

**Cover Response:**

The Green Climate Fund's Strategic Plan should be overarching, comprehensive, realistic, and should set clear expectations to all relevant stakeholders for the upcoming period 2024-2027. Given that the GCF has a current Strategic Plan, and that independent assessments of the performance of the fund against strategic priorities has been conducted, the logical approach to the Updated Strategic Plan should focus first and foremost on addressing critical areas of improvements and leverage insights into the operational issues at the fund.

Some key takeaways from the IEU's contribution to the second performance review of the GCF include low board member capacity and resources, polarization of board members based on constituencies, understaffing and overworking of the secretariat, variable performance levels of the secretariat, incoherence and at times contradicting strategic priorities within the fund, poor definition of co-chair and adviser roles within the board, and variable institutional capacities of accredited entities and NDAs.

These issues in our view lie at the heart of or contribute to many of the GCF's shortcomings, such as issues related to access, accreditation, prioritization and approvals, with a wider and more critical issue of adequate resourcing. It is clear from assessments, that capacity and resources at the fund are restrained and must be appropriately prioritized in line with the fund's country-driven approach. Without such issues being effectively addressed, it will be difficult for the fund to effectively implement its current ambitions, let alone divert and expand its operations into different activities. The strategic plan must be practical and the development of the plan should therefore consider the capacity and capabilities of the fund as well as its parameters as outlined by its governing instrument in the development of the plan rather than solely considering these factors retrospectively.

With the above in mind, it is concerning that the secretariat is proposing for the fund to be involved in a wider array of activities, some that we struggle to associate with the governing instrument, rather than focus on improving areas in which the fund currently operates. The fifth medium term strategic objective in particular "greening financial systems" is not appropriate unless in the context of enabling developing countries to better gain access to sustainable finance in line with their priorities. Additionally, an increased focus on catalyzing resources is not appropriate as a priority against the backdrop of shortcomings in various areas within the current plan related to the provision of support, such as the imbalance between mitigation and adaptation funding that is mandated by the governing instrument.

Below are key areas that should have more emphasis in the Updated Strategic Plan:

1. Above all the most important area we would like enhanced focus on is strengthening country-ownership and a clear path forward in better defining country-ownership and how the fund aims to achieve this
2. The fund shall achieve a balance between mitigation and adaptation funding in line with, first and foremost, the priorities of a given country to ensure that the fund's activities remain country-driven
3. Strengthening developing countries' capacity to undertake planning and programming, aligned with their NDCs, ACs, NAPs and other national climate strategies and incorporating broad based and inclusive stakeholder engagement
4. Ensuring GCF programming capacity and pipeline development is guided by a country-driven prioritization of the most meaningful investments for countries in relation to their plans in their respective national and regional contexts

5. Supporting national and regional DAEs to play a more prominent role in GCF programming and channel significantly more GCF funding
6. Improving predictability and accessibility of support through the Readiness and Preparatory Support Programme (Readiness Programme) and Project Preparation Facility
7. Building the programming and implementation capabilities of national and regional DAEs

A thorough review of the draft updated strategic plan for 2024-2027 is needed to ensure that the fund does not engage in activities that set policy, set standards for policies, or aim to achieve an action in itself (such as playing any role in the standardization of climate approaches or green taxonomies) as these types of efforts are not in line with the governing instrument. We reiterate the need for the fund to remain within its primary and most important function, which is namely to provide support that enables developing countries to implement projects as per their national climate action plans and defined priorities. As such the fund must remain as a vehicle to enable the delivery of the means of implementation to developing countries, rather an entity that establishes 'best practices' or 'standards.'

In that sense the fund does not aim to increase the integration of climate related risks within entities in a given country, but rather it should support countries to implement policies they have identified that align with their national circumstances to better gain access to sustainable finance. The fund must proceed with caution to ensure that the ambitions set out in the updated strategic plan actually lead to an increase in finance/funding in developing countries. There is no empirical evidence that we are aware of that stipulates that the mainstreaming of climate-related risk assessments within a country leads to increased funding, in fact it very well may be the case that doing so will lead to decreased investments in many developing countries that are set to face the brunt of climate change impacts.

