GREEN
CLIMATE
FUND

**Meeting of the Board**
17 – 20 October 2022
Incheon, Republic of Korea
Provisional agenda item 12(b)

**GCF/B.34/Inf.17**
5 October 2022

# Review and update of the Green Climate Fund Strategic Plan – zero draft

## Summary

This document responds to Board decision B.32/04, which requested the Secretariat, under the guidance of the Co-Chairs, to present the review of the updated Strategic Plan for the GCF 2020–2023 and a zero draft of the updated Strategic Plan for the GCF 2024–2027 for Board consideration at the thirty-fourth meeting of the Board (B.34).

In line with decision B.32/04, the zero draft takes into account emerging recommendations from the second performance review of GCF, the findings of the overall review of GCF policy frameworks, the outcomes of the B.33 Board informal session on the review and update of the Strategic Plan held on 17 July 2022, submissions and inputs received, as well as the outcomes of consultations held with developing countries, accredited entities, accredited observers and private sector representatives through programming and private investment conferences held in September 2022. Parts of the zero draft have been populated with annotated options to allow for initial discussion by the Board at B.34, and will be refined into full text for a later version based on feedback received.

- This main document contains: (i) background information on the decision, consultation process and timeline, (ii) the review of the 2020-24 Updated Strategic Plan, (iii) context analysis for the update of the Strategic Plan for 2024–2027 and (iv) Annex I conducting an access analysis.
- Addendum I contains the zero draft of the updated Strategic Plan for the GCF 2024-2027.

# I. Introduction to the review and update of the GCF Strategic Plan

1. **Mandate:** By its decision B.32/04, the Board decided to launch the process to review and update the GCF Strategic Plan with a view to conclude this by the thirty-sixth meeting of the Board (B.36). The decision launched an open, inclusive and transparent consultation process with GCF stakeholders, facilitated by the Secretariat. The Secretariat was also asked, under the guidance of the Co-Chairs, to present the review of the updated Strategic Plan for the GCF 2020–2023 (USP) and a zero draft of the updated Strategic Plan for the GCF 2024–2027 for Board consideration at B.34 to enable the Board to exchange views on the strategic vision, objectives and priorities, and assess opportunities for strategic programming in the coming replenishment period. As called for under the USP, the findings of both the second performance review (SPR) and strategic programming exercise are to inform the Board's consideration of the further update to the Strategic Plan, covering objectives and priorities for 2024–2027, with a view to this being in place before the start of the GCF second replenishment period (GCF-2).

2. **Consultation process:**[1] As part of the consultation process, the Secretariat launched on 10 June 2022 an open call for inputs to Board and alternate members, national designated authorities (NDAs), accredited entities (AEs), active observers, observer organizations, Parties to the United Nations Framework Convention on Climate Change (UNFCCC) and the Paris Agreement, and members of GCF panels and groups, including the Indigenous Peoples Advisory Group (IPAG). As of 31 August 2022, submissions were received from 14 Board and alternate members/groups, 6 NDAs, 8 AEs, 5 observers (including a joint submission by the GCF Observer Network), and 2 parties to UNFCCC. A synthesis of these has been published on the GCF website.[2] At B.33, a first informal discussion was held with the Board, the outcomes of which were captured in a Co-Chairs' Summary.[3] Two further virtual consultations were held, one with GCF civil society and private sector active observers and observer organizations, and a second at the invitation of the developing country constituency. Over 13–16 September, the Secretariat also hosted in Incheon, Republic of Korea, the GCF Global Programming Conference 2022 and the GCF Private Investment for Climate Conference 2022, in which over 500 stakeholders, including NDAs and AEs, were actively engaged in providing inputs for the review and update. A consultation was also held with IPAG during its inaugural meeting over 26-28 September.

3. **Review of the USP:** Section II of this background document sets out the review of the USP. The review briefly outlines the GCF's organizational journey and draws on the inputs from the consultation process, as well as the Secretariat's annual reports on the implementation of the USP, the Independent Evaluation Unit (IEU)'s Rapid Assessment of the Progress of the GCF updated Strategic Plan, initial findings of the SPR and other relevant evaluations, and inputs from the Board's informal consultations at B.33 to synthesize what has and has not worked in GCF's experience of implementing the USP during first replenishment programming period (GCF-1). It places particular focus on diagnosing challenges related to access. This stocktake of progress and lessons learned serves as the basis for deriving action areas for the update of the GCF Strategic Plan and related strategies.

4. **Context for the update of the GCF Strategic Plan**: Section III sets out further context relating to the zero draft of the updated Strategic Plan for 2024–2027 contained in Addendum I. It introduces the evolving overall framework for strategic planning at the GCF, including the intended relationship between the Strategic Plan and other thematic strategies and work planning documents. It also briefly covers relevant developments in the global investment

[1] GCF's Policies & Strategies webpage include a tab outlining the consultation process and providing summaries of relevant materials: https://www.greenclimate.fund/about/stategic-plan/update.
[2] https://www.greenclimate.fund/sites/default/files/page/synthesis-report.pdf.
[3] https://www.greenclimate.fund/sites/default/files/page/co-chairs-summary-b33-informal.pdf.

context, climate science and the understanding of developing country needs and opportunities for climate programming, as well as GCF's evolving comparative advantage, as critical elements in assessing strategic programming opportunities and risks for GCF. Finally, section III introduces the logic behind the proposed updates to GCF's strategic vision, strategic objectives and programming directions, and strategic and operational priorities that are included in the zero draft in Addendum I.

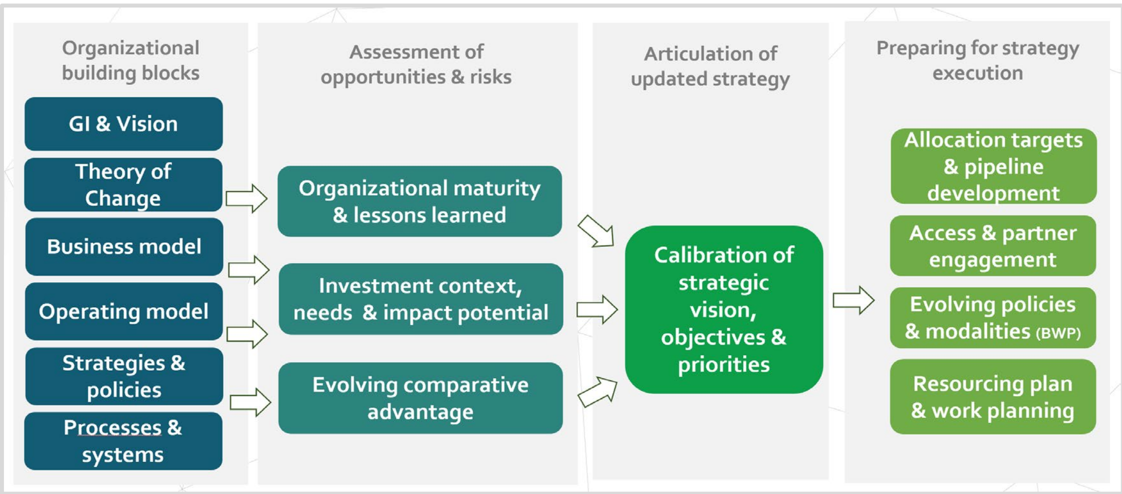
# I. Review of the updated Strategic Plan for the GCF 2020–2023

5. **Approach and inputs to the review:** The GCF's progress in implementing the USP is reported annually to the Board by the Secretariat,[4] and has also been assessed by the IEU through their Rapid Assessment of the Progress of the GCF's Updated Strategic Plan.[5] The approach taken in this review is not to revisit those detailed progress reports, but rather to draw from them – and from the inputs shared by GCF's key stakeholders through the consultation process – lessons about what has been working well in the implementation of the USP, and areas where GCF can improve and strengthen its approach. In this way, the review has been directly and practically used to draw proposals and recommendations for the update of the Strategic Plan contained in the zero draft. As requested by the Board, the review and update also takes into account initial summary findings of the SPR, based on an advance draft shared with the Secretariat by the IEU, and the overall review of GCF policy frameworks.[6]

## 1.1 GCF's organizational journey

6. As background to the review and update of the Strategic Plan, figures 1 and 2 recall the GCF's organizational journey to date.

**Figure 1: Logic of strategic planning**

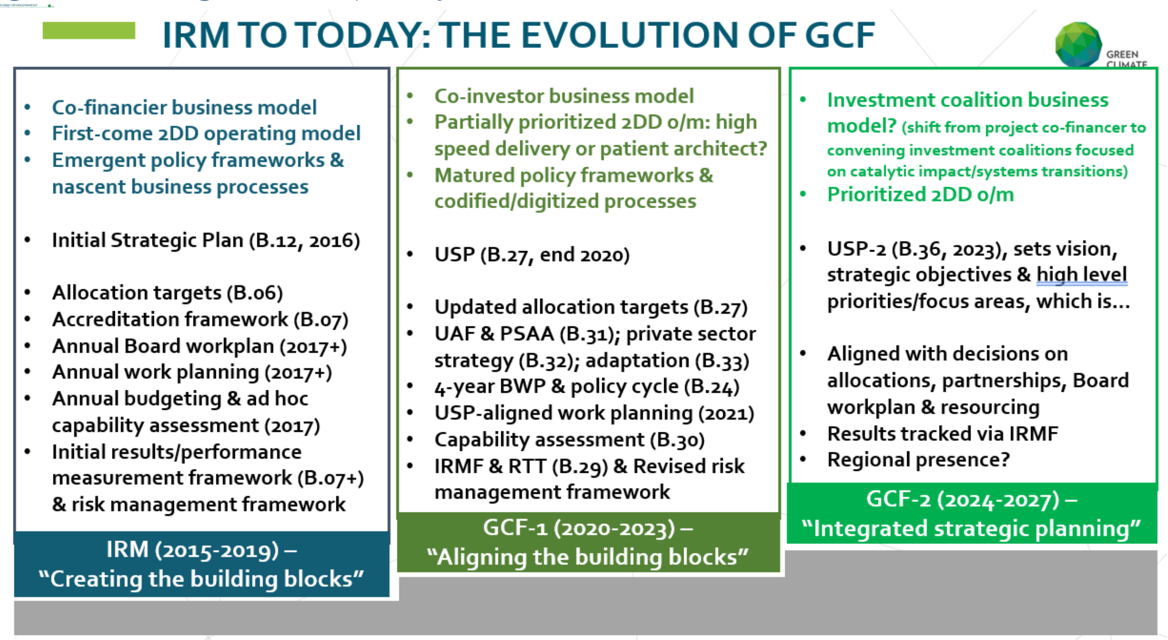



7. The Governing Instrument for the GCF states that GCF will be "scalable and flexible and will be a continuously learning institution", mandated to steer its operations through continuous evolution to consolidate its position as the main global fund for climate finance. The

[4] For 2020, see https://www.greenclimate.fund/sites/default/files/document/gcf-b28-inf10-add03.pdf; for 2021 see https://www.greenclimate.fund/sites/default/files/document/gcf-b31-inf02-add02.pdf
[5] https://ieu.greenclimate.fund/sites/default/files/document/220421-usp-progress-main-report-vol-i-top-web.pdf
[6] https://www.greenclimate.fund/sites/default/files/document/gcf-b33-inf08.pdf

process for reviewing and updating the Strategic Plan begins with GCF's current state of organizational maturity, represented through the 'organizational building blocks' on the left of figure 1. The review of the USP provides the foundation for assessing emerging opportunities and risks through examining lessons learned from experience to date. In parallel, Section III below identifies opportunities and risks emerging from the climate investment context, including developing country needs and impact potential, and the GCF's evolving comparative advantage. These considerations shape proposed updates to the strategic vision, objectives and priorities. Following the adoption of an updated Strategic Plan, various implementation actions need to be taken by the Board and the Secretariat to ensure GCF is ready to deliver a new cycle of programming ambition. These include determining updates to GCF's Investment Framework and portfolio allocation parameters, engaging with partners in pipeline development, evolving policies and modalities as needed to implement the Strategic Plan, and aligning resourcing, capabilities and work planning with strategic directions.

