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

Summary

This policy package has been prepared for agenda item 8(c) on policy consultations, in line with the B.31 decision by which the Board agreed and confirmed the dates and venue of B.32, noting that the first two days will be sessions for policy consultations.

This document responds to the request of the Board in decision B.17/10 to develop guidance on the approach and scope for providing support to adaptation activities, and the request of the Board in decision B.31/16 to urgently clarify the GCF role in and vision for climate adaptation. The document presents: (i) the GCF mandate to enhance adaptation action; (ii) the GCF strategic approach to adaptation programming; (iii) information on the GCF modalities to support adaptation activities; and (iv) details of efforts made by the GCF to accelerate the development of an adaptation portfolio consistent with all the programming targets of the first replenishment of the GCF. This adaptation programming approach will further evolve as part of strategic programming for the second replenishment of the GCF.

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I. Introduction

1. The Governing Instrument for the Green Climate Fund, in paragraph 3, mandates the GCF to allocate funding towards adaptation, stating that GCF will strive to maximize the impact of its funding for adaptation and mitigation, and to seek a balance between the two, while promoting environmental, social and development co-benefits taking a gender-sensitive approach.
2. 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.
3. 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.
4. Different iterations of this document were previously published at the twenty-first, twenty-third, twenty-ninth and thirtieth meetings of the Board but were not opened for review. All iterations, including this document, were informed by various sources including, but not limited to, previous consultations with the Board, prior engagements with stakeholders, and recommendations made by the PSAG.

Table 1: Policy items related to adaptation since B.17

Board meeting	Agenda item	Title	Details
B.19	Agenda item 10	Guidance from the Conference of the Parties to the United Nations Framework Convention on Climate Change	(b) Requests the Secretariat to continue efforts to enhance support for national adaptation planning and/or other adaptation planning processes
B.20	Agenda item 22	Recommendations of the Private Sector Advisory Group on opportunities to engage the private sector, including local actors, in adaptation action at the national, regional and international levels	This agenda item was not opened.
B.21	Agenda item 27	Policy matters for information (b) Approach and scope for providing support to adaptation activities	This agenda item was not opened.
B.23	Agenda item 17	Matters related to GCF support to adaptation	This agenda item was not opened
B.29	Agenda item 18	Matters related to the investment framework (for information). (c) GCF support to adaptation	This agenda sub-item was not opened
B.30	Agenda item 18	Matters related to climate rationale a) Independent evaluation of the adaptation portfolio and approach of the GCF	This agenda sub-items was not opened.

5. Having reviewed the recommendations made in the “Independent Evaluation of the Adaptation Portfolio and Approach of the Green Climate Fund” (document GCF/B.28/17) undertaken by the Independent Evaluation Unit (IEU), published in February 2021, the Board

agreed in decision B.31/16, paragraph (c), to urgently clarify the GCF's role in and vision for climate adaptation by, among other things, requesting the Secretariat to update the draft paper on "Guidance on the approach and scope for providing support to adaptation activities" for consideration by the Board at the thirty-second meeting of the Board. This update should incorporate the findings and recommendations of the evaluation and the views expressed by members and alternate members of the Board at B.31.

II. Policy rationale

6. Originally, the decision to develop guidance on the approach and scope for providing support to adaptation activities stemmed from discussions of the Board at various Board meetings during the consideration of funding proposals, the status of the GCF portfolio, and the review of the initial proposal approval process. Specifically, decision B.17/10 requesting this document followed the fifteenth, sixteenth and seventeenth meetings of the Board, during which various Board members raised diverse issues regarding: (a) the difficulty in distinguishing between climate and development projects, particularly for adaptation; (b) the quality of adaptation proposals, with climate-related objectives not always clearly elaborated, potential for climate impact not sufficiently developed or well-connected to the proposed activities, and lack of rigorous assessment and data to justify requested costs; and (c) the need to achieve a balance between mitigation and adaptation, particularly for Private Sector Facility proposals.

7. The "Forward-Looking Performance Review of the GCF", published and presented by the IEU at the twenty-third meeting of the Board (document GCF/B.23/20), also provided findings and recommendations relevant to GCF activities to support adaptation. The review noted that GCF plays a unique role and adds value in supporting transformational adaptation activities and projects, and that it can contribute more to filling the substantial financing gap for adaptation investments. The report recommended that GCF increase its focus on innovative adaptation operations, combining different financial instruments available to the GCF including de-risking capital and insurance. In that regard, the review recommended increasing the participation of the private sector through, among other things, internal incentive structures and utilisation of the Project Preparation Facility, partnerships with adaptation-focused private equity funds, and the establishment of a request for proposals for private sector adaptation projects with a target allocation. Finally, the IEU review called for GCF to develop a strategic plan that includes a key performance indicator on non-grant instruments for adaptation.

8. As requested in decision B.17/06, the PSAG also developed recommendations on opportunities to engage the private sector in adaptation, published in annex IV to document GCF/B.23/18. The recommendations included a call for a greater focus on risk transfer instruments, including insurance; facilitating blended finance and public-private partnerships; supporting a broader enabling framework; involving the private sector in the development and implementation of national adaptation plans; identifying and partnering with existing financial intermediaries that are expanding their businesses; requesting the Secretariat to undertake deeper analysis of the business models of private sector concept notes and funding proposals related to adaptation; and focusing efforts on developing funding proposals that target specific gaps in private sector adaptation investment.

9. In February 2021, the IEU published its "Independent Evaluation of the Adaptation Portfolio and Approach of the Green Climate Fund" (document GCF/B.28/17), making several key recommendations, as summarized in table 2 below. As mentioned by the Secretariat in its management response, in many cases the recommendations dovetail with actions already being undertaken by the Secretariat or planned to be undertaken as part of the Updated Strategic Plan

for 2020-23. Table 2 summarizes some key actions already taken by the Secretariat consistent with the IEU recommendations.

Table 2. Independent Evaluation Unit key recommendations on adaptation and Secretariat actions

Key recommendations	Actions
<p>Positioning in adaptation finance</p> <p>The GCF should clarify its role in and vision for climate adaptation and implement methods to enhance complementarity with other climate funds and funding agencies and promote coherence in programming.</p>	<p>As described in annex III to this document, the Secretariat has adopted a four-pronged approach intended to catalyse adaptation finance at scale in line with the Updated Strategic Plan programmatic targets: 1. Transformational planning; 2. Catalysing adaptation innovation; 3. De-risking first-mover investment to establish a track record for new adaptation solutions; and 4. Strengthening financial institutions to accelerate the widespread adoption of new adaptation solutions.</p> <p>Specific transformative pathways adopting this four-pillar approach have been identified for each of the GCF result areas and these pathways are described in the eight draft GCF sector guidance documents. There is ongoing collaboration with other climate funds, and a work plan with a list of countries where sequenced, parallel and co-financing options can be implemented.</p>
<p>Capacity and adaptation planning</p> <p>The GCF should clarify its Readiness and Preparatory Support programme (hereinafter, the Readiness Programme) for adaptation planning, address technical challenges, support matchmaking efforts and build results monitoring processes.</p>	<p>Through its Readiness Programme, the GCF provides technical assistance support to vulnerable countries for (i) conducting systemic resilience assessments; (ii) developing national and subnational transformative adaptation plans and policies; (iii) preparing adaptation project proposals; (iv) exploring innovative financing instruments to address the adaptation financing gap; (v) increasing access to long-term affordable finance; and (vi) developing the capacity of national institutions and delivery partners. Vulnerable countries account for 67% of adaptation planning funding requested and 59% of funding approved.</p> <p>Through its Readiness Programme, GCF also strengthens the capacity of national designated authorities, focal points, direct access entities and local private sector actors to better price climate risks and identify climate-friendly business opportunities. GCF is collaborating with two global coalitions to develop new valuation and labelling methodologies to better assess the risk–reward profile of low-emission, climate-resilient investments. The ambition of these methodologies is to accelerate the creation of new climate-friendly asset classes such as climate-resilient infrastructure and enable developing countries to attract private investment aligned with their nationally determined contributions and national adaptation plans.</p>
<p>Scale and the private sector in adaptation</p> <p>The GCF should define its approach to engaging with and catalysing finance from the private sector in GCF support and programming windows.</p>	<p>As described in annex III to this document, a key objective of the GCF approach to mobilize adaptation finance at scale is to explore new forms of blended finance for vulnerable countries. Notably, GCF has capitalized on an increase in investor appetite for new asset classes in climate-resilient infrastructure to better leverage the potential of equity finance for adaptation in 2020 and 2021. For example, funding proposal FP152: Global Sub-national Climate Fund (SnCF Global), approved at B.27 and managed by Pegasus Capital Advisors, leverages USD 150 million in first loss equity investment from GCF to mobilize USD 600 million of private and institutional capital for mitigation and adaptation solutions at the subnational level. Almost half of the 42 countries participating in this project are least developed countries and small island developing States. GCF, with Pegasus, have already adapted this approach to support</p>

Key recommendations	Actions
	<p>innovative adaptation technologies and ecosystem-based approaches and practices through funding proposal FP180: Global Fund for Coral Reefs Investment Window (Coral Reefs Fund), approved at B.30.</p> <p>The GCF's private and public sector divisions both support small and medium-sized firms, notably through dedicated credit lines to financial intermediaries, such as FP183: Inclusive Green Financing Initiative, which covers 11 countries in the Great Green Wall as well as Côte d'Ivoire and Ghana, and partners with local agricultural banks to support climate-resilient smallholder agriculture.</p>
<p>Access and business model</p> <p>The GCF should respond to the urgency of adaptation by addressing policy gaps and the use of financial instruments and modalities.</p>	<p>In terms of policy gaps, the GCF is seeking to accelerate access to finance through the draft paper "Steps to enhance the climate rationale of GCF-supported activities", and by clarifying and streamlining data and information requirements for assessing climate vulnerability.</p> <p>In terms of financial instruments and modalities, the GCF portfolio is evolving rapidly and leverages an increasingly diverse range of financial instruments to catalyse adaptation finance, particularly the use of equity, guarantees and insurances. Use of equity more than doubled in the GCF portfolio in only two years, from USD 0.19 billion over the period 2015–2019 (B.11 to B.24) to USD 0.57 billion over the period 2020–2021 (B.25 to B.30), and now makes up 22 per cent of the Private Sector Facility portfolio. Board meetings in 2021 allocated USD 360 million in GCF equity – almost the same amount as the sum allocated at all previous Board meetings combined (USD 400 million).</p> <p>GCF also recognizes that guarantees can be an effective instrument to either reduce or transfer risk and enhance the credit profile of a borrower. While still the smallest proportion of the GCF portfolio, the use of guarantees doubled from USD 0.08 billion over the period 2015–2019 (B.11 to B.24) to USD 0.16 billion over the period 2020–2021 (B.25 to B.30). As for the use of equity, this doubling in the use of guarantees all took place in 2021, with the approval of five new funding proposals by the Board, of which four are mostly investing in Africa. The Secretariat is currently reviewing programmatic options to increase the efficiency of the use of guarantees in the absence of a credit rating.</p> <p>GCF will also expand its existing work related to insurance under its existing modalities. For example, GCF can provide grant funding through the Readiness Programme and the Project Preparation Facility to design and pilot new insurance products, notably weather-indexed insurance, and invest in new micro-insurance companies that offer affordable products to vulnerable borrowers. As with its experience in overcoming challenges in scaling up its support for guarantees, GCF will explore opportunities to partner with insurance companies to provide insurance products in a sustainable manner and deepen the insurance markets in developing countries.</p>
<p>Results and impact measurement</p> <p>The GCF should address adaptation-related measurement challenges to enhance active monitoring and project and fund-level aggregation,</p>	<p>The Secretariat has strengthened its capacity on results management and impact reporting through an integrated results management framework (IRMF) that uses result indicators which are harmonized with those of peer organizations.</p> <p>The Secretariat has also initiated a collaborative platform on measurement and indicators with the other major climate funds, and is taking into consideration the existing best practices and how they can be</p>

