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Update of the Green Climate Fund Strategic Plan – zero draft

Addendum

Summary

This document contains the zero draft of the Strategic Plan 2024-2027. The draft takes into account emerging recommendations from the second performance review of GCF, the findings of the overall review of GCF policy frameworks, the outcomes of the B.33 Board informal session on the review and update of the Strategic Plan held on 17 July 2022, submissions and inputs received, as well as the outcomes of consultations held with developing countries, accredited entities, accredited observers and private sector representatives through programming and private investment conferences held in September 2022. Parts of the zero draft have been populated with annotated options to allow for initial discussion by the Board at B.34, and will be refined into full text for a later version based on feedback received.

Strategic Plan for the GCF 2024–2027 – zero draft

I. Introduction: Rising to the climate investment challenge

1. GCF is the world's largest dedicated climate fund serving developing countries. As an operating entity of the financial mechanism of the United Nations Framework Convention on Climate Change (UNFCCC) and serving the Paris Agreement, GCF has since its inception committed over USD 10.8 billion to over 200 projects in 128 developing countries, with a total asset value of USD 40 billion.[1] GCF's programming is guided by the ambitious mission set out in the Governing Instrument for the GCF: *"to make a significant and ambitious contribution to global efforts toward attaining the goals set by the international community to combat climate change by, in the context of sustainable development, promoting the paradigm shift towards low-emission and climate-resilient development pathways, taking into account the needs of those developing countries particularly vulnerable to the adverse effects of climate change".*

2. Since GCF last updated its Strategic Plan in 2020, the magnitude and urgency of the climate investment challenge has become even clearer. The world has already experienced over a degree of warming, with climate change impacts being felt in all regions. The Sixth Assessment Report of the Intergovernmental Panel on Climate Change warns the window of opportunity for both mitigation and adaptation action is narrowing, highlighting the imperative to shift from incremental to systemic responses. As part of the global response, over 140 countries have raised their ambition, and the international community has reinforced the need to scale up adaptation action and support and reach net-zero emissions by mid-century to stay within the Paris Agreement goals, as well as implementing approaches to avert, minimize and address loss and damage.[2] In a challenging global macroeconomic environment, the imperative of "building forward better" through interventions that simultaneously support climate action, economic recovery and manage debt is clear. In this critical decade, the role of finance is key to unlocking the potential of available technologies and solutions and innovating new approaches, ensuring benefits can be accessed equitably by developing countries and reach the most vulnerable.

3. The Governing Instrument mandates the Board to steer GCF's operations so they evolve with GCF's scale and maturity, supporting its evolution as the main global fund for climate finance. This update to the Strategic Plan has been prepared in response to that call, as GCF heads into its second replenishment period (2024-2027) (GCF-2). While GCF has since 2020 been the largest dedicated multilateral provider of climate finance, it is important to recognize that its funding of around USD 2–2.5 billion annually over GCF-1 (2020–2023) represents just a few per cent of the beyond-USD 100 billion to be mobilized for developing countries annually, let alone the trillions in wider investment needs. As GCF looks to the future, this update to the Strategic Plan aims to chart in actionable terms how GCF will seek to deliver the highest levels of catalytic impact through its key assets – its financial resources, partnerships and people – to maximize the ambition of its contribution to international climate goals and promote a paradigm shift for developing countries.

4. This update builds on the foundations set through the implementation of the Strategic Plan since its initial adoption in 2016, including the GCF's growing institutional maturity and programming experience. Maintaining continuity in structure, it contains the following parts:

(a) **Section II** articulates GCF's long-term strategic vision, originally set by the Board in 2016. This update maintains and elaborates the strategic vision to better align GCF with

[1] Figures will be updated to be current at the time of the adoption of the updates to the Strategic Plan.
[2] Decision 1/CP.26 (Glasgow Climate Pact).

the goals and dynamic ambition cycles of the UNFCCC and Paris Agreement and detail in more concrete terms how the vision will be translated into action;

(b) **Section III** sets out GCF's strategic objectives, including the specific goals GCF will strive toward as it seeks to deliver its vision. In this update, the strategic objectives have been refocused toward capturing GCF's overall programming directions and set ambitious, measurable 'midterm goals' for achieving climate results. These will be used to guide the Board's subsequent adoption of portfolio allocation parameters for 2024–2027;

(c) **Section IV** sets out the strategic priorities. These reflect, at an intentionally high-level, the actions GCF will take in refining its operating model, programming modalities and partnerships to deliver the strategic vision and objectives – that is, the 'how'. These high-level directions are designed to go hand-in-hand with more detailed operational strategies adopted to cover areas such as the Readiness and Preparatory Support Programme, the Project Preparation Facility (PPF), accreditation, direct access, adaptation and private sector programming; and

(d) **Section V,** the institutional priorities, set out 'SMART' operational targets for 2024–2027 and identify, again at an intentionally high-level, institutional measures GCF will take to equip itself for successful delivery and improving access.

5. An updated results tracking tool, aligned with the GCF's Integrated Results Management Framework (IRMF), will be developed and used to report annual progress on the Strategic Plan for the GCF 2024–2027, starting in 2025. Actions required to implement the Strategic Plan will be further detailed through the workplans of the Board and its committees, and annual work programmes of the Secretariat and independent units, with performance indicators aligned with the Strategic Plan results framework.

6. **Figure 1** shows the updated logic of the GCF Strategic Plan, including how its components are designed to align internally and with the UNFCCC and Paris Agreement goals.

Figure 1: Logic of the updated Strategic Plan for the GCF 2024–2027

I. Strategic vision of the GCF

7. The Board's long-term strategic vision for the GCF, elaborated to align with the latest science and developments in the UNFCCC and Paris Agreement, is 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 UNFCCC, within the evolving climate finance landscape.

8. GCF intends to deliver this long-term vision by strengthening the capacity of developing countries to translate their nationally determined contributions (NDCs), adaptation communications (ACs), national adaptation plans (NAPs), technology needs assessments (TNAs), technology plans, long-term strategies (LTS) and other climate plans into concrete interventions and bankable investments that are able to attract an increasing flow of finance, to accelerate implementation and ambition over successive Paris Agreement cycles.

