



**GREEN
CLIMATE
FUND**

Meeting of the Board

26 – 29 October 2026

Songdo, Incheon, Republic of Korea

Provisional agenda item 15

GCF/B.46/12/Add.01

5 October 2026

Policy for contributions for the third replenishment of the Green Climate Fund – Addendum I: Response matrix for comments received on the draft document

Summary

The document contains responses to the Board and active observers' comments on the draft document titled: Policy for contributions for the third replenishment of the Green Climate Fund.

I. Response matrix for Board comments received on the draft document “Policy for contributions for the third replenishment of the Green Climate Fund”

Comments were received, in chronological order, from:

- Sweden
- Germany
- Belgium
- France
- China
- Active Observers
- Finland-Switzerland
- United Kingdom
- AGN
- Japan
- Denmark, the Netherlands, and Luxembourg
- Italy

Issue Category	Comment	BMs/Seats	Secretariat Response
General feedback	Sweden welcomes the proposed measures to increase flexibility for contributors, including the introduction of new contribution modalities and greater flexibility in the treatment of non-grant contributions. These changes have the potential to facilitate participation by a broader range of contributors and support an ambitious replenishment.	Sweden	Thank you for your feedback.
General feedback	Overall, Sweden welcomes the direction of the draft and continued discussions on how the policy can support a strong replenishment of the Fund. A clear, robust and operational framework will be important to enable	Sweden	Thank you for your feedback.

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	contributors to participate effectively in GCF-3 and help broaden and diversify the contributor base. A broader and more diversified contributor base will be important for supporting the Fund's long-term effectiveness and sustainability.		
General feedback	We strongly support broadening the range of contribution types and the new flexibility on financial parameters. Moving away from the fixed limits on loan and capital contributions will let contributors maximise their inputs, while the proposed cushions will help absorb potential losses.	Germany	Thank you for your feedback.
General feedback	We appreciate the overall direction of this policy and are ready to endorse it as presented.	Germany	Thank you for your feedback.
General feedback	We support that both policies be presented/adopted not later than B47. We see both policies as complementary in their implementation, and adoption.	Belgium	Thank you for your feedback.
General feedback	We consider as an utmost priority that P1 and P2 policies are adopted together at B46. While recognizing that P1 deals will remain core to the reconstitution and that P2 will only provide additional resources, we consider them as two sides of the same coin with are equally important for paving the way for future replenishments.	France	Thank you for your feedback.

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General feedback	We welcome the additional flexibilities that are provided by P1 for non grant contributions (loans and guarantees) as we believe this encourage and enable the mobilization of new and/or larger commitments. As long as the financial terms of P1 remain consistent with the GCF risk policy, we see any additional flexibility as a positive incentive for the benefit of GCF-3.	France	Thank you for your feedback.
General feedback	We would like to first extend our great appreciation to you for drafting these two very important contribution policies and send us for written feedback at an early time. Overall, we believe that the two documents have tried to address some of the concerns raised by board members in a positive and delicate way. And we would also encourage the Secretariat to continue playing its important role in addressing the remaining concerns, and facilitate a successful outcome for the GCF-3.	China	Thank you for your feedback.
General feedback	First is regarding the overall structure of the P1. Though we understand that this policy basically adopts the framework of the contribution policies for previous replenishment cycles, however, considering that this is the first time the GCF has two separate policies for the replenishment, we suggest that the P1 could also refer to the other policy regarding other	China	Thank you for your feedback. The Secretariat will take this suggestion into consideration alongside the input from other stakeholders.

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	resources (P2) and add the sections of “Objectives” and “Guiding Principles”. This would make interested stakeholders feel easier to understand and compare the two policies, as well as ensuring that the policies follow the relevant principles.		
General feedback	Second is regarding the principles. We suggest to at least add the following principles under the new section of “Guiding Principles” or other existing sections where appropriate: (1) In accordance with B.45/18, paragraph (a), affirms that the replenishment process will be conducted in line with the principles and provisions of the United Nations Framework Convention on Climate Change and the Paris Agreement. (2) Consistent with paragraph 29 of the Governing Instrument, financial inputs from developed country Parties will remain central to GCF-3. (This is written in the Policy Rationale Section, and we suggest to include this also in the formal text of P1 either under the section of “guiding principles” or under the section of “sources of fund”.) (3) Financial inputs from developing country Parties and Non-Parties to the Convention are intended to complement, without substitution for, the financial inputs from developed country Parties to the Convention as referred to in	China	Thank you for your feedback. The Secretariat will take this suggestion into consideration alongside the input from other stakeholders.

