India's Draft Submission on the call for inputs for review and update of the Strategic Plan for 2024-27

Q. Does the GCF's long-term strategic vision – of promoting paradigm shift and supporting developing countries in the implementation of the Paris Agreement and UNFCCC – remain relevant and ambitious? Has the GCF set out sufficiently clearly how it will deliver its long-term strategic vision?

A.

1.GCF's long term strategic vision to (a) Promote the paradigm shift towards low-emission and climate-resilient development pathways in the context of sustainable development; and (b) Support developing countries in the implementation of the Paris Agreement and the United Nations Framework Convention on Climate Change within the evolving climate finance landscape is critical to meet the key objectives of the UNFCCC that are to limit global warming to below 2°C (or even 1.5°C) and to make societies more resilient to the expected impacts of climate change. This can only be achieved when high-emitting countries with greatest historical responsibility for climate change, meet their responsibilities.

2.In implementing its strategic vision, the GCF's initial investment framework defines paradigm shift in the GCF context as the degree to which a funded activity can catalyze impact beyond a one-off project or programme investment through: (i) potential for scaling-up, replication and innovation; (ii) contribution to regulatory frameworks and policies; (iii) contribution to the creation of an enabling environment, including sustainability of outcomes beyond completion of the intervention and market transformation; (iv) potential for knowledge and learning; and (v) overall contribution to global low greenhouse gas emissions and climate-resilient development pathways.

3. While the GCF has made head start on how will it deliver its long term vision, there is definitely a scope to improve the implementation for it to achieve its long term vision in a more comprehensible and holistic manner. This requires ambition, in the design of funded activities and in the provision of financial resources to the GCF. While countries can expect low-carbon development to pay off economically, developing countries will require technological and financial support from developed countries to make this shift. The GCF can therefore play a central role here by directing financial resources to these countries, generating knowledge and experience, and promoting successful practices. While there is not yet a fixed decision on the GCF's financial size, it will be a vital instrument for channeling a significant share of the climate finance committed by developed countries for climate action in developing countries.

4. Strong country ownership is essential for a paradigm shift to occur and important for ambition; it will ensure that new ways of working endure in the long term.

5. The GCF can create the conditions for achieving a paradigm shift by providing clear incentives and guidance for ambitious proposals by governments and sub-national actors, by developing access modalities and supporting the necessary capacity development. This must be matched with the provision of large financial resources to the Fund.

Q. What global, regional, national and subnational developments, trends, needs and opportunities relevant to adaptation and mitigation programming in developing countries should the GCF take into account in preparing for its second replenishment period? What lessons can be learned from experience to date?

A.

Lessons to be learned while programming for its Second Replenishment Period

1. **No differentiation between Developing countries**: GCF is mandated to invest 50% of its resources to mitigation and 50% to adaptation in grant equivalent. At least half of its adaptation resources are invested in the most climate vulnerable countries (SIDS, LDCs, and African States). While prioritizing the LDCs and SIDs, the needs of large developing countries like India should not be compromised. The GCF-2 and its programmatic approach while approving funding proposals should consider all developing countries alike irrespective of any categorization done on the basis of location, geography, income level or broadly the level of development. Efforts should be made to assist all vulnerable populations, irrespective of their geographical location. This approach must be followed in the second replenishment period to enable all developing countries to follow the path of sustainable development, and "no one should be left behind". Therefore, the differentiation between different developing countries based on any criterion should not be resorted to. This is due to the fact each developing country has their own set of socio economic challenges and vulnerable poor that needs to be assisted. India houses the largest proportion of global poor. India's current economic and social deprivations are much higher in terms of availability of proper houses, access to education, lifeline availability of energy, and stable sources of income. The GCF funding modalities therefore should imbibe the concept of "climate justice", which finds a mention in the preamble of the Paris agreement as well.
2. **Expeditious Capitalization of GCF**: The first replenishment with a pledge of USD 9.7 billion was for the period 2020-2023. The United States did not contribute anything to the GCF's first replenishment and has yet to provide the USD 2 billion of its pledge of USD 3 billion, which was made during the GCF's initial resource mobilization period from 2015-2018. India urges the developed countries to set the bar higher this time beyond the unfulfilled USD 100 billion (per year goal) and make up for the years of delay and non-delivery of their financial obligations. The Needs Determination Report 2020 by the UNFCCC's Standing Committee on Finance reveals a range from at least USD 5-11 trillion needed by developing countries to implement their Nationally Determined

Contributions under the Paris Agreement for the period 2021-2030, which represent only 30 per cent of the identified needs that were costed.