Key recommendations	Actions
and to facilitate learning and steering.	integrated in the GCF work on adaptation. As part of the investment criteria, each funding proposal is required to indicate alignment with national priorities (e.g. national adaptation plans, national adaptation programmes of action, etc.) which are independently verifiable.
<p>Innovation and risk</p> <p>The GCF should address the ongoing lack of clarity and guidance regarding its approach on innovation.</p>	<p>The four-pronged approach adopted by the Secretariat supports each stage of the innovation cycle, from facilitating an enabling environment, from emergence through to deployment and diffusion (see annex III). At the emergence stage, GCF is promoting technical, financial, institutional and policy innovation through helping climate entrepreneurs develop and ground-truth new adaptation solutions. For example, GCF projects such as funding proposal FP078: Acumen Resilient Agriculture Fund will benefit 10 million people across four African countries by supporting pioneering and early-growth innovative agribusinesses that help smallholder farmers adapt to climate change.</p> <p>GCF is also exploring several avenues to establish dedicated incubators and accelerators in developing countries to help climate entrepreneurs refine their business models and develop partnerships with key market players. For example, two dedicated funding proposals are expected to be submitted to the Board at B.34/B.35.</p>

10. Over the period from B.17 (2017) to present, the GCF adaptation portfolio has evolved significantly, in tandem with further developments in GCF strategic planning and policy that go towards addressing many of the issues and recommendations described above, namely:
- (a) At B.27, the Board approved the USP, which includes consideration of the GCF strategic approach to adaptation programming. The USP elaborates programming targets for the first replenishment period (GCF-1), including maintaining the 50:50 adaptation: mitigation balance in grant equivalent terms, increasing adaptation impact relative to the initial resource mobilization, and maintaining a floor of 50 per cent adaptation funding to particularly vulnerable countries (small island developing States, least developed countries and Africa) while aiming to build on the outcomes of the initial resource mobilization. The USP also sets out how GCF will contribute to supporting the global goal on adaptation and promoting a paradigm shift in adaptation financing, including through strengthening support to developing countries to develop national adaptation planning and use climate information to better understand long-term climate risks and adaptation needs;
 - (b) At B.29, the Board approved the integrated results management framework (IRMF) of the GCF, which replaced the existing initial results management framework and performance measurement framework (RMF/PMF). The IRMF managed to address two of the major weaknesses of the RMF/PMF, namely the weak linkages among the different adaptation results levels, and the limitations to the measurement of adaptation impact. The IRMF is a new way for measuring the paradigm shift towards resilient development; it also established a set of indicators that measure the effectiveness of enabling environments to support adaptation activities. Finally, while the measurement of adaptation beneficiaries was retained as the main approach for assessing adaptation outcomes in the IRMF. The IRMF also introduced two additional indicators – one for measuring the value of assets made more resilient; and the other for measuring area of natural resources under climate-resilient management – thus enhancing the capacity for capturing various aspects of adaptation to climate change;

- (c) In the draft paper, “Steps to enhance the climate rationale of GCF-supported activities” (document GCF/B.30/04), the Secretariat has provided non-prescriptive, principles-based guidance for adaptation and identifies the key components that enhance the articulation of climate impact potential of proposals. The paper describes further actions and initiatives that the Secretariat is taking in consultation with the independent Technical Advisory Panel and a wider climate expert community, to develop a supporting framework of links, tools, materials, methodologies, best practices and capacity support to assist countries and accredited entities.
11. The draft Private Sector Strategy aims to strengthen the capacity of national designated authorities, focal points, accredited entities and local private sector partners to support private investments in climate activities; enable climate transformation in key sectors; de-risk and address financing barriers to mobilize private sector resources at scale for climate investments; and ensure a strong focus on local private sector actors. Although the strategy is concerned with both mitigation and adaptation, it describes how GCF has capitalized on an increase in investor appetite for new climate-resilient asset classes and its capacity for using a range of grant and non-grant instruments to make blended finance work better for adaptation, ecosystem-based approaches, and the most vulnerable communities. This market evolution opens new opportunities to catalyse private finance at scale to reduce the financing gap for adaptation.
12. In light of the developments described above, as well as feedback received from the Board through the consultation process, the initial guidance document published at B.21 and B.23 has been updated to respond to stakeholder interest in having further clarity on:
- (a) The GCF 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;
- (b) The range of modalities through which GCF can support adaptation activities, and how these modalities support overall progress towards implementing developing countries' nationally determined contributions, adaptation communications and the global adaptation goal; and
- (c) The evolution of the GCF 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.
13. Annex II of this document, titled “Guidance on the Green Climate Fund’s approach and scope for providing support to adaptation activities”, aims to provide clarity to stakeholders on how GCF supports adaptation through its support programmes and funded activities and accordingly helps developing countries in realizing the global goal on adaptation. The guidance reviews:
- (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 to the United Nations Framework Convention on Climate Change;
- (b) GCF’s approach to adaptation programming under the USP and relevant Board decisions, which includes 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.
14. In addition, the Secretariat has prepared a new annex III to summarize GCF efforts to accelerate development of its adaptation portfolio consistent with the programming targets of GCF-1 and indications of strategic thinking for GCF-2 replenishment. Annex III presents:
- (a) The overall strategic approach to accelerate adaptation innovation and foster transformative change; and
- (b) The transformative pathways for each “systems transition” relevant to adaptation (as identified by Working Group II of the Intergovernmental Panel on Climate Change (IPCC)).
15. The guidance provided in annex II and annex III is based on the current GCF USP and modalities for providing support to adaptation activities. It does not anticipate future changes to strategy, policies or modalities that might be made in the context of strategic programming/planning for the GCF-2 replenishment. All guidance would need to be kept updated as an “evergreen” document as the GCF strategic approach to adaptation evolves.

III. Policy linkages and impact assessment

16. This document has 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 frameworks 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) “Strategic Plan for the Green Climate Fund” (decision B.12/19);
- (c) “Updated Strategic Plan for the Green Climate Fund: 2020-2023” (decision B.27/06);
- (d) “Initial Investment Framework” (decision B.07/06 as updated by decision B.27/06);
- (e) “Initial Results Management Framework of the Fund” (decision B.07/04);
- (f) “Mitigation and Adaptation Performance Measurement Frameworks (decision B.08/07); and
- (g) “Integrated Results Management Framework” (decision B.29/01).
17. This document also has linkages with other policies that are under development and under consideration by the Board including:
- (a) “Steps to enhance the climate rationale of GCF-supported activities” (decision B.19/06);
- (b) “Green Climate Fund private sector strategy” (USP, paragraph 22; decision B.07/08); and
- (c) “Incremental cost and full cost methodologies” (documents GCF/B.19/34, GCF/B.20/19, GCF/B.21/03, GCF/B.23/19).
18. The guidance document in annex II is designed to present a coherent statement of the GCF approach and scope for providing support to adaptation activities; it has no impact on both adopted and ongoing GCF policies and frameworks.



IV. Recommendation to the Board

19. It is recommended that the Board adopts the draft decision set out in annex I to this document, which is based on the information presented above.

Annex I: Draft decision of the Board

The Board, having considered document GCF/B.32/07 titled “Guidance on the approach and scope for providing support to adaptation activities”:

- (a) Takes note of the guidance on the approach and scope for providing support to adaptation activities outlined in annex II and annex III;
- (b) Requests the Secretariat to update the guidance as new decisions related to the GCF adaptation programming vision, strategy and modalities are taken by the Board, so this serves as an evergreen resource for GCF stakeholders;
- (c) Recognizes that meeting the parameters and guidelines for the allocation of resources during the GCF first replenishment programming period (GCF-1), as agreed under decision B.27/06, paragraph (i), requires an increase in adaptation programming during 2022-2023, particularly from direct access entities and through the Private Sector Facility;
- (d) Requests the Secretariat to engage with national designated authorities and accredited entities to urgently advance a pipeline of concept notes and funding proposals that will contribute to meeting the Board’s adaptation programming targets for GCF-1;
- (e) Also requests the Secretariat to provide and enhance technical support and guidance, and encourage and facilitate use of the Readiness and Preparatory Support Programme and Project Preparation Facility as appropriate to advance:
 - (i) Development of Nationally Determined Contributions (NDCs), National Adaptation Plans (NAPs), and other adaptation planning efforts that can help strengthen country-driven, climate-risk informed and more systemic investment planning and pipeline origination for adaptation;
 - (ii) Conceptualization of country-driven programmes of adaptation investments that respond to systematically identified adaptation needs and which will help identify financing for adaptation at scale;
 - (iii) Preparation of high-quality adaptation concept notes and funding proposals, which are based on best available information about climate risk, vulnerability and adaptation solutions, and respond to systematically identified areas of adaptation needs; and
 - (iv) The role of the private sector in adaptation, including through strengthening the engagement of the private sector in the preparation of national climate strategies and policies; and
- (f) Requests the Secretariat to develop, for consideration by the Board as part of the strategic programming for the GCF-2 replenishment period, a strengthened GCF vision, role and strategic approach to adaptation programming.

Annex II: 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, the GCF serves as an operating entity of the Financial Mechanism of the United Nations Framework Convention on Climate Change (UNFCCC), with the aim of promoting a paradigm shift towards 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. The Governing Instrument for the GCF mandates the organization 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. In this context, the United Nations Climate Change Conference in Glasgow (COP 26) also agreed on the need for doubling adaptation finance, and GCF as an operating entity is set to assist in this effort.

3. This document outlines the following, with the aim of providing clarity to stakeholders on how GCF supports adaptation through its support programmes and 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 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 accelerating development of the adaptation portfolio**, which describes recent and future-oriented work being taken by the GCF Secretariat to help countries design impactful adaptation projects.

4. To assist the reader of this annex, all the activities indicated in this paragraph and described in this annex are summarised in Table 1 which provides a reference to the appropriate section and the page number.

Table 1: Overview of the GCF adaptation approach	
Section	Summary
I. Governing Instrument and other mandates	The adaptation approach is anchored in the Governing Instrument for the GCF, seeking balance between adaptation and mitigation, financing at agreed costs and increments, and taking into account the urgent and immediate needs of developing countries that are particularly vulnerable, including least developed countries, small island developing States and African States.
II. Updated Strategic Plan for 2020-23 (USP)	Pursuing scaling up of adaptation action, strengthening support to developing countries to develop national adaptation planning and climate information, and continue providing and facilitating efficient access to resources for activities relevant to averting, minimizing and addressing loss and damage.
II. USP programming approach	By leveraging the USP programming approach, GCF can significantly scale up financing for adaptation and resilience of developing countries. In particular, the USP programming approach achieves this by supporting developing countries in building capacity to understand/utilize climate risk and their adaptation needs; promoting innovation and accelerating the deployment of high-impact solutions; developing a programmatic approach and using innovative modalities such as enhanced direct access (EDA) and the simplified approval process (SAP) conducive to adaptation actions; crowding in stronger private sector investment in adaptation through leveraging the unique GCF risk appetite and concessional financing; and fostering relevant knowledge exchange.
II. United Nations Framework Convention on Climate Change	At the sixteenth session of the Conference of the Parties (COP 16), Parties approved the Cancun Agreements, which establish the GCF and set various arrangements on furthering adaptation support measures, including the Cancun Adaptation Framework, the Adaptation Committee and a process for formulating and implementing national adaptation plans (NAPs). Furthermore, the GCF contributes to the global goal on adaptation, NAP, private sector engagement, among others, consistent with adaptation mandates articulated in the Paris Agreement as well as through various COP mandates.
II. Comparative advantage	As a hub of the climate finance architecture, the GCF can create unique public-private partnerships and co-investment platforms for adaptation, and explore new forms of blended finance; enabling the GCF to foster direct access and alignment between climate adaptation and national development objectives, and take risks to support innovation.
III. Programming modalities	3.1 Readiness and Preparatory Support Programme: This programme can help countries build awareness and understanding of climate impacts and risks; produce the scientific and economic basis for effective ongoing 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; and engage with the private sector and leverage its investment in climate adaptation.