While we have provided recommended changes to work with the draft provided by the secretariat, it is important to note that the secretariat must reconsider its approach to the development of the plan. The plan must be:

1. Realistic and practical: considering current and expected resources across the secretariat, board, pledges etc.
2. Effective: leading to increased country-ownership and to enhanced access to resources in developing countries
3. Corrective and informed: building on key lessons from the IEU to address, first and foremost, critical gaps in performance and underperformance in previously defined key areas before attempting to tackle new and previously unexplored areas
4. Appropriate: fully in line with the governing instrument of the fund, not venturing into areas within which the fund has no mandate

Any version of the updated strategic plan must incorporate the above considerations to be viable for consideration. Below are suggested changes to the existing plan, the purpose of these suggested changes is to provide the secretariat with an idea on how the plan can be amended in its current state. For the plan to be complete, however, the secretariat must incorporate all the feedback provided in the cover response as well.



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16 December 2022

# Update of the Green Climate Fund Strategic Plan 2024-2027

## Consultation DRF.01

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# Strategic Plan for the Green Climate Fund 2024–2027

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## I. Introduction: Rising to the climate investment challenge

1. The Green Climate Fund (GCF) is the world's largest dedicated climate fund serving developing countries. As an operating entity of the financial mechanism of the United Nations Framework Convention on Climate Change (UNFCCC) and serving the Paris Agreement, GCF has since its inception committed over USD 11.4 billion to over 200 projects in 128 developing countries, with a total asset value of USD 42 billion.<sup>1</sup> GCF is guided by the ambitious mission set out in its Governing Instrument: "to make a significant and ambitious contribution to global efforts toward attaining the goals set by the international community to combat climate change ~~by~~ [as well as] in the context of sustainable development, ~~promoting~~ promote the paradigm shift towards low-emission and climate-resilient development pathways by providing support to developing countries to limit or reduce their greenhouse gas emissions, taking into account the needs of those developing countries particularly vulnerable to the adverse effects of climate change, taking into account the needs of those developing countries particularly vulnerable to the adverse effects of climate change."<sup>2</sup>

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2. Since GCF last updated its Strategic Plan in 2020, the magnitude and urgency of the climate investment challenge has become even clearer. The world has already experienced over a degree of warming, with climate change impacts being felt in all regions. The Sixth Assessment Report of the Intergovernmental Panel on Climate Change warns the window of opportunity for both mitigation and adaptation action is narrowing, highlighting the ~~imperative to shift from incremental to systemic responses~~ the critical need for additional financial support. As part of the global response, over 140 countries have raised their ambition, and the international community has reinforced the need to scale up adaptation action and support, ~~and reach carbon neutrality or net-zero emissions by or around mid-century to stay within the Paris Agreement goals,~~ as well as implementing approaches to avert, minimize and address loss and damage.<sup>2</sup>

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3. Climate hazards, the COVID-19 pandemic and the war in Ukraine are all contributing to rising developing country debt. Sixty per cent of low-income countries and 30 per cent of middle-income countries are in or near debt distress. Finance is becoming more expensive as interest rates rise and local currencies fall against the US dollar. In this challenging economic environment, the imperative of "building back" and "building forward better" through interventions that simultaneously support climate action, economic recovery and manage debt, and address concurrent energy, food and biodiversity crises is clear. While a key challenge of the last 20 years has been using policy to lower the cost of climate technologies, in this critical decade the role of finance is key to accelerate widespread adoption of available solutions, and support development of new approaches particularly for adaptation and using nature, ensuring benefits can be accessed equitably by developing countries and reach the most vulnerable.

4. The Governing Instrument mandates the Board to steer GCF's operations so they evolve with GCF's scale and maturity, supporting its evolution as the main global fund for climate finance. This update to the Strategic Plan has been prepared in response to that call, as GCF heads into its second replenishment period (2024–2027) (GCF-2). While GCF has since 2020 been the largest dedicated multilateral provider of climate finance, it is important to recognize that its funding of around USD 2–2.5 billion annually over GCF-1 (2020–2023) represents just a few per cent of the beyond-USD 100 billion to be mobilized for developing countries annually, let alone the trillions in wider investment needs. As GCF looks to the future, this update to the Strategic Plan aims to chart in actionable terms how GCF will seek to deliver the highest levels of catalytic impact through its key assets – its financial resources, partnerships, convening

<sup>1</sup> Figures will be updated to be current at the time of the adoption of the updates to the Strategic Plan.

