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# Guidance on the approach and scope for providing support to adaptation activities

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## **Summary**

This document proposes a guidance at the request of the Board in line with decision B.17/10 to develop guidance on the approach and scope for providing support to adaptation activities. The guidance responds to stakeholders' interests in better understanding the GCF's mandate to enhance adaptation action, GCF's strategic approach to adaptation programming, the range of modalities through which GCF can support adaptation activities, and further steps GCF is taking to develop their adaptation portfolio.

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## I. Introduction

1. In decision B.17/10, paragraph (c)(ii), the Board requested the Secretariat, taking into account best practices from other multilateral funds and other approaches, to develop guidance on the approach and scope for providing support to adaptation activities.
2. In decision B.17/06, paragraph (d)(ii), the Board also requested the Private Sector Advisory Group (PSAG) to provide recommendations on opportunities to engage the private sector, including local actors, in adaptation action at the national, regional and international levels.
3. The Governing Instrument for the Green Climate Fund (GCF), in paragraph 3, clearly mandates the GCF to allocate funding towards adaptation as it states that GCF will strive to maximize the impact of its funding for adaptation and mitigation, and seek a balance between the two, while promoting environmental, social and development co-benefits taking a gender-sensitive approach.
4. Key decisions made at sessions of the Conference of the Parties (COP) to the United Nations Framework Convention on Climate Change (UNFCCC) are also linked to enhancing support for adaptation action. The Cancun Agreements established GCF to finance projects, programmes, policies and other activities in developing countries and decided that a significant share of new multilateral funding for adaptation should flow through GCF. It also established the Cancun Adaptation Framework and formed the Adaptation Committee to further strengthen support for adaptation. Finally, the Paris Agreement backed some elements of this framework and established the global goal on adaptation under Article 7, which also emphasized strengthening institutional arrangements and scientific knowledge on climate to support decision-making and engaging in adaptation planning processes. In this evolved global context, the COP reiterated the importance of guidance on GCF's support for adaptation.
5. Different iterations of this document were previously published at the twenty-first and the twenty-third meetings of the Board. All iterations, including this document, were drafted by the Secretariat and informed by various sources including, but not limited to, previous consultations with the Board, prior engagements with stakeholders, recommendations made by the PSAG, and a study prepared by the World Resources Institute (WRI).

## II. Policy rationale

6. The decision to develop guidance on the approach and scope for providing support to adaptation activities stems from discussions of the Board from various Board meetings during the consideration of funding proposals, the status of the GCF portfolio, and the review of the initial proposal approval process. The following issues were raised repeatedly by Board members at the fifteenth, sixteenth and seventeenth meetings, which led to decision B.17/10:
  - (a) Difficulty in distinguishing between climate and development projects, specifically for adaptation proposals – Because supporting communities to adapt to climate change often means supporting development activities, it becomes difficult to separate adaptation and development activities;
  - (b) Quality of adaptation proposals and costing – Climate-related objectives of certain projects were not clearly elaborated, lacking qualitative assessment and quantitative data to justify financing such costs. Potential for climate impact was not sufficiently developed or well connected to the proposed activities;
  - (c) Achieving a balance between mitigation and adaptation – While public sector proposals showed a good balance between mitigation and adaptation, private sector proposals seemed to be lacking activities to support adaptation.

7. As requested in decision B.17/06, the PSAG of GCF also developed recommendations on opportunities to engage the private sector in adaptation which was published as Annex IV to document GCF/B.23/18. The recommendations from this paper included focusing on risk transfer instruments, which includes insurance as a financing modality; facilitating blended finance and public-private partnerships (PPP); supporting a broader enabling framework; involving the private sector in the development and implementation of National Adaptation Plans (NAPs); identifying and partnering with existing financial intermediaries that are expanding their businesses; request the Secretariat to undertake deeper analysis of the business models of private sector concept notes and funding proposals related to adaptation; and focus efforts on developing funding proposals that target specific gaps in private sector adaptation investment.

8. In approving the updated Strategic Plan for the GCF: 2020-23 (decision B.27/06), the Board considered GCF's strategic approach to adaptation programming. The document elaborates proposed programming ambitions for adaptation, enumerating how the GCF will contribute to supporting the global goal on adaptation and promoting a paradigm shift in adaptation financing through an array of approaches and across a variety of sectors. Specifically, the document mentions that:

- (a) Future programming will be aligned with the priorities identified by developing countries in their nationally determined future programming will be aligned with the priorities identified by developing countries in their nationally determined contributions (NDCs), adaptation communications (ACs), NAPs, Technology Needs Assessments (TNAs), Technology Plans (TPs) and other national climate strategies and plans (Section II.2);
- (b) The GCF will strengthen support to developing countries to develop national adaptation planning and use climate information to better understand long-term climate risks and adaptation needs (Section II.2);
- (c) Greater mitigation and adaptation impact for developing countries compared with the initial resource mobilization (IRM) period and balanced funding across mitigation and adaptation over time, as well as using minimum allocation floors as appropriate in allocating resources for adaptation (section III);
- (d) Deliver greater paradigm-shifting mitigation and adaptation impact for the countries it serves (section IV); and
- (e) Help developing countries and implementing partners design projects and programmes that support paradigm shift across eight mitigation and adaptation results areas, with a view to significantly improve the quality of projects at entry (section IV).

9. The GCF adaptation portfolio and the global context for adaptation action have evolved significantly since the GCF Governing Instrument was adopted and since the Board adopted the decision to develop such guidance on adaptation (B.17/10). Beyond the core provisions set out in the GI, which remain unaffected, this paper seeks to provide further clarity on the GCF's approach and scope for providing support to adaptation activities to respond to stakeholders' interests in better understanding the following:

10. The GCF's strategic approach to adaptation programming, including how the Fund seeks to balance funding for mitigation and adaptation activities, and how the private sector can support adaptation activities;

- The range of modalities through which GCF can support adaptation activities, and how these modalities support overall progress toward implementing developing countries' NDCs, ACs and the global adaptation goal; and
- The evolution of the GCF's adaptation portfolio, including how the GCF can work with partners to originate paradigm shifting adaptation and resilience projects/programmes

across various sectors, and support partners to clearly articulate climate impacts and avoid potentially maladaptive responses.

### III. Policy proposal

11. Following the analysis of previous mandates, consultations, engagements, and discussions on GCF's approach and scope for providing support to adaptation, the Secretariat has developed Annex II of this document titled "Guidance on the Green Climate Fund's approach and scope for providing support to adaptation activities".

12. The guidance document outlines the following with the aim of providing clarity to stakeholders on how GCF supports adaptation through its funded activities and accordingly helps developing countries in realizing the global goal on adaptation:

- (a) GCF's mandate to enhance adaptation action, which elaborates on the relevant provision in the Governing Instrument for the GCF and related Board decisions as well as key decisions from the COP to the UNFCCC;
- (b) Strategic approach to adaptation programming, which includes a brief discussion of GCF's comparative advantage in the adaptation finance landscape and GCF's strategic programming ambitions to support developing countries on adaptation;
- (c) Modalities to support adaptation activities, which elaborates how GCF's different modalities contribute to different elements of adaptation from creating enabling environments for adaptation planning to supporting projects and programmes for delivering on adaptation outcomes and results; and
- (d) Support for developing the adaptation portfolio, which describes the steps being taken by the GCF Secretariat to help countries design impactful adaptation projects.

13. The programming ambitions for adaptation were removed in a subsequent draft of the Updated Strategic Plan (USP) for the twenty-fifth Board meeting, but key objectives, priorities and actions were maintained that focus on adaptation. The programming ambitions in the previous draft have been reiterated in the guidance document in Annex II Section 3.2, which partly address the IEU and PSAG recommendations on adaptation.

