by decision 9/CP.19, in which the COP encouraged the GCF to play a key role in channelling adequate and predictable results-based finance for REDD-plus in a fair and balanced manner.[265] Discussions on means of operationalizing results-based finance for REDD are still under way with a recent call for inputs from GCF Board members and stakeholders, under the leadership of two Board REDD-plus champions. The call for inputs notes that "while the UNFCCC guidance including the Warsaw Framework provides guiding pillars for REDD-plus, operationalization of REDD-plus results-based payments at the GCF requires further analysis and discussion of elements related to technical and procedural aspects in the context of the Governing Instrument of the Fund and current procedures."

261. The current planned approach for REDD-plus support includes two tracks of support: one for milestone-based payments and one for results-based payments. However, operationalization of these modalities would require detailed consideration of issues such as: scale of intervention, access modalities, financial valuation of modalities, predictability of funding, operationalization of safeguards, forest emissions reference levels, and the risk of double-financing.[266] At its 17th Board meeting, the GCF requested the secretariat to undertake further analysis and to finalize the request for proposals for the pilot program.[267]

262. Both operating entities pay dedicated specific attention to issues related to forests, and to reducing emissions from deforestation and forest degradation. At the GEF, support for the sustainable management of forests has been supported through the various GEF replenishment cycles, as places where all focal areas intersect, and as "forest in providing a range of important environmental services, in particular to sustain biodiversity, face the challenges of climate change

[265] GCF document GCF/B.14/03.
[266] GCF document GCF/B.14/03, pages 7 and 8.
[267] GCF Board decision B.17/8.

and land degradation, and at the same time offering livelihood options for many forest dependent people (GEF, 2017).”

263. Under GEF-6, the GEF “established a separate SFM funding window of USD 250 million operated as an incentive mechanism for countries willing to enhance the financing of their forests. With a goal of encouraging investments in the forestry sector and promoting integrated approaches, this mechanism allowed recipient countries to add up to 50% of GEF support using their GEF allocation in the focal areas of biodiversity, climate change and land degradation (GEF, 2017).”

264. The GEF-6 SFM strategy advocates an integrated approach at the landscape level, embracing ecosystem principles and including livelihood objectives in the management of forest ecosystems to achieve multiple global environmental benefits. In addition, GEF-6 also supports the implementation of a pilot integrated approach titled “Taking Deforestation out of the Commodity Supply Chain” by helping governments to avoid the loss of high conservation value forests (GEF, 2014).

265. The GEF-6 programming strategy for forests had four expected results: “(a) Maintained Forest Resources: Reduce the pressures on high conservation value forests by addressing the drivers of deforestation. (b) Enhanced Forest Management: Maintain flows of forest ecosystem services and improve resilience to climate change through SFM. (c) Restored Forest Ecosystems: Reverse the loss of ecosystem services within degraded forest landscapes. (d) Increased Regional and Global Cooperation: Enhance regional and global coordination on efforts to maintain forest resources, enhance forest management, and restore forest ecosystems through the transfer of international experience and know-how (GEF, 2014).”

(d) Consistency and complementarity in technology programming

266. Technology transfer is also embedded in the Governing Instrument for the GCF[268] and its initial strategic plan.[269] Upon invitation by the COP, the GCF Board at its . meeting considered ways to provide support for facilitating access to environmentally sound technologies in developing countries and for undertaking collaborative research and development relative to mitigation and adaptation efforts.[270]

267. In addition, the Board decided to continue enhancing cooperation and coherence of engagement with the TEC and the CTCN, including by requesting the GCF secretariat to recommend further steps to enhance cooperation and coherence for consideration by the 17th meeting of the Board. At that meeting, to be held in July 2017, the Board will consider concrete options on how the GCF can support collaborative research and development in developing countries.

268. Technology transfer is mainstreamed throughout both of the operating entities’ programming frameworks and operational strategies. Transfer of low-carbon and climate-resilient technologies has been a cross-cutting theme for the GEF since the establishment of its funds and is inscribed in the MOU between the GEF Council and the COP. Since 2008, the GEF supports the implementation of the PSP, which aims to scale up investments in environmentally sound technologies in developing countries and is guided by the following five elements:[271]

(a) Support for climate technology centres and a climate technology network;

(b) Piloting priority technology projects to foster innovation and investments;

(c) Public-private partnership for technology transfer;

(d) TNAs;

(e) The GEF as a catalytic supporting institution for technology transfer.