<sup>2</sup> Decision 1/CP.26 (Glasgow Climate Pact).

power, people and knowledge – to maximize the ambition of its contribution to international climate goals and promote a paradigm shift for developing countries by providing support, while also maintaining focus on supporting the urgent needs of those most vulnerable to climate change.

5. This update builds on the foundations set through implementation of the GCF Strategic Plan since its initial adoption in 2016, including the GCF’s growing institutional maturity and programming experience. It follows a simplified structure with the following parts:

- (a) **Section II: Long-term vision** articulates GCF’s long-term strategic vision, originally set by the Board in 2016. This update elaborates the strategic vision to better align GCF with the goals and dynamic ambition cycles of the UNFCCC and Paris Agreement;
- (b) **Section III: Mid-term goals** set markers for the concrete climate results GCF will aim to contribute to over the period up to 2035, charting an ambitious pathway and milestones toward delivery of the long-term vision, subject to resourcing;
- (c) **Section IV: Strategic programming objectives for 2024-2027** lay out the programming directions GCF will pursue over the second replenishment period in working toward the long-term vision and mid-term goals, and the key actions GCF will take to deliver these through its programming modalities, policies and partnerships;
- (d) **Section V: Operational goals and institutional priorities for 2024-2027** set out GCF’s core operational goal of enhancing access, alongside institutional priorities that GCF will pursue over 2024-2027 to equip itself for success in delivery. These are intentionally high level and designed to inform more in-depth action plans developed through annual work planning processes.

6. An updated results tracking tool, aligned with the GCF’s Integrated Results Management Framework (IRMF), will be developed and used to report annual progress on the Strategic Plan for the GCF 2024–2027, starting in 2025. Actions required to implement the Strategic Plan will be further detailed through the workplans of the Board and its committees, and annual work programmes of the Secretariat and independent units, with performance indicators aligned with the Strategic Plan results framework.

7. **Figure 1** shows the updated logic of the GCF Strategic Plan, including how its components are designed to align internally and with the UNFCCC and Paris Agreement goals.

**Figure 1: Updated GCF Strategic Plan 2024-2027.**

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UNFCCC & PARIS AGREEMENT	GCF ASPIRES TO MAKE A SIGNIFICANT & AMBITIOUS CONTRIBUTION to: (a) holding temperature well below 2°C and pursuing 1.5°C, (b) enhancing adaptive capacity & resilience and reducing vulnerability, and (c) making finance flows consistent with pathways toward LECR development, through successive ambition cycles	Progress assessed by COP/CMA through global stocktake & UNFCCC reports and reviews
STRATEGIC VISION	GCF PROMOTES PARADIGM SHIFT AND IMPLEMENTATION OF THE UNFCCC AND PARIS AGREEMENT envisioning every developing country will be equipped to translate their NDC, AC, NAP and/or LTS into climate investments able to attract an increasing flow of finance for a just transition of energy, infrastructure, food/ecosystems and societal systems	Progress evaluated through IRMF paradigm shift level
MID-TERM GOALS	GCF AIMS TO DELIVER MILESTONE CLIMATE RESULTS toward global pathways over the period through to 2035, based on its resourcing, in view of which:	Progress measured through RRMF and IRMF mitigation/adaptation & enabling environment impact levels & supplementary tracking
PROGRAMMING OBJECTIVES	GCF WILL DIRECT PROGRAMMING over 2024-2027 toward strengthening (1) climate investment capacities (2) innovation of climate solutions (3) resilience to urgent vulnerabilities (4) coalitions for systems transition (5) greening finance	Progress tracked through RTT & work programme results frameworks
OPERATIONAL & INSTITUTIONAL PRIORITIES	GCF WILL LEARN AND ADAPT ITS OPERATIONS guided by a core operational goal of enhancing access, and pursue institutional measures to calibrate its policies, processes, governance and organizational capacity for successful delivery.	Progress tracked through RTT & work programme results frameworks