14. In addition, other IEU recommendations on adaptation are also addressed through the GCF modalities including the Readiness and Preparatory Support Programme, including adaptation planning, that provides support for capacity-building, strengthening policy environments, and knowledge and learning; and the Project Preparation Facility that provides support for the identification and development of project logic and specific indicators. The IEU and PSAG recommendations are also addressed through the additional support for developing countries provided by GCF such as in enhancing climate information, private sector engagement in adaptation, and measuring impacts of adaptation activities.

### IV. Policy linkages

15. This document has also been developed in consideration of prior policies and frameworks that have been adopted by the Board. Below is a list of Board adopted policies and framework linked to the guidance on the approach and scope for providing support to adaptation activities:

- (a) "Policies and Procedures for the Initial Allocation of Fund Resources" (decision B.06/06);
- (b) "Initial Results Management Framework of the Fund" (decision B.07/04)
- (c) "Initial Investment Framework" (decision B.07/06);

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- (d) “Mitigation and Adaptation Performance Measurement Frameworks (decision B.08/07)
  - (e) “Strategic Plan for the Green Climate Fund” (decision B.12/19)
  - (f) “Updated Strategic Plan for the Green Climate Fund: 2020-2023” (decision B.27/21)
16. This document also has linkages with other policies that are under development and under consideration by the Board including:
- (a) “Incremental cost and full cost methodologies” (documents GCF/B.19/34, GCF/B.20/19, GCF/B.21/03, GCF/B.23/19)
  - (b) “Integrated Results Management Framework” (documents GCF/B.25/Inf.11/Add.01)
17. The guidance document in Annex II has no impact on both adopted and ongoing policies and frameworks.

## **V. Recommendation to the Board**

18. The Secretariat recommends that the Board takes note of the Guidance on the Green Climate Fund’s Approach and Scope for Providing Support to Adaptation Activities presented in Annex I, which is based on the information presented above.

## Annex I: Guidance on the Green Climate Fund's approach and scope for providing support to adaptation activities

1. The Green Climate Fund (GCF) is unique in terms of its institutional mandate and approaches to climate finance. Established as a dedicated multilateral fund to support climate change adaptation and mitigation in developing countries, GCF serves as an operating entity of the Financial Mechanism of the United Nations Framework Convention on Climate Change (UNFCCC). Under its Governing Instrument, the GCF aims to promote a paradigm shift toward low-emission and climate-resilient development pathways in developing countries. Its focus on balanced funding for adaptation and mitigation, direct access by countries and supporting the most vulnerable, positions the GCF to contribute uniquely to global adaptation efforts.

2. In line with its Governing Instrument, the GCF is mandated to contribute to the achievement of the ultimate objective of the UNFCCC. The GCF's support for adaptation is also directed to helping developing countries adapt to the impacts of climate change while contributing to the global goal on adaptation which, as established in Article 7 paragraph 1 of the Paris Agreement, looks towards enhancing adaptive capacity, strengthening resilience and reducing vulnerability to climate change, with a view to contributing to sustainable development and ensuring an adequate adaptation response in the context of the temperature goal referred to in Article 2 of the Paris Agreement.

3. This document outlines the following, with the aim of providing clarity to stakeholders on how GCF supports adaptation through its funded activities and accordingly helps developing countries in realizing the global goal on adaptation:

- (a) **GCF's mandate to enhance adaptation action**, which elaborates on the relevant provisions in the Governing Instrument for the GCF and related Board decisions as well as key decisions from the Conference of the Parties (COP) to the UNFCCC;
- (b) **Strategic approach to adaptation programming**, which includes a brief discussion of GCF's comparative advantage in the adaptation finance landscape and GCF's strategic programming ambitions to support developing countries on adaptation;
- (c) **Modalities to support adaptation activities**, which elaborates how GCF's different modalities contribute to different elements of adaptation from creating enabling environments for adaptation planning to supporting projects and programmes for delivering on adaptation outcomes and results; and
- (d) **Support for developing the adaptation portfolio**, which describes additional work being taken by the GCF Secretariat to help countries design impactful adaptation projects.

### I. Mandate to enhance adaptation action

#### 1.1 GCF

##### 1.1.1. Governing Instrument

4. The Governing Instrument for the GCF, in paragraph 3, stipulates that GCF will strive to maximize the impact of its funding for adaptation and mitigation, and seek a balance between the two, while promoting environmental, social, economic and development co-benefits and taking a gender-sensitive approach.

5. Paragraph 35 also states that all developing country Parties to the Convention are eligible to receive resources from the Fund. The Fund will finance agreed full and agreed

incremental costs for activities to enable and support enhanced action on adaptation, mitigation (including REDD-plus), technology development and transfer (including carbon capture and storage), capacity-building and the preparation of national reports by developing countries.

6. Paragraph 37 states that the Fund will have thematic windows, initially for adaptation and mitigation, and that an integrated approach to funding adaptation and mitigation will be used to allow for cross-cutting projects and programmes.

7. Paragraph 41 establishes the Private Sector Facility (PSF) that enables the Fund to directly and indirectly finance private sector adaptation and mitigation activities at the national, regional and international levels.

8. Paragraph 50 requires the Board to balance the allocation of resources between adaptation and mitigation activities.

9. Paragraph 52 further states that in allocating resources for adaptation, the Board will take into account the urgent and immediate needs of developing countries that are particularly vulnerable to the adverse effects of climate change, including least developed countries (LDCs), small island developing States (SIDS) and African States, using minimum allocation floors for these countries as appropriate. The Board will aim for appropriate geographical balance.

#### 1.1.2. Board decisions

10. In decision B.05/05, paragraph (c), the Board decided that the Fund will initially make allocations under adaptation, mitigation and the PSF, and that there will be balance between adaptation and mitigation and the appropriate allocation of resources for other activities. In the same decision, in paragraph (d), the Board specifically decided that, in relation to adaptation, resources will be allocated based on:

- (a) The ability of a proposed activity to demonstrate its potential to adapt to the impacts of climate change in the context of promoting sustainable development and a paradigm shift; and
- (b) The urgent and immediate needs of vulnerable countries, in particular LDCs, SIDS and African States.

11. Finally, in paragraph (g), the Board requested the Secretariat to develop and present a resource allocation system.

12. In decision B.06/06, the Board adopted initial parameters and guidelines for allocation of resources during the initial phase of the Fund, which include the following:

- (a) Decision to aim for a 50:50 balance between mitigation and adaptation over time; and
- (b) Decision to aim for a floor of fifty per cent of the adaptation allocation for particularly vulnerable countries, including LDCs, SIDS and African States.
- (c) Decision to manage access to resources with a view to seeking geographic balance and a reasonable and fair allocation across a broad range of countries, while maximizing the scale and transformational impact of the mitigation and adaptation activities of the Fund;
- (d) Decision to maximize engagement with the private sector, including through a significant allocation to the PSF;
- (e) Decision that sufficient resources should be provided for readiness and preparatory support;
- (f) Decision that all allocation parameters should be determined in grant equivalents;

13. Since the twelfth meeting of the Board, the Secretariat has reported on these parameters through the status of the GCF portfolio at every meeting of the Board.