9. GCF intends for its investments to support developing countries and their people, particularly the most vulnerable, in removing barriers to climate investment and accessing finance at scale to support a just transition of their energy, industry, infrastructure, ecosystems, societal and financial systems, via pathways to peak and reduce emissions and enhance adaptive capacity, strengthen resilience and reduce vulnerability, in line with the goals set out in the UNFCCC and Paris Agreement, and promoting gender equality and human rights.

10. GCF has articulated its approach for promoting paradigm shift and supporting the implementation of the UNFCCC and Paris Agreement through a four-pronged theory of change as represented in **figure 2**. This theory of change is also embedded in GCF's thematic programming strategies, including its Private Sector Strategy and adaptation guidance.

Figure 2: GCF Theory of change

GOAL	The GCF promotes paradigm-shift in developing countries towards low-emission climate resilient (LECR) development pathways, in line with the goals of the UNFCCC and Paris Agreement
THEORY OF CHANGE STATEMENT	IF GCF helps remove technical and financial barriers to climate investment in developing countries THEN developing countries will demonstrably shift towards LECR pathways by 2030 BECAUSE finance will become available at scale for an increasing flow of bankable climate investments in developing countries that advance transitions in energy, industry, infrastructure, ecosystems and societal systems.
OUTCOMES	1: Transformational planning and programming: Strengthened capacity and enabling environments for climate investment, and integrated and participatory investment planning to build high-potential pipeline.
	2: Catalyzing climate innovation: Increased number and deployment of innovative & inclusive high-potential business models, instruments, technologies or practices successfully piloted and strong innovation ecosystems
	3: Mobilizing investment at scale: De-risking and establishing a commercial track record to scale up pioneer investments, crowd-in private finance and increase local capacity to attract private capital for climate action
	4: Aligning finance with sustainable development: Strengthened capacity of domestic financial systems to mainstream climate risks into financial decision-making, develop new financial products & services for climate

11. In more specific, actionable terms that link to GCF's investment approach, this theory of change sees the GCF implement the two arms of its strategic vision through:

(a) **Strengthening the climate investment ecosystem:** The GCF makes patient, long-term investments with its partners in mainstreaming capacities and tools to factor climate change into investment decision-making and generate pipeline. It does this by:

(i) Helping national designated authorities (NDAs), focal points and other developing country stakeholders build capacity for integrated climate investment planning;

(ii) Expanding the collection, analysis and use of climate information and risk and vulnerability assessments, to help enable systemic intervention design;

(iii) Strengthening partner – particularly direct access entity (DAE) – capacities for climate programming, fiduciary management and climate portfolio mainstreaming;

(iv) Helping developing countries put in place enabling policy and regulatory environments for climate action, including carbon market readiness; and

(v) Helping bolster the ability of national financial systems to respond to climate change through green banks, new products and tools for pricing climate risk.

(b) **Accelerating the race for results:** The GCF exercises its distinctive risk appetite, being willing to accept considerable uncertainties around investment risks, to unlock investments with significant potential for climate impact. It does this by seeking to fund paradigm-shifting mitigation, adaptation and cross-cutting funding proposals that:

(i) Are fully aligned with developing countries' NDCs, ACs, NAPs and LTS, targeting areas of highest climate impact potential and need;

(ii) Increasingly pursue systemic investment design, considering trade-offs and synergies between mitigation and adaptation, looking across sectors and geographies, and unlocking pathways for systems transition;

(iii) Magnify the impact of GCF concessional financing and catalyse other sources of finance by promoting innovation in practices, business models, technologies or instruments; scaling up successful and replicable approaches, including local and indigenous approaches; and de-risking to establish commercial track record and establish the viability of new asset classes and markets; and

(iv) Address the urgent needs of developing countries and communities that are particularly vulnerable to the adverse effects of climate change, including for activities relevant to averting, minimizing and addressing loss and damage.

12. In the wider, evolving climate finance landscape, GCF works at a nexus of risk and scale, and also available instruments and target geographies, which position it best to play a **scaling and market-creation role as an accelerator and amplifier for climate action**, forging collaborations and co-investments with others. This makes the most of its comparative advantages of having a specialized climate focus; being country-driven; operating through a partner-based business model; providing risk-taking, patient capital through a flexible range of financial instruments; and committing to balance and optimize synergies between adaptation and mitigation, with a focus on the most vulnerable. GCF collaborates with organizations such as the Adaptation Fund, Global Environment Facility and Climate Finance Lab, which fund efforts with smaller ticket sizes and greater nimbleness for experimentation, to bring promising innovations and successful approaches to scale. It then takes on risks associated with 'proof of investment' to allow more conservative sources of finance, including multilateral development banks, national development banks, commercial lenders, equity funds and institutional investors, to shift much wider financial resources toward climate action. In this way GCF seeks

to avoid overlap and optimize cooperation in its programming, drawing on the respective strengths of partners. These efforts are guided by its operational framework on complementarity and coherence. The fact that GCF is willing to go into non-investment-grade markets, use higher risk instruments (such as first loss equity, junior loans and grants), fund novel technologies and interventions including on adaptation, and engage with partners including DAEs for which it is building a climate programming track record demonstrates that GCF is truly ready to accept risk for the prospect of catalytic potential, while also ensuring it uses its risk management tools to enable educated risk-taking and monitoring.

II. Strategic objectives and programming directions

13. In order to focus the urgency and ambition needed to realize the strategic vision in line with the global goals set by the UNFCCC and Paris Agreement, and provide a clear, actionable and measurable frame for programming as GCF moves into GCF-2 and beyond, GCF has reset its strategic objectives as a series of ambitious midterm goals for climate results. These are designed to contribute to the achievement of the strategic vision described in section II and are distinct from, but will guide, the allocation parameters that the Board will set for each replenishment programming period under GCF's Investment Framework. They are also distinct from the operational targets set out in section V.