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## II. Long-term strategic vision of the GCF

8. Building on the purpose and mission set out in the GCF Governing Instrument, the Board's long-term strategic vision for the GCF is to:

- (a) Promote the paradigm shift towards low-emission and climate-resilient development pathways in the context of sustainable development by providing support; and
- (b) Support developing countries in the implementation of the UNFCCC and Paris Agreement, within the evolving climate finance landscape.

9. This envisions that **every developing country will be equipped to translate their nationally determined contributions (NDCs), adaptation communications (ACs), national adaptation plans (NAPs) and long-term strategies (LTS) into country-owned, impactful, bankable climate investments**, which are able to attract an increasing flow of finance for, and remove barriers to, a just transition of energy, infrastructure, food, ecosystems and societal systems in line with 2050 pathways to meet their contribution to the achievement of the ultimate objective of the UNFCCC and the goals of its Paris Agreement goals. It also aspires that building a successful track record of implementation providing adequate support through enhanced access will enable developing countries to progressively update their NDCs, ACs, NAPs and other plans, building ambition over successive Paris Agreement cycles. In the context of agreement for a significant share of new multilateral funding for adaptation to flow through the GCF, GCF will seek to make an enhanced, critical contribution to scaling up financing for action on adaptation and resilience.

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10. GCF seeks to realize its vision by both channelling its resources to developing countries to address barriers to climate investment and catalyzing wider sources of finance to meet the scale of countries' investment needs. GCF channels and catalyzes resources in two main ways, guided-determined by country priorities. First it makes patient investments in mainstreaming capacities and strengthening tools to enable and enabling environments for developing countries to integrate structure their climate change into economic and financial decision-making in a manner consistent with their climate action plans and approaches, and generate a project pipeline for GCF and other financial sources. Second, it exercises its distinctive risk

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appetite – being willing to accept considerable uncertainties around investment risks to unlock significant climate impact potential – by deploying concessional finance for mitigation, adaptation and cross-cutting funding proposals that help unlock pathways to paradigm shift ~~and systems transition~~. GCF puts specific focus on supporting developing countries, and their people, who are most vulnerable to the adverse effects of climate change and strives to promote gender equality and human rights.

11. As one actor in the wider climate finance landscape, GCF will not deliver this vision on its own. It will draw on its strengths as a climate-specialized, country-driven, partnership-based organization: working at a nexus of risk, scale and instruments that equip it to play the role of an accelerator and amplifier for climate action. GCF works through collaborations. GCF collaborates with developing countries and their investment partners on the ground to build institutional know-how for climate investment. GCF collaborates with organizations such as the Adaptation Fund, Global Environment Facility and Climate Finance Lab, which fund at smaller ticket sizes with nimbleness for experimentation, to bring promising innovations and successful approaches to scale. It then takes on risks associated with ‘proof of investment’ to allow more conservative sources of finance, including multilateral development banks, national development banks, commercial lenders, equity funds and institutional investors, to shift much wider financial resources toward climate action. In this way GCF seeks to avoid overlap and optimize cooperation toward its vision, drawing on the respective strengths of partners.

### III. Mid-term goals for climate results

12. To focus the urgency and ambition of GCF's programming as it strives to deliver its long-term vision, GCF will aim to contribute to the below mid-term goals aligned with pathways to enable developing countries to meet their targeted contributions to the achievement of the ultimate objective of the UNFCCC and the goals of its Paris Agreement goals. The pace at which GCF will be able to deliver these goals will be based on its total resourcing over progressive programming periods, as well as its ability to catalyze financing beyond its own investments. With high ambition replenishments, GCF should be able to deliver on target and even accelerate 2030 goals to 2027, while in lower resourcing scenarios goals may only be delivered in the period through to 2035.