14. In decision B.07/06, the Board adopted an Initial Investment Framework that consists of three components: (i) investment policies, which covers all grants, concessional loans and other financial instruments of the funds; (ii) investment strategy and portfolio targets, which is further developed from the initial parameters and guidelines for allocation of resources; and (iii) investment guidelines, which is composed of the six investment criteria and 24 coverage areas against which programme/project proposals are assessed. The framework reiterates adaptation allocations as laid out in decision B.06/06.
15. In decision B.07/04, paragraph (b), the Board adopted an Initial Results Management Framework (RMF), which outlines an initial adoption logic model including fund-level impacts and project/programme-level outcomes for adaptation. In the same decision, in paragraph (d), the Board also adopted the core indicator for adaptation which include the total number of direct and indirect beneficiaries and number of beneficiaries relative to total population.
16. In decision B.08/07, paragraph (a), the Board adopted the proposed mitigation and adaptation Performance Measurement Frameworks (PMFs) that decides on certain indicators as identified and takes note of other indicators that require further refinement. Most of the indicators that required refinement are found in the adaptation PMF.
17. In decision B.17/10, paragraph (c), the Board requested the Secretariat, under the guidance of the Co-Chairs, to develop a proposal, taking into account best practices from other multilateral funds and other approaches to address, among others, the development and application of incremental cost calculation methodology and/or alternative methodologies, and guidance on the approach and scope for providing support to adaptation activities.
18. In decision B.17/06, paragraph (d)(ii), the Board also requested the Private Sector Advisory Group (PSAG) to provide recommendations on opportunities to engage the private sector, including local actors, in adaptation action at the national, regional and international levels.
19. Through decision B.27/06, the Board adopted the Updated Strategic Plan (USP), which reinforced the adaptation mandates. The strategic vision under the USP recognizes that GCF has a critical and distinctive contribution to make in scaling up financing for adaptation, and resilience, with a focus on those particularly vulnerable to climate change. To support achievement of the global adaptation goal, the GCF will strengthen support to developing countries to develop national adaptation planning and use climate information to better understand long-term climate risks and adaptation needs.
20. The USP and accompanying decision B.27/06 also set new portfolio resource allocation targets for 2020–2023, which include the following:
  - (a) The USP to support developing countries in translating their nationally determined contributions (NDCs), adaptation communications (ACs), national adaptation plans (NAPs) and long-term national strategies (decision B.27/06(e));
  - (b) Resource allocation parameters for the GCF first replenishment programming period, for mitigation, adaptation and private sector, will continue to be based on decision B.05/05 (decision B.27/06(h)); and
  - (c) First replenishment programming period will strive to achieve greater impact for developing countries compared with the initial resource mobilization period, and agrees the following parameters and guidelines for the allocation of resources (decision B.27/06(i)):

- (i) Maintaining the 50:50 balance of adaptation and mitigation funding over time while seeking to deliver portfolio-level mitigation and adaptation outcomes that exceed average initial resource mobilization (IRM) outcomes<sup>1</sup>;
- (ii) Maintaining a minimum allocation floor of 50 per cent of adaptation funding, to be provided to developing countries that are particularly vulnerable to the adverse effects of climate change, including SIDS, LDCs and African States, taking into account their urgent and immediate needs, while aiming to build on IRM outcomes<sup>2</sup>. The Board will aim for appropriate geographical balance;
- (iii) Supporting developing countries mitigation activities that contribute to respond to the urgency of action to hold the increase in global average temperature to well below 2°C and pursue efforts to limit it to 1.5°C;
- (iv) Significantly increase funding channelled through direct access entities relative to the initial resource mobilization;
- (v) Maximize engagement with the private sector, including micro, small and medium sized enterprises, ensuring the allocation to the Private Sector Facility exceeds 20 per cent; and
- (vi) Significantly increase mobilized private sector finance at the portfolio level relative to the initial resource mobilization.

## 1.2 COP

### 1.2.1. Cancun Agreements

21. At the sixteenth session of the COP, the Cancun Agreements were reached, which composed of a set of significant decisions by the international community to combat climate change collectively and comprehensively. This agreement had Parties not only deciding to establish GCF, but also agreeing on various fronts with regards to decisions to further support adaptation measures.

22. During COP 16, the GCF was established to be designated as an operating entity of the financial mechanism of the UNFCCC. It was also decided that a significant share of new multilateral funding for adaptation should flow through the GCF.

23. The Cancun Adaptation Framework was also established under the Cancun Agreements to strengthen adaptation action in developing countries through international cooperation. The framework promotes better planning and implementation measures for adaptation through increased financial and technical support, while also supporting and creating regional centres and networks.

24. COP 16 also formed the Adaptation Committee to support the implementation of enhanced adaptation action in a coherent matter under the UNFCCC. Among other things, the Adaptation Committee provides technical support and guidance to Parties; shares relevant information, knowledge, experience and good practices; and promotes synergy and strengthens engagements.

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<sup>1</sup> Portfolio IRM results: 460 million tonnes of carbon dioxide-equivalent reduced/avoided for each USD 1 billion invested in mitigation; and 166 million beneficiaries with increased resilience for each USD 1 billion invested in adaptation. All cited IRM figures are based on the IRM portfolio as at 31 December 2019.

<sup>2</sup> IRM outcomes: (i) 54 per cent adaptation funding and 46 per cent mitigation funding in grant equivalents (GE); (ii) 69% (GE) of the adaptation allocation for countries particularly vulnerable, including SIDS, LDCs and African States; (iii) Funding allocated to projects in 105 developing countries: Africa, 35 per cent; Asia-Pacific, 40 per cent; Latin America and the Caribbean, 21 per cent; Eastern Europe, 4 per cent in GE; (iv) 19% (GE) allocated through the Private Sector Facility

25. Finally, COP 16 also created a process for LDCs and other interested developing countries to formulate and implement National Adaptation Plans (NAPs) to identify and address their medium and long-term adaptation needs.

### 1.2.2. Paris Agreement

26. At the twenty-first session of the COP, the Paris Agreement was adopted, which sets out a global response to combat climate change and adapt to its effects, with greater emphasis, in particular, on support to developing countries.

27. As stated in article 2 of the Paris Agreement, paragraph 1, the Agreement, in enhancing the implementation of the Convention, including its objective, aims to strengthen the global response to the threat of climate change, in the context of sustainable development and efforts to eradicate poverty, including by:

- (a) Holding the increase in the global average temperature to well below 2°C above pre-industrial levels and pursuing efforts to limit the temperature increase to 1.5°C above pre-industrial levels, recognizing that this would significantly reduce the risks and impacts of climate change;
- (b) Increasing the ability to adapt to the adverse impacts of climate change and foster climate resilience and low greenhouse gas emissions development, in a manner that does not threaten food production; and
- (c) Making finance flows consistent with a pathway towards low greenhouse gas emissions and climate-resilient development.

28. Article 7 of the Paris Agreement puts additional focus on efforts to enhance adaptation action by establishing the global goal on adaptation. As in paragraph 1 of Article 7, this particularly looks at enhancing adaptive capacity, strengthening resilience and reducing vulnerability to climate change, with a view to contributing to sustainable development and ensuring an adequate adaptation response in the context of the temperature goal referred to in Article 2. By supporting the implementation of the Paris Agreement and the UNFCCC, the GCF actively seeks to contribute to the global goal on adaptation by promoting a paradigm shift towards climate-resilient development pathways in the context of sustainable development through its different modalities elaborated in Section IV from readiness to projects and programmes.

### 1.2.3. Guidance to the GCF on adaptation

29. In accordance with the Governing Instrument of GCF and as defined by the arrangements between the COP and the GCF (UNFCCC decision 5/CP.19 and GCF decision B.05/16), the COP provides annual guidance to the Board, and the Board takes appropriate actions in response to this guidance and reports back to the COP on how it has addressed the guidance received, through its annual report to the COP.

