



16.09.2019

Submission by Finland and the European Commission on behalf of the European Union and its Member States

Subject: Views and recommendations on elements to be taken into account in developing guidance for the Global Environment Facility and for the Green Climate Fund

Introduction

1. The EU and its Member States welcome the opportunity to send inputs for consideration by the SCF for developing draft guidance to the operating entities of the Financial Mechanism (FM). In providing the draft guidance we emphasize the importance of the SCF undertaking analysis of existing guidance and distinguishes between more durable *core guidance* to the FM to be revised mainly on the basis of the regular reviews of the FM and *annual* additional guidance. This is key to reducing redundancies, incoherence, and inconsistencies within the guidance provided to the operating entities.
2. Similarly, the EU also refers to the request by COP20 to the SCF to provide advice on the issue of the *frequency* of the guidance to the Financial Mechanism. In this context we welcome the work done thus far by the SCF. Furthermore, we would like to note that giving guidance to the operating entities should be limited to the specific agenda item under COP and avoid preempting decisions that fall under the mandate of the Boards of those entities, including on matters related to the replenishment cycles of the operating entities. Other constituted bodies under the Convention are invited to send their inputs to the SCF which should help in this regard.
3. The EU welcomes the recent work undertaken by the two operating entities of the FM on complementarity and coherence and encourages further division of labor taking into consideration the comparative advantages of each entity in an evolving climate finance architecture, e.g. taking into account the reforms agreed in the context of the GEF-7 negotiations. The EU also considers relevant that the cooperation and coordination continues between the two operating entities of the Financial Mechanism in order to enhance effectiveness and efficiency among the two entities as well as with other climate finance delivery channels. We thank both secretariats of the OEs for their current efforts in this regard.

4. The EU and its Member States highly appreciate the work done so far by the SCF in providing advice to the qualitative improvement of providing guidance to the operating entities of the FM, in line with existing procedures as specified in decision 5/CP.24, paras. 9–10, and decision 2/CP.17, para. 121(c). We stress the importance of the SCF's work to assist the COP in making efficient use of negotiating time and therefore the importance of the SCF's draft guidance being carefully considered and given due regard by parties. In this context we reiterate our request to the SCF to consider carefully where additional guidance is necessary and to appropriately focus its work in this regard to avoid micromanagement of the funds.
5. The EU looks forward to the outcome of the work of the Standing Committee on Finance in providing draft guidance to Operating Entities of the Financial Mechanism and for this work to be presented in the report of the SCF to the COP.
6. The remainder of this submission sets out key issues that may be considered by the SCF in its deliberations.

Guidance regarding the Green Climate Fund

1. The EU and its Member States recognize the importance of the Green Climate Fund (GCF), as the world's largest dedicated climate fund to provide support to developing countries to limit or reduce their greenhouse gas emissions and to adapt to the impacts of climate change, taking into account the needs of those developing countries particularly vulnerable to the adverse effects of climate change. In this context, we remain committed to work towards a timely, well-managed and successful replenishment process and its outcome for the Green Climate Fund, noting that contributions from other potential contributors outside the EU are essential to ensure an ambitious collective replenishment.
2. The EU highlights the importance of a strong focus on impact, needs, scale and ambition, both in terms of mitigation and adaptation as well as in mobilizing additional finance, not least from the private sector. The projects supported by the GCF need to aim for the highest possible impact that enable a paradigm shift towards low emission and climate-resilient development pathways in accordance with the Paris Agreement article 2.1 and ensures a balanced pipeline development building on Nationally Determined Contributions (NDCs) and National Adaptation Plans (NAPs). At the same time, the EU highlights the need to further increase efforts to promote innovation, particularly in adaptation, as well as strategic and calculated risk taking.
3. The EU is looking forward to the elaboration and effective implementation of the Fund's 2020-2023 Strategic Plan, including the four-year strategic policy agenda, to be presented to the Board of the GCF for decision at its 25th meeting. In this context, the EU requests the findings of the Fund's Performance Review to be properly considered when addressing remaining policy gaps and improving the Fund's operations in the future. The EU also underlines the importance of developing measurable goals for GCF_1, a robust results management framework and of developing the necessary tools for tracking the actual impact of the Fund's activities, especially in terms of mitigation and adaptation.

4. Furthermore, the EU and its Member States request an effective inclusion of people and communities impacted by GCF activities, in particular with regards to environmental and social safeguards, including promotion of gender equality and the rights of indigenous people as well as CSO and PSO participation, and request concrete action points on these matters to be considered in the 2020-2023 Strategic Plan.
5. The EU welcomes the efforts made to engage the private sector in GCF activities and acknowledges results achieved so far. The EU encourages the secretariat to further strengthen the engagement with the private sector through different instruments such as innovative financing instruments, innovative cooperation options and streamlining the accreditation process including through developing an accreditation strategy.
6. The EU welcomes the adoption of a mechanism of “decision making in the event that all efforts at reaching consensus have been exhausted” at its 23rd meeting as mandated by the Governing Instrument. The EU strongly emphasizes the importance of addressing the GCFs remaining policy gaps, as specified in the Fund’s Governing Instrument and its Rules of Procedure, in particular a gender responsive approach as well as policies related to the approval of funding proposals, including project and programme eligibility and selection criteria, incremental costs, co-financing, concessionality and programmatic approach. This also refers to further work necessary for improving its effectiveness and operational performance as highlighted in the forward-looking performance review in order to fulfill the Fund’s mandate of promoting the necessary paradigm shift towards low-emission and climate-resilient development pathways.
7. The EU stresses the importance of building capacities in countries and promoting long-term sustainability of interventions beyond project lifetimes and thereby emphasizes the need to enhance direct access and strengthen country ownership. The EU welcomes the initiatives taken by the GCF to enhance support for capacity building, including through the revised strategy for the readiness program agreed at B.22 and the project preparation facility.

Guidance regarding the Global Environment Facility

1. The EU welcomes the approval by the Council in June 2019 of the biggest work program of USD 865.9 million including four Impact Programs intended to further catalyze transformational change and thereby the start of the implementation of the GEF-7 Programming Directions and Policy Recommendations.
2. The EU welcomes the actions taken by the GEF on incorporating innovation and technology development and transfer into the overall GEF-7 Climate Change Focal Area Strategy. The shift towards low-GHG-emission and climate-resilient development pathways, to support the overall mitigation targets of and adaptation efforts under the Paris Agreement is of utmost importance.
3. The EU encourages the GEF to pursue a coherent approach between focal areas by prioritizing projects with co-benefits in other areas, such as prioritizing projects in areas of environment and biodiversity that also provide co-benefits in the areas of adaptation.

4. The EU welcomes progress in implementing the GEF's Gender Strategy and a gender responsive approach, and encourages the GEF to continue the integration of gender equality throughout all of its activities.
 5. The EU takes note of the first MOPAN evaluation of the GEF and welcomes its recommendations.
 6. The EU welcomes the progress made on developing Responsible Investment Guiding Principles by the World Bank as Trustee of the GEF and looks forward to the proposal to be presented in the GEF council for an ESG Investment Strategy for the GEF Trust Fund as soon as possible, so as to ensure that the asset management by the trustee is aligned with the goals set in the Paris Agreement.
 7. With the new programming priorities and policy recommendations for the GEF-7, Parties should carefully consider whether new guidance from the COP is needed at this juncture.
 8. The EU recognizes the work done by the GEF secretariat in relation to the graduation of the LDCs in the context of the LDCF as reflected in document GEF/LDCF.SCCF.25/Inf.06 Information Note on Least Developed Countries Fund Support for Graduating Least Developed Countries.
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