

SIDS inputs to the update of the Initial Strategic Plan for the GCF

I. Mandate

Decision B.12/20, in which the Board endorsed the Initial Strategic Plan of the GCF, in paragraph (j) “*Decides* to review the Fund’s Strategic Plan as part of each replenishment process with a view to revising the strategic vision, if and as needed, and to update the core operational priorities and underlying action plan for the coming replenishment cycle, taking into account evolving priorities, including guidance from the Conference of the Parties and relevant reports from the independent evaluation unit.”

Decision B.21/18 “*Decides* to launch the process for the Green Climate Fund’s first formal replenishment” and has mandated a series of preparatory work to support the organization of the replenishment process.

Through paragraph (u), the same decision invites members of the Board to send inputs on the update of the Green Climate Fund’s Strategic Plan to the Secretariat by 30 November 2018, in order for the Secretariat to produce a synthesis of issues for consideration by the Board at its twenty-second meeting.

II. Overarching/ cross-cutting comments

SIDS welcome the opportunity to submit views on the update of the GCF’s initial strategic plan, which was endorsed by the Board as “a living document [...] to guide the Board in addressing policy gaps and programming the Fund’s resources of the Initial Resource Mobilisation period between 2015 and 2018 and to invest the Fund’s resources in transformational climate actions in a country-driven manner (decision B.12/20, paragraph (a)).

We note that with the completion of the first resource mobilization period and launch of the first formal replenishment, the GCF moves towards a new phase of its operationalization, at a time when the latest science on the impacts of 1.5°C of global warming and related GHG emission pathways, as reflected in the IPCC 1.5°C Special Report, confirms the urgency for the GCF to fulfil its transformational mandate and objective.

In accordance with decision B.12/20, paragraph (j), the synthesis of issues for consideration by the Board at its twenty-second meeting, to be prepared by the Secretariat in accordance with B.21/18, paragraph (u), should take into account:

- Relevant guidance from the twenty-fourth Conference of the Parties;
- Relevant findings and recommendations from the independent evaluation unit; and
- Relevant findings from the IPCC’s 1.5°C Special Report and related decisions by the Conference of the Parties.

With regard to the IPCC’s 1.5°C Special Report, we urge the Board and the Secretariat to consider scientific findings and evidence contained in the Summary for Policymakers that are relevant for enhancing our understanding of the GCF’s mandate and objective when updating and implementing the GCF’s strategic vision and core operational priorities for its next programming phase.

Specifically, projections of Paris Agreement consistent GHG pathways and future climate-related impacts, as well as related system transitions, provides new insight on:

- 1) the nature, scale, and timeframes of “the urgency and the seriousness of climate change” and the “global efforts towards attaining the goals set by the international community to combat climate change”, as contained in paragraph 1 of the GCF Governing Instrument;
- 2) the nature, scale, and timeframes of “low-emission and climate-resilient development pathways”, the “paradigm shift” towards such “pathways”, the related “context of sustainable development”, and the resulting “needs of those developing countries particularly vulnerable to the adverse effects of climate change”, as stipulated in paragraph 2 of the GCF Governing Instrument;
- 3) the nature, scale and urgency of increased adaptation and mitigation investments;
- 4) urgency for ambitious and transformational mitigation and adaptation actions¹ and for increased adaptation and mitigation investments², as mandated in paragraphs 2 and 3 of the GCF’s Governing Instrument; and
- 5) the urgency for enhanced international cooperation as a critical enabler for developing countries and vulnerable regions to strengthen their action for the implementation of 1.5°C consistent climate responses, including through enhancing access to finance and technology and enhancing domestic capacities, taking into account national and local circumstances and needs; and
- 6) the urgency to rapidly shift financial flows towards Paris Agreement consistent development pathways;

Further, the above mentioned findings and underlying Paris Agreement compatible scenarios should inform the strategic programming document to be prepared by the Secretariat in line with decision B.21/18, paragraph (i) (iii) with the aim of “outlining scenarios for the Green Climate Fund’s replenishment guided by ambitious mitigation and adaptation scenarios based on the Green Climate Fund’s implementation potential, taking into account the needs of developing countries, including actions based on nationally determined contributions, national adaptation plans, country programmes and other sources.” Based on this mandate and the latest science on 1.5°C pathways, the document should include assessment of the funding potential for the GCF.

The relevant draft decision for endorsing the updated strategic plan should request the Secretariat to prepare a proposal for how to integrate findings from the IPCC 1.5°C Special Report and related decisions of the Conference of the Parties into the operational policies and procedures of the GCF beyond replenishment, including the strategy and policies on accreditation and reaccreditation, the project approval cycle, the performance management framework etc.

¹ For example, the Summary for Policymakers (SPM) finds with high confidence that “future climate-related risks would be reduced by the upscaling and acceleration of far-reaching, multi-level and cross-sectoral climate mitigation and by both incremental and transformational adaptation” (A3.3).

² The SMP finds with high confidence that “limiting the risks from global warming of 1.5°C in the context of sustainable development and poverty eradication implies system transitions that can be enabled by an increase of adaptation and mitigation investments, policy instruments, the acceleration of technological innovation and behavior changes” (section D5).

