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Report on the implementation of the Updated Strategic Plan 2020–2023

Summary

Through decision B.27/06, the Board endorsed the Updated Strategic Plan for the Green Climate Fund: 2020–2023 (USP) to guide it in addressing policy gaps and programming GCF resources for the first replenishment period. The Board also requested the Secretariat to report on progress on the USP at the first Board meeting of each year from 2021.

In view of the short time that has passed since endorsement of the USP, this first report focuses on outlining the initial steps taken by GCF to implement the USP, including: (i) updating the workplan of the Board 2020–2023; (ii) analysis of implications for programming; (iii) analysis of implications for institutional capacity and resourcing; and (iv) alignment of ongoing work programmes. Future reports will examine progress towards results in more detail. Reported figures are as at 31 December 2020.

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I. Introduction

1. Through decision B.27/06 (November 2020), the Board endorsed the Updated Strategic Plan for the Green Climate Fund: 2020–2023, as a living document, to guide it in addressing policy gaps and programming GCF resources for the first replenishment period (GCF-1), and to invest GCF resources in paradigm-shifting climate actions in a country-driven manner. The Updated Strategic Plan (USP) and decision B.27/06 affirm the Board’s long-term strategic vision for GCF, and set out strategic objectives, updated parameters and guidelines for the allocation of resources, and strategic, operational and institutional priorities for GCF-1.

2. In view of the short time that has passed since endorsement of the USP, this first progress report focuses on outlining the initial steps that have been taken by GCF to implement the USP and align programming directions and work programmes with its ambition, strategic objectives and priorities. It also describes early progress made under the auspices of the 2020 work programmes of the various organs of GCF. The report further serves to establish a reference point for future implementation efforts and results tracking, particularly in relation to the GCF-1 programming and allocation guidelines agreed by the Board.

3. In summary, substantial action has already been taken to progress implementation of the USP and set the stage for delivery over 2021–2023. Highlights include:

- (a) **Update to the Board workplan for 2020–2023:** The Secretariat, under the guidance of the Co-Chairs and in collaboration with the independent units, has updated the Board workplan for 2020–2023 to reflect work on policies, programmes and institutional matters referenced in the USP. This is being presented for Board consideration at B.28;
- (b) **Update to the initial investment framework:** The Secretariat has, as requested by the Board, updated the allocation parameters and portfolio targets under the GCF initial investment framework to reflect GCF-1 allocation parameters and targets. This update is annexed to this report and has been published in parallel on the GCF website;
- (c) **Development of more consistent methodologies for measuring progress toward targets:** As further detailed in Section II, to underpin reporting on new GCF-1 portfolio targets, the Secretariat has advanced the development of more consistent approaches for measuring both impact and mobilized private finance. While the IRM relied heavily on AE self-reporting, going forward the application of more consistent methodologies to revise IRM estimates, and assess results of new funding proposals, will allow GCF to have higher confidence in results estimates through GCF-1;
- (d) **Analysis and modelling of programming directions:** As set out in section II, the Secretariat has analysed progress made over 2020 towards GCF-1 portfolio targets, and also undertaken modelling to inform analysis of the implications for programming over 2021–2023. The findings of this analysis suggest that an increased scale of programming for adaptation, and acceleration of 2020 trends towards greater direct access entity (DAE) and Private Sector Facility (PSF) programming, will be needed over coming years to meet GCF-1 targets. The Secretariat is updating its internal origination, development and appraisal processes to internalize the Board’s directions on allocation and its ambition to strive for greater impact for developing countries. It will continue to advise the Board as it identifies potential tensions between GCF-1 portfolio targets and the pipeline being generated by countries and accredited entities (AEs), as well as trade-offs between the targets themselves. This analysis will also inform development of a GCF-1 financial plan for Board consideration at B.29;
- (e) **Alignment of the 2021 Secretariat work programme:** As detailed in section III, the Secretariat has taken steps to vertically align its 2021 work programme, division and office key performance indicators, and individual performance plans with the USP. This will serve to integrate key implementation actions across the strategic and institutional

priorities into the Secretariat's performance and accountability structure, allowing progress to be reported in the context of each Report on the Activities of the Secretariat;

- (f) **Advancing overall operational objectives:** As further outlined in section IV, in spite of a challenging global context and the impact of the COVID-19 pandemic, GCF programming and implementation advanced considerably through 2020, with over USD 2 billion in new programming and 73 per cent of the approved portfolio under implementation. Twenty-three per cent of available GCF-1 resources were committed by the end of 2020. The Secretariat also advanced a range of operational and institutional priorities, including: codifying processes through programming, operations, finance, procurement and policy manuals; advancing digitalization of GCF operations; consolidating the GCF portfolio management system, people plan, communications strategy and partnerships approach; and scoping a preliminary timetable for the GCF second replenishment process in conjunction with planning by the Independent Evaluation Unit (IEU) for the second performance review. The Secretariat has also identified, through lessons from experience, areas where some further operational strengthening would underpin improved implementation, such as refinement of the risk management framework and addressing identified cases of policy incoherence;
- (g) **Analysis of implications for institutional capacity and resourcing:** As further detailed in section IV, the Secretariat is in the process of analysing the resourcing implications of the USP. Specifically, the Secretariat has updated its internal modelling of resourcing to take account of new programming directions described above. It has also contracted an external firm to assist in informing a review of the capabilities of the Secretariat, operational bottlenecks and ways to address these, and an assessment of needs and options for establishing a GCF regional presence, responding to several institutional mandates set out in the USP. This work will progress over the coming months and inform a paper for Board consideration, at the earliest, at B.29.
4. The body of this report is structured into three sections that mirror the major sections of the USP:
- (a) **Section II** presents a fuller analysis of how GCF is tracking against the GCF-1 strategic objectives, portfolio targets and allocation parameters. It explains changes in the "reference" initial resource mobilization (IRM) outcomes that have occurred since 31 December 2019, including as a result of applying more consistent estimation approaches. It also describes the findings of the Secretariat's modelling of the GCF-1 targets, and implications for future programming directions;
- (b) **Section III** covers the strategic priorities set out in the USP. It highlights actions that have already been completed or substantially progressed under the GCF 2020 work programmes. It also sets out how implementation of key activities will be taken forward under the work programme of the Secretariat 2021, or the workplan of the Board 2020–2023, as applicable;
- (c) **Section IV** provides an overview of progress against the overall operational objectives for GCF-1. Similarly to section III, it highlights operational and institutional priorities and actions that have already been completed or substantially progressed, and sets out how implementation is planned to be carried forward; and
- (d) **Annex I** provides a snapshot summary of expected GCF-1 impact results. The Secretariat expects that future reports will assess progress towards results in more detail, as implementation progresses and in conjunction with the Board's finalization of an integrated results management framework.

II. Strategic objectives

5. Under the USP and decision B.27/06, the Board set an overall strategic objective of striving to achieve greater impact for developing countries compared with the IRM period, while strengthening country ownership and capacity to identify, design and implement projects and programmes. The Board also elaborated parameters and guidelines for the allocation of resources, designed to direct the evolution of the GCF-1 portfolio in line with the vision of GCF and its strategic objectives.

6. **Changes to IRM reference levels:** At the outset, it is important to note that a number of IRM reference levels related to the GCF-1 strategic objectives have changed since 31 December 2019, the reference point recorded in the USP. This is a natural consequence of changes in the IRM portfolio, due to events such as project lapses or updates to project data. IRM reference levels can be expected to continue changing over time, and these changes will also reflect through into the cumulative GCF-1 portfolio.

7. The major impacts of changes between 31 December 2019 and 31 December 2020, as shown in **Table 1**, are a significant decrease in expected mitigation results, and a decrease in the PSF share of the portfolio and related private sector co-financing. This is largely due to the lapse of one large-scale, high expected impact private sector programme (FP038: GEEREF NeXt), which accounted for a very significant (47 per cent) share of the total IRM expected mitigation results. In addition, the lapse and restructuring of two adaptation projects have also led to a slight decrease in expected average adaptation results.

8. In parallel, the Secretariat is working with partners to develop more consistent approaches for estimating impact, with early work focused on greenhouse gas reductions. As part of this, the Secretariat conducted a review of the mitigation impact of the existing portfolio. Historically for the IRM, estimated results relied heavily on self-reported AE figures. Initial findings indicate that applying more consistent and complete methodologies to estimate mitigation impact will lead to more conservative results, estimating an average reduction in ex-ante impact estimates in the vicinity of 15%. These revisions are not yet reflected in reported portfolio figures, as the Secretariat will need to work in cooperation with AEs to double check and feed these revisions through into GCF project data. Overall, this work on assuring more consistent impact estimates is expected to increase GCF's confidence in its expected climate results going forward.

