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Matters relating to finance

**Matters relating to the Standing Committee on
Finance**

**Conference of the Parties serving as the meeting
of the Parties to the Paris Agreement**

Fourth session

Sharm el-Sheikh, 6–18 November 2022

Item 8(a) of the provisional agenda

Matters relating to finance

Matters relating to the Standing Committee on Finance

Report of the Standing Committee on Finance

Addendum

Draft guidance to the operating entities of the Financial Mechanism



I. Draft guidance to the Green Climate Fund

A. Draft guidance to the Green Climate Fund from the Conference of the Parties

The Conference of the Parties,

1. *Requests* the Board of the Green Climate Fund (hereinafter referred to as the Board) to close all remaining policy gaps as a matter of urgency, including the accreditation strategy and the investment framework, and *urges* the Board to take additional action to improve and speed up its decision-making;
2. *Recognizes* the vital role played by the updated strategic plan for 2020–2023¹ in establishing the strategic vision of the Green Climate Fund[, the need for clear and quantifiable goals connected to the strategic vision,] and the critical importance of an open, inclusive and transparent consultation process for developing the update of the strategic plan for the second replenishment period 2024–2027; [*requests* the Board, through the plan, to significantly increase ambition and to support the paradigm shift towards low-emission and climate-resilient pathways]; and *urges* the Board to conclude its consideration of the plan in time to inform the second replenishment process;
3. [*Requests* the Board to formalize a Fund-wide policy framework to establish clear policy classifications, relationships between policy instruments and associated roles and responsibilities for approval and updates;]
4. *Requests* the Board to enhance coherence and complementarity of the Fund with other climate finance delivery channels and funds with a view to enhancing the impact and effectiveness of its work and decreasing transaction costs for recipient countries, [by [harmonizing/enhancing], where appropriate and to the extent possible, its procedures and guidelines with those of other climate finance support providers, in particular other climate funds, with a view to simplifying access by developing country Parties,] [and to recognize the special needs and capacity constraints of small island developing States in supporting efforts for the provision of finance and implementation of projects];
5. *Also requests* the Board to pursue further efforts to further streamline and simplify access modalities[, going beyond the simplified approval process, and to streamline project cycle procedures after accreditation];
6. [*Encourages* the Board to closely monitor the implementation of the updated gender policy and gender action plan for 2020–2023² and to enhance the ambition of its next version;]
7. *Urges* the Board to continue incorporating indigenous peoples' rights, perspectives and climate priorities into its decision-making, including through its indigenous peoples policy, its Indigenous Peoples Advisory Group and continued engagement with the Facilitative Working Group of the Local Communities and Indigenous Peoples Platform and the International Indigenous Peoples Forum on Climate Change;
8. *Invites* the Board to enhance efforts to promote innovation and to mobilize climate finance at scale from the private sector and other sources through strategic and calculated risk-taking and diversification of financial instruments, such as through increased use of guarantees and local currency finance that can reduce project risks;
9. [*Requests/Encourages*] the Board to promote the use of programmatic approaches, including global, regional, national and cross-sectoral programmes, and to develop a programmatic approach modality to facilitate programme development;]
10. *Encourages* the Board to swiftly implement the private sector strategy, further develop the strategy during the second replenishment period of the Green Climate Fund and continue work to catalyse private climate finance for mitigation and adaptation[, resilience,

¹ See Green Climate Fund document GCF/B.27/21, annex II.

² See Green Climate Fund Board document GCF/B.24/15.

and nature] in a manner fully aligned with a country-driven approach, including through the private sector strategy;

11. [*Welcomes* the Board's adoption of the private sector strategy and *requests* the Board to focus on implementing the strategy to quickly increase leverage, mobilization, and engagement of domestic and international private sector actors and to catalyse new business models and financial instruments;]

12. [*Requests* the Board to consider a specialized readiness programme in addition to the Green Climate Fund Readiness and Preparatory Support Programme to target the 'informal' private sector, which includes small and medium-sized enterprises owned by indigenous peoples, local peoples and local farmers and other local community based businesses, to enable the Green Climate Fund and its staff to better understand local and community-based businesses and to include such businesses in the Fund's project pipeline while respecting local culture and local and traditional ways of managing ecosystems and community-based businesses that rely heavily on nature;]

