



**GREEN
CLIMATE
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Steps to enhance the climate rationale of GCF-supported activities

Summary

This document outlines the approach that the Secretariat is undertaking to strengthen climate rationale and thereby enhance the quality of GCF projects and programmes. It discusses approaches used by comparable funds and proposes activities to further support national designated authorities and accredited entities in ensuring their projects and programmes have a strong climate rationale.

I. Introduction

1. At its nineteenth meeting, the Board, through decision B.19/06, requested the Secretariat to develop an integrated approach to address policy gaps and consider their interlinkages for the Board's consideration at its twentieth meeting, including steps to enhance the climate rationale of GCF-supported activities.
2. Improving climate rationale in project design is an iterative process that requires collaborative efforts through strategic partnerships at all levels, and it will take a considerable amount of time to establish the desired capacity level for national designated authorities (NDAs) and accredited entities (AEs), particularly direct access entities (DAEs). As a result, it should be approached as a long-term commitment and will require significant efforts and resources to realize any considerable impact.
3. This paper outlines actions (including timelines for implementation) the Secretariat is taking to enhance the climate rationale of its project pipeline. The ensuing sections provide details of how these actions will be implemented, including (a) strengthening the guidance to NDAs, AEs, readiness delivery partners, and other stakeholders; (b) improving the review process; (c) continuing collaboration and developing strategic partnerships; and (d) developing a capacity-building strategy for NDAs and AEs.

II. Secretariat activities to strengthen climate rationale

4. At its eighteenth meeting, the Board approved the work programme of the Secretariat for 2018 and its goals and suggested policy priorities. The work programme underscores specific interventions being undertaken by the Secretariat that support the enhancement of the climate rationale of GCF-supported activities. Other interventions are also being undertaken based on the work programme of the Secretariat for 2017 and previous decisions mandated by the Board.
5. In addition, during its seventeenth meeting, the Board adopted an updated project and programme activity cycle that begins with country programme development and culminates in legal arrangements for the disbursement of funds. The specific actions detailed below will strengthen support to countries and AEs for each stage of the activity cycle through guidance, a review process and partnerships.
6. The above-mentioned interventions are integrated in the work of the Secretariat as part of (a) the Readiness and Preparatory Support Programme (hereinafter "Readiness Programme"), including adaptation planning and country programming; (b) the Project Preparation Facility (PPF); and (c) the regular project cycle through the review of concept notes and funding proposals. The work involves improving the guidance and review processes to strengthen climate information development and the capacities of countries, AEs and other GCF stakeholders, and to promote the inclusion of climate information in proposals, allowing for quality projects and programmes that clearly contribute to low-emission and climate-resilient development.
7. The Secretariat-led interventions are further augmented through continued collaboration and strategic partnerships with relevant institutions that can support countries to develop proposals both under the Readiness Programme and under the full project cycle. Such partnerships will harness the capacities of relevant institutions to support NDAs and DAEs in project preparation and implementation to ensure a strong climate rationale.