Annex I of this consultation draft sets out background analysis related to the calibration of mid-term goals and how much GCF could contribute based on potential resourcing scenarios over 2024-2035

By 2027	
CLIMATE INVESTMENT CAPACITIES	<p>Every developing country will have the essential capacities to translate their NDC, AC, NAP or LTS into a climate-evidence informed, country-owned climate investment plan and pipeline of climate investments</p> <p>Double the number of Direct Access Entities will have built the climate investment capacities to start programming approved public and private sector funding proposals</p>
INNOVATING CLIMATE SOLUTIONS	<p>Over 50 new incubators or accelerators will be established to promote innovation of climate solutions in developing countries</p> <p>Over 1000 start-ups or MSMEs will have enhanced access to seed and early-stage capital, with a focus on adaptation and universal energy access</p>
RESILIENCE TO URGENT VULNERABILITIES	<p>Every developing country will be protected by basic early warning systems, including all SIDS, LDCs and African States</p> <p>Vulnerable communities in more than 20 of the most at-risk countries will have access to devolved financing for locally-led adaptation</p>

By 2030-2035	
Just energy transitions	<p>over three quarters of developing countries will be supported to advance <u>on a pathway toward reaching a global share of at least 65% zero carbon energy in electricity generation, universal access to clean energy and accelerated decarbonization of hard-to-abate sectors</u> <u>their just transition pathway with a view to protecting local populations from issues related employment, energy access and poverty</u></p>
Just infrastructure transitions	<p>—systemic infrastructure resilience planning will be in place in a third of developing countries, focusing on SIDS, LDCs and African States</p>
Just food systems transitions	<p>— over a quarter of the world's 500+ million smallholder farmers will be helped to adopt low-emission climate-resilient agricultural practices</p>
Just ecosystems transitions	<p>— Over 100 million hectares of terrestrial and marine areas will be conserved and over 200 million hectares restored or brought under sustainable</p>

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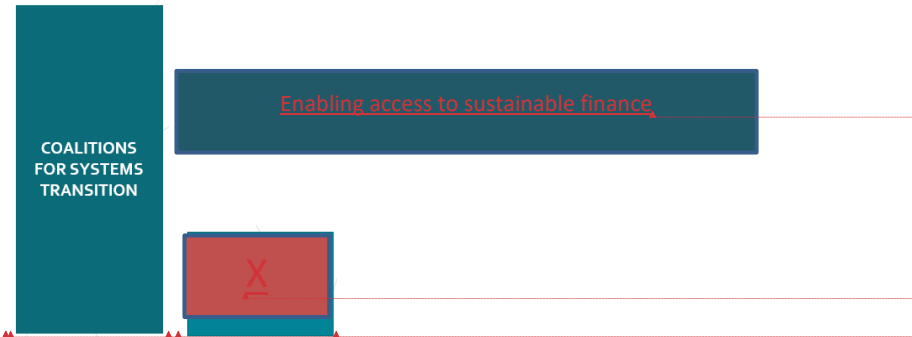
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Over 50 new green banks, green facilities or climate bonds issuances will be created to promote alignment of wider finance flows access to sustainable finance in developing with low emission, climate-resilient development pathways consistent with issuers' climate action plans, ensuring that such plans are mainstreamed into finance and investment approaches

#### IV. Strategic programming objectives for 2024-2027

13. The five strategic programming objectives for 2024-2027 below set out the prioritized programming directions that GCF will pursue over its second replenishment programming period to deliver its long-term vision and mid-term goals for climate results. Each strategic programming objective includes, at a high level, key enabling actions that GCF will take with respect to its programming modalities, policies and/or partnerships to create the conditions for successful delivery. These strategic programming objectives are intended to be supported by more detailed thematic strategies adopted by GCF across programming areas.

The Secretariat will develop further analysis related to the feasibility, trade-offs and resourcing implications of the proposed strategic programming objectives to inform consultations in 2023.