9. **Portfolio tracking against GCF-1 strategic objectives:** Table 1 sets out portfolio tracking, as at 31 December 2020, against the strategic objectives that have been expressed as quantifiable portfolio targets or allocation parameters. Following decision B.27/06, all targets expressed in dollars are determined in grant equivalents. The sections below further detail strategic objectives not expressed in quantifiable terms.

Table 1: Tracking against GCF-1 portfolio targets as at 31 December 2020 (in grant equivalents)

Portfolio target	IRM outcomes referenced in USP, as at 31 December 2019	IRM outcomes as at 31 Dec 2020 ^a	Portfolio as at 31 Dec 2020 ^b
Portfolio-level adaptation outcomes exceed IRM outcomes (million beneficiaries reached per USD billion invested in adaptation)	166 million beneficiaries/B	164 million beneficiaries/B	155 million beneficiaries/B
Portfolio-level mitigation outcomes exceed average IRM outcomes	460 Mt/B	269 Mt/B ^c	265 Mt/B ^c

Portfolio target	<i>IRM outcomes referenced in USP, as at 31 December 2019</i>	IRM outcomes as at 31 Dec 2020^a	Portfolio as at 31 Dec 2020^b
(in MtCO ₂ -eq per USD billion invested in mitigation)			
50:50 balance of adaptation and mitigation funding over time	<i>Adaptation: 54% Mitigation: 46%</i>	Adaptation: 55% Mitigation: 45%	Adaptation: 50% Mitigation: 50%
Minimum allocation floor of 50% adaptation allocation for SIDS, LDCs and African States, while aiming to build on IRM outcomes	69%	69%	68.5%
Significantly increase funding channelled through DAEs	11%	12% ^d	14%
Allocation to PSF exceeds 20%	19%	16.5%	18%
Significantly increase mobilized private finance at portfolio level	1:3 <i>(co-financing ONLY)</i>	1:2.5 <i>(co-financing ONLY)</i>	Reporting on mobilized private finance being developed

^a Shows IRM outcomes calculated on the IRM portfolio as at 31 December 2020, reflecting the exchange rates as at 31 December 2020 and taking into account projects that have lapsed since 31 December 2019.

^b Cumulative portfolio as at 31 December 2020, encompassing both IRM and GCF-1 programming.

^c Figures to be further revised with AEs following reassessment of results estimates.

^d In the USP, the DAE IRM outcome as at 31 December 2019 was provided in nominal terms (14 per cent); this has now been converted to grant equivalents.

10. **Portfolio trends over first year of GCF-1:** The following trends during the first year of GCF-1 programming can be drawn from the above snapshot:

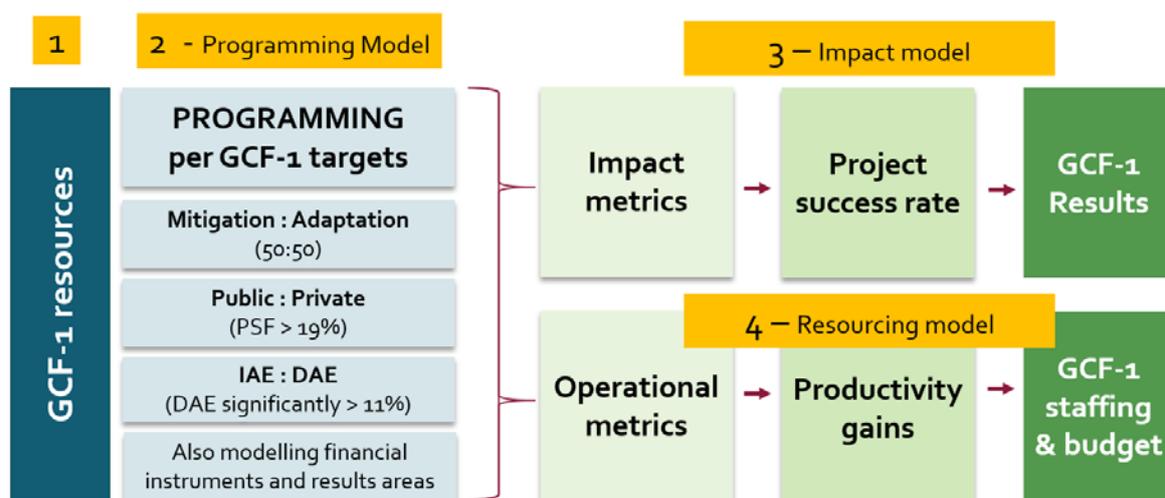
- (a) Portfolio-level mitigation and adaptation outcomes, as quantified in expected tonnes CO₂-eq reduced/avoided and beneficiaries reached, are trending lower than IRM; although per above, this is with higher confidence estimates for recent approvals;
- (b) The mitigation and adaptation balance reached exactly 50:50 in grant-equivalent terms, due to a relatively greater share of mitigation programming in the first year of GCF-1;
- (c) The share of the adaptation allocation for SIDS, LDCs and African States remains relatively steady;
- (d) The share of funding channelled through DAEs has increased, through a higher share of programming in the first year of GCF-1; and
- (e) The allocation through PSF has increased from the adjusted IRM outcome, due to a higher share of programming in the first year of GCF-1, although it remains slightly under the December 2019 IRM reference level;
- (f) On the final target parameter, mobilized private finance at portfolio level, the Secretariat expects to begin reporting from B.30. As requested under the co-financing policy, the Secretariat has internally examined a range of instrument-based methodologies for

measuring mobilized private finance. It is now at the stage of pilot-testing these instrument-methodologies and verifying whether sufficient data is available to apply the methodology. Upon confirming data requirements, the Secretariat will seek to collect additional data from AEs before applying the methodology to the entire portfolio.

11. While recognizing that the composition of programming may vary substantially from board meeting to board meeting based on the set of projects that becomes ready for consideration, the Secretariat’s analysis of the short-term pipeline of mature concept notes and funding proposals from AEs suggests that business as usual programming would see an overall continuation of the trends outlined above across allocation parameters (paras 9(b)–(e)) but with increased potential for both mitigation and adaptation impact outcomes (para 9(a)). As a business as usual approach is unlikely to meet the USP portfolio targets, the Secretariat foresees that a more targeted approach to programming for the remainder of GCF-1 will be required in order to develop the portfolio in line with the Board’s strategic objectives.

12. **Modelling GCF-1 portfolio targets to inform programming directions:** To inform programming directions, the Secretariat has developed modelling of the GCF-1 portfolio targets. The “programming model” is one component of a suite of models that the Secretariat is using to analyse: (i) expected resources available for GCF-1 programming; (ii) programming implications of GCF-1 portfolio targets and allocation parameters; (iii) impact potential of GCF-1 programming; and (iv) resourcing implications of GCF-1 programming. Figure 1 represents the components of the model in a simplified format.

Figure 1: Representation of Secretariat modelling suite

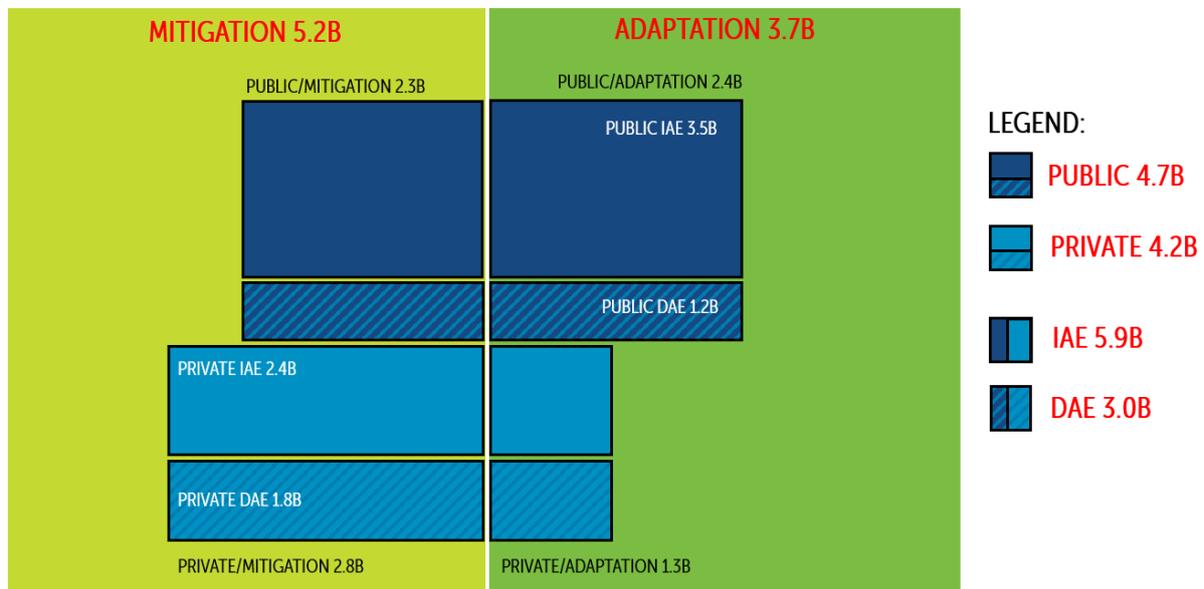


13. The programming model is built on a series of assumptions derived from the Board-approved portfolio targets and allocations parameters, which can be modified to generate different scenarios. The illustrative scenario developed by the Secretariat uses: (i) an estimate of USD 8.9 billion available for GCF-1 programming, based on pledged contributions and other commitments (Readiness, Project Preparation Facility (PPF), administrative budgets, risk buffer, etc.); (ii) assumptions on portfolio targets and allocations parameters aligned with decision B.27/06 for mitigation : adaptation, public : private, and international access entity (IAE) : DAE; and (iii) IRM grant-equivalent coefficients to convert grant equivalent to nominal programming amounts.