30. Guidance received from the COP about adaptation covers matters such as, but not limited to, support to the process of formulation and implementation of NAPs; the engagement of the private sector on adaptation action in multiple levels; and the balance between support for mitigation and adaptation. In addition to this, decision 12/CP.25 and decision 6/CMA.2 recalled Article 7, paragraph 1, of the Paris Agreement, in which Parties established a global goal on adaptation for enhancing adaptive capacity, strengthening resilience and reducing vulnerability to climate change. In this sense, GCF is supporting those provisions as agreed by the Board in decision B.13/10 that current GCF modalities enable support for the preparation and implementation of the Nationally Determined Contributions (NDCs) and adaptation-related elements of the Paris Agreement, therefore including the global goal on adaptation.

31. In response to guidance received from COP25 to continue providing financial resources for activities relevant to averting, minimizing and addressing loss and damage in developing country Parties, GCF will continue to provide financial resources in accordance with its existing investment, results framework and funding windows and structures. Support already is being provided for early warning systems, weather insurance and infrastructure resilience to climate stresses, for example - and funding of such projects will continue to be available. Additionally, the Board will include in the 9th GCF report to COP, actions it has taken with this decision and in accordance with GCF Board decision B.13/11.

## II. Strategic approach for adaptation programming

### 2.1 GCF's comparative advantage

32. GCF functions as one of the operating entities of the Financial Mechanism of the UNFCCC dedicated to support climate change adaptation and mitigation in developing countries. Support provided by GCF for adaptation is ultimately aimed at contributing to the achievement of the objective of the UNFCCC and global goal on adaptation, as established in Article 7 of the Paris Agreement.

33. GCF supports developing countries in the form of grants, equity investments and concessional lending. The availability and usage of such a wide range of financial instruments is in contrast with other entities with a limited set of financial instruments, such as the Special Climate Change Fund (SCCF), which only provides grants. With its adaptation and mitigation mandate, combination of financial instruments, and amount of funding secured during the initial resource mobilization and the replenishment process, GCF is uniquely positioned in the landscape of international climate finance.

34. GCF recognizes that for transformational change to occur, adaptation interventions need to be designed at the systems level and based on aligned policies, priorities as included in NDCs, NAPs, ACs, long-term low greenhouse gas emission development strategies, legal and institutional frameworks, and national budget decisions. Investment in good governance, climate information and effective adaptation policy and planning processes provide the foundation for these approaches. GCF is able to contribute to this through support provided through the Readiness and Preparatory Support Programme, including adaptation planning. GCF also understands that a programmatic approach that moves away from a project-by-project, piecemeal approach would be critical to achieving integrated and systemic changes. GCF endeavours to promote this approach to developing countries not only through Readiness support but also through the request of country programmes, an exercise that allows countries to strategize and organize projects and programmes proposed for GCF funding. It is also essential for adaptation projects to be transformational, to feed back into national adaptation and sectoral strategies and plans, and GCF is able to ensure this by providing support through the Project Preparation Facility. These modalities are further discussed in later sections.

35. The role of the GCF in the adaptation finance landscape is focused on playing a catalytic role that is complementary to other sources of climate finance, including from the Global Environment Facility (GEF), the Adaptation Fund (AF) and the Climate Investment Funds (CIF), as well as other relevant climate finance initiatives and financiers. GCF financing is being deployed to scale up innovative projects from those climate funds, in parallel with collaborative work to support direct access and coherence in national programming. Through its ability to scale up impact, GCF brings to this landscape a focus on transformation and paradigm shift, while working in tandem with other climate funds to bring navigability for countries and strengthen national cooperation mechanisms. In this way, the work of the GCF complements that of MDBs, development financing institutions and other partners to move investment into low-emission and climate-resilient development pathways.

## 2.2 GCF's strategic ambitions to support developing countries

36. The Initial Strategic Plan for the GCF, adopted at the twelfth meeting of the Board, set out the Board's strategic vision, core operational priorities and an action plan for the initial resource mobilization period. This document affirms the Board's vision to promote the paradigm shift towards low-emission and climate-resilient development pathways and to support the implementation of the Paris Agreement. In relation to adaptation, the Board further highlighted financing innovative projects and programmes characterized by the highest levels of mitigation and adaptation ambition that can be scaled-up, replicated or lead to fundamental changes in behaviors or investment patterns; and programming resources at scale while seeking to maximize impact and achieve a balanced action between mitigation and adaptation activities.

37. The USP for the GCF, adopted by the Board at the twenty-seventh Board meeting, builds on the Initial Strategic Plan and sets out the Board's vision, strategic objectives and priorities, and finally, its operational and institutional priorities for the 2020-23 programming period. It reiterates the Board's vision to promote paradigm shift across both high-impact areas of mitigation potential and countries' adaptation and resilience needs, and to support the implementation of the UNFCCC and Paris Agreement, including the global goal on adaptation.

38. The USP suggests that GCF will support the achievement of the goal by strengthening support to developing countries to develop NAPs and use climate information for improved understanding of long-term risks and adaptation needs. In addition, the USP states that GCF will continue to provide and facilitate efficient access to resources for activities relevant to averting, minimizing and addressing loss and damage in developing countries, in line with its existing frameworks and funding windows, and work with the UNFCCC and others to help generate relevant investments.

39. Among its objectives, the USP reaffirms the allocation targets for a 50:50 balance between mitigation and adaptation as well as using minimum allocation floors, as appropriate, in allocating resources for adaptation to take into account the urgent needs of developing countries that are particularly vulnerable to the adverse effects of climate change. In addition, the USP also commits GCF to undertake key actions for adaptation including consideration of new prospective concepts for requests for proposals, particularly for technology incubation and acceleration, exploring opportunities to diversify the application of non-grant instruments without compromising GCF grant financing particularly for adaptation, and enhancing the role of the private sector in adaptation by supporting adequate enabling environments, deploying blended finance to test innovative business models for climate-resilient products and services and promoting use of climate data to inform private sector decision-making.

40. GCF has a critical and distinctive contribution to make in scaling up innovative financing for adaptation and resilience, with a focus on particularly vulnerable developing countries, people and communities. GCF support for developing countries' national adaptation planning lays the foundation for transformational programming across the four dedicated adaptation results areas of GCF as well as for the realization of synergies between mitigation and adaptation outcomes across all results areas. The GCF programming approaches can contribute to achieving a paradigm shift and transformational change in adaptation financing by:

- (a) Helping the developing countries improve their understanding of climate risk and adaptation needs and build institutional capacities to use climate information in generating transformational solutions;
- (b) Catalysing innovation in adaptation practices, business models and approaches and accelerating the deployment of high-impact adaptive and climate-resilient solutions including scaling up and deployment of different financing instruments for adaptation or exploring insurance mechanisms, with a focus on SIDS/LDCs;



- (c) Exploring programmatic approaches for adaptation to design solutions beyond standalone projects to support national, multi-country or regional approaches to achieve greater scale;
- (d) Continuing to support the most vulnerable and involving local communities and indigenous peoples through the Enhancing Direct Access (EDA) and Simplified Approval Process (SAP) modalities;
- (e) Examining how GCF risk and concessional financing can be used to encourage more private sector investment in adaptation and resilience and engage the private sector earlier in the adaptation planning process; and
- (f) Facilitating knowledge development and exchange around transformational adaptation approaches.