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	paragraph 29 of the Governing Instrument. (Similar principle is reflected in P2).		
General feedback	We thank the Secretariat for its work on both policies. We support the proposed consultation pathway ahead of B.46. It is critical to finalize and adopt the policies for contributions as planned by B.47 at the latest, as these documents are important prerequisites for informed replenishment decisions.	Switzerland/ Finland	Thank you for your feedback.
General feedback	While we agree that grants should remain the core of financial inputs received, we welcome the increasing flexibility in the range of eligible contribution types and their uses in order to unlock more financing from sovereign contributors, such as the possibility to contribute through guarantees and the more flexible loan parameters.	Switzerland/ Finland	Thank you for your feedback.
General feedback	We see P1 and P2 as a package to enable a successful GCF-3 replenishment, and are supportive of seeking agreement of ambitious P1 and P2 policies at B.46 without delay.	UK	Thank you for your feedback.
General feedback	We are supportive of the changes to loan parameters, and guarantees, in P1 which will enable the Fund to accept more finance, and therefore deliver more climate impact.	UK	Thank you for your feedback.
General feedback	We would encourage the secretariat to run	UK	Thank you for your feedback.

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	workshops to discuss these policies further ahead of the Board meeting.		
General feedback	We need clarification on the engagement process for the contribution policy. In our view, the Board must approve the first draft to be shared with the replenishment process, a revised document emerging from the second replenishment meeting, and then approve the final policy, with full authority to amend it.	AGN	The Secretariat agrees that the Board retains full authority to consider, amend, and ultimately approve the updated policy for contributions. The specific engagement process and sequencing will depend on the timing of Board approval of this policy, noting that decision B.45/18 requires the Board to conclude its consideration no later than B.47.
General feedback	Whether the Board should update the GCF's strategic plan depends on whether developed-country Parties will increase their financial contributions to the Fund. Any update of the USP is predicated on ambitious support and replenishment of the GCF. If negative signals continue regarding the upcoming replenishment, we do not see a need to update the USP in this cycle, as achieving the targeted results depends entirely on developed-country Parties delivering financial support. Targeting results without the requisite means of implementation will be a theoretical exercise that adds no value for developing countries on the ground.	AGN	Thank you for your feedback.
General feedback	Japan welcomes the Secretariat's efforts to broaden the range of resource mobilization instruments available to the Fund. At the same time, it is important that financial innovation be accompanied by appropriate safeguards to	Japan	Thank you for your feedback.

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	maintain the Fund's financial integrity, preserve effective Board oversight, and ensure consistency with the Fund's grant-focused nature.		
General feedback	We appreciate the drafts for P1 and P2. We see these as policies that complement existing policies for contributions that will further develop GCF, consolidate the funds unique position in the infrastructure and further safeguard the effectiveness of GCF moving forward. As such both P1 and P2 have our support.	Denmark/ Netherlands/ Luxembourg	Thank you for your feedback.
General feedback	We think it is important to see both proposals as complementary and look forward to a discussion of both policies together.	Denmark/ Netherlands/ Luxembourg	Thank you for your feedback.
General feedback	It is important for us that the policies enable the Secretariat - with the right safeguards - to move forward and to be able to have substantive discussion with potential contributing partners to ensure best possible outcome of GCF3 to meet our shared common goals.	Denmark/ Netherlands/ Luxembourg	Thank you for your feedback.
General feedback	Showing ambition to move this forward is important to support the replenishment process and attract the attention from other partners. Showing ambition is equally important for parliaments and politicians in donor countries. It is common understanding	Denmark/ Netherlands/ Luxembourg	Thank you for your feedback.

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	that the commitment to GCF will increase, if they can see that others step in too.		
General feedback	We understand that timing is relevant for P1 and P2 to be meaningful during the 2027 replenishment process discussions, assuming that P1 has more technical detail than P2.	Denmark/ Netherlands/ Luxembourg	Thank you for your feedback.
General feedback	Italy welcomes the opportunity to comment on the Draft Policy for Contributions to the Green Climate Fund for the Third Replenishment (P1) and the Draft Policy for Contributions from Other Sources not Covered by the Policy for Contributions (P2). We broadly support the overall structure of the two policies and welcome several of the proposed innovations, including the introduction of guarantees and greater flexibility in relation to loan caps, as well as an initial framework that allows for the use of other and alternative sources of funding. These changes could help broaden and diversify the range of contribution sources and modalities available to the Fund, provided that they are supported by clear, transparent and operationally sound arrangements.	Italy	Thank you for your feedback.
Background (Policy paper)	We also note that the policy rationale included in the two policies seems to suggest a direct association of paragraph 29 of the Governing	Italy	Thank you for your feedback. The policy paper (cover note) states that the Policy is consistent with both paragraphs 29 and 30 of the Governing Instrument. It also clarifies that the Policy applies to contributions from both Parties and Non-Parties to the UNFCCC, while recognizing the central