**Figure 2: GCF's organizational journey**




8. During the initial resource mobilization (IRM) period the GCF was by necessity focused on "creating the building blocks" required to begin urgently channelling funding to developing countries, in line with the high expectations of GCF held by the UNFCCC and global community. With limited institutional capacity, as an independent multilateral institution building its policy framework from scratch, GCF during this time operated as a simple co-financier, looking at projects on a first-come, first-serve basis. During this early scale-up period, GCF could not commit all its IRM programming resources and built a portfolio slanted towards international access entities (IAEs) and focused on conventional concessional instruments (grants and loans).

9. During GCF-1, GCF made significant strides in its institutional maturity, "aligning the building blocks" through the initiation of more regular strategic planning and work planning cycles; materially completing its policy frameworks including adopting an integrated results management framework; developing several programming strategies, including private sector and adaptation strategies, and draft sectoral guidelines; developing a direct access action plan and refining its accreditation processes, including the approval of the project specific assessment approach (PSAA); streamlining and automating processes, and codifying them in a series of manuals accessible from its website; enhancing transparency including through the launch of its open data library; and building expert capacity and knowledge resources across its

core functional areas of climate change and economic/financial analysis and structuring. This period saw a shift to a co-investor business model in which GCF engages with its partners in shaping impactful climate investments to meet GCF-1 targets in terms of adaptation, direct access entities (DAEs), the Private Sector Facility (PSF), regional balance and impact. Over this period GCF was able to build its institutional capacity, rapidly programme the carryover from the IRM, and programme GCF-1 contributions as soon as they were transferred.

10. During the period, GCF deepened its engagements with domestic and subregional financing institutions to enable them to mainstream climate risks, originate/appraise climate investments and access new sources of finance. It also further leveraged its range of non-grant instruments (equity, guarantees, and insurance applications) to make blended finance work better for adaptation and ecosystem-based solutions. In parallel with this greater use of high impact, non-grant instruments and its greater focus on emerging technologies and nascent markets, GCF launched a series of initiatives to enhance its risk management approach and better link its risk register and risk appetite to programming and institutional objectives.

11. GCF was also able to address barriers that had hampered the enhanced direct access (EDA) modality during the IRM with a particular focus on most vulnerable countries. GCF has financed, in Vanuatu, what is currently the largest community resilience programme in the world. This programme will finance climate initiatives designed and implemented by communities, with the approval of individual grants made at the country level. It has also successfully deployed the EDA modality in the Federated States of Micronesia for a pilot project that will improve food and water security, enhance disaster risk reduction and recovery by building the adaptive capacity of local authorities to respond to climate change and fund locally-led adaptation interventions. On the other side of the programming spectrum, GCF was able to partner with a coalition of public and private financiers to finance multi-billion co-investment platforms for green infrastructure. Today, GCF's pipeline aims to explore innovative climate solutions and, in volume, significantly exceeds available resources.

## 1.2 What has worked: building on durable foundations

12. **Snapshot of performance:** As of the date of writing, GCF has grown to a fund committing USD 10.8 billion of its own resources to a portfolio of 200 mitigation and adaptation projects in 128 developing countries, with a total asset value of over USD 40 billion. A significant amount of this progress has been delivered over just the last two full years since the USP was adopted by the Board at B.27. GCF's commitments over GCF-1 alone have totalled USD 5.8 billion and, driven by the Board's portfolio targets, have seen an increase in DAE programming (USD 1.35 billion, or 23 per cent of GCF-1 programming in nominal terms) and private sector programming (USD 2 billion, or 34 per cent of GCF-1 programming in nominal terms), with significant and innovative new private sector programming on adaptation. GCF is both fully executing its commitment authority and increasing its rate of implementation, with over 80 per cent of its portfolio in implementation (up from just 50 per cent in 2020), significantly matured approaches to portfolio, results and risk management, and reduced post-approval timeframes. It has also provided over USD 436 million to 141 countries in readiness support, including for adaptation planning, and grown a network of 113 AEs, of which 63 per cent are DAEs. To make these gains, GCF has advanced in organizational maturity as described above, substantially closing policy gaps, strengthening institutional capacities and building toward a full-strength, expert workforce. Most significantly, all these milestones were reached while operating under challenging circumstances dictated by the coronavirus disease 2019 (COVID-19) pandemic.

13. The inputs to the review process highlighted the following as strengths of GCF, which have underpinned its successes to date and should be continued under the Strategic Plan:

(a) **Ambitious and globally relevant strategic vision:** Inputs universally highlighted the criticality of GCF and ongoing relevance of its strategic vision to the implementation of the UNFCCC, Paris Agreement and global goals on climate change. GCF has a key and enduring role in channelling climate finance to developing countries, as well as using public resources to catalyse wider finance sources in contributing to the global finance goal. GCF should keep its ambition to deliver climate change impact for developing countries, in line with the UNFCCC and Paris Agreement, at the heart of its strategy. Staying grounded in the Governing Instrument and aligned with UNFCCC decisions and Conference of the Parties (COP) guidance was also seen as a strength, providing the comfort of a multilaterally agreed rule framework;

(b) **Delivering higher quality programming, disbursements and results**: In comparison with the IRM, inputs acknowledged that programming had gained pace and improved in quality over the USP period. Stakeholders pointed to growing examples of concrete readiness results and transformational projects. Inputs also recognized progress made in accelerating portfolio implementation and disbursements, a trend that needed to intensify to realize benefits on the ground. Success factors were linked to improvements in pipeline and portfolio quality, and programming to limits of commitment authority;

(c) **Valued support programmes and more responsive technical assistance:** Inputs noted the value of the Readiness and Preparatory Support Programme and the Project Preparation Facility (PPF) in strengthening NDA and AE capacities through both accreditation and programming support. The movement toward providing rosters of technical experts versed in the GCF process to support NDAs and DAEs developing project concepts was also welcomed;

(d) **Commitment to country ownership, mitigation:adaptation balance, focus on particularly vulnerable countries:** GCF's commitments to balance programming between adaptation and mitigation, its focus on particularly vulnerable countries, and commitment to country ownership and helping developing countries operationalize their climate plans were the mostly highly valued GCF attributes among participants at the Global Programming Conference 2022; this was also widely echoed in other inputs;

(e) **Diverse instruments, scale and private sector window:** Inputs also widely acknowledged the value of GCF's ability to deploy diverse financial instruments in line with developing countries' needs and operate at scale in funding larger projects and longer-term interventions; as well as its dedicated private sector engagement window and goal to use scarce public resources to catalyse financing at scale. Inputs noted the importance of GCF supporting risk reduction to help bring down the cost of capital and convene different sources of finance for truly integrated solutions and scale of impact;

(f) **Partnership model and comparative advantage in working with DAEs:** Inputs unequivocally espoused the ongoing value of GCF's partnership business model and increasing engagement with DAEs, both as an increasing proportion of the AE portfolio (87 per cent of new AEs accredited in GCF-1) and programming (23 per cent of GCF-1 programming). Though not without challenges, the accreditation process was also seen as a key avenue for building lasting DAE capacities and strengthening their ability to access wider finance;

(g) **Growing organizational maturity and closing policy gaps:** Inputs noted that GCF's successes rested on a foundation of growing institutional maturity, better guidance and improved efficiency. This included strengthening the climate change and climate finance expert capacity of the Fund, enhancing programming guidance and tools, and enhancing transparency of Fund data and knowledge. Both stakeholder inputs and the overall policy review also highlighted the closing of policy gaps and substantial completion of an extensive policy framework (over 100 policies), although some policy work remains outstanding. They acknowledged the value of GCF's unique governance, bringing together developed and developing countries on equal footing. The GCF's gender focus, sustainability and integrity standards, engagement with indigenous peoples, and the significance of the Integrated Results Management Framework in consolidating GCF's results management approach, were also noted as key assets to build on going forward.

## 1.3 What has not worked: learning lessons to improve for GCF-2

14. **Outstanding actions from the USP**: A number of inputs to the review noted that there were various elements not yet implemented from the USP should be addressed. Per Secretariat and IEU progress reporting, these outstanding actions tend to fall into two baskets: (1) actions whose implementation and impact is longer-term and will span more than one programming period (e.g. delivering portfolio goals, strengthening country-driven programming, supporting DAE programming, measuring results, etc.). These actions are incorporated into more detailed reflections below on areas of the USP which could be enhanced and improved; and (2) specific, timebound actions which have not yet been completed. Most of these actions are being taken up in the 2023 work programmes of GCF bodies, however some may spill over into the next programming period. Outstanding actions will be captured in detail in the next USP implementation report, due for B.35[7].

15. The inputs to the review highlighted the following as broader elements where the GCF's **strategic vision, objectives and programming directions** could be enhanced going forward:

(a) **Clarify how GCF's strategic vision links to the goals of the UNFCCC, Paris Agreement and NDC cycle, and how it translates into action:** Inputs noted changes to GCF's wider investment context since the USP was adopted, including the latest climate science, evolving picture of developing country needs and wider commitments by both countries and private sector actors to reaching net zero by 2050. They widely proposed that the strategic vision should capture higher ambition for GCF and be made more concrete by linking more explicitly to the goals of the UNFCCC and Paris Agreement and the cycle of updating NDCs, ACs, NAPs and LTS; and by linking more logically the vision with the strategic objectives, priorities, actions and results management. Articulating a theory of change and defining a more actionable approach to paradigm shift were identified, including by IEU, as measures which could support this.