269. The GEF reports that its CCM strategy under GEF-6 promoted timely development, demonstration and financing of low-carbon technologies and mitigation options.[272] Furthermore, promotion of the transfer and adoption of adaptation technology is part of CCA objectives, contained

[268] GCF Governing Instrument, paragraph 35 and 38.
[269] GCF document GCF/B.13/04.
[270] Decision 7/CP.21.
[271] FCCC/SBI/2010/25, annex.
[272] FCCC/CP/2016/6, paragraph 134.

in the LDCF/SCCF results-based management framework.[273] Moreover, the GEF, in response to decision 2/CP.17, continues to support pilots and innovative projects for technology transfer and financing, including the CTCN and four regional climate technology transfer and financing centres.

270. The operating entities are both making efforts to respond to technology needs in developing countries. Specific efforts to seek complementarity between the funds with respect to support for technology could be further identified. In this context, it may be useful to draw upon a comprehensive overview of initiatives relevant to climate technology development and transfer, prepared by the secretariat upon request by the subsidiary bodies.[274] Based on patterns and trends observed in the landscape of technology development and transfer, the mapping generated useful insights for the purposes of this review. Findings of the mapping include, inter alia:

(a) There are growing numbers of international forums, partnerships, forums and networks on technology development and transfer. Yet, to gain insight into the actual level of synergy and coordination between existing activities and initiatives, additional information would have to be gathered;[275]

(b) While a significant number of technology-related initiatives promote policies that advance the development and transfer of climate technologies, a smaller number provide targeted assistance at the national level through various projects and programmes, including, for example, the GEF;[276]

(c) There are fewer adaptation technology programmes than those directed at mitigation. Yet, this may change under the GCF, in terms of allocation of funds, which would allow further implementation of adaptation technology activities and programmes;[277]

(d) Although support for climate technologies, including finance, is increasing, it is more prevalent at the research and development and commercial or diffusion stages, leaving a gap at the demonstration and early stages of commercialization;[278]

(e) The need for concerted action and coordination to accelerate the deployment of technologies that face unique sets of barriers is illustrated in the growth of technology-specific initiatives and programmes that have been created to address the unique technological, policy, institutional and financial barriers that these technologies face, in a coordinated and targeted manner;

(f) While a few knowledge sharing and management initiatives provide overviews of relevant initiatives and programmes, there is no one place that offers a comprehensive overview, which makes it challenging and time-consuming to find all information about existing technology programmes and the nature of the support that they provide and the links and overlap between them.

(e) Consistency and complementarity in capacity-building programming

271. As with technology transfer, capacity-building is mainstreamed in the operating entities' programming. As for the GCF, according to its Governing Instrument, the GCF "will finance agreed full and agreed incremental costs for […] capacity-building and preparation of national reports by developing countries.[279] It also stipulates that the GCF Board "shall also ensure adequate resources for capacity-building […].[280] Accordingly, the GCF is undertaking efforts to provide capacity-building support, primarily through its readiness and preparatory support programme. The readiness and preparatory support programme is a strategic priority for the GCF and was established to strengthen and build enabling environments to allow developing countries to access GCF resources. Specifically, it provides support to NDAs/FPs to prepare their strategic frameworks, including country programmes, and to develop GCF programme pipelines on mitigation, adaptation/cross-cutting in a coherent approach.[281] One example of this effort is the structured dialogues between

[273] GEF document GEF/LDCF.SCCF.9/INF.4, annex, page 15.
[274] FCCC/SBSTA/2016/INF.9, paragraph 292.
[275] Ibid., paragraph 273.
[276] Ibid., paragraph 275.
[277] Ibid., paragraph 276.
[278] Ibid., paragraph 287.
[279] GCF Governing Instrument, paragraph 35.
[280] GCF Governing Instrument, paragraph 38.
[281] FCCC/CP/2017/5.

NDAs/FPs, AEs and the secretariat, which aim to determine which priorities identified by countries are the best match for GCF support.[282]

272. The GCF is strengthening its support to countries in order to build their capacity for direct access. This includes “Capacities to identify the best national partners to execute projects, to develop bankable projects and programs, and to undertake financial management and good fiduciary practices, are to be developed.”[283] Collaborative actions deployed in 2016 included: (a) Developing a training programme targeting NDAs; (b) Updating the accreditation self-assessment toolkit; (c) Developing a project development checklist for DAEs; (d) Sharing rosters of experts; and (e) Developing case studies on the experience of NDAs and DAEs. Furthermore, as an effort to bolster developing countries’ capacities to directly access the GCF funding, the GCF Board required international access entities to demonstrate their efforts to enable direct access of the developing countries to the GCF resources.[284] This is included in their AMAs.[285]

