



ALLIANCE OF SMALL ISLAND STATES

# SUBMISSION

**TOPIC:** COP & CMA GUIDANCE TO THE GREEN CLIMATE FUND ('GCF')

## MANDATE(S)

UNFCCC 1992: 'A mechanism for the provision of financial resources on a grant or concessional basis, including for the transfer of technology, is hereby defined. It shall function under the guidance of and be accountable to the Conference of the Parties, which shall decide on its policies, programme priorities and eligibility criteria related to this Convention. Its operation shall be entrusted to one or more existing international entities' (Art 11[1])

Decision 1/CP.21: '[The COP] recommends that the [CMA] shall provide guidance to the entities entrusted with the operation of the Financial Mechanism of the Convention on the policies, programme priorities and eligibility criteria related to the Agreement for transmission by the Conference of the Parties' (Para 61)

Decision 12/CP.25: '[The COP] invites Parties to submit to the secretariat via the submission portal, no later than 10 weeks prior to the twenty-sixth session of the [COP] (November 2020), their views and recommendations on elements to be taken into account in developing guidance to the [GCF]' (Para 11)

## SIDS INTEREST(S)

- Predictable and adequate levels of finance for small island developing States ('SIDS')
- Simplified access to climate finance

## RELEVANT SIDS INFORMATION

- GCF's Updated Strategic Plan set new portfolio resource allocation targets for 2020-2023 which includes: ... 'maintaining a **minimum allocation floor of 50 per cent of adaptation funding**, to be provided to developing countries that are particularly vulnerable to the adverse effects of climate change, including SIDS, the least developed countries (LDCs) and African States, taking into account their urgent and immediate needs, while aiming to build on IRM outcomes and maintaining appropriate geographical balance'<sup>1</sup>

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<sup>1</sup> GCF 'Tenth Report of the Green Climate Fund to the Conference of the Parties to the United Nations Framework Convention on Climate Change (COP Report)' 2021, p 10



- 12% of all GCF Funding is SIDS with the Asia-Pacific SIDS accounting for the largest share<sup>2</sup>

## Relevant Independent Evaluation Unit Findings

### SIDS Evaluation

- The GCF IEU evaluation found that, overall, GCF modalities and processes do not effectively consider and take account of the urgent and unique climate challenges faced by SIDS<sup>3</sup>
  - ‘The GCF’s project approval processes (PAP), including the simplified approval process (SAP), are widely perceived as too long to be considered responsive to the urgency of climate change in SIDS. The SAP is highly relevant for SIDS but not yet sufficiently simplified to accelerate climate action’<sup>4</sup>
  - ‘The request for proposal (RfP) programmes have been ineffective in generating funding proposal pipelines in SIDS, although the RfP on enhanced direct access is seen as having good potential to support the kind of local adaptation that is relevant and effective in SIDS’.<sup>5</sup>
- The current GCF model for accreditation and access impedes SIDS that have low capacity, experience or confidence in seeking direct access to the GCF<sup>6</sup>
- ‘Staff from many IAEs report being disincentivized by what they perceive as high transaction costs when working with the GCF to pursue the small-sized projects often associated with SIDS. Some respondents from NDAs mentioned difficulties in finding an IAE willing to carry forward a national priority project.’<sup>7</sup>
- ‘A lack of capacity to develop concept notes and funding proposals hinders the SIDS’ access to GCF funds’.<sup>8</sup>
- ‘The evaluation found that the GCF policy landscape can accommodate SIDS, but draft policies crucial to the SIDS require Board decisions.’<sup>9</sup>
- ‘Among projects under implementation, **challenges to achieving results largely relate to procurement (e.g. recruiting issues, transportation, high costs)**. This also reflects the early stage of the SIDS portfolio, with most projects only in their first year of implementation.’<sup>10</sup>

<sup>2</sup> ibid, p 23

<sup>3</sup> ibid, p 53

<sup>4</sup> GCF, ‘Independent evaluation of the relevance and effectiveness of GCF investments in small island developing States SIDS Evaluation (SIDS Evaluation)’ 2020, p xxiii

<sup>5</sup> ibid, p xxiii

<sup>6</sup> COP Report, p 54

<sup>7</sup> SIDS Evaluation, p xxiii

<sup>8</sup> COP Report, p 54

<sup>9</sup> ibid, p 54

<sup>10</sup> SIDS Evaluation p xxiv



- ‘SIDS’ stakeholders have expressed concerns about GCF multi-country projects, particularly regarding the breadth and depth of results for local communities and the country drivenness. Programmatic approaches are seen to have the potential to overcome these issues by bringing larger volumes of funding to individual countries in a multi-country programme. However, **given the potential for high transaction/operational costs at country and entity level, AEs and SIDS are not confident in pursuing them with the GCF until such risks are accounted for in projects.**<sup>11</sup>
- ‘Because the GCF has larger funding allocations than other climate funds, stakeholders perceive the GCF as best positioned to upscale successful smaller climate action that has been financed by other delivery channels. Opportunities have been identified for this in SIDS, but few have been developed and approved. The lack of “fast-track” processes to capitalize on such opportunities is seen as a constraint that SAP has not overcome.’
- **‘The absence of coordination between climate funds, as well as other multilateral partners, has negatively impacted SIDS with small government administrations and many donor partners struggling to adopt and comply with the many and varied standards and procedures each climate finance delivery channel requires.** Among other burdens, having to manage multiple donors increases costs by having to employ dedicated staff – often international staff – to manage each donor’s compliance regime, among which, the GCF’s is often cited as the most complex<sup>12</sup>

