

United States Submission to the Green Climate Fund Strategic Plan for 2020-2023 December 20, 2019

This submission responds to the Green Climate Fund (GCF) Board Decision B.24/03, which invites Board members and alternate members, as well as active observers, to submit written comments to the Secretariat on the draft updated Strategic Plan set out in document GCF/B.24/Inf.01. These comments consider the latest draft Strategic Plan and build on the initial reflections included in the U.S. submission from December 2018.

General Impressions

The current draft of the Strategic Plan is comprehensive. We support the emphasis in the current draft on further establishing the GCF as an institution with a comparative advantage to advance transformative climate action by mobilizing financing from all sources including the private sector. Further, we also support the emphasis on increasing the effectiveness and efficiency of GCF investments. With some refinements, the document will be a helpful blueprint for a successful GCF-1 period to:

- (1) Increase the overall GCF effectiveness and efficiency;
- (2) Cement the GCF's unique role within the climate finance architecture to achieve transformational impact through its unique ability to leverage the private sector; and
- (3) Ensure that the strategic plan will be implementable during the 2020-2023 period.

Technical Comments

Governance and Policy Reforms as a Top Priority – If the GCF is to become a more effective, efficient organization, it must first prioritize governance and policy reforms to function as a reliable partner in providing high quality, efficient services. To this end, we support the further development of section 2.2.3 “Clarifying roles and responsibilities for improved decision-making and management.” We recommend:

- Adding a paragraph to consider how the Board determines its meeting dates. The scheduling of Board meetings has been problematic. An established practice to schedule meetings further in advance would help provide increased predictability to Board Members, advisers, accredited entities and other stakeholders and contribute to the smooth functioning and management of the GCF;
- Prioritizing, in the discussion of the four-year Board workplan, governance related matters including decision-making in between meetings and more efficient utilization of the committees, panels, and groups. These elements are critical to the GCF's ability to implement the strategic plan as described.

Private Sector Engagement – The description of how the GCF will work with countries and entities to prioritize proposals for enhancing GCF impact, without crowding out other sources of financing, including the private sector, is central to GCF success. The current draft of the strategic plan includes an overview of an anticipated Private Sector Facility (PSF) strategy. However, as the strategic plan is fully developed, we suggest:

- Consider how each GCF intervention can mobilize additional resources including how the GCF can leverage the private sector to enhance the GCF's impact across all of its investments.
- While we are supportive of the Private Sector Facility, a direct investment modality is beyond the current capacity of the Secretariat, would require a complete re-envisioning of the GCF's model, and would have to be structured to be consistent with the Governing Instrument. We do not support it at this time.

Sectoral Guidance – We support the GCF Secretariat developing sectoral guidance to facilitate the development and implementation of a targeted, robust pipeline and providing clear guidance to stakeholders about GCF processes.

- *Energy* - This strategy should focus on improving the enabling environment in lower-income or more fragile markets to catalyze renewable energy investment. Further, the GCF should continue to provide the least concessionality required to allow projects to move forward and focus on pilots that can be replicated without GCF involvement. While there is significant demand from countries to invest in energy as noted in the draft strategic plan, we caution against providing concessional finance into proven energy technology markets. The strategy notes the intention to de-risk private investment in solar, wind and geothermal – all three of which can be self-sustaining in many markets.
- *Adaptation* – We caution against re-visiting adaptation targets and/or goals before the Board clearly articulates how climate additionally of adaptation proposals is defined in response to decision B.19/06, paragraph (d) and related guidance. The GCF Board will need to approve sectoral guidance and a policy on incremental cost.

Accreditation – Given the centrality of accreditation to the GCF's business model, we would like to see detailed guidelines in the strategic plan for how the Fund will ensure that only those entities best suited to support the GCF are accredited. At the same time, we caution against establishing specific targets for types of entities, as this will complicate the ability of the Secretariat and the Board to balance the various priorities of the Fund, including impact, country ownership, and support for SIDS and LDCs.

GCF as a Knowledge Hub – As the strategy is further developed, we suggest that the discussion of the GCF as a knowledge hub be focused on sharing lessons-learned and information on best practices that are most central to the GCF's comparative advantage, such as how to leverage external finance, including the private sector, and develop enabling environments. The current framing of this topic in section 1.3 suggests that the GCF should be playing a much more central role in the transfer of knowledge on climate related issues more generally, a role better suited to other entities.

Integrated Results and Resource Framework – We welcome the inclusion of the first Integrated Results and Resource Framework and request this be further developed and clarified in future iterations of the draft strategic plan. We are optimistic that as the Secretariat further develops this approach, it will be useful to set Fund-wide targets that will help translate the Strategic Plan into quantifiable results during implementation.

Approaches to Increase GCF Regional Presence – Conscious of the new demands on the Secretariat in GCF-1, we do not support increasing the GCF regional presence. Increasing GCF regional presence is at odds with the idea of the GCF remaining a “lean organization”. We remain skeptical that it will be productive for the Secretariat to consider regional offices and/or staff located permanently outside of Songdo. As this topic is likely to have significant implications on the GCF business model, lead to additional challenges in coordination and divisions of responsibility across the Secretariat, and significant resource implications, we think this proposal merits discussion only after an evaluation is conducted on the regional presence pilot in Grenada.

Secretariat Resourcing – Understanding that some staffing adjustments are necessary to oversee proposals for both the IRM and GCF-1 period, we are skeptical that the projected efficiency gains will be realized and that a 37-40% increase in administrative budget is appropriate.