13. [*Requests* the Board to consider allocating dedicated readiness funding for providing resources and expertise to better document and understand transitional risks – including political and sectoral risks, social safeguards, and prohibitive practices and the capacity of countries to implement them – with the aim of designing better financial projects and programmes for countries and regions;]

14. *Encourages* the Board to continue providing resources to developing country Parties for sustaining and enhancing adaptation monitoring, evaluation and learning systems at all levels to facilitate the monitoring and reporting of the progress, effectiveness and adequacy of adaptation action and support, as well as the contribution of experience-sharing at the global level to enhancing action, support and international cooperation;

15. [*Requests* the Board to consider how to effectively support activities relevant to averting, minimizing and addressing loss and damage [with the aim of expediting support for averting, minimizing and addressing loss and damage], including through using the Readiness and Preparatory Support Programme, Project Preparation Facility and requests for proposals, to the extent consistent with the existing investment framework, results framework and funding windows and structures of the Green Climate Fund, and to report on its progress thereon in its annual report to the Conference of the Parties, starting from 2023;]

16. [*Encourages* the Board to further develop work on the request for proposals to establish technology incubators and accelerators in developing countries and *takes note* of the interest expressed by the Technology Executive Committee in continuing to contribute to this work;]

17. [*Requests* the Board to enhance the project and programme cycle process of the Green Climate Fund by including reference time frames, outlining the role of national focal points for technology development and transfer, clarifying actions that can be undertaken by specific actors, such as the private sector, and using clear and unambiguous language to describe the project cycle;]

18. *Invites* the Board to enhance, in consultation with the Technology Executive Committee and the Climate Technology Centre and Network, financial support for international technology cooperation by strengthening cooperative approaches and building suitable capacity across all technological innovation system functions in developing countries [and in particular their national designated entities];

19. *Welcomes* the Board's rapid scaling-up of funding proposal approvals and *encourages* the Board to develop a structure for prioritizing proposals and maximizing the impact of its funding for adaptation and mitigation;

20. [*Also encourages* the Board to consult the Adaptation Committee and take into account the latest available science when revising its method for evaluating the climate impact of adaptation projects;]

21. *Requests* the Board to [consider approaches to] supporting just transitions of developing countries across economic sectors [and transitions of resilient economies] and

providing [greater/smoothed] access to climate finance [and address/by addressing] key barriers to and enablers of just transitions [i.e. financial, technological and institutional];

22. [Also requests the Board [to accelerate efforts on regional presence and] to explore, including through engagement with the secretariat and stakeholders, how Green Climate Fund regional offices could enhance the Fund's capabilities and support the achievement of its strategic vision;]

23. Encourages the Board to explore measures to optimize organizational structures and staff recruitment and retention, thereby recognizing the importance of sufficient staffing resources and subject matter expertise to the implementation of the Green Climate Fund's ambitious vision;

24. Welcomes the launch of the second replenishment process of the Green Climate Fund[and urges developed country Parties to show ambition and progress by doubling the amounts pledged in the first replenishment period of the Fund];

25. Welcomes the launch of the second replenishment process of the Green Climate Fund[, which is open and inclusive, and calls on potential contributors to engage constructively in order to reinforce the ambition, impact and progress of the Fund];

26. [Encourages the Board to maximize alignment with other environmental challenges, especially biodiversity loss, in the context of existing operational mandates.]

B. Draft guidance to the Green Climate Fund from the Conference of the Parties serving as the meeting of the Parties to the Paris Agreement

The Conference of the Parties serving as the meeting of the Parties to the Paris Agreement,

1. [Urges the Board to further increase the impact and ambition of the Fund in terms of mitigation action in developing countries, especially in the light of the goal to limit the temperature increase to 1.5 °C, and to support developing countries in implementing ambitious mitigation actions that support the transition towards a zero-carbon economy;]

2. Also urges the Board to respond to the needs and priority mitigation and adaptation actions of developing countries as outlined in their nationally determined contributions, national adaptation plans and adaptation communications;

3. [Requests the Board to increase support for shifting financial flows in developing countries, in line with Article 2, paragraph 1(c), of the Paris Agreement, including by supporting the set-up of enabling policy environments, and encourages the Board through its strategic plan for the second replenishment period to promote more ambitious activities to support countries in shifting their financial flows.]

