

Re: Invitation to submit views on work stream I: Scope, guiding principles, and cross-cutting issues

Question 5—The Cancun Agreements refer to “balance” between mitigation and adaptation. How do we define and achieve “balanced allocation” between adaptation and mitigation?

Ultimately, the decision will be political. However, several concrete steps could inform this deliberation and fruitfully contribute to the discussion on a technical level.

First, we ought to clarify and define “effectiveness” on both the mitigation and adaptation side. For mitigation, the measure is “tonnes per dollar.” That is easier said than measured and implemented and warrants significant further exploration, but it is a widely agreed-upon metric. For adaptation, the measure is less clear. Recent studies point to “vulnerability indices” for some guidance. The adaptation effectiveness measure would then look at “changes in vulnerability per dollar.” Again, that is much easier defined than measured or implemented, but at the very least we ought to explore and formalize the possibility.

Second is a direct comparison between mitigation and adaptation. Economically, the comparison ought to focus on relative marginal benefits—the relative payoff of one more dollar spent on either activity. Practically, that comparison has little relevance in the final analysis. Reliable measures do not exist. However, we can aim to identify principles that can approximate the relative marginal benefits without necessarily quantifying them. Moreover, we ought to be clear that many adaptation activities have mitigation co-benefits, and vice versa. The GCF should seek out these funding opportunities.

Question 9—How could the GCF encourage the application of the country led principle?
Question 10—What is needed to ensuring the country led principle alongside the application of environmental and social safeguards as well as internationally accepted fiduciary standards and sound financial management?

While it is tempting to look to the subsidiarity principle to guide this decision, international environmental, social, and fiduciary standards would clearly need to be respected. One solution might be to decide on a minimum set of international standards. Any country deemed in compliance by the Standing Committee or another governing body will be able to provide direct access to funds. Others will need to submit to closer international monitoring for funding access. This is just one possible direct access modality, but it strikes us as the most well-grounded one. Still, this issue deserves further study and possibly an exploration of various direct access modalities.

Re: Invitation to submit views on work stream III: Operational modalities

Question 3—How can the GCF best ‘crowd-in’ private finance at scale, including foreign and domestic sources? What incentives may be provided to engage stakeholders, especially the private sector both at the national and international levels?

Question 4—Should GCF resources be deployed to raise funds from the capital markets, whether through bond issues or some other vehicle that could be considered to mobilize significant amounts of funding from institutional investors?

Yes, the GCF should raise funds from the capital markets. This is, in fact, likely the best and most efficient way of “crowding in” private finance at scale. There is significant appetite for global “green bonds,” and no institution has so far been able to provide a credible financial instrument. The GCF—if managed and set up transparently and with the proper safeguards, meeting international financial standards—may well be able to fill this gap.

Ultimately, capital markets would also be the key test for many of the institutional modalities currently being considered by the Transitional Committee, and it should be one of the guiding principles in setting up the fund.

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