273. Furthermore, the GCF is the convener and facilitator of the RCM, an initiative to coordinate institutions independently providing readiness support to enable countries to access GCF funding. In April 2016, among other initiatives, the RCM developed or extended a few collaborative actions, which include: (a) Developing a training programme targeting NDAs; (b) Updating the accreditation self-assessment toolkit; (c) Developing a project development checklist for DAEs; (d) Sharing rosters of experts; and (e) Developing case studies on the experiences of NDAs and DAEs. On the margins of COP 22 in Marrakech, Morocco, the group reconvened on 12 November 2016 for a half-day session to exchange ideas on plans for 2017 and to agree on possible areas of collaboration. Such areas include developing a common roster of experts as well as coordination on training initiatives aimed at NDAs and DAEs.[286]

274. The GCF provides capacity-building support also through its projects and programmes under the thematic windows of mitigation and adaptation. Typically, this is provided as financial support for capacity-building and technical assistance components of projects and programmes approved to receive the GCF funding.[287]

275. As for the GEF, capacity-building lies “at the core of all GEF programming”, and most climate change related initiatives comprised of a combination of demonstration and institutional capacity.[288] Capacity-building efforts at the GEF have included the National Capacity Self-Assessments (NCSAs), which were designed to assist countries in identifying capacity needs to implement the Rio conventions, including the UNFCCC. By the end of GEF-5, 143 countries had received support for NCSAs.[289] As a follow-up to this assessment, the GEF also supported the implementation of cross-cutting capacity development projects, addressing specific needs identified in NCSAs.

276. The GEF provides support to the priority areas identified in the capacity-building framework.[290] In 2016, the GEF reported having allocated USD 216.9 million to capacity-building initiatives within climate change programming and about 35% (USD 76.5 million) was used to foster capacity-building for the LDCs and SIDS.[291] In addition, for the enabling activities for developing countries, the GEF has so far supported 28 projects during the GEF-6, amounting to USD 48.4 million of GEF TF and USD 6.4 million of co-financing.

277. The CBIT is the most recently established capacity-building programming at the GEF,[292] that aims to support the institutional and technical capacities of developing countries to meet the enhanced transparency requirements of the Paris Agreement, Article 13. At the 50th GEF Council

[282] GCF document GCF/B.16/04/Add.01, paragraph 1.
[283] http://www.asiapacificadapt.net/adaptationforum2013/sites/default/files/Eunhae%20Jung.pdf.
[284] GCF Board decision B.10/06, paragraph (i).
[285] GCF document GCF/B.07/02, section I, paragraph 1.
[286] GCF/B.15/08.
[287] FCCC/CP/2017/5.
[288] https://unfccc.int/files/cooperation_and_support/capacity_building/application/pdf/df2cbm03.pdf.
[289] http://www.thegef.org/topics/capacity-development.
[290] Decisions 2/CP.7 and 3/CP.7.
[291] FCCC/CP/2017/7.
[292] Decision 1/CP.21, paragraphs 84–86.

meeting, the Council established the Trust Fund for CBIT[293] and approved the CBIT programming directions.[294]

278. At the 2017 meeting of the 6th Durban Forum on capacity-building, participants highlighted areas where convergence might be further sought between the operating entities and other capacity-building partners. This includes, for example, Coordination among United Nations organizations (…) to maximize the effectiveness of capacity-building" and "establishing a common financing framework or reporting cycle for NAPs, NDCs and Sustainable Development Goals (SDGs)" or developing "A mapping of the roles of all relevant stakeholders providing support for capacity-building related to NAPs and to enhance coordination among stakeholders and minimize overlap in capacity-building activities. Such mapping would also highlight the gaps that are being addressed through capacity-building efforts and show when results are expected".[295] Similar findings, along with the need to simplify and harmonize the accreditation processes, were brought forward by the World Resources institute in its report on the global climate financing architecture, as a key part of capacity-building for climate finance (WRI, 2017).

279. The Durban Forum also highlighted the need for more thorough capacity-building indicators, as an area that would help strengthen ongoing capacity-building efforts, and for which consistency between the operating entities and the climate finance community as a whole would be beneficial. Current reporting frameworks put in place for capacity-building, as noted earlier, do not allow for the separate tracking project financing, nor do they allow for the monitoring of evolving capacities, or render the reality that capacity-building is a long-term endeavour.[296] This is particularly true for adaptation capacity indicators.