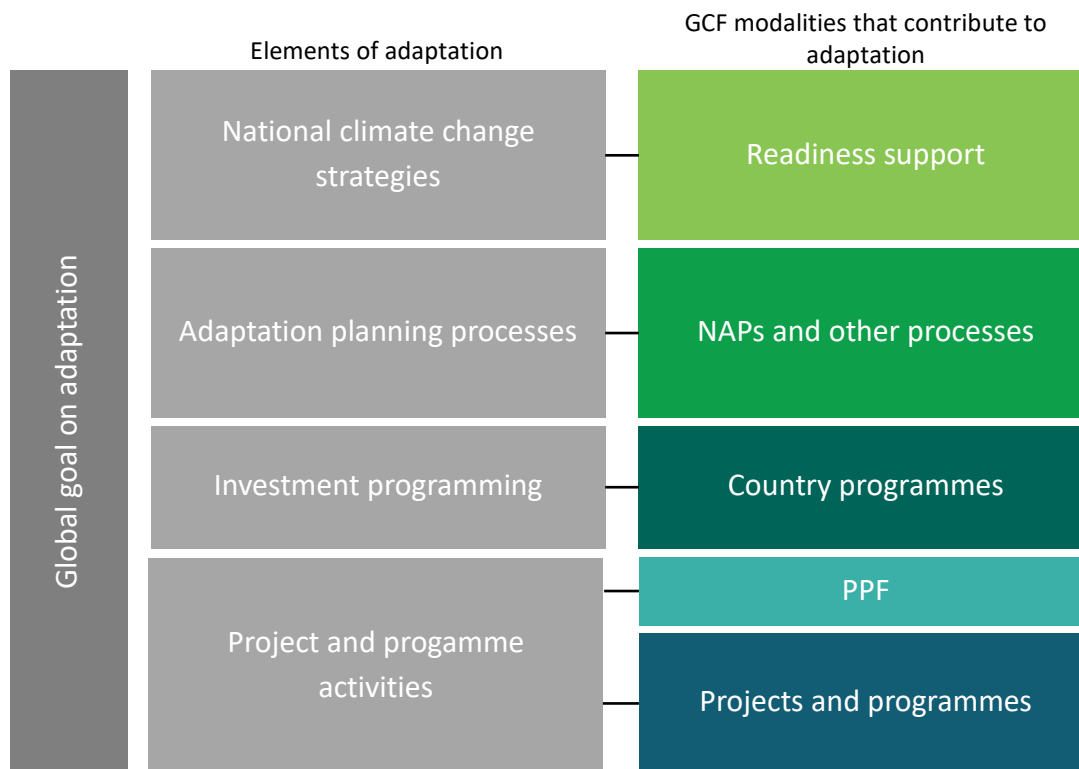
### **III. Modalities to support adaptation activities**

41. GCF provides support to developing countries on adaptation through an array of operational modalities including readiness support, adaptation planning, country programming, project preparation, and projects and programmes. GCF intends to contribute to the achievement of the objective of the UNFCCC and the global goal on adaptation, as established in Article 7 of the Paris Agreement, through these modalities. These modalities will continue to be informed by guidance from the COP.

42. These modalities are interlinked to support different elements of adaptation including national climate change strategies, adaptation planning including NAPs, investment programming and direct investments to adaptation projects and programmes ensuring a transformational long-term approach providing developing countries support for adaptation activities.

43. The Readiness and Preparatory Support Programme strengthens countries' capacities to undertake adaptation planning and investment programming. NAPs and other adaptation planning processes help countries identify their priorities for adaptation action based on relevant data to determine short- to long-term risks that aid transformational rather than incremental adaptation programming, which can underpin the strong climate rationale of adaptation projects. GCF country programmes help countries to develop investment programmes and project pipelines, which are informed by the priorities in their NAPs and other national strategies. Country programmes allow countries to consider potential investments over multiple funding cycles as well as their immediate adaptation needs that could potentially feed into the GCF pipeline of projects and programmes. The Project Preparation Facility (PPF) helps countries turn project ideas identified in their country programmes into bankable investments. Direct investments in adaptation projects and programmes help countries realise and implement their adaptation priorities and generate results and learning that can feed back into the adaptation planning and programming cycle.

44. The figure below summarizes the modalities and linkages to the different elements of adaptation that support the global goal on adaptation.



### 3.1 Readiness and Preparatory Support Programme

45. In alignment with its Governing Instrument and with Article 7 paragraph 5 of the Paris Agreement, GCF pursues a country-driven approach primarily through support provided through the Readiness and Preparatory Support Programme.

46. The Readiness Programme aims to enhance country ownership and access to GCF by providing assistance to capacity building, strategic frameworks, pipeline development, and knowledge sharing and learning. Through this programme, the GCF is able to provide up to USD 1 million per country per year for support related to institutional capacity building, coordination, policy and planning, and programming for investment. GCF can approve multiple Readiness proposals from a single country in one calendar year, provided the total commitment does not exceed USD 1 million. The Readiness Programme also supports NAPs and adaptation planning through a dedicated funding allocation as described in the section below.

47. The GCF also continues to provide technical and financial support to all developing countries through the Readiness Programme to build awareness and understanding of climate impacts and risks, produce the scientific and economic basis for effective on-going and future adaptation planning, improve adaptation planning governance and processes, develop or update (sub-) national and sectoral adaptation plans, develop innovative and transformational climate adaptation project pipelines, as well as engage with the private sector and leverage its investment in climate adaptation, in line with Article 7 paragraph 7(b) and 7(c) of the Paris Agreement.

48. The Readiness programme allows National Designated Authorities (NDAs) and Direct Access Entities (DAEs) to build their institutional capacities and establish or strengthen climate finance coordination mechanisms and governance structures, which creates and improves enabling environments that are key to coherent, effective and efficient measures towards climate resilience and adaptation. This also includes support for the development, implementation or enhancement of NDCs, which along with ACs and NAPs should serve to inform investment planning for proposed adaptation activities.

## 3.2 NAPs and adaptation planning processes

49. In alignment with Article 7 paragraph 9 of the Paris Agreement, GCF supports developing countries in engaging in adaptation planning processes and the implementation of actions, including the development or enhancement of relevant plans, policies and/or contributions, through the Readiness Programme, which also supports the development of NAPs and other adaptation planning processes. The Board added this as a component of Readiness support following the adoption of the Paris Agreement and decisions 4/CP.21 and 7/CP.21.

50. GCF provides up to USD 3 million per country for the formulation of NAPs and/or other adaptation planning processes. Adaptation planning support provided by the GCF features expected results on NAPs; sectoral adaptation plans; inter- and intra-institutional coordination and decision-making mechanisms; national climate hazard impact, vulnerability and risk studies; policy guidelines to remove barriers and incentivize adaptation investment; financing strategies for specific adaptation priorities; and adaptation-focused concept notes.

51. These adaptation planning processes, including the formulation of NAPs, enables a more programmatic and integrated approach to address climate change, taking into account climate information and short- to long-term risks. It also provides an opportunity to improve project proposal planning and provide strategic support to sectoral priorities identified in country programmes. Furthermore, GCF support for adaptation planning processes could attract and mobilize additional domestic and international finance for adaptation beyond that of the GCF. Finally, it could eventually expand into supporting the iterative process to revisit the adaptation priorities in NDCs, NAPs, National Communications and other relevant adaptation processes and instruments to better reflect investment outcomes and climate risk trajectories.

## 3.3 Country programmes

52. GCF requests NDAs and focal points to submit country programmes to further ensure country ownership and a country-driven approach. These documents present an overview of a country's national context, policy framework and plans, such as the NDCs and NAPs, and summarise their respective climate action agendas. These also include a pipeline of projects and/or programmes that the country intends to submit to GCF for funding.

53. Country programmes allow countries to prioritize adaptation activities derived from their national climate change strategies, including the NDCs, and adaptation planning processes that are best placed for GCF support, ensuring that these strategies, policies and plans feed into the pipeline of projects and programmes proposed to the GCF. It can also inform programming at scale through identifying opportunities for multi-staged, multi-sectoral or regional approaches.

