



**GREEN  
CLIMATE  
FUND**

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Provisional agenda item 13

**GCF/B.33/05**

24 June 2022

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# Steps to enhance the climate rationale of GCF-supported activities

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## **Summary**

This document responds to the Board's request to the Secretariat to address policy matters related to the investment framework, including steps to enhance the climate rationale of GCF-supported activities (see decision B.19/06). This terminology is used to reflect the Board decision and on the understanding that it was not intended to set out any new project selection or eligibility criteria for GCF funding. Rather, it was intended to strengthen the ability of AEs to clearly demonstrate the climate impact potential of proposals. Given that no new eligibility criteria are implied, and following extensive consultation, this paper proposes a working definition of climate rationale as the overarching narrative of a proposal which ensures that it addresses climate change and thus contributes to the criteria of the GCF Investment Framework. This paper sets out principles-based guidance for demonstrating the climate rationale for both mitigation and adaptation which will promote a transparent and consistent approach to the assessment of funding proposals. It also describes further action that the Secretariat will take, in close cooperation with the TAP and the wider expert community, to develop dynamic online resources to assist countries and AEs employ the guidance.

## I. Introduction

1. Under the Governing Instrument for the GCF, given the urgency and seriousness of climate change, the purpose of the GCF is to make a significant and ambitious contribution to the global efforts towards attaining the goals set by the international community to combat climate change. The Board has since taken a series of decisions setting out how the resources of GCF should be deployed to support mitigation and adaptation activities in developing countries, including that:
  - (a) In relation to adaptation, resources will be allocated based on: (i) 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; (ii) the urgent and immediate needs of vulnerable countries, in particular least developed countries (LDCs), small island developing States (SIDS) and African States (see decision B.05/05, paragraph(d)); and
  - (b) In relation to mitigation, resources will be allocated based on the ability of a proposed activity to demonstrate its potential to limit and reduce greenhouse gas (GHG) emissions in the context of promoting a paradigm shift (see decision B.05/05, paragraph(e)).
2. In line with the updated Strategic Plan for the GCF 2020–2023 (USP), paragraph 13(a), the GCF has committed to deliver greater mitigation and adaptation impact for developing countries compared with the initial resource mobilization (IRM) period while strengthening country ownership and capacity to identify, design and implement projects and programmes. The USP also commits the GCF to deliver balanced funding across mitigation and adaptation over time, as well as use minimum allocation floors as appropriate in allocating resources for adaptation, taking into account the urgent and immediate needs of developing countries that are particularly vulnerable to the adverse effects of climate change, including LDCs, SIDS and African States.
3. Through its decision B.19/06, paragraph (d), the Board requested the Secretariat to develop an integrated approach to address the policy gaps related to the investment framework, including steps to enhance the climate rationale of GCF-supported activities.
4. In decision B.19/06, paragraph (f), the Board also requested the Secretariat to include in their approach a capacity-building strategy to support national designated authorities/focal points, and AEs, particularly direct access entities (DAEs), to incorporate these policies into their interactions with the GCF.
5. In response to decision B.19/06, paragraph (d), in 2018 the Secretariat commissioned a study from the World Resources Institute on GCF's adaptation approaches. Based on that study and in consultations with the Board, an initial paper with a focus on adaptation climate rationale and readiness was developed for the twenty-first meeting of the Board (B.21). However, the paper was not considered by the Board during that meeting.
6. Also, in response to decision B.19/06, paragraph (d), the Secretariat initiated technical work with the World Meteorological Organization (WMO) on the development of information platforms and guidance for providing climate data aspects required for adaptation proposals. This tool was launched at COP26 in Glasgow in 2021 and is operational. This and other related tools and resources form components of the recommendations proposed in this paper.
7. In accordance with the USP (paragraph 20 (c)(v)), the Board undertook to strengthen the GCF investment framework, by seeking to urgently close remaining investment policy gaps, including steps to enhance the climate rationale of GCF-supported activities.

8. In decision B.28/03, paragraph (b), the Board requested the Secretariat, in close consultation with the TAP, to develop a transparent and consistent approach to their assessment of funding proposals.
9. In this paper, the terminology “climate rationale” is retained specifically to mirror the related Board mandate from decision B.19/06, paragraph (d). This terminology is used on the understanding that it was not intended by the Board to set out any new project selection or eligibility criteria for GCF funding. Rather, it was intended to strengthen the ability of AEs to clearly demonstrate the climate impact potential of proposals in line with the GCF initial investment framework. Given that no new eligibility criteria are implied, this paper proposes a working definition of climate rationale as the overarching narrative of a proposal which ensures that it addresses climate change and thus contributes to the criteria of the GCF Investment Framework. Specific further definitions for mitigation and adaptation respectively are provided in the relevant sections of this paper.