(f) Consistency and complementarity in engagement with the private sector

280. Another area where there is scope for increased consistency and complementarity is with regard to the engagement of the private sector and the mobilization of private sector financing. The GCF's engagement with the private sector considers the expanding needs for investment in climate change technologies and infrastructure, and the fact that public financing and development assistance are likely to be insufficient to cover the scope of needs. The Private Sector Facility and Private Sector Advisory Group provide the main vehicles for the engagement of private sector actors in climate financing. The underlying objective of the GCF's work with the private sector is to mobilize financing at scale, as can be seen from the recently published call for proposal under the Pilot Programme to Mobilize Resources at Scale.

281. As discussed in Section A.2.4, channelling of funds from the GCF through private sector entities requires similar accreditation processes as those channelled to countries and multilateral organizations. Funding types include grants, loans, equity and guarantees. A set of risk and investment guidelines for the private sector was adopted at the 13th Board, which sets some thresholds and procedures for the different types of funding. For example, the private sector facility cannot contribute more than 5% of the grant, except in cases such as as small size projects or transformative private sector projects which have large nonrevenue generating components, particularly in SIDS, LDCs and Africa.[297] The use of grants is restricted to activities that "address specific barriers hindering the mobilization of private investments, which can't be addressed otherwise". [298]

282. The delivery of concrete results in terms of private sector engagement is beginning to appear, with 6 private sector entities currently accredited, and 11 projects approved.[299] A further two projects were approved through the Medium and Small Enterprises pilot programme, totalling USD 32.2 million. Engagement with the private sector at country level also occurs through engagement with national entities, readiness support programming and national or regional consultations. (see section A for more detail). However, further policy details remain to be determined, including the mobilization of private sector finance towards the GCF forestry-related result areas, which was

[293] For more information on the operationalization of the CBIT, refer to GEF document GEF/C.52/INF.07.
[294] GEF document GEF/C.50/06.
[295] FCCC/SBI/2017/9, paragraphs 9-11.
[296] See for example FCCC/SBI/2017/9, para.31
[297] GCF_B.13_32_Rev.01, p.99.
[298] GCF_B.13_32_Rev.01, p.99.
[299] GCF/B.17/02, paragraph.

scheduled for discussion at B.17 but had to be deferred. At the 17th Board meeting in July 2017, the GCF Board considered a document analyzing "barriers to crowding-in and maximizing the engagement of the private sector, including Private Sector Advisory Group recommendations", which has provided some avenues for action by the Secretariat, AEs and recipient countries, including the analysis of options for increasing private sector involvement in adaptation and in LDCS and SIDS where the investment climate is more challenging.[300]

283. The analysis document highlights a number of barriers to the integration of private sector in climate finance, including policy and legislative barriers such as inadequate or inexistent regulatory incentives, or low levels of development of capital markets and financial markets in LDCs and SIDS. One barrier of particular interest is the low levels of demand, or lack of consumer base, for certain types of climate friendly technologies, in particular renewable energy.[301] This highlights an area of potential complementarity with the GEF supported private sector activities, whose aim and purpose has often been to remove policy and market barriers to future private sector crowding-in. For example, many GEF projects support the creation of demand by providing early subsidies to certain types of renewable energy technologies (using grants or NGIs). However these areas of convergence remain theoretical for now, as there is no explicit chain of climate financing between the GEF and GCF.

284. In relation to this, the 2017 evaluation of the GEF's engagement with the private sector undertaken by the GEF IEO delivers a few key lessons and recommendations regarding the future of the GEF's engagement with private sector, such as the fact that while highest levels of opportunities exist in the climate change focal area, taking advantage of these would require an effort to clarify the GEF's role and contribution and to enhance private sector's understanding of GEF processes. Furthermore, the evaluation notes the need to clarify the stage at which GEF's support to private sector intervenes, whether upstream or downstream, in order to better focus the financial instruments (GEF IEO, 2017a).

285. Other conclusions of relevance here include:

(a) "The GEF's private sector activities overall, can thus be broadly considered as "upstream" in the development continuum – to create and nurture the necessary ecosystem for private sector engagement. However, this is potentially at odds with a push for greater financial self-sufficiency, which emphasizes reflows and financial structures that provide a financial return to the GEF."

(b) "The GEF's ability to engage the private sector diminished during GEF-4 as a result of the then-introduced Resource Allocation Framework. (…) Consequently, private sector set-asides have been a primary modality through which engagement has continued, first with the Earth Fund platform and then the PPP platform in GEF-5 and the NGPP in GEF-6. The fragmented nature of these interventions combined with the limits of STAR allocation often mean that private sector innovation is not easily reconciled with country ownership and national strategies and priorities."

