

SUBMISSION BY SLOVENIA AND THE EUROPEAN COMMISSION ON BEHALF OF THE EUROPEAN UNION AND ITS MEMBER STATES

Views and recommendations on elements to be taken into account in developing guidance for the Green Climate Fund

XX October 2021

Introduction

1. The EU and its Member States welcome the opportunity to send inputs for consideration by the SCF when developing draft guidance to the operating entities of the Financial Mechanism (FM). When providing the draft guidance, we emphasize the importance of the SCF undertaking an analysis of existing guidance and distinguishing between more long-term core guidance to the FM to be revised mainly on the basis of the regular reviews of the FM and, when needed, annual additional guidance. This is key to reducing redundancies, incoherence, and inconsistencies within the guidance provided to the operating entities.
2. The EU also wants to highlight the request by COP20 to the SCF to provide advice on the issue of the frequency of the guidance to the Financial Mechanism. Furthermore, we would like to note that giving guidance to the operating entities should be limited to the specific agenda item under COP and CMA 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.
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 in order to enhance effectiveness and efficiency, building on the "Long-term vision on complementarity, coherence and collaboration between the Green Climate Fund and the Global Environment Facility".
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SCF's work in assisting the COP in making efficient use of negotiating time and therefore the importance of the SCF's draft guidance being carefully considered and given due regard by Parties.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 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 providing 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.
2. Given the urgency and need for significantly scaled up climate finance to reach the 1.5C target, as highlighted in the most recent IPCC report, the EU emphasizes the need for projects supported by the GCF to aim for the highest possible impact and to enable a paradigm shift towards low emission and climate-resilient development pathways in accordance with the Paris Agreement.
3. The EU recognizes the progress made with regards to the impact-orientation of the Fund's project landscape and stresses the importance of continuing to improve the overall quality of the portfolio.
4. The EU underlines the need to redouble efforts to promote innovation, particularly in adaptation, as well as with respect to strategic and calculated risk taking. This has to include diversifying the use of financial instruments both in mitigation and adaptation.
5. The GCF is uniquely positioned within the international climate finance landscape to mobilize financing at scale, not least from the private sector. Given the transformational role of the GCF, both via its accredited entities and Private Sector Facility, in the mobilization of the private sector financing for climate projects in developing countries, a continuous improvement of the Fund's private sector agenda is key. In this regard, the EU urges to significantly scale up mobilization of additional finance, not least from the private sector and further strengthen the engagement with the private sector, needed to meet respective targets set in the Fund's Updated Strategic Plan, including for co-financing and private sector involvement, as well as specific actions to more strongly leverage private sector funding.
6. Highlights the importance of the GCF with regards to shifting financial flows in line with Article 2.1.c of the Paris Agreement. The EU requests the GCF to promote activities as defined in the Updated Strategic Plan to support countries in shifting financial flows in line with Art. 2.1.c of the Paris Agreement.
7. The EU welcomes the adoption of the Fund's 2020-2023 Strategic Plan, including the strategic policy agenda, and looks forward to its swift and effective implementation. In this regard, the EU emphasizes the importance increasing its effectiveness and efficiency as well as to continue improving the Fund's operations in the future.

8. The EU notes that the GCF Board has revised its 2021 workplan at its 28th meeting and recalls that this workplan lists 24 policy items that yet remain to be addressed in 2021. The EU and its MS requests the GCF to close remaining policy gaps as a matter of urgency and are concerned that so many policy gaps remain unaddressed given previous COP guidance and being already almost 2 years into the current replenishment period. The EU and its MS call on the GCF Board to expedite its work on these issues pertaining to promoting paradigm shift and ambition, efficiency, accessibility and effectiveness of the GCF. Specific policy gaps include those related to the approval of funding proposals, such as the Simplified Approval Process, the Investment Framework (i.e. concessionality, climate rationale, programmatic approach and incremental and full costs), as well as governance related policy gaps such as on policies for decisions between board meetings and committee guidelines.
9. The EU encourages the GCF Board to further advance a joint approach across its Board (“One Board” approach) to improve the efficiency and effectiveness of its decision-making, recognizing the challenges caused by COVID-19. The EU believes that the GCF has a unique role to play in providing support to developing countries in promoting a paradigm shift and supporting the implementation of the Paris agreement and the Convention, and must be supported by all stakeholders to make full use of its potential.
10. The EU emphasizes the need to increase the impact and ambition of the GCF in terms of mitigation action in developing countries especially in light of the goal to limit the temperature increase to 1.5 °C and to support developing countries in implementing ambitious mitigation actions to support a transition towards zero carbon economy.
11. The EU welcomes the targets set in the Fund’s Updated Strategic Plan, including maintaining the 50:50 balance of adaptation and mitigation funding over time, calculated in grant-equivalent, and maintaining a minimum allocation floor of fifty per cent of adaptation funding, to be provided to developing countries that are particularly vulnerable to the adverse effects of climate change, including small island developing States, least developed countries and African States, taking into account their urgent and immediate needs, while aiming to build on initial resource mobilization outcomes. The EU encourages the Board of the GCF to finalize guidance on the approach and scope for providing support for adaptation activities, taking into account best practices at other multilateral funds and other approaches.
12. The EU stresses the importance of the GCF as a learning institution. As such, the EU expects the GCF to ensure good governance of the fund, including by finalizing the recruitment of a new head of the GCF Independent Evaluation Unit as a matter of urgency.
13. 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. In this regard, the EU welcomes the targets set in the Updated Strategic Plan and the GCFs progress in funding allocated through direct access entities. For recipient countries, this should lead to better outcomes, both in terms of direct action and indirect, long-lasting benefits, mainstreaming climate action within local, regional and international public and private operations.

14. The EU requests the GCF Board to initiate work on an Updated Strategic Plan to be concluded ahead of the GCF-2 replenishment, further strengthening the GCF as setting the standard for excellence in climate action internationally, including in shifting global financing flows and mobilizing financing at scale, not least from the private sector as well as prioritizing funding proposals.
 15. The EU requests timely improvement of the accreditation process, including through an approval of an Accreditation Strategy, an updated accreditation framework (UAF) and an effective PSAA operationalization.
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