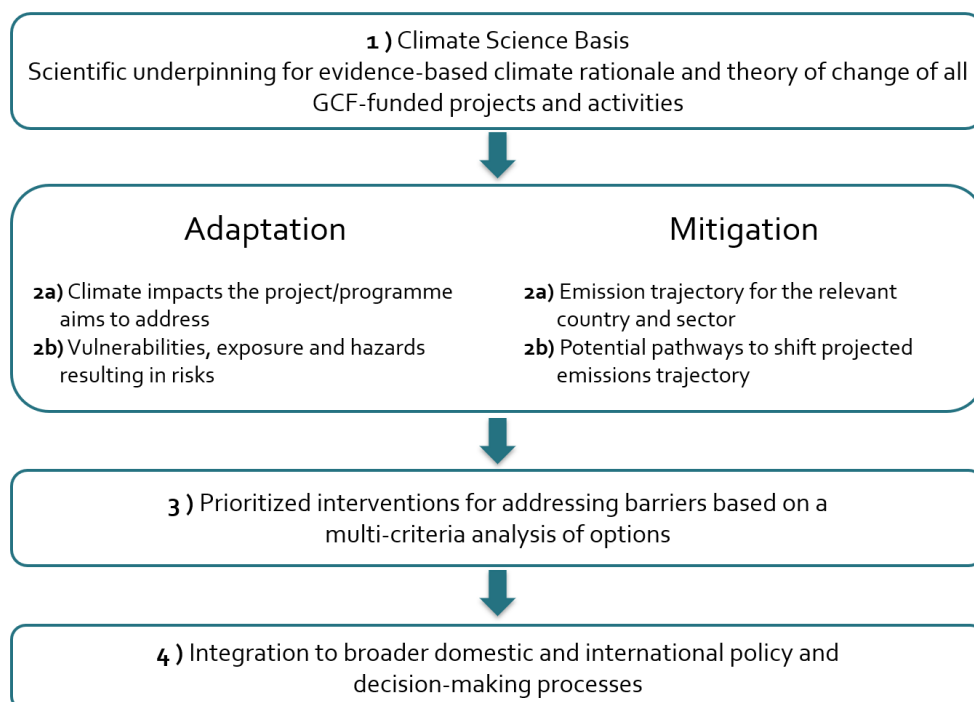
2.1 Strengthening guidance to national designated authorities, accredited entities, readiness delivery partners and other GCF stakeholders

8. The Secretariat is already undertaking steps and measures to strengthen the articulation of the climate rationale in the GCF project pipeline by improving guidance to ensure that all project and programme funding proposals articulate critical elements that provide the scientific basis for the climate rationale. A major focus is on supporting countries to develop, strengthen and implement their nationally determined contributions.

9. For adaptation projects, the Secretariat hosted a Technical Expert Workshop on Climate Adaptation Finance in Songdo on 5 and 6 March 2018. The Secretariat also commissioned a report by World Resources Institute titled “Study on the GCF’s Adaptation Approach”, which is currently ongoing. Both the workshop and report have produced a number of recommendations that will inform the guidance documents to strengthen climate adaptation rationale. Moreover, the present document includes a short description of how comparable funds consider climate rationale, specifically for adaptation projects in annex I.

10. Drawing from insights gained through these initiatives and further analysis by the Secretariat on both adaptation and mitigation projects and programmes, it has been observed that projects that include the elements in figure 1 below tend to have robust climate rationale. These basic elements are consistent with the phases identified by other institutions (see annex III) and provide the practical basis for the GCF to assess the quality of climate adaptation rationale in a project or programme proposal. Further guidance for articulating these elements is being developed. As an integral part of the project activity cycle, the Secretariat hosts structured dialogues with each developing region that provide opportunities for NDAs, AEs, other strategic GCF delivery partners and the Secretariat to discuss issues affecting effective project design. These regional dialogues have become foundational opportunities to convey guidance and strengthen the capacities of GCF actors on the climate rationale for high-quality GCF project pipelines.