## II. Policy rationale

10. The Board has recognized that there is an urgent need for clear and consistent guidance to inform and assist accredited entities (AEs) in presenting climate-related information related to establishing the impact potential of funding proposals. The same guidance would facilitate more consistent and transparent assessment of proposals by the Secretariat and the independent Technical Advisory Panel (TAP).
11. The urgency for this guidance stems from the assessment of funding proposals where challenges in demonstrating climate rationale have historically prevented proposals proceeding to, or successfully receiving endorsement from, the TAP. This has resulted in delays in the review process and access to GCF resources because funding proposals have undergone multiple revision rounds, with some either not receiving endorsement or being recategorized. The issue has historically been particularly acute for adaptation projects, raising concern about achieving the target from the first replenishment of the GCF (GCF-1) of maintaining a 50:50 balance in adaptation and mitigation funding over time.
12. Between B.23 and B.29, 11 out of 21 funding proposals which were not endorsed by the TAP initially (52 per cent of all non-endorsements) were not endorsed on the grounds of insufficient demonstration of “climate rationale”. Of these 11 proposals, seven were for adaptation and two were cross-cutting. Over the same period, other funding proposals were unable to proceed to TAP review because of similar issues.
13. Analysis of the existing portfolio by the Secretariat has shown that in mitigation, approved funded activities, particularly those approved early in the IRM period, did not always provide sufficient information on the methodology applied, underlying assumptions or precise data used, which has led to or could lead to incorrect estimates of GHG emission reductions.
14. An Independent Evaluation Unit evaluation (GCF/B.28/17) and Secretariat review of the portfolio has shown that for adaptation, proposals have sometimes failed to provide a clear and convincing demonstration of the climate hazards and related impacts which the proposal is seeking to address. The main deficiencies in assessing climate risks and impacts have been identified as: (i) unavailability of data; (ii) lack of clear articulation of the relevance of the proposed activity to a specific climate hazard; and (iii) lack of clear articulation of the exposure and vulnerability of people, systems, or ecosystems.
15. This paper and the draft decision in annex I aim to respond to the various Board mandates and the operational challenges set out above by articulating recommendations to enhance the climate rationale of GCF-supported activities through clear, principles-based guidance that is consistent with and in most cases more rigorous than equivalent guidance from other climate finance mechanisms. The paper also describes further initiatives that the

Secretariat proposes to take, in consultation with AEs, the TAP, and the wider climate action expert community, to develop ongoing practical guidance, open-source information platforms, tools and capacity support to help AEs provide the necessary overarching narrative and key components that articulate how their proposals address climate change and contribute to ambitious climate action.

16. This guidance will promote the submission of higher quality funding proposals and will ensure a consistent and transparent approach to review by the Secretariat and the TAP. This will in turn enable developing countries to access GCF resources more effectively and enhance the ability of GCF to contribute to the objectives of the United Nations Framework Convention on Climate Change (UNFCCC) and the goals of the Paris Agreement by making investment decisions that maximize opportunities for each country.

17. The guidance proposed in this paper is closely related to, and provides important context to, other policy papers, specifically, “Update of the simplified approval process”, “Policy on Programmatic Approaches”, and “Guidance on the approach and scope for providing support to adaptation activities”.

18. This paper describes initiatives that will provide support to AEs and countries in the use of the guidance, including through the Readiness and Preparatory Support Programme (Readiness Programme) and Project Preparation Facility (PPF) support mechanisms.

### **III. Steps to enhance the climate rationale of GCF-supported activities**

19. This paper responds directly to Board decisions B.19/06(d), B.19/06(f) and B.28/03(b) by:

- (a) Setting out principles-based guidance for both mitigation and adaptation in Sections IV and V, and by doing so identifying the key recommendations that enhance the articulation of climate impact potential of GCF-supported activities; and
- (b) Outlining further actions that the Secretariat proposes to take, in consultation with the TAP 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.

20. The guidance will benefit all GCF stakeholders, but especially:

- (a) NDAs, which can use the recommended guidance to inform national planning for climate action and climate finance which will lead to actionable proposals;
- (b) AEs, where use of the recommended guidance will provide clarity for developing the climate impact potential of proposals, reducing their workload and reducing the number of review iterations of funding proposals;
- (c) The TAP, which will receive proposals with a better articulation of climate impact potential, leading to a more effective and streamlined review process. The development of the guidance and related further actions cements ongoing scientific dialogue between the TAP and the Secretariat, and will ensure common principles and expectations;
- (d) The Secretariat, which can work with AEs and national designated authorities (NDAs) to use the guidance to streamline the proposal development cycle, leading to improved internal review outcomes and a more rapid flow of proposals for endorsement to the Board;

- (e) Delivery partners (e.g., of Readiness Programme grants), who can use the guidance to inform NDAs and DAEs in best practice approaches for designing the most relevant climate actions.

21. Reiterating that no new eligibility criteria are implied, the climate rationale supplies the overarching narrative of a proposal which ensures that it addresses climate change and thus contributes to the criteria of the GCF Investment Framework. The principles that guide this narrative differ depending on whether a proposed activity is for mitigation, adaptation, or cross-cutting, and this distinction is set out in more detail in the following two sections.

#### **IV. Principles for demonstrating the climate rationale of mitigation activities**

22. Proposals for mitigation activities should demonstrate that a projected level of GHG emissions reductions (or removals) will occur, and that these emission reductions would not have happened without the GCF-funded activity.