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	Instrument with P1 and paragraph 30 with P2. This distinction wouldn't be fully accurate, since P1 covers sovereign and sub-sovereign contributions from Parties and Non-Parties to the Convention, and not only those from developed country Parties, and paragraph 30 does not in principle exclude sovereign and sub-sovereign sources (which are not covered in P2) as it broadly refers to "other sources, public and private, including alternative sources". The two policies are therefore best understood as dividing the field by type of source rather than by Governing Instrument paragraph, with both flowing jointly from paragraphs 29 and 30. We note that the operative text of P1 already reflects this, citing both paragraphs together (Annex, Section II, footnote 5); the concern then relates to the framing in the rationale, and aligning that framing would be a matter of coherence rather than a change of scope. Accordingly, to avoid any indirect reinterpretation of the Governing Instrument through the contribution policies, we recommend that both policies refer to paragraphs 29 and 30 together and in a balanced manner, rather than pairing each policy with a single paragraph. This is without		role of financial inputs from developed country Parties under paragraph 29.

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	prejudice to the principle, as appropriately reflected in P2, that Other Source Inputs should complement, and not substitute for, the financial inputs under paragraph 29, which we support and which should be retained. In the same spirit, and consistent with Article 9 of the Paris Agreement and with the NCQG, while contributions from developed country Parties should remain central to the replenishment, the rationale should also reflect the encouragement for other Parties to contribute on a voluntary basis.		
Resource mobilization approach (Section I)	The Arab Group has noted that over 80% of contributions come from 10 developed country Parties. We therefore see the need for the Board to recommend transparent burden-sharing arrangements for Annex II Parties to the Convention based on funding needs for GCF-3. Our group is also concerned about the withdrawal of pledges and commitments by some developed-country Parties, as well as signals that the upcoming replenishment will not go beyond previous efforts. Therefore, we underscore the need for minimum contribution requirements aligned with the burden-sharing arrangements.	AGN	Thank you for your feedback. The Secretariat will take this suggestion into consideration alongside the input from other stakeholders.

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Resource mobilization approach (Section I)	Neither the policy nor subsequent Board decisions have clarified who enters into contribution agreements on behalf of the Fund. In the past, we assumed the ED would sign the agreements on behalf of the Board. We do not envisage changes to the process. However, the Secretariat seems to argue that the ED can amend contribution agreements without the Board's approval. This determination is unsupported and inconsistent with previous Board amendments; if necessary, the Board CC should sign all future contribution agreements.	AGN	The draft policy does not propose to alter the applicable authority or practice with respect to execution or amendment of contribution agreements, which remains consistent with the Board's decision at B.08/15.
Resource mobilization approach (Section I)	The contribution policy needs to include a policy on managing arrears and addressing their consequences.	AGN	Thank you for your feedback. Following consultations with the Co-Chairs, an information paper will be submitted for Board discussion at B.46. The Secretariat looks forward to receiving further guidance from the Board.
Resource mobilization approach (Section I)	The replenishment outcomes need to be communicated differently. We suggest the following accountability framework for GCF-3: a) At the conclusion of the pledging session, a Table of Pledges (Table 1) is published, with a clear explanation that these are pledges and not confirmed commitments to the Trust Fund. b) At the point of replenishment effectiveness, a Table of signed commitment agreements/arrangements (Table 2) is published, indicating the amounts and disbursement schedules. At this point, the Secretariat may publish a commitment authority for the Programming Period. This is	AGN	Thank you for your feedback. The Secretariat looks forward to receiving further guidance from the Board. Currently the Secretariat reports regularly through the Status of Resources report.

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	the only table that the Secretariat must cite to address the Replenishment Outcomes. c) At the same time as publishing Table 3, the Secretariat must publish a Table of unconfirmed pledges (Table 3). d) Table 2 and Table 3 need to be updated at every Board meeting. e) Subject to the development of an Arrears Policy, the Secretariat must publish a Table of Contributors in Arrears (Table 4). f) A new table (Table 5) on allocated resources derived from the revised commitment authority framework and a corresponding decision on whether to carry over from GCF-2.		
Sources of funds (Section II)	We request that the document include adding and attracting financial inputs from new donors, from all countries in a position to do so, as an explicit objective, rather than limit the narrative to developed-country contributions. This would be consistent with Article 9.2 of the Paris Agreement, which encourages other Parties to provide climate finance on a voluntary basis, and with the NCQG decision adopted at CMA.6, which underscores the need to scale up climate finance from a wider range of sources and actors. It is urgent to broaden the GCF's contributor base, particularly towards high income or high-emitting developing countries willing and able to	Switzerland/ Finland	Consistent with the Board-adopted language in previous GCF policies for contributions, the proposal maintains the established eligibility of Parties and Non-Parties to contribute to GCF-3, while recognizing that financial inputs from developed country Parties remain central, as provided in paragraph 29 of the Governing Instrument (Policy paper, section II; Draft policy text, section II).