	<p>3.2 NAPs and adaptation planning processes: This support can help countries develop sectoral adaptation plans; inter- and intra-institutional coordination and decision-making mechanisms; national climate hazard exposure, vulnerability, risk and impact studies; policy guidelines to remove barriers and incentivize adaptation investment; financing strategies for specific adaptation priorities; and adaptation-focused concept notes. The 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 engineer access to long-term affordable finance through identifying the best mix of grey and green options to systematically strengthen resilience and optimize public resources by identifying: (i) projects that can be directly finance by the private sector; (ii) projects that would require policy de-risking so that they would be bankable; (iii) projects that will require both policy and financial de-risking to be bankable; and (iv) projects that must be directly financed by the public sector.</p>
	<p>Country programmes: Serving as a key instrument to ensure country ownership, the GCF country programmes support developing countries in indicating and prioritizing their project pipelines for proposals to the GCF. The financial plans developed as part of nationally determined contributions/NAPs can support this prioritization exercise.</p>
	<p>3.3 Project Preparation Facility (PPF): In supporting in the development of funding proposals, the PPF can assist in providing resources for the technical preparation needed to reinforce proposals with sufficient data and information necessary for high-quality adaptation proposals.</p>
	<p>3.4 Projects and programmes: GCF projects and programmes are the main vehicle for catalysing innovation and mobilizing finance for climate adaptation, informed through transformational planning as part of a roadmap for long-term affordable finance for adaptation. The adaptation projects and programmes that can be proposed under the adaptation results 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 the built environment; and (iv) improved resilience of ecosystems and ecosystems services. The EDA and SAP modalities can serve to expedite the deployment of projects and programmes.</p>
<p>IV. Support and guidance</p>	<p><i>Programming Manual:</i> The Manual guides national designated authorities (NDAs), accredited entities (AEs) and other stakeholders through the GCF operational modalities to access GCF resources, including guidance to strengthen the theory of change, investment criteria, and results management. The Manual provides examples for adaptation proposals.</p> <p>Sectoral guidance: NDAs and AEs can use GCF sectoral guidance to help programme their adaptation investments and elaborate GCF proposals taking into account country priorities, challenges and opportunities associated with sectors pertinent to adaptation including climate information and early warning systems, health and well-being, agriculture and food security, water resources management for adaptation, climate resilient infrastructure, and ecosystems.</p>

	Private sector: The Private Sector Facility aims to catalyse private finance at scale for both mitigation and adaptation. The GCF approach to creating markets and shifting financial flows to support climate investment is presented in the draft GCF Private Sector Strategy.
IV. Results management	The integrated results management framework views adaptation beneficiaries as the main approach for assessment of adaptation outcomes, and also includes two additional indicators for measuring the value of assets made more resilient, as well as measuring area of natural resources under climate resilient management, thereby improving the ways of capturing various aspects of adaptation to climate change.
IV. Climate information and application	For adaptation activities, climate impact potential is established by providing a well-evidenced analysis to show that a proposed activity is likely to be an effective adaptive response to the risk and/or impact of a specific climate change hazard. Access to and clear guidance on the use of climate information promotes the submission of higher-quality funding proposals and ensures a consistent and transparent approach to their assessment. Climate impact potential can be established by providing a well-evidenced analysis to show that a proposed activity is likely to be an effective adaptive response to the risk and/or impact of a specific climate change hazard.
IV. Complementarity and partnerships	GCF continues to collaborate with other climate finance delivery channels such as the Adaptation Fund, the Climate Investment Funds, and the Global Environment Facility, including the Least Developed Countries Fund and the Special Climate Change Fund, including to promote scaling up of projects, sequenced finance, and co-investment opportunities. In the context of the UNFCCC, the GCF actively collaborates with the Adaptation Committee, the Least Developed Countries Expert Group, and the Warsaw International Mechanism.

I. Mandate to enhance climate adaptation action

1.1 Governing Instrument for the GCF and Board decisions

5. The Governing Instrument for the GCF sets the vision for delivery of adaptation finance, including that the 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. This allocation of resources for adaptation is to 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 funding allocations for these countries as appropriate. The Board will aim for appropriate geographical balance.

6. Several Board decisions have further elaborated the vision, including decision B.05/05, making initial allocations under adaptation, mitigation and the Private Sector Facility. The Board also agreed that, in relation to adaptation, resources will be allocated on the basis 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 the urgent and immediate needs of vulnerable countries, in particular LDCs, SIDS and African States. Decision B.06/06 adopted initial parameters and guidelines for allocating resources during the initial phase of the Fund.

1.2 United Nations Framework Convention on Climate Change

7. At the sixteenth session of the COP (COP 16), the Cancun Agreements were reached, which comprise a set of significant decisions by the international community to combat climate change collectively and comprehensively.

8. During COP 16, the GCF was established and 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.

9. The Cancun Adaptation Framework was also established under the Cancun Agreements to strengthen adaptation action in developing countries through international cooperation, as well as creating the 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.

10. The Paris Agreement, which was adopted at the twenty-first session of the COP, sets out a global response to combat climate change and adapt to its effects, with greater emphasis, in particular, on providing support to developing countries. Paragraph 2.1(b) further set the objective of 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. Article 7 of the Paris Agreement stresses efforts to enhance adaptation action by establishing the global goal on adaptation. By supporting the UNFCCC and the implementation of the Paris Agreement, the GCF actively seeks to contribute to the global goal on adaptation.

11. In response to guidance received from the UNFCCC at the United Nations Climate Change Conference in December 2019 (COP 25) to continue providing financial resources for activities relevant to averting, minimizing and addressing loss and damage in developing country Parties, GCF provides financial resources in accordance with its existing investment,

results framework and funding windows and structures. For example, support is being provided for climate information and early warning systems, extreme event insurance and infrastructure resilience to climate stresses.

12. In response to guidance from COP 26, the GCF Board will consider how to enhance support for the implementation of adaptation projects and programmes, in line with the Governing Instrument, informed by NAPs and other voluntary adaptation planning processes, and adaptation communications (ACs), including those submitted as components of nationally determined contributions (NDCs), as applicable, with a view to contributing to the global goal on adaptation to enhance adaptive capacity, strengthen resilience and reduce vulnerability to climate change.

II. Strategic approach for adaptation programming

2.1 GCF's comparative advantage for adaptation

13. GCF functions as one of the operating entities of the Financial Mechanism of the UNFCCC and is dedicated to supporting climate change adaptation and mitigation in developing countries. To achieve transformative adaptation, GCF is endowed with several strategic capabilities:

- (a) **Agile and partner-driven:** Operating through over 200 public and private national, regional and international accredited entities (AEs) and delivery partnerships, GCF serves as a hub in the climate finance architecture. As such, GCF is also uniquely placed to support co-investment platforms federating several entities with complementary skill sets and leveraging different sources of finance. At the same time, the GCF has the agility to respond to local contexts for project design and implementation. Through the enhancing direct access (EDA) modality and partnerships with local financial intermediaries, it can directly support work at the community level and finance micro, small and medium-sized enterprises developing new climate solutions that meet the unique requirements of each locality;
- (b) **Country-driven:** Developing countries lead GCF programming and implementation, enabling them to turn adaptation ambitions into climate action, empowered by capacity-building support through the GCF Readiness and Preparatory Support Programme (Readiness Programme), including specific allocations for adaptation planning support and NAPs. Using dedicated adaptation planning resources, the GCF can empower countries to build capacities and enabling environments for systemic resilience and integrated investment planning approaches that will underpin transformational adaptation. This enables GCF to also foster direct access and alignment with national and subnational objectives; and
- (c) **Risk-taking, with patient capital:** By leveraging the risk management capacity of its partners and GCF policies, GCF can accept higher risks to catalyse adaptation through early-stage project development as well as policy, institutional, technological, and financial innovation. This also enables GCF to explore new forms of blended finance that work better for adaptation, ecosystem-based approaches, and the most vulnerable communities.

2.2 Strategic context and priorities

14. The Initial Strategic Plan for the GCF, adopted at the twelfth meeting of the Board, 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 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 behaviours or investment patterns; and programming resources at scale while seeking to maximize impact and achieve a balance between mitigation and adaptation activities.
15. The Updated Strategic Plan for 2020-23 (USP) builds on the Initial Strategic Plan and sets out the Board's vision, strategic objectives and priorities, and operational and institutional priorities for the 2020-23 programming period. The USP 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.
16. The USP states that GCF will support the achievement of the goal by strengthening support to developing countries to develop NAPs and to use climate information for improving understanding of long-term risks and adaptation needs. It also 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.
17. 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. It also calls for 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.
18. GCF recognizes that for transformational change to occur, adaptation activities need to be designed at the systems transitions level, as described in the Sixth Assessment Report (AR6) by Working Group II of the Intergovernmental Panel on Climate Change (IPCC), and based on aligned policies and priorities (i.e. those 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 provides the foundation for these approaches. In turn, such approaches allow countries to align their adaptation priorities with their sustainable development vision, and to strengthen the capacity of national institutions and domestic financial institutions to deepen markets for sovereign and private insurance and other risk finance instruments, and to improve access to financial services that are adequately sensitive to climate risk to serve vulnerable communities. Reflecting these fundamental requirements for transformative change, the GCF focuses on four main types of activity to achieve transformative adaptation:
- (a) **Transformational planning:** GCF support for developing countries' national adaptation planning lays the foundation for transformational programming across the four dedicated GCF adaptation results areas, as well as for the realization of synergies between mitigation and adaptation outcomes across all results areas;
 - (b) **Catalysing innovation in climate adaptation:** Accelerating climate adaptation innovation through investments in new and innovative technologies, business models, financial instruments and practices, and thereby building on GCF risk appetite, to establish proof of concept;

- (c) **De-risking high impact adaptation projects:** establishing commercial viability for those adaptation solutions that scale up and crowd-in private finance that would not be feasible without GCF assistance; and
- (d) **Aligning finance with sustainable development:** by empowering domestic financial institutions and firms, enabling them to mainstream climate adaptation into their investment decision-making, to originate climate resilience projects and to access capital to finance adaptation.
19. Both de-risking high impact projects and empowering domestic financial institutions and firms are crucial for mobilizing finance at scale and accelerating the widespread adoption of new adaptation solutions to achieve transformative change.
20. In implementing this approach, GCF is focused on playing a catalytic role complementary to other climate funds, including 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 is working in tandem with other climate funds to strengthen cooperation mechanisms. For instance, the GEF-GCF long-term vision on complementarity will extend GCF collaboration through the two GEF climate funds: the Least Developed Countries Fund (LDCF) and the Special Climate Change Fund (SCCF).
21. Further information on GCF's role and strategic approach in climate adaptation is given in annex III.

III. Modalities to support adaptation activities

22. GCF provides support to developing countries on adaptation through an array of interlinked operational modalities including the Readiness Programme, adaptation planning, country programming, project preparation, and the funding of projects and programmes. These modalities will continue to be informed by guidance from the COP and further Board decisions.

3.1 Readiness and Preparatory Support Programme

23. The Readiness Programme aims to enhance country ownership and access to GCF funding by supporting capacity-building, strategic frameworks, pipeline development, and knowledge sharing and learning. Through this programme, the GCF can provide up to USD 1 million per country per year for activities related to institutional capacity-building, coordination, policy and planning, and programming for investment. GCF can approve multiple Readiness Programme 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.
24. The GCF continues to provide technical and financial support through the Readiness Programme to all developing countries, helping them to build awareness and understanding of climate impacts and risks; produce the scientific and economic basis for effective ongoing 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; and engage with the private sector and leverage its investment in climate adaptation.
25. The Readiness Programme enables national designated authorities (NDAs) and direct access entities (DAEs) to build their institutional capacities and strengthen climate finance coordination mechanisms and governance structures, which creates and improves the enabling environments that are key to coherent, effective and efficient measures towards climate

resilience and adaptation. As such, the Readiness Programme also supports the development, implementation, or enhancement of NDCs which, along with ACs and NAPs, serve to inform investment planning for proposed adaptation activities.

3.2 NAPs and adaptation planning processes

26. In alignment with Article 7, paragraph 9, of the Paris Agreement, GCF supports developing countries in engaging in adaptation planning processes and implementing 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 UNFCCC decisions 4/CP.21 and 7/CP.21.