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

- (a) Proposals should confirm alignment of the activities with host country priorities, including its nationally determined contribution (NDC) or other national and long-term climate strategies consistent with keeping a 1.5° C temperature increase within reach. The GCF is an operating entity of the financial mechanism of the UNFCCC and the Paris Agreement, and it is important to confirm that the GCF-funded activity is aligned with the NDC or other national climate strategies of the country. This also helps ensure that country ownership is integrated in the proposal and that activities are targeting the areas of highest potential impact and need for that country;
- (b) A methodological approach for the quantification of the mitigation results of the activity and its monitoring needs to be selected and implemented. The GCF does not prescribe any specific methodologies, but strongly encourages AEs to utilize, whenever possible, the multitude of tools and methodologies developed for the quantification and monitoring of mitigation impact. Since the adoption of the UNFCCC and subsequently the Kyoto Protocol and the Paris Agreement, significant work has been done towards establishing methodologies for mitigation activities. Examples of suitable methods include the Clean Development Mechanism and joint implementation under the Kyoto Protocol, which have established methodologies for quantifying mitigation impact for projects and programmes.
- (c) Proposals should use the methodology most relevant to the specific activities proposed. Articulation and assessment of mitigation impact follows a number of standard steps: determine project impact boundaries; define the baseline; and show additionality. In the context of a mitigation project, an activity is considered additional if it can be shown that the GHG emission reductions would not occur in the absence of the GCF funding. Each of these steps will be described in more detail and illustrated with worked examples in the suite of supplementary online resources (the Climate Information Gateway, see section VI). These dynamic resources will be maintained and updated in collaboration with all stakeholders.
- (d) The quantification of mitigation impact should use consistent assumptions (e.g., emission factors) to those made in national GHG reporting as this will allow for the accurate quantification of the support provided to countries in meeting their NDCs in line with the Paris Agreement.

- (e) Proposals should describe the establishment of a measurement, reporting, and verification (MRV) system for the GHG emission reductions and removals of the proposed activity. This will facilitate the assessment, during and after implementation, of whether the funded activity generated the projected mitigation results. This will in turn provide learnings to the Fund, accredited entities, and host countries towards maximising the impact of future mitigation activities. When describing the monitoring, reporting, and verification of mitigation results, proposals should include all indicators, equations, input values to formulae, and any other assumptions used to quantify the emission reductions or removals, baseline and project scenarios, and information on how the monitoring, reporting, and verification will be conducted. Proposals should also provide projections of the annual emission reductions or removals during the lifetime of the project or programme.

## V. Principles for demonstrating the climate rationale of adaptation activities

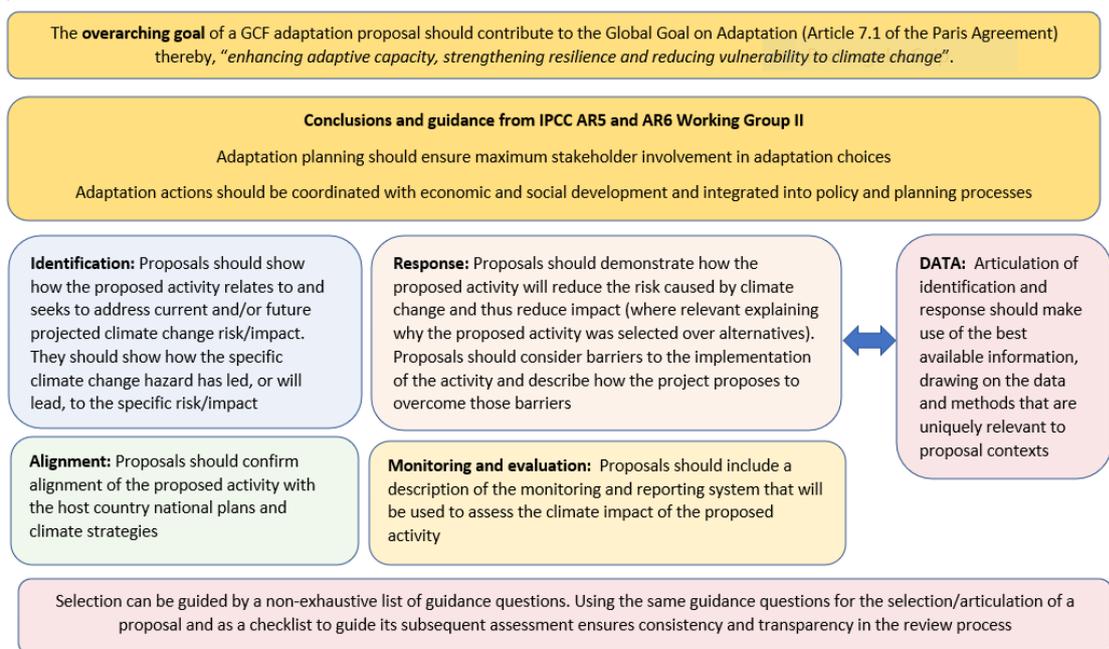
24. For adaptation activities, climate rationale is established by providing an evidence-based analysis to show that a proposed activity is likely to be an effective adaptive response to the risk or impact of a specific climate change hazard.
25. In this paper and in all related guidance we use the IPCC terminology of risk resulting from the combination of hazard(s), exposure and vulnerability (and leading to impact if the risk materializes). For simplicity, these terms are used in the singular but with the implicit understanding that there can be multiple hazards, vulnerabilities, risks and impacts.
26. Establishing the climate rationale for an adaptation funding proposal follows four high-level principles:
- (a) **Identification:** Adaptation proposals should show how the activity addresses current or future projected climate change risk or impact, and why it is likely to be an effective response. Proposals should identify the systems at risk and the climate change hazard affecting them or expected to in the future. They should show how climate change has led, or will lead, to the specific risk or impact that the proposed activity addresses using the best available information. Where relevant, proposals should also consider any non-climatic factors that may be causing or exacerbating the risk or impact and describe the interactions between climate change and non-climatic drivers. Vulnerability assessments can be used to identify groups, sectors and subregions most susceptible to the climate change impact and therefore will provide information to select and prioritise appropriate adaptation outcomes.
- (b) **Response:** Proposals should explain how the activity will reduce the exposure and/or vulnerability (of people, systems, or ecosystems) and thus lessen the climate change risk or impact. Where relevant, a justification should be given of why the proposed activity was selected over alternatives. Proposals should consider barriers (e.g., technical, social, institutional, regulatory) to the implementation of the activity and describe how the project aims to overcome those barriers. Proposals should apply a methodological approach for the quantification of the number of beneficiaries expected to result from the activity.
- (c) **Alignment:** Proposals should confirm alignment of the proposed activity with the host country's national plans and climate strategies (including their NAPs, NAPAs, long-term climate strategies, and adaptation communications including those submitted as components of NDCs, as applicable). This helps ensure the country ownership of the proposal and that activities are targeting areas of highest potential need and impact for that country.