(b) **Elaborate GCF's value-add and risk appetite:** Inputs including the IEU SPR noted that the GCF was capable of doing many things, but this made it vulnerable to 'mission overload'. Noting that there are now an increasing number of actors engaged in climate finance, GCF needed to use the Strategic Plan to align its focus and define its role and value-add in the wider climate finance landscape more clearly, reducing overlaps with other entities and elaborating how it could cooperate for higher impact. A critical part of this would involve elaborating GCF's risk appetite, noting that the GCF may have distinct risk appetites for different types of interventions and nuanced to country, market and

[7] Based on the 2021 USP implementation report, these include actions such as: launching new DAE support initiatives; presentation of sector guides for Board consideration and approval (all drafts now ready); developing best practice guidance on AE climate mainstreaming; finalizing and applying the methodology for measuring mobilized private finance; reviewing and determining funding allocations for requests for proposals, and considering prospective new concepts for requests for proposals; several investment and organizational policy matters; gender mainstreaming; reviewing ways to improve the functioning of the independent units and panels and the interface between fund bodies; expanding coverage of privileges and immunities; and assessing needs and options for a GCF regional presence.

technology contexts. Some also noted that GCF should focus more on risk-taking for paradigm shift, rather than portfolio impact maximizing as done by others;

(c) **Set more results-oriented, measurable and implementable strategic objectives/ programming goals:** Inputs including the IEU SPR also noted that the current framing of the GCF's strategic objectives had led to difficulties in measurement, as well as trade-offs between 'competing' allocation-based targets. They advised GCF to hone in on its 'niche' and more explicitly prioritize goals in order to provide more programming predictability. Inputs widely encouraged GCF to reorient its strategic objectives toward clear, actionable, ambitious and results-oriented midterm goals to deliver climate results for developing countries, by setting milestones (e.g. for 2030, 2040) for how GCF could contribute to the goals of the UNFCCC and Paris Agreement and meeting developing countries' needs. Programming directions should help countries identify pathways to make systemic and just transitions. Allocation targets could also be used but should be closely calibrated to programming goals; there were divergent views on whether earmarking programming to specific sectors or initiatives would be helpful.

(d) **Strengthen focus on adaptation, direct access and private sector:** With reference to programming goals and directions, inputs widely converged on GCF making a more concerted push to: (1) enhance its support for adaptation programming, with a focus on reaching particularly vulnerable countries (least developed countries (LDCs), small island developing States (SIDS) and African States) and groups, supporting locally-led actions and indigenous peoples' participation, as well as exploring potential to catalyse private sector engagement; (2) enhance DAE programming; and (3) enhance PSF programming. On this last piece, inputs noted GCF needed to better nuance private sector programming objectives to varying aims, including enhancing engagement of micro, small and medium-sized enterprises (MSMEs) and local private sector actors, seeking leverage/mobilization at greater scale in more mature markets, and helping initiate private sector engagement in new sectors, markets and geographies, including for adaptation. Various specific goals were proposed to support these directions. Some inputs also proposed that GCF should set objectives on loss and damage, examining ex-ante and ex-post responses more distinctly; and that GCF could contribute to shifting financial flows in line with Paris Agreement Article 2.1(c);

(e) **Capture potential to support wider efforts to green the financial system**: Building on the Glasgow Climate Pact and commitments made by wider financial actors to green financial systems, numerous inputs identified the potential for GCF to help support related efforts by developing country financial institutions such as national development banks, commercial banks and regulators. This could include helping institutions assess climate risks (physical and transition) in their lending and investment portfolios; supporting the establishment of green banks; enhancing credit lines for low-emission, climate-resilient activities; helping support green financial regulation, firm-level climate disclosures and measurement/monitoring systems; and helping lenders access capital markets for low-emission, climate-resilient investment via the issuance of green or blue bonds and asset-backed securities. This support would be aligned with countries' priorities and help ensure developing country financial institutions are not 'left behind' in the context of wider efforts to green finance.

16. Turning to GCF's **operating modalities**, the inputs to the review widely valued the fundamentals of GCF's programming windows, instruments and partnerships (as set out in 'what has worked' above). However, inputs including the IEU SPR emphasized the need to address challenges in implementation as well as clarify the GCF's operating model to address tensions and bottlenecks that have arisen as operating modalities strive to service too many aims. The SPR also highlighted that the USP relies on unstated and overly optimistic

assumptions on external factors and stakeholder actions outside of GCF's control, including the pipeline, which should be more closely examined in updating the strategic goals and priorities. The review highlighted opportunities to:

(a) **Deploy re/accreditation more strategically in sync with programming and clarify the 'second level' model:** While stakeholders universally valued GCF's partnership model, they widely noted the importance of adopting a more strategic approach to re/accreditation to resolve the tension between seeking high-volume, high-speed finance delivery, and patiently investing in building programming capacities, particularly for direct access. Inputs noted that an accreditation strategy could help set a deliberate balance to align re/accreditation with overall programming directions, also clarifying expectations of partners, helping countries choose the right partners and managing AE performance. Other strategy-level matters included strengthening the focus on direct access, enhancing collaboration between IAEs and DAEs, and the importance of clarifying the extent to which GCF would rely on AEs capabilities once accredited under its 'second level' model, across programming and implementation;

(b) **Secure true country ownership through meaningful engagement in investment processes**: While stakeholders universally valued country ownership, a second tension in the GCF operating model was seen to lie in the GCF pipeline being ultimately AE-based while seeking to reflect developing country climate priorities. Through the review process, many developing country stakeholders expressed frustration that current country ownership guidelines, focused on the 'no objection' procedure, had not secured a meaningful country role in the investment planning and implementation process, including where changes were made to approved projects. The IEU SPR noted in parallel that country ownership – and the role of GCF and its partners in supporting this – remains poorly defined. To address this, GCF could clarify its role in country planning processes, as well as its expectations of other roles within the partnership structure (delivery partners, AEs); recognize the pivotal role of strong NDAs, and focus support to consolidate NDA and country capacity to steer and engage in investment planning; help countries build and retain relevant expertise to convert investment plans, including NAPs, into projects, with a focus on programming through DAEs; clarify the future role of country programmes and entity work programmes; help align countries, AEs and GCF as far upstream in the investment process as possible; better engage stakeholders at national level; and strengthen the linkage of GCF activities with domestic governance systems and budgeting/planning processes;

(c) **Better integrate Readiness and PPF support with programming outcomes:** While GCF's Readiness Programme and PPF support were widely valued, inputs identified a need to dramatically improve the speed of access and reduce transaction costs, as well as a need to better sequence and target support toward known capacity gaps and programming outcomes. The IEU SPR noted specifically that Readiness, while valuable, was not being systematically targeted to the highest priority areas to meet both country and GCF goals, and needed more clearly prioritized objectives and stronger feedback mechanisms. Inputs emphasized how differentiated approaches could be used to better support countries with the least capacity, including LDCs and fragile states, and those who have not yet had funding proposals approved. Support for programming was needed at a variety of critical intervention points – including in accessing downscaled climate information and emission profiles/projections; systems-level feasibility studies; use of analysis for investment planning, selection and design; concept note and funding proposal drafting; policy implementation and climate results management – and readiness and PPF could be more seamlessly integrated to help deliver these. Specific proposals were made for additional allocations for DAEs, periodic NAP support and loss and damage, with these and other matters due to be considered under an updated readiness strategy at B.35;

(d) **Articulate transparent approach to programming and pipeline management:** Various inputs including the IEU SPR noted that, given the size of the GCF pipeline and scale of developing country needs relative to resources, GCF would need a clearer approach to programming and prioritization of resources. To enhance predictability for stakeholders, a more transparent approach was needed than the current internally made trade-offs. GCF should clarify whether it will be demand-driven, even if this means picking up a 'vanilla' pipeline, or pursue more innovative, catalytic and paradigm-shifting projects. To become a 'powerful drop' in the wider finance landscape, GCF could adopt a greater focus on transformational, cross-cutting projects with multiple benefits, and better clarify the role of both public-sector and private-sector programming in spurring innovation and paradigm shift. GCF should continue to engage upstream, elaborate guidance for project development (building on programming, appraisal, climate impact and draft sectoral guidance), and clarify how uncertainties in the availability of climate information could be managed. GCF should also be clearer about how its various programming modalities – multi-country programmes, simplified approval process (SAP), EDA and requests for proposal (RFPs) – would be deployed within its programming strategy, noting mixed experience to date;

(e) **Expand and clarify approach to deployment of instruments:** Inputs encouraged GCF to make enhanced use of its full suite of instruments and concessional financial terms – a key comparative advantage – as well as expanding their application. This could include increasing the use of equity and guarantees, being bolder in deploying grants to be catalytic, maximizing leverage through loans, and taking a more proactive role in innovating financial instruments and promoting insurance solutions. Inputs called on GCF to be conscious of debt stress as well as the frequent impact of currency fluctuation in eroding the concessionality of GCF finance, encouraging GCF to implement local currency financing solutions and issue transparent guidance on concessionality;

(f) **Align programming goals and private sector strategy:** Review inputs echoed directions for enhanced private sector engagement adopted in the recently approved Private Sector Strategy: promoting conductive investment environments and NDA capacity to engage the private sector; accelerating innovation and de-risking to crowd-in private finance; and helping national and regional financial institutions green financial systems. Inputs did suggest further nuancing private sector objectives at a strategic level to provide clearer orientation to the parallel goals of: (i) enhancing engagement with local private sector actors and MSMEs, including through DAEs and using intermediary models such as lines of credit; (ii) seeking high mobilization in markets and sectors which have a better developed private sector role (energy, infrastructure, agriculture); and (iii) seeking less leverage but more catalytic impact to unlock private engagement in new sectors, geographies and technologies, including for adaptation. The IEU SPR also invited reflection on whether the GCF operating model was well placed for private sector partnerships; and

(g) **Better define the GCF's role in sharing investment knowledge and promoting climate mainstreaming among its partners:** Inputs presented differing views on the GCF's role in knowledge-sharing. Some emphasized GCF's huge potential to serve as a centre of excellence and hub for climate activity, with the ability to convene its partner network, including AEs and observer organizations, for knowledge-sharing and peer learning to accelerate good investment design and implementation. Separately, some inputs also proposed GCF should support partners efforts to align finance flows with the Paris Agreement and mainstream climate into their wider portfolios, including through developing associated tools and methodologies. Other inputs expressed discomfort with GCF heading away from its core mandate through some of these initiatives.