14. Through its investments to **strengthen the climate investment ecosystem**, GCF will direct its programming and engagement toward the ambition that by 2030:

(a) Every developing country should have the basic capacities to access, analyse and utilize best available climate information and data for early warnings and investment planning;

(b) Every developing country will be able to access predictable support, as needed, to complete and periodically update their NDCs and NAPs and translate these into climate investment plans, including planning for loss and damage;

(c) More than double the number of DAEs will be actively programming and implementing GCF funding;

(d) At least # developing countries will be supported in mainstreaming climate into national financial systems, including through the establishment of national green banks and/or climate facilities within existing development banks, strengthening domestic and sub-regional exchanges, the adoption of green taxonomies, and green bond issuances; and

(e) All GCF accredited entities (AEs) have active strategies to mainstream climate considerations in their wider investment portfolios.

15. Through its investments in **paradigm-shifting projects/programmes to accelerate the race for results**, GCF will direct programming toward the ambition that by 2030:

(a) GCF support will reach over one billion beneficiaries, avoid over 5 billion tonnes of carbon dioxide equivalent, and mobilize over USD 100 billion in total finance;

(b) At least # developing countries will be supported to mature markets for renewable energy and plan for a just energy transition;

(c) At least # developing countries, with a particular focus on small island developing States (SIDS), least developed countries (LDCs) and African States, will be supported in building the resilience of critical infrastructure to climate threats;

(d) At least # developing countries, with a particular focus on SIDS, LDCs and African States, will be supported in addressing the immediate needs of vulnerable communities through the enhanced direct access modality and locally-led climate action;

(e) $ enhanced access to finance will be available for micro, small and medium-sized enterprises (MSMEs) and smallholders for low-emission/climate-resilient crops, products and services;

(f) % increase in the area, terrestrial and marine, covered by improved ecosystem management practices; and

(g) % increase in coverage of early warning systems.

16. GCF recognizes that striving for these goals to realize the climate ambitions and needs of developing countries will require scaled up resources over successive programming periods, as well as an intentional direction of programming efforts toward the targeted results. GCF in particular recognizes the global commitment to scale up financing for adaptation, and in light of the Cancun Agreement understanding that a significant share of new multilateral funding for adaptation should flow through GCF, seeks to enhance its contribution to meeting these urgent needs. While noting that the Board will determine, for each programming period, portfolio allocation parameters as well as specific allocations for individual investment modalities (including readiness, PPF and requests for proposals), GCF's programming will be guided by the following overall directions:

(a) Committing predictable and accessible support to every developing country, where needed, with a focus on SIDS, LDCs and African States, to secure the climate investment readiness goals outlined above by dedicating around [5–7] per cent of programming resources to the aims;

(b) Increasing the share of annual programming for adaptation to [approach 50 per cent in nominal terms/exceed 50 per cent in grant equivalent terms], and within this, using minimum allocation floors and/or requests for proposals, as appropriate, to:

   (i) Take into account the urgent and immediate needs of developing countries that are particularly vulnerable to the adverse effects of climate change, including LDCs, SIDS and African States;

   (ii) Ensure sufficient resources are dedicated to addressing urgent vulnerabilities of those with least capacity, including building a foundation of climate services and early warning systems, and locally-led adaptation action that helps protect the most vulnerable from immediate and future climate threats;

   (iii) Unlock underprogrammed potential in high-impact areas for adaptation, such as the use of nature-based solutions and the blue economy; and

   (iv) Deploy the Private Sector Facility (PSF) to further advance innovative approaches and instruments for mobilizing finance for adaptation from private sources, where there is potential for successful business models;

(c) Directing programming for mitigation to complement and catalyse other sources of finance, which can multiply mitigation impact overall, with a focus on:

   (i) Deploying PSF to accelerate innovation and market creation, de-risking investments that can mobilize finance at a much wider scale and increasing financing available to developing countries through capital markets; and

   (ii) Focusing public sector interventions on unlocking potential for mitigation impact at scale in areas where there are still barriers to private sector participation across key impact areas, such as the zero-carbon, just energy transition, widespread electrification, and the protection, conservation and restoration of forests and other terrestrial and marine ecosystems;

(d) As cross-cutting programming directions:

(i) Increasing programming engagement with DAEs to reach and exceed [30] per cent of annual programming by number of proposals;

(ii) Increasing the share of annual programming directed through the PSF to [approach 40 per cent in nominal terms] for programming aligned with the Private Sector Strategy, with the parallel aims of (1) engaging the local private sector and MSMEs; (2) seeking high private finance mobilization in markets and sectors which have a developed private sector role; and (3) seeking catalytic impact to unlock private sector engagement in new sectors, geographies and technologies, including for adaptation.

17. The GCF is also committed to respond to the challenges faced by many developing countries in accessing finance. It will set progressively more ambitious targets on access as part of its operational goals for each current programming period, as set out in section V below, while noting such goals must not create incentives to compromise the quality of programming.

III. Strategic priorities for 2024–2027

18. The strategic priorities reflect the key actions that GCF will take over the next programming period (2024–2027) through its operating model, programming modalities and partnerships to deliver the strategic vision and midterm goals set in the strategic objectives. While many of these actions do span programming cycles, recalibrating the strategic priorities every four years allows GCF to incorporate lessons learned from experience and stakeholder feedback, as well respond to any change in programming directions. The strategic priorities are articulated at an intentionally high level, as they are supplemented by more detailed thematic strategies that GCF has adopted to cover specific programming areas such as readiness, the PPF, accreditation, direct access, adaptation and the private sector.

Note to the Board: For the thirty-fourth meeting of the Board, the zero draft of the strategic priorities have not yet been fully developed. Instead, annotations have been provided, allowing the Board to see potential areas of continuity from the Strategic Plan for the GCF 2020–2023, as well as potential additions/refinements emerging from consultations with stakeholders. This will also ensure that the strategic priorities – the 'how' – can be refined and adapted to match the Board's approach to the strategic vision and objectives.

