

GCF call for inputs: review and update of the Strategic Plan for 2024-2027

FRANCE

1. Does the GCF's long-term strategic vision – of promoting paradigm shift and supporting developing countries in the implementation of the Paris Agreement and UNFCCC – remain relevant and ambitious? Has the GCF set out sufficiently clearly how it will deliver its long-term strategic vision?

Yes it does. To maximize the funds' paradigm shift, GCF programming must continue to be guided by the objectives of the UNFCCC and goals of the Paris Agreement that are three-fold : i) the goal to limit warming to well below 2 °C above pre-industrial levels and pursue efforts to limit temperature increase to 1.5 °C., ii) the global goal on adaptation to enhance adaptive capacity, strengthen resilience and reduce vulnerability to climate change and iii) the goal of making finance flows consistent with a pathway towards low emissions and climate-resilient development. Conversely promoting paradigm shift is key to enhance the GCF's contribution to these goals and therefore at the core of its value added. In that perspective, support must also be delivered to GCF's partners seeking to be Paris aligned, by providing methods, tools and technical assistance.

2. What global, regional, national and subnational developments, trends, needs and opportunities relevant to adaptation and mitigation programming in developing countries should the GCF take into account in preparing for its second replenishment period? What lessons can be learned from experience to date?

Since its creation, GCF results are encouraging but the fund should leverage more on the private sector and strengthen country-led programming for further targeted impact, especially when it comes to vulnerable countries like LDCs and SIDS, and adaptation finance.

Also, the upcoming adoption of a post 2020 global biodiversity framework under the UN Convention on biological diversity is a game changer that all development institutions will have to reckon with and contribute to. Some actions and solutions can generate benefits for both climate and biodiversity simultaneously, including nature-based solutions, as defined by UNEA 5.2 in 2022. There are opportunities for enhanced cobenefits for environment in addition to climate actions and the GCF should play a key role in continuing comprehensive solutions.

3. How should GCF further elaborate its role within the climate finance landscape, in light of its comparative advantages? How should GCF seek to differentiate its focus from other sources of climate finance? Where are the opportunities for complementarity, coherence and partnerships with others?

The GCF has many assets: it is able to fund bigger projects compared to other institutions, with a full-range of instruments at its disposal (grants, loans, guarantees, equity) and a unmatched capacity to engage in innovative and high-risk ventures. It also provides balanced funding for climate adaptation as compared with mitigation, which is a feature no other development institutions matches

However, the lack of robust and comprehensive policy framework raises concerns and risks the reputation of the fund. The increasing climate focus of other development finance institutions makes the case stronger for the GCF to focus on high quality, paradigm-shifting projects.

The GCF specificity lies in its country-driven programming to implement projects tailored to help developing countries operationalise their climate plans. Yet, the fund struggle to ensure funding attains the ground at pace, and maximise its reach and impact beyond individual funding proposals.

Since its inception, the GCF aims at specifically catering to the needs of developing countries that are particularly vulnerable to the adverse effects of climate change, including LDCs, SIDS and African States. Middle-Income and large Emerging countries can be better served by other sources such as CIFs (see ACT program's role in JETP for example). This focus on vulnerable countries must be more fully owned. The GEF is less focused on climate finance only, as it serves 5 different conventions. These three majors institutions must reduce any risk of overlaps or competition and complementarity could be found on building partnerships and sharing information, especially with the CIFs.

4. Do the CGF's strategic objectives and portfolio targets capture appropriate ambition for the second replenishment period? How could GCF evolve these in a way that sets clear, actionable, measurable programming goals aligned with its strategic vision?

The pipeline of funding proposals remains focused on mitigation and cross-cutting projects, rather than adaptation projects. It is a very good thing to develop projects that are cross-cutting, but it raises an issue of identification with the reported multilateral climate finance. This is all the more important in the context of the developed countries' collective objective of doubling adaptation finance. Therefore, perhaps the definition of cross-cutting should be made more explicit, so that the strategic vision is clearer and measurable, and thus strengthened. In addition, perhaps the share of funding proposals dedicated to adaptation should be increased.

Moreover, in order for the second replenishment period to be ambitious, the pipeline of projects for priority areas (Africa, SIDS, LDCs) should be increased – above IRM results. This is in line with the objective of developing adaptation projects, which are particularly important for these priority areas. Also, the mobilization of the private sector in adaptation projects must be increased, beyond the current levels (15%).

There is a lack of concrete and transparent prioritization of the pipeline of projects and accreditations coming from strategic objectives and vision. These must be directly translated in the programming goals.

5. How can the GCF better respond to developing countries mitigation and adaptation needs and ensure country-ownership of programming? What role should the readiness and preparatory support programme, support for national adaptation planning, and country programmes play?

NDCs and NAPs are key national instruments with which GCF country programming should be aligned. The GCF must continue play an active role in supporting countries in preparing, developing and then

implementing national adaptation planning. RPSP, support to NAP and country programmes each play an important role : RPSP and support to NAPs can contribute to ensure the establishment of a comprehensive, robust and impactful country programme. We therefore look forward to the revised strategy for the Readiness and Preparatory Support to be presented and adopted by B35.

6. How should GCF continue to build its paradigm shifting portfolio through its next programming period? What opportunities for adaptation and mitigation programming, and opportunities to improve the funds programming processes, can the GCF capture?