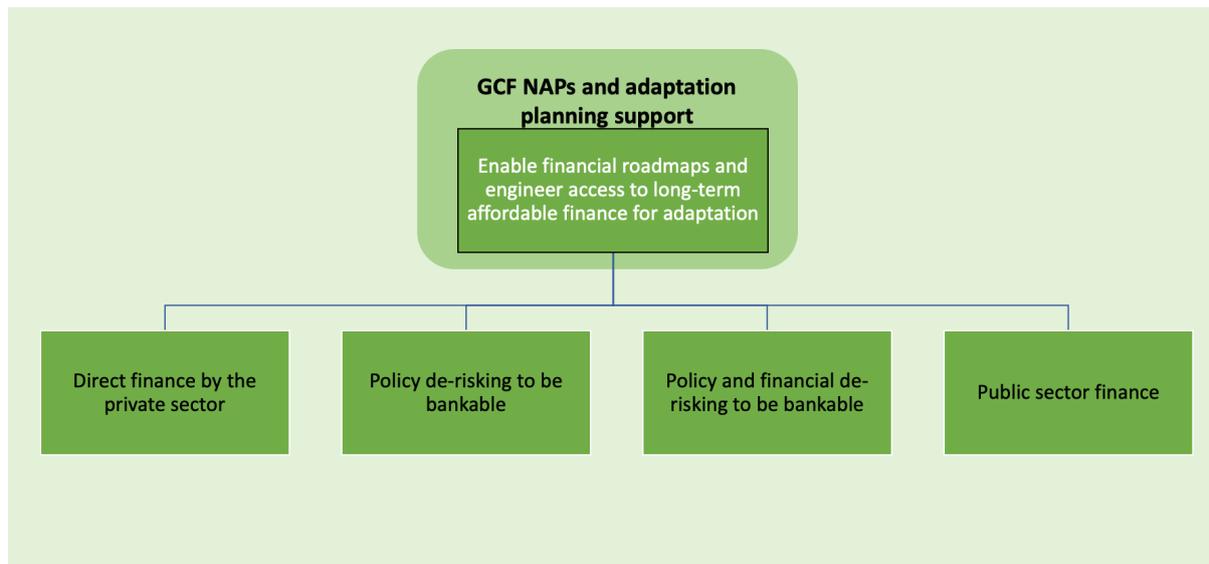
27. GCF support for NAPs and other adaptation planning processes has been a key feature of how GCF supports countries in enhancing their adaptation actions and sets the foundation of the approach presented in annex III. GCF provides up to USD 3 million per country for the formulation of NAPs and/or other adaptation planning processes, and this support is expected to provide results on NAPs; sectoral adaptation plans; inter- and intra-institutional coordination and decision-making mechanisms; national climate hazard exposure, vulnerability, risk and impact studies; policy guidelines to remove barriers and incentivize adaptation investment; financing strategies for specific adaptation priorities; and adaptation-focused concept notes.

28. There were 84 proposals for support for NAPs under the Readiness Programme approved/endorsed as of 20 March 2022, for a total of USD 187 million, mostly in LDCs (32 per cent), SIDS (18 per cent) and African States (14 per cent). A review of these proposals shows that they are mostly seeking to enable inter- and intra-institutional coordination, stakeholder engagement and national, subnational and sectoral plans. Climate impact, vulnerability and risk studies were the most frequently expressed needs under outcome 2 of the Programme. Under outcome 3, the countries needs were mostly concentrated around outputs related to private sector engagement in national adaptation planning processes and the policy guidelines/regulations to remove barriers for private sector investment in adaptation. As to outcome 4 on the further mobilization of adaptation finance, the three most frequent outputs were related to developing or implementing enabling systems for prioritization; preparing financing strategies; and drawing up concept notes, including for GCF financing.

29. These adaptation planning processes facilitate a more programmatic and integrated approach to addressing climate change, taking into account climate information and short- to long-term risks. Annex III proposes a 'financial engineering' approach whereby NAP support enables countries to shift from incremental action towards systemic responses to adaptation that avoid maladaptation; identifying the best mix of grey and green options to systematically strengthen resilience and engineer access to long-term affordable finance through optimizing public resources to either de-risk private investment that otherwise would not be seen as bankable investments in order to establish a commercial track record for new adaptation solutions, or directly finance transformative adaptation activities with high socioeconomic returns but limited financial cash flows susceptible to attract private investment. Figure 1 illustrates this financial engineering approach.

30. In turn, this analysis provides an opportunity to prioritize project proposals to be included in GCF country programmes and to leverage GCF support in order to attract and mobilize additional domestic and international finance for adaptation. Finally, it could support the regular review of the adaptation priorities in NDCs, NAPs, national communications and other relevant adaptation processes and instruments, to better reflect investment outcomes and climate risk trajectories.

Figure 1: Supporting countries and options for adaptation finance through the NAP process



3.3 Project Preparation Facility

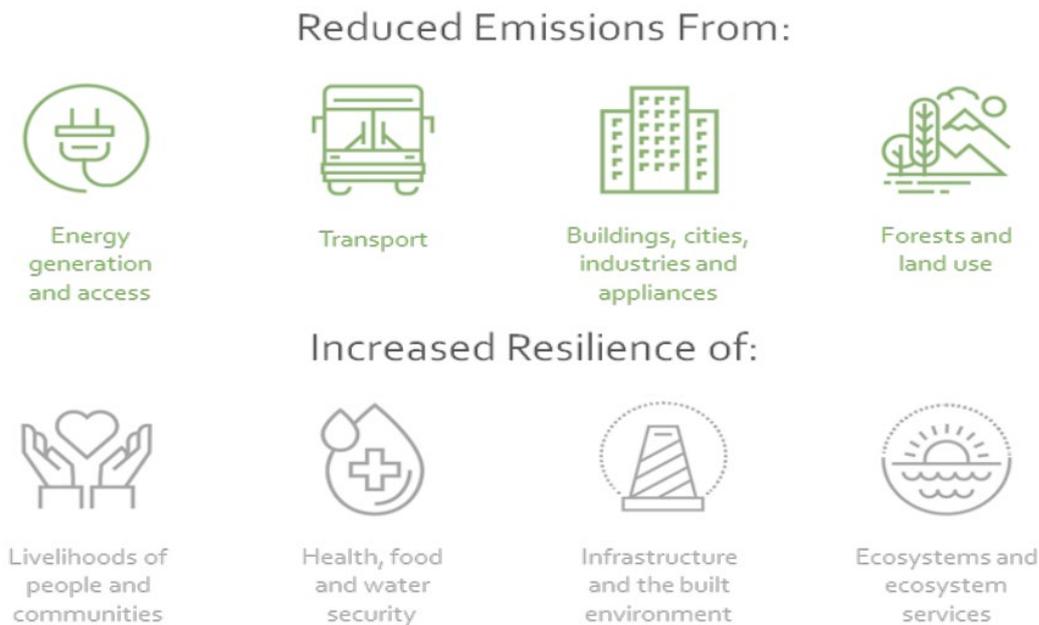
31. GCF established the Project Preparation Facility (PPF), which aims provide support for the project and programme preparation needs of all AEs. The GCF provides up to USD 1.5 million to AEs (especially DAEs) for any single project or programme, especially for projects in the micro- to small-sized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

3.4 Projects and programmes

32. The main modality to access direct investment for adaptation actions is through the submission of concept notes and funding proposals, which can build on the outcomes from the NAPs and adaptation planning process. As presented in annex III, GCF projects and programmes can catalyse innovation and mobilize finance for climate adaptation, informed through transformational planning as part of a roadmap for long-term affordable finance for adaptation.

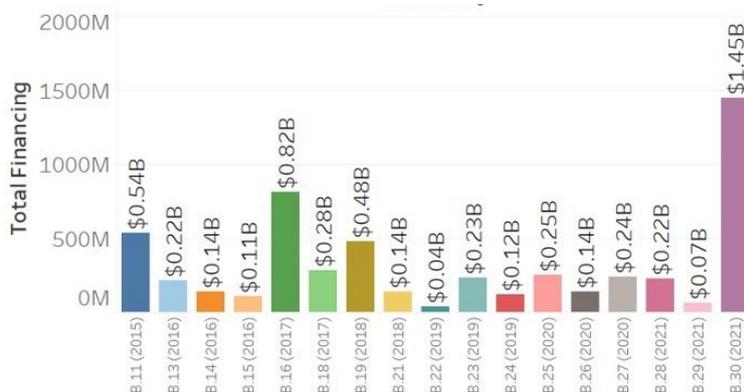
33. These adaptation projects and programmes primarily fall under the following four of the eight GCF result areas: (i) increased resilience and enhanced livelihoods of people and communities; (ii) increased resilience of health and well-being, and food and water security; (iii) increased resilience of infrastructure and the built environment; and (iv) improved resilience of ecosystems and ecosystems services. However, many GCF projects are cross-cutting and aim to optimize synergies between adaptation, mitigation and sustainable development under each of the eight GCF result areas (figure 2). Further information on adaptation activities under each result area is given in annex III.

Figure 2: GCF results areas



34. As of 31 March 2022, the GCF portfolio of 192 projects amounts to a total of USD 10.2 billion in GCF commitment and represents a total value of over USD 37.3 billion. In grant equivalent terms the GCF portfolio funding allocation stands at 48 per cent for adaptation and 52 per cent for mitigation. The number of adaptation projects is 42.6 per cent of the total project count, compared with mitigation projects, which amount to 31.6 per cent of the total. When cross-cutting projects are included, projects involving adaptation account for 68.4 per cent of the total project count. In terms of financial instrument, grants account for 57.5 per cent of total adaptation financing, while loans account for 18.4 per cent. Further, the portfolio as of 31 March 2022 shows that 47.2 per cent of adaptation funding goes towards medium-sized projects, with the livelihoods results area receiving the largest percentage (34.6 per cent) of total financing, followed by health (26.8 per cent).

Figure 3: Total adaptation financing by Board meeting



35. GCF also offers several pilot programmes (elaborated below), which provide additional incentives to develop more adaptation proposals with increased efficiency and impact. 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. The EDA pilot 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 do not have to be presented in the funding proposal or 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. 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 the flexible and context-specific nature of the EDA approach and its emphasis on a stronger involvement of local organizations and other stakeholders are both crucial in considering the design of adaptation proposals.

36. The simplified approval process (SAP) pilot programme was adopted at the eighteenth meeting of the Board in decision B.18/06, with the aim of simplifying and streamlining the approval of certain small-scale projects, particularly from DAEs. The SAP modality reduces the time and effort required for both AEs and the Secretariat to go from project conception to implementation. The SAP pilot provided an opportunity for DAEs to submit adaptation proposals with shorter and simpler templates and fewer requirements, and is particularly relevant for addressing 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.

IV. Support for developing the adaptation portfolio

4.1 Enhancing access to climate information and guidance on its use

37. Access to and clear guidance on the use of climate information promotes the submission of higher quality funding proposals and ensures a consistent and transparent approach to their assessment. For adaptation activities, climate impact potential can be established by providing a well-evidenced analysis to show that a proposed activity is likely to be an effective adaptive response to the risk and/or impact of a specific climate change hazard.

38. In the draft paper, “Steps to enhance the climate rationale of GCF-supported activities” (document GCF/B.30/04), the Secretariat provides non-prescriptive, principles-based guidance for adaptation (also for mitigation) and identifies the key components that enhance the articulation of climate impact potential in proposals. The paper also describes further actions and initiatives that the Secretariat is taking, in consultation with the independent Technical Advisory Panel and a wider climate expert community, to develop a supporting framework of links, tools, materials, methodologies, best practices and capacity support to assist countries and AEs. On the basis of a thorough analysis of other adaptation funders, IPCC conclusions, and UNFCCC policy dialogue, the paper provides a systematic approach to helping AEs to design adaptation proposals with a clear climate impact potential, based on four principles – identification, response, policy alignment, and monitoring and evaluation – guided by the global goal on adaptation, and using the best available data in the proposal context.

39. To help AEs establish the climate impact potential for an adaptation funding proposal the developing guidance offers the following four high-level principles:

- (a) **Identification:** Adaptation proposals should show how the activity addresses current and/or future projected climate change risk/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. They should show how climate change has led, or will lead, to the specific risk/impact that the proposed activity addresses using the best available data. Where relevant, proposals should also consider any non-climatic factors that may be

causing or exacerbating the risk/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 prioritize 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/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 that the proposed activity aligns with the host country's national plans and climate strategies (including their NAPs, NAPAs, long-term climate strategies, ACs and NDCs, as applicable). This helps to ensure the country ownership of the proposal and that activities are targeting areas of highest potential need and impact for that country; and
- (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 climate outcomes of the proposed activity 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.

40. Articulation of the identification and response stages should make use of the best available data and information, which may come from a variety of sources, and be adapted to data availability, context and capacities for a specific country or region. Recognizing the significant variation in data and information availability across countries and contexts, the GCF does not prescribe the use of any specific data or information type.