3.1 Strengthening country-owned, integrated investment planning

19. Developing countries are the primary partners of GCF. GCF's programming depends at its core on fully implementing and strengthening country ownership. It aims to do this by articulating a clear approach for empowering developing countries to be in the driver's seat of investment planning, pipeline origination and execution: identifying, designing and implementing projects, programmes and enabling measures that will translate their national climate ambitions into action, and delivering results to build ambition toward the UNFCCC and Paris Agreement goals.

20. **Elements that may be continued from the 2020–2023 Strategic Plan:**

(a) Focusing on building capacities of NDAs/focal points to engage in transformational planning and programming, incorporating broad-based stakeholder engagement;

(b) Ensuring country needs, priorities and areas of highest impact potential inform pipeline development and programming;

(c) Refocusing country programming as a tool for translating NDCs, ACs, NAPs and LTS into investment plans, and identifying the top priority project ideas for each country or region, preferred AEs and how to structure and mobilize potential sources of finance;

(d) Promoting a more proactive GCF role in guiding programming and supporting project design and structuring for paradigm shift across results areas, informed by sectoral guidance;

(e) Supporting national and regional DAEs in playing a more prominent role in GCF programming and channelling significantly more GCF funding; and

(f) Improving the predictability and accessibility of support through the Readiness Programme and PPF.

21. **Elements that may be strengthened in the strategic priorities for 2024–2027:**

(a) Unpacking the key intervention points through which GCF can help strengthen developing countries' capacity to translate NDCs, ACs, NAPs and LTS into bankable climate investments, focusing on major gaps and barriers experienced by countries and partners to date (e.g. using climate information/assessments in investment decision-making, shifting from incremental to systemic investment design/feasibility assessments, matching and structuring sources of finance, drafting concept notes and funding proposals);

(b) Better defining what country ownership means in GCF's partner-based business model, including the respective roles and expectations of GCF, its delivery partners (DPs) and AEs; and focusing on ways to improve engagement and alignment between countries, DPs/AEs, including private sector entities, and GCF, both upstream at the origination stage and in project implementation;

(c) Unpacking what country ownership should entail beyond the no-objection procedure to allow developing countries to participate more fully in investment origination and execution; and also what country ownership means in terms of engagement with affected people and communities, including indigenous people; noting that this may also be elaborated in more detail through an update to the country ownership guidelines;

(d) Considering how to enhance the role of NDAs; how developing countries can be helped to retain critical knowledge and expertise and cultivate local expertise; and how technical assistance can better be deployed toward this;

(e) Better differentiating the support provided, for example to countries with least capacity, including LDCs and fragile states; and/or to countries that have not yet had funding proposals approved; noting the GCF would also need to articulate its risk appetite for operating in fragile or conflict-affected states;

(f) Recalibrating country programming and entity work programming to be more dynamic and fit-for-purpose as investment planning exercises; better linking these into existing national investment planning tools or processes; and clarifying expectations on how these will feed into pipeline programming, noting that this may also be elaborated through an update to the country programme guidelines;

(g) Promoting a stronger focus on how GCF can support developing countries in working with their partners upstream to design projects that unlock barriers to systems transition, looking at trade-offs and synergies across mitigation and adaptation, and across sectors; and identifying opportunities to design country-owned programmes of investments rather than incremental responses captured in standalone projects;

(h) Unpacking the key measures that can be taken to support enhanced DAE programming, including opening a dedicated DAE window through the Readiness Programme, and strengthening international access entity (IAE) collaboration with and support for DAEs, noting that this is further elaborated in the DAE action plan and is also due to be taken up in the Readiness Strategy; and

(i) Concretely linking the strategic programming directions set out in the Strategic Plan to the desired results of the Readiness Programme and PPF, including how the two support facilities can work more seamlessly together; more systematically targeting readiness to programming capacity gaps; and updating/creating new readiness windows, allocations and modalities for improved delivery, noting that standalone strategies and updated modalities are due to be developed for the Readiness Programme and PPF.

3.2 Fostering climate innovation for paradigm-shift

22. The ambition of GCF in developing its portfolio is to better respond to developing country needs and support them in realizing and raising ambition under the UNFCCC and Paris Agreement. Given the urgent warnings of the latest science and closing window of opportunity to meet the UNFCCC and Paris Agreement goals, GCF must utilize its limited share of global financial resources to be paradigm-shifting: through a sharper programming focus on enabling systems transitions, and through catalysing innovation and scaling-up of promising solutions.

23. **Elements that may be continued from the 2020–2023 Strategic Plan:**

(a) Increasing cases in which GCF takes educated risks to demonstrate the viability of innovative approaches;

(b) Strengthening collaboration on innovation and technology, including with the UNFCCC Technology Mechanism, Climate Technology Centre and Network and other efforts to promote technology development and transfer, innovation, incubation and acceleration;

(c) Considering new prospective concepts for requests for proposal with a focus on fostering innovation and scale, particularly for adaptation and technology incubation;

(d) Keeping at the forefront the GCF commitment to stakeholder engagement, taking account of impacts on peoples and communities most affected by climate change and recognizing the critical importance of local and indigenous knowledge for effective climate innovation; and

(e) Continuing to advance best practice policies and standards on environment and social safeguards, indigenous peoples, gender and integrity in ways that not only include safeguarding measures of "do no harm" but also improve environmental, social and gender outcomes and generate critical co-benefits.