(d) **Monitoring and evaluation:** Projects with a well-designed theory of change are more likely to result in successful outcomes that can be measured and evaluated. Proposals should include a description of the monitoring and evaluation system that will be used to assess the climate impact<sup>1</sup> of the proposed activity and 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.

27. These principles were arrived at following a wide-ranging review of adaptation assessment frameworks used by other organizations. Annex II, Supplementary Table 1 compares six widely used adaptation assessment frameworks alongside the four key principles for GCF adaptation guidance. It should be noted that the various methodologies serve different purposes: early IPCC guidance was largely to inform the IPCC process; the MDB’s joint report is used to track the flow of climate finance; whilst the four principles proposed by the GCF are used to establish the climate rationale of an adaptation proposal, both as guidance for proposal development and for transparency in its subsequent assessment. Table 1 shows that the four GCF principles are consistent with the approaches of other organizations and offer rigorous criteria for selection and assessment. In Table 1, equivalent aspects of the assessment process have been colour-shaded to aid comparison (blue = problem identification; orange = proposed response; green = policy alignment; yellow = monitoring and evaluation).

28. Based on analysis of other adaptation funders, guidance from the IPCC AR5 and AR6 Working Group II reports, and strong direction from the UNFCCC policy dialogue, it is possible to embed the four principles within a wider guidance framework for the selection of adaptation activities and the preparation of adaptation proposals. Figure 1 shows a systematic approach to designing adaptation proposals with a clear climate rationale, based on the four principles outlined in this paper, guided by an overarching goal, using the best available information and data, and supplemented by a non-exhaustive set of guidance questions.

**Figure 1: Guidance framework for selection and assessment of a GCF adaptation proposal**



<sup>1</sup> Impact here refers to adaptation beneficiaries as described in the GCF Results Management Framework (RMF), rather than the IPCC usage in paragraph 25. The new Integrated Results Management Framework will in future refer to “outcomes of adaptation activities”.

29. The overarching goal of a GCF adaptation proposal should contribute to the Global Goal on Adaptation (Article 7.1 of the Paris Agreement) thereby, "... enhancing adaptive capacity, strengthening resilience and reducing vulnerability to climate change".
30. Selection and assessment could both be guided by a checklist of questions. Using the same questions for the selection and articulation of the activities within an adaptation proposal, and then as a checklist to guide its subsequent assessment, ensures consistency and transparency in the review process. An initial, indicative, non-exhaustive, list of questions could form part of the supplementary suite of online resources (the Climate Information Gateway, see section VI) which can be updated in collaboration with all stakeholders.

### **Use of information and data**

31. Articulation of the identification and response stages should make use of the best available information and data, which may come from a variety of sources, and be adapted to information and data availability, context and capacities for a specific country, region, or AE. In this guidance, we refer to information and data together, putting information first since for data to become information it requires context (data are simply numbers, facts or details from which information is derived and are seldom useful alone). Recognizing the significant variation in information and data availability across countries and contexts, the GCF makes no prescription of the use of any specific information or data type. Furthermore, these recommendations for the use of information and data provide clarity on the use of data and information including from the IPCC and the use of traditional, local and indigenous knowledge and practices in the assessment of concept notes, project preparation funding applications and funding proposals, in accordance with decision B.32/08, paragraph (c).
32. The IPCC stresses the value of developing any climate analysis by using multiple lines of evidence<sup>2</sup>. This underlines the importance of using integrated information above any single type or source of data. When determining climate risk from the combination of historical data and future climate projections, proposals should consider the consistency and agreement between the different sources of information including traditional, local and indigenous knowledge and practices.
33. The most recent syntheses of the IPCC should be considered a gold standard for climate science and climate change attribution, along with relevant peer-reviewed journal publications where they provide results relevant to the proposal (e.g. geographically). 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, demonstrating the identification and response principles should make use of project-specific local information and observational data where it is available and of sufficient quality. Where such information and data are not available or are not of sufficient quality then alternative peer-reviewed and scientifically credible datasets such as global gridded data or climate reanalyses may be used to show historical climate.
34. 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 information and data provide an essential baseline against which adaptation options can be compared (e.g., 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.