3. **Slow disbursement to Projects** :The disbursement of funds from GCF have been abysmally slow, this is reflected in the fact that in spite of USD 10.8 being allocated to GCF projects , only USD 2.7 billion have been disbursed to project so far. This must be improved and looked at during GCF-2.
4. **Country Ownership**: A core GCF principle is to follow a country-driven approach, which means that developing countries lead GCF programming and implementation. The principle of country ownership must be strengthened to enable developing countries to translate GCF financing for implementing Nationally Determined Contributions at scale.
5. **Climate Rationale of Adaptation Projects**: Discussions in the past over the climate rationale of projects/programmes have been controversial. Developing countries have been expressing concerns over the GCF's Independent Technical Advisory Panel (ITAP) not endorsing funding proposals on adaptation projects, as the ITAP's assessment was that the proposals lacked "climate rationale". The developing country do not want a situation to arise where establishing "climate rationale" became an investment criterion, or a condition for approving funding proposals, especially for adaptation projects in GCF-2.

   At its' 33rd meeting, the Board decided that the "*use of best available information and data, including from the Intergovernmental Panel on Climate Change, and from traditional, local and indigenous knowledge and practices is sufficient to form the basis for the demonstration of impact potential for GCF-supported activities, while taking into account the context of the proposal, the different capabilities of accredited entities, and country and regional circumstances."* The decision does not make any reference to the term "climate rationale", which developing countries see as a big win in the decision adopted. The decision instead adopts principles for demonstrating the impact potential for mitigation and adaptation activities.

6. **COP Guidance:** It must be noted that the COP guidance must be amalgamated with the GCF vision and operational modalities in order to achieve the goals enshrined under the Paris agreement. Any aberrations in its functioning must be avoided. The Fund is accountable to and functions under the guidance of the CoP. This needs to be suitably reflected while during the GCF's second replenishment process as well.
7. **Accreditation Processes:** The need for an accreditation strategy emerged during the initial resource mobilization (IRM) and intensified in GCF-1. The GCF continues to rely on the initial accreditation framework which needs to be revisited. There is a need to examine issues including efficiency, fairness and transparency of the accreditation process, as well as the extent to which current and future accredited entities enable the Fund to fulfil its mandate. To ensure better results, the second replenishment process may provide guidance on expectations for outcomes in terms of how many funding proposals would be expected or how much financing would be needed and through which types of entities. This lack of fundamental clarity on "who should be an AE" may contribute

to the weak programmatic alignment of the GCF with AEs going forward. At the Board's 33rd meeting, the Board approved four projects, all by international accredited entities. Developing countries expressed their concern in relation to lack of proposals by direct access entities at the meeting. GCF-2 should thereby focus on selection of AEs that are best suited to support the objectives of the GCF and match the programming and project delivery capabilities needed to implement developing countries' programming priorities, ensuring all developing countries have coverage and choice of AEs. Moreover, the accreditation process is found to be time-consuming. The GCF, may encourage NDAs to nominate entities that would be best suited to undertake their country climate change programming priorities.

8. **Capacity Building of DAE's**: There is an urgent need to expedite support needed from the GCF specifically in terms of technical support needed to turn concept notes into full- fledged proposals. There is also a need to develop partnerships with institutions that are leaders in their respective sectors to provide technical resources and sectorial guidance to countries' and AEs (particularly DAEs) to strengthen the quality of their project pipelines. The PPF facility could play a major role in this arena. There is a need to strengthen capacity of DAE's and facilitate the operationalization and fast tracking of direct access proposals being received from the GCF Board in a fair and balanced manner that does not lead to the exclusion of certain developing countries on the criterion of income levels and or any indicator of measuring the level of development. The only differentiation that can be resorted is between developed and developing countries under the UNFCCC. No other differentiation must be allowed under the GCF, an operating entity of the financial mechanism of the Convention.

Q. How should GCF further elaborate its role within the climate finance landscape, in light of its comparative advantages? How should GCF seek to differentiate its focus from other sources of climate finance? Where are the opportunities for complementarity, coherence and partnerships with others?

A.