24. **Elements that may be strengthened in the strategic priorities for 2024–2027:**

(a) Further clarifying the GCF's risk appetite and where the GCF sees its greatest potential value-add: whether it aims to be (i) impact/efficiency maximizing, pursuing the largest volume of outcomes for least cost; or (ii) catalytic, taking risks on innovations that may not have guaranteed impact, but with potential for much wider catalytic outcomes; and clarifying how GCF will deal with uncertainties in climate projections/data;

(b) Unpacking how GCF can spur investments in innovation and technology, with particular attention to supporting domestic innovation in developing countries, technology transfer, building technology collaboration and strengthening innovation ecosystems; as well as capturing innovation from local and traditional approaches;

(c) Unpacking how GCF can promote inclusive and innovative financing for adaptation and the most vulnerable, including lowest capacity and fragile and conflict-affected countries; supporting interventions with no/limited revenue but high social returns; incorporating principles locally-led adaptation; and considering how climate vulnerabilities should be reflected in the provision of concessional finance;

(d) Unpacking how GCF can support measures to avert, minimize and address loss and damage, including collaboration with the Warsaw International Mechanism for Loss and Damage Associated with Climate Change Impacts and other stakeholders, to enhance the understanding of how such approaches can be improved;

(e) Promoting a stronger focus on how GCF can upscale successful projects and best practices of smaller and regional climate funds, building on collaboration with the Adaptation Fund and the Global Environment Facility (GEF);

(f) Clarifying the role of the simplified approval process (SAP) in the GCF programming strategy, including opportunities to use it for fast-tracking (i) innovative financing approaches; (ii) scaling up successful projects of other climate funds; (iii) unlocking private sector finance; and (iv) addressing urgent climate change needs, in particular in SIDS, LDCs, and African States, and (v) enhancing DAE programming;

(g) Clarifying the role of the enhanced direct access (EDA) modality in the GCF programming strategy, including opportunities to use this to innovate locally-led approaches and engage indigenous peoples, including through building capacities to engage in climate investment design, implementation and monitoring;

(h) Clarifying the role of requests for proposals in the GCF programming strategy moving forward, noting this may also be covered in the review of requests for proposal;

(i) Unpacking how GCF can deliver results for vulnerable groups and last mile beneficiaries, beyond vulnerable countries;

(j) Keeping at the forefront the differentiated gender and socioeconomic impact of new climate solutions to foster inclusive, responsible and sustainable innovation;

(k) Further articulating how GCF can complement and avoid overlap with other sources of finance across sectoral/thematic programming areas.

3.3 Catalysing private sector finance at scale

25. Contributing to making wider financial flows, including those managed by the private sector, consistent with a pathway towards low greenhouse gas emissions and climate-resilient development is key to realizing the scale of resources – in the trillions – needed to implement developing countries' NDCs, ACs, NAPs, technology plans and other climate strategies. This aim is supported by programming efforts across the GCF's public sector division and Private Sector Facility. GCF programming will aim to more systematically and fully realize GCF's potential to mobilize resources at scale and attract and crowd-in private funding in new markets, geographies and asset classes, while encouraging a wider alignment of financial flows with countries' climate plans and strategies.

26. **Elements that may be continued from the 2020–2023 Strategic Plan**:

(a) Showing how the GCF risk appetite differs from other entities; building understanding of how partners can work through GCF's flexible instruments to create de-risking vehicles and use blended finance to catalyse private investment;

(b) Deploying its full range of financial instruments, including exploring opportunities to diversify the application of non-grant instruments without compromising GCF grant financing, particularly for adaptation; and exploring new applications for results-based payments, insurance and investment in local currency instruments;

(c) Strengthening capacity to engage the private sector, especially the local private sector, in planning, programming and investment design; and formulating supportive policy settings;

(d) De-risking and addressing barriers, including currency fluctuation, to mobilize private sector resources at scale across results areas, with a focus on enhancing the role of the private sector in adaptation;

(e) Ensuring consistency with guidelines for enhanced country ownership and country drivenness; as well as a strong focus on local private sector actors;

(f) Supporting private sector engagement in all developing countries, including LDCs/SIDS;

(g) Structuring options to attract larger institutional sources of capital through aggregation and securitization;

(h) Enhancing PSF's engagement with the private sector, identifying strategic investment partners, and exploring partnerships with long-term institutional investors; and implementing an outreach plan.

27. **Elements that may be strengthened in the 2024–2027 Strategic Plan:**

(a) Fully aligning objectives and initiatives with the GCF's Private Sector Strategy;

(b) Further clarifying the GCF's risk appetite in the private sector context and where the GCF sees its greatest potential value-add: GCF has historically been guided by goals on impact and mobilization maximization, which tend to lead to conventional investments or markets which maximize efficiency; it could instead adopt a more intentionally segmented approach (e.g. crowding-in new private sector funding in sectors, markets and geographies which are not currently profitable, including a greater role in adaptation and in most vulnerable countries; and maximizing mobilization at scale where scale is a key driver for paradigm-shift); as well as maintain active monitoring of market circumstances to inform investments and avoid crowding-out;

(c) Promoting a stronger focus on how GCF can make the most of its position at the hub of a global partnership network to forge novel programming collaborations and co-investment approaches, drawing on respective strengths and financing from different partners; and the role PSF can play in forging public-private collaborations and leveraging GCF financing and due diligence standards to de-risk investments and attract private participation;

(d) Further articulating how GCF will engage MSMEs and local private sector actors, including the role of national and regional DAEs;

(e) Further articulating how GCF can help build private sector participation in LDCs/SIDS;

(f) Further articulating how GCF can collaborate with private sector-oriented development banks, combining policy dialogue and technical and financial assistance;

(g) Better reconciling private sector engagement with GCF's country-driven approach, and determining how to approach investment engagement in a way that secures country ownership and participation while working with private sector investment processes at both project design/approval and implementation stages; and strengthening upstream engagement between developing countries/NDAs, AEs and private sector partners; and

(h) Clarifying the role of multicountry programmes in the GCF programming strategy and expectations for how these will be designed and utilized, addressing risks around lack of country ownership and high transaction/operational costs at country and entity level, noting that this may also be covered in a policy on programmatic approaches;

(i) Further unpacking GCF's approach to deploying its financial instruments and financing terms, as well as GCF's plans to pilot/explore new financial instruments or applications of financial instruments, including local currency, insurance and Special Drawing Rights;

(j) Elaborating how GCF can enhance the use of available financial instruments and promote financial instrument innovation to unlock private sector finance, including market- and performance-based approaches; and expanding use of equity and guarantees, climate insurance products and local currency financing.

