



Review and update of the GCF Strategic Plan

Open consultation session with GCF observers

18 August 2022



PART I:
B.33 INFORMAL WRAP-UP

B.33 Informal session wrap-up

Evolve the USP Review component

- Analysis of key access bottlenecks and trade-offs in current strategy and target setting
- Review of organizational structure vis-à-vis strategy

Propose new “quantified, actionable, achievable and ambitious” strategic objectives for better assessment of progress towards the strategic vision & inform concrete actions in the USP, strategies, WPs and KPIs

Clarifying linkages and approach between USP & other strategies (existing and being developed in parallel)

Evolve statements on: comparative advantage & risk appetite, nuanced to country, market, technology contexts and examine social implications

Programming: concrete opp. for paradigm-shift; DAE/adaptation ambition; translating NAPs/Readiness into investments; domestic private sector mobilization & crowding finance in adaptation;

Operations: simplify access & efficiency across accreditation, readiness, PPF, project cycle, legal arrangements; improving linkages between Readiness/PPF



PART II:
AMBITIONS FOR PROGRAMMING IN GCF-2:
Assessing opportunities & GCF comparative advantage

PART II: DISCUSSION STARTERS:

What has worked well under the GCF strategic planning/ what hasn't ?

Does the GCF's long-term strategic vision – of promoting paradigm shift and supporting developing countries in implementation of the UNFCCC and PA – remain relevant and ambitious as a vision for the Fund?

Based on evolving climate science, global trends, developing country needs and experience, how should GCF evolve its programming directions through the second replenishment period? What should GCF try to do more of (or less of) to support the mitigation & adaptation priorities of developing countries?

What are GCF's unique comparative advantages in the climate finance landscape? What are the opportunities for complementarity, coherence and partnerships?

THERE IS OPPORTUNITY FOR GCF TO EVOLVE ITS VISION



Support
developing
countries in the
implementation
of the PA and
UNFCCC

THE OPPORTUNITY: Expand on GCF's approach for advancing implementation of NDCs, NAPs and LTS in the context of the UNFCCC/PA ambition cycle

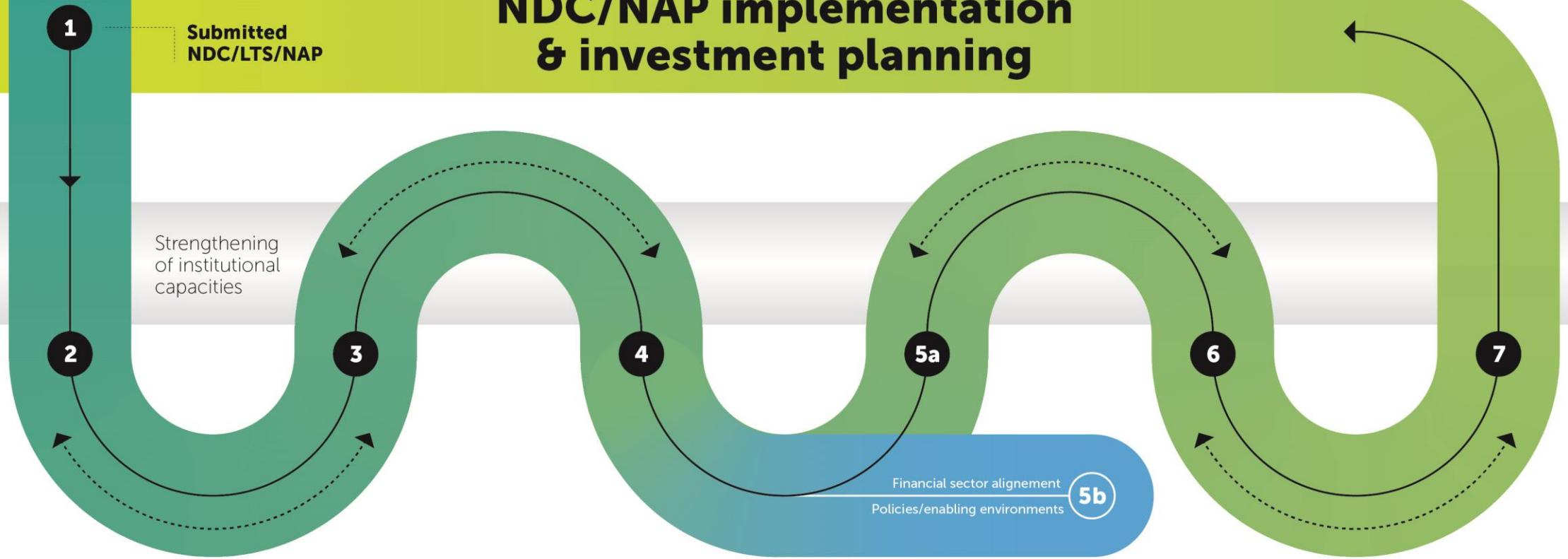
- Better articulate the steps for moving from NDC/NAP/LTS to bankable investment
- Focus GCF support on key gaps, e.g. strengthening use of climate information/risk assessments in investment planning/decision-making to accelerate systemic responses
- Deploy 'financial engineering' approach to optimize financing pathways