17. The imperative of **improving access to GCF financing** was a clear and cross-cutting theme across all inputs to the review. Inputs make clear that 'access' is a multidimensional issue, meaning different things to different people and covering dimensions of volume (how much funding should GCF channel and catalyse?), flexibility (how can GCF best use its instruments and modalities to deliver access according to different needs?), speed (how to speed up overall time to get funding to the ground?), simplicity and harmonization (how to make policies and processes less complex and more harmonized to reduce transaction costs, and also better differentiated to different capacities?) and direct access (how can GCF work more with entities that are closer to developing country priorities, markets and communities?). Annex I provides an overview of the steps GCF has taken to enhance these dimensions of access, as well as a deeper analysis of where access bottlenecks are perceived to be occurring and underlying root causes, in order to help pinpoint where further interventions can be made at strategy, policy, process, partner and operational levels. In summary:

(a) **Establish clearer, more predictable strategic programming and accreditation settings to level-set expectations:** Inputs to the review and bottleneck analysis revealed there are frequently misaligned expectations between GCF and its partners on how, and how much, finance GCF provides. This starts with the frequent misconception that GCF will channel the full USD 100 billion in climate finance annually. It extends into GCF: (i) not having set clear parameters around how many AEs/DAEs it will accredit or how nominations should be aligned with programming capacities and needs; and (ii) having multiple portfolio allocation targets (in grant-equivalents) that do not transparently translate into programming directions or pipeline prioritization principles. This ambiguity can lead stakeholders to hold expectations that are realistically beyond the Fund's ability to meet. Clarifying strategic programming and accreditation settings, and expectations on what it typically takes to move a climate investment through GCF could help address these types of access concerns;

(b) **Regularly review impact of GCF policies and identify opportunities to further streamline and harmonize operational requirements:** At the Global Programming Conference, stakeholders identified "less complex/better harmonized policies" as the most significant step GCF could take to improve access. GCF has recently created a series of manuals to help stakeholders navigate its policies and processes, as well as improving policy accessibility on its website. Going forward, GCF should also regularly monitor and review the impact of its policies to identify related bottlenecks, and seek an optimized balance between the benefits of high policy standards and costs of implementation. In particular, inputs suggested GCF could critically examine its ability to rely on AE policies where these are materially equivalent to GCF's; harmonize policy requirements across accreditation, programming and implementation stages to minimize duplication of screenings; ensure coherence between and within various policy frameworks; and examine ways to harmonize policies and processes with other funds. GCF could also monitor operational performance to capture potential to further simplify and speed up processes, including by: providing more streamlined and consistent review feedback in line with recently codified appraisal standards; reducing the "proof of evidence" required; standardizing templates for common requests; and allowing more flexibility on documentation requirements (e.g. no-objection letters, co-financing letters, etc.);

(c) **Help partners build capacity to navigate GCF processes, prepare GCF-ready proposals at entry and move rapidly to implementation:** At the Global Programming Conference, stakeholders identified "clearer guidance on how to prepare proposals" and "more technical assistance to meet GCF requirements" as second and third in the priority steps GCF could take to improve access. GCF has recently made a strong push to strengthen its programming and sectoral guidance, as well as onboarding, technical assistance and knowledge sharing initiatives to respond in this area, but building the requisite capacity is a larger, longer term endeavour. Because the accreditation process does not currently evaluate capacities for climate programming, even after accreditation a number of AEs have not been ready to submit funding proposals. GCF could take more deliberate steps to ready its partners to play their part in speeding up access by: developing dedicated tools to support DAE programming or policy implementation capacity; better structuring readiness and PPF offerings to secure required expertise through the investment lifecycle, avoiding 'stop-start' support; better training partners on GCF programming requirements, appraisal criteria and legal agreements; helping countries, AEs and GCF align earlier in the investment process and choose the right investment partners; and supporting knowledge-sharing;

(d) **Actively differentiate support to access GCF, and decentralize to be closer to countries:** In the inputs to the review, many smaller countries including LDCs and SIDS identified the lack of a differentiated approach, based on capacity or circumstances, as a further key bottleneck to access. This was seen to disadvantage DAEs and smaller countries with low capacity, as capability differences allowed some to move ahead at pace with multiple successful proposals, while others lagged due to the inability to manage responses and deliver the required quality. In response, it was proposed that GCF could tailor and prioritize its support for countries with the least capacity and those who have not yet been able to access GCF resources, through more 'ready-to-access' support offerings meeting common capacity constraints; special allocations; active prioritization of countries that have not secured funding proposals; providing means to address higher AE transaction costs; and using SAP as a way to build capacity on more 'tried and tested' solutions. Inputs also widely registered the value of a GCF regional presence in helping GCF engage regularly and directly with countries to improve access.

18. Finally, inputs also covered some suggested improvements and actions related to **operational and institutional priorities**:

(a) In relation to **governance,** suggestions touched on unpacking 'informal' rules of governance; promoting a "one Board" model; facilitating work across constituencies; improving predictability of Board management and efficient use of decision-making mechanisms; and intensifying efforts to secure gender balance on the Board. Various inputs including the IEU SPR also stressed the importance of clarifying the "blurred lines" between governance and management functions and the roles and responsibilities of different GCF bodies and the interfaces between them; improving cooperation between actors in decision-making; and providing greater room for the Secretariat in operational decisions reflecting the organizational maturing of GCF;

(b) On **policies**, proposals touched on adopting a GCF-wide policy framework; the timely adoption of operationally critical policy changes at the beginning of each replenishment cycle; improving consistency of policy interpretation; allowing time for policy implementation while remaining alert to needs for adjustment; and re-examining how policies are reconciled with the GCF's second level model;

(c) On aspects of **operations**, inputs called for continuing to enhance transparency through disclosure of pipeline and progress reporting; language justice; having a more comprehensive outreach strategy, as GCF is not as widely recognized as it should be as the world's largest climate fund; better structured engagement with observers; drawing better on indigenous peoples' potential to contribute to and participate in programming; and examining the sustainability of GCF's own operations; and

(d) On **resourcing and organizational design**, it was noted that the Board would need to understand the resourcing/cost implications of the Strategic Plan 2024-2027 and may need to re-examine the capacity of GCF and its organizational structure to deliver, including establishment of a GCF regional presence.

19. On **monitoring, evaluation and reporting of results**, the IEU SPR initial findings noted the critical importance of pivoting to a results and learning orientation, flagging that elements of this remain underdeveloped. Inputs called on GCF to continue to improve on existing measures for monitoring, reporting and evaluating, noting the importance of learning from programming and improving project design; enhance reliability of reported data and data analysis (disaggregated by sex and for other groups such as indigenous peoples); keep the suitability of results frameworks and performance indicators under review; strengthen monitoring and evaluation (M&E) coordination among all GCF stakeholders; improve impact assessments and cross-sectoral evaluations; and encourage participatory monitoring.

# II. Context for the update of the Strategic Plan for 2024–2027

## 2.1 Approach to strategic planning and linkages between documents

20. As noted in the introduction, this section sets out further context for the zero draft of the 2024–2027 Strategic Plan contained in Addendum I. As is evident from the review findings set out above, up to now GCF's strategic planning efforts have still not been fully sequenced or integrated, with various strategy, policy and planning documents being adopted at different times, some before the USP. One of the key takeaways from the review at the strategy-level – echoed in lessons from USP implementation, the findings of the overall review of GCF policy frameworks and initial findings of the SPR – is that the status quo of multiple, ad-hoc guiding documents, internalizing various goals and priorities, has tended to lead to "mission fragmentation", where the GCF is seeking to respond to too many diverse mandates at once without clear strategic choices being made, and with fragmented or incoherent approaches embedded in different operating frameworks.

21. Looking ahead to GCF-2, there is an opportunity through the update to the Strategic Plan to move to an "integrated strategic planning and programming" approach. This would see clear choices made at the strategy level to set goals, programming directions and top-level priorities which would then flow into aligned implementation. This approach would leverage the solid foundations built during the IRM and GCF-1, and lessons learned, to further deepen GCF's organizational journey and impact.

22. Figure 3 shows this 'model' strategic planning structure, indicating how the Strategic Plan (covering elements of the vision, objectives and strategy) interacts with other planning documents. The Governing Instrument continues to serve as the foundational document for GCF, setting out its mission, guiding principles, and core modalities. The Strategic Plan elaborates the Board's long-term vision for GCF and sets headline goals, programming directions and priorities for evolving GCF's operating model and modalities to meet these – making *critical choices* about what GCF will focus on. More detailed approaches to specific thematic areas of operations – such as accreditation, readiness, direct access, the private sector and adaptation – have been or are being elaborated in separate thematically focused strategies, in alignment with overall programming directions. Finally the work plans of GCF's bodies are designed to serve as detailed action plans for implementation, updated on an annual basis to respond more dynamically to changing conditions and lessons.

**Figure 3: Model strategic planning structure informing the update of the 2024–2027 Strategic Plan**


23. Through the consultation and input process, various stakeholders emphasised that the Strategic Plan must continue to reflect the Governing Instrument, UNFCCC and Paris Agreement and be fully consistent with its guiding principles and all its provisions. Most also considered that the Strategic Plan should remain clear, concise and strategic, not going into details covered by other operational policies or documents, including matters better addressed under the budgets and annual work plans of GCF bodies. The Strategic Plan should remain distinct from the four-year work plan of the Board. Finally, inputs stressed that the Strategic Plan should not interpret guidance from the COP, as this must be contextualized by the Board; for this reason, inputs to the Strategic Plan which relate to matters still under active discussion by the COP (including, for example, loss and damage and Article 2.1(c) of the Paris Agreement) have been treated conservatively in the zero draft, in line with current COP and Board decisions and guidance from the Co-Chairs.

## 2.2 Contextualizing assessment of opportunities and risks

24. As discussed above, in embarking on an update of the Strategic Plan, it is critical that the Board be informed by risks and opportunities that GCF faces in its current operating environment in delivering desired ambition and climate impact for developing countries. The review of the USP set out in section II above, as well as the initial findings from the SPR, provides the foundation for this assessment, examining lessons learned from GCF's experience and areas of improvement. As introduced to the Board during the informal session at B.33, this assessment of risks and opportunities also considers the current global climate investment context and developing country needs, and the GCF's evolving comparative advantage in the wider finance landscape.

25. In relation to the current **investment context**, the clarion call for the GCF comes via the **latest climate science** contained in the Sixth Assessment Report of the Intergovernmental Panel on Climate Change (IPCC). This warns that the window is closing on the world's aspirational goal of holding warming below 1.5 °C. It also highlights for the first time a parallel window of opportunity for planning and implementing transformative adaptation responses before climate change impacts move beyond limits to adaptation. While initiating Paris Agreement implementation demanded the rapid capture of quick wins, the latest science underscores the need for a shift from incremental to systemic mitigation and adaptation responses to meet the scale of the challenge. This implies the need for more systemic, multi-

sectoral and inclusive responses to address complex, interacting climate risks. To this end, the IPCC identifies five "systems transitions" to achieve low-emission, climate-resilient development, covering:

(a) Energy: making a systemic and just transition from fossil fuels to low-carbon energy sources, while improving energy use efficiency and energy infrastructure resilience;

(b) Industry: shifting value chains and switching to more efficient production processes;

(c) Land and ocean ecosystems: preserving and restoring nature and evolving food systems and water use to secure livelihoods and resilience;

(d) Urban, infrastructure and transport: switching to an optimal mix of grey and green infrastructure, massively increasing electrification, improving efficiency and reducing waste through sustainable urban planning and a shift toward circular economies;

(e) Societal/cross-sectoral: building a foundation of climate services and early warning systems, risk sharing systems and social safety nets and diversifying livelihoods to ensure health, well-being and sustained and inclusive development.