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<sup>2</sup> See p4 of [https://www.ipcc.ch/report/ar6/wg1/downloads/report/IPCC\\_AR6\\_WGI\\_SPM.pdf](https://www.ipcc.ch/report/ar6/wg1/downloads/report/IPCC_AR6_WGI_SPM.pdf)

35. A wide range of community 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 information that are specific to the risk and hazard of their proposal.

36. Following the analysis and interpretation of proposal-specific information, the overall quality of the proposal can be assessed using a similar approach to that taken by the IPCC to obtain explicit confidence assessments. In the IPCC process, qualitative judgement is made based on the quality and quantity of evidence and its agreement<sup>3</sup>. The confidence tool shown in Figure 2 modifies the IPCC approach for the assessment of adaptation proposals by combining two dimensions: the first representing a judgement about the quality of evidence for the climate hazard, and the second being a judgement of the risk or impact being caused by that hazard. Combining the subjective assessment of the quality of evidence for the hazard, and its causal link to the evidence of risk or impact, leads to an overall assessment of confidence in the climate rationale.

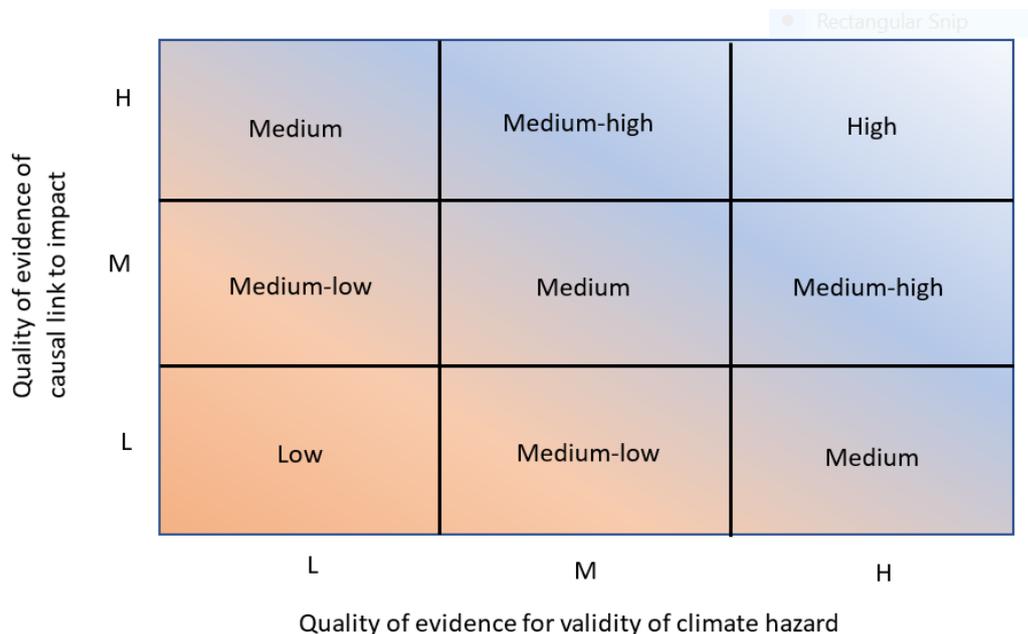
37. This approach promotes transparency in the review process because it ensures all evaluations are being made against the same criteria whilst allowing for subjectivity (thus preserving the independence of reviewers). It is a flexible approach that can cater for context-specific expectations in confidence, depending on the scale, nature, geography, and modality of proposals. Assessing evidence is subjective, and in climate adaptation it is important to understand that the inherent uncertainties in both climate models and socio-economic responses will seldom result in assigning an overall confidence of “high” as per Figure 2.

38. A guiding question regarding the sufficiency of evidence required for either judgement is whether acquiring additional information or data would change the qualitative assessment of confidence: if not, then the information used is sufficient and additional data has no added value. A good example (which responds to decision B.32/05 regarding the update to the simplified approval process) is where scientific evidence of the existence of a hazard has high confidence (e.g., from IPCC synthesis reports) and traditional, local and indigenous knowledge and practices connects that hazard with observed impacts with high confidence, then there should be no requirement to conduct further unnecessary analysis.

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<sup>3</sup> See [https://www.ipcc.ch/report/ar6/wg1/downloads/report/IPCC\\_AR6\\_WGI\\_TS.pdf](https://www.ipcc.ch/report/ar6/wg1/downloads/report/IPCC_AR6_WGI_TS.pdf)

**Figure 2: Confidence tool for assessing the confidence in the evidence presented for an adaptation proposal (adapted from IPCC AR5 WGII). Overall confidence is indicated by the colour scale.**