14. The model can be used to generate an **illustrative picture** (see figure 2) of how much, in nominal dollar terms, would need to be programmed against key allocation parameters (mitigation : adaptation; public : private ; IAE : DAE) over the full period of GCF-1 to generate a portfolio mix that simultaneously meets the various Board-approved GCF-1 targets.

Figure 2: Illustrative scenario of GCF-1 programming aligned with allocation parameters, converting GE allocation parameters into nominal programming amounts

TOTAL ESTIMATED PROGRAMMING AMOUNT FOR GCF-1: 8.9B (USD, NOMINAL TERMS)



15. In this modelled scenario:
- (a) Public sector adaptation programming would be slightly greater than mitigation, while PSF adaptation programming would have to increase to around 30 per cent of PSF programming, or a more than five-fold increase relative to the IRM (USD 0.2B > 1.3B);
 - (b) Public and private DAE programming would each need to increase almost fourfold in volume compared to the IRM (Public USD 0.3B > 1.2B; Private USD 0.5B > 1.8B); and
 - (c) Programming channelled through PSF would need to double relative to the amount programmed in the IRM (USD 2.1B > 4.2B).
16. The illustrative nature of this model should be stressed: due to the number of assumptions applied, including the grant-equivalent to nominal conversion, the model cannot serve as a precise predictor of the programming volumes required to meet GCF-1 portfolio targets. The model is also dynamic, allowing for sensitivity analysis and recalibration of assumptions and outputs to generate new scenarios, including the ability to factor in any updates to the available commitment authority for GCF-1.
17. While the Secretariat is accordingly cautious about using the modelling results as a precise guide to programming allocations, particularly because the allocation model does not cover all GCF-1 targets (NB: impact and mobilized private finance), the results of the above analysis do demonstrate the general programming directions that are needed to mature the current portfolio and pipeline in line with GCF-1 targets. In summary, these are:
- (a) **A relative increase in adaptation programming**, with a focus on:
 - (i) adaptation projects and programmes at greater scale;
 - (ii) reaching particularly vulnerable countries including SIDS, LDCs and African States;
 - (iii) a significant share of public adaptation programming in grants; and
 - (iv) a significant increase in private programming for adaptation;
 - (b) **A further increase in DAE programming**, requiring:

- (i) a mix of mitigation and adaptation projects and programmes; and
 - (ii) a mix of project sizes and instruments; and
- (c) **A further increase in PSF programming**, with a focus on:
- (i) mitigation projects with higher impact and potential for mobilization of private finance; and
 - (ii) a significant increase in PSF adaptation programming.
18. The Secretariat is now in the process of internalizing the Board's directions into its internal project origination, development and appraisal process, and will monitor pipeline contribution to GCF-1 targets as concept notes and funding proposals progress through the project cycle. The Secretariat will also calibrate GCF-1 targets into its engagement with developing countries and AEs, including on country programmes and entity work programmes.
19. This recognizes that, through the GCF partnership model, more intensive upstream support for origination and project development will be needed to promote new programming in the above areas and to capture the greatest impact potential. For example, while the share of DAE programming in the pipeline is relatively higher than the IRM, in the Secretariat's experience it continues to require more review rounds and technical support to bring DAE proposals through the project cycle to Board approval, particularly in light of constraints around being able to engage DAEs directly in their regions. USP-aligned programming efforts may also require investigation of new modalities and organizational design to support delivery of GCF-1 targets, including in conjunction with further elaboration of a PSF strategy.
20. Ultimately, under its business model, GCF relies on a country-driven pipeline, and relies on AEs to bring forward funding proposals. As programming for GCF-1 progresses, the Secretariat will actively monitor and advise the Board on the level and degree of consistency between the pipeline and GCF-1 targets, as well as trade-offs that may emerge between the targets themselves. The Secretariat has already identified the following tensions that may make the realization of all targets simultaneously a challenge:
- (a) In the current pipeline, most of the DAE programming at larger scale is in mitigation; so increasing DAE programming could also lead to a relative increase in mitigation share;
 - (b) The target to programme an increased allocation through PSF in grant-equivalent terms will require a relatively larger increase in PSF funding in nominal terms, due to the generally lower concessionality of PSF projects. It may be challenging to match this increase with a corresponding increase in adaptation and DAE programming, as, at least at the early stages, private sector DAE and adaptation projects are more likely to be smaller in scale, in the nature of pilots testing new business models and approaches; and
 - (c) While the Board, under the USP has indicated an intent to maintain the share of grant financing, in particular for adaptation, a significant number of adaptation or cross-cutting projects in the pipeline currently request loans. PSF adaptation projects are also more likely to request non-grant instruments. There may accordingly be a tension between maintaining the adaptation share of total financing, increasing the adaptation share through PSF, and the Board's directions on instruments.
21. The Secretariat will continue to update its analysis and use this to inform the GCF-1 financial plan to be presented to the Board at B.29. This analysis of programming directions and associated increase in origination, project development and appraisal efforts also informs the Secretariat's analysis of the resourcing implications of the USP, discussed further in section IV.
22. In delivering the objectives of the USP, GCF also has the task of delivering those strategic objectives that are not expressed in quantifiable terms. These include: supporting developing countries in translating their nationally determined contributions (NDC), adaptation communications (AC), national adaptation plans (NAPs), and long-term national strategies into

transformational investment strategies and project pipelines informed by the goals of the Paris Agreement; aiming for geographical balance; scaling up funding for ambitious projects informed by countries adaptation needs and mitigation potential; responding to the urgency of action required under the Paris Agreement; maximizing private sector engagement, including with micro, small and medium-sized enterprises; balancing risk appetite across all results areas; and improving speed, predictability, simplified access, efficiency, effectiveness and transparency. In building the GCF-1 portfolio, these qualitative dimensions will need to be balanced against the quantitative targets identified above. Further information on steps to deliver these qualitative targets is covered under the related strategic priorities below.

III. Strategic priorities

23. Under the USP, the Board set four strategic priorities to guide GCF organs on **how** its strategic vision and objectives should be delivered. These call for a focus on strengthening country ownership of programming, fostering a paradigm-shifting portfolio, catalysing private sector finance at scale, and improving access to GCF resources.

24. **Overall approach to implementation:** As a general approach, implementing these four strategic priorities requires GCF to mainstream the directions of the USP into the way it undertakes programming, engagement, accreditation, partnerships, communications, and the guidance it provides to stakeholders, as well as the internal processes, policies and methodologies it uses to operate. This will be done principally through alignment of the workplan of the Board 2020–2023, associated work programmes of Board committees, and the 2021 and subsequent work programmes of the Secretariat and independent units (as applicable) with the strategic and operational priorities set out in the USP.

25. As at February 2021, these vertical alignment efforts are well under way. The Secretariat, under the guidance of the Co-Chairs and in collaboration with the independent units, has updated the Board workplan for 2020–2023 to reflect work on policies, programmes and institutional matters referenced in the objectives and priorities of the USP. This is being presented to the Board for consideration at B.28.

26. The Secretariat has also taken steps to vertically align its 2021 work programme, division and office key performance indicators and individual performance plans with the USP, which has required some (but not major) recalibration, as the 2021 work programme was developed prior to approval of the USP. This will serve to integrate key implementation actions into the Secretariat’s performance and accountability structure, allowing progress to be reported in the context of each Report on the Activities of the Secretariat. Part of this exercise has been an analysis of the resourcing implications of the new or enhanced activities associated with implementing the USP, detailed further in section IV.

27. The following sections describe, for each strategic priority, initiatives and actions that have already been completed or substantially progressed under the GCF 2020 work programmes, and how implementation of key activities is planned to be taken forward.

3.1 Strengthening country ownership of programming

28. The USP confirms the commitment of GCF to fully implementing and strengthening country ownership, by empowering developing countries to identify, design and implement projects and programmes that support paradigm shift in areas that will have the greatest climate impact. It sets out to do this by re-focusing country programming to serve as a key tool for country-driven investment planning and programming, improving predictability and accessibility of Readiness and PPF support for building programming capacity and translating

promising concepts into bankable proposals, and strengthening the capacity of DAEs to play a greater role in GCF programming.

