



**GREEN
CLIMATE
FUND**

Meeting of the Board
17 – 20 July 2022
Incheon, Republic of Korea
Agenda item 12

GCF/B.33/Inf.18

20 July 2022

Co-Chairs summary of the B.33 Informal Session on the review and update of the GCF Strategic Plan

Summary

This Co-Chairs summary presents a synthesis of key themes and inputs which emerged from the Board's discussion, in order to guide the Secretariat in its development of a draft review and update of the Strategic Plan for B.34.

Introduction

1. Through decision B.32/04, the Board decided to conduct an open, inclusive, transparent consultation process to inform the review and update of the GCF Strategic Plan. As part of this consultation process, it decided to hold an informal day at the thirty-third and thirty-fourth meetings of the Board to exchange views on the GCF strategic vision, objectives and priorities for the coming replenishment cycle, taking into account evolving priorities including guidance of the UNFCCC COP & CMA and relevant reports from the IEU, and to assess opportunities for GCF strategic programming in the second replenishment period. The Secretariat, under the guidance of the Co-Chairs, has been requested to incorporate the inputs from this session into the review and update of the Strategic Plan to be presented at B.34.
2. The B.33 informal day was held on Sunday 17 July 2022. The agenda covered three parts: (1) Reviewing the GCF approach to strategy (2) Ambitions for programming in GCF-2 and (3) Operationalizing the programming vision. Presentations were given by the Secretariat to provide context for each Part, and by the Independent Evaluation Unit for Part I. This was followed by discussion among Board members and alternate members informed by a set of guiding questions. The agenda and guiding question are attached in the Annex.
3. This Co-Chairs summary presents a synthesis of key themes and inputs which emerged from the Board's discussion, in order to guide the Secretariat in its development of a draft review and update of the Strategic Plan for B.34. It is not designed to attribute inputs, but to capture emerging ideas at a summary level.

Review of the updated Strategic Plan and GCF approach to strategy

4. The discussion under Part I of the agenda, on the review of the updated Strategic Plan and GCF approach to strategy focused principally on what was working well with the USP/wider GCF strategies, and what was not optimal and might be reformed.
5. In terms of what was working well, Board and alternate members identified that keeping the ambition to deliver climate change impact for developing countries in line with UNFCCC/Paris Agreement goals at the heart of GCF strategy, maintaining mitigation : adaptation balance and alignment with COP guidance would be key strategic elements to build on going forward. Operationally, the GCF's partnership model, ability to deploy diverse financial instruments in line with developing countries needs/risk profile of investments, window for private sector engagement, gender focus, maturing institutional capacity, and more complete policy suite were all identified as positive organizational building blocks. These had allowed the GCF to make headway over GCF-1 in improving pipeline and portfolio quality, partnering with DAEs, delivering readiness results, disbursing at a good pace, pushing out funds to the limit of available commitment authority, and improving efficiency, trends which should be continued and enhanced.
6. In terms of what was not optimal and might be reformed, Board and alternate members identified a need to better clarify how the Fund's **strategic vision** would be translated into action, allowing links to be drawn between the GCF's desired impact, its objectives, outcomes and activities. In this regard, the role of a theory of change for the Fund was discussed, as was the value of better defining the GCF's approach to paradigm shift. Members also considered the GCF's strategic objectives should be more results-oriented and more clearly linked to Paris Agreement goals. Linkage to Article 2.1c was raised but with differing views on what this may entail. The discussion also noted the GCF was capable of doing many things (capacity building, scaling up, delivering ambitious/innovative programming), and more clearly articulating its value proposition and risk appetite would be important moving forward. In relation to **programming**, the discussion raised the need to further enhance adaptation programming, DAE programming, engagement of domestic private sector actors, catalyzing and mobilizing private finance, and private sector engagement in adaptation. Setting a more ambitious DAE