54. The GCF continues to improve the process through which country programmes are requested, developed and updated to ensure country-owned, effective actions for adaptation and resilience against climate change. The development and update of country programmes can also be supported through the Readiness Programme.

## 3.4 Project Preparation Facility

55. GCF also established the Project Preparation Facility (PPF), which aims to support project and programme preparation needs from all Accredited Entities (AEs). The GCF provides AEs, especially DAEs, up to USD 1.5 million for any single project or programme, especially for projects in the micro- to small-sized categories, in accordance with decision B.10/17, with a view to enhancing the balance and diversity of the project pipeline.



56. Lack of data, capacity and expertise are issues often encountered with regards to adaptation funding proposals submitted to the GCF. The PPF provides an opportunity to enhance adaptation action by providing resources for the technical preparation needed to reinforce proposals with sufficient data and information necessary for high-quality impactful adaptation proposals. Project ideas from country programmes can also be developed and strengthened through the PPF to turn them into bankable investments.

57. In addition to providing project preparation funding to AEs, the Secretariat has also procured a roster of independent project preparation firms under the PPF. This PPF service provides AEs, especially DAEs, a network of experienced project preparation professionals. When requested, the expertise, technical assistance and preparation service may be provided based on the specific needs.

### 3.5 Projects and programmes

58. The main modality to access direct investment for adaptation actions is through the submission of concept notes and funding proposals. Concept notes can be submitted by NDAs, focal points and AEs, while funding proposals can only be submitted by AEs. Projects and programmes proposed through concept notes and funding proposals will be informed by the climate change strategies, adaptation planning processes and country programmes that are supported by the modalities elaborated in the previous sections.

59. GCF's investments through approved funding proposals aims for a 50:50 balance between mitigation and adaptation investments over time. This is a crucial factor in the support of GCF to the global goal on adaptation as established in the Paris Agreement. Specific to adaptation, GCF seeks to have an impact within four adaptation results areas to pursue a paradigm shift towards climate resilient development. These adaptation result areas are: (i) increased resilience and enhanced livelihoods of people and communities; (ii) increased resilience of health and well-being, and food and water security; (iii) increased resilience of infrastructure and built environment; and (iv) improved resilience of ecosystems and ecosystems services.

60. GCF also offers several pilot programmes elaborated below which provide additional incentive to develop more adaptation proposals with increased efficiency and impact.

#### 3.5.1. EDA

61. The EDA pilot programme was adopted at the tenth meeting of the Board in decision B.10/04, which approved an initial allocation of USD 200 million for at least 10 funding proposal pilots to utilize the EDA means of implementation.

62. The EDA pilot particularly provides DAEs with opportunities to move beyond the financing of individual projects towards a more comprehensive and stakeholder-driven programmatic approach. It differs from other GCF access windows because individual sub-projects neither have to be presented in the funding proposal nor subsequently submitted to GCF for approval. Instead, the decision-making mechanism for such sub-projects is devolved at the country level through pre-approved selection criteria.

63. While both mitigation and adaptation proposals are eligible under this pilot programme, DAEs can take advantage of the EDA pilot particularly for adaptation activities because of its flexible and context-specific approach and its emphasis on a stronger involvement of local organisations and other stakeholders, which are both critical in consideration of the design of adaptation proposals.

#### 3.5.2. Simplified Approval Process

64. The Simplified Approval Process (SAP) pilot programme was adopted at the eighteenth meeting of the Board in decision B.18/06, with the aims of simplifying and streamlining the approval of certain small-scale projects, particularly from DAEs. This leads to reduced time and effort required for both AEs and the Secretariat to go from project conception to implementation.

65. The SAP pilot provides an opportunity for DAEs to submit adaptation proposals with shorter and simpler templates and fewer requirements, and is particularly relevant to address urgent climate adaptation needs and disaster risk reduction actions. It also allows DAEs to undergo streamlined review and approval processes, lessening the capacity needed for the submission and approval of adaptation proposals.

66. GCF has provided various communications, outreach, capacity-building and technical support to AEs, especially DAEs, to access the SAP. This includes the SAP funding proposal preparation guidelines, technical guidelines for specific sectors, guidelines on preparing annexes required for SAP funding proposals, etc. The Secretariat has also developed an e-learning course, which offers detailed information on the key elements required for SAP funding proposals. Finally, the Secretariat has developed an online submission system for SAP, which allows for a more efficient review process.

## **IV. Support for developing the adaptation portfolio**

67. The sections above describe the main modalities through which GCF has scope to support adaptation action in developing countries. This section further details the GCF guidance and technical assistance that exists or is being developed in addition to the GCF's main modalities to help developing countries, NDAs and AEs in the development of high-quality adaptation projects and programmes, that respond to developing countries' needs, and deliver climate impact to help realize the global goal on adaptation.

### **4.1 Programming and operations manuals**

68. The GCF Secretariat has completed work on a Programming Manual and an Operations Manual that are intended to clarify, standardize and help stakeholders navigate more easily through its processes.

69. The Programming Manual is intended to guide NDAs, AEs and other stakeholders through GCF's operational modalities and has been developed to simplify and accelerate access to GCF resources. It provides clarity for all stakeholders to better understand how the GCF works, notably by the project origination, development, appraisal, approval and implementation roles, responsibilities, tools and processes. It also provides guidance on how to prepare a funding proposal that meets the GCF investment criteria. The manual further elaborates on the modalities mentioned in the previous section which contribute to providing support to adaptation activities. It covers guidance to strengthen the theory of change, investment criteria, and results management, providing strong examples for adaptation proposals.

70. The Operations Manual is an internal document, which aims to provide guidance and support to Secretariat personnel as they manage the different phases in the lifecycle of GCF projects and programmes; foster transparency by answering questions about the project and programme lifecycle; serve as a training resource for new staff; empower staff with regards to understanding roles and responsibilities; and establish a consistent and coherent mechanism for documenting institutional knowledge.

### **4.2 Enhancing climate information**

71. Climate information ensures a strong climate rationale for projects and programmes that aim towards increased resilience and adaptive capacity and is essential to identify and reduce the risk of maladaptation.

72. GCF notes that many countries lack observational data and that overcoming the data gap is one of the biggest challenges. The extent and type of best available science and climate information, including socioeconomic data and traditional information, vary greatly in each country context. GCF addresses this through support provided to NDAs, AEs and other relevant actors in enhancing their capacities for generating and using climate information throughout the different modalities elaborated in the previous section, namely through support provided for adaptation planning processes, PPF and project and programmes.

73. In addition, GCF is also working with the World Meteorological Organization (WMO) to increase and enhance climate information available to developing countries. A memorandum of understanding has been signed by GCF and WMO with the purpose of: (a) strengthening integrated global/regional/national operational hydrological and meteorological systems and associated climate information services; (b) providing GCF AEs with information and technical support upon their request; and (c) aligning and leveraging GCF-funded hydrological and meteorological investments. Work with WMO is ongoing to develop guidance, tools and methodologies to support countries and entities advance their programming based on climate priorities.

74. Enhancing availability and use of robust climate information further supports the development of quality adaptation proposals, as it reveals the vulnerabilities, risks and climate impacts to withstand uncertainty and increase resilience towards climate extremes.

### 4.3 Sectoral guidance

75. GCF is developing sectoral guidance that will inform adaptation investments across a range of sectors. The sector guidance aims to provide guidance to NDAs and AEs on how to programme adaptation investments taking into account country priorities and needs and evolving financial and technological markets. The guidance also covers the challenges faced due to climate change for each sector and considers how climate rationale would be elaborated into proposals. It aims to support countries to design transformational and paradigm-shifting proposals that can potentially deliver the greatest climate impact, serving vulnerable people and communities, while also considering programmatic approaches that go beyond one-off investments. It also covers opportunities for pursuing integrated interventions that can deliver both adaptation and mitigation activities.