29. Initial progress that has already been made towards this strategic priority includes:
 - (a) The publication of updated GCF Country Programme Guidance in January 2021, designed to serve as a practical aid to help countries develop their country programmes in alignment with the directions set out in the USP;
 - (b) Advancing roll-out of technical assistance offered to a pilot group of countries to elaborate and finalize their country programmes;
 - (c) Board approval in 2020 (decision B.26/05) of a work programme and additional budget of USD 162.39 million for the Readiness and Preparatory Support Programme, allowing for improved predictability and multi-year Readiness programming;
 - (d) Starting at the end of 2020, the Secretariat has strengthened its capacity to provide technical assistance to developing countries by setting up a roster of three international firms that can support the development of projects/programmes with Readiness and PPF resources;
 - (e) Ongoing delivery of PPF support through the allocation under decision B.13/21, with the launch in 2020 of a new direct project preparation technical assistance modality for DAEs to expedite access to support; and
 - (f) Increase in DAE programming in the first year of GCF-1, reaching 18.5 per cent of 2020 programming in grant equivalents, relative to a 12 per cent average during the IRM. Efforts to increase DAE programming included collaboration with the International Development Finance Club (IDFC) to engage more public development banks, including approval of a readiness proposal for an IDFC Climate Facility, which will help DAE IDFC members build capacity to access GCF resources and scale-up climate investments.
30. Further efforts under this priority are integrated into priority 1 of the work programme of the Secretariat 2021, including:
 - (a) Supporting countries to deliver at least 30 country programmes with NDC, AC and NAP-aligned, GCF-facing investment plans and pipelines during 2021, building on the first set of country programmes endorsed for GCF-1 in 2020; also supporting efforts toward integrated policy development and programming aligned with national strategies;
 - (b) Developing further guidance for countries on adaptation planning support;
 - (c) Strengthening provision of on-demand Readiness and PPF technical assistance, with a focus on supporting development of country-driven, GCF-aligned concept note and funding proposal pipelines, particularly from DAEs; as well as instituting systems to better track concept notes and funding proposals developed with Readiness support;
 - (d) Supporting multi-year Readiness programming in the priority impact areas under the USP including the development of policies, regulations and enabling environments, and identification of projects that have the potential for innovation, replication, scale and financial sustainability as well as projects that deliver integrated mitigation, adaptation and development benefits;
 - (e) Developing the Readiness strategy and budget for 2022–2023 and a PPF strategy;
 - (f) Updating Readiness processes through enhanced digitalization, updating standard operating procedures and legal agreements, and updating the Readiness guidebook, in particular to provide further guidance on multi-year proposals;
 - (g) Developing and executing a DAE strategy to support further increased DAE programming in line with GCF-1 portfolio targets, including introducing for the first time

a specific goal for DAE programming, recruiting a dedicated DAE coordinator, rolling out onboarding, training and programming dialogues for DAEs and assessing new programming modalities and organizational design options; and

- (h) Generating knowledge products that distil lessons from the Readiness and Preparatory Support Programme and project implementation.

3.2 Fostering a paradigm-shifting portfolio

31. The second strategic priority under the USP sets out the ambition for GCF to play a more proactive role in supporting origination and development of country-driven, paradigm-shifting projects that deliver increased mitigation and adaptation impact in line with the ambitions of the United Nations Framework Convention on Climate Change (UNFCCC) and Paris Agreement. It sets out to do this through more directed support for project design and structuring, including: finalization of sectoral guides; strengthening the GCF investment framework; collaborating on innovation and technology; and building on the comparative advantages of the risk appetite and diverse instruments of GCF.

32. Initial progress that has already been made towards this strategic priority includes:

- (a) Programming of more than USD 2 billion for 37 projects over the course of 2020, with USD 1 billion approved at B.28 alone, exceeding 2020 work programme targets. This has further diversified the paradigm-shifting portfolio of GCF through approval of:
 - (i) First time stand-alone projects for 10 countries (Afghanistan, Antigua and Barbuda, Burundi, Costa Rica, Côte D'Ivoire, Cuba, Haiti, Liberia, Nicaragua and the Sudan), with a particular focus on LDCs and SIDS;
 - (ii) Projects that enhance climate information systems and services for the most vulnerable, promoting impact-based forecasting and more effective uptake of climate information and services in forecast-based financing for key sectors including agriculture and transport;
 - (iii) Jump-starting renewable plus storage solutions in Pacific and Caribbean SIDS, including through supporting a novel agrophotovoltaic technology approach;
 - (iv) Projects that maximize development co-benefits to support green resilient recovery, such as equity funding for an energy access relief facility that will sustain renewable energy access companies in LDCs and African States, a funding proposal that received approval just three months after submission;
 - (v) More projects with integrated adaptation and mitigation benefits, in particular across ecosystems, forests, food and livelihoods results area, such as a project which seeks to restore agroforestry systems with gum Arabic trees to protect crops, enhance livelihoods of smallholder farmers, mobilize private sector finance and restore carbon sink potential by growing Africa's Great Green Wall;
 - (vi) Projects and programmes with potential for innovation, replication and financial sustainability, such as: the first GCF project working directly through civil society organizations to strengthen community-led ecosystem based adaptation in ocean States; establishing a sustainable public-private financing facility to implement a nation-wide sustainable forest management framework; and an equity Fund incentivizing sustainable plantation forestry in new markets to make the shift from depleting natural forests to growing profitable carbon sinks;
- (b) Issuance of the GCF programming manual, providing a user-oriented introduction to the GCF project cycle and project development tools;

- (c) Launch of formal consultations with the Board, AEs, national designated authorities (NDAs) and other stakeholders on the first round of GCF sectoral guides, covering cities, buildings and urban systems, and agriculture and food security;
 - (d) Publication of the updated initial investment framework to reflect the Board-approved GCF-1 allocation parameters and portfolio; and
 - (e) The Secretariat updating, under the guidance of the Co-Chairs, the Board workplan for 2020–2023 for the Board’s consideration at B.28, with proposed scheduling of investment policy papers in 2021.
33. Further efforts under this priority are integrated into the updated Board workplan and priorities 2 and 4 of the work programme of the Secretariat 2021, including:
- (a) A target to approve an additional 45–50 high-quality funding proposals (USD 1.78 – 2.26 billion) over the course of 2021, guided by the GCF-1 portfolio targets and ambition to deliver greater mitigation and adaptation impact for developing countries, and promote projects with potential for innovation, replication, scale and sustainability;
 - (b) Finalizing the two sector guides that are currently under consultation, and progressing consultation on the remaining eight guides, with a view to bringing these together for Board consideration;
 - (c) Facilitating strategic dialogues between countries and AEs, and using tools available through Readiness and PPF, as well as the Secretariat’s in-house expertise, to promote pipeline development. These efforts will support project design and structuring in line with the programming guidance and portfolio targets set out in the USP, including encouraging use of the full range of GCF instruments;
 - (d) Submitting for the Board’s consideration and approval the integrated results management framework, which proposes to better align GCF investment and performance/results management approaches;
 - (e) Further improving the transparency and consistency of the GCF investment process, by developing a project appraisal manual that sets out the processes and tools through which the Secretariat applies the investment framework;
 - (f) Proactively engaging with climate technology innovators and developers, and collaborating with the Technology Executive Committee and the Climate Technology Centre and Network, to identify potential for GCF to support technology innovation, development and transfer, as well as nurturing existing project concepts in this area. From experience to date, capturing this potential will depend on GCF having either more AEs who are able to take on early-stage or venture-capital style investments, or alternative modalities that would allow GCF to fund these types of projects; and
 - (g) Building on the IEU evaluation of the GCF request for proposal (RfP) pilot programmes, scheduled for June 2021, the Secretariat will by the final meeting of 2021 prepare a proposal to facilitate the Board’s consideration of the future of RfPs through GCF-1.

3.3 Catalyzing private sector mobilization at scale

34. The third strategic priority highlights the imperative of shifting wider financial flows towards low-greenhouse-gas and climate-resilient development to meet countries’ climate ambitions, and the potential of GCF to contribute through more systematically mobilizing private sector engagement and finance at scale. It sets out to do this through more concerted efforts to identify opportunities for private sector engagement and build engagement capacity by: supporting structuring and de-risking to mobilize resources at scale; encouraging climate-oriented local financial systems and engaging local private sector actors; exploring ways to

enhance the private sector's role in adaptation; and considering staged development of PSF modalities to support these efforts.

