



Climate Action Network

CAN-International's Response to Questions related to the "Paradigm Shift" Posed in the *Co-Chairs' information note on the informal discussion on the business model framework of the Green Climate Fund*

Climate Action Network (CAN) is the world's largest network of civil society organizations working together to promote government action to address the climate crisis, with more than 700 members in over 90 countries. www.climatenetwork.org

5 March 2013

On behalf of the more than 700 member organizations in the Climate Action Network International, we appreciate the opportunity to provide our comments on *Co-Chairs' information note on the informal discussion on the business model framework of the Green Climate Fund*.

This submission will address the "initial guiding questions" posed by the Co-Chairs in relation to the Operational Objectives of the Fund:

- 1. What does it mean, in practice, to promote a paradigm shift towards low-emission and climate-resilient development pathways?**
- 2. What results will the GCF be supporting to contribute to this paradigm shift? For example, for mitigation, are we only interested in tCO₂e, or do we want tCO₂e plus some measure of transformational change (for example, some demonstration of fit of activity with national strategy/innovation/fiscal effort)?**

The GCF should promote a “paradigm shift” by scaling-up resource flows for ambitious and effective climate-related policies and actions in accordance with country-led strategies. It should incentivize synergies between the GCF’s strategic objectives and the achievement of overall national development strategies and the production of development co-benefits. To achieve these objectives, civil society and other stakeholders must be full partners, both at the international and national level, in determining the way in which the GCF will finance climate action.

Towards this end, the Board should adopt the following definition of “paradigm shift” as part of its strategic vision or business model for the GCF:

A paradigm shift involves a strategic, long-term, and fundamental re-orientation towards low-emission, climate-friendly, climate-resilient, pro-poor, gender-equitable and country-driven development. Such a transformation must be undertaken on the basis of country-owned strategies, plans and programmes that are developed and implemented through participatory and inclusive processes and that are integrated into developing countries’ core development plans.

This understanding of “paradigm shift” includes three essential elements: **(1) ambition, (2) country-led planning, and (3) participatory and inclusive decision-making.**

1. Ambition

Given the scale and urgency of the climate challenge, the GCF must do much more than tinker on the margins of business as usual. High ambition and a focus on rapidly accelerating the shift to sustainable, low carbon and climate-resilient development must be its hallmarks.

Mitigation Ambition

In order to ensure that GCF supported mitigation actions can help achieve a paradigm shift, two categories of actions should be prioritized. First, the GCF should focus on funding economy-wide or sector-wide actions in all GCF-eligible countries that would rapidly and significantly lower emissions trajectories of a country (or regions within a country). The GCF should assess programmatic interventions with high mitigation potential, taking into account environmental and social safeguards, social, economic and development co-benefits and a gender-sensitive approach. To achieve a real paradigm shift, the GCF should only finance clean, safe, sustainable and efficient and non-fossil fuel-based energy technologies. Second, paradigm shifting actions should also include initiatives that may deliver smaller immediate reductions, but can contribute towards transforming markets and patterns of private-sector investment over the medium to long term.

While there is broad agreement that the GCF should have the capacity to “leverage private-sector investment,” private-sector co-financing of GCF supported actions, by itself, will not necessarily spark a paradigm shift. The GCF should focus on supporting initiatives that reduce costs and eliminate barriers and perceived risks, so that low- and zero- carbon technologies and approaches can more quickly out-compete high-emitting technologies. Feed-in tariffs are an example of an approach that can catalyze the diffusion of near market technologies, and thus accelerate learning and the achievement of economies of scale.

Adaptation Ambition

Ambition in the context of adaptation means building resilience at different levels (local, sub-national, national recognizing the different scales at which different human and natural systems function and work) in a way that may reduce the impact of the many stressors which limit adaptive capacity of people (e.g. through defining rights and entitlements, supporting equitable resource access, devolving decision making processes, providing access to justice, increasing partnerships and access to information, strengthening ecosystems, building social capital, providing conflict resolution mechanisms and disaster preparedness strategies.).

2. Country-led Planning

GCF support should be provided in accordance with country-led strategy and plans, such as Low-Emissions Development Strategies, NAMAs, NAPAs, NAPs, etc. that should be a part of the country’s overall development planning. Such plans should provide a visionary roadmap and outline a pathway to a low-carbon and climate resilient economy, and should build upon and be integrated into national development plans or planning processes already in place. These plans should be developed and implemented through a bottom-up country-driven process, particularly through the national designated authorities as noted below.

With regard to mitigation, the Cancun Agreements encourages developing countries to produce low-carbon development strategies to guide their mitigation actions.¹ It also requires developing countries to specify the “nationally appropriate mitigation actions” (NAMAs) they will take to reduce the growth in their emissions, consistent with their own national circumstances and development aspirations, and creates a registry to record these NAMAs, with separate sections for those that require international support to be implemented and those that do not.² The GCF should use these country-driven strategies as critical planning tools. It should prioritize support for those initiatives that are contemplated in low-carbon development plans and NAMAs, and that are identified in the registry as needing international support to be implemented.

¹ FCCC/CP/2010/7/Add.1, paras. 45, 65.

² FCCC/CP/2010/7/Add.1, paras. 48, 54.

With regard to adaptation, there is a need for wider recognition of the need to achieve the transformational change that adaptation to climate change will require, that can only occur over a longer time period, through an iterative process of development. Flexibility needs to be built into project and programme design and implementation systems to encourage a cyclic process of learning at the national and district and local levels; these must include built in mechanisms for regular participatory decision making and implementation of multiple stakeholders including the most vulnerable groups and communities.

3. National designated authorities and genuine country ownership

GCF support must be based on principles and modalities of inclusive country ownership through the national designated authorities (NDAs). Country-led strategies and their implementation should be developed and overseen by the NDAs through a fully participatory multi-stakeholder mechanism. Multi-stakeholder mechanisms should aim to bring together government, civil society, affected communities (including women and Indigenous Peoples) and the private-sector (particularly developing country private-sector) to develop and oversee country-led strategies in order to ensure that those strategies and their implementation are as robust and inclusive as possible. These processes will need to be designed by countries according to their particular circumstances.

Country ownership is also important for private sector support. GCF resources directed toward the private-sector should make substantial contributions to sustainable, vibrant local economies in developing countries, including in low-income countries. In order to support endogenous development that stimulates local entrepreneurship, the GCF should assure access to financing for small, medium and microenterprises.