41. The most recent synthesis report of the IPCC should be considered the gold standard for climate science and climate change attribution, along with relevant peer-reviewed journal publications if they provide geographically localized results relevant to the proposal. However, existing scientific literature does not specifically address all adaptation options in all countries and the IPCC synthesis reports do not always provide information at a suitable local scale. In these cases, the requirement to demonstrate the proposed identification and response principles should make use of project-specific local observational data where it is available and of sufficient quality. Where local and/or subnational observational data are not available or are not of sufficient quality then alternative peer-reviewed and scientifically credible datasets may be used to show the historical information.

42. Defining the climate hazard, exposure and vulnerability of a project domain involves gathering and synthesizing a diverse range of information, which will be unique for each proposal. Historical data provides an essential baseline against which adaptation options can be compared (e.g. historical data can show how close key human systems or ecosystems are to critical thresholds). Historical and current records can also demonstrate that a climate impact may already be occurring. For example, a country that already experiences drought can quantify its impact and articulate the social and economic cost; this information can then be combined with future climate projections from climate models to infer whether the impact is likely to become worse.

43. A wide range of community-based tools and information platforms exist to assist in the retrieval and analysis of climate model projections. Since these platforms and available data are constantly evolving, there is again no prescription of which to choose. Proposal developers should use the information platforms and future climate data that are specific to the risk and hazard of their proposal, and the GCF can provide technical assistance via the Readiness Programme and PPF to assist in the retrieval and interpretation of the data and information.
44. When determining climate risk from the combination of historical data and future climate projections, proposals should develop an analysis using multiple lines of evidence, including the consideration of local, traditional and indigenous peoples' knowledge whenever available and relevant to the proposal.
45. Enhancing the availability and use of appropriate climate information further supports the development of quality adaptation proposals. The Secretariat will support the use of the guidance under development with a suite of capacity-building measures to assist NDAs/focal points and AEs, further elaborated in the draft paper, "Steps to enhance the climate rationale of GCF-supported activities" (document GCF/B.30/04).

4.2 Country programmes

46. 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 summarize 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, and enable developing countries to assess the capacity of their financial systems to mobilize private sector financing from domestic and international capital markets or through foreign direct investments to address climate change.
47. Country programmes enable countries to prioritize adaptation activities derived from their national climate change strategies, including their NDCs, NAPs, and long-term strategies ensuring that these strategies, policies and plans feed into the pipeline of projects and programmes proposed to the GCF. Country programmes can also be designed to leverage the convening power and range of financial instruments of GCF to support multi-partner, multi-sectoral or multi-country co-investment platforms combining different sources of public and private finance.

4.3 Sectoral guidance

48. GCF has developed sectoral guidance that informs adaptation investments across a range of sectors. The sector guidance aims to assist 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 impact potential 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.
49. The sectoral guidance covers the adaptation actions 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 was 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.

4.4 Private sector in adaptation

50. The Readiness Programme can be a powerful mechanism to support engagement with the private sector, and generate a robust, country-driven portfolio of private sector adaptation funding proposals. The number of proposals under the Readiness Programme that target engagement with the private sector – 80 countries under the first phase of readiness and 22 proposals under the second phase – is still relatively low. However, it is expected to grow as new methodologies incorporating climate risks into investment appraisal processes are rolled out and innovative business models for mitigation and adaptation are more widely shared.

51. To accelerate this engagement, the Secretariat is currently reviewing all Readiness Programme proposals submitted to GCF, including NAPs, to ensure an appropriate private sector engagement strategy. Additionally, GCF is collaborating with two global coalitions to develop new valuation and labelling methodologies to enable investors to better assess the risk–reward profile of low-emission, climate-resilient investments. The ambition of these methodologies is to accelerate the creation of new climate-friendly asset classes such as climate-resilient infrastructure, and to enable developing countries to attract private investment aligned with their NDCs and NAPs. Lastly, the annual flagship GCF Private Investment for Climate (GPIC) Conference provides a powerful forum to advance innovative climate investments, share experiences and promote matchmaking and partnerships to scale up private climate finance in developing countries. The Secretariat will continue to leverage the GPIC Conference to showcase successful private sector investment in adaptation and in LDCs and SIDS, to encourage innovation and to facilitate the diffusion of proven new adaptation solutions.

4.5 Measuring impacts of adaptation activities

52. The integrated results management framework (IRMF) of the GCF has replaced the existing initial results management framework and performance measurement frameworks (RMF/PMF). The IRMF manages to address two of the major weaknesses of the RMF/PMF, namely the weak linkages among the different adaptation results levels, as well as the limitations to the measurement of adaptation impact. The IRMF incorporates a new way for measuring paradigm shift towards resilient development, and also established a set of indicators that measure the effectiveness of an enabling environment to support adaptation activities. The IRMF retained the measurement of adaptation beneficiaries as the main approach for assessing adaptation outcomes, but it also introduced two additional indicators for measuring the value of assets made more resilient as well as the indicator on natural resources under climate-resilient management, thereby improving the ways of capturing various aspects of adaptation to climate change.

4.6 Knowledge development and exchange

53. GCF will continue to use the lessons learned from projects to inform national plans and policies, and to add value to its wider work. 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.

4.7 Strategic engagement and partnerships

54. Through the operational framework on complementarity and coherence (decision B.17/04), GCF continues to support adaptation actions in developing countries in collaboration with other climate finance delivery channels such as the AF, the CIFs, and the GEF, including the Least Developed Countries Fund (LDCF) and Special Climate Change Fund (SCCF). Implementation of the operational framework and relevant adaptation activities are reported through the annual update on complementarity and coherence.

55. Of particular relevance to adaptation finance, GCF and the AF are collaborating in a Community of Practice of DAEs that helps to promote capacity-building and the development of quality funding proposals, as well as providing 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 maximizing the climate impact for recipient countries.

56. In the context of the UNFCCC, the GCF actively collaborates with the Adaptation Committee, the Least Developed Countries Expert Group, 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.

Annex III: Accelerating the GCF's strategic approach to adaptation programming

1. The GCF's strategic approach to adaptation aims to respond to the adaptation challenges most recently highlighted in the Sixth Assessment Report (AR6) by Working Group II of the Intergovernmental Panel on Climate Change (IPCC):

- (a) The IPCC AR6 contains a review of progress on adaptation and states that effective adaptation planning and implementation has been observed across all sectors and regions. However, many adaptation gaps still need to be addressed, especially around funding, knowledge and effective implementation and monitoring. Although some adaptation efforts have reduced vulnerability, there is little evidence yet that adaptation responses are adequate to reduce the climate risk faced by the most vulnerable;
- (b) Current scientific thinking places a strong focus on “transformational adaptation” which can be defined as changing the fundamental attributes of a social-ecological system in order to address the root causes of vulnerability (as opposed to “incremental” adaptation projects which modify existing systems). To achieve transformation and enable climate-resilient development, five “systems transitions” are proposed. These systems transitions are: energy; land use and ecosystems; urban and infrastructure; transport; and societal/cross-sectoral.
- (c) There is high confidence that integrated, multi-sectoral solutions that address social inequities and cut across systems increase the feasibility and effectiveness of adaptation and reduce the risk of maladaptation.

2. In line with IPCC thinking, the goal of GCF adaptation programming going forward is to accelerate the transition from incremental to transformational and systemic adaptation, and to use the GCF comparative advantages to urgently scale up adaptation finance and close the adaptation gap. In 2020, the United Nations Environment Programme (UNEP) estimated that annual adaptation costs in developing countries are expected to reach between USD 140 billion and USD 300 billion by 2030.

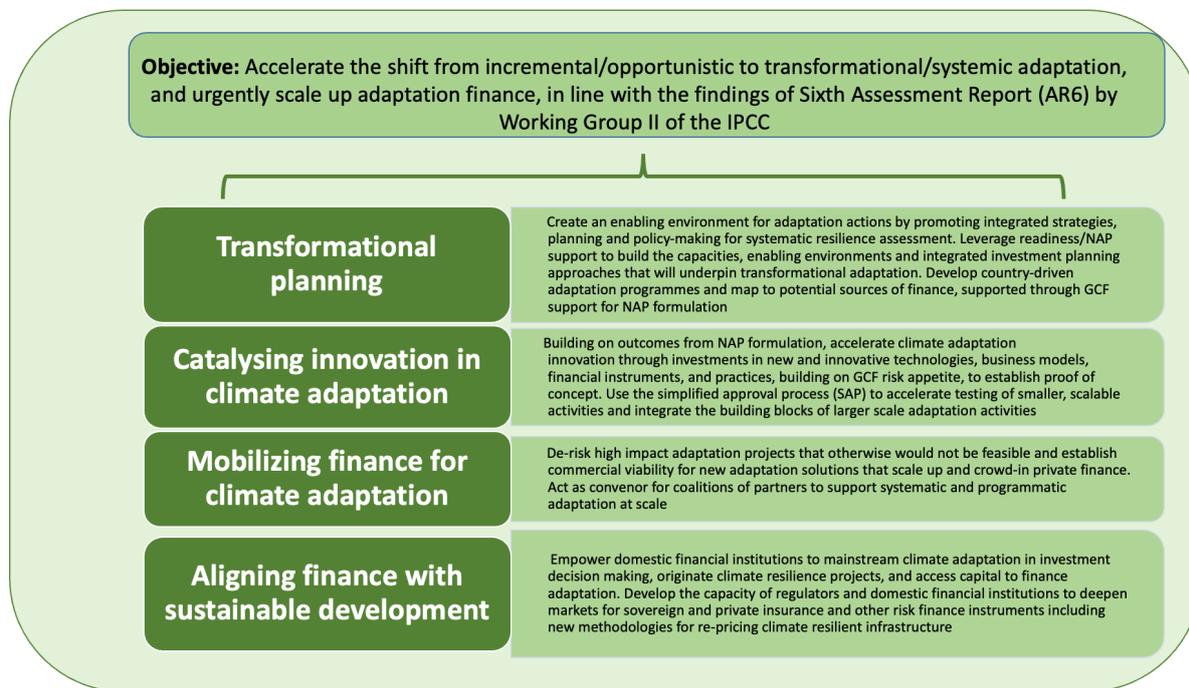
3. The UNEP estimates that adaptation costs in developing countries are five to ten times greater than current public adaptation finance flows. Working together, the public and private sectors have a critical role to play in closing this gap. There is a strong economic case for investing in adaptation: analysis by the Global Commission on Adaptation has shown that investing USD 1.8 trillion globally in five priority areas between 2020 and 2030 could produce USD 7.1 trillion in benefits.

4. To support transformational adaptation and catalyse adaptation finance at scale, GCF follows a four-pronged approach:

- (a) **Transformational planning:** creating an enabling environment for adaptation actions by promoting integrated strategies, planning and policy-making for systematic resilience assessment;
- (b) **Catalysing innovation in climate adaptation:** through investments in new and innovative technologies, business models, financial instruments, and practices;
- (c) **De-risking high impact adaptation projects:** establishing commercial viability for those new adaptation solutions that otherwise would not be feasible, and enable financiers to better assess and price risks; and
- (d) **Aligning finance with sustainable development:** empowering domestic financial institutions and firms in developing countries to originate and finance the widespread adoption of commercially proven adaptation solutions.

5. These elements are set out in figure 1, below, and the following section explains how each of these approaches works in practice.

Figure 1: Strategy for accelerating adaptation support and programming



Transformational planning

6. In line with the call from the Global Commission on Adaptation (GCA)¹ for a revolution in understanding and planning, GCF supports national and local efforts to ensure that the risks communities and economies face are fully understood and reflected in the decisions that public and private actors make. Addressing climate change requires also transformational planning to guide how policies, institutions and investments are assessed to ensure that they are building resilience and enhancing not only at the level of individual asset and service but system wide; identifying choices that are robust across a range of climate futures and avoiding maladaptation; involving all actors in planning and decision-making processes, especially the most vulnerable groups; and implementing adaptation activities across sectoral and jurisdictional boundaries.

7. GCF fosters transformative planning by supporting the development of integrated climate adaptation and sectoral strategies, planning and policies making resilient to a range of climate outcomes, and converting them into portfolios of bankable projects. Through its Readiness and Preparatory Support Programme, the GCF provides technical assistance support for (i) the preparation of systemic resilience assessment; (ii) development of adaptation plans; (iii) project development; (iv) exploration of innovative financing instruments to address the adaptation financing gap; (v) financial engineering to increase access long-term affordable finance; and (vi) capacity development of national institutions and delivery partners.