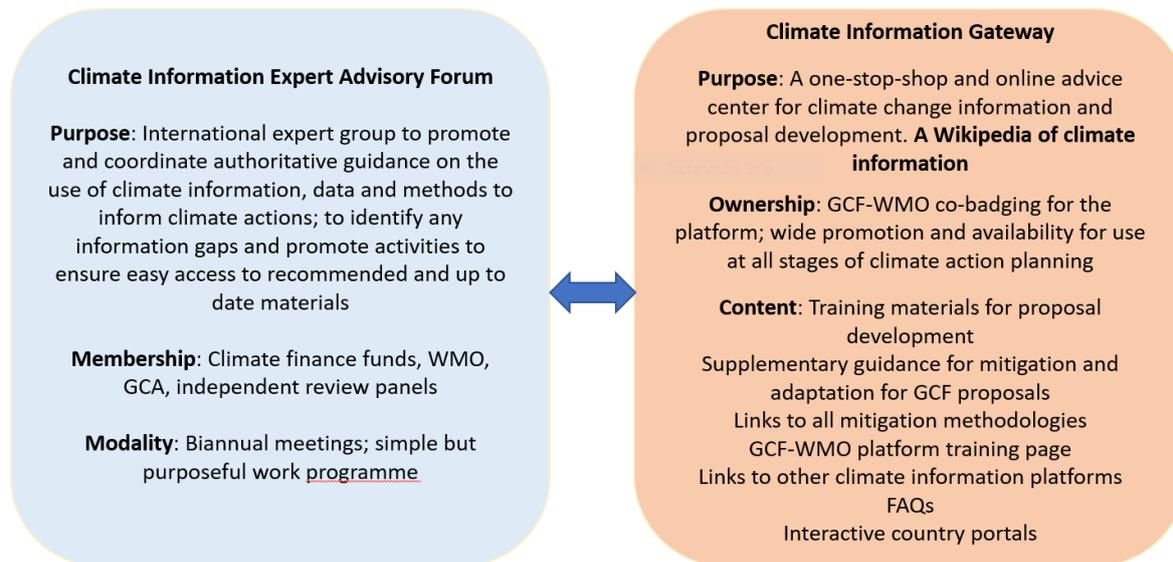
## VI. Framework of measures to enhance the climate rationale of GCF-supported activities

39. In line with the principles-based guidance described in this paper, the Secretariat will, in ongoing consultation with AEs, the TAP, and the wider climate action expert community (especially the World Meteorological Organization, WMO), develop and maintain a framework of training materials, practical advice, tools and capacity support to assist countries and AEs develop strong proposals. This dynamic, online network of resources – the GCF Climate Information Gateway, see Figure 3 – will provide up-to-date links to inter alia all available country-level climate risk profiling, all existing mitigation methodologies, and climate model information platforms.

40. The GCF will continue its collaboration with the WMO and maintain and improve the GCF-WMO Climate Information platform which provides a user-friendly online tool for AEs to access climate indicators relevant to their proposals using the most recent IPCC climate models, and also calculate proposal-specific climate indicators from any data time series. The GCF and WMO aim to investigate the scope for creating an international team of climate science experts who can be assigned to assist with climate-science aspects of Concept Note and Funding Proposal development.

41. The gateway will enable countries, AEs and Secretariat to share solutions used to overcome problems in demonstrating climate rationale. It will also contain a list of frequently asked questions, and all material will be reviewed and updated when required by an expert group, the Climate Information Expert Advisory Forum.

**Figure 3: GCF Climate Information Gateway and Climate Information Expert Advisory Forum**



42. The Climate Information Expert Advisory Forum will provide oversight of the plethora of climate information needed by all our stakeholders. The forum would provide authoritative guidance on the use of the diverse sources of data and information. It would assist in defining what is the best available information in a given context (an example would be to advise on the merits and demerits of climate reanalysis products according to region). The forum would promote complementarity, avoidance of duplication, the identification of any gaps in the information available, and an effective and timely collective response to the provision of any new guidance or information required.

## VII. Support to be provided by the GCF to accredited entities in the use of the guidance

43. The primary motivation for this paper is to ensure that countries, AEs, and DAEs in particular receive clear and consistent guidance that enables them to develop a high-quality demonstration of climate rationale that leads in turn to proposals with a significantly greater chance of being endorsed for GCF funding.

44. In line with this, and in response to decision B.19/06, paragraph (f), the Secretariat will support the use of this guidance with a suite of capacity-building measures to assist NDAs/focal points and AEs. Support measures may include (but are not limited to):

- (a) Direct mentoring from, and early engagement of, GCF technical experts in proposal conceptualisation;
- (b) Utilization of the Readiness and Preparatory Support Programme to strengthen countries' capacities to undertake adaptation planning and investment programming, and to help countries identify their priorities for adaptation action based on relevant data; and
- (c) Utilization of Project Preparation Facility (PPF) funding to help countries convert project ideas identified in their country programmes into actionable investments, as mandated by Board decision B.13/21. The PPF is designed especially to support DAEs for projects in the micro (< USD 10 million) to small (USD 10–50 million) size category,

with a view to enhancing the balance and diversity of the GCF project portfolio. However, all AEs are eligible to apply.

## VIII. Measurement of effectiveness, monitoring and review

45. The impacts of the proposed guidance and its effectiveness in enhancing the climate rationale in GCF-funded activities will be regularly monitored by the Secretariat. The Secretariat will provide regular updates on the implementation and outcomes of the activities described in this paper to the Board under its periodic activity reporting, Report of the Activities of the Secretariat.

## IX. Consultations

46. A consultation draft of this paper was sent to all Board members and alternates on 19 July 2021. The Secretariat received 11 sets of comments from Board members and 65 comments in total. The full comments and Secretariat responses can be found in the comment response matrix that is published alongside this paper.