76. The sectoral guidance will cover adaptation sectors including Climate Information and Early Warning Systems, Health and Well-being, Agriculture and Food Security, Water Resources Management for Adaptation, Climate Resilient Infrastructure, Ecosystems and Nature-Based Solutions. It is being developed through extensive research and technical consultations with various stakeholders to ensure that these documents evolve based on the best available data and global expertise. These will be finalized and published following consultations with the GCF Board, NDAs and AEs.

### 4.4 Private sector in adaptation

77. Whilst engaging the private sector in financing climate adaptation action can be challenging, owing to various financial, economic and social barriers, the GCF's PSF is uniquely positioned to unlock private capital for adaptation activities. Through engaging with a wide range of private sector partners, PSF acts as a catalyst for funding high impact, transformative and innovative climate projects in developing countries, with the ability to offer long-term

funding through a variety of innovative financial instruments and the ability to structure in concessionality where necessary to de-risk high impact projects.

78. GCF has several innovative and high impact private sector adaptation projects under implementation that provide support, either through credit lines or equity investments, to pioneering MSME agribusinesses with a view to enhancing the climate resilience of smallholder farmers particularly vulnerable to the effects of climate change, whilst ensuring long-term sustainable increases in agriculture productivity and catalysing private sector investments in climate resilient agriculture.

79. PSF is continuing to build on this through increasing its efforts to attract more private sector projects and programmes in the pipeline by engaging in the review of adaptation planning proposals, which enables GCF to strengthen private sector engagement during the implementation of these adaptation plans. PSF has also put focus on scaling up the implementation of projects involving nature-based solutions, such as sustainable landscapes and coastal ecosystems, as a means to enhance the climate adaptation capacity and resilience of the most vulnerable communities in the countries served by the GCF. PSF is also stepping up its collaborative efforts with the global private (re)insurance sector to collectively explore opportunities to develop and implement impactful insurance-based solutions to meet the still significant adaptation financing gap in many developing countries. Finally, a number of private sector adaptation projects in GCF's pipeline are also looking to incorporate innovative financing structures for adaptation projects that use relevant risk management and transfer instruments, such as parametric insurance or green/blue bonds focused on climate resilience, with a particular focus on addressing the needs of the most climate vulnerable communities.

#### 4.5 Measuring impacts of adaptation activities

80. GCF measures the results of adaptation projects and programmes on the basis of its RMF and PMFs. The RMF and PMFs provides frameworks for countries to be able to monitor and measure adaptation results and impacts. At project development, the Secretariat engages with developing countries, in particular DAEs, in the design of monitoring and evaluation systems and the improvement of adaptation logical frameworks within funding proposals. The Secretariat also ensures that the appropriate impacts and results are reflected in adaptation proposals.

81. GCF is continuing the work to update these frameworks with an intent to diversify and improve indicators for measuring adaptation impact including on co-benefits, which have the necessary flexibility to be able to respond to and reflect national circumstances and capture unintended and unexpected outcomes through monitoring and evaluation systems. Measuring impacts of adaptation activities would eventually feed into the investment cycle once priorities are reconsidered in the long-term. Knowledge and lessons from results management, monitoring and evaluation can then contribute to adaptation planning.

#### 4.6 Knowledge development and exchange

82. Recognizing that adaptation is a moving target, while avoiding maladaptation, it is important to catalyse continuous learning at the appropriate scale. GCF will continue to create value from the lessons learned from projects to inform national plans and policies. Exchanging experience and lessons learned in accessing adaptation finance, and in project preparation, implementation and results management, through the Readiness Programme and regional sectoral dialogues and workshops will inform future efforts. Existing GCF knowledge platforms (e.g. website, Direct Climate Action Platform) will help to identify and promote best practices, including South-South and triangular learning, and support regional and international networks for information-sharing and cooperation on adaptation support.

83. GCF is also establishing a full-scale knowledge management system that will coordinate the collection, storage and management of internally and externally generated knowledge and information, and develop project-oriented guidance based upon sound science and extensive stakeholder consultation.

#### 4.7 Strategic engagement and partnerships

84. In connection to the operational framework on complementarity and coherence adopted through decision B.17/04, GCF continues to collaborate with other climate finance delivery channels such as the AF, the CIFs, and the GEF, including the Least Developed Countries Fund (LDCF) and SCCF in supporting adaptation actions in developing countries. The implementation of the operational framework and the relevant adaptation activities are reported through the annual update on complementarity and coherence.

85. Particularly relevant to adaptation finance, GCF and the AF are collaborating in promoting a Community of Practice of DAEs as a means to promote capacity building, the development of quality funding proposals, provide an avenue for knowledge exchange, learning and experience sharing, collaboration and peer support within the community of DAEs involved in the programming of climate change adaptation and mitigation finance. Additionally, GCF and the AF have been exploring avenues to build on the success of AF projects in many countries, including options for scaling up and to maximize the climate impact for recipient countries.

86. In the context of the UNFCCC, the GCF actively collaborates with the Adaptation Committee (AC), the Least Developed Countries Expert Group (LEG), the Warsaw International Mechanism, among others. By decision B.13/11 the Board decided to hold an annual meeting, in accordance with paragraph 70 of the Governing Instrument, in order to enhance cooperation and coherence of engagement between the GCF and the constituted bodies of the UNFCCC. For instance, an emerging collaboration was GCF's support to the AC-led Technical Examination Process on Adaptation (TEP-A) which sought to strengthen resilience, reduce vulnerability and enhance understanding.

## Annex II: Consultations

1. Previous versions to address the guidance on the approach and scope for providing support to adaptation have been published at the twenty-first and twenty-third meetings of the Board. On both occasions, the agenda item was not opened.
2. Prior to B.21 and B.23, the document has been consulted with the Board and Accredited Entities (AEs) through different means including webinars, technical briefings, informal discussions, and requests for inputs through email.
3. As per guidance received from the Co-Chairs in 2020, the document has been under review by the Investment Committee (IC) since B.26.
4. The table below summarizes major comments and feedback received from the Board and IC members that have been incorporated and reflected in the current document.

BM	Comments and feedback	Action taken and proposal
B.21	<p>An information document was published for Board consideration including a comparative analysis of the GCF adaptation portfolio, existing approaches to adaptation activities by multilateral funds and AEs, and GCF means of supporting adaptation activities through different modalities and processes (document GCF/B.21/Inf.03).</p> <p>Some key comments by the Board members were:</p> <ul style="list-style-type: none"> <li>- For NAPs, explore monitoring and evaluation of projects and what sort of monitoring countries are doing to link more strongly in project design and make sure it is incorporated in proposals.</li> <li>- Clarification on how the adaptation approach is really translated into actionable items.</li> </ul>	<p>The paper included summaries of the technical expert workshop on climate adaptation finance conducted in March 2018, the session on GCF's approach to adaptation in Adaptation Futures in June 2018, and the study prepared by the WRI on the GCF's approach to adaptation.</p> <p>The document also iterated next steps for the Secretariat to take that included general approaches and actions that can further strengthen GCF's support to adaptation activities.</p> <p>The general approaches referred to continued promotion of country ownership and local planning while enabling flexibility throughout the project cycle to consider local contexts; wider range of stakeholder engagement including national and subnational stakeholders, private sector, and partners in development; strategic alignment of project activities and larger policy framework.</p> <p>The actions identified are related policy items and Board mandates that consider, or may consider, the findings of the document. This includes the annual update on complementarity and coherence, steps to enhance climate rationale, incremental and full cost methodologies, accreditation framework, PSAG recommendations, and the further development of the Performance Measurement Frameworks (PMFs) and update to the results management framework.</p>
B.23	<p>Prior to the twenty-third meeting, the Secretariat prepared a revised draft of the document based on guidance received from the Board. An initial draft was consulted with</p>	<p>The final document published for Board consideration comprised of a summary of the previous document, follow up actions and implementation plan for the Secretariat, and</p>