35. Initial progress that has already been made towards this strategic priority includes:
- (a) Programming of an additional USD 879 million for 10 private sector projects in 2020. This equates to over 20 per cent of funding being channelled through PSF in grant-equivalent terms for the first year of GCF-1, and has funded initiatives ranging from:
 - (i) Promoting at-scale uptake of emission-reducing technologies in the industrial and textile manufacturing sectors, through interventions that seek to create favourable market and regulatory environments, stimulate behaviour change and promote scalable business models for investment in energy efficiency improvements;
 - (ii) First-loss anchor funding for a global subnational climate fund, an example of deploying blended finance to de-risk and mobilize long-term climate investment at the subnational level in new asset classes in 42 countries including SIDS, LDCs and African States. This project also demonstrates the leveraging potential of GCF, with an end leveraging ratio of up to 16 times the GCF investment, once debt or third-party equity at the individual project level is counted for; and
 - (iii) Creating a first of its kind public-private partnership-based green bank to stimulate market behaviour towards low emission and climate-resilient development by providing wholesale financing to local financial institutions;
 - (b) Elaborating potential for various elements of the private sector to engage in climate programming through the evolving sectoral guides; and
 - (c) Advancing private sector outreach, including working with partners such as the IDFC and the Network for Greening the Financial System around promoting best practices in climate finance; and
 - (d) Advancing the development of a methodology for measuring mobilized private finance at portfolio level, by exploring instrument-based methodologies used by other institutions and piloting application to GCF projects. This pilot exercise will allow the Secretariat to pinpoint gaps in the data set, noting that projects approved before B.26 did not distinguish between public and private sources of co-financing. The Secretariat will then seek to collect any required data from AEs, before applying the methodology to the entire portfolio with a view to reporting to the Board beginning B.30. Additional work will also be conducted to further define and measure leveraged finance and parallel finance, as requested under the policy on co-financing.
36. Further efforts under this priority are integrated into priorities 1 and 2 of the work programme of the Secretariat 2021, including:
- (a) Further articulating in 2021 a private sector strategy and engagement plan, based on the overall GCF-1 portfolio and private sector targets and USP. This will build on the IEU evaluation of the private sector approach and current portfolio of GCF, to identify where the GCF and NDAs have the opportunity to engage with different private sector partners – from micro, small and medium-sized enterprises, to local financial institutions, strategic investment partners and institutional investors – through different structures to catalyze private investment in climate action at scale;
 - (b) Working with partners on projects and programmes to engage the private sector in adaptation action, as well as building markets for climate action in SIDS and LDCs;
 - (c) Continuing to highlight opportunities for private sector engagement across other GCF activities, including through the Readiness and Preparatory Support Programme, and finalization of sector guides;

- (d) Executing a private sector outreach plan, including holding the fourth annual Private Investment for Climate Conference; and
- (e) Taking stock of how the broader modalities of the GCF, including accreditation, support private sector engagement to inform the Board's review of PSF modalities.

3.4 Improving access to Fund resources

37. Through its fourth strategic priority, the USP reaffirms the GCF approach as a partnerships institution and recognizes the key role of AEs in enabling developing countries' access to GCF resources and delivering impact. To deliver the programming objectives of GCF, this priority recognizes that GCF will need to build a complementary network of AEs: by adopting a more strategic approach to accreditation and reaccreditation focused on AE value-add to GCF country-driven programming; strengthening the role of DAEs; further streamlining the accreditation process and developing alternative accreditation modalities; and fostering climate mainstreaming across the GCF partnership network.

38. Initial progress that has already been made towards this strategic priority includes:

- (a) Accreditation of an additional 8 AEs (75 per cent DAEs) in 2020, and upgrading 2 AEs to expand their accreditation scope (1 of which is a DAE). This brings the GCF network to 103 AEs, of which 60 per cent are DAEs;
- (b) Expediting efforts towards signing of accreditation master agreements (AMAs), with 22 additional AEs signing their AMAs in 2020. This brings the number of AEs able to fully engage with the GCF on programming to 73 (71 per cent), of which 40 are DAEs and 10 are private sector entities;
- (c) The Secretariat undertaking an updated analysis of the current AE portfolio to identify strengths and gaps in coverage and capabilities.¹ The analysis looks at coverage across access modality, type of entity (public/private), geographical coverage, accreditation scope (fiduciary functions and instruments, size categories, and environmental and social risk levels), as well as the portfolio of projects and programmes of AEs with GCF. This indicates that, rather than gaps in AE coverage, the more significant gaps are in AEs utilizing their full accreditation scope, instrument coverage and sectoral/geographical coverage to cover under-programmed areas. A visual overview of this mapping is provided in figure 3, showing out of 103 AEs the 43 AEs that have funding proposals approved with the GCF (bold outline);
- (d) Commencing the reaccreditation process, which incorporates a consideration of AE performance against GCF programming objectives, the contribution of IAEs to building the capacities of DAEs, and an assessment of the extent to which the overall portfolio of activities of AEs beyond those funded by the GCF has evolved towards low-emission and climate-resilient development pathways.² The recommendations on the reaccreditation of AEs including all three aspects mentioned is expected as early as B.29, and will also cover assessment of compliance with GCF safeguarding and other policies, and project integrity risk management; and
- (e) The launch in December 2020 of a new digital accreditation platform to streamline accreditation, and the upgrading of AE accreditation scopes, AE reporting and

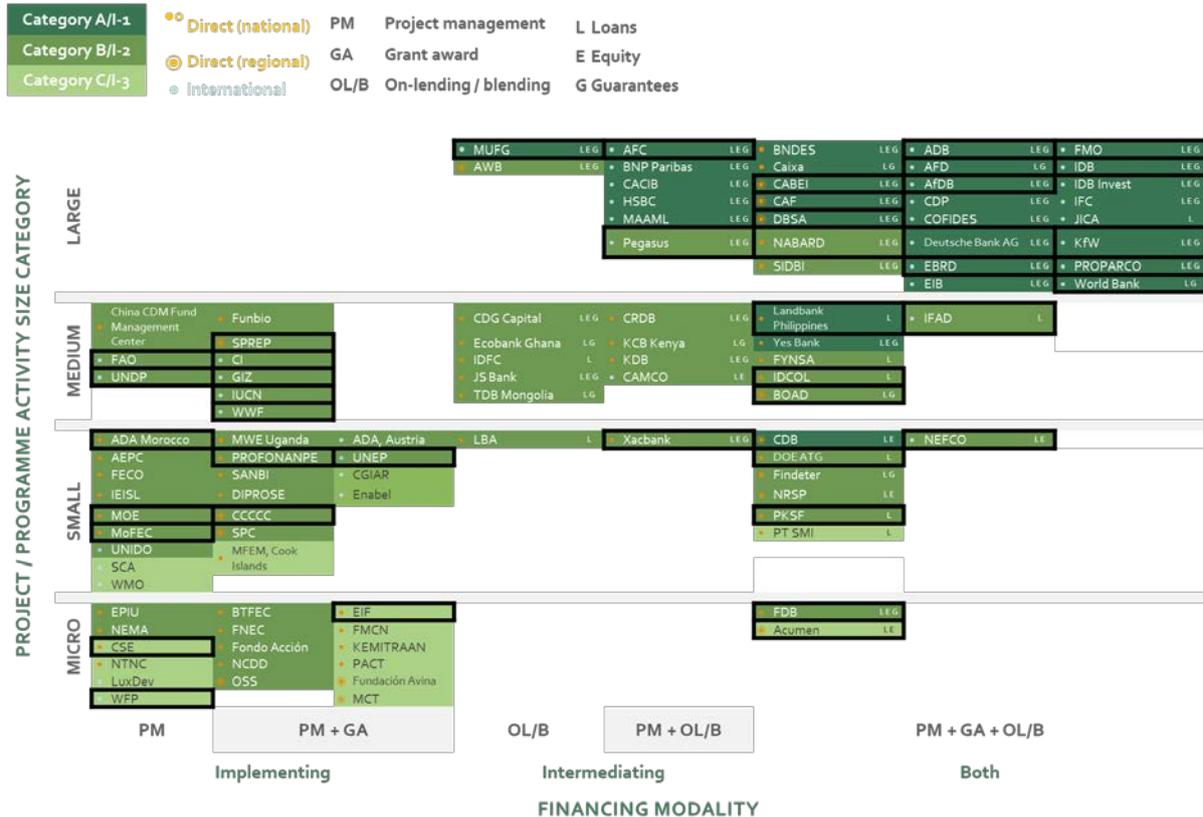
¹ This analysis was previously presented to the Accreditation Committee in the context of developing an accreditation strategy and resulting in Board decisions to prioritize certain types of applicants during accreditation, which have expired since March 2020, at the end of the twenty-fifth meeting of the Board.