26. In parallel, **analysis of climate finance flows** shows that while global climate finance has increased to over USD 700 billion annually, this has happened at a slowing pace in recent years, with the majority flowing to proven technologies, mature economies and through conventional instruments. Financing for adaptation is increasing, but still at a very small scale; and finance mobilized for developing countries remains short of the USD 100 billion annual goal. While there has been a positive expansion of policies, technologies, business models and innovations supporting climate action, access to these innovations remains unevenly spread.

27. Against this backdrop, the UNFCCC NDC needs analysis has quantified **the needs of developing countries**: financial needs of 78 countries stand at USD 5.8–5.9 trillion (USD 700 billion annually) up to 2030, with 60 per cent of needs still to be costed. While more adaptation needs have been identified, they are far less quantified than mitigation. Qualitative analysis shows a concentration of mitigation needs for renewable energy, land use, land-use change and forestry, and transport, and adaptation needs for agriculture, water, early warning systems, coastal zone management and health. In terms of needs expressed to GCF, the current pipeline already stands at over USD 40 billion, including project ideas from country programmes, entity work programmes, concept notes and funding proposals. Assessment of GCF readiness demand also shows ongoing needs across all readiness objectives to support progress from planning to implementation, as developing countries need strengthened abilities to attract diverse sources of finance to climate investments.

28. Looking ahead, the **global macroeconomic context** looks likely to present even less favourable conditions for climate investment – right at the point in the critical decade when scale up of climate finance is most needed. While in the period up to COVID-19, low interest rates and widely available credit generated a conductive environment for green investment, global circumstances have changed dramatically over the last two years. Many economies are still in a fragile recovery phase following the COVID-19 pandemic, with increased debt to GDP ratios. On top of this, the current global security, energy and food crisis has contributed further instability and exacerbated inflationary pressures, leading to a tightening of monetary policy through rising interest rates, that will constrain the access to credit. The convergence of parallel crises – climate change, food/energy/security, and rising debt – will make it particularly difficult for developing countries, particularly those most exposed to climate change impacts – to "build forward better". Helping developing countries remain on track, in this context, to make the systems transitions required by science requires large scale shifts in financial flows, and it is imperative that scarce, concessional public finance be used catalytically and inclusively to unlock these. This makes critical the role of GCF in working with developing countries to

innovate ways to use financial instruments for mutually supportive investments in climate action and economic recovery: finding ways to scale-up investment without increasing debt burden; de-risking to attract private financial flows in a context of perceived higher investment risk; and securing access to long-term affordable finance at a time of rising capital costs.

29. In relation to GCF's **evolving comparative advantage**, GCF has a distinctive business model: with governance based on equal participation of developed and developing countries, investments made through partnerships rather than directly, and guided overall by the principle of country ownership. Relative to others operating in the climate finance landscape, GCF is distinguished by:

(a) **Climate expertise**: As the largest global fund specialized in climate change, GCF can provide technical know-how to strengthen climate investment capacities, methodologies, and use of climate information assessments, working to mainstream climate across all levels of decision-making across its broad network of partners;

(b) **Country-driven**: GCF empowers countries to translate their climate ambitions and priorities into action. It does this through supporting integrated investment planning; building capacities to access climate finance, including through DAEs; and evolving wider climate-compatible enabling environments and financial systems;

(c) **Partnership institution**: GCF operates through a network of over 200 AEs and DPs, and is growing. This positions GCF as a hub within the climate finance architecture: with the ability to forge novel investment partnerships between public, private, local and international actors, and leverage diverse expertise and financing sources to advance developing countries' programming ambitions;

(d) **Risk-taking, patient capital**: As a fund rather than a bank, GCF is designed to accept risks that others may not to catalyse climate action, such as investing in early-stage project development, innovation, and unconventional asset classes, including for adaptation and for the most vulnerable, and being willing to take risks to unlock climate action and de-risk more conservative sources of finance;

(e) **Flexible financial instruments**: GCF is capital-agnostic and can deploy a wide range of grant and non-grant instruments, including concessional debt, equity and guarantees. Its flexible financial instruments allow GCF to start from the needs of the project and structure support as required, exploring new forms of blended finance to unlock new markets for climate solutions; and

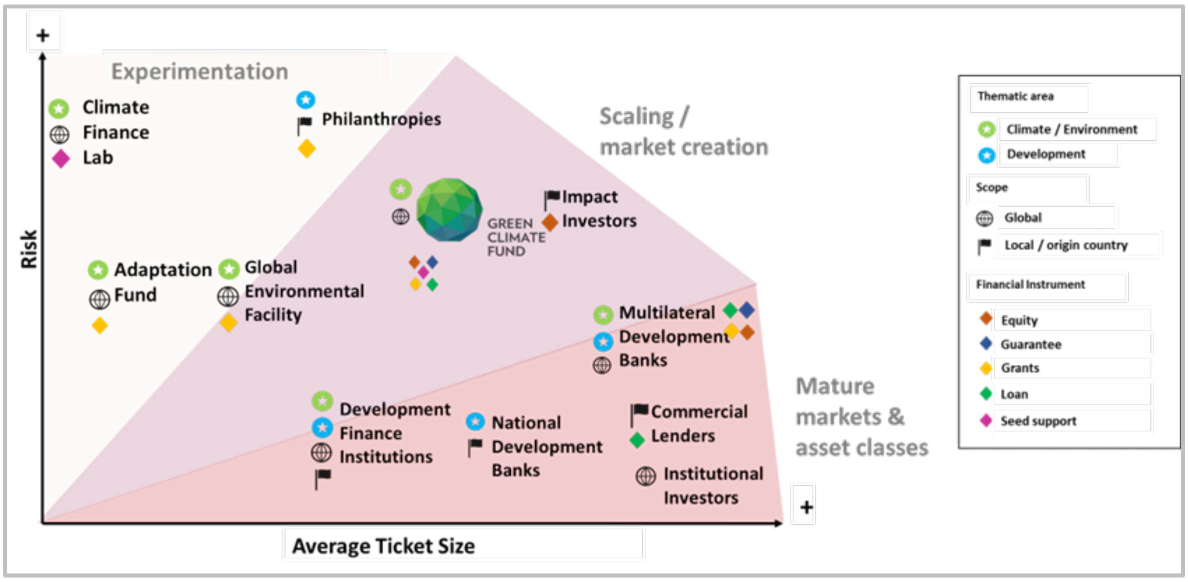
(f) **Balanced investment, focus on most vulnerable**: The GCF is committed to balance allocation of funding to adaptation and mitigation, and dedicates at least half of its adaptation resources to SIDS, LDCs and African States. Its focus on adaptation and the most vulnerable allows it to deploy its unique risk appetite, programming scale and network of partners to attract public and private partners to investments which accelerate and scale up innovative solutions and business models in underserved areas.

30. One of the key means through which GCF seeks to distinguish itself in the broader climate finance landscape is through its **risk appetite**. As set out its in formal Risk Appetite Statement,[8] in order to realize significant impact and promote paradigm shift to meet GCF's strategic objectives, GCF is willing to accept *considerable uncertainties around investment risks in return for impact potential*, to be evaluated on a case-by-case basis recognizing specifics of each

[8] https://www.greenclimate.fund/sites/default/files/document/risk-appetite-statement-component-ii.pdf.

proposal. GCF will strive to mitigate programme risks to provide reasonable assurance that investments can fulfil their stated objectives.

**Figure 4: Mapping GCF in the climate finance landscape and potential**




31. Figure 4 provides a representation of how GCF situates itself vis-à-vis other key players. It works at a nexus of risk and scale, and also available instruments and target geographies, which position it best to play a **scaling and market-creation role, and as an accelerator and amplifier for climate action,** through forging collaborations and co-investments with others. It can work with organizations such as the Adaptation Fund, Global Environment Facility and Climate Finance Lab, which fund at smaller-ticket sizes with greater nimbleness for experimentation, to bring promising innovations and successful approaches to scale. It then takes on risks associated with 'proof of investment' to allow more conservative sources of finance, including multilateral development banks, national development banks, commercial lenders, private equity and institutional investors, to shift much wider financial resources toward climate action. The fact that GCF is willing to go into non-investment grade markets, using higher risk instruments such as first loss equity, junior loans and grants, for pre-commercial technologies and novel interventions, including on adaptation, and with partners including DAEs for which GCF is helping to build track record of climate programming, demonstrates that GCF is truly ready to accept risks for the prospect of catalytic potential, while also ensuring it has risk management tools to enable educated risk-taking and monitoring.

## 2.3 Proposals for updating the Strategic Plan

32. All the above inputs – the review of the USP and lessons learned, stakeholders' perspectives on challenges experienced in accessing GCF, the current climate investment content, developing country needs and GCF's evolving comparative advantage and risk appetite – have been used to inform the following series of proposals on which the zero draft of the 2024–2027 Strategic Plan contained in Addendum I are based.

33. In line with the strategic planning model described in section III, this zero draft for Board consideration at B.34 focuses principally on proposals to evolve the strategic vision and strategic objectives/programming directions. The strategic priorities, operational goals and institutional priorities have not yet been evolved into full text, but are presented as annotated

inputs, on the basis that these (the 'how') should ultimately be calibrated to match the desired strategic vision and strategic objectives (the 'what'), work that will be done through subsequent iterations of the draft. Many of the strategic and institutional priorities also link to parallel, ongoing processes to develop related thematic strategies and policies (e.g. for accreditation and readiness), and as such their content will need to be cross-calibrated to the directions taken under those related Board discussions.