Figure 1: Elements that constitute sufficient climate rationale



11. Over the past years, many countries have persistently requested for a targeted technical and hands-on support from GCF to support the process of development of high-quality country programmes that can have an impact on the pipeline. In response, GCF has issued a Request for Proposal (RfP) for technical advisory services on the piloting of activities for the preparation of country programmes and related processes in April 2018. This RfP is intended to provide support to countries in the formulation of country programmes and maintaining a strategic engagement framework with GCF. The terms of reference support the enhancement of climate rationale in the pipeline, which include but is not limited to: defining each pilot country's climate and economic risks profile; providing scenario analyses on each country's emissions profile and vulnerability analyses based on defined scenarios; identifying key emission reduction opportunities; and adaptation priorities and proposing a prioritized list of possible projects for mitigation and adaptation outlining synergies and trade-offs where relevant.
12. Support from the GCF for the formulation of national adaptation plans (NAPs) and/or other adaptation planning processes provides a useful opportunity for countries to develop the scientific basis for the climate adaptation rationale, which is crucial for quality project design. Guidance for NAPs was created and communicated to all NDAs and their readiness delivery partners in September 2017. This guidance includes the transparent review criteria used by the Secretariat to ensure quality and impact from the support it provides for adaptation planning. This guidance also includes indicative good practices for high-quality NAP proposals that strengthen the evidence base for the climate adaptation rationale in project pipelines. Furthermore, outcomes and outputs are defined in the GCF guidance on adaptation planning proposals to produce the scientific and planning basis that underpins the climate adaptation rationale in country and AE project pipelines. The Secretariat is continuing to update and deepen the level of detail in the NAP guidance in 2018, based on lessons learned from submitted proposals and project implementation.
13. The Readiness Programme, exclusive of adaptation planning, is constantly being improved to better define the outputs it supports to help countries and AEs to define the climate rationale of their project pipeline. One key area of readiness support, exclusive of adaptation planning, that is particularly crucial for early stage development of the adaptation rationale is the design of a country programme for climate finance, including engagement with GCF. The design of the country programme and vision enables country ownership and the strategic use of all GCF windows of support to focus and develop the climate rationale of the project pipeline.
14. Following the simplification of the requirements for submitting a project concept note, NDAs and AEs have been advised that support from the PPF is provided only when the associated project concept note adequately articulates the climate rationale and GCF investment criteria. The PPF guidance is being further strengthened to highlight and focus project preparation activities that strengthen the evidence base of the climate rationale in high-quality funding proposals.
15. As part of the guidance provided to NDAs and AEs, templates for funding proposals, concept notes and project preparation support from the PPF are being improved to ensure a high-quality articulation of climate rationale, including the elements of adaptation rationale outlined in figure 1 above.
16. In addition, an appraisal toolkit is being developed to provide NDAs, AEs or entities interested in applying for accreditation, project developers, and other GCF stakeholders with guidance on developing funding proposals, including an approach to strengthen climate rationale. Moreover, in response to requests from GCF stakeholders, the Secretariat intends to develop sectoral guidelines on the eight GCF result areas to establish sector-specific rationale.

2.2 Improving Secretariat review processes

17. The Readiness Programme has initiated a number of interventions to streamline its internal approval process. For adaptation planning proposals within the Readiness Programme, constructive feedback from the Secretariat is provided for each proposal based on the established review criteria and indicative good practices to ensure that countries are supported in articulating the elements of climate adaptation rationale. Furthermore, the outcomes and outputs for adaptation planning proposals submitted to GCF encourage a focus on producing the scientific and planning basis to underpin the adaptation rationale in project pipelines.

18. For concept notes and funding proposals, the Secretariat is already enhancing its review through an early screening of concept notes and funding proposals by the Senior Management Team with the aim of ensuring strong climate rationale. For funding proposals, the review process is currently being improved through the development of an operations manual. In addition, the terms of reference for reviewers are being defined to clarify the respective roles and make the process more efficient. The Secretariat is also developing a two-stage approval process for funding proposals for possible Board consideration to strengthen the project review and approval process.

19. Moreover, the substantive review of all funding proposals by the Secretariat will continue to include comments on the articulation of climate rationale and any points that need to be strengthened. The substantive review of all funding proposals by the Secretariat will also include assessment and feedback as needed for each of the six GCF investment criteria.

2.3 Continuing collaboration and developing strategic partnerships

20. The Secretariat has started an exercise to map out the communities of practice in key areas of its work whose expertise could be leveraged to support the delivery of key results. These communities of practice will include technical experts, internal and external to GCF, and will facilitate communication and sharing of knowledge in the eight GCF result areas.

21. Extensive discussions have been initiated with several institutions, including the Intergovernmental Panel on Climate Change, World Meteorological Organization, and others who will contribute to some of the activities outlined in this paper.

22. With regard to project preparation, the identification and development of a set of partnerships is being initiated by the Secretariat with at least one leading institution for each GCF result area to support NDAs and AEs (particularly DAEs) in preparing concept notes with a strong climate rationale and associated PPF requests to support the transformation of these concept notes into high-quality funding proposals.