3.4 Collaborating to strengthen the climate investment ecosystem and green financial systems

28. GCF is fundamentally a partnerships institution working for, through and with partners to deliver climate results. In this model, the GCF's DPs and AEs are key to developing countries' access to GCF resources and delivery of impact. In addition, delivering GCF's theory of change through the three strategic priorities above depends fundamentally on dramatically expanding human and institutional capacity and knowledge, particularly within developing countries, to factor climate considerations into financial and investment decision-making, and to implement low-emissions and climate-resilient actions on the ground. Sitting at the hub of a global partnership network, GCF has a unique opportunity to capitalize on this to build investment collaborations, mainstream climate knowledge into financial decision-making, and disseminate best practices – indeed, this is a fundamental condition of GCF's success. This work can also contribute to shifting wider financial flows to low-emission, climate-resilient development.

29. **Elements that may be continued from the 2020–2023 Strategic Plan:** [*Note that this priority builds on the previous USP priority 4 with cross-cutting elements of other priorities]*

(a) Building know-how of NDAs/focal points and national and regional DAEs, and strengthening capacity to engage the private sector, especially the local private sector;

(b) Supporting climate-oriented local financial systems, green banks, markets and institutions; and developing climate investment capabilities of national financial institutions;

(c) Seeking to drive cooperation between financing mechanisms to help countries navigate the climate finance landscape;

(d) Advancing knowledge collaboration to synthesize and broaden knowledge dissemination, in particular with other climate funds;

(e) Considering ways to further align financial flows with countries' low-emission climate-resilient development; and

(f) Fostering climate mainstreaming across the GCF partnership network, building on the requirement for AEs to advance the goal of the GCF to promote a paradigm shift, including through their overall climate portfolio of activities as they work with GCF;

30. **Elements that may be strengthened in the 2024–2027 Strategic Plan:**

(a) Unpacking how GCF will aim to make use of its assets – including its extensive partnership network, the accreditation and reaccreditation process, the world's largest dedicated climate capacity-building programme, and the grant capacity-building and knowledge elements of its funded activities – to help build the sustained capacities needed for successful climate investments in developing countries;

(b) Exploring additional measures that can be taken by GCF, learning from past experience about the difficulties of deploying short-term support, to ensure more stable human capacity and expertise for climate investment in developing countries and DAEs, including steps that can be taken in collaboration with GCF's partner network and other climate funds;

(c) Unpacking how GCF can strengthen the role of national financial institutions, including through the development of green banks or greening of existing development banks;

(d) Unpacking other ways GCF can support the greening of domestic and regional financial systems, including working with partners to develop new guidance, methodologies and tools to mainstream climate in investment decision-making, such as approaches to originate and appraise climate projects; re-price low-emission climate-resilient assets and services; assess exposure to climate-related physical and transition risks; and develop climate disclosure standards and green taxonomies; and by helping developing countries strengthen national exchanges to issue green or blue bonds;

(e) Elaborating GCF's role in working with partners to support effective project implementation, monitoring and learning, including a stronger focus on the broad-based and inclusive engagement of stakeholders in investment planning and implementation processes (e.g. civil society, the private sector, local and affected communities, local authorities, indigenous peoples, women and youth);

(f) Indicating how GCF can capture and utilize knowledge, both from its own operations and from the experience of its partnership network, to feed back into improved investment design, improved access and improved impact, including its role in collating and making more accessible resources on climate information, products and services; sharing knowledge with other financiers; and developing shared investment databases;

(g) Indicating how GCF could operate as a convening hub for partnerships, cooperation and learning, which facilitates networking, regional knowledge-sharing and peer-learning, including input from community level and indigenous peoples;

(h) Elaborating the other activities GCF will engage in to promote complementarity and coherence with other climate funds, incorporating the GEF–GCF long term vision; and

(i) Further detailing how GCF can incentivize AEs to perform a portfolio shift, including through a climate performance-based approach, noting that this will also be discussed in the context of an accreditation strategy.

3.5 Improving access to fund resources

31. GCF has heard and internalized the feedback from its stakeholders that access to financial resources must be expedited in order to meet the urgency of the global climate

challenge and the needs on the ground. In this update to the Strategic Plan, this strategic priority on 'Improving access to fund resources' has been broadened from its initial focus solely on AE partnerships to recognize that access is a multidimensional issue covering the elements of volume, flexibility, speed, simplicity, harmonization, decentralization and direct access. GCF is committed to working with its partners, the primary channels for GCF access, to address each of these dimensions over the forthcoming programming period. As elements of volume, flexibility and direct access are also covered in priorities 1, 2 and 3, this section focuses more specifically on the other dimensions.

32. **Elements that may be continued from the 2020–2023 Strategic Plan:** [*Note that this priority has been broadened from the previous USP priority 4 and elevates elements previously included in the operational priorities]*

(a) Continue to build the AE network by focusing on the value-addition of AEs to delivering on developing countries' programming priorities and advancing GCF strategic objectives via a more strategic approach to accreditation;

(b) Keeping a strategic focus on strengthening the role of DAEs in programming*;* and seeking to further increase the share of DAEs;

(c) Seeking to streamline and speed up access to GCF resources and reduce the lengthy timelines involved in the current accreditation process;

(d) Reducing transaction costs and processing times and raising impact by focusing efforts on the most promising project and programme ideas aligned with GCF investment criteria; and developing more transparent and consistent approaches to applying the investment framework;

(e) Reviewing GCF policies and frameworks to better understand policy impacts, including resulting challenges or delays in implementation, gaps and opportunities to simplify, streamline and harmonize policies;

(f) Continuing to streamline programming and approval processes to enable timely disbursement, including for SAP; and

(g) Identify operational bottlenecks and examine the most effective ways to address these to speed up access.