8. GCF readiness support is currently enabling the formulation of 74 NAPs, and the development of systemic resilience frameworks. This readiness/NAP support enables national designated authorities to build the capacities, enabling environments and integrated investment

¹ Global Commission on Adaptation (2019): Adapt Now: A Global Call for Leadership on Climate Resilience

planning approaches that underpin transformational adaptation, creating country-driven adaptation programmes, and mapping projects to potential sources of finance.

9. GCF also invests in improving the availability and reliability of climate data and analytical tools to assist transformational planning. Previously, investors could not easily integrate physical climate risks into decision-making and valuation due to the lack of consistent data and analytical tools to convert raw climate data into information that is relevant to investment decisions. Intervention from GCF is addressing this challenge and removing barriers to effective long-term adaptation planning. Currently, the GCF portfolio contains 50 projects involving climate information and early warning components, with USD 490.1 million allocated for these elements, or 5 per cent of the total GCF portfolio.

10. For example, FP074/World Bank: Africa Hydromet Program – Strengthening Climate Resilience in Sub-Saharan Africa: Burkina Faso Country Project aims to enhance and optimize the supply and demand side of climate information systems to strengthen the climate resilience of Burkina Faso. It involves improvement of hydrometeorological and early warning infrastructure and the enhancement of service delivery and warnings to communities to protect/diversify the livelihoods of rural communities and increased food security.

11. Support for capacity-building of national designated authorities, focal points, direct access entities and local private sector actors enables actors to better quantify climate risks and identify climate-friendly business opportunities. GCF is collaborating with two global coalitions to develop new valuation and labelling methodologies to better assess the risk–reward profile of low-emission, climate-resilient investments. The ambition of these methodologies is to accelerate the creation of new climate-friendly asset classes such as climate-resilient infrastructure and enable developing countries to attract private investment aligned with their nationally determined contributions and NAPs.

12. GCF support for developing countries' national adaptation planning lays the foundation for transformational programming and optimizes synergies between mitigation and adaptation activities across all eight GCF's results areas.

Catalysing innovation in climate adaptation

13. GCF supports the acceleration of climate adaptation innovation through investments in new and innovative technologies, business models, financial instruments and practices, building on the GCF risk appetite, to establish proof of concept.

14. In the context of mature start-ups, a host of public and private start-up incubation and acceleration schemes make available offices, technical expertise, manufacturing know-how, information on marketing strategies, help in developing business plans, assistance in raising funds, mentoring, legal guidance, patent application support; and facilitate benchmarking against peers, and interfacing with universities and laboratories, or digital platforms.

15. There are estimated to be around 2,000 technology incubators and more than 150 accelerators worldwide. However, fewer than 70 are estimated to be climate technology incubators and accelerators. Due to fiscal constraints, just 25 of these are in developing countries. GCF is developing several proposals to establish dedicated incubators and accelerators in developing countries to help climate entrepreneurs refine their business models and develop partnership with key market players. Two of these proposals should be submitted to the Board in 2022.

16. Access to finance is another major impediment for innovators in developing countries. There is a gap in the availability of seed capital, as well as early-stage risk capital in a form that is appropriate for capital-intensive and slow-maturing climate ventures. In mature start-up businesses in Europe and North America, climate innovators and entrepreneurs meet their

funding needs in the ideation and development stages with their own personal assets, investments from family and friends, angel investors, and/or start-up seed grants from public programmes. In emerging and frontier markets, most climate entrepreneurs face a much more difficult situation when launching a start-up because personal assets and assets of family and friends are usually very limited and start-up promotion programmes funded by governments are scarce.

17. To address these barriers, GCF is developing a range of speciality early-growth financing instruments, from development grant to early-growth debt or equity finance. For example, GCF project FP078: Acumen Resilient Agriculture Fund is providing early-growth financing to small and medium-sized enterprises engaged in climate-resilient agriculture in four African countries. In addition, GCF expects that the amendments to the simplified approval process (SAP) being considered by the Board at the time of drafting this document will enable a greater use of the SAP modality to pilot new climate solutions and to demonstrate their scalability to larger programmes of investment.

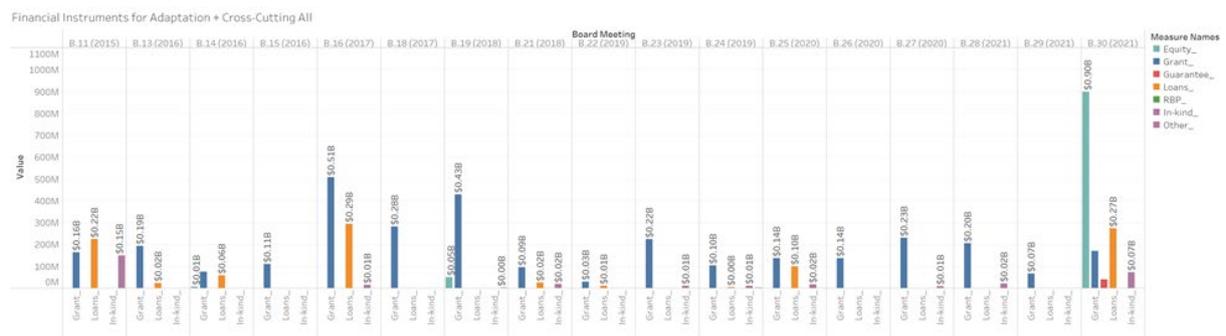
18. Local knowledge of communities and indigenous populations is critical to designing effective and inclusive climate solutions and GCF develops platforms that connects local communities, researchers and practitioners to co-develop innovative adaptation solutions. For example, within FP053: Enhancing climate change adaptation in the north coast and Nile Delta Regions in Egypt, GCF is partnering with United Nations Development Programme to leverage local knowledge to establish living shorelines to adapt to sea level rise in the Nile Delta. The living shoreline solution developed based on local knowledge proved more versatile and cost effective than the conventional grey structural solution piloted in parallel by the project. It is being replicated throughout priority areas of the delta.

De-risking high impact climate adaptation investment

19. Finding that the economic case for resilience is strong but that money is not flowing at scale, GCA calls for a revolution in finance in addition to a revolution in understanding and planning. Consistent with this call, the third prong of the GCF strategic approach to adaptation is to de-risk first of its kind high impact adaptation projects that otherwise would not be feasible. A successful implementation of a first-move project demonstrates to other investors that the project is viable and thereby catalyzes private sector investment at scale.

20. Thanks to its partnership structure, flexible use of instruments, and risk appetite, GCF can act as convener for coalitions of partners to support systematic and programmatic adaptation at scale. Capitalizing on its capacity to use a wide range of grant and non-grant instruments, GCF also explores new forms of blended finance that work better for adaptation, ecosystem-based approaches, and the most vulnerable communities. Figure 2 visualizes this evolution.

Figure 2: Total adaptation financing by financial instrument per Board meeting year



21. Use of equity more than doubled in the GCF portfolio in only two years, from USD 0.19 billion over the period 2015–2019 (B.11 to B.24) to USD 0.57 billion over the period 2020–2021 (B.25 to B.30), and now makes up 22 per cent of the Private Sector Facility portfolio. Board meetings in 2021 allocated USD 360 million in GCF equity – almost the same amount as the sum of all previous Board meetings combined (USD 400 million). Applying the experience gained in providing support for mitigation activities, GCF has made considerable progress in moving from equity for mitigation towards equity for adaptation in least developed countries (LDCs), small island developing States (SIDS) and African States in 2020 and 2021. Notably, GCF has capitalized on an increase in investor appetite for new asset classes in climate-resilient infrastructure. Notably, GCF has capitalized on an increase in investor appetite for new asset classes in climate-resilient infrastructure. For example, FP152: Global Sub-national Climate Fund (SnCF Global), approved at the twenty-seventh meeting of the Board (B.27) and managed by Pegasus Capital Advisors, leverages USD 150 million in first loss equity investment from GCF to mobilize USD 600 million of private and institutional capital for mitigation and adaptation solutions at the subnational level. Almost half of the 42 countries participating in this project are LDCs and SIDS. GCF and Pegasus have already adapted this approach to support innovative adaptation technologies and ecosystem-based approaches and practices through FP180: Global Fund for Coral Reefs Investment Window (Coral Reefs Fund), approved at B.30. As the first GCF at-scale private sector programme in the blue (i.e. marine) economy, this programme will create a private equity fund to encourage investments in the blue economy, protecting coral reefs.

22. GCF also recognizes that guarantees can be an effective instrument to either reduce or transfer risk and enhance the credit profile of a borrower. While still the smallest proportion of the GCF portfolio, the use of guarantees doubled from USD 0.08 billion over the period 2015–2019 (B.11 to B.24) to USD 0.16 billion over the period 2020–2021 (B.25 to B.30). As for equity, this doubling in the use of guarantees all took place in 2021, with the approval of five new funding proposals by the Board, of which four are mostly investing in Africa. The Secretariat is currently reviewing programmatic options to increase the efficiency of the use of guarantees in the absence of a credit rating.

Aligning finance with sustainable development

23. Mobilizing adaptation finance at scale requires both to de-risk first mover projects to establish commercial viability for new adaptation solutions and enhance domestic adaptation finance architecture to support the widespread adoption of these new adaptation solutions. The final prong of the GCF approach to adaptation is to empower domestic financial institutions and firms to (i) mainstream climate risks into financial decision-making and reprice climate-resilient assets and services; (ii) originate and appraise climate resilience and adaptation projects; (iii) develop new financial products and services for climate resilience and adaptation; and (iv) access finance to support adaptation investments.

24. GCF can help financial institutions to mainstream climate risks into financial decision-making by assisting them to assess their exposure to climate risks and disclose the risks according to leading international standards. To support origination of climate adaptation investments, GCF can support existing institutions in establishing an internal climate facility to build a dedicated climate finance capacity to originate and appraise adaptation investments, or help set up new green banks to enhance the domestic climate finance architecture and spearhead the transformation of the domestic banking industry. For example, FP098: Climate Finance Facility helped the Development Bank of Southern Africa to establish a dedicated climate investment facility and may also assist it in designing the first municipal bonds for recycled water in South Africa, creating a new asset class to foster adaptation to climate change.

25. New financial instruments and services will be required to service the most vulnerable communities. In this regard, GCF is focusing on developing the capacity of regulators and

domestic financial institutions to deepen markets for sovereign and private insurance and other risk finance instruments. Support can also be provided to improve access to financial services for vulnerable communities (including micro-finance, micro-insurance, transfer and remittance facilities, etc.). An example of these efforts is FP162: The Africa Integrated Climate Risk Management Programme: Building the resilience of smallholder farmers to climate change impacts in 7 Sahelian Countries of the Great Green Wall, which implements an integrated approach to risk assessment (climate information and early warning systems), risk reduction (investments) and risk transfer (insurance) in agropastoralist communities across seven Sahelian countries. Notably, this programme supports the development of nascent domestic re/insurance markets in the Sahel, bringing innovative instruments (index-linked drought coverage) to smallholders, agropastoralists and governments. It also builds knowledge on financial instruments at the household as well as the sovereign level.

26. And finally, GCF aims to facilitate domestic financial institutions and firms to finance commercially proven new climate solutions. This can entail providing loans through local partner financial institutions to borrowers in climate-friendly investments and/or strengthening the capacity of financial institutions to access domestic and international markets. This approach is illustrated by FP183: Inclusive Green Financing Initiative (IGREENFIN). This programme covers 11 countries in the Great Green Wall plus Côte d'Ivoire and Ghana. The programme will enhance access to credit and technical assistance for local farmers, farmers' organizations, cooperatives and micro and small enterprises to build greater coherence and complementarity on climate action in Africa. Another example under this heading is the readiness funding provided by GCF in support of the efforts of the Government of Jamaica to set up a Caribbean green bond listing on the Jamaica Stock Exchange, enabling it to list green bonds through a dedicated facility.

27. This transformative approach – supporting adaptation solutions from emergence to diffusion – is applied to key paradigm-shifting pathways in each of the GCF results areas. It aims to optimize synergies between adaptation, mitigation and sustainable development. Table 1 summarizes these different transformative pathways. The table also maps the eight GCF results areas and the IPCC system transitions. Further information on these transformative pathways is provided in the sector guidance for the eight GCF result areas. This adaptation programming approach will further evolve as the draft sector guidance for the eight GCF result areas is finalized and as part of strategic programming for the second replenishment of the GCF.