2.4 Developing a capacity-building strategy in support of the integrated policies to improve climate rationale

23. The Secretariat has started to develop a capacity-building strategy based on existing systems and programmes, including the Readiness Programme, to support the implementation of the integrated policy issues related to the consideration of funding proposals. The strategy focuses on support to DAEs with the objective of strengthening their expertise to prepare pipelines of project concept notes and funding proposals that are grounded in scientific evidence and that compellingly articulate the elements of climate rationale required by GCF. In addition to providing financial support from the PPF to an increasing number of DAEs for developing their high-potential concept notes into high quality funding proposals for presentation to the Board, the project preparation capacity-building programme for direct access AEs includes the following three components to strengthen the scale, quality and impact of DAE project pipelines:

- (a) An annual convening of all DAEs and their NDAs at the Empowering Direct Access Workshop, which provides in-depth training and knowledge-sharing support to DAEs and their NDAs for the effective development of their climate rationale, paradigm shift, and other elements of GCF investment criteria as part of their project design. The second annual Empowering Direct Access workshop was held in Songdo on 22-24 May 2018;
 - (b) Thematic focused training and knowledge-sharing workshops among DAEs and their NDAs on specific elements of climate rationale and paradigm shift that are uniquely relevant to each of the eight GCF results areas, as one objective of developing “communities of practice” for each GCF result area in partnership with key GCF technical delivery partners; and
 - (c) Subregional forums and web-based platforms hosted by external partners for DAEs, their NDAs, and support organizations that enable training and knowledge-sharing among actors operating in similar contexts. Examples of this include the South Asia regional workshop for DAEs to GCF, co-hosted with the Government of Bangladesh, held on 15-18 May 2018 in Dhaka, and the set of subregional concept note and PPF trainings planned with the Asian Institute of Technology, to be held later in 2018.
24. Ongoing and planned activities and initiatives of partners will also be tapped. For example, the African Development Bank recently launched the Africa Climate Change Fund to support needs identified by DAEs in Africa in partnership with the Secretariat in the following areas: (i) development of a community of practice for experience sharing, which would facilitate communication and sharing among DAEs while also providing a space for public exchange; (ii) development of capacity-building and training of trainers programmes on accreditation and project development in several languages (notably French and Portuguese) to strengthen the capacity of DAEs and create a roster of experts to support national institutions; and (iii) organization of regional forums to allow a direct exchange of experiences and lessons learned among DAEs as well as to provide a platform for gathering feedback and suggestions from DAEs to inform the Board and Secretariat.

III. Follow-up actions

25. The activities being undertaken by the Secretariat are resulting in incremental improvements to the overall quality of projects; however, it is important to note that there is still significant work to be done to increase project quality in terms of improving the underlying climate rationale to the desired level.
26. It is envisaged that the workplan, including partnership explorations, will be ready by the twenty first meeting of the Board, followed by an update on implementation from the twenty-second meeting of the Board and suggestions for a possible launch of a request for proposal, if needed, by the twenty-fourth meeting of the Board. The timelines for specific deliverables are structured as follows:
- (a) Short term: enhance partnerships and improve PPF guidance and review criteria;
 - (b) Midterm: improve readiness, NAP guidance and review criteria; and
 - (c) Long term: improve full funding proposal guidance and review criteria.
27. The capacity-building strategy for NDAs and AEs will start immediately.
28. The Secretariat should continue to invest time and resources in the actions below:
- (a) Strengthen and align all guidance documents to better incorporate the specific elements of climate rationale required in the design of project concept notes and funding proposals as well as how country programming and adaptation planning support

- through the Readiness Programme can and should contribute to creating the evidence base of this rationale in NDA and AE project pipelines;
- (b) Ensure that future updates of the concept note, funding proposal and PPF templates and their review processes require explicit articulation and Secretariat feedback on the climate rationale of adaptation projects;
 - (c) Intensify capacity-building efforts on climate rationale for NDAs, AEs (particularly direct access AEs), and other key GCF delivery partners as well as Secretariat staff;
 - (d) Develop common standards for establishing climate rationale based on headline indicators that can be used by all countries and projects with context-specific indicators related to the eight GCF result areas; and
 - (e) Establish communities of practice and strategic partnerships with relevant institutions as necessary to deliver (a), (b) and (c) above.
29. The Secretariat will report to the Board on the progress made in implementing the follow-up actions mentioned in paragraph 25 above.