33. **Elements that may be strengthened in the 2024–2027 Strategic Plan:**

(a) Clarifying the different types of partnerships that GCF engages through, how GCF works with each of these types of partners, and whom GCF will seek to work with going forward as an AE, including the potential to work with different partners at different 'speeds'; and criteria for reaccreditation, noting that this will also be elaborated through an accreditation strategy;

(b) As appropriate to supplement the strategic objectives and priority 1, detailing how GCF will continue to support increased direct access, including incentivizing IAE support for DAE capacity-building as well as peer-learning; and

(c) Unpacking the respective roles of GCF and its partners in overall speed of delivery; clarifying expectations by explicitly addressing where there may be tension between being a patient capacity-builder and speed (e.g. in the accreditation process); and detailing the longer-term benefits in speed of access to be gained through investing in partner capacity and improved quality at entry;

(d) Clarifying the extent to which GCF will rely on the capabilities of its partners, including their policies where materially equivalent to GCF's; and level-set on how GCF's second-level due diligence model is intended to translate into policy and practice;

(e) Outlining measures to optimize the performance of the AE network, noting that this is also expected to be elaborated in an accreditation strategy;

(f) Unpacking the steps GCF can take internally to improve speed and simplicity through ongoing policy and process reform and strengthening capacity (resource-dependent), with particular reference to the Readiness Programme and PPF, SAP and PAP approval and implementation;

(g) As appropriate to supplement the strategic objectives/programming directions, further articulating GCF's approach to prioritizing the project pipeline in a way that is transparent and predictable to all stakeholders, also taking into account countries that are underrepresented in accessing GCF resources;

(h) As appropriate to supplement priority 2, identifying how the SAP and EDA modalities may by deployed to enhance access through devolved financial decision-making, in particular to enable and empower locally-led climate action and strengthen capacities on the ground;

(i) Enhancing collaboration with UNFCCC bodies and other funds to clarify how developing countries can access funds from GCF and other sources;

(j) Clarifying steps being taken to share information and harmonize policies and processes with other providers of climate finance to reduce transaction costs; developing more consistent definitions, standards and approaches to methodological issues such as understanding climate impact and results measurement; and updating guidance on accessing and aligning various sources of finance;

(k) Continuing to enhance transparency and access to data, including transparency of the GCF project pipeline, to allow partners and other climate finance providers to explore potential synergies with GCF projects.

(l) As appropriate to supplement the strategic vision and priorities 1 and 3, elaborating how GCF can respond to access concerns related to volume: clarifying that GCF only channels a share of the beyond-USD 100 billion mobilization goal, but can use its assistance for investment planning and financial resources to help developing countries attract and maximize the available climate finance from different sources;

(m) As appropriate to supplement priority 3, elaborating how GCF can response to access concerns related to flexibility, including the way GCF's instruments, scale and structuring can be used make climate investments attractive to other investors;

(n) Examining how increased decentralization of GCF operations through regional presences could better support access by bringing GCF closer to the countries it serves, and providing improved understanding of local context in both investment programming and project implementation.

IV. Operational goals and institutional priorities for 2024–2027

34. Over the period of the 2020–2023 Strategic Plan, GCF saw tremendous growth in its institutional capacities and organizational maturity, and learned valuable lessons about ongoing opportunities for improvement. Taking this progress into account, in this update of the Strategic Plan for 2024–2027, the previous 'operational and institutional priorities' have been

streamlined into: (a) a set of 'SMART' operational goals for 2024–2027; and (b) high-level directions on further institutional steps needed to support the effective delivery of the GCF strategic vision, objectives and priorities for 2024–2027 across the domains of governance, policy, processes and organizational capacity. This recognizes that under GCF's matured processes for strategic planning and work planning, more detailed actions to elaborate 'how' the Strategic Plan will be executed will be taken up in regular work planning of the Board, its committees, the Secretariat and the independent units.

Note to the Board: For the thirty-fourth meeting of the Board, the zero draft of the operational goals and institutional priorities have not yet been fully developed. Instead, annotations have been provided, allowing the Board to see potential directions emerging from lessons learned and consultations with stakeholders. This will ensure that the operational goals and institutional priorities – the 'how' – can be refined and adapted to match the Board's approach to the strategic vision, objectives and priorities.

4.1 Operational goals

35. To promote greater predictability, speed, efficiency, effectiveness and transparency of operations, for 2024–2027 GCF will be guided by the overall operational objectives to:

(a) Programme 45 per cent of available resources by the midpoint of the programming period and 95 per cent by end 2027;

(b) Ensure resources are being deployed on the ground by maintaining a rate of over 90 per cent of the total GCF portfolio (readiness and funded activities) under implementation;

(c) Target reductions in the median times taken for:

  (i) readiness proposal review to first disbursement from [X] to less than [Y] months, and less than [Z] months for standard packages;

  (ii) funding proposal review to first disbursement from [X] to less than [Y] months;

  (iii) SAP funding proposal review to first disbursement from [X] to less than [Y] months;

  noting that speed of delivery depends on the collaborative efforts of GCF and its partners, and targets should not create incentives that compromise quality;

(d) Seek a rate of programming participation of AEs of over [80] per cent;

(e) Undertake a coherence, implementation and impact review of at least four of the GCF's key operational policy frameworks (accreditation, country ownership, investment, results, M&E, risk, sustainability, integrity) in the next four-year policy cycle to identify opportunities for harmonization, streamlining and improved impact;

(f) Maintain a fill rate of over 90 per cent, with a diverse, gender and geographically balanced staffing cohort with the world class talent to support GCF's operations;

(g) Maintain administrative costs at less than 0.7 per cent of assets under management; and

(h) Initiate the third GCF replenishment 30 months after the commencement of GCF-2.

36. To ensure predictable management of GCF's commitment authority, the Secretariat will maintain a financial plan based on the schedule of contributions and projected commitments,

and the Board will set at the last meeting of each year annual programming and disbursement targets for the following year to guide pipeline planning.

4.2 Institutional priorities

37. **Elements that may be covered in relation to governance include:**

(a) Improving clarity, reducing overlaps, and aligning responsibilities and accountabilities in the roles of the Board, Co-Chairs, Secretariat, committees, panels and independent units, and the interface between various GCF bodies; and improving cooperation between GCF institutional actors in decision-making processes;

(b) Resolving 'blurred lines' between governance and management;

(c) Ensuring the consistency of risk apportionment between GCF and its partners with the GCF's second level model, and that flows consistently through GCF policies;

(d) Undertaking steps to promote a "one Board" model of operating and facilitate more work across constituencies, with a more empowered Secretariat and effective voting system;

(e) Committing to securing gender balance on the Board; and

(f) Facilitating more formalized and structured engagement with observers and enhancing the role of youth; considering a youth active observer.