² The methodology established by the Accreditation Panel to address the aforementioned assessment regarding the overall portfolio of AEs is contained in the document titled "Consideration of accreditation proposals" (GCF/B.28/XX/Add.02)(pending publication).



reaccreditation operational processes. Reaccreditation and AE-level reporting modules are live, with further modules on accreditation, upgrades in scope, accreditation conditions, and managing contact information to be launched throughout the first quarter of 2021.

Figure 3: Overview of accredited entity network coverage in terms of: access modality, accreditation scope, project activity size category, and financing modality



Note: Bold outline indicates the accredited entities that have programmed funding proposals with the GCF.

39. Further efforts under this priority are integrated into the updated Board workplan, work of the Accreditation Committee, and priorities 1 and 4 of the work programme of the Secretariat 2021, including:
- Supporting the Accreditation Committee and Board to develop an accreditation strategy aligned with GCF-1 programming directions. This could include updating the analysis of the AE portfolio based on GCF-1 portfolio targets;
 - The Secretariat managing the accreditation and reaccreditation pipeline in a manner consistent with the headline directions set out in the USP, with a focus on prioritizing accreditation of DAEs of countries that do not yet have a national or regional DAE, and selecting AEs that are best suited to contribute to GCF-1 country-driven programming;
 - Supporting accreditation-related matters under the Board workplan, in particular supporting the Accreditation Committee and Board to conclude the updated Accreditation Framework and project-specific assessment approach; and
 - Developing knowledge products such as case studies on climate mainstreaming at the institutional level so as to harness lessons learned from the GCF partnership network on broader climate mainstreaming.

IV. Operational and institutional priorities

40. To underpin delivery of the strategic objectives, strategic priorities and programming goals of GCF, the USP also put forward seven overall operational objectives and a set of operational and institutional priorities. These are intended to guide GCF in evolving its operating modalities and institutional capacity to be able to execute the USP with greater speed, predictability, simplified access, efficiency, effectiveness and transparency. In overview, GCF is making good progress towards meeting the seven overall operational objectives, as summarized in the introduction, as well as the operational priorities in the USP, as further detailed below.

4.1 Optimizing operations

41. In relation to efforts to improve GCF processes, strengthen implementation, results and knowledge management, and advance stakeholder collaboration and engagement with impacted people and communities, the following progress has been made or planned:

- (a) **Reviewing GCF policies and frameworks:** The Secretariat monitors on an ongoing basis, as part of its implementation work, the coherence of the Fund's policies and will alert the Board of identified cases of policy incoherence; one recently identified case relates to information disclosure. Additionally, as part of its 2021 workplan, the Secretariat will prepare the terms of reference for a policy review, to be considered as part of the updated Board workplan in 2022–2023 in conjunction with the second GCF replenishment process and Second Performance Review of the GCF;
- (b) **Streamlining programming and approval processes:** The Secretariat has prepared a paper on further development of the simplified approval process (SAP) for the Board's consideration in 2021;
- (c) **Identifying operational bottlenecks:** The Secretariat has contracted an external firm to assist with the analysis of operational bottlenecks and ways to address these, in conjunction with a review of the Secretariat's capabilities (discussed further below);
- (d) **Reviewing functioning of GCF organs:** The Secretariat has started to prepare a mapping of the current interface between the Secretariat and other organs of GCF, to help inform further review in this area by the Board;
- (e) **Reviewing committees, panels and groups:** The Board is due to further consider the review as part of its updated workplan;
- (f) **Status tracking:** The Secretariat is piloting real-time tracking of portfolio, proposal and disbursement status through the AE and country portals, with testing and refinement to continue in 2021. It has also established service standards for key processes under its 2021 work programme, which it will track through Secretariat reports;
- (g) **Codifying internal review processes:** The Secretariat has substantially advanced the codification of internal review processes, through finalization of programming, operations and finance manuals in 2020, and the development of draft policy, procurement and project appraisal manuals, to be concluded in 2021;
- (h) **Translation:** The Secretariat is currently translating documents on a needs basis, but will in parallel prepare guidelines for the translation of key operational documents, consistent with the rules of procedure. The Secretariat also initiated in 2020 use of an AI-based translation function with Zoom for meetings, underpinned by development of a taxonomy to improve the efficiency of AI-based tools;
- (i) **Accelerating implementation:** As at the end of 2020, 73 per cent of the total GCF portfolio is under implementation. This continues an upward trend in implementation over the past years, notwithstanding the impact of COVID-19, towards a target of having 90 per cent of the portfolio under implementation by the end of 2023. This is underpinned by a significant advance in the signing of AMAs and funded activity

agreements (FAAs) through 2020, as noted above. GCF also met its initial 2020 disbursement target range for 2020, despite an expected downward revision earlier in the year in anticipation of the impacts of the COVID-19 pandemic;

- (j) **Portfolio and risk management:** The Secretariat has recently launched the Portfolio Performance Management System (PPMS) and is continuing to implement an adaptive management approach to mitigate against anticipated COVID-19 impacts as well as maintain active monitoring of portfolio and institutional risks. The Secretariat has also identified opportunities to further refine the GCF risk management approach to better clarify the respective roles of AEs and countries, the Secretariat and the Office of Internal Audit and Independent Integrity Unit as first, second and third lines of defence;
- (k) **Results management and linked systems for monitoring, reporting, evaluation and knowledge management:** The Board is due to consider an integrated results management framework in 2021 as part of its updated Board workplan. The PPMS and proposed Evaluation Policy also reinforce a linked approach to monitoring, reporting, evaluation and knowledge management, encouraging uptake of lessons from operations;
- (l) **Knowledge management:** The Secretariat has adopted a knowledge management (KM) strategy and action plan, setting out priorities for delivering both internal and external KM outcomes and enabling it to operate as a continuous learning institution. It has also committed to developing knowledge products from both Readiness and funded activities as part of its 2021 work programme;
- (m) **Environmental and social safeguards, gender, indigenous peoples and integrity:** GCF maintains adherence to its safeguarding policies, the Environmental and Social Policy, the Gender Policy, and the Indigenous Peoples Policy across its growing portfolio, and continues to engage stakeholders to promote full implementation;
- (n) **Gender-mainstreaming:** One hundred per cent of funding proposals contain gender assessment and action plans; gender assessment has also been mainstreamed across NAP, Readiness, country programme and entity work programme reviews. The Secretariat is looking at ways to further integrate gender-mainstreaming and diversity into its people plan;
- (o) **Indigenous peoples:** GCF has engaged with indigenous peoples and their organizations in international forums such as the United Nations Permanent Forum on Indigenous Issues and the UNFCCC Local Communities and Indigenous Peoples Platform. The Secretariat continues to work to operationalize the Indigenous Peoples Advisory Group;
- (p) **Stakeholder participation:** The Secretariat continues to ensure that multi-stakeholder consultation and engagement of communities that are affected or potentially affected by GCF-financed activities are conducted, and that continuing stakeholder engagement is planned, developed and implemented. In response to stakeholder requests, it is also updating its 2019 guidance note on designing and ensuring a meaningful stakeholder engagement on GCF-financed projects, taking account of COVID-19;
- (q) **Information disclosure:** The Secretariat has commenced the review of the Information Disclosure Policy for Board consideration, related to which it will also advise the Board on recently identified policy coherence issues related to information disclosure; and
- (r) **Outreach and communications:** The Secretariat has developed a partnerships strategy and communications strategy to solidify the GCF global profile and promote key outreach priorities in alignment with the USP.

4.2 Enhancing institutional capacity

42. In relation to efforts to consolidate the institutional capacities of GCF to successfully deliver the USP, the following progress has been made or planned:
- (a) **Implementing the Board workplan:** Five items under the Board workplan for 2020–2023 were concluded in 2020, with COVID-19 materially impacting Board meetings and prospects for advancing the policy agenda. The Secretariat, under the guidance of the Co-Chairs, has updated the Board workplan to reflect work on policies, programmes and institutional matters referenced in the USP, and the update will be presented for Board consideration at B.28;
 - (b) **Management of commitment authority:** GCF had programmed 23 per cent of available resources by the end of 2020³, towards a target of programming 40 per cent of resources by the end of 2021 and 95 per cent by the end of 2023. The Secretariat also set programming and disbursement targets for 2021 through its Board-approved 2021 work programme. It is preparing a comprehensive financial plan to manage the commitment authority for the entire GCF-1 period, for Board consideration at B.29;
 - (c) **Clarifying internal roles and responsibilities:** The programming, operations and draft policy manuals developed in 2020 represent a significant step forward in clarifying roles and responsibilities and removing duplication across key processes within the Secretariat. Further refinement to the wider GCF internal control framework is linked to the review of the functioning of the Secretariat, independent units and panels, referenced above;
 - (d) **Reviewing the capabilities of GCF:** The significantly increased scale of programming and implementation required during GCF-1 will have major implications for the capabilities of the GCF, as detailed further below. A review of the independent Technical Advisory Panel (TAP) was considered by the Board at B.25. This determined to increase the size of the TAP, and the Board is continuing to consider updates to the TAP modalities to ensure it is properly equipped to manage an increased programming workload through GCF-1. Separately, the Secretariat has updated its internal modelling of resourcing requirements and contracted an external firm to assist in reviewing the capabilities of the Secretariat to deliver increased programming and implementation. The initial results of this exercise are expected to be presented to the Board at B.29. The paper on update of the SAP also sets out SAP-specific resourcing considerations;
 - (e) **Increasing coverage of privileges and immunities:** The Secretariat is continuing to work on bilateral agreements, although this offers limited means to increase coverage, with only four privileges and immunities agreements signed in 2020. The Secretariat, with the support of the Co-Chairs, is in parallel continuing its engagement with the United Nations to assess potential options for expanding GCF privileges and immunities. However, the two main modalities identified so far pose significant challenges;
 - (f) **Human resources strategy:** The Secretariat has developed and moved into implementation of a new people plan, designed to streamline processes for acquiring and developing talent, strengthen staff onboarding, and consolidate a corporate culture that is mission-aligned, value-driven and people-focused. This work will be linked to the capability review and human resources framework update planned for 2021. GCF also in 2020 clarified its grievance and dispute resolution architecture;
 - (g) **Advancing as a digital organization:** Digital transformation efforts have been accelerated by the COVID-19 pandemic, with GCF demonstrating in 2020 the ability to deliver its operational agenda and Board meetings through a virtual workspace. The