Table 1 – Accelerating Adaptation in Key Systems through Paradigm Shifting Pathways. This table provides an overview of GCF paradigm shifting pathways vital to adaptation, mapped onto the 8 result areas of GCF and with an indication of how the pathway contributes to the five systems transitions from the IPCC WG II report using the key: **(E)** = energy systems transition, **(L)** = land use and ecosystems, **(U)** = urban and infrastructure, **(T)** = transport, **(C)** = cross-sectoral and societal. Further information on each pathway is provided in GCF’s sector guidance.

Paradigm Shifting Pathways	Result areas
<p>1. Promoting Resilient Agroecology (L) (C)</p> <p><i>Climate change has adverse effects physiological effects on crops and livestock. It is also likely to increase soil erosion, losses of carbon and lower water retention capacity. Absent adaptation, climate change could depress growth in global yields by 5-10 percent by 2050 (WB, 2019). Food-insecure people (smallholder farmers, urban poor, etc.), who already spend more than half of their income on food, are particularly at risk. Resilient Agroecology can potentially reduce these threats. It does not mean a specific set of measures but increased focus on yield and stability rather than yield alone (CGA, 2019). It requires packages of measures tailored to local conditions that can include: Improved stress resistant seeds, crop varieties, and breeds; diversifying crops, aquaculture and livestock; sustainable farming practices and technologies; improved livestock management including improved diets, enhanced animal health, and grassland management</i></p> <p>2. Facilitating Climate Informed Advisory and Risk Management Services (L) (C)</p> <p><i>Investments in climate information, extension and risk management instruments are critical to realize the benefits of research and development in climate smart technologies and practices and raise awareness of new solutions, facilitate access and reduce adoption risks. Priority activities can include digital agricultural advisory services to amplify traditional agricultural extension and provide critical weather information to farmers to make planting and harvesting decisions. Financial literacy training access to finance (e.g. mobile money), index insurance linking insurance payouts to predetermined index, and social safety nets for food insecure households and improving the rights and resource access of women farmers can prove critical to supporting innovation and accelerate adoption of new climate resilient farming solutions and practices.</i></p> <p>3. Reconfiguring Food Systems (L) (C)</p>	<p>Health, Food and Water Security</p> <p>Livelihoods of People and Communities</p> <p>Forests and Land Use</p>

Paradigm Shifting Pathways	Result areas
<p><i>Reducing food losses and waste is essential in a world where the number of people affected by hunger has been slowly on the rise since 2014, and tons and tons of edible food are lost and/or wasted every day.</i></p> <p><i>Globally, around 14 percent of food produced is lost between harvest and retail, while an estimated 17 percent of total global food production is wasted (UN, 2022). Re-configuring food systems requires changing how food is stored, transported, sold and consumed. Synergies with mitigation can be further leveraged by improving energy efficiency of food systems and finding alternative energy sources</i></p>	
<p>4. Decarbonization and resilience of urban energy systems (U) (C)</p> <p><i>Power generation and energy demand are highly affected by climate conditions. Extreme weather events are one of the main reasons for energy disturbances. Cities and urban areas play a significant role in the energy transition and the path towards sustainability. A successful decarbonization of urban energy requires adequate consideration of climate change impacts including extreme events to ensure the reliable performance of energy systems in the long run. Priority activities can include support to distributed renewable energy, including generation of energy from renewable sources at the community and household levels and the utilization of sustainable micro-grids.</i></p>	<p>Building, Cities, Industries, and Appliances</p> <p>Livelihoods of People and Communities</p>
<p>5. Energy efficiency and climate resilience in building stock (U) (C)</p> <p><i>The IPCC (2022) predicts that as the climate becomes warmer, heatwaves become more likely. This is a trend that can already be observed, and that will continue in the future. Retrofits of existing buildings and green standards in new buildings should not only aim at increasing energy but also reduce the impact of heatwaves on people and economies. New building codes can deliver a triple dividend: reduce GHG emission; adaptation to extreme weather events; greater energy security and reduce energy poverty.</i></p>	
<p>6. Compact and resilient urban development (U) (C)</p> <p><i>Climate change is already bringing more damage, stresses and suffering to urban areas, home to more than half of the world's population. The greater threat of rising seas and greater storm surges alone could force hundreds of millions of people from their home in coastal cities (GAC, 2019). Furthermore, cities are often increasingly encroaching on floodplains, forests and wetlands that could have absorbed floods and reduce the impacts of droughts. Building compact, resilient and</i></p>	

Paradigm Shifting Pathways	Result areas
<p><i>equitable cities is critical to reduce the number of people who are in harm's way over the world Resilient. It will require mainstreaming climate risks into urban planning; encourage climate resilient low carbon urban grey and green infrastructure; effective land use and low carbon, climate resilient transport in compact cities to improve energy efficiency and resilience of urban areas – focusing on ensuring benefits accrue to the most vulnerable. Repricing of climate resilient assets through mainstreaming climate risks into every financial decision-making, public private partners to de-risk investments and innovative financing instruments that capture the value from adaptation benefits might prove essential to address the acute financing gaps of many cities in developing countries.</i></p> <p>7. Circular urban economy (U) (C)</p> <p><i>A circular economy aims to employs, reuse, share , repair, refurbish, remanufacture and recycle existing materials and products as long as possible to minimize the use of resource inputs and the creation of waste, pollution and carbon emission. By preserving or regenerating ecosystems, reducing biodiversity loss, waste, and pollution, and creating green jobs, it is key to both urban climate adaptation and mitigation efforts.</i></p>	
<p>8. Ecosystem-based Management of Terrestrial and Freshwater Ecosystems (L) (C)</p> <p><i>Healthy ecosystems are a cornerstone of building resilience and scaling up adaption across all sectors. Climate change is accelerating the loss of ecosystems and natural assets, particularly affecting indigenous people, rural communities, and others who depend directly on ecosystems for their food, fuel and livelihoods. This paradigm shifting pathway aims to transform how terrestrial and freshwater ecosystems are protected , restore, and manage based on the principle of joint management of the coupled human-ecological system. These interventions maintain or enhance ecosystem function at a scale sufficiently large to be ecologically sustainable. Key aspects of ecological sustainability related to climate benefits is the ability of the landscape to store and/or sequester carbon and provide ecosystem services for adaptation.</i></p> <p>9. Ecosystem-based Management of Coastal and Marine Ecosystems (L) (C)</p> <p><i>Planning and policy making about coastal and marine ecosystem management historically has been second to terrestrial systems. However, oceans are essential for human survival. They absorb roughly 30% of all carbon emissions produced by humans and more than three billion people depend on</i></p>	<p>Ecosystems and Ecosystem Services</p> <p>Livelihoods of People and Communities</p>

Paradigm Shifting Pathways	Result areas
<p><i>marine and coastal biodiversity for their livelihoods and primary protein source. In addition, ecosystems such as mangroves or coral reefs can provide for coastal communities and tame powerful storm surges that could otherwise destroy coastal communities. In ecosystem-based management in coastal and marine ecosystems, the paradigm shift pathway integrates protection (including through protected areas), restoration, and management of coastal and marine ecosystems into mitigation planning, adaptation planning, and infrastructure development</i></p>	
<p>10. Protecting natural forests and sustainable land use L C</p> <p><i>Natural solutions like avoiding deforestation and forest and land restoration could, according to some estimates, provide one-third of the climate mitigation needed between now and 2030 to keep warming below 2C (Adams et al, 2017). As discussed above, they are also critical for feeding people, shielding cities from extreme weather events and preserving livelihoods and cultures. . It is much more efficient and effective to protect standing forest carbon stocks than to rebuild them. - Carbon sequestration and adaptation benefits are lost when forests are lost, and therefore the earlier critical land conversion is arrested, the greater the mitigation and adaptation benefits over the century.</i></p> <p>11. Restoring degraded forests and other landscapes L C</p> <p><i>. In complement to Restoring degraded lands and other landscapes as well as reforesting deforested areas – offers both significant mitigation potential because of the carbon uptake that increases over the next few decades and adaptation benefits in terms of sustainable livelihoods and protection from extreme weather events. Carbon markets, new forms of blended finance, payment for ecosystem services and other public private partnerships will be required to address the nature financing gap to support these efforts. Only 3 percent of nearly 2,000 companies reported using natural ecosystems as part of their climate adaptation strategies.</i></p> <p>12. Sustainable management of productive forest landscapes L C</p> <p><i>The aim of sustainable forest management (SFM) is to ensure that forests supply goods and services to meet both present-day and future needs and contribute to the sustainable development of communities. Sustainably managing productive forest land to support people and the environment as well as value chains of key commodities - Integrating mitigation and adaptation objectives in sustainable forest management can significantly enhance carbon sequestration and storage and boost resilience while maintaining economic productivity and sustaining livelihoods. Many countries</i></p>	<p>Forests and Land Use</p> <p>Livelihoods of People and Communities</p>

Paradigm Shifting Pathways	Result areas
<p><i>lack appropriate forest legislation, regulation and incentives to promote SFM as well as adequate funding and human resources to ensure the participation and involvement of all stakeholders in forest governance, planning and development. Inadequate valuation of forest services might also make other land uses appear more economically attractive to land managers than forest management, thus leading to forest degradation and deforestation. This paradigm shifting pathways aims to remove these barriers to SFM to preserve and amplify their adaptation, mitigation and sustainable development benefits.</i></p>	
<p>13. Low Emission Energy Generation (E)</p> <p><i>Renewable energy technologies have become the most cost-effective energy generation solutions in many geographies across the world and can be rolled out very quickly (a solar plant can be commissioned in 6-12 months). Decentralized energy systems can also prove more resilient to extreme weather events, averting and minimizing losses while accelerating the socio-economic recovery. Accelerating the penetration of renewable energy technologies can enable 'triple wins' for energy access, mitigation and adaptation. Under this partway, GCF supports the widespread adoption of proven, cost-effective renewable energy technologies and models in nascent markets as well as the scaling up of emerging RE technologies such as offshore or floating wind, or green hydrogen in appropriate settings. GCF leverages its capacity to use grant and non-grant instruments to explore both nascent technologies in high potential markets and proven technologies in nascent markets</i></p> <p>14. Efficient and Reliable Energy Transmission, Distribution, and Storage (E C)</p> <p><i>Efficient and Reliable Energy Transmission, Distribution, and Storage are pre-condition for the widespread adoption of renewable energy technologies and the realization of the 'triple wins' for energy access, mitigation and adaptation. This paradigm shifting pathway supports innovative grid digitalization, system integration, and storage technology, innovation in long-distance RE transmission, offshore transmission, climate resilient sub-stations, anchor investments in new, scalable storage technologies, and climate resilient infrastructure for reliable power supplies.</i></p> <p>15. Promoting Access to Clean Energy (E C)</p> <p><i>The relationship between energy access and climate change adaptation is often overlooked in policy and practice. However, energy access is often a pre-condition to transformative adaptation by supporting economic diversification, social development and building social capital (education,</i></p>	<p>Energy Generation and Access</p> <p>Livelihoods of People and Communities</p>

Paradigm Shifting Pathways	Result areas
<p><i>cultural activities, community engagement, etc.), increasing access and resilience to health services (24/7 operating hours, cold storage, etc.), climate resilient agriculture (water pumps for irrigation; biogas digesters providing organic fertilizer, etc.); preserving ecosystems through and ; and clean cooking solutions to reduce firewood use. Under this transformative partway, GCF supports transformational business models for clean cooking, new business models for productive energy services such as cooling/milling or equipment, new clean energy access technologies including distributed generation and isolated RE energy sources</i></p>	
<p>16. Enhance water conservation, water efficiency and water re-use (U) (C) (E)</p> <p><i>The world is already facing severe challenges to ensure that people, crops and the environment have the water they need. Climate change will compound these challenges. By 2050, the number of people who lack sufficient water at least a month per year will soar to more than 5 billion, from 3.6 billion today, causing unprecedented competition for water (GAC, 2019). There is growing awareness that water is central to climate change adaptation. Water is a top adaptation priority in 79% of the Nationally Determined Contributions. This pathway aims to support demand management, smart digital water management, decentralized models, resources recovery and other critical context-based activities critical to lessen the anticipated increase competition for water and enable communities and societies to adapt to propound changes in the global, regional and local hydrological systems.</i></p> <p>17. Strengthen integrated water resources management and water management (U) (C)</p> <p><i>Harnessing the power of nature and improving water management and governance have the potential to increase the resilience of communities and economies to disruptions in the hydrological systems. Reversing ecosystems degradation can reduce run-off and increase water recharge of reservoirs and aquifers. Water resource agencies can develop fair and transparent mechanisms to reallocate water to society's highest needs and foster transformative adaptation to climate. This pathway aims to support ecosystem-based management, alternative water sources and integrated water resources management. Community engagement, regulatory development, water tariffs and other innovative pricing mechanisms such as PES or water trading will have to be deployed in a context-specific manner.</i></p>	<p>Health, Food, and Water Security</p> <p>Infrastructure and Built Environment</p>
<p>18. Promote climate-resilient health systems and services (U) (C)</p>	<p>Health, Food, and Water Security</p>