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	contribute on a voluntary basis, as it will be key to ensure an ambitious GCF-3 replenishment. The current wording also sets the wrong signal towards the declining number of existing contributors.		
Sources of funds (Section II)	The policy must recognize the central role of contributions from developed countries, in line with paragraph 29 of the governing instrument, while preserving the supplementary and voluntary nature of contributions from other Parties.	AGN	Consistent with previous GCF policies for contributions, the proposal maintains the established eligibility of Parties and Non-Parties to contribute to GCF-3, while recognizing that financial inputs from developed country Parties remain central, as provided in paragraph 29 of the Governing Instrument (Policy paper, section II; Draft policy text, section II).
Sources of funds (Section II)	Any proposal to “expand” or “broaden” the contributor base is inconsistent with the principles and provisions of the Convention and its Paris Agreement. Such proposals will automatically be rejected.	AGN	Consistent with the Board-adopted language in previous GCF policies for contributions, the proposal maintains the established eligibility of Parties and Non-Parties to contribute to GCF-3, while recognizing that financial inputs from developed country Parties remain central, as provided in paragraph 29 of the Governing Instrument (Policy paper, section II; Draft policy text, section II). The replenishment process will seek to increase contributions from existing contributors, while providing GCF flexibility to engage with other potential contributors.
Types of contributions (Section III)	We suggest including reporting on the capital contributions to the Board as part of the existing reporting practice. This would provide the Board a more complete and transparent overview of GCF’s financial status.	Switzerland/ Finland	Consistent with the previous policies for contributions, the Trustee’s regular resource reporting provides a breakdown of all contribution types, and this is provided through the regular Status of GCF Resources Board report. The draft proposal continues to require capital contributions to be tracked and reported to the Board (section III).
Types of contributions (Section III)	The purpose of the GCF-3 replenishment is about the contributions of resources to the GCF Trust Fund. Any other innovative contribution from developed countries that falls outside the	AGN	Thank you for your feedback.

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	Trust Fund, particularly when the Board does not have exclusive decision-making authority with a sovereign third party, constitutes earmarking and should not be supported.		
Types of contributions (Section III)	Regarding tracking contribution types and their uses & tracking loan contributions: The draft document directly links these two important items to the financial risk management framework (RMF/FRMF). The RMF is currently being reviewed in full by PwC (with some updates provided in recent RFC meetings). There may be concerns here about the timeline of this review vs. the ongoing consultation/Board consideration of both policies for contributions (B46 with conclusion not later than B47): how changes in the RMF would impact current discussions on policy for contributions.	AGN	The ongoing review of the RMF does not affect the timeline for the Board's consideration of the proposed policy for contributions. The RMF will be continuously updated as needed to operationalize and monitor the implementation of principles, requirements, and parameters established by the Board. Accordingly, once approved, the policy for contributions will inform any subsequent updates to the RMF, not the other way around. To support coherence between the two workstreams, the draft policy for contributions is being considered as part of the RMF review, alongside the draft policy for contributions from other sources.
Conditions applicable to all types of contributions (Section IV)	We would welcome clarification on the treatment of grant resources to be provided alongside non-grant contributions, including loss-absorption cushions. Would such resources be set aside specifically for their intended purpose, or could unused amounts be made available for general GCF programming and/or administrative budget use?	Belgium	Consistent with previous policies for contributions, the proposal establishes that where a grant cushion is provided for a loan contribution, it is held for that purpose while the relevant repayment risk remains. If an excess cushion is no longer required, the corresponding amount may be released and used as a grant contribution. (section VI)

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Conditions applicable to all types of contributions (Section IV)	We also support a discussion on the currency basis for replenishment. This is not a matter exclusively for contributors.	AGN	Thank you for your feedback. The Secretariat looks forward to receiving further guidance from the Board.
Conditions for grants and capital contributions (Section V)	Sweden notes that the draft no longer includes an indicative encashment schedule for promissory notes. Sweden would welcome the inclusion of indicative encashment schedules to enhance predictability and facilitate the timely finalisation of contribution agreements. Sweden also encourages the Secretariat to continue promoting timely payment of contributions and deposition of promissory notes, so that pledged resources become available to the Fund as early as possible and can support programming and implementation during that replenishment period.	Sweden	Thank you for your feedback. The Secretariat will take this suggestion into consideration alongside the input from other stakeholders.
Conditions for grants and capital contributions (Section V)	Japan has consistently contributed to the GCF through promissory notes under the grant contribution modality, issuing notes over the four-year replenishment period and encashing them within nine years from the beginning of the relevant replenishment period. This approach was applied in both GCF-1 and GCF-2, and has been consistent with the policy provisions in place during those replenishments.	Japan	Thank you for your feedback. The Secretariat will take this suggestion into consideration alongside the input from other stakeholders.

