

GIF Climate diagnostic and marker 2.21

Purposes of the climate marker

This tool is used during diligence to:

- identify, and mitigate, if possible, risks posed *by climate to the investment*.
- identify, and mitigate, if possible, risks posed *by the investment to climate*.
- identify, and enhance if possible, opportunities to create additional climate benefits or to respond to emerging demand for climate action
- determine whether the investment qualifies as mitigation finance, adaptation finance, or environmental finance for purpose of reporting purposes and for accessing climate-restricted funding
- screen out proposals with unacceptably high risks to or from the climate.

This marker evolves throughout the investment process as information is gathered. It is expected that at the earliest stages there will be significant gaps and question marks.

Investment name:

Assessment stage (SC/IIC/IR/portfolio):

Assessment date:

1. Climate context (narrative)

Brief narrative summary of climate trends, threats, and national policies. Focus on aspects most relevant to the innovation rather than an exhaustive run-down. Cite relevant aspects of [Nationally Determined Contributions](#) and [National Adaptation Plan](#). World Bank [climate risk country profiles](#) are a good starting point.

2. Is climate or environment action the stated purpose of the innovation?

Apply the OECD-DAC Rio Markers (here adapted to include other environmental goals).

- *An activity can be marked as principal when the objective (climate change mitigation or adaptation; or other environmental goal) is explicitly stated as fundamental in the design of, or the motivation for, the activity. Promoting the objective will thus be stated in the activity documentation as one of the principal reasons for undertaking it. In other words, the activity would not have been funded (or designed that way) but for that objective.*
- *An activity can be marked as significant when the objective (climate change mitigation or adaptation; or other environmental goal) is explicitly stated but it is not the fundamental driver or motivation for undertaking it. Instead, the activity has other prime objectives but it has been formulated or adjusted to help meet the relevant climate concerns.*

Adaptation	Choose: Primary/significant/not explicitly stated
Mitigation	Primary/significant/not explicitly stated
Other Environmental purpose (specify)	Primary/significant/not explicitly stated

3. Risks and Benefits from the innovation

Fill in the cells with Yes, No, or ?

Include in cells with Yes:

- An explanation of how it helps or hurts – what is the mechanism
- Where relevant, describes existing efforts and potential opportunities to enhance positive impacts and mitigate negative ones.

Cell by cell guidance:

M+ Assess whether and how the innovation reduces GHG emissions or bolsters GHG sinks, compared to a counterfactual without-innovation scenario. Include upstream impacts and downstream impacts (ie value chain) where relevant. Try to quantify the emissions reductions. (for instance, converting reduced electricity use into avoided GHG emissions). This will require a separate worksheet. If the benefits are small, report: No

A useful sourcebook is the UK International Climate Fund Guidance on KPI 6:

https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/813595/KPI-6-net-change-greenhouse-gas-emissions.pdf

with annex

https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/813596/KPI-6-change-greenhouse-gas-emissions-annex-4-5-6.pdf

M- Assess whether and how the innovation increases GHG emissions or degrades GHG sinks, compared to a counterfactual scenario. Include upstream impacts and downstream impacts (ie value chain) where relevant. Try to quantify the emissions increases. (for instance, converting additional electricity use into avoided GHG emissions). Order of magnitude is good enough. If the damages are small, report: No significant damage. If there are significant emissions at scale associated with the innovation, explore whether there are feasible lower-carbon alternatives, and whether the innovation is consistent with the country's Nationally Determined Contribution.

M± Try to net M- from M+. Order of magnitude is good enough – for instance, if there are substantial benefits but negligible harm, report +.

A+ To qualify as an adaptation and resilience investment, set out a theory of change which describes the climate change threat that is being addressed, and how, specifically, the innovation addresses that threat. The ASAP taxonomy may be helpful for this. https://lightsmithgp.com/wp-content/uploads/2020/09/asap-adaptation-solutions-taxonomy_july-28-2020_final.pdf

A- Is there a possibility of maladaptation: i.e. that short-run solutions could backfire in the long run? (Classic example: protective walls around low-lying river islands encourage development on the islands, resulting in greater exposure to the long-run increase in flood height.) If so, are there provisions to monitor for signals of maladaptation?

E+ and E- :These are analogous to A+ and A-. Don't repeat issues already treated under M or A. Environmental issues include air pollution, water quality, soil quality, traffic congestion, biodiversity.

Table 1 Risks and benefits FROM the innovation (cell labels refer to guidance section)

	Does the innovation help? Are there opportunities to help? If so, how?	Does the innovation hurt? If so, how?	Net impact: beneficial (+), nil (0), harmful (-)
Climate mitigation	M+ Does it, could it, reduce GHG emissions or increase carbon sequestration?	M- Does it, could it increase GHG emissions or reduce carbon sequestration? If so, are there affordable and equally impactful alternatives with lower emissions?	M±
Climate adaptation	A+ Does it, could it, increase resilience to physical climate	A- Does it, could it promote maladaptation?	A±

	<i>shocks or stresses? Does it, could it enhance adaptation to future physical changes in climate?</i>		
Biodiversity and other aspects of environmental sustainability	E+ <i>Does it, could it provide other environmental benefits – e.g. reduction in air pollution, protection of biodiversity?</i>	E- <i>Does it, could it, cause other kinds of environmental harm, e.g. increased pollution, loss of biodiversity?</i>	E±

4. Theory of change for adaptation or environmental impacts (if relevant)

If cell A+ or cell E+ in Table 1 is marked “Yes”, explain the mechanism. As always, take into account upstream and downstream impacts.