##### Objective 1: Strengthening country climate investment capacity

14. Developing countries are GCF's core stakeholders. As a fund based on the principle of country ownership, GCF seeks to empower developing countries to be in the driver's seat of climate investment planning, origination and implementation, able to translate national climate ambitions into an increasing flow of impactful investments. GCF also seeks to be developing countries' partner of choice in strengthening and mainstreaming the essential capacities needed to internalize climate change risks effectively enable climate action, and the capacity to design systemic-efficient responses to climate change tailored to national circumstances, into development planning and financial decision-making. With the GCF Readiness and Preparatory Support Programme (RPSP) the world's largest climate capacity building programme, GCF is uniquely positioned to provide support to enable the domestic institutional paradigm shifts that is-are, can contribute to a critical condition for the successful implementation of national climate action plans and approaches. In line with its mid-term goals, GCF's focus for 2024-2027 will be:

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CLIMATE  
INVESTMENT  
CAPACITIES

1A: Strengthening developing country capacities and enabling environments for ~~systemic effective~~, country-driven climate investment planning

1B: Strengthening direct access entity programming capacities

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15. Objective 1 will be supported by the following key modalities, actions and partnerships:

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- (a) **Board decisions on an updated strategy, aligned work programmes and predictable resourcing for the RPSP**, reoriented toward addressing gaps in the capacities ~~and to enabling environments needed the for~~ effective ~~implementation of~~ NDC, NAP and LTS ~~as well as~~ investment planning ~~and implementation~~, with distinct windows addressing the needs of National Designated Authorities/focal points and Direct Access Entities (DAEs);
- (b) **Better differentiating GCF support**, both through the RPSP and Secretariat technical assistance, to where it is needed the most, including to developing countries that have not yet been able to access GCF support for funded activities or who are not regularly able to access resources for readiness activities;
- (c) **Contributing to technical guidance on NDC/NAP/LTS investment planning**, in collaboration with the UNFCCC Secretariat and NDC Partnership, to help developing countries better identify and bridge gaps drawing on ~~best-relevant practices and applicable examples~~;
- (d) **Building a platform of resources to enhance access to and use of best available climate information** for investment planning and origination, building on collaboration with the World Metrological Organization (WMO) and global climate expert networks, and drawing on local and traditional knowledge;
- (e) **Harvesting concrete results from the first phase of national adaptation planning support** to advance NAP implementation, including how climate risk and vulnerability assessments can better be used to support ~~systemic effective~~ investment planning and design<sup>3</sup>;
- (f) **Refocusing country programmes as more dynamic climate investment planning tools**, examining how these can be better informed by ~~systemic country-wide~~-climate assessments, be used to structure and maximize potential sources of finance, and also be better ~~linked aligned with the~~ existing national development ~~or and linked to~~ investment planning processes;
- (g) **Updating GCF country ownership guidelines**, as part of the Board workplan, to better define country ownership beyond the no-objection procedure, clarify roles, and enhance meaningful country engagement throughout origination and implementation processes; ~~including engagement with affected communities, indigenous people and private sector at the national level~~;
- (h) **Encouraging increased use of RPSP support** for policy and enabling environment measures to support interventions identified in investment plans, as well as to fully mainstream gender equality ~~and rights based~~ approaches into climate investments;

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<sup>3</sup> In collaboration with UNDP, UNEP, FAO and partners responsible delivering the first phase of NAP support.

- (i) **Strengthening peer learning mechanisms for DAEs**, in parallel to end-to-end support under the RSPSPS, collaborating with the Adaptation Fund through the Community of Practice for DAEs and with international accredited entities on DAE pairing.

## Objective 2: Accelerating innovation of new climate solutions

16. Unlocking access to, and accelerating the development and diffusion of, new climate solutions will be critical if developing countries are to achieve paradigm shift toward low-emissions, climate-resilient development **by receiving adequate quality support**. While interventions over the last two decades have spurred significant expansion of climate innovations, innovation is still geographically concentrated, with 93% of climate venture capital flowing mostly to 10 hubs – potentially widening inequality and hampering low-emission, climate resilient economic transitions. Developing countries have immense potential to accelerate climate innovation, and have for example been among the fastest adopters of digital services. But development and diffusion of inclusive, **responsible-effective** innovation faces barriers in any context, and in developing countries these are particularly acute, due to a lack of supportive domestic innovation ecosystems, limited access to seed and early-stage capital and higher perceived risks **among international investors**. In this area, GCF can serve as an accelerator, helping remove barriers that will allow home-grown innovation to flourish, as well as promoting widespread adoption of promising solutions, with a focus on adaptation and ecosystem-based approaches. In line with its mid-term goals, GCF's focus for 2024-2027 will be:

INNOVATING  
CLIMATE  
SOLUTIONS

2A: Incubating and accelerating emerging climate technologies, and practices based on local and traditional knowledge

2B: Establishing proof of concept for new business models and financial instruments, particularly for adaptation

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17. Objective 2 will be supported by the following key modalities, actions and partnerships:

- (a) **Launch of requests for proposals to accelerate innovation of climate solutions**, including on climate technology incubators and accelerators, and on scaling-up innovation based on local and traditional knowledge, subject to Board decision;
- (b) **Pipeline programming to support the development of high-quality public-private innovation ecosystems**, in line with the GCF private sector strategy, to help domestic entrepreneurs in developing countries, especially LDCs, SIDS and African States to ideate, tailor and test novel climate technologies and business models;
- (c) **Pipeline programming to support greater access to early-stage risk capital, particularly for adaptation and via micro- small- and medium- sized enterprises (MSMEs)**, in line with the GCF private sector strategy, to help establish proof of concept and viable enterprises for low-emission climate-resilient products and services;
- (d) **Collaboration with partners to identify opportunities for scaling-up innovation successes**, including with the UNFCCC Technology Executive Committee and Climate Technology Centre and Network, the Adaptation Fund and Global Environment Facility (GEF) on their respective adaptation innovation programmes, and the Global Innovation Lab for Climate Finance, among others;

- (e) **Structured engagement with the Indigenous Peoples Advisory Group (IPAG), local, indigenous and youth stakeholders** to identify potential to cultivate and scale local and traditional knowledge and practices, social and digital enterprises;
- (f) **Exploring novel applications of GCF financial instruments** to promote financial instrument innovation and market development, including potential to support climate insurance products, market- and performance- based approaches, or other innovations;
- (g) **Increasing instances where GCF takes educated risks to demonstrate viability of innovative approaches**, confirming GCF’s risk appetite supports taking risks associated with innovation, where climate impact is not guaranteed but potential is high;
- (h) **Keeping at the forefront equity dimensions of innovation**, including differentiated gender and socioeconomic impacts of new climate solutions, to help foster inclusive, responsible and sustainable innovation.

### Objective 3: Building resilience to urgent climate threats

18. The latest science makes clear that climate change impacts are being felt now, and there is a limited window of opportunity for ~~transformative-effective and large-scale~~ adaptation response, underscoring the increased urgency of ~~addressing~~ the adaptation financing gap ~~by providing and catalyzing scaled-up support~~. One of GCF’s unique characteristics is its commitment to ~~achieve a~~ balance ~~between~~ funding for adaptation and mitigation action, as well as dedicate at least half of adaptation resources to countries that are particularly vulnerable to climate impacts, including SIDS, LDCs and African States. In light of the global commitment to scale up adaptation finance, and the Cancun Agreement understanding that a significant share of new multilateral funding for adaptation should flow through the GCF, GCF is poised to make a distinctive contribution to accelerating effective adaptation action. This must cover both ‘no regrets’ measures preparing the most vulnerable to deal with urgent immediate and future climate threats (Objective 3), as well as driving longer-term ~~systemic-country-wide~~ responses (Objectives 1, 2 and 4). In line with its mid-term goals, GCF’s focus for 2024-2027 will be:

RESILIENCE TO URGENT VULNERABILITIES	3A: Rapidly expanding coverage of climate information and early warning systems and supporting comprehensive risk management approaches
	3B: Scaling-up locally led adaptation action through devolved financing to increase resilience of the most vulnerable people and communities