47. All comments were supportive of the overall aims of this paper. Key areas in which further development of the paper was requested included the following:

- (a) There were differences of view about the appropriate level of detail expected in the paper. Some comments reflected that only a very high-level, principles-based approach should be presented. Others desired more specific guidance and detail. The Secretariat considers this an area which would greatly benefit from further dialogue among the Board to inform refinement of the paper;
- (b) Many of the comments requested more details on, or examples of, the tools, methodologies and datasets that should be used in the development of climate rationale, and some comments recommended specific approaches. As the modified text, and particularly the draft decision, now make clear, the proposal is that this level of detail be provided by the ongoing development by the Secretariat of a range of supporting materials, platforms, interactive forums and examples, compiled on an accessible web platform. The principles-based approach proposed in this paper is designed to establish an inclusive approach, where different methodologies could be used by AEs to establish the climate impact potential of GCF funding proposals, allowing flexibility to account for different country and project contexts;
- (c) Another frequent request was to more openly acknowledge the diverse capabilities, capacities and data availability of different countries. This has been addressed in several sections of this document, making clear that the objective of this guidance is to promote the use of the best available data in a project-specific context and taking into consideration the significant variation of data availability across contexts;
- (d) Some comments expressed concern at the terminology “climate rationale”. The terminology “steps to enhance climate rationale” is retained with reference to the mandate in decision B.19/06, paragraph (d), but is categorically not intended to establish new eligibility criteria; and
- (e) Finally, some comments were made regarding matters that are considered beyond the immediate scope of this paper. These comments included (i) requests to clarify the TAP assessment criteria, (ii) the process for evaluation of the IEU adaptation evaluation and (iii) consideration of a wider adaptation strategy. Whilst beyond the immediate scope of this paper, it was noted that these matters should be deferred for Board consideration.

48. The consultation draft was sent to the TAP and AEs for their review, and they raised similar issues to those of Board members. In the time available between the initial consultation period and publication for B.30 (where the paper was not in fact tabled) the Secretariat was not able to incorporate all those comments in the paper but took note of them and has incorporated them into this most recent draft. It is noted that all AEs who commented were very supportive of the framework of measures described in section VI of this document.

49. To further address the Board member comments, a technical session was convened on 24 September 2021 which led to a series of bilateral consultations in January 2022 (with seven Board member seats) to facilitate detailed discussion of remaining issues. Those consultations resulted in agreement that this current draft of the paper should provide a careful definition of climate rationale, and that the format of guidance for mitigation and adaptation is necessarily different. The consultations requested further clarity regarding: (a) a consistent use of IPCC terminology in describing hazard, risk, and impact; (b) more detailed guidance for both mitigation and adaptation than in the B.30 draft; (c) a requirement to describe more clearly what is meant by 'best available data' and provision of clear advice on the use of scientifically peer-reviewed data where available; and (d) the inclusion of planned country-level data exchanges (via a portal) where country partners can themselves share information. Those comments were addressed in the consultation draft for B.32 (but the paper was not ultimately put on the agenda).

50. Written comments on the consultation draft for B.32 were received from four Board Members and one member of the TAP. Those comments are addressed in the B.33 publication and comments and responses from all consultations are published alongside this paper in document GCF/B.33/05/Add.01.

## **X. Recommendation to the Board**

51. It is recommended that the Board adopt the draft decision presented in annex I to this document.

## Annex I: Draft decision of the Board

The Board, having considered document GCF/B.33/05 titled “Steps to enhance the climate rationale of GCF-supported activities”:

- (a) *Takes note* of the steps to enhance the climate rationale of GCF-supported activities as presented in document GCF/B.33/05;
- (b) *Reiterates* that no new eligibility criteria are implied by the principles described in the document GCF/B.33/05 and *agrees* to apply the operational definition of climate rationale to refer to the overarching narrative of a proposal which ensures that it addresses climate change and thus contributes to the criteria of the GCF Investment Framework;
- (c) *Underscores* that demonstrating the climate rationale of GCF-supported activities should make use of the best available information and data, taking into account the context of the proposal and the different capabilities of the accredited entities, countries, and regions;
- (d) *Welcomes* the strong capacity-building strategy in the approach, in line with decision B.19/06, paragraph (f);
- (e) *Requests* the Secretariat and the independent TAP to use the principles for demonstrating the climate rationale of mitigation and adaptation activities set out in document GCF/B.33/05 to establish a more transparent and consistent approach in their respective guidance to accredited entities and in their assessment of funding proposals;
- (f) *Requests* the Secretariat to develop and implement the framework of measures to enhance the climate rationale of GCF-supported activities set out in section VI of GCF/B.33/05, and to report to the Board on the progress of development and uptake of these measures as part of the Report of the Activities of the Secretariat;
- (g) *Requests* the Secretariat to urgently communicate the principles for demonstrating climate rationale, as well as promote the framework of measures and initiatives to enhance the climate rationale of GCF-supported activities, to accredited entities, national designated authorities, Readiness delivery partners and other stakeholders; and
- (h) *Also requests* the Secretariat to provide capacity building support to accredited entities, especially Direct Access Entities, to use the framework of measures and initiatives to enhance the climate rationale of GCF-supported activities, and to take into account their feedback for future enhancements.