Paradigm Shifting Pathways	Result areas
<p><i>Climate-resilient health infrastructure and services are crucial for efficient health system functioning. This includes ensuring that the planning, siting and building codes account for current and projected future climate risks. It also includes climate-resilience of essential services to health facilities, such as water, sanitation services, and power supplies which may be affected extreme weather events. It is essential to promote climate adaptive health systems and service and to build into health services preparedness and climate risk management for extreme events. Health systems constitute a significant share of many national economies so combining climate resilience with sustainable technologies can lead to both economic and environmental benefits.</i></p> <p>19. Facilitate climate-informed advisory and risk management services and community action (U) (C)</p> <p><i>The direct damage costs to health is estimated to be between USD 2-4 billion/year by 2030 (WHO). Between 2030 and 2050, climate change is expected to cause approximately 250 000 additional deaths per year, from malnutrition, malaria, diarrhea and heat stress. Climate-informed advisory and risk management services, and community action in climate and health can reduce the risks of climate-induced health shocks by using climate information to understand the risks and scale of these health threats and design solutions at the local level.</i></p>	<p>Livelihoods of People and Communities</p>
<p>20. Accelerate the shift to low emissions climate resilient transportation (T) (C)</p> <p><i>Reliable and resilient public transport is vital for people's livelihoods, and to ensure their equitable access to education, training, and health system services. Natural disasters cause direct damage to power generation and transport infrastructure, costing about \$18 billion a year in low- and middle-income countries (Hallegate et al., 2021). Transportation both contributes to and will be impacted by climate change. The transportation sector is highly vulnerable to the physical impacts of climate change. Roads, rail lines, seaports, airports, and other transport infrastructure that is part of a network were not built to withstand increased sea levels, storms, or other extreme weather events. Adaptation to climate change will require adjusting how transportation infrastructure is planned, designed, financed, built and operated. This demands innovations in business and financial models for creating highly efficient public transport systems as backbones for mobility and the integration of modern, climate-resilient non-motorized transport and micro-mobility solutions with public transport. Governments can play a key role, supported by climate finance, in coordinating three priority actions (OECD, 2019): 1. Implement a whole-of-government approach to infrastructure resilience, building on existing regulatory systems; 2. Identifying critical transport infrastructure and</i></p>	<p>Transport</p>

Paradigm Shifting Pathways	Result areas
<p><i>defining acceptable and intolerable risk levels; 3. Ensuring equitable access to resilient transport for all.</i></p>	
<p>21.. Climate Information Services (C)</p> <p><i>Climate information services equip decision makers in climate-sensitive sectors with better information to help adapt to climate variability and change. Taking agriculture in Africa as an example, the sector contributes to around 30 per cent of GDP and employs up to 80 per cent of the population. Climate observing systems already show that rainfall in Africa is becoming increasingly erratic and since more than 90 per cent of our agriculture is rainfed, this sector stands to be one of the hardest hit by climate variability and change. The development of climate information services underpins systemic resilience and transformative adaptation– generating relevant, science-based information to guide how governments assess policies, institutions, and investments to build resilience not only at the level of individual projects but system wide. Gaps exist in climate information systems in infrastructure, capacity and digital technologies and there are opportunities to deploy blended finance at scale and increase the involvement of the private sector in the promotion of start-ups in data analytics and digital technologies to modernize and optimize the sector.</i></p>	<p>Livelihoods of People and Communities</p> <p>Infrastructure and Built Environment</p>
<p>22. Impact-Based Multi-Hazard Early Warning Systems and early action (C)</p> <p><i>Anthropogenic climate change is increasingly having a discernible influence on elements of the climate system by exacerbating extreme events and causing multiple hazards, often with compound or sequential characteristics. In turn these elements are interacting with vulnerability and exposure to trigger compound events and cascading impacts on people and on ecosystems (IPCC, AR6). Cascading impacts are particularly driven by the loss or disruption of critical infrastructure such as communications, transport, and power supply, on housing, dams and flood protection, as well as health provision. Repeated extreme and compound events are leading to critical transitions in social systems. Making robust early warning and early action services widely available will lead to the establishment of people-centred, end-to-end, and impact-based systems that will save lives, protect livelihoods, and manage climate-related risks more effectively. A good example is GCF SAP010, “Multi-Hazard Impact-Based Forecasting and Early Warning System for the Philippines” which strengthens the Philippines’ ability to adjust to climate impacts, and implement long-term climate risk reduction and adaptation measures building on best practice in multi-hazard early warning</i></p>	

Paradigm Shifting Pathways	Result areas
<p><i>systems and linking with forecast-based action to maximize impacts on the ground. This includes climate-resilient development planning and investment.</i></p> <p>23. Climate Information and Early Warning Services (CIEWS) and innovative insurance products for investment and financial decisions to reduce long-term disaster risks </p> <p><i>Improving availability of CIEWS data will help increase resilience against climate-induced damages. Early warning systems (EWS) are key elements of climate change adaptation and disaster risk reduction, and aim to avoid or reduce the damages caused from hazards. To be effective, early warning systems need to actively involve the people and communities at risk from a range of hazards, facilitate public education and awareness of risks, disseminate messages and warnings efficiently and ensure that there is a constant state of preparedness and that early action is enabled. The significance of an effective early warning system lies in the recognition of its benefits by local people. A successful climate early warning system saves lives, infrastructures, land and jobs and supports long-term sustainability. The development of CIEWS analytics for climate resilient infrastructure will support consideration of shocks (extremes) and stresses, across different decision timelines from day-to-day operations and management through to designing and planning for long-term climate change. It is also essential for accelerate the complementary role of insurance products to enhance existing risk management approaches to assist affected populations and enhance prevention and risk reduction.</i></p>	

Annex IV: Consultations and technical engagements

1. Previous versions of a guidance document on the approach and scope for providing support to adaptation have been published at the twenty-first, twenty-third, twenty-sixth and thirtieth meetings of the Board. On all occasions, the agenda item was not opened.
2. Prior to each of these Board meetings, the document underwent consultation with members of the Board and accredited entities 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 since B.26.
4. The table below summarizes major comments and feedback received from the Board and Investment Committee 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 accredited entities (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"> - For national adaptation plans (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. - Clarification on how the adaptation approach is really translated into actionable items. 	<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 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 the 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, recommendations from the Private Sector Advisory Group (PSAG), and the further development of the performance measurement frameworks and update to the results management framework.</p>

<p>B.23</p>	<p>Prior to B.23, the Secretariat prepared a revised draft of the document based on guidance received from the Board. An initial draft was consulted with the Board members which included recommendations from 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"> - 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. - On nationally determined contributions (NDCs) – how these can be turned into GCF investment plans. - On NAPs and national adaptation programmes of action (NAPAs) – how these could be the basis for climate rationale. - 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. - On climate rationale – how this is assessed and whether the use of robust attribution can be used as a form of conditionality. - On climate information in proposals – how baseline data should be strengthened as a key consideration for the assessment of funding proposals. - 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. - On funding gaps in particular sectors – such as health, oceans and biodiversity and how GCF intends to 	<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 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 Programme, 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 such as 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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	<p>mobilize funding for these overlooked sectors.</p> <ul style="list-style-type: none"> - 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. - On the most vulnerable and poor – how GCF intends to target this population and contribute to poverty reduction. 	
<p>B.26</p>	<p>In preparation for B.26, the Co-Chairs agreed that the paper shall be reviewed by the Investment Committee (IC) members prior to wider Board consultation. Key questions and comments received from the IC include:</p> <ul style="list-style-type: none"> - Clarification on how the recommendation of the Independent Evaluation Unit (IEU) on transformational adaptation projects are addressed. - Have the PSAG recommendations been noted 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? - Any updates to the climate rationale? - [Reference to IEU forward-looking performance review] Clarity in the background but also reflect the IEU recommendations throughout the document and where they are touched upon. - [Private sector adaptation] Possibility of strengthening through PSAG? 	<p>In addressing the comments to the IC review, the Secretariat made further updates to the document.</p> <p>First, the discussion of the IEU in the forward-looking performance review 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 results management framework into the integrated results management framework (IRMF), which has been consulted on 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 did not attract consensus in the past including steps to enhance climate rationale, which is being addressed in a separate paper pursuant to the Updated Strategic Plan for 2020-23, 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 by providing additional inputs from the IEU and PSAG recommendations that are currently being addressed by the Private Sector Facility (PSF).</p>
<p>B.30</p>	<p>Prior to B.30, the Secretariat prepared a revised draft of the document and received the following key comments. Responses to these comments and the location of corresponding text in the present version are given in the next column.</p>	

<p>1. Several Board members requested that the paper include further strategic guidance on areas where the GCF should focus on improving, based on its comparative advantage and current working modalities, via additions to the draft decision text, included in annex I, specifically identifying strategic areas for the GCF to enhance adaptation support.</p> <p>2. Several suggestions recommended that the paper elaborate on and provide responses to evaluations from the IEU. It was suggested to refer to and incorporate the findings and recommendations from the recent IEU evaluation of the adaptation portfolio and approach of the GCF.</p> <p>3. Many comments explicitly encouraged further description and scaling up of the role of the PSF in adaptation programming.</p> <p>4. Several comments requested that there be an information session on the ongoing innovative GCF private sector adaptation projects to provide good practice examples of private sector involvement in adaptation and inspiration to prospective GCF project proponents.</p> <p>5. Other comments highlighted that the document could provide better guidance to help AEs and other stakeholders fully understand the GCF mandate to enhance adaptation. One of the key challenges around adaptation is the difficulty in distinguishing between climate change adaptation projects and general development projects, and this is not well addressed in the document.</p>	<p>1. As suggested, an extended decision text has been proposed (annex I to this document) that explicitly addresses this comment and adds specific text regarding the enhanced role of the PSF, scaled up capacity building activities, and clear guidance for the development and assessment of adaptation proposals (which is addressed in draft “Steps to enhance the climate rationale of GCF-supported activities”).</p> <p>2. Additions and modifications to the text have been included, which summarizes the key recommendations from the IEU evaluation “Independent Evaluation of the Adaptation Portfolio and Approach of the GCF”, and the Secretariat responses.</p> <p>3. The revised paper places a greater focus on the comparative advantage of the GCF with renewed emphasis on the role of the PSF. The role of the Private Sector Strategy in boosting adaptation action is also reflected in the decision text in annex I of this document.</p> <p>4. The Secretariat notes the suggestion and will raise the issue of information sessions during the further dialogue to agree the content of a final draft. Scaled-up capacity building is reflected in the decision text in annex I of this document.</p> <p>5. Additions and modifications to the text now more clearly articulate future ambition and strategy for adaptation (section IV, Support for developing the adaptation portfolio). The issue of the intertwined nature of adaptation and development is addressed completely in the companion paper, “Steps to enhance the climate rationale of GCF-supported activities”.</p>
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Technical engagements

5. 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 accredited entities and private sector engagement in adaptation. The findings can be found in document GCF/B.21/Inf.03/Add.01.
6. Additionally, the Secretariat organized a two-day technical expert workshop 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 United Nations Framework Convention on Climate Change (UNFCCC).
7. 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.
8. 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.
9. The Secretariat has continued to respond to the key findings and insights from these engagements not only through the development of this guidance on the GCF approach and scope



to support adaptation, but also through strengthening and improving our processes and practices throughout the different GCF modalities.

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