1. The international climate change finance architecture suffers from large fragmentation of sources of finance for financing climate change activities. Even within a Designated Fund, there are a plethora of windows through which climate finance and support is routed.
2. With the growing realization about the large amount of resources that would be required for climate change mitigation and adaptation. It became evident that the funding and operational arrangements under existing funds were inadequate, and there is a need for major and urgent reforms in the financial mechanism. Most importantly the funds received under the climate change focal area in GEF were not in line with the actual requirement of funds, and neither was the scope of GEF and AF large enough to channel and disburse a significant part of the US $100 billion pledged under long term finance by developed countries, which would now flow through the Green Climate Fund. All these reasons lead to the formation of the Green Climate Fund.

3. The Green Climate Fund (GCF) is mandated to contribute to the achievement of the ultimate objective of UNFCCC. To that aim, the GCF has been entrusted to play a key role in channelling new, additional, adequate and predictable financial resources to developing countries, and catalysing climate finance, to make a significant and ambitious contribution to combat climate change. Making a critical contribution in mobilizing climate finance and built to channel a significant share of new multilateral funding for adaptation, the GCF aims for balanced allocation of adaptation and mitigation funding with a significant percentage on grant basis, taking into account the needs and priorities of developing countries while being guided by the UNFCCC's principles and provisions. The Fund plays a crucial role in supporting developing countries in their efforts to execute Nationally Determined Contributions (NDCs), contributing towards the Paris Agreement.

4. Adopting and enhancing a synergistic approach between funds serving the Paris Agreement under UNFCCC - GEF, GCF and Adaptation Fund is pivotal. Each of these can complement the other one by specializing at their mandate and offering lessons for best practices for the other Funds to emulate. This will require enhanced coordination among Funds and Between Funds and Countries. Even without changes to their formal operations, funds could improve their coordination to ensure that they meet countries' diverse needs, minimize duplications and inefficiencies in their portfolios, and simplify access to funding.
5. For instance, the GEF could support impact by focusing on its traditional strengths in working across the five conventions it serves and by focusing on catalytic mitigation interventions. The GCF on the other hand could focus on impact by providing larger-scale, programmatic interventions and developing the institutional and policy frameworks necessary for longer-term mobilization of investments. The limited resources within GCF must not be directed towards only specific countries on the basis of their geographical location and income level. The Funds under UNFCCC need to think strategically and collaboratively about their competitive advantage and then collaborate to serve different objectives and specialized areas of functionality.

6. Generally, there are key differences between the climate funds, which make them complementary and can be exploited for synergies, and where important functions of climate funding can only be achieved through combining funds from different sources:
    a. The mere scale of climate funding can be increased by pooling flows from different funds, no individual fund is able to reach this scale by itself;
    b. There are qualitative differences between the funds in terms of diverging levels of concessionality – there are situations where a necessary combination cannot be provided by any one fund; and
    c. The funds are accessed by different entities and therefore project opportunities and priorities will be different in terms of access channels and local partners, where it will be beneficial to include multiple partners and channels to exploit complementarity.
    d. As the needs for adaptation action are likely to accelerate in the future in the developing countries, adaptation finance would have to

be significantly scaled up using both domestic and international sources. Development of innovative instruments such as blended financing would allow for scaling up such finance without putting excessive burden on budgetary resources. Blended finance approaches make use of grants to mobilise additional finance - primarily from private and commercial sources (debt, CSR, loan etc.). It has the potential to attract commercial investment to adaptation sectors in India, including climate-resilient agriculture, water supply conservation and management, and weather insurance, among others.

Q. Do the GCF's strategic objectives and portfolio targets capture appropriate ambition for the second replenishment period? How could GCF evolve these in a way that sets clear, actionable, measurable programming goals aligned with its strategic vision?

A.

GCF-2 (second replenishment period) must focus on translating its ambition into action .The GCF could further on its comparative advantages and risk appetite and strive toward the overall strategic objectives of delivering:

(a) Greater mitigation and adaptation impact for developing countries compared with the initial resource mobilization (IRM) and GCF-1 period while strengthening country ownership and capacity to identify, design and implement projects and programmes:
(b) Support developing countries in translating their NDCs, ACs, NAPs and long-term national strategies into transformational investment strategies and project pipelines informed by the goals in the Paris Agreement;
(c) Balanced funding across mitigation and adaptation, as well as using 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.
(d) Scaled up funding for ambitious projects informed by countries' adaptation needs and mitigation potential, in line with their climate plans and strategies, recognizing the urgency to achieve the goals of the Paris Agreement;
(e) Significantly increased funding channelled through direct access entities (DAEs) relative to the GCF-1
(f) Significantly increased portfolio level mobilization and disbursement achieved through the GCF contributions to projects relative to the GCF-1
(g) Balanced GCF risk appetite across all results areas; and
(h) Improved speed, predictability, simplified access, efficiency, effectiveness and transparency in its accreditation processes.