<p>the Board members which included the PSAG recommendations and steps to enhance climate rationale as annexes. However, the annex on climate rationale was later removed in response to guidance provided by the Co-chairs that this will be taken up in the Board's discussion of enhancing climate rationale.</p> <p>Some key comments received from Board consultation were as follows:</p> <ul style="list-style-type: none"> <li>- On adaptation planning and country programming – how GCF can better improve the link between adaptation planning and project design, making sure it feeds into country programmes and project pipelines</li> <li>- On NDCs – how these can be turned into GCF investment plans</li> <li>- On NAPs and NAPAs– how these could be the basis for climate rationale</li> <li>- On sequencing of adaptation investments – how this will be done based on type, timing and economics to address issues related to project origination and demonstrate the added-value of GCF</li> <li>- On climate rationale – how this is assessed and whether the use of robust attribution can be used as a form of conditionality</li> <li>- On climate information in proposals – how baseline data should be strengthened as a key consideration for the assessment of funding proposals</li> <li>- On additionality and costing approaches – how this will be calculated while ensuring that data and capacity gaps are considered in the approach and that flexibility is retained</li> <li>- On funding gaps in particular sectors – such as health, oceans and biodiversity and how GCF intends to mobilize funding for these overlooked sectors</li> <li>- On private sector engagement – how the PSAG recommendations are valuable but also ensure that an insurance programme is developed in a way that it not only transfers risks, but also leads to increased resilience</li> <li>- On the most vulnerable and poor – how GCF intends to target this</li> </ul>	<p>the PSAG recommendations on opportunities to engage private sector in adaptation</p> <p>Linking planning to investments is addressed in the support we provide through our different modalities, including the Readiness and Preparatory Support Programmes, adaptation planning and NAPs, and Country Programmes. Climate rationale and climate information in proposals are supported through the Project Preparation Facility as well as other engagements with organizations like the World Meteorological Organization.</p> <p>In addition, funding gaps in particular sectors, private sector engagement and contribution to poverty reduction are addressed through the strategic adaptation ambitions of the GCF as well as the sectoral guidance, both of which are the subject of ongoing work. Costing approaches are addressed in another policy proposal on incremental cost and full cost calculation methodologies.</p>
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	population and contribute to poverty reduction	
B.26	<p>In preparation for B.26, the Co-Chairs have agreed that the paper shall be reviewed by the Investment Committee members prior to wider Board consultation. Key questions and comments received from the IC include:</p> <ul style="list-style-type: none"> <li>- Clarification on how the recommendation of the IEU on transformational adaptation projects are addressed</li> <li>- Have the PSAG recommendations been taken note and are they currently being addressed/pursued? How can this paper be of more use to those who are looking to invest through private sector and looking at financial instruments?</li> <li>- Any updates to the climate rationale?</li> <li>- [Reference to IEU FPR] Clarity in the background but also reflect the IEU recommendations throughout the document and where they are touched upon.</li> <li>- [Private sector adaptation] Possibility of strengthening through PSAG?</li> </ul>	<p>In addressing the comments to the IC review, the Secretariat made further updates to the document.</p> <p>First, the discussion of IEU in the FPR on transformational change associated this with certain attributes linked but not limited to country ownership, results management and paradigm shift. Country ownership is ensured through Readiness support, adaptation planning and country programmes. Results management is being addressed through the update of the RMF into the Integrated Results Management Framework which has been consulted with the Board previously and is part of the Board Workplan for 2020. Paradigm shifting projects will be covered by the sectoral guidance. The current proposal has tried to remove controversial points that have not been able to attract consensus in the past including steps to enhance climate rationale, which is being addressed in a separate paper pursuant to the USP, and anything related to project-level guidance.</p> <p>Lastly, the Board decided in decision B.24/04 that it would consider the PSAG recommendations under the Updated Strategic Plan. The section has been enhanced providing additional inputs from the IEU and PSAG recommendations that are currently being addressed by the PSF.</p>



## Annex III: Technical engagements

1. To inform the guidance on the GCF support to adaptation activities, the Secretariat undertook a number of activities to collect information, insights, experience and good practices from stakeholders. Firstly, in order to identify adaptation financing gaps and priorities in the global climate adaptation finance landscape, the Secretariat commissioned the WRI to conduct a preliminary study to analyse the portfolio balance and investment priorities of the GCF to support adaptation activities. This included a comparative analysis of GCF and other climate funds, good practices establishing climate rationale and costing approaches for adaptation projects. The study also examined the role of AEs and private sector engagement in adaptation. The findings can be found in document GCF/B.21/Inf.03/Add.01.
2. Additionally, the Secretariat organized a two-day technical expert workshop on 5 and 6 March 2018, in Songdo, Republic of Korea, to collect expert views on climate adaptation practices and approaches to adaptation finance. A total of 42 experts attended from different regions and varying institutions, including government, research and funding institutions, and civil society organizations, including the nominated experts from the Adaptation Committee, the Least Developed Countries Expert Group and the Standing Committee on Finance of the UNFCCC.
3. During this workshop, a discussion on identifying transformative adaptation activities was undertaken. The converging opinion of the participants was that a set of principles and clearer guidance are needed to carry this issue forward, yet it should be contextualized locally and should not be an indicative list of activities. Given that adaptation is a response to specific climate risks and impacts, which are often local in nature and variable over time, it is important for the principles and guidance to remain flexible but harmonized with the UNFCCC and other existing frameworks and guidance for ease of implementation. The participants noted that shifting towards a more systematic approach to designing adaptation actions is necessary. It was also recognized that it is critical to build on better practices that consider forecasting, timescales, financial innovations, policy and regulatory frameworks as well as human and institutional capacity as part of an iterative adaptation planning process. Support for creating an enabling environment was strongly emphasized as a focus area that could lead to transformational adaptation actions and that it would be important to identify and invest in enablers for adaptation actions as they are often not the first tier of actions. It was also emphasized that investment decisions are affected by policy and regulatory barriers, and by lack of information and capacity to measure and translate known climate risks into businesses. Needs with regard to overcoming policy and regulatory barriers, including those identified in document GCF/B.17/03 titled “Analysis of barriers to crowding-in and maximizing the engagement of the private sector, including PSAG recommendations” were shared and reiterated by many participants.
4. The Secretariat also organized a session at Adaptation Futures 2018, held on 18–21 June, in Cape Town, South Africa, at which around 50 stakeholders engaged in the discussion, including direct access entities and national designated authorities. Furthermore, the Secretariat organized a Thematic Expert Meeting on Adaptation as part of the UNFCCC NAP Expo 2019 and Korea Global Adaptation Week 2019 in Songdo, Korea, in April 2019. Participants were introduced to best available approaches for developing and utilizing robust climate science and data for project preparation and took part in sectoral dialogues within various adaptation sectors. The first GCF Working Paper, which highlights some of the key issues in adaptation, was launched at the event.
5. The Secretariat has continued to respond to the key findings and insights from these engagements not only through the development of guidance for GCF’s approach and scope to support adaptation, but also through strengthening and improving our processes and practices throughout GCF’s different modalities.