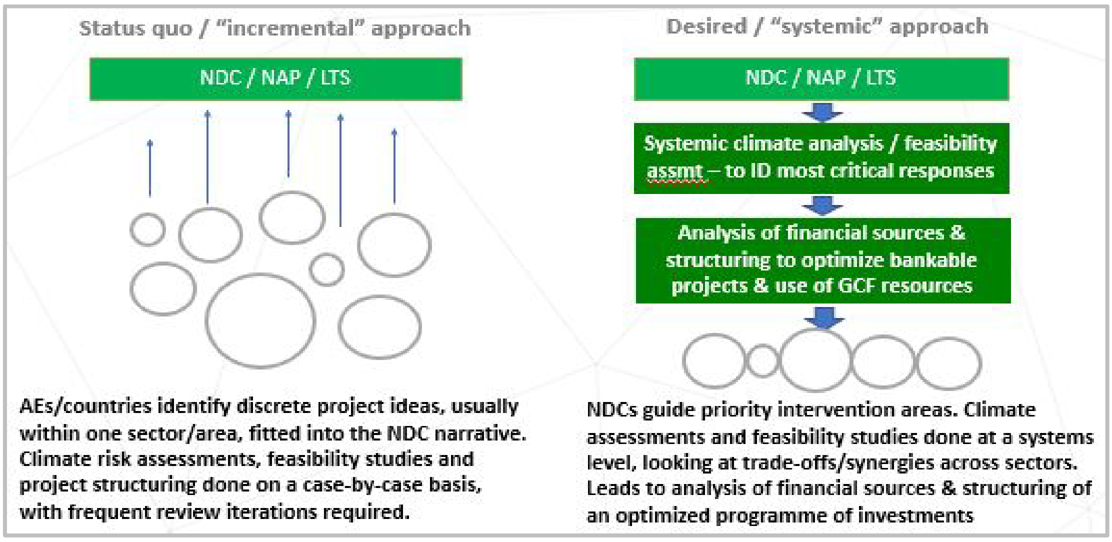
34. In overview, the zero draft of the 2024-2027 Strategic Plan contained in Addendum I attempts to capture the following key opportunities for GCF to enhance its ambition, impact, speed and effectiveness in delivering for developing countries:

(a) **Positioning GCF as the flagship fund for the implementation of the UNFCCC and Paris Agreement:** As widely called for by the inputs to the review, the update proposes to maintain and evolve GCF' strategic vision to link it more clearly to the goals of the UNFCCC and Paris Agreement and the ambition cycle of implementing and updating developing countries' NDCs, ACs, NAPs and LTS. It seeks to clarify how GCF can serve as a 'powerful drop' in channelling climate finance and catalysing wider finance for developing countries by further articulating how GCF intends to promote paradigm shift and translate its strategic vision into concrete action. It also seeks to more clearly articulate the GCF's value-add in the climate finance landscape and risk appetite;

(b) **Delivering paradigm shift through helping to strengthen the climate investment ecosystem:** The update to the Strategic Plan seeks to make explicit GCF's ability to contribute to paradigm shift through its patient investment in institutions: not just as a means to an end, but as an outcome in and of itself. While GCF will maintain its primary character and programming focus on being an investment fund – not a capacity-building mechanism – per the inputs from the review, it is impossible to overstate the importance to the success of GCF's mission, and the success of wider climate goals, of broadening the institutional know-how and human expertise to successfully integrate climate change into investment and policy planning, investment pipeline generation and financial decision-making. In practical terms, this plays out through GCF's investment in building the capacities of NDAs, DAEs and wider developing country stakeholders, work in building climate information resources and climate investment assessment tools, collaboration with AE partners to help mainstream climate change into their investment decision-making processes, strengthening of climate innovation ecosystems, and support for developing countries to green financial systems. No other organization is poised to make a sustained contribution to developing countries in this space with a dedicated climate focus; while it will require patient investment, the potential for long-term returns with significant multiplier effect is great. This aim could be articulated in the updated Strategic Plan through an elaborated strategic vision, specific goals and designation of a certain share of programming resources to this end;

(c) **Helping shift the model of NDC/AC/NAP/LTS implementation and investment planning from incremental to systemic responses.** Being mandated to promote paradigm shift and endowed with the ability to patiently build climate investment readiness (per above sections), GCF has the opportunity help developing countries shift from implementing NDCs/ACs/NAPs/LTS through standalone projects – which may not optimize financing and only achieve incremental and short lived impacts; and/or not be cost effective or even be maladaptive over the long term – to more integrated, systemic, country-owned responses. This would start from national climate plans and examine trade-offs and synergies across mitigation/adaptation, and across sectors and geographies, to develop projects and programmes targeting systems transitions in line with the advice of the IPCC. By helping developing countries deploy climate risk, vulnerability and feasibility assessments early in the design process and at systems level, rather than on a project-by-project basis, this approach also offers potential to move well-designed proposals more quickly through GCF's investment process. GCF could offer tailored support to help countries strengthen climate hydro-meteorological infrastructure, collect data and convert it into climate information products and services to support integrated planning, and enable 'financial engineering' approaches to access and structure different sources of public and private finance to implement priority investments and achieve systemic change – all areas of need identified by developing countries. Figure 5 contains a visual representation of this approach;

**Figure 5: Shifting the model for NDC/NAP/LTS implementation and investment**




(d) **Building investment collaborations to maximize the finance deployed for developing countries' climate priorities, including from the private sector:** With its unique position at the hub of a global network of over 200 partners, combined with flexible instruments, patient risk-taking capital and a country-driven approach, GCF is well placed to forge collaborations between diverse investment partners to structure programmes of investments that respond to key developing country needs. These 'co-investment platforms' could take cues from the systemic planning approach described above in paragraph (c), to design either country/region or thematically based programmes of investments that respond to key transition areas, such as the blue economy, restoring nature or the zero-carbon just energy transition. This kind of approach would offer the potential of multiplying the volume of finance attracted for developing countries' climate priorities well beyond what GCF is able to channel itself, by intentionally matching different sources of finance to different interventions and initiatives with different risk profiles, and bringing GCF's institutional reputation and robust due diligence standards to bear in attracting other investors, including catalysing private sector finance;

(e) **Enhancing support for adaptation, with a particular focus on securing access for the urgent needs of LDCs, SIDS and African States.** The inputs to the review and update highlight the increased urgency of the financing gap for adaptation, as well as an imbalance in access to adaptation financing for those that are particularly vulnerable and have the least capacity. In light of the global commitment to scale up adaptation finance, and the Cancun Agreement understanding that a significant share of new multilateral funding for adaptation should flow through the GCF, the update to the Strategic Plan should enhance GCFs' contribution to meeting these urgent needs. This could be done by raising the overall share of finance committed for adaptation, as well as pursuing a more intentional programming strategy with the parallel aims of: (1) reserving a share of GCF resources to address the urgent vulnerabilities of those with the least capacity, through no-regrets measures such as early warning systems and locally-led adaptation that helps protect the most vulnerable from immediate and future climate threats; (2) driving systemic responses, through using integrated resilience planning and national adaptation planning as the basis for crafting thematic country/ regional investment collaborations that drive systems transition; and (3) seeking to unlock greater private sector investment in adaptation. This programming strategy would intentionally integrate measures to avert, minimize and address loss and damage in line with the Board response to COP guidance;

(f) **Setting ambitious strategic objectives to deliver climate results through clear programming directions**: The updated Strategic Plan would drive action toward each of the above programming directions through updating the strategic objectives to set an ambitious set of actionable, results-oriented midterm goals on both institutional, mitigation and adaptation outcomes, and by clearly articulating the GCF programming strategy. The goals would serve as measurable checkpoints toward the delivery of the GCF strategic vision, and also inform the prioritized actions captured in the strategic priorities, workplans and KPIs of GCF bodies. The programming directions, matched to the goals, would guide deployment of GCF resources and serve as the basis for the Board's determination of prioritized portfolio targets and allocation parameters. An intentionally segmented programming approach would be built on the understanding that different segments of programming may move at different speeds (patient investment vs. high-speed delivery), target different outcomes (immediate needs vs. high mobilization vs. catalysing systems change) and carry differing risk profiles. It is recommended to set goals in terms that are transparent, predictable and easy to measure and administer: in nominal rather than grant-equivalent terms, and with reference to current period funding allocations rather than the total portfolio. It is also recommended not to develop too many different programming goals or allocations, as this reduces predictability, heightens risk of trade-offs and leads to inefficient programming outcomes. The Board should also determine proposed programming directions with full consideration of their risk and resourcing profile, noting different directions will carry different risks and costs.

(g) **Expanding the strategic priorities to distinctly recognize GCF's work through its partnerships and commitment to enhancing access as distinct priorities:** While the Strategic Priorities have not been elaborated in detail in this zero draft, based on the inputs from the review the proposal recommends elaborating five distinct strategic priorities for 2024–2027: maintaining the priorities on strengthening transformational country-owned programming, promoting innovation in the portfolio, and catalysing private sector finance at scale; and then having two distinct priorities on working with partners to green finance, and enhancing access to GCF resources. This recognizes that GCF's institutional work is an important contribution in itself, while its priority around enhancing access is much broader than its AE relationships. Annotations indicate areas of continuity under each strategic priority from the USP, as well as potential additions/refinements emerging from the review; and

(h) **Setting measurable operational goals and a streamlined set of institutional priorities:** Guided by the inputs from the review, and in particular the diagnosis of access bottlenecks, the updated Strategic Plan proposes a 'SMART' set of operational goals for 2024–2027 that are designed to drive enhanced implementation, speed, access and efficient and effective organizational performance. As has been done for the strategic priorities, the institutional priorities have not been elaborated in detail for this zero draft, but the annotations reflected a slimmed-down set of potential action areas emerging from inputs in relation to governance, policies, operations, resourcing, and M&E and results reporting. In line with GCF's growing operational maturity, the intent would be to keep the institutional priorities at a high level and elaborate further implementation actions through the regular work planning of GCF bodies.

35. **Resourcing the implementation of the 2024-2027 Strategic Plan:** The Board's final directions on the strategic vision, strategic objectives/programming strategy and strategic and institutional priorities, as well as the ultimate scale of the CGF-2 replenishment, will influence the resourcing required to implement the 2024-2027 Strategic Plan. This will influence the degree of support expected to be provided to NDAs and DAEs, GCF's role in origination and programming, private sector engagement, support for implementation and results/knowledge management, and whether or not the GCF will pursue a regional presence. The Secretariat is currently focused on completing its organizational design and staffing a full-strength workforce based on the USP capability review. As requested by decision B.30/06, it will present a review of its organizational structure within the strategic planning process for GCF-2, and will also be able to present an updated assessment of Secretariat capability and resourcing requirements once initial directions from the Board become clearer. The Board may wish to commission a GCF-wide capability assessment for a full picture of the resourcing implications of GCF-2.

36. **Linkage to the Board work plan***:* In 2019 the Board adopted a four-year policy cycle and workplan covering 2020–2023 to help structure its work over the GCF-1 programming period. Before the end of 2023, the Board may consider adopting a similar update to the four-year policy cycle and Board workplan for 2024–2027. This would be separate to, but could take into account, the emerging directions from the update to the Strategic Plan, including any policy reviews or updates needed to support its delivery, and informing a refreshed policy cycle. The overall review of GCF policy frameworks considered by the Board at B.33 also put forward a set of strategic recommendations to strengthen GCF policy frameworks, which could be incorporated into an updated Board workplan. These included taking the opportunity of GCF-2 strategic planning to stress test and 're-set' the Board workplan, focusing on operationally significant mandates and retiring ones that have been superseded by developments; prioritizing action to resolve instances of policy conflict or incoherence; streamlining and better targeting policy reviews to examine impacts, implementation and coherence and review linked policies as suites; and considering the adoption of a GCF-wide policy framework

# Annex I: Analysis of access bottlenecks

1. **Context and objectives**: As part of the review of the USP, and in response to Board feedback, the Secretariat has prepared this annex as an initial effort to analyze more robustly the issue of access to GCF resources and support. It examines: the main access dimensions under GCF's business model and the steps taken to date to enhance access to GCF finance (part I); and outstanding bottlenecks across major GCF operational processes (part II). In the context of the review and update of the GCF Strategic Plan, this analysis tries to identify solutions that might be proposed at a strategy, policy or modality level, distinctly from implementation actions that can be taken by either the Fund or its partners.