38. **Elements that may be covered in relation to policies include:**

(a) The Board clarifying expectations for the GCF policy cycle through 2024–2027 and updating its four-year workplan for 2024–2027, ensuring policies critical to the Strategic Plan are approved on time at the beginning of a replenishment cycle;

(b) The Board considering relevant recommendations of the overall policy review, particularly in relation to resetting the Board work plan and establishing a GCF-wide policy framework; and the Secretariat implementing recommendations within its remit;

(c) The Secretariat and other policy implementing bodies continuing to improve accessibility of GCF policies and consistency of application; and

(d) Strengthening how policy implementation monitoring and policy reviews are used to understand policy impacts, potential bottlenecks and opportunities for reform.

39. **Elements that may be covered in relation to processes include:**

(a) The Secretariat taking regular measures to identify operational bottlenecks and address further opportunities to simplify programming, review, approval, implementation and disbursement processes (also covered in strategic priority 5);

(b) Establishing more regular stakeholder feedback and learning loops to enable real-time learning and improvement;

(c) Continuing to enhance transparency of GCF pipeline and portfolio data, implementation and results, and organizational performance; and

(d) Continuing to consolidate portfolio, results and risk management systems.

40. **Elements that may be covered in relation to organizational capacity:**

(a) Ensuring ability to operate in languages of stakeholders; provision of interpretation and translation;

(b) Mainstreaming gender across internal and external activities; and strengthening gender mainstreaming and social inclusion capabilities among staff, partners and stakeholders;

(c) Establishing a GCF regional presence;

(d) Expanding coverage of privileges and immunities;

(e) Developing a more comprehensive outreach strategy to bolster brand and profile; including acting as a communications hub for success stories across country partners and partner agencies, to more widely communicate GCF's impact and results;

(f) Securing employee value proposition; and investing in people and data as critical assets;

(g) Further reviewing GCF capabilities (Secretariat, independent Technical Advisory Panel, Accreditation Panel) to deliver the 2024–2027 Strategic Plan, taking account of the scale of the GCF-2 replenishment; and

(h) Ensuring the sustainability of GCF's own operations.

V. Implementing the Strategic Plan and monitoring results

41. Progress toward the delivery of the 2024–2027 Strategic Plan will be reported by the Secretariat at the first Board meeting of each year from 2025, using a results tracking tool to measure performance against key progress metrics, including the strategic objectives and operational goals. This results tracking tool will draw on the Readiness Results Management Framework, Integrated Results Management Framework for funded activities and the corporate performance management system for organizational results, as well as linked systems for monitoring, reporting, evaluation and knowledge management. The periodic reporting will identify lessons learned and potential course corrections needed in implementation.

42. It is intended that annual work programmes over 2024–2027 will be vertically aligned with the Strategic Plan and will specify in further detail the priority actions and initiatives to be taken from year to year to advance the strategic vision, objectives and priorities. Thematic strategies may also need to be updated from time to time to align with the Strategic Plan.

43. The successful realization of the programming vision and results potential for 2024–2027 depends on adequate resourcing for the delivery of the Strategic Plan, including for the Readiness Programme, the PPF and administrative budget, including staff headcount. The pace at which GCF is able to realize its strategic vision and the ambitious programming goals set out in its Strategic Objectives will be linked to the scale of GCF replenishments.

44. On the organizational side, the Strategic Plan's value proposition continues to be based on GCF remaining a lean organization that concertedly pursues efficiency improvements while growing its programming and implementation capacity to match the ambition of its strategic vision. Taking into account the outcome of the GCF second replenishment process, the Secretariat will present more detailed resourcing implications of the 2024–2027 Strategic Plan to the Budget Committee and for subsequent consideration by the Board.

VI. Conclusion

45. The 2024–2027 Strategic Plan sets out an ambitious programming and operational vision for the next phase of GCF, aiming high to match the urgency of climate change and positioning GCF to make a significant and ambitious contribution towards the goals of the UNFCCC and Paris Agreement. This ambitious vision and improved results potential are based on GCF being more than a financial pass-through entity: it is based on its serving developing

countries as a convenor, capacity-builder and adviser, and working through effective partnerships to build broader capacity for climate investment and forge new investment opportunities.

46. With a view to enhancing the delivery of the GCF strategic vision towards 2030 and beyond, the third performance review of GCF will incorporate a review of how effectively GCF programming and operations have evolved to deliver the vision, objectives and priorities of the 2024–2027 Strategic Plan, complemented by a second Secretariat-led overall review of GCF policy frameworks. This understanding of the evolving organizational maturity of GCF will be accompanied by the Secretariat's presentation to the Board of a revised assessment of opportunities and risks for GCF strategic programming in the third replenishment period (GCF-3), taking account of the latest climate science, evolving understanding of developing country needs, the GCF's evolving comparative advantage and an evidence-based understanding of GCF programming potential. These reviews and assessments will inform the Board's consideration of an update to the Strategic Plan in 2027, refreshing the strategic vision and objectives as needed, and setting priorities for 2028–2031, for this to be in place prior to the conclusion of the GCF-3 replenishment process.

Glossary

AE	accredited entity
DAE	direct access entity
GCF	Green Climate Fund
GCF-1	First replenishment period of the GCF
GCF-2	Second replenishment period of the GCF
IRM	initial resource mobilization period
LDC	least developed country
LTS	long-term strategy
NAP	national adaptation plan
NDA	national designated authority
NDC	nationally determined contribution
PPF	Project Preparation Facility
PSF	Private Sector Facility
SIDS	small island developing State
TNA	technology needs assessment
UNFCCC	United Nations Framework Convention on Climate Change