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	Japan notes that the current draft omits certain provisions that were included in the GCF-2 policy. While Japan's established contribution modality is expected to remain consistent with the nine year encashment rule under the current draft, Japan wishes to seek confirmation of this understanding and to request the restoration of certain flexibility provisions that provided important clarity in GCF-2. Specifically, the GCF-2 policy included the following elements that are absent from the current draft: - An explicit statement that encashment will be based on need, taking into account the expected programming of GCF and resulting cash requirements; and - A provision that the nine-year encashment period may be reviewed during the subsequent replenishment process. The omission of these provisions, while not necessarily altering the substantive outcome for Japan's contribution modality, creates uncertainty and reduces the clarity and predictability of the encashment framework. Proposed amendment (Paragraph 25(b)): "the encashment of promissory notes will be based on an encashment schedule agreed between the contributor and GCF, taking into account the expected programming of GCF and resulting cash requirements. To the extent possible, the encashment schedule will be		

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	agreed among the parties allowing encashment on specific dates. While the encashment will be based on need, the period within which the encashment will take place shall not exceed nine years starting from the beginning of the relevant replenishment period. The specific encashment schedule for each contributor shall be determined through the relevant contribution arrangement agreed among the contributor, GCF, and the Trustee. This can be reviewed again during the subsequent replenishment process."		
Conditions for grants and capital contributions (Section V)	We also see merit in revisiting the future encashment schedules.	AGN	Thank you for your feedback. The Secretariat looks forward to receiving further guidance from the Board.
Conditions for grants and capital contributions (Section V)	Questions: - Can the Secretariat confirm that Japan's established contribution modality of issuing promissory notes over four years and encashing them within nine years from the beginning of the relevant replenishment period remains consistent with and permissible under the current draft? - Can the Secretariat confirm that the specific encashment schedule for each contributor will be determined through the relevant contribution arrangement agreed among the contributor, GCF, and the Trustee, as has been the practice in previous replenishments?	Japan	The proposal is consistent with current GCF practice. The applicable tripartite contribution agreements/arrangements will govern contributor-specific deposit and encashment schedules, and the agreed schedule may span a maximum period of nine-years (section V).

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Conditions for loan contributions (Section VI)	The draft foresees the development of methodologies to calculate the grant-equivalent value of loan and guarantee contributions. Sweden would welcome further information on the proposed approach and timeline for developing these methodologies, given their relevance for assessing replenishment outcomes and ensuring transparent and comparable reporting across contribution types. In Sweden's view, these methodologies should be discussed and agreed during the replenishment meetings and subsequently approved as an addendum to this policy.	Sweden	The Secretariat proposes that the methodology on grant equivalence of loan contributions adopted in previous replenishment cycles, developed with the support of the Trustee, continue to be used in GCF-3. A separate methodology on grant equivalence of guarantees will be proposed for Board consideration at B.46.
Conditions for loan contributions (Section VI)	We do not support increasing loan contributions, and loans should be discouraged, as this would alter risk appetite and reduce the grant component of the GCF's support. At this stage, we see it as premature to indicate changes to the loan cushions. The current cushion is based on contributions made from the IRM-to-GCF-2 commitments. Depending on the GCF-3 outcome, the Board may reconsider this. The general statement in the GCF-2 Policy, paragraph 16, requiring grants must remain the basis for GCF-3.	AGN	The proposal retains the requirement for contributors to provide grant resources and encourages contributors to maximize grants (section IV and section V). Loan contributions may only support outgoing loans on less concessional terms and remain subject to loss-absorption arrangements (section VI). The Secretariat takes note of the views on the appropriate balance of contribution types and looks forward to receiving further guidance from the Board.
Conditions for loan	Any loans used as contribution inputs must be	AGN	The proposal encourages timely confirmation and payment of contributions and provides that loan drawdowns follow schedules agreed

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contributions (Section VI)	paid in the first year of GCF-3. Unlike GCF-2, where both loan contributions (France and Canada) are yet to be paid in year 3 of the replenishment period. As per the previous replenishment, the loan terms and conditions need to be Board-approved.		with contributors (section VI). Consistent with previous policies for contributions, the standardized loan terms remain subject to Board approval as part of the policy for contributions proposed for GCF-3.
Conditions for loan contributions (Section VI)	On loss-absorption measures for loan contributions, it is unclear how these measures would relate to the proposed change in the cushion requirement. The draft states that loss-absorption arrangements would preserve the Fund's risk profile. But these remain specific to each contribution agreement, while the proposed change to the cushion (for more "flexibility") would apply across contributors and could significantly affect the Fund's risk appetite.	AGN	Consistent with previous policies for contributions and the Fund's risk appetite, loan contributions may only be used to finance loans on terms less concessional than the loan contributions (section VI). The proposed loss-absorption measures may include a grant cushion, write-downs, additional grant contributions, or other binding measures. While such measures would remain specific to each contribution agreement, in all cases contributors would bear write-down risk for losses exceeding expected levels. Together with the no-cross-subsidization principle, these provisions are intended to prevent losses attributable to loan contributions from being shifted to other contributors and, accordingly, the proposed flexibility in loss-absorption arrangements is not intended to alter the Fund's risk appetite.
Conditions for loan contributions (Section VI)	On the reporting of the grant equivalence of a loan contribution, the draft document refers to a standard methodology to be developed by the Secretariat based on best international practices. Is this methodology going to be endorsed by the Board? > Process to be clarified given concerns about potential inaccuracies/methodology issues related to the calculation of grant equivalency, especially when new financial instruments are involved.	AGN	The Secretariat proposes that the methodology on grant equivalence of loan contributions adopted in previous replenishment cycles, developed with the support of the Trustee, continue to be used in GCF-3.