#### SAP Evaluation

- ‘The SAP has been responsive to the LDCs, which account for half of the SAP portfolio, but not to the SIDS, which account for only two projects<sup>13</sup>

#### Accreditation Function Synthesis

- ‘The GCF project portfolio is skewed in favour of IAEs: IAEs account for 86 per cent of the GCF committed USD portfolio. This is despite the fact that more than half (59 per cent) of the AEs are DAEs... However, 38 of 56 accredited DAEs do not have any FPs.<sup>14</sup>
- ‘The accreditation process also does not adequately assess or incentivize IAEs to support capacity-building of DAEs.<sup>15</sup>

#### Relevant Independent Evaluation Unit Recommendations

<sup>11</sup> Ibid, p xxiv

<sup>12</sup> SIDS Evaluation, p xxv

<sup>13</sup> COP Report, p 54

<sup>14</sup> GCF, ‘Independent synthesis of the GCF’s accreditation function (Accreditation Function Synthesis)’ 2020, p 57

<sup>15</sup> Ibid, p 57



## SIDS Evaluation

- The evaluation recommended that GCF improve the Readiness Programme to support regional DAEs and address their low capacity.<sup>16</sup>
- The evaluation also recommended that the Board approve a policy on a programmatic approach that includes consideration for the unique climate challenges and climate financing needs that the SIDS face.<sup>17</sup>
- The evaluation recommended that the Board ensure that the GCF private sector approach reflects the complexion of the local private sector in SIDS and incorporates a coordinated approach across the Secretariat.<sup>18</sup>
- ‘The GCF Secretariat should make entity- and project development-related support more accessible to regional DAEs and consider a separate window of funds that does not count against the per-country allocation of USD 1 million’<sup>19</sup>
- ‘The GCF Board and Secretariat should consider simplifying the funding proposal template to allow SIDS to cross-reference GCF country programmes, NDCs, NAPs, IPCC reports or other equivalent analyses in demonstrating overall national vulnerability to the impacts of climate change’<sup>20</sup>

## SAP Evaluation

- ‘Further simplify documentation requirements for proposals, particularly from the SIDS and LDCs, and when proposals relate to urgent climate change impacts.’<sup>21</sup>
- ‘Develop KPIs for GCF and Secretariat performance that incentivize the processing of proposals and projects through the SAP modality/modalities (i.e. intra-institutional incentives for task managers).’<sup>22</sup>

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<sup>16</sup> COP Report, p 54

<sup>17</sup> *ibid*, p 54

<sup>18</sup> *ibid*, p 54

<sup>19</sup> SIDS Evaluation, p xxvi

<sup>20</sup> *Ibid*, p xxvii

<sup>21</sup> GCF, ‘Independent assessment of the GCF simplified approval process pilot Scheme (SAP Evaluation)’ 2020, p xxvi

<sup>22</sup> *Ibid*, p xxvi



## VIEWS AND RECOMMENDATIONS ON ELEMENTS TO BE TAKEN INTO ACCOUNT IN DEVELOPING GUIDANCE

### General / Preambular Text

- Recognition that agreement to the Paris Agreement's temperature goal of pursuing efforts to limit the increase of the global average temperature to 1.5 degrees Celsius but holding said increase to well below 2 degrees Celsius was a compromise made by developing countries, particularly SIDS.
- Recognition that SIDS implicitly agreed to experience loss and damage at a certain temperature scenario (i.e. 1.5 degrees Celsius or well below 2 degrees Celsius) on the condition that adequate and predictable support would be received to adapt to these adverse effects as well as support our loss and damage response efforts to said effects.
- Further noting with concern that the current UNFCCC NDC synthesis report, global average temperature increase projected global average temperature to exceed the 1.5 and well below 2 degrees Celsius temperature increase limits very soon based on the current level of ambition. There is a clear need for adequate and predictable loss and damage response finance commensurate to the exceeded temperature increase scenario.
- Noting with deep concern that developed country Parties are currently not meeting the existing collective mobilization goal of USD 100 billion per year
- Recalling of the importance of appropriate burden sharing among the developed country Parties in the implementation of climate finance obligations including in its contributions to the GCF<sup>23</sup>
- Recognition of the inadequacy of accumulated GCF's confirmed pledges through to 2023 (USD 17.8 billion<sup>24</sup>) to create a paradigm shift or catalyze further climate finance in comparison to the trillions being spent on the root cause of climate through financing of, inter alia, fossil industry subsidies and support. It should be noted that this current state of play exposes developing countries Parties, particularly SIDS, to large political and transition risks.
- Requirement for the GCF Secretariat to consult, or at a minimum actively attempt to consult bilaterally, with all Board and Alternate Members individually on each different policy or Board matter prior to its consideration at the Board