Table 2 Theory of change for an adaptation or environmental intervention

Climate or env threat	Risk description	How the innovation mitigates the risk	Outcome
<i>Threat 1</i>			
<i>Threat 2</i>			
...			

5. Climate stance of the innovator

In the responses, characterize the depth of effort on these dimensions. Was it a one-off exercise, or is climate awareness incorporated into operations?

Table 3 Climate stance of the innovator

Has the organization assessed climate threats to its operations? (including indirectly via upstream or downstream value chain)	<i>Choose:</i> No/Identified/assessed/planned actions/taken actions to avoid
Has the organization assessed its benefits to the climate?	No/Identified/assessed/quantified/taken action to enhance
Has the organization assessed its potential contribution to GHG emissions or environmental damage?	No/Identified/assessed/planned actions/taken actions to avoid
Does the organization monitor and quantify its GHG emissions?	No/Yes, direct emissions/Yes, direct and indirect
Does the organization monitor and quantify its GHG emissions reductions?	No/Yes
Does the organization monitor for unexpected environmental or climate damages?	No/Yes

6. Alignment with Adaptation Research Alliance principles

(skip if no research or learning component)

GIF is a member of the ARA and strives to comply with its principles. For rubric see https://southsouthnorth.org/wp-content/uploads/2021/11/Adaptation-Research-for-Impact-Principles_28.10.21.pdf

Table 4 Alignment with ARA principles

Principle	Aligned? How?
Research is needs-driven, solutions-oriented and leads to a positive impact on the lives of those at risk from climate change	
Research is transdisciplinary and co-produced with users	
Research emphasises societal impact	
Research builds capacity and empowers actors for the long-term	
Research processes address structural inequities that lead to increased vulnerability and reduced adaptive capacity of those at risk	
Learning-while-doing enables adaptation action to be evidence-based and increasingly effective	

7. Risks from the climate to the innovation

Drawing on the contextual overview, identify threats posed by climate or climate change to the organization and the innovation. This includes threats to financial viability and to the organization's social impact. The threats might operate directly on the organization or through upstream, downstream, or other channels.

Table 5 Risk from climate TO the innovation

Climate threat	Potential impact (e.g. on organizational financial viability; on social impact) and severity	Mitigants: in place and potential	Risk severity after risk mitigation
Threat no. 1			
Threat no 2			
...			

8. Summary and recommendations

Identify areas for further diligence or attention based on:

Are there unknowns about risks and benefit from or to the innovation? (Is critical info missing?)	<p>Choose:</p> <ul style="list-style-type: none"> • No • Yes but realistically we think the effects are minimal • Yes, but there is a realistic chance that effects could be significant, so we recommend: Further diligence or build evidence generation into the investment
---	--

Are there identified options to mitigate risks (from or to) or enhance benefits?	Explain implications for investment or venture support
Are there options to enhance investee’s climate or environment stance and capacity, including monitoring?	Explain implications for investment or venture support

Reject proposal on environmental or climate grounds? (Yes/No; if yes, explain)

In Table 1 are any of the net impacts negative and large? GIF keeps in mind that developing countries have inherited carbon-intensive infrastructure, meaning that development today unavoidably entails additional GHG emissions. Recognizing this, the Paris Agreement points development finance towards ensuring a pathway to carbon neutrality by 2050. Consistent with this GIF seeks to support innovations that generate large social benefits while being consistent with a transition to a net zero world. GIF will avoid supporting fossil fuel exploration, extraction, or use for large scale power generation. GIF will not support an innovation that might induce significant degradation of carbon sinks such as forests or peatland. Where a proposed innovation would induce significant per-beneficiary emissions (e.g. from power, transport, or fertilizer use), diligence will establish whether there are cost-effective, lower carbon alternatives and whether the innovation is consistent with the country’s Nationally Determined Contribution.

Categorize investment as adaptation finance? (Y/N)

Yes if it passes the Rio Marker (Section 2) or if Section 4 makes a convincing case for adaptation. But class as no if there is significant unmitigated potential for other climate or environmental harm.

Characterize investment as mitigation finance? (Y/N)

Yes if it passes the Rio Marker (Section 2) or if there is a convincing case in Table 1 for a ‘Yes’ for M+. This implies a clear theory of change for GHG reductions. That is, it should be possible to set up a spreadsheet for calculating the emissions reductions, even if the data and parameters are currently unavailable.

Characterize as other environmental finance? (Y/N)

Yes if it passes the Rio Marker (Section 2) or if Section 4 makes a convincing case for environmental benefit. But class as no if there is significant unmitigated potential for other climate or environmental harm.