Annex I: How comparable funds consider climate rationale for adaptation projects

1. Articulation of climate rationale by key institutions including the Intergovernmental Panel on Climate Change (IPCC) and climate finance institutions has broadly incorporated three main phases: 1) establishing credible climate science and evidence, robust assessment of exposure, impacts, vulnerability and disaster risks in the context of adaptation as well as accurate determination of greenhouse gas emission trajectories, their sources and assessment of effective mitigation options with best practical abatement potential; 2) developing a set of optimal interventions that collectively and comprehensively addresses underlying climate risks and maximizes sustainable development benefits, and 3) integrating interventions into the broader national and international policy and decision-making processes for long-term low-emission climate resilient development to meet the commitments under the United Nations Framework Convention on Climate Change and other related global agendas.
2. The fifth IPCC assessment report provides qualitative expressions and quantitative measures to rank the degree of confidence in the science and evidence for establishing the case for climate rationale. This can inform the development of the integrated policy approach and related tools and methods, including concessionality, additionality, full cost and grant equivalent calculations.
3. Table 1 provides illustrative examples of questions asked by the major climate funds, bilateral actors, multilateral development banks and numerous other providers of climate finance to assess robustness of climate rationale, particularly in adaptation projects.

Table 1: Example of selected guiding questions currently used by other institutions to establish climate adaptation relevance

	Irish Aid^a	Dedicated climate funds^b	MDB-IDFC^c
Climate change risks, impacts, and vulnerabilities	<p>What are the climate hazards and risks that are to be addressed?</p> <p>3.5</p> <p>What aspects of climate vulnerability will be targeted?</p>	<p>Indicate risks, including climate change related risks that might prevent project objectives from being achieved.</p> <p>3.6</p> <p>What is the likely BAU development and what are climate change related vulnerabilities?</p>	<p>Set out the context of risks, vulnerabilities, and impacts related to climate variability and change.</p>
Project/ programme design considerations	<p>What options are available to address climate related vulnerabilities and are the proposed adaptation options realistic?</p> <p>3.7</p> <p>Are the options robust and within an appropriate envelope of uncertainty?</p> <p>3.8</p>	<p>If possible, propose measures that address these risks that could be incorporated into project design.</p> <p>3.9</p> <p>With the LDCF investment, what are the specific adaptation activities to be implemented to increase the climate change resilience of BAU activity or baseline?</p>	<p>State intent to address outlined vulnerabilities and risks through the proposed intervention.</p>

	What type of adaptation is being pursued: reducing adaptation deficit, incremental, or transformational adaptation?		
Governance context	<p>Does the implementing entity have legitimacy with the affected population?</p> <p>3.10</p> <p>Is there an enabling environment for successful implementation?</p>	<p>Does this project respond to the highest priorities identified in the NAPA, if not, why?</p> <p>3.11</p> <p>Is this project/programme consistent with national sustainable development strategies, plans, or other relevant instruments?</p>	3.12
Project/programme cost	Has the equity of probable costs and benefits been assessed?	<p>Is the project/programme cost-effective?</p> <p>3.13</p> <p>Is there duplication of the project with other funding sources?</p>	3.14

Source: Compiled by World Resources Institute; Data for guidance from Irish Aid (2017), the Common Principles MDB-IDFC (2015), guidance from the Adaptation Fund (2017), guidance from the Global Environment Facility (2007) and a clarification from the Global Environment Facility (2012).

Abbreviations: BAU = business as usual, IDFC = International Development Finance Club, LDCF = Least Developed Countries Fund, NAPA = national adaptation programme of action.

^aThe guideline from Irish Aid outlines the initial step of screening to take place during the design of interventions to determine the relevance of environment or climate issues to project, programme or other interventions (Irish Aid, 2017).

^bThe LDCF and Special Climate Change Fund (SCCF) request for identification of the BAU development trajectory and how the cost of adaptation is added to costs of BAU development in order to determine the “additional cost” of adaptation requested for LDCF and SCCF funding.

^cThe MDB-IDFC Common Principles for Climate Change Adaptation Finance outlines the methodology to disaggregate adaptation activities from non-adaptation activities to track and report commitments in adaptation finance (MDB-IDFC, 2015). This methodology is used to identify which projects or activities contribute to climate resilience.