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<sup>23</sup> United Nations, UNFCCC 1992, Art 4(3); UNFCCC, *Paris Agreement 2015*, Art 9(1)

<sup>24</sup> This is total is disaggregated between: USD 8.3 billion confirmed from the Initial Resource Mobilization; and USD 9.5 billion confirmed from the GCF Replenishment 1 cycle (as at 30<sup>th</sup> Septmeber 2021)



## Policies

- Requirement all financial flows of the Operating Entities and Trustees of the Financial Mechanism to become consistent with a pathway towards low GHG emission, climate resilient development in line with Article 2(1)(c) of the Paris Agreement<sup>25</sup>
- All GCF documents that present any data and/or information for the particularly vulnerable grouping under the GCF (LDCs, SIDS and African States) should include both the total amount as well as the following non-overlapping disaggregated amounts:
  - SIDS that are not LDCs
  - SIDS that are not African States
  - SIDS that are not LDCs or African States
  - SIDS
- Use of the presumptive existence of climate rationale for adaptation projects and activities – Using IPCC data and information, and traditional, local and indigenous knowledge as the basis for the assumption
- Urge for the urgent adoption of a programmatic approach policy in a manner address the unique climate challenges and climate financing needs that the SIDS face as well as transaction costs of working in SIDS. This should be included in the objective of the policy and be completed by the last Board meeting of 2022.
- The programmatic approach policy must also clearly mandate if there is a capable national or regional direct access entity within the proposed geographical scope of the proposed programme that the international access entity must approach the DAE seeking their interest on whether they are interested in partnering on the proposed programme. This should be done at the concept / project development stage.
- Urge the adoption of an updated simplified approval process that has the following key features in the policy, *inter alia*:
  - A detailed comparative mapping between the PAP and SAP of their:
    - Steps
    - Corresponding average completion time for each step
    - Corresponding standards for each step
  - Expansion of GCF financing to individual SAP projects/programmes to USD 50 million
  - Expansion of eligible simplified approval process projects/programmes to include Category B/12 ESS Risks
  - Allowance for the consideration of SAP proposal in between Board Meetings

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<sup>25</sup> GCF, Governing Instrument 2011, paras 1 & 2



- Board-set key performance indicators on to timebound and limit the number of iterations of Secretariat and iTAP review responses to 1 iteration each
  - Demonstrable reduction in post-approval conditions compared to the PAP
  - Designation of the concept note stage
- Coherence with other climate finance support providers standards (including international finance institutions, climate funds, bilateral support providers, etc.). This should be done through simplified procedures for approval, access, and implementation across the board.

### Programme priorities

- Concern/Disappointment with the approval and disbursement rates for adaptation project especially those from direct access entities
- Concern/Disappointment with the difference in treatment between international access accredited entities (IAEs) and direct access accredited entities (DAEs) in accessing climate finance from the GCF. This treatment is in favour of IAEs.
- Establishment of a USD 1 billion per year small grants facility for direct access by local NGOs promote social inclusion for climate action (USD 250,000 per year for each 1-year project with an option have up to a 4-year for USD 1,000,000)
- Establishment of a USD 1 billion per year Request for Proposal for the just transition of the workforce in developing countries, with a special carve out for SIDS
- Establishment of DAE-specific envelope under the GCF Readiness and Preparatory Support Programme with at least USD 1 million per year for each DAE. This envelope shall be new and additional to the USD 1 million per year for each NDA and will incorporate the DAE-specific Readiness Support created through the adoption of the Integrated Results Management Framework.
- Establishment of Request for Proposals to enhance the funding of parametric insurance for climatic events in risk insurance facilities at a national and regional level (for example African Risk Capacity, Pacific Catastrophe Risk Insurance Company, Caribbean Catastrophe Risk Insurance Facility)<sup>26</sup>
- Enhancement of the collaboration with the WIM ExCom to clarify how developing country Parties may access funding from the GCF for the development of funding proposals related to the strategic workstreams of the five-year rolling workplan

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<sup>26</sup> This is to further the implementation of Article 8(4)(f) of the Paris Agreement



- Difference in treatment of international access accredited entities (IAEs) and direct access accredited entities (DAEs) to access climate finance from the GCF. This treatment is in favour of IAEs.
- Encouragement of Parties to submit projects that cover approaches to address loss and damage, including and beyond support for early warning systems, weather insurance, and resilient infrastructure.

#### Eligibility criteria

- Reduction of the GCF Secretariat focus on co-financing needed for project development
- Update the GCF strategic plan to include the further enhancement of social inclusion in all of its funded activities

#### KEY REFERNECE MATERIAL(S)

- GCF 10<sup>th</sup> Report to the COP
- GCF IEU SIDS Evaluation
- GCF IEU SAP Evaluation
- GCF IEU Accreditation Function Synthesis
- GCF IEU Adaptation Evaluation

