

Green Growth Certification Standard Concept Note

Table of Contents

Context	1
The Concept	1
What are the benefits?	2
The Challenge	3
Potential barriers.....	4
Next steps.....	4
COP22 Green Growth Certification Standard, Consultation Event	5

Context

Financiers claim there is a shortage of “green” bankable projects whilst project developers claim there is a shortage of finance. Meanwhile an increasing proportion of stakeholders agree that we need to be developing green and inclusive projects that preserve future generations’ access to the world’s resources.

It is evident that there is no common definition of green inclusive growth which can be used to identify and prioritise financing for suitable projects and there are considerable discrepancies in what different financing institutions require to access finance.

The development of a Green Growth Certification Standard is designed to provide a doorway through which project developers and financiers can gain access to one another whilst at the same time promoting standardization and harmonization of green growth selection criteria, with the aim of increasing the efficiency of project financing.

Following initial discussions at the Global Green Growth Week in September, 2016 on a Green Growth Certification Standard pilot, the Global Green Growth Institute (GGGI) and the African Development Bank (AfDB) have held a series of consultations to refine potential focus areas and to set the foundations for the establishment of a working group to develop a Green Growth Certification Standard (GGCS).

The Concept

The idea underlying the Green Growth Certification Standard (GGCS) initiative is as follows:

1. To create and maintain an international standard which meets stakeholders’ expectations as to what constitutes a green and inclusive project. The standard will be owned and

managed by the GGGI Inclusive Green Growth Partnership¹ which comprises UN Bodies and Multilateral Development Banks.

2. To facilitate the creation of an independent validation and certification program which will provide third party assessments of compliance with Green Growth criteria. Preparing for and obtaining these documents will have a cost. However, it is expected that the costs will be outweighed by the benefits of having an independent report when projects proceed to seek financing from institutions with a green finance mandate; and
3. To encourage financing institutions (FIs) to harmonise their green and inclusive selection criteria by providing a framework against which FIs can compare their existing criteria with the aim of relying upon third party reports where overlaps exist. This in turn may encourage FIs to review their existing criteria and seek greater harmonisation in order to accelerate and facilitate approvals.
4. The development of the Green Growth Certification process will result in the production of a standardised template for the presentation of green and inclusive growth criteria which, when independently validated, can be submitted to multiple agencies. Harmonisation will arise through revisions of both the Green Growth Certification Standard and green growth criteria within financial institutions.

For example, “green” projects are experiencing difficulty accessing finance due to transaction barriers including variable and poorly defined green screening criteria. Financiers are experiencing difficulty originating green projects which are bankable and/or sustainable because they lack the expertise to identify/assess such projects. This results in slow disbursement of green finance, limiting the scale and development of green growth projects and making it “easier” for conventional projects to secure funding. The GGCS provides a means to close this gap.

A concept
designed to
tackle the gap

What are the benefits?

1. The **Green Growth Certification Standard** will be defined by a broad and extensive stakeholder consultation process which assures financiers, development partners,

¹ The Inclusive Green Growth Partnership is a new collaboration with top multilateral development banks and United Nations regional economic and social commissions, which was launched at COP-21 on 7 December 2015. This partnership will leverage GGGI’s technical expertise to assist multilateral development banks and funds in identifying green growth opportunities and investments that promote inclusiveness, shared prosperity, and equitable growth that creates employment and raises the income for the world’s poorest.

- governments, private sector and civil society that the project is meeting a standard that contributes towards green and inclusive growth in the host nation;
2. The GGCS is expected to **accelerate access to climate funds** - upon agreement with a range of funds, it could mean fast-track access to green finance;
 3. The GGCS will **build a positive image and reputation** for a project, confirming that it contributes to development and climate goals, thereby improving stakeholder relations;
 4. For Multilateral Financial Institutions (MFIs), combining increasingly **harmonised criteria and standardized documentation** with an independent validation assessment will represent a substantial improvement in quality at entry, helping to **scale up the distribution of green finance** to achieve green and inclusive growth;
 5. The GGCS will **increase climate finance disbursements** by enhancing confidence in green investments whilst building environmental and social integrity (climate finance to reach \$100 billion per year by 2020);
 6. MFIs may demonstrate concrete results on efforts to **achieve green and inclusive growth goals** by showing that an increasing proportion of their portfolio is Green Growth Certified;
 7. The GGCS would strengthen the link between sustainable initiatives and climate finance by **producing a higher number of credible and high quality bankable projects** to be funded;
 8. By focussing attention on a single definition of green and inclusive growth, the GGCS will **strengthen capacity building** among local governments, consultants and verification bodies in developing countries; and
 9. By requiring on-going reporting of some key data, the GGCS will contribute to the **construction of a resource-use database** which can inform policy makers and planning institutions to help them prepare for the future.

The Challenge

The challenge is to craft a common definition of what constitutes a green growth project. The aim is to agree upon a set of key green and inclusive growth criteria from each of the three dimensions of sustainability - Economic, Social and Environmental whilst taking into consideration international commitments such as the Paris Agreement and Sustainable Development Goals.