These strategic objectives could be evaluated against a benchmark of performance. The GCF needs to review progress towards the goals annually against a performance matrix that comprises of assessment of each of these against qualitative /quantitative indicators to help evolve its strategic objectives.

Q. How can the GCF better respond to developing countries mitigation and adaptation needs and ensure country-ownership of programming? What role should the readiness and preparatory support programme, support for national adaptation planning, and country programmes play?

A.

Green Climate Fund (GCF) Country Programmes could be an instrument to facilitate country's pipeline development. Since each country has the flexibility to develop or update their country programmes in a manner relevant and suitable to their national circumstances. The country program document first part may include a broader climate finance or NDC financing strategy and also include a GCF-focused programming plan, which includes the top priorities for which the country would seek GCF funding during a given programming cycle. Since, the GCF Secretariat actively uses country programmes to inform development of the GCF pipeline and guide project review. The GCF may incentivise developing countries to develop a GCF Country Programme to drive their project and programme pipelines, and avail support from the GCF Readiness and Preparatory Support Programme (Readiness Programme) for its development and update.

The GCF provides comprehensive support to developing countries to realize the objectives of the UNFCCC and the Paris Agreement through the Readiness Programme. The Readiness Programme is mandated by the Governing Instrument of the GCF to provide resources for strengthening institutional capacities, governance mechanisms, and planning and programming frameworks to identify a transformational long-term climate action agenda for developing countries. Developing countries under the Readiness Programme can avail up to USD 3 million per country for the formulation of national adaptation plans (NAPs) and/or other adaptation planning processes. This may include support for subnational adaptation plans and/or sectoral adaptation planning processes. Under the Readiness programme, countries should be fully encouraged to address capacity and technical gaps to achieve priorities set in NDCs, NAPs, and other national climate change strategies.

Q. How should GCF continue to build its paradigm shifting portfolio through its next programming period? What opportunities for adaptation and mitigation programming, and opportunities to improve the funds programming processes, can the GCF capture?

A.

A 'paradigm shift' and 'transformational change' – both are always linked to low-emissions and climate resilient development .A paradigm shift means a shift away from practices that are incompatible with the challenges of climate change. In terms of mitigation, this means moving away from fossil fuel-based economies, which implies great changes in our energy, industrial and transport systems in particular. Paradigm shifts can happen at local, sub-national, national and even global levels. Further, they can cover one or several economic sectors, or even a whole local or national economy. The paradigm shift can be guided by certain objectives (such as envisaged emission reductions) and should build on existing legislative frameworks. It is often a matter of continuous and dynamic searching and learning processes which need to build on "technological advances" that come at a cost.

As a growing economy, India's energy needs will also increase. While India has embarked on the implementation of one of the largest renewable energy programmes in the world, it is important to recognize that coal would continue to be a major source for meeting the country's energy needs in the conceivable future. Hence, India has always argued to focus on technologies that permit the use of cleaner coal to support India's low carbon transition. There should be a focus on R&D. Changing economic development pathways will incur costs in terms of responsibilities for policymakers and societies. Changing pathways may also require financial support market entry for low carbon technologies and resources

Since, the objective of the Green Climate Fund is to achieve a paradigm shift towards low-carbon and climate resilient development pathways. This requires ambition in the design of funded activities. The GCF can create the conditions for achieving a paradigm shift or this transition by providing clear incentives and guidance for ambitious proposals by governments and sub-national actors, by developing access modalities that ensure strong country ownership by supporting the necessary capacity development, and encouraging robust knowledge sharing. This must be matched with provision of large financial resources to the Fund.

Q. Building on its private sector strategy, what actions and partnerships should GCF pursue to catalyze private sector finance at scale?

A.