## Part I: Overview of GCF access dimensions and enhancement efforts to date

2. This section elaborates on the main dimensions for analysing access in the context of GCF's business model, covering: speed, simplicity, harmonisation, volume and direct access. It includes an illustrative snapshot of performance and efforts taken across these key dimensions to enhance access to climate finance for developing countries.

3. **Speed**: GCF is replenished every 4 years and funds pledged by financial contributors are usually transferred to the Fund in annual instalments. GCF has been successful in not sitting on idle funds as throughout GCF-2 it has been able to programme resources as soon as they become available. This largely thanks to significant strides made in increasing the speed of project appraisal, approval, implementation, and disbursement. Particularly for full scale projects (over USD 25 million), GCF is one of the fastest institutions in the industry.

4. **Simplicity:** Directly related to speed is simplicity. GCF continues to discuss its processes regularly with its partners and take strides to simplify its procedures. This was a key issue discussed during the Global Programming Conference (GPC) and the GCF Private Investment Conference (GPIC) that took place in Incheon between 13-16 September 2022 and which gathered over 600 government and delivery partner. The hybrid GPIC was also attended in person or virtually by over one thousand private sector partners.

5. In 2022 the GCF Board also approved new measures for simplification. The Updated SAP includes significant reforms which will further simplify the documentation required for proposals, in parallel to developing an expedited review process for SAP projects. The level of GCF funding for SAP projects/programmes has also increased from USD 10 million to up to USD 25 million. This will help with the prioritisation of smaller, nationally led projects. In parallel, the GCF has also initiated a major re-engineering of business processes to accelerate the approval and implementation of small-scale readiness projects (less than USD 1 million), by better tailoring project appraisal and second level due diligence to project risks.

6. Another breakthrough was the adoption of a new Project Specific Assessment Approach (PSAA), which will allow organizations to bring climate project proposals directly to GCF for rapid consideration, rather than having to undertake accreditation with the GCF as a prior and separate step. This initiative will be formally launched in 2023, coupled with an information campaign that will target the development of locally led projects in partnership with NDAs, with a focus on SIDs, LDCs and African states.

7. **Harmonisation:** In seeking climate finance, developing countries must address multiple channels of finance of which GCF is only one. Developing countries have to engage with several dozens of multilateral, bilateral, and non-governmental climate financiers, each with different requirements and application procedures. Harmonisation is therefore key to achieving greater simplicity in access to climate finance and GCF is ideally positioned to take the lead, acknowledging its increasing role in acting as a hub of climate finance.

8. GCF has been leveraging this role of 'climate hub' to unify processes with multilateral institutions, delivery partners and bilateral financing partners. GCF's new Integrated Results Management Framework can harmonise result indicators, and the recently launched Project Appraisal Guidelines will serve as a resource for all partners to develop transformative climate investments. These efforts are expected to increase harmonisation of processes and access to climate finance while also helping to increase transparency. GCF's work on complementarity and coherence with other climate funds – through the Long-term Vision approach with the Global Environment Facility, and ongoing partnerships and initiatives with the Adaptation Fund and Climate Investment Funds – has also been key.

9. **Volume:** By the time of COP27, GCF should have nearly USD 50 billion in assets under management, including almost USD 12 billion of GCF resources in co-financing. Whilst being the largest dedicated climate fund, GCF only accounts for around 2-3% of global climate finance flows under the United Nations Framework Convention on Climate Change (UNFCCC); 0.5% of total climate finance flows; and less than 0.1% of total climate finance investment requirements. GCF has adopted a four-pronged approach to unlock climate innovation and deploy its resources in a catalytic manner to enable developing countries, particularly LCDs and SIDS, to access climate finance at scale by (i) enhancing the capacity of countries to establish an enabling environment for climate action; (ii) enabling innovators in developing countries to ground truth new climate solutions; (iii) de-risking through blended finance early investments in new climate solutions; and (iv) greening the financial sector.

10. A number of key investments to date demonstrate GCF's ability to mobilize large financing volumes for climate action: Climate Investor One (FP099) illustrates GCF's approach to use limited public money to de-risk much larger financial flows and create new asset classes; Climate Investor Two programme (FP190) shows how GCF is leveraging its blended finance experience for mitigation to mobilise private sector finance for adaptation and ecosystem-based approaches. Other on-going initiatives include work on a "*Green and Sustainable Debt Platform*" to increase developing countries' access to domestic, regional, and international capital markets as well as several other thematic co-investment platforms, including "*Blue Co: Blue Economy Co-Investment Platform*" for SIDS.

11. **Direct Access:** Finally, support for enhancing direct access is an important dimension of access to climate finance since it leverages local expertise and strengthens country ownership. While regional and national entities make up the majority (63%) of GCF AEs, this has yet to be reflected in their share of the GCF portfolio. However, progress is on track to achieve the USP's objective of increasing the portfolio share managed by direct access entities, which has risen from 13% during the IRM period (2015-2019) to 17% in cumulative terms to date thanks to a significant increase in direct access institutions accredited during GCF-1.

## Part II: Headline observations on the root causes of main access "pressure points"

12. This section seeks to draw perspectives on matters which require further attention and resolution to address on-going perceived and real access bottlenecks across GCF modalities and processes. These observations attempt to look beyond the common 'symptoms' of access challenges to begin identifying root causes stemming from either: (i) strategy, policy or process settings; (ii) GCF process implementation; or (iii) partner-side capacity or implementation challenges. Table 1 contains the summarized set of observations that have been derived from operational experience, stakeholder feedback, reviews and evaluations – these are not exhaustive and further lessons could be drawn from evolving experience. Based on these, the following have been interpreted as key access "pressure points":

13. **Lack of clarity on key accreditation and programming settings:** Access concerns are frequently associated with a lack of clarity at the GCF strategy and policy level on how the GCF

manages accreditation and programming. This often starts from a basic misconception that GCF is expected to channel the full USD 100 billion in climate finance annually to developing countries. In addition, because in the IRM GCF managed both accreditation and programming on a first-come, first-serve basis, in the absence of clear directions and prioritization from the GCF's side, expectations have not adjusted to the current situation where demand for both accreditation and programming far exceed the GCF's absorptive capacity and resourcing. While GCF has set portfolio allocation targets, these are not sufficiently transparent to inform stakeholders how the Fund will prioritize its pipeline and portfolio development, but instead require unpredictable internal trade-offs to be made. Likewise, GCF has not transparently clarified what size of AE network it can sustain, what kinds of AEs it is looking for and AEs are not assessed through accreditation for their programming capacity, meaning even after accreditation, many AEs candidates can lack a full understanding of what is required to perform and lack the capacity to immediately translate accreditation into access to funding.

14. **Misaligned expectations on approaches to origination**. As noted in the review, GCF's business model embeds a degree of tension in that it encourages origination from countries, but requires full funding proposals to be presented by accredited entities, while GCF simultaneously seeks to shape programming in line with its portfolio targets. Lack of alignment between these three critical partners – developing countries, accredited entities and GCF – at various stages of the programming process can impede access and frustrate expectations. The manifests in a range of instances including: developing countries nominating AEs without full consideration of programming needs and capacities; countries having difficulty determining which proposals to pursue between multiple delivery partner and AEs proposals; mis-alignment between partner interests and country needs in proposal development; changing national political landscapes, priorities and lengthy national endorsement processes providing uncertainty to AEs, especially private sector, at both project development and implementation phase. The GCF embeds country ownership through its operations, but the way this has been implemented to date has not been fully successful in promoting the needed alignment of expectations: with developing countries often frustrated that they are not fully engaged in AE-led investments; country programmes not formally connected to the GCF project pipeline or entity work programming; and the current NOL procedure perceived as imperfect by countries and AEs.

15. **Lack of differentiated approaches to account for a broad spectrum of partner needs and capacities:** GCF operates in over 140 countries through over 200 partners, each with distinct needs, capabilities, and priorities. Considering the settings described above, swift and efficient access to resources is also inherently reliant on stakeholders' ability to both interpret and align around meeting GCF requirements. While countries and entities – typically IAEs – with high capacity, who are ready to programme at speed and scale, are able to move more rapidly through GCF investment processes and have succeeded in securing multiple project approvals, this tends to leave those with more limited capacity – DAEs and LDCs – behind. Currently, neither the accreditation process, or processing of requests and allocation of resources across Readiness, PPF and proposal approval windows formally accounts for differentiated capacities and needs of different partners. While some efficiency has been achieved through an updated SAP, the SAP time for proposal preparation, review and approval is almost the same as PAP given the need to meet the same standards. PAP continues to be slowest for LDCs compared to other country groups. These capability and knowledge differences have a direct bearing on process timelines, with a very diverse range of response times and quality across countries and partners within all funding windows.

16. **Until recently, a lack of standardized process design and execution.** Until recently**,** GCF had not codified consistent approaches to and standards for appraisal and approval across funding windows, frequently resulting in variable proposal content and quality, and submissions requiring multiple review iterations. Recent reforms have clarified proposal

development guidance and review criteria, as well streamlining processes for accessing readiness, project preparation and programming resources. The rollout of these measures is already generating speed and efficiency gains, with ongoing implementation monitoring and continuous enhancement expected to cascade into additional improvements. Historically there has also been a limited use of 'standard form templates' to help expedite applications for recurring needs or of knowledge products/feedback on lessons learned from implementation to help countries and partners design better proposals at entry. There is room to make further use of more expedited access modalities, such as technical assistance via rosters of experts or firms, and also further room to harmonize procedures and requirements with those of other climate funds, a matter which has been taken up as a priority action under the Secretariat's 2023 WP.

17. Finally, **a lack of regional presence magnifies these challenges by hampering GCF's ability to engage regularly and directly with countries** face to face seeing how virtual engagement is not practicable for many developing countries.