target, bolstering IAE support for DAEs, strengthening capacities of NDAs and linkage of GCF activities with domestic governance systems, better supporting country-driven investment planning, and strengthening partnerships outside of accreditation were all identified as measures to support these aims. Some also raised that clearer prioritization would be needed to guide deployment of resources based on GCF's comparative advantages in GCF-2, making most efficient use of GCF resources to become a 'powerful drop' in the wider financing landscape. Another key theme on programming was the value of directing more GCF support to particularly vulnerable countries, including LDCs, SIDS and Africa, and taking specific steps to facilitate access for these countries. In relation to **policies, processes and governance**, the discussion identified accreditation strategy, consistency of policy interpretation, the need to further speed up and simplify Fund processes while maintaining policy adherence, improving access, clarifying the roles of Fund bodies, clarifying the connection between Secretariat organizational structure and USP delivery, and improving use of monitoring and evaluations to learn from programming and improve project design all as areas for further improvement.

7. Wider comments also reflected on the **nature of the Strategic Plan** as a strategic/directional document, which should not substitute for the Board workplan (setting out the Board's policy agenda) or cover more operational matters (better suited for annual/periodic workplans). The USP should also continue to adhere to the UNFCCC/GI core principles and not place any new conditions on access. Some observed that there was a need to take a closer look at **implementation of the current USP** as part of the review, including the status of delivery of items such as the sectoral guides, examining reasons for bottlenecks in processes, and further advising the Board on trade-offs implied by the current USP settings.

Strategic Vision and ambitions for programming in GCF-2

8. The discussion under Part II of the agenda focused principally on whether the GCF's strategic vision remained relevant and ambitious, and the Fund's ambitions for programming taking account of its comparative advantages. Some Board and alternate members also touched on issues relating to operationalizing the vision, which are summarized in the next section.

9. In relation to the Fund's long-term **Strategic Vision**, Board and alternate members broadly considered that this remained highly relevant given the ongoing urgency of climate action, but that it could be further elaborated/made more concrete to capture high ambition for the Fund in the context of the evolving global investment context, latest climate science and UNFCCC/PA ambition cycle. The vision could be made more concrete through more directly linking to the PA goals, elaborating the Fund's ambitions for channelling climate finance and shifting financial flows, as well as linking more clearly to the strategic objectives, operational actions and results management, which would also enable better assessment of GCF progress across programming cycles. The vision should not be too broad to measure, but broad enough to accommodate diverse developing country priorities and contexts. It should remain grounded in the GI, UNFCCC and PA. Suggestions were also made for the vision to look beyond NDCs to link to long-term strategies, adaptation communications and other plans outlining country priorities; and guide the GCF to become a centre of excellence and leader for climate financing. It was also noted that more attention should be paid to the international context within which USP-2 will be discussed and the challenges and opportunities that would present.

10. In relation to **opportunities for programming in GCF-2**, key themes emerged around: the importance of orienting GCF programming based on goals to deliver climate results for developing countries, and supporting countries in the implementation of the NDCs/LTS/NAPs and other climate plans; identifying opportunities for systemic change and paradigm-shift; making a more concerted push to advance adaptation programming, including through supporting developing countries to translate NAPs into investments and supporting crowding in of finance for adaptation; clarifying how GCF can support developing countries in responding to loss and damage, examining more distinctly ex-ante and ex-post responses; doing more to

channel resources for particularly vulnerable countries including LDCs, SIDS and Africa; enhancing DAE programming by setting a more ambitious DAE goal; aiming to use scarce public resources to catalyze private sector financing at scale, including by elaborating an approach to addressing barriers to domestic private sector participation in climate investments and helping build private sector interest in sectors, markets and geographies which are not currently profitable, including for adaptation; and focusing more on pathways to respond to climate change including just transition. Measures were also proposed to advance some of these programming aims, highlighting the importance of country programming; building country/NDA capacity to steer the investment planning process and convert investment plans into projects, particularly for adaptation, which countries were still struggling to do; strengthening DAE capacity including through more structured collaboration with IAEs; and leveraging the Fund's broad network of partners, including AEs and observer organizations. The importance of maintaining predictability in programming approach was also noted.