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Conditions for sovereign and sub-sovereign guarantee contributions (Section VII)	Sweden welcomes the exploration of sovereign and sub-sovereign guarantees as a potential new contribution modality.	Sweden	Thank you for your feedback.
Conditions for sovereign and sub-sovereign guarantee contributions (Section VII)	The draft foresees the development of methodologies to calculate the grant-equivalent value of loan and guarantee contributions. Sweden would welcome further information on the proposed approach and timeline for developing these methodologies, given their relevance for assessing replenishment outcomes and ensuring transparent and comparable reporting across contribution types. In Sweden's view, these methodologies should be discussed and agreed during the replenishment meetings and subsequently approved as an addendum to this policy.	Sweden	The Secretariat proposes that the methodology on grant equivalence of loan contributions adopted in previous replenishment cycles, developed with the support of the Trustee, continue to be used in GCF-3. A separate methodology on grant equivalence of guarantees will be proposed for Board consideration at B.46.
Conditions for sovereign and sub-sovereign guarantee contributions (Section VII)	The introduction of contributor guarantees is a significant step forward, allowing for increased financial input while maintaining the necessary safeguards. Nonetheless, we still need more clarity on the accounting. How guarantees are ultimately accounted for, has direct implications for how they count toward the replenishment.	Germany	Thank you for your feedback. Additional analysis will be provided as requested by the Board.
Conditions for	We welcome the inclusion of guarantees as an	Belgium	Thank you for your feedback.

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sovereign and sub-sovereign guarantee contributions (Section VII)	additional contribution modality and encourage further emphasis on their potential to enhance the Fund's risk-bearing capacity and preserve scarce grant resources.		
Conditions for sovereign and sub-sovereign guarantee contributions (Section VII)	We do not agree to using contribution guarantees as a form of financial inputs for the replenishment. The Board will need to discuss and approve the modalities for using and approving such guarantees. We will not agree to such contributions earmarked as a form of access to contributors' domestically based entities. We request the Secretariat to provide a detailed overview of how these contribution guarantees are proposed to be operationalized.	AGN	The proposed use cases, modalities, conditions, and reporting requirements for guarantees are set out in section VII of the draft for Board consideration. The draft does not confer preferential access to contributors' domestic entities or permit contributors to direct individual funding decisions. Additional analysis will be provided as requested by the Board.
Conditions for sovereign and sub-sovereign guarantee contributions (Section VII)	Japan welcomes the introduction of guarantee contributions as a new contribution modality. However, the current draft does not adequately specify how guarantee contributions will affect commitment authority, risk-bearing capacity, leverage, or contingent liabilities. Given that guarantee contributions are intended to enhance the Fund's risk-bearing capacity and unlock additional financing headroom, transparency regarding their financial impact is essential for prudent oversight by the Board. Proposed amendment (Paragraph 44):	Japan	Thank you for your feedback and suggestion. Additional analysis will be provided as requested by the Board.

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	The Secretariat shall report to the Board, at least annually, on the impact of guarantee contributions on commitment authority, risk-bearing capacity, leverage, and contingent liabilities.		
Conditions for sovereign and sub-sovereign guarantee contributions (Section VII)	Japan would appreciate further clarification on the operational treatment of guarantee contributions. In particular: - Could the Secretariat provide quantitative scenarios illustrating the impact of guarantee contributions on commitment authority? - How will the credit value of guarantee contributions be assessed, including differences in the creditworthiness of guarantee providers? - Will sovereign and sub-sovereign guarantees receive the same treatment under the Commitment Authority Framework? - In this context, does the Secretariat intend to apply a credit conversion factor or rating-based adjustment to guarantee contributions, recognizing that their value to the Fund depends on the credit quality of the guarantor and not solely on the nominal guarantee amount? - Under what circumstances would guarantee contributions be called, and how would such calls interact with existing loss-absorption and risk management arrangements?	Japan	Thank you for your feedback. Additional analysis that includes quantitative scenarios will be provided as requested by the Board. Guarantee contributors would be investment-grade sovereigns or sub-sovereigns. The impact on commitment authority will differ slightly depending on contributor credit rating and the Board may consider setting a minimum rating. However we do not propose to include a credit conversion factor in the calculation of grant equivalence. The indicative coverage and triggers for potential call on a contributor guarantee have been included in appendix II to the draft policy. Contributor guarantees would only be called upon to cover the pro-rata losses from within the portfolio that are supported by grant contributions.
Conditions for sovereign and	Japan welcomes the introduction of guarantee contributions. However, transparency	Japan	Thank you for your feedback.