II. Draft guidance to the Global Environment Facility

A. Draft guidance to the Global Environment Facility from the Conference of the Parties

The Conference of the Parties,

1. Requests the Global Environment Facility to maximize global environmental benefits, while considering the priorities and needs of developing countries, in particular the most vulnerable, when implementing its impact programs;

2. Encourages the Global Environment Facility, in administering the Least Developed Countries Fund and the Special Climate Change Fund, to support developing country Parties in implementing national adaptation plans and other national adaptation planning processes;

3. Also encourages the Global Environment Facility to work towards implementing its programming strategy on adaptation to climate change for the Least Developed Countries

Fund and the Special Climate Change Fund during the eighth replenishment period of the Global Environment Facility so as to effectively assist developing countries;

4. [Further encourages the Global Environment Facility, through the Capacity-building Initiative for Transparency, to continue providing capacity-building support to developing country Parties for enhancing and sustaining adaptation monitoring, evaluation and learning systems at all levels with a view to facilitating:

(a) The monitoring and reporting of the progress, effectiveness and adequacy of adaptation action and support over time;

(b) The sharing of experience globally to contribute to enhancing action, support and international cooperation;]

5. [Recognizes that the Global Environment Facility, in administering the Least Developed Countries Fund and the Special Climate Change Fund, contributes to support activities that are relevant to averting, minimizing and addressing loss and damage in developing country Parties and invites the Global Environment Facility to continue to consider including programming related to activities relevant to averting, minimizing and addressing loss and damage in developing country Parties across the strategic workstreams of the five-year rolling workplan of the Executive Committee of the Warsaw International Mechanism for Loss and Damage associated with Climate Change Impacts, to the extent consistent with existing funding mandates and structures;]

6. Encourages the Global Environment Facility to continue reporting on the use of resources for developing and revising technology needs assessments and technology action plans and their implementation, and the impact of the resources;

7. Also encourages the Global Environment Facility to consult with the Technology Executive Committee and the Climate Technology Centre and Network regarding potential synergies between the new joint Technology Mechanism work programme³ and the programming direction of the eighth replenishment of the Global Environment Facility;

8. [Further encourages the Global Environment Facility to update its policy on gender equality to include protections for persons of all sexual orientations and gender identities and to ensure that all its implementing agencies fully comply with its gender policy in implementing its projects for climate action, following the gender implementation strategy;]

9. Invites the Global Environment Facility to continue to strengthen the operationalization of its existing policies and guidelines, including the principles and guidelines for engagement with indigenous peoples, to enhance consideration of indigenous peoples' views[, rights and perspectives] in its decision-making;

10. Requests the Global Environment Facility to enhance coherence and complementarity with other climate finance delivery channels / funds with a view to enhancing the impact and effectiveness of its work and decreasing transaction costs for recipient countries[by harmonizing, where feasible and to the extent possible, its procedures and guidelines with those of other climate finance support providers, in particular other climate funds, with a view to simplifying access by developing countries];

11. Encourages the Global Environment Facility to support climate change projects that also provide other environmental co-benefits;

12. Also encourages the Global Environment Facility to continue tracking and reporting on the concentration of funding among its implementing agencies with a view to diversifying programming across its agencies;

13. Calls on the Global Environment Facility to:

(a) Continue improving its governance framework in relation to implementing agencies, as well as the standards its implementing agencies are held accountable to;

³ Available at

https://unfccc.int/ttclear/misc/_StaticFiles/gnwoerk_static/TEC_Documents_doc/893506f5418f4f548c8fb7eda55937b8/113d19d4e74049248490648b1344879d.pdf.

(b) Assess and limit the risks on the basis of the current level of funding concentration in some of its implementing agencies;

(c) Ensure that recipient countries have appropriate access to its resources through its diverse network of implementing agencies and that special attention is given to those countries most in need, such as the least developed countries and small island developing States.

B. Draft guidance to the Global Environment Facility from the Conference of the Parties serving as the meeting of the Parties to the Paris Agreement

The Conference of the Parties serving as the meeting of the Parties to the Paris Agreement,

Requests the Global Environment Facility to identify actions taken as part of its activities on implementing the guidance contained in decision 9/CMA.1, paragraphs 20–21.