III. Proposed update to the GCF's Strategic Vision - Fit for purpose for the implementation of the Paris Agreement

With the Paris Agreement Work Programme up for adoption at COP24 and the second round of NDCs due in 2020, the GCF's Strategic Vision for the next programming period should be to fit for purpose for the implementation of the Paris Agreement and promoting the paradigm shift of directing financing towards low-emission and climate-resilient development pathways. For GCF to be fit-for-purpose to respond to this unprecedented challenge of addressing climate change through international cooperation, it needs to:

- 1) develop a comprehensive resource mobilization strategy informed by the latest science and the urgent needs especially of the Small Island and Low-Lying Coastal Developing States;
- 2) set up institutional capacity to assist developing countries in accessing the Fund and transforming their national climate adaptation and mitigation plans, including NDCs and NAPs, into GCF investment plans and project pipelines with strong country ownership and a strong climate rationale.

a. Promoting the paradigm shift towards low-emission and climate-resilient development pathways

- 1) SIDS ability to achieve sustainable development in line with the 2030 Agenda will be severely compromised by the failure of the international community to take ambitious climate action to hold the increase in global average temperature to 1.5 degrees Celsius above pre-industrial levels (1.5°C). Reflecting upon the specific needs and circumstances of our countries that are particularly vulnerable to the adverse impacts of climate change, the often-abstract notion of "paradigm shift" should be operationalized in concrete terms to refer to actions that promote the transformation towards 1.5°C compatible development, enhance SIDS capacity to adapt to the adverse impacts of climate change and to address permanent loss and damage. This entails that the GCF should have a higher risk appetite than other funds, as achieving the paradigm shift requires the Fund to balance risk management against high impact transformative action. This is especially pertinent for SIDS who have unique and particular vulnerabilities: SIDS physical exposure and vulnerabilities to climate change impacts already negatively affect their debt sustainability and sovereign risk ratings, making it in turn more difficult to access concessional financing and more expensive to access funding at market rates.
- 2) Achieving a paradigm shift on national and sectoral levels requires strong national and regional institutional capacity and ownership. This encompasses the consistency of climate finance with national priorities, the degree to which national systems are used for both spending and tracking, and the engagement of a wide range of stakeholders³. For greater effectiveness of its interventions, the GCF should strengthen and enhance:
 - its readiness and preparatory support programme
 - use of its direct access modality, enhanced direct access pilot, simplified approval process

³ UNFCCC Standing Committee on Finance – 2018 Biennial Assessment and Overview of Climate Finance Flows Technical Report

- the accreditation of national and regional direct access institutions and upgrading to higher accreditation categories
 - private sector engagement in SIDS and LDCs
- 3) The GCF should use its transformational mandate assigned by the international community in order:
- a. to promote and test new and innovative approaches to climate financing, such as debt for climate swaps, climate-related insurance mechanisms etc. to promote the paradigm shift beyond GCF-funded activities accredited partner institutions, trustee, and the broader financial system through the mainstreaming of 1.5°C compatible low-emission and climate-resilient development criteria across its policies and procedures; and
 - b. to promote the use of the best available science on climate impacts in financial decision-making.

b. Supporting the implementation of the Paris Agreement within the evolving climate finance landscape

- 1) The initial strategic plan endorsed by the Board in decision B.12/20 established that “developing countries’ INDCs to the Paris Agreement are an important reference point for the Fund’s programming, as are National Adaptation Plans of Action, National Action Plans, Technology Needs Assessments and Nationally Appropriate Mitigation Actions.” This effort has to be significantly scaled up and accelerated, in particular:
- Support for development of NAPs under the readiness programme
 - Support for development of funding proposals that meet the GCF criteria based on national climate plans including NAPs, NDCs etc.
- 2) For the implementation of Article 9.9 of the Paris Agreement, a key priority should be continued efforts to ensure efficient access to financial resources through simplified approval procedures and enhanced readiness support, in particular for SIDS and LDCs in the context of their national climate strategies and plans:
- a. The establishment of an expanded simplified approval process based on the review of the simplified approval process pilot scheme that covers both the project origination and development phase, as well as the Board’s decision-making;
 - b. Further prioritizing the accreditation of direct access entities in SIDS;
 - c. Closing remaining policy gaps, in particular the two-stage approval process, guidelines for programmatic approaches etc.;
 - d. Enhanced integration of the project preparation support in the readiness programme
 - e. Improvement of the readiness programme based on results from the independent evaluation

c. Evaluation and learning as a cross-cutting priority

To achieve the vision of becoming fit for purpose for the implementation of the Paris Agreement, as a new and continuously learning institution, the GCF should learn from the findings of the Independent Evaluation Unit and make it a priority for the new programming period to assess how the can GCF be better and smarter at:

- Responding to country needs and building ownership
- Contributing to low- emission climate-resilient development pathways.

For this purpose, the GCF should urgently address the following identified gaps and shortcomings:

- **Readiness programme** needs a strategy (results, targets, vision) and needs to address questions of effectiveness, especially for priority country groupings;
- **Country ownership and country needs** need to be examined and validated;
- **Transformational ability:** Institutional capacities and replicability/scalability required
- **Process review is key:** GCF business model needs to be assessed.

The GCF should also learn from the lessons of other institutions in the climate finance landscape that have experience with financing concrete, country-owned climate change projects and programmes and strengthening national and regional capacities.