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sub-sovereign guarantee contributions (Section VII)	regarding their impact on commitment authority, leverage, risk exposure, and contingent liabilities remains insufficient. Regular Board reporting on these matters is necessary to ensure prudent financial management and effective oversight.		

II. Response matrix for Active Observers received on the draft document “Policy for contributions for the third replenishment of the Green Climate Fund”

Issue Category	Comment	Secretariat Response
General feedback	A first general comment on this policy is that it makes important changes in relation to the previous Policy for Contributions for the Second Replenishment without fully and clearly detailing what these changes are, or providing any analysis of their broader implications for the future of GCF policy and programming. Such an analysis is expected and standard practice in the case of updating policies, and is a key reason why policies include a background section prior to the annex that contains the policy itself.	Thank you for your feedback. Additional analysis will be provided as requested by the Board.
General feedback	A lot is left unarticulated in the draft as a whole. Relying heavily on loans, and introducing creditor guarantees, drives the GCF in the direction of focussing ever more on the investment grade standing of its contributors, and managing its own balance sheet in the interests of achieving an investment-grade credit rating, rather than maintaining a central focus on the needs of developing countries, and the Fund’s important role in providing grant-based financing, not least for adaptation and projects that do not generate reflows.	Thank you for your feedback.
General feedback	Overall, there is a major risk that this proposed policy, if approved in this form, will lead to further indebtedness for developing countries, many of which are already struggling with high and increasing levels of debt which restrict access to finance, and reduce available fiscal space for other development and climate priorities. At a time when several developing countries are already spending more of their budgets on repaying loans than on education, health and climate adaptation, this move towards a higher emphasis on loans will only do more harm to	Thank you for your feedback.

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	developing countries than any good that may come from any resulting increase in funding channelled via the GCF.	
General feedback	At the same time, these changes appear to be the latest in an ongoing attempt by developed country contributors to shift more and more of the burden of climate action onto already struggling developing countries. The lack of detail in this document, including the lack of specificity regarding changes and additions since the second replenishment, contributes to the impression that this draft is an advance of this political agenda, compared to the impression a more measured, technical draft may have produced. Under this scheme, the increased use of loans and the introduction of guarantees will only result in developing countries financing their own climate action, as they will have to repay all the loans received, or will be expected to continue changing their own policy environments, not for the benefit of their own populations, but to make themselves attractive to the international private sector and align with private sector interests. All of this is in contradiction to the obligations of developed countries, enshrined in the Convention and the Paris Agreement, of which the GCF is an operating entity, and turning the GCF into just another bank.	Thank you for your feedback.
General feedback	The context of the GCF as an operating entity of the UNFCCC Financial Mechanism is missing, as is any mention of the New Collective Quantified Goal, a significant development since the last replenishment. Yet the implication that the external context of contributors citing geopolitical challenges is inescapable in this document. For the next draft to be considered on its technical merits, it must add in background information detailing each change from the second replenishment and the considerations that catalyzed and	Thank you for your feedback. Additional analysis will be provided as requested by the Board.

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	informed such changes - including, but not limited to, the removal of the 20% ceiling on aggregate capital and loan contributions, respectively; the 40% individual loan cap removal, and the addition of guarantees. As mentioned above, what information did the GCF have to suggest that indeed these measures would lead to maximizing contributors? Secondly, the potential implications of these changes on the GCF portfolio must be outlined, with different scenarios modelled based on differing replenishment compositions across the four contribution types. Here, any safeguards that are envisioned to be in place or planned to be put in place so that the composition of these contributions does not fundamentally shift the portfolio toward a greater proportion of loan-based funding must be identified. These are the baseline requirements to ensure the Board and the public has adequate information regarding the risk of this proposed policy, if the next draft continues to include elements that we as observers find fundamentally too risky with current information (removing aggregate and individual contributor caps, the introduction of guarantees), and may continue to find too risky with more complete information. This consultation period creates the opportunity to ensure discussions at B.46 are informed rather than speculative, as the GCF Secretariat bringing forth this draft must make its underlying assumptions, calculations, and planning transparent.	
Types of contributions (Section III)	The analysis included in section III. Analysis of policy proposal briefly mentions these changes since the previous policy - for example, it alludes to but does not add relevant details on the removal of the fixed 20% aggregate limit on capital and loan contributions, or the fixed	Thank you for your feedback. Additional analysis will be provided as requested by the Board.