Promote
paradigm shift
towards LECR
development
pathways

THE OPPORTUNITY: Orient GCF programming approach toward unlocking barriers to systems transitions and paradigm shift pathways

- Four-pronged theory of change for promoting paradigm shift operationalized through thematic programming strategies
- Elaborate GCF's risk appetite and evolving comparative advantage, to identify where GCF can add the most value relative to others
- Leverage position at hub of a global partnership network for co-investment approaches

NDC/NAP implementation & investment planning



OPPORTUNITIES FOR GCF

3

Evidence-based option identification

- Strengthen climate information & leverage first generation readiness/ NAP outcomes (climate risk asmts etc) to ID systemic interventions

4

Investment Planning

- Support 'financial engineering' approach to optimize financing to barriers & comp. adv. of financiers, and structure programmes of investments

6,7

FPs & implementation

- FPs & co-investment approaches
- Knowledge for NDC/ NAP updates
- Climate capacity (XC)

THEORY OF CHANGE FOR PROMOTING PARADIGM SHIFT

GOAL

The GCF promotes paradigm-shift in developing countries towards low-emission climate resilient (LEDR) development pathways, in line with the goals of the UNFCCC and Paris Agreement

IRMF *Paradigm-shift impact*

THEORY OF CHANGE STATEMENT

IF GCF helps remove technical, financial and entrepreneurial barriers to climate investment

THEN developing countries will shift towards LECR pathways by 2030

BECAUSE finance will be available at scale for an increasing flow of bankable climate initiatives in developing countries across mitigation and adaptation result areas

Applicable results measurement

OUTCOMES

1: Transformational planning and programming: Strengthened developing country capacity to establish enabling environments for climate investment: promoting integrated climate and sustainable development strategies, plans, policies to inform investment planning, incubate new climate solutions and crowd-in the private sector.

2: Catalyzing climate innovation: Increased number and deployment of innovative & inclusive high-potential business models, financial instruments, technologies or practices successfully piloted and high-quality innovation ecosystems established and supported

3: Mobilization of transformational investment at scale: De-risking and establishing a commercial track record to scale up pioneer climate investment, crowd-in private finance and increase local country capacity to attract private capital for climate action

4: Aligning finance with sustainable development: Strengthened capacity of domestic financial systems to mainstream climate risks into financial decision-making, originate and appraise climate projects, develop new financial products & services for climate outcomes.