(c) "Many of the barriers to private sector investment have not fundamentally changed in the 20-plus years covered by the sample projects. Justification for the GEF non-grant financing still includes limited availability of capital; xi limited appetite on the part of commercial banks; lack of familiarity with the sectors, financing modalities and instruments."

286. The GEF IEO also notes that "In GEF-4 and GEF-5, projects geared towards private sector engagement tended to use set-aside funding and included NGIs, to address important barriers to private sector engagement. More recently, in GEF-6, the Integrated Approach Pilots explicitly provide for engagement with the private sector while the USD 110 million NGPP maintains momentum for public and private recipients to use innovative financing models. Of the USD 110 million authorized for the pilot, the GEF has "awarded ten non-grant projects covering multiple focal areas, including seven projects that directly deliver CCM benefits. These projects allocate a total of USD 70.2 million in GEF financing and leverage almost USD 1.6 billion in co-financing, including USD 1.1 billion from the private sector. In the reporting period, one non-grant MSP with climate change benefits was approved by the GEF CEO, providing USD 2 million and leveraging USD 52 million in co-financing. This project ("Piloting Innovative Investments for Sustainable Landscapes") will contribute to the launch of Production, Protection and Inclusion (PPI) initiative in partnership

[300] See GCF Board decision B.17/06.
[301] GCF/B.17/03, pp.4–6.

with the IDH, the Sustainable Trade Initiative."[302] The GEF secretariat reports that formal requests under the NGPP totalled over USD 200 million, with informal requests also largely exceeding the amount of available resources, testifying to increasing demand from private sector entities (GEF IEO, 2017a).

287. The LDCF and SCCF Programming Strategy for 2014–2018 foresees enhanced engagement with the private sector in climate adaptation through projects that, among others, promote "awareness raising, including of potential risks and response measures; Capacity-building to help private entities manage climate change risks; Efforts to improve policy and regulatory environments and institutional infrastructure; Public-private partnerships that promote private sector responses to climate change; and Entrepreneurship development to open and seize emerging private sector opportunities to reduce climate change vulnerabilities."[303] However, as has been noted above, private sector investment in adaptation and climate resilience remains low.

288. Private sector funding outside of the operating entities is nevertheless increasing overall, with an estimated USD 243 billion invested in renewable energies in 2014, up 26 per cent on the previous year's total (CPI, 2015). In comparison with the global flows of resources (an estimated USD 392 billion in 2015), funds channelled through the Financial Mechanism represented less than 1 billion in 2014 (SCF, 2016). In the light of this information, it may be useful to place the context of the roles of the operating entities in the broader landscape, including with respect to engagement with the private sector.[304] For example, funding required to support the full implementation of NDCs is expected to reach USD 13.5 trillion (IEA, 2015).

[302] FCCC/CP/2017/5, paragraph 44.

[303] GEF Programming Strategy on Adaptation to Climate Change Least Developed Countries Fund Special Climate Change Fund, 2014–2018 page 19.

[304] GEF IEO, Climate Change Focal Area Study, OPS6OPS6 technical brief, 2017.

Annex I

Description of selected adaptation finance funds

	Global Environment Facility – Least Developed Countries Fund and Special Climate Change Fund	*Green Climate Fund*	*Adaptation Fund*	*Climate Investment Funds – The Pilot Programme for Climate. Resilient*	*The Local Climate Adaptive Living Facility (LoCAL) of the UN Capital Development Fund*
Key documents/ sources	GEF Strategy for Adaptation 2014–2018 (LDCF and the SCCF)	GCF Investment Framework	Operational policies and Guidelines (revised 2016)	The Pilot Programme for Climate Resilience (PPCR) Fundamentals; Lessons learned from PPCR Phase 1	The United Nations Capital Development Fund (UN CDF), LOCAL Annual Report 2016
Goals/ Objectives	To increase resilience to the adverse impacts of climate change in vulnerable developing countries.	To make a contribution to increased climate-resilient sustainable development	The overall goal of all adaptation projects and programmes financed under the Fund will be to support concrete adaptation activities that reduce vulnerability and increase adaptive capacity to respond to the impacts of climate change, including variability at local and national levels.	To mainstream climate resilience into core development planning for transformation at scale	Promote climate change–resilient communities and economies by increasing financing for and investment in climate change adaptation at the local level in LDCs, thereby contributing to the achievement of the Sustainable Development Goals (SDGs)
Strategic Programming Orientations/ Principles	Three strategic objectives: 1. Reduce the vulnerability of people, livelihoods, physical assets and natural systems to the adverse effects of climate change; 2. Strengthen institutional and technical capacities for effective climate change adaptation; and	Six investment criteria: - Adaptation Impact Potential - Paradigm shift - Needs of the recipient - Country Ownership - Efficiency and Effectiveness - Sustainable Development potential	Reducing vulnerability and increasing the adaptive capacity of human and natural systems to respond to the impacts of climate change, including climate variability. - Assist developing country Parties to the Kyoto Protocol	(PPCR) assists national governments in integrating climate resilience into development planning across sectors and stakeholder groups. It also provides additional funding to put the plan into action and pilot innovative public and private sector solutions	Output 1: Mainstreaming Output 2: Awareness Output 3: Finance Output 4: Implementation Funds used to create climate-resilient small-scale infrastructure or to climate-proof existing infrastructure that is threatened by the effects of climate change