In order to scale up GCF's activities and support this challenge, GCF'S Private Sector Facility(PSF) to fund and mobilize private sector actors, including institutional investors, and leverage GCF's funds to encourage corporates to co-invest with GCF. GCF can use public finance to leverage private sector funding at scale. The PSF can act as a catalyst for funding high impact, transformative and innovative climate projects and activities in developing countries by de-risking the delivery of private capital and scaling up private sector investment flows for low-carbon and climate-resilient development

To ensure scale, the GCF can mobilise funds by liasoning with institutional investors such as commercial banks, investment funds, insurance companies, pension funds and sovereign wealth funds. To engage these actors the Fund can develop a range of investable products such as green bonds, commercial papers, syndications that institutional investors . The PSF can also partner with MDBs, multilateral implementing entities (MIEs) and national implementing entities (NIEs). Support to SMEs, with a focus on adaptation projects may include investments in supply chain management that incorporate climate adaptation risk management, and promoting guarantees to enable bank and supply-chain debt rescheduling in the face of business disruptions resulting from temporal climate change impacts is another channel to deploy private sector funding at scale in the adaptation space.

Q. What steps can GCF take, in collaboration with its country partners, accredited entities and delivery partners, to ease and accelerate access to GCF resources, as well as strengthen the role of Direct Access entities?

A.
The funding mechanism known as "direct access" is an important part of the GCF's innovative approach to financing and commitment to equitable finance. This mechanism allows entities based in developing countries — such as development banks, government ministries, non-profits and private banks — to become accredited to the fund and receive financing directly. These entities normally receive finance through other international institutions, but direct access removes this extra layer and has benefits for equity, local control and capacity-building in developing countries.
The goal of direct access should be to help institutions access the human, technical and financial resources required to effectively implement the country's climate goals.

For many direct access entities, obtaining project approval has proven difficult.

There are several ways the GCF can guide improvements in the GCF's approach to direct access.

1. Automate Access to Funding for Early Stage Project Development
Applying for accreditation takes time and resources, both of which can be scarce for otherwise worthy organizations. To address this, the GCF provides funding to direct access entities as they work toward accreditation and develop full proposals.
To streamline access to funding for project selection, the GCF should consider providing immediate "kick-off" funding for entities once they receive accreditation. Such funding could help entities initiate the process for selecting and developing project proposals. The GCF should also consider combining the Readiness Programme and Project Preparation Facility to create a more straightforward and streamlined approach to support accreditation, project identification, concept note development and the completion of full proposals. Finally, the fund should ensure that entities receiving support can use the funds where it is needed most and adjust funding purposes as needed, including for the time their own staff spend on the project.

2. Revise the Enhanced Direct Access Pilot: The pilot focuses on projects where direct access entities can implement devolved funding mechanisms, meaning direct access entities decide which projects receive funding without official input from the GCF.
The GCF could increase the funding for the pilot and provide more funding per entity, thereby increasing entities interested in the pilot. In addition, the GCF should more frequently work with direct access entities to identify where there is demand for future pilots.

3. Training of DAE'S: At the ground level, the GCF may schedule regular interactions and workshops with its accredited entities and Delivery partners to ensure that developing country partners understand the barriers and bottlenecks faced by them to ease their modus operandi in their respective countries. These interactions will result in more effective use of financial resources; lead to greater decentralization of power, and lead to stronger involvement of local organizations and other stakeholders for effective and timely implementation of projects. Training modules, webinars and workshops are an effective way to strengthen the role of DAEs.

Q. What enhancements or adjustments to operational modalities, policies or institutional capacities might be required to support successful execution of the GCF's strategic vision and programming priorities?

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Are the measures for measuring, monitoring and reporting progress towards the GCF's strategic vision, objectives and priorities sufficient, or how could these be strengthened?

A.

The GCF is entrusted with responsibility to program a large volume of funding in a short amount of time, and to mobilize significant sums of finance from the private sector. The Strategic Plan focuses particularly on these areas with ambitious goals for programming and private finance mobilization. However, in doing so, there is a need to continue to manage the risks that an emphasis on scale and speed can bring. The GCF must aim at being higher, bigger and faster, but the Board needs to manage possible trade-offs with the quality of the portfolio. The Fund may have ambitious goals, but if the programming is not high quality, it will be hard to reach them. Ambition and quality therefore must go hand in hand to ensure the Fund has impact commensurate with the scale of the climate challenge.

The Strategic Plan also suggests that the GCF explore additional financing modalities beyond grants, loans, equity and guarantees that it current provides. Options identified include supporting venture-style incubators and underwriting securities. If the Fund goes down this path, it would need to significantly upgrade its capacity to measure and manage complex financial risk, including more staff and specific expertise in particular sectors.

The GCF regularly conducts/undertakes performance reviews through GCF IEU (Independent Evaluation Unit) to measure, monitor and report progress towards the GCF's strategic vision. We think improving the frequency of such reviews may help GCF improve its efficiency and effectiveness of its operations and achieve scale.

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