

## Annex VI: Principles for demonstrating the impact potential of GCF-supported activities

### I. Mitigation

Establishing the impact potential for a mitigation funding proposal involves the following high-level principles which mirror established procedures and best practices in emission reductions estimation across the climate finance landscape:

- (a) Proposals should confirm alignment of the activities with host country priorities, including its nationally determined contribution (NDC) or other national and long-term climate strategies consistent with the long-term global goal to hold the increase in the global average temperature to well below 2 °C and to pursue efforts to limit the temperature increase to 1.5 °C. GCF is an operating entity of the Financial Mechanism of the United Nations Framework Convention on Climate Change (UNFCCC) and the Paris Agreement, and it is important to confirm that the GCF-funded activity is aligned with the NDC or other national climate strategies of the country. This also helps ensure that country ownership is integrated in the proposal and that activities are targeting the areas of highest potential impact and need for that country.
- (b) A methodological approach for the quantification of the mitigation results of the activity and its monitoring needs to be selected and implemented. GCF does not prescribe any specific methodologies, but strongly encourages accredited entities to utilize, whenever possible, the multitude of tools and methodologies developed for the quantification and monitoring of mitigation impact. Since the adoption of the UNFCCC and subsequently the Kyoto Protocol and the Paris Agreement, significant work has been done towards establishing methodologies for mitigation activities. Examples of suitable methods include the clean development mechanism and joint implementation under the Kyoto Protocol, which have established methodologies for quantifying mitigation impact for projects and programmes.
- (c) Proposals should use the methodology most relevant to the specific activities proposed. Articulation and assessment of mitigation impact follows a number of standard steps: determine project impact boundaries; define the baseline; and show additionality. In the context of a mitigation project, an activity is considered additional if it can be shown that the greenhouse gas (GHG) emission reductions would not occur in the absence of the GCF funding. Each of these steps will be described in more detail and illustrated with worked examples in supplementary online resources.
- (d) The quantification of mitigation impact should use consistent assumptions (e.g. emission factors) to those made in national GHG reporting as this will allow for the accurate quantification of the support provided to countries in meeting their NDCs in line with the Paris Agreement.
- (e) Proposals should describe the establishment of a measurement, reporting and verification (MRV) system for the GHG emission reductions and removals of the proposed activity which would be aligned with existing country MRV systems. This will facilitate the assessment, during and after implementation, of whether the funded activity generated the projected mitigation results. This will in turn provide learnings to the Fund, accredited entities, and host countries towards maximizing the impact of future mitigation activities. When describing the monitoring, reporting and verification of mitigation results, proposals should include all indicators, equations, input values to formulae, and any other assumptions used to quantify the emission reductions or removals, baseline and project scenarios, and information on how the monitoring,

reporting and verification will be conducted. Proposals should also provide projections of the annual emission reductions or removals during the lifetime of the project or programme.

## II. Adaptation

Establishing the impact potential for an adaptation funding proposal follows four high-level principles:

- (a) **Identification:** Adaptation proposals should show how the activity addresses current or future projected climate change risk or impact, and why it is likely to be an effective response. Proposals should identify the systems at risk and the climate change hazard affecting them or expected to in the future. They should show how climate change has contributed, or will contribute, to the specific risk or impact that the proposed activity addresses using the best available information. Where relevant, proposals should also consider any non-climatic factors that may be causing or exacerbating the risk or impact and describe the interactions between climate change and non-climatic drivers. Vulnerability assessments can be used to identify groups, sectors and subregions most susceptible to the climate change impact and therefore will provide information to select and prioritise appropriate adaptation outcomes.
- (b) **Response:** Proposals should explain how the activity will reduce the exposure and/or vulnerability (of people, systems, or ecosystems) and thus lessen the climate change risk or impact. Where relevant, a justification should be given of why the proposed activity was selected over alternatives. Proposals should consider barriers (e.g. technical, social, institutional, regulatory) to the implementation of the activity and describe how the project aims to overcome those barriers. Proposals should apply a methodological approach for the quantification of the number of beneficiaries expected to result from the activity.
- (c) **Alignment:** Proposals should confirm alignment of the proposed activity with the host country's national plans and climate strategies (including their national adaptation plans, national adaptation programmes of action, long-term climate strategies, and adaptation communications including those submitted as components of NDCs, as applicable). This helps ensure the country ownership of the proposal and that activities are targeting areas of highest potential need and impact for that country.
- (d) **Monitoring and evaluation:** Projects with a well-designed theory of change are more likely to result in successful outcomes that can be measured and evaluated. Proposals should include a description of the monitoring and evaluation system that will be used to assess the outcomes of adaptation activities and to quantify the adaptation beneficiaries. This will facilitate the assessment during implementation of whether the funded activity generated the climate impact expected and will also inform the design of more impactful future adaptation options.