	Global Environment Facility – Least Developed Countries Fund and Special Climate Change Fund	*Green Climate Fund*	*Adaptation Fund*	*Climate Investment Funds – The Pilot Programme for Climate. Resilient*	*The Local Climate Adaptive Living Facility (LoCAL) of the UN Capital Development Fund*
	3. Integrate climate change adaptation into relevant policies, plans and associated processes Pillar I: Integrating Climate Change Adaptation Into Relevant Policies, Plans, Programs and Decision-making Processes Pillar II: Expanding Synergies With Other GEF Focal Areas	- LDC, SIDS, African states adaptation priority (Target of 25% of total portfolio) [From results management framework (B.07/04)]: - Resilience and enhanced livelihoods of the most vulnerable people, communities and regions - Resilience of health and well-being, and food and water security - Resilience of infrastructure and the built environment to climate change threats - Resilience of ecosystems	that are particularly vulnerable to the adverse effects of climate change in meeting the costs of adaptation; - Country Driven - take into account national sustainable development strategies, poverty reduction strategies, national communications and NAPA	to pressing climate-related risks. Expected outcomes: (a) Improved capacities for the integration of climate resilience into planning, processes, and implementation (as appropriate to each country); (b) increased consensus on an approach to climate resilient development appropriate to each country; (c) increased finance availability (e.g., scaled-up investment commitment) in approaches to climate resilient development; (d) enhanced learning and knowledge sharing on integration of climate resilience into development, at the country, regional and international levels.	
Special Topics	Support to the Preparation of the NAPs; - Private sector engagement - Risk Transfer and insurance	Support to the preparation of NAPs; - Private Sector Engagement	Support to preparation of NAPS; Ecosystem-based adaptation	N/A	Infrastructure; Local governance and transparency

	Global Environment Facility – Least Developed Countries Fund and Special Climate Change Fund	*Green Climate Fund*	*Adaptation Fund*	*Climate Investment Funds – The Pilot Programme for Climate. Resilient*	*The Local Climate Adaptive Living Facility (LoCAL) of the UN Capital Development Fund*
	- Ecosystem-Based Adaptation				
Financing Instrument	Grants for Additional costs of adaptation	Grants, Loans, for additional costs of Adaptation	Grants for full adaptation cost	TA Grants to governments for integrating climate resilience into planning and additional funding (Highly concessional loans and grants) to put the SPCR plan into action and pilot innovative public and private sector solutions to pressing climate-related risks.	Performance-based climate resilience grants (PBCRGs) as a financial top-up to cover the additional costs of making infrastructure climate resilient

