

Comments by Switzerland on the Draft Strategic Plan for the GCF 2020-2023 (Version: GCF/B.24/Inf.01)

- **Thanks:** We thank the Secretariat for the continued efforts to developing and taking forward the updated Strategic Plan (SP), in consultation with the Board, AEs and observers.
- **FPR as Reference:** We welcome the fact that the Draft Strategic Plan builds on the recommendations from the Forward Looking Performance Review (FPR) and that the FPR is explicitly referenced as a key input. We request that the outcome of the replenishment negotiations and ensuing recommendations (Executive Summary, para 7) should also be included as key reference documents.
- **Streamlined version of Strategic Plan needed:** We will start with a general comment: “If a plan is too broad and general, action is unlikely to be focused.” In many areas, the current draft SP still presents *a list of potential* actions/measures. We request the Secretariat to elaborate a more streamlined and concise document: We expect to see early next year a revised draft document – based on comments received from BMs in December – , which presents carefully selected priority areas of action, to be achieved through a selected set of modalities.
- **Complementarity with other climate (-relevant) funds and comparative advantage through focused programming and:** We welcome the description of GCF’s comparative advantage in the climate finance landscape (chapter 3.1, para 35). We would expect that GCF is seeking proactively complementarity to these funds through focused programming. While keeping in mind the principle of country drivenness, the GCF should try to focus to areas where it adds value; special attention should be given e.g. to renewable energy market situation in a target region or to what other organizations cover already in relation to REDD+. Consultations with countries and AEs are crucial and shall inform the definition of programming priorities. Still, prioritization always implies trade-offs – the GCF should not be active uniformly across sectors and themes. At this stage, we will not comment on thematic areas as outlined in Annex II but await the sectoral guidance documents to be presented in early 2020. These documents shall inform the discussion on detailed programming priorities at the informal Board meeting in Liberia in February 2020.
- **Reporting on results:** This should be given special attention. Being the biggest climate fund comes with the responsibility to show and report on results. The GCF needs to showcase it can deliver results on the ground. Challenges in this regard should be also reported in a transparent manner.
- **Partner network/Accreditation:** While we fully agree that GCF should foster a culture of open and inclusive collaboration, there is a need for a more strategic and selective network of key partners for effective and efficient climate action on the ground. This is the core business of the fund. Design, size and nature of this network of key partners needs to be defined in an overall accreditation strategy – as early as possible. Country drivenness through country programs and investments programs can play an important role in the selection and prioritization for accreditation. In this context, we need to start piloting the project-specific assessment approach (PSAA) to gain experience on alternative ways of collaborating with different organizations. The pilot should be properly monitored and evaluated after 2-3 years.

On Annex I Para 39: The partner network should be limited to a maximum number of [80] entities (PSAA entities not to be included). The share of DAEs should not be pre-defined. Countries are invited to present their preferences and needs through country programming – based on this, entities can be selected, based on their comparative advantage, be it direct or international access entity. DAE should be promoted to enhance country ownership. However, the key criteria (both for direct or international entities) must be their operational capacities and expertise, performance record as well as their proven record regarding responsiveness to country needs.

- **Private Sector Engagement and Mobilization:** Private sector has a crucial role to play in transformative climate action. We look forward to the draft private sector strategy and expect that PSAG recommendations will be duly reflected. However, we question the usefulness of explicit targets on private sector mobilization in the SP. In our view, the numbers provided in Annex I, Para 47 are unrealistically high. First, when looking at the private sector mobilization of MDBs (based on their own reporting for 2017), we note that approximately 97% of total private sector mobilization is occurring in high- and middle-income countries. Unrealistically high mobilization targets conflict with other GCF targets, e.g. special emphasis on SIDS and LDCs. Second, financial leverage ratios say very little about development additionality and nor about the broader catalytic effects of blended finance. Measuring mobilized private finance, based on causal links, is challenging. It is not possible to calculate financial leverage ratios with an appropriate degree of precision. Therefore, the SP should refrain from setting any precise targets in this respect.
- **Co-benefits of climate action:** We welcome the notion of four overarching “climate transitions” to promote integrated climate solutions that deliver cross-cutting mitigation, adaptation and development benefits (Annex I, Para 5). In addition, GCF should strive for biodiversity and health co-benefits in its operations – where appropriate. Considerable health benefits can be achieved e.g. with respect to clean energy initiatives or cooling in residential buildings; biodiversity benefits can be achieved in sustainable land use and forest management interventions. But efforts to strive for maximum co-benefits should not be limited to these result areas.
- **Indicative funding allocations:** Equity and predictability should be core values of GCF’s work with partner countries. In order to enhance effective pipeline development, taking into account equity and predictability considerations, we support indicative allocation goals as outlined in Annex I, para 27.c). Nevertheless, an “entitlement attitude” should be avoided; quality, additionality and potential for transformational change should always be the key selection criteria for programs or projects.