For the next programming period, a major focus for adaptation projects is the inclusion of the private sector – which must be mobilized through the whole portfolio in order to achieve the paradigm shift. It is known that adaptation projects have low returns and that they are mainly financed by grants. Alternatively, is it possible to work on mechanisms to crowd in the private sector, especially the domestic private sector, for projects that build resilience?

Regarding mitigation, it is important to keep on with the current focus on the energy sector, which remains the main contributor of GHG emissions. In this perspective, the FP189 project presented at B33 is a very good example of the expectations in this field. Indeed, this large-scale and regional project stimulates the decarbonization of urban mobility within the decarbonization of the electricity sector. Combining energy transition and transport transition is a particularly interesting dimension. It would also be relevant to develop synergies between the decarbonization of the energy sector and those of industry, for example.

Finally, the co-benefits between mitigation and adaptation will be essential to the success of the next programming period. In this regard, nature-based solutions are a very relevant candidate for multiplying these climate co-benefits, while providing other types of co-benefits. At the international level, mangroves are attracting a lot of interest from many countries. Other types of nature-based solutions, appropriate to the local conditions where projects operate, should be further explored.

7. Building on its private sector strategy, what actions and partnerships should GCF pursue to catalyze private sector finance at scale?

The implementation of the private sector strategy is expected to mobilize further climate finance and achieve the objectives of the Paris Agreement. To do so, the volume of programming to the private sector needs to rapidly increase in order to catch up with the objectives of GCF-1.

The development of the fund's variety of financial tools, including equity and guarantees, is required, as well as the prioritisation of local MSMEs financing in the SIDS and LDCs and private sector projects led by DAEs. Analysis and experimentation on new climate insurance products, especially parametric insurance, crop and energy performance insurance, is valuable and must be accessible to the most vulnerable.

Finally, special consideration should be given to adaptation projects, which are under-represented in the projects led by private actors (15%).

8. What steps can GCF take, in collaboration with its country partners, accredited entities and delivery partners, to ease and accelerate access to GCF resources, as well as strengthen the role of Direct Access entities?

Through the accreditation system, the fund can demonstrate its added value in the architecture of climate finance, as it has a direct opportunity to empower developing countries in tackling climate change. However, for many entities, the processes of the Fund (both in terms of accreditation and project preparation and approval) are perceived as too complicated compared to other institutions. Many accredited entities have never even submitted one project or will need to be re-accredited before having submitted one. The difficulties faced by its partners could harm the reputation of the GCF in the long-term. To ensure the effectiveness of the accreditation model, a substantial reduction in the number of EAs (stock) and a stronger prioritisation and conditionality (flow) are required.

The GCF, now an institution managing a 10bnUSD portfolio, should pay closer attention to how language barrier may affect countries' effective access to GCF resources, including in terms of duration of the FP development phase. Many partners from non-English speaking countries may face specific difficulties in navigating GCF procedures and operational modalities. With regards to strengthening the role of DAEs, the role of IAEs in supporting DAEs' capacity building and development should be closely monitored and if needed, reinforced.

Also, we believe that a GCF regional presence could ease access to GCF resources and improve collaboration with its country partners. We are waiting for further elements since the last session held by the Secretariat on the feasibility study.

9. What enhancements or adjustments to operational modalities, policies or institutional capacities might be required to support successful execution of the GCF's strategic vision and programming priorities?

Echoing previous answers, the GCF must streamline its processes, simplify access to its fundings and review its governance - which is probably the area where the GCF is the most lacking compared with its peers. To do so, we request that the GCF to close all remaining policy gaps, such as the Accreditation strategy and the Investment Framework (i.e. concessionality, programmatic approach and incremental and full costs), as well as governance related policy gaps such as on policies for decisions between board meetings and the review of the effectiveness of committees and groups.

The GCF has indeed a unique governance, bringing together developed and developing countries on an equal foot, and relying on consensus, inherited from climate international conventions. Although this system offers the opportunity of a political partnership, it has also created tensions at the Board due to divergences of views. This leads to delays in the adoption of structural policies for the operation of the Fund, lack of transparency and loss of attractiveness for the fund.

The proper functioning of the fund relies on the extensive and permanent coordination of four families of actors: the board (including its committees, panels and groups), the secretariat, the CCs and the independent units. These actors must have a well-defined role in order to work in a complementary manner in the decision-making process and have the capacity to carry out their missions in transparency.

10. Are the measures for measuring, monitoring and reporting progress towards the GCF's strategic vision, objectives and priorities sufficient, or how could these be strengthened?

Measures for measuring, monitoring, and reporting on the progress of the GCF strategy are generally satisfactory. The recently adopted IRMF brings many welcome improvements and the status report on USP that is regularly shared with the Board is also a welcome addition.

In addition, project monitoring and evaluation indicators could sometimes be strengthened, depending on the sector. For example, in the case of forestry-related projects, it would be useful to clarify monitoring indicators to evaluate the implementation of reforestation projects on the one hand, and to verify that the project also allows a decrease in deforestation on the other hand. On that note, we would like to have markers for biodiversity that allow monitoring GCF activities in line with the post-2020 Global Biodiversity Framework.