³ The percentage has been calculated on the basis of all available resources in 2020 (IRM carry-overs, reflows and signed contribution agreements as at 31 December 2020) and all resources committed by the Board in 2020 (including funding proposals and associated AE fees, readiness and PPF allocations and administrative budget approvals, which include some forward commitments into 2021).

Secretariat expects that about 80% of GCF processes will be highly automated by the end of 2021, with substantial advancements made in 2020 on project review and tracking, portfolio management and digital accreditation platforms. Work on these, together with online intake of entity work programmes and country programmes, a tool to support independent TAP case handling, systems for financial management, digital onboarding, end-to-end procurement, compliance management and strategic organizational performance management are planned to be launched in 2021. Work will be advanced under a four-pillar digital agenda for 2020–2023 focused on digital workplace, digitalizing business operations, data-driven GCF, and digitalizing collaboration and engagement;

- (h) **Regional presence:** The Secretariat will assess existing regional pilots (including extended secondments) in early 2021, and has also contracted an external firm to assist in undertaking a cost–benefit assessment of needs and options for a regional presence, including the need to accelerate DAE access and strengthen risk management, in conjunction with the wider review of Secretariat capabilities and operational bottlenecks (see below). Recent progress made toward the codification and systematization of GCF processes, as well as the maturing of GCF digital capacity, will inform this exercise, which will examine whether there are ways to improve GCF working arrangements to better serve the Fund’s key stakeholders;
- (i) **Resource mobilization:** In 2020, the GCF-1 replenishment hit the USD 10 billion mark, with an additional USD 192 million pledged over the course of the year. A total of USD 9.52 billion has now been signed in contributions agreements, or over 95 per cent of pledges. The Secretariat will continue to pursue ongoing resource mobilization efforts in 2021, including by advancing a policy to enable potential contributions from private and alternative sources in line with the Board workplan. Scoping of a preliminary timetable for the GCF second replenishment process was also undertaken in 2020, in conjunction with IEU planning for the second performance review.

4.3 Aligning resources to results

43. The final section of the USP recognizes that realizing the programming vision and results potential for GCF-1 depends on adequate resourcing. This is premised on GCF remaining a lean organization that concertedly pursues efficiency improvements, while also growing its capacity to match the ambition of the USP. The Secretariat has been asked to present resourcing implications to the Budget Committee and for subsequent consideration by the Board.

44. Critically, the USP does involve several significant “change drivers” of workload in GCF-1 relative to the IRM, including:

- (a) An increased scale of programming and implementation, almost doubling annual programming and more than tripling implementation workload through to 2023;
- (b) A significantly expanded AE portfolio and corresponding increase in AE engagement;
- (c) An expanded policy suite to manage and implement, including a range of new integrity, compliance and safeguarding policies requiring specialized expertise;
- (d) Driving for increased DAE, adaptation and private sector programming, which, as noted in section II, will require more intensive origination and project development support, and the potential implementation of new modalities of engagement; and
- (e) An increased call upon the Secretariat to performing “value-adding” support functions, such as in relation to country-driven investment planning, supporting DAEs, promoting innovation and impact, and full utilization of instruments and higher risk appetite.

45. The Secretariat is considering resourcing implications under two parallel tracks. First, it has analysed what changes may be required in the immediate term to its 2021 work programme and budget to fully align with the USP. The current assessment is that the Secretariat will be able to achieve this alignment for 2021 with some internal reallocation across budget centres, as well as prioritization of tasks where necessary. By monitoring budget execution through the first quarter of 2021, it will be able to advise the Budget Committee and Board by B.29 if any urgent new budget allocation is required.
46. Second, the Secretariat assesses that the more significant resourcing implications of the USP will appear in the need for increased staff headcount, as well as consideration of future organizational design. Right-sized staff headcount will be essential to managing the function and workload growth described above on a sustainable long-term basis, while consideration of regional presence will be relevant to the question of how well-equipped the GCF is to serve its key stakeholders and promote the kinds of programming directions envisioned by the USP.
47. As noted above, the Secretariat is both updating its internal resourcing model, and contracting an external firm to assist with an independent review of the Secretariat's capacities. This exercise will be done in conjunction with a review of operational bottlenecks, and needs and options for a regional presence, as called for under the USP, and will consider potential for productivity gains and organizational design evolution in parallel with capacity requirements. The exercise will also build in allowance for the potential scalability of GCF contributions/resourcing and associated programming volumes into the future. The review is expected to be ready for consideration by the Budget Committee and Board at the earliest by B.29.

Annex I: GCF results reporting as at 31 December 2020

	Initial Resource Mobilization (IRM) results baseline ¹	IRM GCF resourcing baseline	GCF-1 results to date ²	GCF-1 resourcing to date
MITIGATION				
Tonnes of carbon dioxide equivalent (tCO₂eq) reduced or avoided	834.1 MtCO ₂ eq <i>(55.2 MtCO₂eq)</i>	USD 3.1 billion committed <i>(USD 0.6 billion disbursed)</i>	388.1 MtCO ₂ eq ⁵ <i>(to be reported)</i>	USD 1.5 billion <i>(to be reported)</i>
- expected results ³	Average tonnes/ billion USD		Average tonnes/ billion USD	
- (actuals to date – as at 31 December 2019) ⁴	269 million tCO ₂ eq / billion <i>(86.5 million tCO₂eq / billion)</i>		253.6 million tCO ₂ eq / billion <i>(to be reported)</i>	
Reduced emissions through increased low-emission energy access and power generation (Unit: Tonnes) - expected results	423 million tCO ₂ eq TBD	USD 1872 million 36 % of IRM portfolio	35 million tCO ₂ eq	USD 266 million 13 % of GCF-1 portfolio
Reduced emissions through increased access to low-emission transport (Unit: Tonnes) - expected results	26 million tCO ₂ eq	USD 140 million 3 % of IRM portfolio	0 tCO ₂ eq	USD 0 million 0 % of GCF-1 portfolio

¹ Results baselines are based on the IRM portfolio as at 31 December 2020, accounting for the results changes as outlined in Section II. Future changes will be reported to the Board through future annual reporting on USP implementation. Funding amounts are based on the Exchange rate: USD 1.000 = EUR 0.815 (effective 31 Dec 2020)

² This column reports results from GCF-1 only, rather than cumulative portfolio results

³ The expected results against each of the result areas have been estimated based on the percentage of funding allocated for the respective result area under the total FP amount. The delivery of results will be confirmed as more granular data becomes available from project implementation through the APRs, linking resourcing and actual results.

⁴ Actual results against disbursed and expended amounts reflect progress as at 31 December 2019, based on the latest data available under APRs. Updates as at 31 December 2020 will be available in 2022.

⁵ This value includes co-benefits of 3 million tCO₂eq reduction from an adaptation project (SAP017), in addition to the figures reported under each mitigation results area.

