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Mr. Yannick Glemarec
Executive Director
Green Climate Fund
175, Art Center-daero
Yeonsu-gu, Incheon 22004
Republic of Korea

Subject: Request for Input to the Strategic Plan of the Green Climate Fund

Dear Mr. Glemarec,

We thank for this opportunity to provide input to the update of the Strategic Plan of the Green Climate Fund (GCF) in conjunction with the first replenishment process of the Fund. We concur with the GCF on the importance of updating the Fund's Strategic Plan to support Accredited Entities (AE) in their efforts to create solutions at scale in the most efficient and impactful way.

Climate is a key priority area for IFC. As the largest development finance institution supporting the private sector in emerging markets, IFC is a leader in creating climate markets through solutions that leverage public sector capital for investments in infrastructure, manufacturing, agribusiness, services, and for greening the financial sector. The World Bank Group (WBG), including IFC, has set ambitious climate targets for itself. For example, the WBG has committed to increase its climate share of total commitments from the original 28% target set for fiscal year 2020 to an average of 35% over fiscal years 2021-2025. The WBG has also committed to increasing the level of private capital mobilized for climate to US\$67 billion in total from fiscal years 2021-2025 (an average of just over US\$13 billion per year), which is nearly twice the US\$7.4 billion average mobilized annually from fiscal years 2015-2017. IFC will mobilize the majority of this amount.

To reach these goals, IFC's objective is to **create new climate markets, investment vehicles, and approaches—including first-of-their-kind innovations and solutions that are scalable and create the greatest impact.** Many of these will be in new areas or feature untested technologies that come with higher risks than business-as-usual—requiring blended concessional finance to mitigate the risks and unlock investments. **GCF can play a critical role in supporting its AEs to take the necessary risks to support higher-impact climate projects.**

IFC has nearly 20 years of experience in blended concessional finance in the climate space. Many of the projects in IFC's blended finance portfolio have helped catalyze the development of markets, sectors, and advancement of business models. These include the solar PV sector in Thailand and Zambia, the wind sector in Mexico and Jamaica, affordable green housing and Concentrated Solar Power in South Africa (with global repercussions), and novel Energy Efficiency Leasing schemes in Turkey and Lebanon, among others.

The success of our joint mission depends on effective collaboration: leveraging GCF's resources with IFC's 60+ years of experience working with the private sector in emerging markets.

In this context, we encourage GCF to consider the following input when updating the focus areas and overall strategic directions and actions of the Strategic Plan in conjunction with its first replenishment. Areas including:

- **Large-scale renewable energy; energy efficiency; renewable energy credit lines; and direct investments in green buildings** will continue to be crucial to scaling climate.
- There is growing momentum in **distributed energy; urban infrastructure; agribusiness; clean tech venture capital; and new models and incentive structures for financial intermediaries.**
- GCF and the AEs can create (i) **products that attract larger institutional sources of capital through aggregation and securitization;** and (ii) **de-risking vehicles that use blended finance to catalyze new external investment.**
- **New technologies hold great promise for sustainable infrastructure and need to be rolled out at scale. The updated GCF Strategic Plan should recognize the expected significant growth in demand for blended concessional finance in new and non-traditional sectors** (e.g., waste management, offshore wind, floating solar, battery storage, etc.).

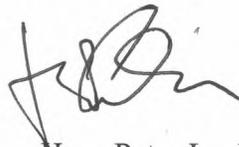
To improve and enhance the overall operation of GCF to ensure effective collaboration with AEs, we suggest GCF to consider the following input:

- *Having meaningful consultation processes with AEs ahead of plans to introduce new policies and procedures:* Meaningful engagement with the AEs will help ensure open dialogue and exchange of best practices when considering new policies or guidelines.

- *Avoiding duplicative policy frameworks:* The on-going development and continuous introduction of new policies and guidelines run the risk of deviating from policies that have already been through public consultation processes and approved by shareholders of MDBs and DFIs. Increased efforts towards harmonization would avoid duplication and high costs.
- *Avoiding duplicative reporting requirements:* MDBs are already collecting and collaborating on measurement and reporting on climate finance and its impacts. The wealth of experience and knowledge acquired through these collaborations can be of value to GCF.
- *Avoiding setting up parallel monitoring systems:* Systems that run in parallel to the already established, comprehensive and resource-intensive tracking systems and practices that MDBs and DFIs operate, run the risk of being inefficient and costly.
- *Recognizing the value of the accreditation process, Accreditation Master Agreements (AMA), and approved programs:* While ensuring alignment with GCF's mission and mandate, activity implementation should be in accordance with operational policies and procedures of the AEs as agreed in their AMA. Otherwise, GCF runs the risk of undermining the accreditation process, duplicating efforts, adding unnecessary layers and costs.
- *Improving and clarifying the review process of Funding Proposals:* Preparing truly ambitious and innovative programs is time and resource intensive. Significant costs result from last-minute changes to agreed schedules of proposals for GCF's Board consideration, requests to scale down the ambition level, or unexpected cancellations of proposals under development with GCF for months. We urge improvement in the Fund's internal consultation to develop an aligned view and communicate it to the AEs earlier in the process.

We appreciate the opportunity to provide input for the Strategic Plan update and would like to reiterate our commitment to continue working with your organization in creating ambitious climate solutions.

Sincerely,



Hans Peter Lankes
Vice President

Economics and Private Sector Development