

LDCs Comments on the Strategic Plan

Introduction

- The GCF enters its first replenishment period and the initial Strategic Plan needs to be replaced by a new Strategic Plan 2020-2023. This point of time is crucial, as also the Paris Agreements' NDCs are revised next year and the first "NDC cycle" is going to commence.
- At the same time, latest scientific findings emphasize the significant urgency to initiate transformational changes for GHG emission reductions and increased resilience as soon as possible. The world is still heading towards a 3°C or more temperature increase scenario, which would mean catastrophic impacts, not the least in LDCs.
- For many vulnerable countries with lower capabilities, such as LDCs, the GCF hereby represents one major resource to realize climate action. There is a strong need to quickly start approving activities as part of GCF1.

Vision

- With regards to the strategic vision of the GCF in the current draft: i.e. ***to accelerate and raise the ambition of its efforts to promote a paradigm shift and support developing countries in the implementation of the Paris Agreement, in line with the goals of the UNFCCC and Article 2 of the Paris Agreement.***
- We would like to see the inclusion of **towards low-emission and climate-resilient development in the context of sustainable development** after paradigm shift.

There are a number of **good elements in the draft Strategic Plan**, which are very important to LDCs and should be retained in the final version of the Updated Strategic Plan. These are:

- Building **lasting institutional capacities** for developing countries, including strengthening the capacity of DAEs- which is very critical for us particularly **for LDCs**;
- Strengthen its support to the implementation of **NDCs, NAPAs, NAPs, TNAs, NAMAs** of developing countries;
- Scale up the share of funding **invested in adaptation**- which is of great importance to LDCs;
- Maintaining a focus on **ensuring adaptation support benefits those particularly vulnerable** to the effects of climate change;
- **Increase the floor** of the adaptation allocation for particularly vulnerable countries (SIDS, LDCs and African States);
- Significantly **increase funding channeled** through direct access entities (**DAEs**);
- Scale up pre and post-accreditation support **for DAEs to develop project pipelines and successfully implementing approved projects**;

- Balance between adaptation and mitigation;
- **Greater transparency** in GCF processes by introducing public web-based tracking systems;
- Allocating **adequate and predictable resources** for the **Readiness Programme and simplifying access to it**;
- **Streamline the accreditation process** and operationalize the **PSAA**;
- Scaling up the **deployment of PPF**;
- Improving the **efficiency, effectiveness, transparency and predictability** of allocation processes and speed of delivery;
- Scaling up **pre- and post-accreditation support for DAEs** to incorporate and adopt GCF standards and policies, prepare transformational project pipelines and successfully implement approved projects;
- Developing the **programmatic approach** of GCF as a way to help countries, in **particular SIDS and LDCs**, realize more predictable financing and scale of investment;
- Structure and operations of the independent Technical Advisory Panel (TAP) evolve to ensure that an **increased number of project reviews**, particularly under the SAP, can be **efficiently managed and to reduce review times**;
- Translation of key documents into **major working languages** such as Arabic, French and Spanish.

Some concerns on the draft Strategic Plan that would need further work

- The draft version strongly focuses on **leveraging more private finance**. For instance, private activities shall play a stronger role in adaptation activities. The Secretariat now suggests a goal of a leveraging rate (para 2.1.4, page 22) of 1:7 when currently the ratio over the whole portfolio is 1:3– such a goal has not been part of the initial Strategic Plan and it creates significant challenges for low-income countries with limited capacities. Countries like LDCs and SIDS, where the private sector is less developed or has strong constraints in accessing capital might face significant barriers for their envisaged activities in such a changed environment. Private sector-led insurance, highlighted by the paper, is not an adaptation strategy per se and faces significant difficulties in serving the needs of the poorest people. Thus both, a comprehensive GCF strategy to enable the private sector in LDCs to engage in climate activities, while emphasizing the need to implement activities without the private sector and without co-financing will be crucial for low-income countries to accept the new Strategic Plan.
- The Strategic Plan also considers **enhancing the role of the private sector in supporting climate change adaptation**. It should be acknowledged that there is very few or no private sector engagement on adaptation particularly in LDCs.
- The draft Strategic Plan emphasizes a **stronger role of DAEs** and the goal to channel more funding through them, which is very reasonable and should be supported. However, the plan should include a strategy of promoting the

accreditation process of DAEs in LDCs, where still very few organizations have been accredited.