Allocations as per para 27:

- Elaboration of country programs:** The Secretariat is best positioned to inform the Board and other stakeholders how many country programs they can develop within GCF-1 period. In principle, at the end of GCF-1, all countries should have a country program in place – also to guide programming under GCF-2.
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- Adaptation:** The most vulnerable countries and people should be in focus under adaptation, the share allocated to these countries should be increased. We support an increased allocation to adaptation up to 70% to achieve 50/50 balance over long-term.
- SIDS, LDCs, and African states:** GCF strives for a long-term balance of 50%/50% mitigation/adaptation, of which 50% to LDCs, SIDs and African States. Taking into account (i) equity considerations and (ii) the ambition to allocate funds to the most vulnerable countries, we do not support an indicative allocation of 70% to LDCs, SIDS and African States. There are highly vulnerable countries outside Africa which have not received yet any GCF funds. Funding should also be geographically balanced (across regions and states).
- PSF/private sector proposals:** at least 20% of funding channeled through PSF and thereby using actual IRM levels as benchmark is not ambitious and too low if we want to go from billions to trillions. We do not want to limit effective and innovative GCF operations by setting multiple allocation targets. Depending on the design of projects and co-financing levels, it is also extremely difficult to reach an exact target. At this stage (of the pipeline development), we would therefore not support a PSF allocation target. Again, we would like to underline that quality, additionality and potential for transformational change should be the main selection criteria for programs or projects. However, if no majority can be found for wording without a specific target, but with text that aims for much more ambition than the current formulation, we would clearly demand a balance between public and private funding (thus, 50% of GCF for PSF). Private sector

demand is more than sufficient and has been substantiated by the RFP mobilizing funds at scale. Most of these projects - that have been confirmed by the GCF as high quality - still lack GCF funding.

- f) **Direct Access Entities:** We are not in favor of any indicative target on DAEs. A network of carefully selected entities in partner countries will serve this purpose, be it direct or international access entities. The elaboration of an overall accreditation strategy plays a crucial role here, increasing predictability for countries and efficiency of fund operations.
- g) **Grant share of portfolio and co-financing:** The transformative potential and quality of a project depend – amongst other factors – on the design of the project and selection of financial instruments. Setting a grant allocation target is not conducive for innovative project approaches. While recognizing the need for grant financing in many contexts and sectors, we would therefore not support any target on grant financing.

We would further ask to be cautious with a quantitative targets on mobilized private finance. See comment on leveraged finance above.

- **Strengthening country drivenness:** We agree with the four priorities for the **Readiness Program** as outlined in the SP (Annex 1, Para 34 a). We would like to better understand though the relation between country programs and investment programs – would these be two separate documents, developed in a sequenced manner, with separate readiness funding? While we would agree to develop two separate documents, funding requests should be handled jointly for both aspects. This also relates to the streamlined Readiness approach as outlined in Para 34 d). Further, we would like to request countries to identify indicatively their preferred implementation entities. This could then inform the elaboration of an accreditation strategy and prioritization in the accreditation process.
- **Enhancing climate information and early warning systems:** We welcome the multiple references in the SP to those key elements for achieving enhance adaptation results. During 2020-23 the focus should be to develop and enhance these basic building blocks.
- **GCF as thought leader** (Annex I, 51-53): as expressed earlier, we see GCF first and foremost as an operational entity financing climate action. Synthesizing learning and knowledge sharing is important – but it is not the core business of GCF. We would therefore not agree to “substantial investments over time” (Para 52) into this area. What would be the role and functioning of the mentioned/foreseen knowledge hub and how would it compare to existing hubs/platforms in this field. The GCF should benefit of the most up to date knowledge and perhaps in time it might become leader in in this regard, however, for years to come the GCF should focus to get its own house in order and see where this leads instead of taking too big steps building wide GCF-led knowledge hubs etc.
- **Optimizing operating modalities and performance** (Annex I, Para 58 ss.): One key element for increasing efficiency and effectiveness is a revised project approval process. The Secretariat and the Board will not be able to handle 50-70 projects per operational year in a meaningful manner based on the current procedures. A revised two stage approval process is currently on the Board work plan in 2022. Pproject approval and especially SAP should be properly analyzed in order to find possible steps to speed up or simplify keeping in mind risks and quality control at the same time.
The option of using delegated authority needs further consideration but empowering the ED and giving limited decision making authority should belong to key steps taken during 2020-23. On the other hand, increasing Secretariat staff to handle a greater number of funding proposals is not a measure we would support – there is no need for more man power but for more efficient and effective procedures.
- **Roles and responsibilities:** We welcome the clear outline of measures to streamline effectivity and efficiency through clarifying roles and responsibilities, delegating authority, structuring Board decision-making and clarifying observer participation (Annex I, para 72-77).

- **Gender:** GCF has to play a key role in gender responsive climate action, aligned to the guiding principles laid out in the Governing Instrument (i.a. article 3 and 31 and “supporting those particularly vulnerable to the adverse effects of climate change”) and relevant COP UNFCCC decisions. Only then, GCF can promote “gender standards”, as foreseen in Para 34.d of main document. We therefore request the Secretariat to revise the language throughout the report accordingly (e.g. Para 13 of main document, replace “GCF to address gender” with “GCF to act in a gender responsive manner and...”).
- **Civil Society Organizations, Indigenous Peoples, and Communities of Practice:** The SP rightly emphasizes the important role of working with and through these stakeholders. The envisaged means include i.a. broad consultations, capacity building, an advisory board for IP, etc. We welcome these stakeholder engagements. Cognizant that transformational change is not only a matter of large amounts of GHG emissions reductions or enhanced resilience to the effects of climate change but also (and perhaps more than anything) a change of mindset), we propose to include an explicit reference to adequate financial support, which could build on the successful model of the Global Environment Facility’s Small Grants Program (SGP).
- **Privileges and Immunities:** This matter should be properly analyzed by the Secretariat, including going through different options and their concrete consequences to the Fund. We expect that none of the options will be easy to implement but in any case the Board needs to have a solid overview before taking decisions or before making recommendations to the COP on this matter.
- **Outreach and communication / broadening donor base** (Annex I, 54-57): we agree that continued efforts for longer-term mobilization of resources is needed. The potential for contributions from private and alternative sources should be pursued (Para 75.c) - in addition to the potential of contributions from all parties in a position to contribute to the fund.