11. Specific suggestions were made on how **GCF instruments** could be deployed to support programming aims, including that GCF should take a proactive role in promoting insurance solutions, increase use of equity and guarantees in the context of developing country needs, and be bolder in deploying grants, including for revenue-generating projects where appropriate.

12. The discussion also touched on how the GCF could better define its **comparative advantages and risk appetite**. Given changes in the global climate financing landscape including private sector commitments to net zero, it was timely for the GCF to further elaborate and focus its role/added-value vis-à-vis others, noting that the Fund had a tendency to 'do it all'. Placing GCF on a risk/scale matrix provided an opening for looking at this, but comparative advantage could also be examined against other elements such as geographies and instruments. GCF's climate expertise, ability to advance country-driven programming and private sector window were distinct features. Suggestion was made that the GCF should focus less on capacity building and knowledge sharing, and more on direct project funding, as there were a number of other players doing the same thing. The GCF could also better elaborate how it was working with other climate funds, and opportunities for synergies. It was considered helpful for GCF to elaborate its risk appetite, noting that risk appetite needed to be nuanced to country, market, technology etc contexts and examine social implications. The GCF may have distinct risk appetites for different types of interventions and contexts, and this could be elaborated in a revised risk appetite statement.

Operationalizing the strategic vision and programming vision

13. Discussions under Part III of the agenda, as well as some inputs from Part II, looked at how the GCF strategic and programming vision could be operationalized through the strategic objectives, strategic priorities and operational priorities set out in the USP, as well as through related Board decisions, policies and Fund operational actions.

14. In relation to the **strategic objectives**, Board and alternate members broadly considered that the USP-2 strategic objectives could be more results-oriented, 'SMART' and more clearly draw a link between the strategic vision and specific actions/ activities designed to implement the USP. USP-2 strategic objectives should be quantified, clear, actionable, achievable and ambitious, and should be framed with reference to the goals of the UNFCCC/Paris Agreement as articulated through countries NDCs/LTS/ACs etc. Updated in this way, the strategic objective would facilitate better assessment of progress toward delivery of the strategic vision, as well as inform concrete actions captured in the USP, workplans and KPIs. Specific suggestions were made for updating DAE and adaptation objectives, including exploring mechanisms beyond 'targets'; further increasing the private sector share and leverage ratio; and noting that allocation targets as well as results goals would be appropriate for GCF, and that current allocation targets remained relevant but ambition could be raised or implementation further advanced (eg for private sector targets).

15. In relation to the **operationalization of strategy**, the discussions noted tensions in the GCF operating model, such as between the GCF being high volume/high speed vs a patient investor in building the capacity of climate finance architecture, and between being AE/supply driven and country/demand driven. Further discussions on the USP-2 and related documents could seek to strike a deliberate balance in these areas to avert future trade-offs. Separately, it was also suggested that the USP-2 strategic/operational priorities should provide more clarity on actions to be taken to deliver strategy, including specifying roles and responsibilities and implementation timelines and milestones; while others considered the USP-2 should not go into too much detail but leave implementation to the operational level. In relation to policies, the USP should not substitute for the Board's four-year workplan but should be aligned with it; and while the USP could not override existing policies the Board would need to remain alert to any policy impacts/overlaps. Some considered policy recommendations in the USP would be useful. To implement the USP, continued efforts would need to be made to simplify access, efficiency and transparency across accreditation, readiness, PPF project cycle and legal arrangements/implementation processes; support through readiness and PPF could also be better linked up and made less complicated to access. The GCF would also need a strong results framework. The discussion also noted that the Board would need to understand the resourcing/cost implications of USP-2 and may need to re-examine the capacity of the Fund and Secretariat to deliver: certain functions may need to be strengthened to support pipeline development and building necessary climate programming and implementation capacities, where a regional presence could also help.