- The new Strategic Plan should also map key areas for capacity building to encourage climate actions in the LDCs, including on **accreditation of DAEs, facilitated processes for funding proposals or support for DAE**, amongst other elements.
- International accredited entities as *per decision B.10/06, paragraph (i)* shall **strengthen capacities of, or support** potential subnational, national and regional entities to **meet the accreditation requirements of the Fund** in order to enhance country ownership.
- The draft suggests allocating adequate and predictable resources for the Readiness Programme and simplifying access to it and scaling up the **deployment of PPF**. In line with this, particular focus should be given to **expedited disbursement** of readiness support and PPF.
- With regards to access, there should be concrete suggestion to **simplify the application, review and approval processes** of funding proposals beyond enhancing the SAP.
- The draft proposes to '**diversify GCF use of its financial instruments** by maintaining a relatively stable share of grant funding but shifting from concessional lending towards greater use of risk mitigation instruments such as equity and guarantees'. Shifting from concessional lending to other financial instruments is a concern to LDCs.
- In the Strategic goals it is proposed to **maintain the grant share of portfolio** funding mix- however it is LDCs view that the **grant share should be increased** from the IRM period.
- The suggestion for the GCF to work globally as a **thought leader in climate finance**- while the GCF should share its knowledge and lessons learnt, it **should not be distracted from its main purpose** of supporting the adaptation and mitigation actions of developing countries.
- The Strategic Plan should also **incorporate concrete recommendations** such as developing funding proposals **targeting LDCs and SIDS that involve innovative financing structures** and **request for proposals targeting LDCs and SIDS and adaptation**, as appropriate.
- While the draft suggests to **streamline the accreditation process** and operationalize the **PSAA**, it is important that as a first step the PSAA should be limited to proposals submitted under the **SAP, RFPs for the pilot phases of enhanced direct access (EDA) and micro, small and medium-sized enterprises (MSMEs) and proposals submitted by DAEs**. The Board may then consider widening the applicability of this approach to other pilot schemes and/or categories.
- Since the PSAA does not provide a comprehensive solution to the cumbersome accreditation process, further exploration of options and **modalities to simplify and streamline the accreditation process is required**. For instance prioritization

of direct access entities especially from countries without a direct access entity should be considered.

- The current draft discusses to support **implementation in the context of NDCs, NAPs and climate ambition**. It is critical that this is clearly unpacked and it is understood how this can be achieved. Country programming is going to be based on the priorities of these essential documents and plans. Similarly, there is a discussion about initiating sectoral guidelines. It is important to clarify how those elements and plans are interlinked properly.
- It is also critically important to unpack and thoroughly discuss the varying but overlapping concepts like **paradigm shift, transformational change and theory of change in the context of the new Strategic Plan**. The forward-looking performance review ([B.23/20](#)) provides valuable recommendations and findings regarding these elements. Also, the Replenishment Summary Report discusses some of these elements ([B.24/11](#)). The Board will have to discuss how these results can be used to shape the future Strategic Plan so that the Fund can best meet its objectives.
- The Updated Strategic Plan should also take into consideration the recent guidance it has received from the COP and the CMA in particular paragraph 21 of COP guidance to the GCF: *“Invites the Board of the Green Climate Fund to continue providing financial resources for **activities relevant to averting, minimizing and addressing loss and damage in developing country Parties**, to the extent consistent with the existing investment, results framework and funding windows and structures of the Green Climate Fund, and to facilitate **efficient access** in this regard, and in this context to take into account the strategic workstreams of the five year rolling workplan of the Executive Committee of the Warsaw International Mechanism for Loss and Damage associated with Climate Change Impacts”*.