	Initial Resource Mobilization (IRM) results baseline ¹	IRM GCF resourcing baseline	GCF-1 results to date ²	GCF-1 resourcing to date
Reduced emissions from buildings, cities, industries and appliances (Unit: Tonnes) - expected results	194 million tCO ₂ eq.	USD 581 million 11 % of IRM portfolio	80 million tCO ₂ eq	USD 626 million 30 % of GCF-1 portfolio
Reduced emissions from land use, deforestation and forest degradation, and through sustainable forest management and conservation and enhancement of forest carbon stock (Unit: Tonnes) - expected results	191 million tCO ₂ eq	USD 501 million 10 % of IRM portfolio	270 million tCO ₂ eq	USD 636 million 31 % of GCF-1 portfolio
ADAPTATION				
Number of beneficiaries:	347 million beneficiaries ⁷ (10,3 million beneficiaries)	USD 2.1 billion committed (USD 0.3 billion disbursed)	61.4 million beneficiaries (to be reported)	USD 536 billion committed (to be reported)
- expected results	Average beneficiaries/ billion USD		Average beneficiaries/ billion USD	
- (actuals to date - as at 31 December 2019) ⁶	164 million beneficiaries / billion (38.3 million beneficiaries / billion)		USD 114.7 million beneficiaries / billion (to be reported)	
Increased resilience and enhanced livelihoods of the most vulnerable people, communities and regions (Unit: beneficiaries) - expected results	118 million beneficiaries (total direct and indirect)	USD 607 million 12 % of IRM portfolio	32 million beneficiaries (total direct and indirect)	USD 261 million 13% of GCF-1 portfolio
Increased resilience of health and well-being, and food and water security (Unit: beneficiaries) - expected results	90 million beneficiaries (total direct and indirect)	USD 626 million 12 % of IRM portfolio	18 million beneficiaries (total direct and indirect)	USD 129 million 6 % of GCF-1 portfolio

⁶ Actual results against disbursement amounts reflect progress as at 31 December 2019, based on the latest data available under the APRs. Updates as at 31 December 2020 will be available in 2022.

⁷ This value includes co-benefits of 22 million beneficiaries from mitigation projects, in addition to the figures reported under each adaptation results area.

	Initial Resource Mobilization (IRM) results baseline¹	IRM GCF resourcing baseline	GCF-1 results to date²	GCF-1 resourcing to date
Increased resilience of infrastructure and the built environment to climate change threats (Unit: beneficiaries) - expected results	89 million beneficiaries (total direct and indirect)	USD 594 million 11 % of IRM portfolio	2 million beneficiaries (total direct and indirect)	USD 26 million 1 % of GCF-1 portfolio
Improved resilience of ecosystems and ecosystem services (Unit: beneficiaries) - expected results	27 million beneficiaries (total direct and indirect)	USD 292 million 6 % of IRM portfolio	8 million beneficiaries (total direct and indirect)	USD 120 million 6 % of GCF-1 portfolio
Total expected co-financing	USD 13.3 billion	USD 5.2 billion	2.8 billion	USD 2.1 billion
GHG abatement costs	USD 15.5 / tCO ₂ eq	USD 3.1 billion in GCF financing, and USD 9.8 billion in co-financing, for mitigation	USD 9.8/tCO ₂ eq	USD 1.5billion in GCF financing, and USD 2.3 billion in co-financing, for mitigation

Annex II: Updated Investment Framework¹

1. The Fund's initial investment framework consists of the following components:
 - (a) Investment policies;
 - (b) Investment strategy and portfolio targets; and
 - (c) Investment guidelines.

I. Investment policies

2. The Fund's initial set of investment policies covers all grants, concessional loans and other financial instruments extended by the Fund. They are as follows:
 - (a) The Fund will finance projects and programmes that demonstrate the maximum potential for a paradigm shift towards low-carbon and climate-resilient sustainable development, in accordance with the Fund's initial results management framework, its initial result areas, as laid out in decision B.05/03, and subsequent decisions on additional result areas for adaptation, and consistent with a country-driven approach;
 - (b) Funding received and extended by the Fund will be accounted for in grant-equivalent terms based on a standard methodology, to be developed by the Fund based on best international practices, to provide an accurate comparison of funding amounts between financial instruments;
 - (c) The Fund will provide the minimum concessional funding (i.e. a grant-equivalent subsidy element) necessary to make a project or programme viable. Concessional funding is understood as funding with below-market terms and conditions. Consistent with the Governing Instrument, the minimum amount of concessional funding needed can be up to and including the full cost of the project or programme;²
 - (d) Financing provided by the Fund to intermediaries may be used by the latter to blend with their own financial resources in order to increase the level of concessionality of the financing they extend to projects and programmes;
 - (e) The Fund will not "crowd out" potential financing from other public and private sources; and
 - (f) Only revenue-generating activities that are intrinsically sound from a financial point of view will be supported through loans by the Fund.

II. Investment strategy and portfolio targets

3. The Fund's investment strategy includes portfolio targets and investment guidelines. Tables 1 and 2 represent the provisions of decision B.07/06 as updated by decision B.27/06 for the GCF first replenishment programming period. The strategy will be further developed from the initial parameters and guidelines for allocation of resources, and such other parameters and

¹ As updated by decision B.27/06 in relation to allocation parameters and portfolio targets for the GCF first replenishment period.

² Governing Instrument, paragraph 35.

guidelines for the allocation of resources during the GCF first replenishment period, as laid out in relevant Board decisions.³ Allocation parameters are determined in grant equivalents.

Table 1: Portfolio targets for the GCF first replenishment period (GCF-1)

GCF-1 allocation parameters	GCF-1 portfolio targets
Balance between mitigation and adaptation, and portfolio impact	50/50 (over time), while seeking to deliver portfolio-level mitigation and adaptation outcomes that exceed average IRM outcomes ^a
Adaptation allocation for vulnerable countries (including the least developed countries, small island developing States and African States) taking into account their urgent and immediate needs	Floor of 50% of adaptation allocation, while aiming to build on IRM outcomes ^b
Supporting developing country mitigation activities	Support mitigation activities that contribute to respond to the urgency of action to hold the increase in global average temperature to well below 2°C and pursue efforts to limit it to 1.5°C
Geographic balance	Appropriate geographical balance
Funding channeled through direct access entities	Significantly increase relative to the IRM ^c
Engagement with the private sector	Maximize fund-wide engagement with the private sector, including micro, small and medium-size enterprises, ensuring the allocation to the Private Sector Facility exceeds 20%
Mobilized private sector finance at the portfolio level	Significantly increase relative to the IRM ^d
Readiness and preparatory support	Sufficient support for readiness and preparatory activities associated with the above

^a Initial resource mobilization (IRM) outcomes as at 31 December 2019: 460 million tonnes of carbon dioxide equivalent reduced/avoided for each USD billion invested in mitigation; and 166 million beneficiaries with increased resilience for each USD billion invested in adaptation.

^b IRM outcome as at 31 December 2019: 69 per cent of adaptation allocation in grant equivalents allocated to the least developed countries, small island developing States and African States.

^c IRM outcome as at 31 December 2019: 11 per cent of funding in grant equivalents allocated to direct access entities.

^d IRM outcome as at 31 December 2019: IRM private sector co-financing 1:3. Mobilized private finance will be reported when data become available.

III. Investment guidelines

4. The Fund's initial investment guidelines will be activity-based and will be composed of the 6 criteria and 24 coverage areas shown in table 2.

³ Decision B.06/06 and the initial result areas as defined in decision B.05/03 and subsequent decisions on additional result areas for adaptation, and decision B.27/06.

Table 2: Initial criteria for assessing programme/project proposals

Criterion	Definition	Coverage area
Impact potential	Potential of the programme/project to contribute to the achievement of the Fund's objectives and result areas	<ul style="list-style-type: none"> • Mitigation impact • Adaptation impact
Paradigm shift potential	Degree to which the proposed activity can catalyse impact beyond a one-off project or programme investment	<ul style="list-style-type: none"> • Potential for scaling-up and replication and its overall contribution to global low-carbon development pathways, consistent with a temperature increase of less than 2°C • Potential for knowledge and learning • Contribution to the creation of an enabling environment • Contribution to the regulatory framework and policies • Overall contribution to climate-resilient development pathways consistent with a country's climate change adaptation strategies and plans
Sustainable development potential	Wider benefits and priorities	<ul style="list-style-type: none"> • Environmental co-benefits • Social co-benefits • Economic co-benefits • Gender-sensitive development impact
Needs of the recipient	Vulnerability and financing needs of the beneficiary country and population	<ul style="list-style-type: none"> • Vulnerability of the country • Vulnerable groups and gender aspects • Economic and social development level of the country and the affected population • Absence of alternative sources of financing • Need for strengthening institutions and implementation capacity
Country ownership	Beneficiary country ownership of and capacity to implement a funded project or programme (policies, climate strategies and institutions)	<ul style="list-style-type: none"> • Existence of a national climate strategy • Coherence with existing policies • Capacity of implementing entities, intermediaries or executing entities to deliver • Engagement with civil society organizations and other relevant stakeholders
Efficiency and effectiveness	Economic and, if appropriate, financial soundness of the programme/project	<ul style="list-style-type: none"> • Cost-effectiveness and efficiency regarding financial and non-financial aspects • Amount of co-financing • Programme/project financial viability and other financial indicators • Industry best practices