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	40% individual loan limits for contributors. More concerning is the change from an emphasis on grants significantly exceeding loans and capital contributions, to a mere encouragement for contributors to maximise their grant contributions. The failure to clearly signal what financial parameters are being changed appears evasive, and it is very unhelpful in terms of elucidating the reasoning behind these changes and their potential impacts.	
	The analysis in section III then proceeds to try to frame these changes, and the expansion of the type of contributions to include guarantees, in a positive light by suggesting that this would give contributors more flexibility and stating, without proof or explanation, that this would allow contributors to maximise their financial inputs. The focus is clearly on what these changes would do for contributors, without any consideration of their potential impacts on future recipients or the scope of activities that the GCF is able to support. The analysis does not include any direct mention of potential impacts on the relative use of different instruments (loans, grants, etc.), the types of projects and AEs that are more likely to access funding due to these changes, or the balance between adaptation and mitigation. For example, the analysis does not engage with the question of what the complete removal of the aggregate limit on loan contributions would mean for the ability of the GCF to continue providing grant finance, particularly for adaptation and for the most vulnerable countries who continue to depend largely on grants, if a large percentage of total contributions resulting from the third replenishment process come in the form of loans. It also does not integrate any analysis of how this would affect access by specific entities, particularly DAEs. The policy proposes to assess any	Thank you for your feedback. Additional analysis will be provided as requested by the Board.

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	programming implications of these changes only after the replenishment is completed, as stated in paragraph 30, and mostly by informing of the minimum share of programming to be deployed through less concessional loan instruments.	
Conditions for loan contributions (Section VI)	We are also concerned with the long term implications of these changes for the GCF. As the Fund receives an increasing share of contributions in the form of loans, the ability to repay those loans, linked to the GCF's own lending, will come into sharper focus. However, there is very little transparent and updated information on how the portfolio of loans already provided by the GCF is currently performing or projected to perform, nor any modelling or scenario analysis showing the implications of a higher proportion of loan contributions. Thus the Board is expected to make decisions on contributions without the appropriate information and analysis to appreciate the full implications of those decisions. As the Fund becomes more dependent on providing loans to repay loan contributions, the performance of its own lending and investment activities will become even more relevant, and affect policy and programming decisions, including the Fund's often touted higher risk appetite. We appreciate that the proposal includes provisions for non-performing loans and loss-absorption arrangements, but it is unclear if these measures are sufficient to ensure the Fund can repay an increasing share of loan contributions, particularly without major changes to its operations. Paragraph 35.d states that the Secretariat will review the implementation and adequacy of the loss-absorption arrangements in subsequent replenishment processes, but it is unclear	Thank you for your feedback. Additional analysis on loan contributions will be provided as requested by the Board, including on the current loan portfolio and the implications of greater flexibility in the financial parameters applicable to loan contributions. The composition of incoming contributions does not, by itself, determine GCF's programming or outgoing financial instrument mix. The use of loans in GCF programming continues to be driven by country demand, the characteristics and financing needs of individual funded activities, and applicable concessionality requirements. Subject to the overall programming mix under GCF-3, incoming loan contributions could finance loan programming that would otherwise be supported by grant and capital resources, without requiring a corresponding increase in the share of loans in GCF programming. The proposed policy retains the applicable financial safeguards for loan contributions, including restrictions on their use, the principle of no cross-subsidization, contributor-specific loss-absorption arrangements, and ongoing monitoring of loan performance and cash flows. In addition, the refined Commitment Authority Framework incorporates contribution repayment obligations into the Fund's assessment of financial capacity and liquidity, with relevant financial

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	whether the Secretariat is expected to report any relevant information to the Board, and make it publicly available, between replenishments, or what this review will entail for future Board decisions.	and risk indicators reported quarterly through the Risk Management Dashboard and through other regular reporting to the Board.
Conditions for sovereign and sub-sovereign guarantee contributions (Section VII)	The proposal also fails to engage with the implications of introducing guarantees as a new type of contribution. First, it remains silent on the potential effects of contributions received as guarantees on GCF's programming, and the likelihood that the use of these instruments will push GCF programming even further towards providing loans. Combined with the removal of fixed limits on the loan/capital contribution share, the inclusion of creditor guarantees has the potential to inflate the headline 'replenishment' figure while leaving the GCF far less able to provide grant financing. Second, it does not engage with issues specific to the use of guarantees, including whether guarantees are mobilising additional funding that would otherwise not have been available for climate purposes, or simply subsidising private investments that would have happened anyways, even without GCF funding, irrespective of the value and potential impact of private sector proposals	Loans and guarantees are already approved as financial instruments that can be deployed by the Fund. The proposed introduction of guarantees as a new type of financial input would improve the efficiency with which both these instruments can be deployed by the Fund, which would free up grant resources for other uses including deploying more concessional instruments. The proposed uses for guarantee inputs are defined in section VII: (a) supporting deployment of GCF's own guarantee instrument; (b) serving as a credit enhancement guarantee applied to GCF's loan portfolio, transferring a share of risk to limit potential losses; or (c) other uses as may be decided by the Board. Additional analysis will be provided as requested by the Board.