Annex II

Description of selected mitigation related funds

	Global Environment Facility	*Green Climate Fund*	*Climate Investment Funds: Clean Technology Fund and Scaling up Renewable Energy program*	*UK International climate finance*	*International Climate Initiative (Germany)*
Key documents/ sources	GEF 6 Strategy for Climate Mitigation	GCF Investment Framework/ GCF Strategic Plan	Revised CTF Results Framework[a] SPEP website[b]	UK, Climate Finance Results, 2016	https://www.international-climate-initiative.com/en/issues/mitigation/
Goals/ Objectives	Support developing countries/ economies in transition to make transformational shifts towards a low emission resilient development path	To make a contribution to the shift to low-emission sustainable development pathways	CTF: Transformed low carbon economy. SPEP: supports scaled-up deployment of renewable energy solutions	To support international poverty eradication now and in the future by helping developing countries (…) take up low-carbon development at scale and manage natural resources sustainably	Supports partner countries in developing and implementing innovative instruments for reducing their greenhouse gas emissions.
Strategic Programming Orientations	1. Promote innovation, technology transfer, and supportive policies and strategies. 2. Demonstrate mitigation options with systemic impacts. 3. Foster enabling conditions to mainstream mitigation concerns into sustainable development strategies.	Six investment criteria: - Mitigation and Adaptation Impact Potential - Paradigm shift - Needs of the recipient - Country Ownership - Efficiency and Effectiveness - Sustainable Development potential	CTF Outcome Objectives: Avoided greenhouse gas (GHG) emissions; (b) increased finance for low carbon development mobilized; (c) increased supply of renewable energy (RE); (d) increased access to public transport; and (e) increased energy efficiency. SPEP Core indicators: Annual electricity output from renewable energy;	KPI - Number of people with improved access to clean energy; Number of direct jobs created; Change in Greenhouse Gas emissions (Tonnes of CO2e; Level of installed capacity of clean energy (Mega Watts); Number of low carbon technologies supported (units installed); Volume of public finance mobilised for climate change	These include measures for transitioning to a sustainable, low-emission economic and energy supply structure and developing low-carbon development strategies (LCDS), NAMAs and systems for measurement, reporting and verification (MRV) of greenhouse gas emissions and reduction measures.

	Global Environment Facility	*Green Climate Fund*	*Climate Investment Funds: Clean Technology Fund and Scaling up Renewable Energy program*	*UK International climate finance*	*International Climate Initiative (Germany)*
			Number of people, businesses and community services benefitting from improved access to electricity and fuels	purposes (£s); Volume of private finance mobilised for climate change purposes (£s)	
Special Topics	- 5 eligible programs: 1. Promote timely development, demonstration and financing of low-carbon technologies and mitigation options 2. Develop and demonstrate innovative policy packages and market initiatives to foster new range of mitigation actions 3. Promote integrated low emission urban systems 4. Promote conservation and enhancement of carbon stocks in forest, and other land use, and support climate smart agriculture 5. Integrate findings of Convention obligations enabling activities into national planning	REDD-plus Forests [From results management framework (B.07/04)]: Low-emission energy access and power generation Access to low-emission transport Energy-efficiency in buildings, cities and industries Sustainable land use and forest management, including REDD-plus	SPEP: Energy	NAMAs, Private Sector	Funding for LEDS and NAMAs, Private sector

	Global Environment Facility	*Green Climate Fund*	*Climate Investment Funds: Clean Technology Fund and Scaling up Renewable Energy program*	*UK International climate finance*	*International Climate Initiative (Germany)*
	processes and mitigation contributions - CBIT				
Financial Instruments	Agreed incremental costs; full costs for Convention obligations such as NCs and BURs. Grants and concessional financing available.	Agreed incremental costs; results-based payments for REDD-plus activities (under consideration)	Grants and low-interest loans,(risk guarantees for SREP)channelled through partner MDBs	Grants	Grants

[a] https://climateinvestmentfunds.org/sites/default/files/meeting-documents/ctf_revised_results_framework_011413_for_website_0.pdf;
[b] http://www.climateinvestmentfunds.org/sites/default/files/results-2015/srep/index.html#results_themes.

Annex III

Description of selected REDD-plus related funds

	Global Environment Facility	*Green Climate Fund*	*Climate Investment Funds – Forest Investment Program (FIP)*	*Forest Carbon Partnership Facility*	*UN-REDD Programme*	*International Climate and Forest Initiative (Norway)*
Key documents/ sources	GEF 6 Programming Directions Document, Sustainable Forest Management	GCF Investment Framework/ GCF Strategic Plan	Revised FIP Results Framework, 2012 CIF. 2009. Forest Investment Program – Design Document	World Bank, IEG, the forest carbon partnership facility, Program Review, Vol6, issue 3, 2012	UN-REDD Programme Strategic Framework 2016–2020, 2015.	Government of Norway, Real-Time Evaluation of Norway's International Climate and Forest Initiative Synthesis Report 2007–2013
Goals/ Objectives	Support developing countries and economies in transition to make transformational shifts towards a low emission development path	To make a contribution to the shift to low-emission sustainable development pathways	To support developing countries' REDD-efforts, providing up-front bridge financing for readiness reforms and public and private investments identified through national REDD readiness strategy building efforts, while taking into account opportunities to help them adapt to the impacts of climate change on forests and to contribute to multiple benefits such as biodiversity conservation, protection of the rights of indigenous peoples and local communities,	To reduce emissions from deforestation and forest degradation and foster conservation, sustainable management of forests, and enhancement of forest carbon stocks	to reduce forest emissions and enhance carbon stocks in forests while contributing to national sustainable development	reducing greenhouse gas emissions resulting from deforestation and forest degradation in developing countries (REDD-plus)