**Annex II: Supplementary Table 1 – Approaches to assessing adaptation actions (mapped by climate finance organizations and key reports)**

Source	IPCC Technical Guidelines for Assessing Climate Impacts and Adaptation. Carter et al. (1994)	UNDP Adaptation Policy Frameworks for Climate Change: Developing Strategies, Policies and Measures. (Lim and Spanger-Siegfried, 2004)	The Adaptation Fund	USAID Small Grants Guide	Joint Report on MDB's climate finance (2020). Based on the MDB/IDFC "Common Principles for Climate Change Adaptation Finance Tracking"	STAP guidance for adaptation climate change rationale in GEF LDCF/SCCF projects	GCF high-level principles for establishing the climate rationale of an adaptation proposal
Context or purpose	Assessment of impact and evaluation of adaptation for Working Group II of IPCC	Developed to aid implementation of Global Environment Facility (GEF) and other UNDP initiatives	Assessment of proposals for Adaptation Fund approval to their board	Specifically designed for assisting AEs develop small GCF projects.	Adaptation finance tracking methodology to identify adaptation activities of the MDBs	Decision tree support tool to select high standard projects with clear adaptation rationale	Guidance for proposal development and the basis for consistent proposal assessment
Approach and notes	<p>Seven steps:</p> <ol style="list-style-type: none"> <li>1. Define problem</li> <li>2. Select method</li> <li>3. Test method/sensitivity</li> <li>4. Select scenarios</li> <li>5. Assess biophysical impacts; assess socio-economic impacts</li> <li>6. Assess autonomous adjustments</li> <li>7. Evaluate adaptation strategies</li> </ol>	<p>Five components:</p> <ol style="list-style-type: none"> <li>1. Scoping and designing an adaptation project: ensuring that a project is integrated into the national policy planning and development process</li> <li>2. Assessing current vulnerability</li> <li>3. Assessing future climate risks focuses on the development of scenarios of future climate, vulnerability, and socio-economic and environmental trends</li> <li>4. Formulating an adaptation strategy in response to current vulnerability and future climate risks</li> <li>5. Continuing the adaptation process involves implementing, monitoring, evaluating, improving and sustaining the adaptation project.</li> </ol>	<p>Project eligibility is screened against ten criteria:</p> <p>Has the government endorsed the project through its Designated Authority?</p> <p>Is the project consistent with national sustainable development strategies, national development plans, poverty reduction strategies, national communications or adaptation programs of action, or other relevant instruments?</p> <p>Does the project support concrete adaptation actions to assist the country in addressing the adverse effects of climate change and build in climate change resilience?</p> <p>Is the project cost-effective?</p> <p>Does the project provide economic, social and environmental benefits, with particular reference to the most vulnerable communities, including gender considerations?</p> <p>Does the project meet the relevant national technical standards? Is there duplication of project with other funding sources?</p> <p>Does the project have a learning and knowledge management component? Has the project provided justification for the funding requested?</p> <p>Does the project align with the AF results framework?</p>	<p>Steps for project selection:</p> <ol style="list-style-type: none"> <li>1. Gather data and information</li> <li>2. Describe historical changes</li> <li>3. Identify project areas</li> <li>4. Describe the impact of past/current changes</li> <li>5. Describe the human impacts</li> <li>6. Describe future expected changes</li> </ol> <p>The USAID guide offers a simple definition of climate rationale which is that it is the explanation of how "changes in environmental conditions caused by global warming are (or will) make life difficult for people in some way".</p> <p>The USAID approach considers the response step to be beyond the climate rationale.</p>	<p>Three key steps:</p> <ol style="list-style-type: none"> <li>1. Setting out the climate change vulnerability context of the project</li> <li>2. Making an explicit statement of intent of the project to reduce climate change vulnerability</li> <li>3. Articulating a clear and direct link between specific project activities and the project's objective to reduce vulnerability to climate change</li> </ol> <p>N.B. these three steps and the words used are identical to those in the OECD DAC Rio Markers for Climate Handbook</p>	<p>An optimal LDCF/SCCF project will:</p> <ol style="list-style-type: none"> <li>1. Clearly substantiate that the climate is changing in a way that results in a climate hazard in the project's geographic area using relevant references</li> <li>2. Demonstrate that the changes in climate in the project area will have a meaningful impact on human well-being</li> <li>3. Establish if these impacts are viewed by the affected population as challenges that require attention</li> <li>4. Establish that there is a problem that requires adaptation, whether recognized or not by the population, and that selected interventions will address the challenge in an effective manner</li> <li>5. Ensure that the proposed interventions complement and/or build upon existing adaptation efforts</li> </ol>	<p>Four principles:</p> <ol style="list-style-type: none"> <li>1. <b>Identification:</b> Proposals should show how the activities relate to and seek to address current and/or future projected climate change impacts. 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 impacts that the proposed activity addresses using the best available data</li> <li>2. <b>Response:</b> Proposals should demonstrate how the activities will reduce the risk caused by climate change and thus reduce impact (where relevant explaining why the proposed intervention was selected over alternatives). Proposals should consider barriers (e.g. technical, social, institutional, regulatory) to the implementation of the activities and describe how the project proposes to overcome those barriers</li> <li>3. <b>Alignment:</b> Proposals should confirm alignment of the proposed activities with the participating countries' national plans and climate strategies (including their NAPs, NAPAs, long-term climate strategies, adaptation communications and NDCs, as applicable)</li> <li>4. <b>Monitoring and evaluation:</b> Proposals should include a description of the monitoring and reporting system that will be used to assess the climate impact of the proposed activity.</li> </ol>