

Submission by Finland, Hungary, Liechtenstein, Monaco, Switzerland

GCF Updated Strategic Plan 2 (USP2), Draft.01

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We commend the Secretariat for many improvements in the draft USP2, but consider its results architecture as too complex, and not all goals commensurate: USP2 must focus on what can be achieved in the GCF2 implementation period with GCF2 funding. Quantified mid-term goals 2030/35 are not needed at this stage, as the IRMF/RRMF already define indicators that provide longer-term result-orientation, serving thus as basis for GCF2 results management. The GCF should increasingly report on actual rather than projected results. Accordingly, USP2 must set quantified 2027 targets incl. measurable impact/efficiency metrics that prioritize high-impact projects, alongside climate capacity building.

We encourage to set 2024-27 targets based on three financial scenarios for GCF2. An annex to USP2 could specify a low; base; and high scenario. Scenarios will guide prioritization in case of a limited funds, assuming not all objectives would move linear. This could also trigger a much-needed discussion on the GCF's selectivity: What in the broad field of climate finance will the Fund *not* finance? E.g. the UNFCCC decided new loss&damages fund may be better equipped for climate-related disaster response. We reiterate that achieving a high financial scenario requires a clear profile, and mobilization of new donors from emerging markets.

The recommendations of the Second Performance Review, including lessons learned from GCF1, should stronger influence USP2. In particular, recommendations on governance, efficiency of processes, and accreditation should be reflected under operational and institutional priorities. The fact that project and accreditation processes are "still widely perceived as bureaucratic, lengthy, inconsistent and non-transparent" should be better addressed with higher transparency, risk management and efficiency ambition and targets. USP2 must provide for robust administrative cost control. In the same vein, GCF procedures must be made more private sector compatible - shorter and predictable. USP2 should clarify how the many areas for "pipeline programming" will be reconciled and handled transparently, and how accreditation proposals will be prioritized, when abandoning the current first-come first-served selection. The risk management system and accountability must be made fit for the world's largest climate fund with its increasingly diverse portfolio.

Increasing adaptation action should not come at the expense of mitigation efforts – USP2 should establish more concrete and equally ambitious mitigation targets. Decarbonization should be better reflected in the 2024-27 objectives and narrative, as this decade is critical to keep the 1.5C° limit in reach. GCF investments in clean energy are also important for vulnerable countries and groups. With rightly targeted mitigation support, the GCF can significantly contribute to provide access to electricity for the well over 700 million people currently lacking it, and to reduce emissions in middle-income countries.

For delivering on paradigm shift and private sector mobilization, USP2 must set more ambitious targets regarding enabling environments, policy and regulatory frameworks. In addition to set up new green banks and facilities, GCF can make a contribution by greening existing ones, starting with its network of partners. It should support them both in financing green projects and in aligning their broader portfolio with the Paris agreement.

We second the vision of a partnership-based organization that collaborates with qualified entities, scales up promising innovations and seeks to harmonize processes. Complementarity – the GCF's niche in climate finance architecture - and cooperation with other climate finance providers - in particular MDBs and climate funds - should be better articulated under USP2, avoiding duplication and fragmentation and supporting true country ownership, which is dynamic, multi-stakeholder and embracing partnerships with private sector and CSOs. Such an inclusive concept of country ownership is lacking in the current draft USP.

We fully support the focus on gender and vulnerable countries and communities, integrating such groups and women as active agents of change. Many of the world's most vulnerable are affected by conflict and fragility. They have received little support by the GCF. USP2 should clearly underline the GCF's resolve to work in such areas and, to reach results and avoid doing harm, apply strong conflict-sensitive project management. In relation to gender, we suggest a higher level of ambition with concrete indicators.

We call for an increased engagement under USP2 for mountain areas, which are disproportionately affected by climate change. The pace of temperature rise in mountain areas is twice the global average. Compounding hazards and cascading impacts of floods, droughts, wildfires, landslides and rockfall put livelihoods, infrastructure and productive systems at risk. At the same time, downstream areas often depend on services provided by mountain ecosystems such as sustainable water and energy provision.

Likewise, we call for heightened consideration of coastal and marine areas in programming GCF 2 resources. Like the cryosphere, although it provides life-supporting and climate-regulating services, the Ocean shows particular vulnerability to climate change, as highlighted in the IPCC *Special Report on the Ocean and Cryosphere in a changing climate* and AR6. At the same time, the Ocean provides extensive opportunities for high-impact nature-based solutions, in support of both mitigation and adaptation goals.

Finally, we invite the USP2 to be more outspoken on communication and information sharing. The outreach strategy mentioned in 5.2. should include systematic information sharing on actual results, as well as on changes in frameworks, policies, guidance and procedures, i.e. going beyond branding the GCF. Also, as an increasingly mature institution, the GCF might reflect on the opportunity of holding annual meetings, as is customary with most established, large multilateral organizations.