	Global Environment Facility	*Green Climate Fund*	*Climate Investment Funds – Forest Investment Program (FIP)*	*Forest Carbon Partnership Facility*	*UN-REDD Programme*	*International Climate and Forest Initiative (Norway)*
			poverty reduction and rural livelihoods enhancements			
Strategic Programming Orientations	1. Promote innovation, technology transfer, and supportive policies and strategies. 2. Demonstrate mitigation options with systemic impacts. 3. Foster enabling conditions to mainstream mitigation concerns into sustainable development strategies.	Six investment criteria: -Impact Potential - Paradigm shift - Needs of the recipient - Country Ownership - Efficiency and Effectiveness - Sustainable Development potential	Core objective: “reduced GHG emissions from deforestation and forest degradation; enhancement of forest carbon stocks” “reduced poverty through improved quality of life of indigenous people and forest communities” and environmental co-benefits such as “reduced biodiversity loss and increased resilience of forest ecosystems to climate variability and change.” Outcome: “reduced deforestation and forest degradation” Key Catalytic/ Replication outcomes: “increased direct management of forest resources by local communities and indigenous peoples”, “improved enabling environment for REDD-plus and sustainable	To assist countries in their REDD-plus efforts by providing them with financial and technical assistance in building their capacity to benefit from possible future systems of positive incentives for REDD-plus. - To pilot a performance-based payment system for REDD-plus activities, with a view to ensuring equitable benefit sharing and promoting future large-scale positive incentives for REDD-plus. - Within the approach to REDD-plus, to test ways to sustain or enhance livelihoods of local communities and to conserve biodiversity. To disseminate broadly	Direct support to the design and implementation of National REDD-plus Programmes; Complementary tailored support to national REDD-plus actions; and Technical capacity-building support through sharing of expertise, common approaches, analyses, methodologies, tools, data, best practices and facilitated South-South knowledge sharing. Outcome 1. Contributions of REDD-plus to the mitigation of climate change as well as to the provision of additional benefits have been designed. Outcome 2. Country contributions to the	Three core objectives 1. To work towards the inclusion of emissions from deforestation and forest degradation in a new international climate regime; 2. To take early action to achieve cost-effective and verifiable reductions in greenhouse gas emissions; 3. To promote the conservation of natural forests to maintain their carbon storage capacity.

	Global Environment Facility	*Green Climate Fund*	*Climate Investment Funds – Forest Investment Program (FIP)*	*Forest Carbon Partnership Facility*	*UN-REDD Programme*	*International Climate and Forest Initiative (Norway)*
			management of forests" and "access to predictable and adequate financial resources, incl. results-based incentives for REDD-plus and sustainable management of forests"	the knowledge gained in the development of the Facility and the implementation of Readiness Preparation Proposals (RPPs) and Emission Reductions Programs (ERPs).	mitigation of climate change though REDD-plus are measured, reported and verified and necessary institutional arrangements are in place Outcome 3. REDD-plus contributions to the mitigation of climate change are implemented and safeguarded with policies and measures that constitute results-based actions (RBAs), including the development of appropriate and effective institutional arrangements.	
Special Topics	• Power • Cities and Transport • Forests • Agriculture • Manufacturing • Waste	REDD-plus Forests	Forest Investment Program: biodiversity conservation, poverty reduction and protection of the rights of indigenous peoples and local communities.	Indigenous peoples	Governance, tenure security,	
Financial Instruments	Agreed incremental costs	Agreed incremental costs; results-based payments for REDD-	Grants for readiness and technical assistance.	Grants for readiness technical assistance and	Grants for TA	Grants through UNFCCC, Multilateral REDD initiatives

	Global Environment Facility	*Green Climate Fund*	*Climate Investment Funds – Forest Investment Program (FIP)*	*Forest Carbon Partnership Facility*	*UN-REDD Programme*	*International Climate and Forest Initiative (Norway)*
		plus activities (under consideration)		results-based payments for VERs.		(Congo Basin Forest Fund; Forest Carbon Partnership Facility; Forest Investment Program; UN-REDD Programme), bilateral aid and support to CSOs.

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