Readiness Results Framework

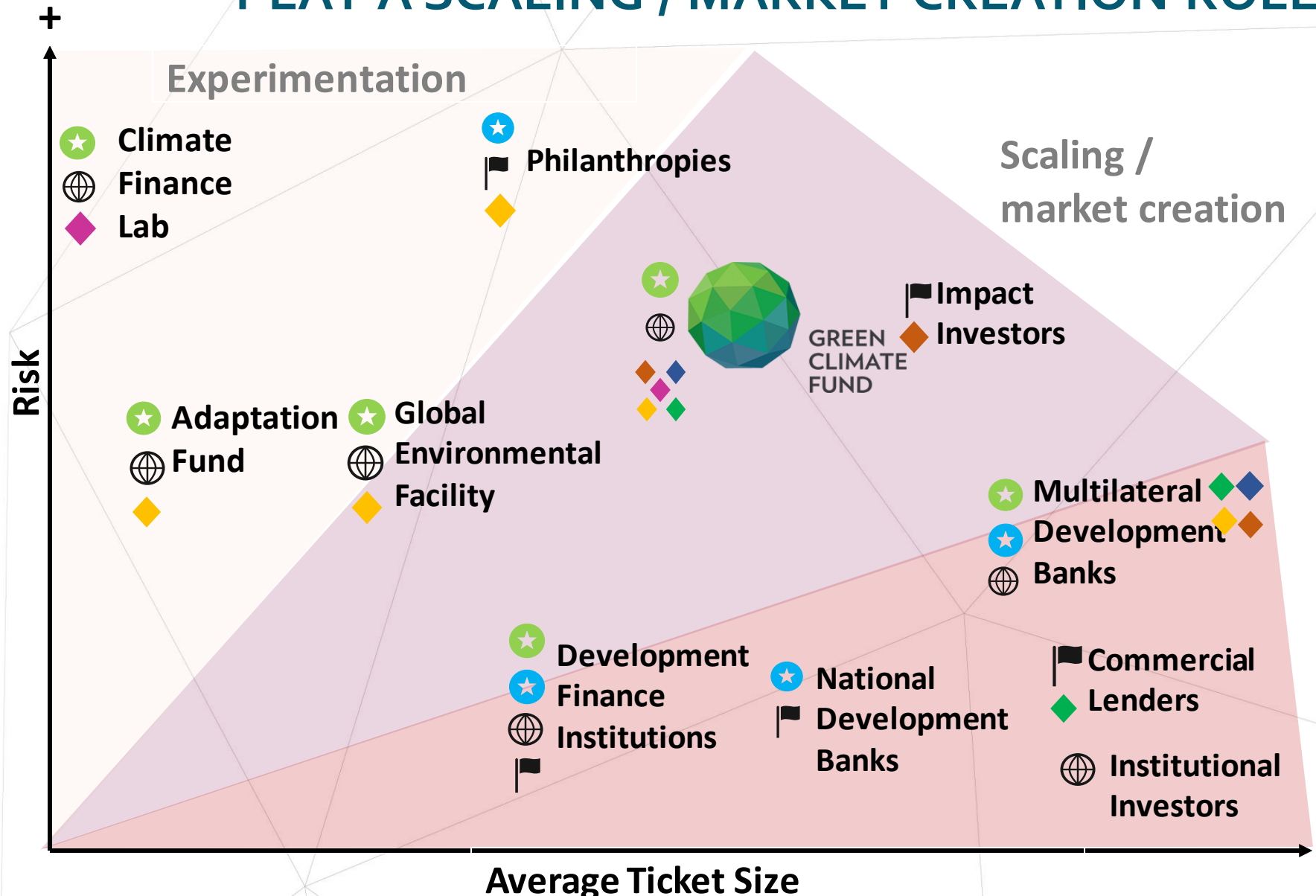
All IRMF results levels

- *Mitigation & adaptation impact*
- *Enabling environment impact*
- *Paradigm-shift impact*

GCF-2 PROGRAMMING OPPORTUNITIES: SYSTEMS TRANSITIONS

- **ENERGY:** Making a systemic switch from fossil fuels to low-carbon energy sources, while ensuring energy security and improving energy use efficiency and energy infrastructure resilience
- **LAND, OCEANS AND ECOSYSTEMS:** Preserving and restoring nature and evolving food systems and water use to secure livelihoods and resilience
- **INFRASTRUCTURE, URBAN, TRANSPORT:** Switching from grey to green infrastructure, re-configuring business incentives in water use systems, massively increasing electrification, improving efficiency and reducing waste through sustainable urban planning and shift toward circular economies
- **INDUSTRY:** Shifting value chains and switching to new, more efficient production processes and materials
- **SOCIETAL:** Building a foundation of climate services, risk sharing systems, social safety nets and diversifying livelihoods to ensure health, wellbeing and sustained and inclusive development. Enabling financial systems transitions

GCF'S SIZE AND RISK APPETITE POSITION IT TO PLAY A SCALING / MARKET CREATION ROLE



Thematic area

- ★ Climate / Environment
- ★ Development

Scope

- 🌐 Global
- 🚩 Local / origin country

Financial Instrument

- ◆ Equity
- ◆ Guarantee
- ◆ Grants
- ◆ Loan
- ◆ Seed support

Mature markets & asset classes



GCF-2 PROGRAMMING: “TARGET FOR PRACTICE”

PROPOSITION FOR DISCUSSION: GCF should do MORE:

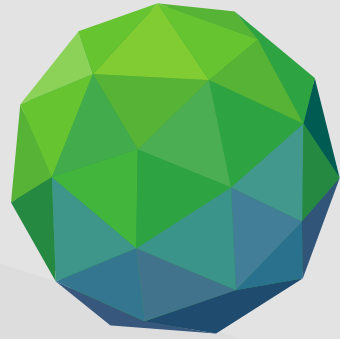
- **Support for developing countries and their partners to access and use climate information, projections and risk/ vulnerability assessments to inform investment planning, FP design and decision-making**
- **Support to institutionalize climate investment capacities in developing countries, in particular through direct access entities and strengthening climate capabilities of national financial systems**
- **Low-risk, replicable interventions through SAP that target common/urgent areas of developing country needs (climate information/EWS, agriculture, energy access), NB for LDCs/SIDS/Africa**
- **Risk-taking to support innovation in technologies, business models, instruments and practices in developing countries, even where there is risk of failure/climate impact may not be ‘guaranteed’**
- **De-risking of private sector investment in developing countries, particularly in areas where private sector investment does not conventionally flow (adaptation, new asset classes, new markets etc)**



GCF-2 PROGRAMMING: “TARGET FOR PRACTICE”

PROPOSITION FOR DISCUSSION: GCF should do LESS OF OR LEAVE TO OTHERS:

- **Readiness support for areas covered by other established capacity-building programmes (e.g. NDC updates, socio-economic analysis, action gap analysis, MRV etc)**
- **Small-scale seed funding for rapid experimentation with climate innovation (eg AF Innovation Facility, Climate Finance Lab). GCF can instead focus on acceleration/scaling of promising innovations that emerge from such initiatives**
- **Small grants for direct implementation by NGOs, CSOs, academic institutions, private sector (eg AF, GEF small grants). GCF’s business model & policies are built on a partnerships approach adapted for scale.**
- **‘High cost-efficiency / high-leverage’ interventions, which can be more effectively delivered by carbon markets or less concessional financiers**
- **Providing financing for tranches that could be financed by other concessional multilateral or development finance institutions**



**GREEN
CLIMATE
FUND**