**Table 1: Mapping of observations on main access bottlenecks**

| | Challenges related to strategy, policy or process design | GCF implementation challenges, including related to interpretation of requirements & capacity | Partner capacity & implementation challenges |
|---|---|---|---|
| **Accreditation** | • GCF has not clarified through strategy/ policy what kinds of AEs it is looking for or the desired overall size of the AE portfolio, leading to large/non-prioritized pipeline far exceeding processing capacity, and raising country/entity expectations<br>• There are no clear criteria to filter at entry prospective/non-prospective applicants, requiring all to enter full screening process on a first-come, first-complete basis<br>• Prior to the update of UAF, there was inefficient duplication in review steps between Stage 1 Secretariat and Stage 2 AP (this has now been addressed)<br>• No obligation for AE to submit FP despite high transaction costs in accreditation process, generating reputational risks as accreditation creates the expectation of GCF funding projects brought by that AE.<br>• No differentiation in accreditation processes based on entity features with same requirements applied for large-scale multilateral AEs and small national AEs.<br>• Reaccreditation not simplified enough compared to accreditation and continues to take just as long. The | • The GCF accreditation function (involving Secretariat, Accreditation Panel and Board) has insufficient capacity to manage the size of the accreditation and reaccreditation pipeline – currently around 15 entities per year can be processed for a pipeline of over 200<br>• Secretariat's communication of accreditation requirements, GCF's business model and procedures to prospective candidates is fragmented and capacity constrained; while some guidance is available, this has not been comprehensively codified into an 'AE manual' or guidance on the different types of partnerships through which an entity may engage with GCF<br>• Application of re/accreditation conditions by Board can lengthen approval and legal agreement execution processes<br>• Negotiation of AMAs/restated and amended AMAs can frequently be lengthy and cause delays after Board approval of accreditation, particularly where AE's seek to amend clauses based on the AMAs of other AEs (which are publicly available) and requesting similar provisions to apply to their AMA. | • Countries' AE nominations sometimes not fully informed by/aligned with national programming needs or GCF requirements.<br>• Entities often enter the accreditation process with limited knowledge about the role/implications of being a GCF AE, what they need to do to be ready to perform as an AE, and how long this may take<br>• Meeting accreditation requirements (fiduciary, ESS, gender, SEAH, PPP, AML/CFT etc.) may require substantial efforts to build capacity and introduce new policies and processes, which takes time and can require support<br>• AEs do not have to put in place climate expertise/programming capacity as part of accreditation process, meaning this may remain a capacity gap even after accreditation, and which then leads to delays in proposal development processes<br>• DAEs often have more limited capacity and require more support to meet both accreditation requirements and prepare for programing and implementation<br>• Pool of private sector AEs remains limited due in part to perceptions of burdensome accreditation and |

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| | reaccreditation review time is longer than specified in AMAs leading to potential gaps in accreditation term. These lapses in the term lead to uncertainty for AEs as to their status, rights and obligations during the gap between accreditation terms<br>• Lack of clarity on how AE's climate portfolios are assessed during re-accreditation. | | programming processes unclear perceived value of GCF, and unpredictability/length of GCF processes. |
| **Readiness** | • Annual allocation / approval cycle for most readiness proposals creates high transaction costs; to date limited use has been made of multi-year proposals<br>• No dedicated funding window for DAEs, meaning DAEs must seek readiness support via NDA within same allocation<br>• Readiness modalities not differentiated for those with least capacity or those who have not yet accessed GCF support<br>• Readiness grant requests and other forms of GCF support are not structured to provide seamless support, and there are often gaps to CN or FP submissions<br>• Country Programmes have not been sufficiently deployed for origination as in their current format they require substantial time to prepare, tend to be broad and all-encompassing, become quickly outdated, and are not formally connected to the FP pipeline | • Prior to recent reforms, Secretariat readiness review process included multiple internal review stages leading to discrepancies in feedback and extending processing times – these have been streamlined.<br>• Prior to recent reforms, Secretariat readiness review process lacked consistent/clear review standards – these have now been developed<br>• Annual review cycle tends to lead to clustering of review and approval workload over the final few months of the approval cycle, leading to bottlenecks in processing<br>• Prior to current in-progress update of the Readiness Guidebook, guidance on development of readiness proposals had not been updated for some time, leading to misalignment of country/DP and GCF expectations on proposal content/quality | • Country and delivery partner interests may not be fully aligned prior to proposal development; sometimes proposals reflect limited local knowledge or little engagement with local authorities.<br>• NDA may have difficulty prioritizing proposals between multiple DPs, particularly without fully understanding what will have most potential value for the country in getting to bankable investments<br>• Countries have expressed capacity gaps around: accessing and using climate information, developing CPs, building regulatory frameworks and conducting evidence-based planning. National capacity gaps due to formal government staffing rotations and general staff turnover which impact NDA capacity.<br>• Some countries are highly capacity constrained and have difficulties even developing readiness proposals |

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| | • Some countries interpret country programmes as guarantees for funding, posing reputational risks as many continue present widely encompassing investment needs beyond GCF's funding capacity<br>• There is a lack of incentives to develop Country Programmes in the absence of a formal role in the proposal approval process.<br>• CNs and FPs identified through Readiness support are not regularly leading to FPs, as readiness support is not yet specifically targeted to the critical interventions that can best advance the development of bankable investments for GCF | • Relatively limited 'standard form' readiness templates developed by GCF to help expedite applications for recurring needs<br>• Uneven knowledge and understanding of GCF requirements between GCF/grant management providers/DPs, leading to multiple review engagement rounds and requiring substantial GCF Secretariat capacity<br>• Lack of regional presence hampers GCF ability to engage regularly and directly with countries face to face; virtual engagement is not practicable for many developing countries.<br>• PPF and readiness post-approval processing rely on UNOPS whose processing capacity, oversight and speed need review.<br>• Internal service standards cover only some business processes/stages in the grant cycle; standardized approaches are only just beginning to be codified to expedite management of implementation-side issues<br>• Until recently, grant agreements were not socialized until after readiness proposal approval, leading to delays in agreement execution – this is being addressed through early sharing of legal templates in parallel to proposal processing<br>• To date, limited issuance of knowledge products / feedback on lessons learned from approved and implemented proposals to help NDAs/DPs design better proposals at | • NDAs/DPs have varying response times when they receive Secretariat comments, and may require substantial time to familiarize themselves with GCF legal agreement templates and policies.<br>• Some entities cannot agree to clauses in GCF templates (based on their policies).<br>• Post grant-approval, DPs can take time to set up project teams and procure support<br>• Partners may be unclear on the roles & responsibilities of all stakeholders under implementation arrangements, leading to multiple review response cycle.<br>• Reporting schedule is perceived as too burdensome creating high transaction costs at implementation stage.<br>• Besides lack of regional presence countries face language barriers to engagement. |

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| | | entry. Need to better feed in lessons from implementation to guide technical assistance on origination and country programme development. | |
| **Project preparation facility (PPF)** | • Fragmented windows of support under the Readiness Programme, Technical assistance, PPF means countries need to apply for support under each window, even where activities are linked or contribute to same programming goals.<br>• Access to PPF is currently on a first-come first-serve basis, there could be stronger strategic levers to incubate FPs in key initiatives for underserved impact areas or support for DAEs.<br>• Both PPF and PAP/SAP require an NOL, duplicating the NOL procedures across two windows<br>• Accessing PPF support through small grant requests can be slow and expedited direct TA/consultancy support through Readiness has proven to be quicker | • Constrained staffing capacity has seen FPs being prioritized over CNs, to ensure compliance with Fund-wide programming expectations. In turn this leads to lengthy CN review processes, including for PPF.<br>• No internal rules on limiting the number of iterations on a CN or completely closing a proposal where it continues not to demonstrate alignment with GCF investment criteria.<br>• PPF and readiness post-approval processing rely on UNOPS whose processing capacity, oversight and speed need review.<br>• Internal post-approval processes require further codification. PPF grants are being processed through the same grant manager as Readiness grants experiencing post-approval delays. | • Lack of PPF awareness or appetite among DAEs.<br>• Diversification of AEs seeking PPF is needed to avoid concentration of PPF resources with small batch of DAEs.<br>• Until recently AEs required more guidance on standardized PPF support ToR - currently under development as a knowledge product.<br>• AEs demonstrate on-going challenges in delivering a GCF-ready FP within 2 years of receiving PPF. |
| **Simplified approval process (SAP)** | • SAP has same ITAP & Secretariat review and Board approval process as regular FPs, and also applies same GCF policies as FPs, even following B.32 update | • Until recently supplemented by external support, Secretariat review capacity for SAP came from same pool as PAP FP review capacity, requiring trade-offs.<br>• Until recently, there was a lack of clear criteria or simplified SOPs for SAP CNs review. | • AEs have less incentive to invest in SAP proposals as they would attract smaller amounts while requiring a similar amount of preparation time.<br>• Since the B.32 policuy update, AEs have not submitted projects with the new |

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| | | • Until recently no standardized fast-track templates were developed to accelerate SAP projects that scale up projects from other climate funds – currently under development jointly with iTAP.<br>• Perceptions of a slow and unpredictable process are often related to ITAP requests on climate impact potential<br>• Secretariat capacity challenges in conducting all ESS assessments in time to confirm the ESS category to AEs with SAP proposals.<br>• Internal service standards have to date focused on the review/approval stages of the SAP cycle - these are being extended to the post-approval/implementation phase | funding amount, signalling need for further outreach on accessing SAP. |
| **Proposal approval process (PAP)** | • GCF has not set clear programming strategy– current allocation targets require internal trade-offs that are not transparent or predictable to stakeholders<br>• GCF investment criteria are broad, leading to inconsistencies in how IF has been operationalized.<br>• GCF processes do not allow for ability to move funding proposals that do not meet GCF investment criteria out of the pipeline<br>• Overall GCF project cycle requirements lead to project approval timelines which fare poorly compared with norms for private sector investment | • Many project submissions continue to require multiple review iterations; inability to move FPs with low investment criteria fit out of the pipeline creates large recurring review load<br>• Differentiation between CN and FP stages is minor, and CN timelines remain particularly long. Secretariat is taking steps to simplify the CN review stage.<br>• Greater transparency and consistency is required in how investment criteria are applied by Secretariat and iTAP, with variation in reviews at different stages. AEs perceive “new” requirements from iTAP coming very late in the process. Secretariat has taken steps to codify appraisal criteria | • Country and AE priorities don’t always align; stakeholder also don’t always have the same understanding and perception of what the GCF PAP process requires.<br>• Changes in national political landscapes mean national priorities can change, providing uncertainty to partners/AEs. This is applicable both at project development and implementation phase, and can require project restructuring and delays.<br>• Capacity limitations and still-limited understanding of the GCF business model and investment policies leads to funding proposals that are not consistent with GCF requirements, and some which are |

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| | • Ability/tendency to impose conditions on funding proposals at approval leads to longer times post-approval in moving to implementation and disbursement<br>• GCF's second level due diligence business model is not sufficiently clear at the implementation phase, in terms of the extent to which reliance should be placed on AEs and the extent of due diligence/supervision required by GCF | and guidance on mitigation and adaptation impact potential to help address these concerns.<br>• To meet approval deadlines, key negotiating points may be deferred to the post-approval stage, leading in turn to longer FAA negotiations<br>• Mixed perceptions across stakeholders on post-approval FAA negotiation processes: some see the process for approving changes to FAAs as complex and inflexible, other see the process of opening previously negotiated and agreed FAA templates as a key reason for implementation delays. | not climate focused or well designed to delivery mitigation/adaptation impact<br>• AEs response times to requests continues to be inconsistent, especially from DAEs where the AE may not have the capacity/expertise on hand to address GCF requests<br>• There are diverse expectations across stakeholders on guidance and precision of requirements from GCF: some critiquing GCF for being too passive, others for being too prescriptive on what projects should be put forward or how they should be modified to meet current GCF priorities. |