If this can be achieved, the certification of projects will make it substantially easier for project proponents to access multiple funding sources, using an independent validation report to demonstrate how the project performs against green and inclusive growth criteria. Funding bodies can accept the certification documents at face value or choose to perform further due diligence.

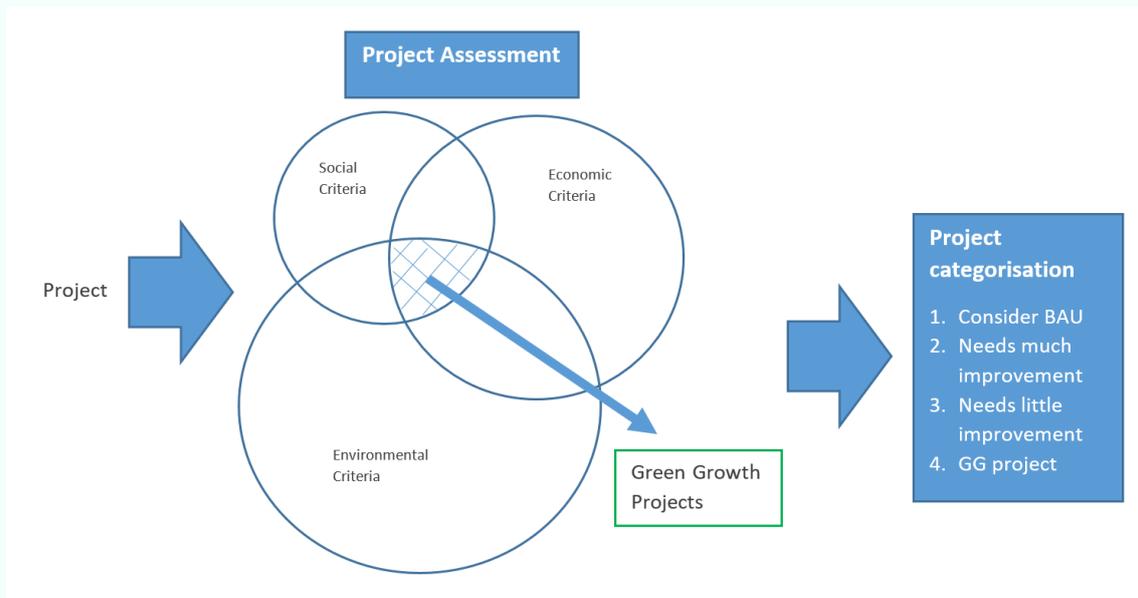


Figure 1. Broad example of the project cycle

Once a Green Growth Standard is agreed by stakeholders, subsequent infrastructure such as accreditation of third party verifiers, training and consultancy support, capacity building targeted at SMEs towards achieving certification requirements, etc. will draw on existing institutions and practices. For example, accredited entities from other environmental and social verification and certification programs may be grandfathered into the GGCS procedures.

Potential barriers

- A new layer of criteria is inevitable but if FIs recognize overlap with their existing criteria then double reporting can be reduced and ultimately removed;
- The value of the certificate must exceed the costs. IGGP members will be expected to lead the way in recognizing and rewarding GG Certified projects;
- The GGCS must demonstrate a good balance between environmental and social integrity and good governance. The standard must be practical and flexible to respond to different priorities in different countries;
- To deliver value the GGCS must harmonise access to a range of funding bodies;
- To be successful, it must demonstrate the value of green growth to clients and stakeholders.

Next steps

A working group will be established to pilot the initiative through a step-by-step completion of priority task list:

1. Craft a definition of Green Growth which meets stakeholders expectations;
2. Select a number of green financiers (e.g. GCF, ADB, AfDB, etc.) and green project development agencies (UNESCAP, UNECA) as entry points to review a detailed set of project requirement documents;
3. Identify areas where the documentation can be streamlined i.e. commonalities in the type of information required by financial screening procedures in different FIs;

4. Create assessment criteria that enable FIs to accept that a GG certified project already meets specific criteria in their selection process and that they can be fast-tracked accordingly;
5. Develop pilot projects, accredit verification entities and create a commercial structure to support the costs of maintaining the standard.

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Green Growth Certification Standard, Consultation Event

Date: 14 November 2016, Monday

Time: 12:30 to 14:00

Venue: Africa Pavilion, COP 22

Objectives

- Raise awareness on the technical and institutional opportunities and challenges of creating a Green Growth Certification Standard
- Promote the GGCS as an instrument that will bring multiple benefits to both project developers and green financiers
- Foster a discussion on the Green Growth Certification Standard as tool to enhance green and inclusive growth (i.e. increase funding likelihood, increase disbursement, accelerate development)
- Gather input from COP22 audience on how to best to develop the GGCS.

Outputs

- Discussion report, including inputs from key stakeholders at COP22
- Gather support and future commitment from key institutions
- Define broad next steps and composition of working group