19. Objective 3 will be supported by the following key modalities, actions and partnerships:

- (a) **Deploying Simplified Approval Process (SAP) fast-tracking packages for accelerating climate information and early warning systems (CIEWS)** interventions, with a particular focus on SIDS, LDCs, African States and others identified as priorities for investment based on collaboration with the WMO/United Nations Early Warnings for All initiative, using the planned Early Warning Index to calibrate progress;
- (b) **Pipeline programming to support measures to avert, minimize and address loss and damage** in line with COP guidance and Board decisions, consistent with the existing investment and results framework and funding windows and structure of the GCF, including through advancing comprehensive risk management approaches to build resilience to extreme and slow onset events, ~~and in complementarity with other funds;~~

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- (c) **Significantly expanding deployment of the enhanced direct access (EDA) modality and other devolved financing approaches** to enable more rapid access to finance for ~~locally-led~~country-driven adaptation action, engaging affected communities, civil society and indigenous peoples in delivering to meet the needs of last mile beneficiaries;
- (d) **Creating a forum to more closely engage local actors**, in line with country ownership principles and guidelines, including civil society, indigenous peoples and youth in ways to source and aggregate pipeline of ~~locally-led~~country-driven adaptation solutions, as well as harvest innovation from community-level programmes with potential for scaling;
- (e) **Also deploying the SAP to upscale successful projects and best practices** from the Adaptation Fund and GEF that demonstrate potential for replication at scale;
- (f) **Exploring potential to deploy GCF financial instruments** in novel ways to address urgent vulnerabilities, such as through parametric insurance or debt relief mechanisms;
- (g) **Maintaining and updating as needed GCF guidance on adaptation** to make clear to stakeholders how adaptation planning, GCF readiness and investment modalities can best be used in concert to support effective adaptation responses.

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#### Objective 4: Forging coalitions for just **systems**-transitions

20. In order to deliver the magnitude of action needed to meet the climate challenge, as well as the scale of finance needed to support developing countries ambitions, two paradigm shifts are needed. First, there is a ~~need to shift increasingly from standalone to systemic responses, designing interventions that build synergies and address trade-offs across intersecting issues, sectors and geographies to deliver long-term, just transitions of energy, infrastructure, food, ecosystems and societal systems need to promote the paradigm shift towards low greenhouse gas emissions in a manner that addresses trade-offs with intersecting sustainable development priorities such as food security and energy access in line with national development and climate action plans.~~ Second, ~~there is a need to promote the paradigm shift towards climate resilient development, ensuring that countries, including their economies, are prepared for the adverse impacts associated climate change, there is a need to attract financing from the widest possible set of sources, using scarce public finance catalytically to~~Both require adequate and consistent support, and in that manner the GCF will play the role defined in its governing instruments in contributing support as well as catalyzing wider support to address the ~~shift~~trillions in private sector flows needed. With its unique position at the hub of a global network of over 200 partners, its flexible instruments and Private Sector Facility (PSF), GCF is uniquely positioned to help developing countries build public-private investment collaborations to maximize finance for their climate ambitions. In line with its mid-term goals, GCF's focus for 2024-2027 will be:

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#### COALITIONS FOR SYSTEMS TRANSITION

4A: Advancing high-impact, cross-cutting, country-~~led~~determined initiatives across key ~~sector areas and priorities~~ or ~~system transitions~~ through co-investment collaborations

4B: Deploying blended finance to de-risk private sector investment at scale ~~in new asset classes or markets for climate goods and services to~~ address the needs of developing countries

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21. Objective 4 will be supported by the following key modalities, actions and partnerships:

- (a) **Pipeline programming**Priority identification and programming, led principally by the Division of Mitigation & Adaptation, to ~~structure work with recipients to~~

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- define thematically or geographically based programmes of investments that** ~~respond~~ **correspond** to key impact areas identified in NDCs/NAPs/LTS, bringing together co-investment from different sources **by providing support and de-risking investments**, based on the technical capacities, instruments and risk profiles of various AEs and GCF; these will cover areas ~~such as~~ **defined by recipient partners which may include inter alia the** blue economy, protecting critical biomes, restoring nature and ~~green-clean~~ hydrogen, **CCU/S** and grids;
- (b) **Pipeline Priority programming, led principally by the PSF, to de-risk market-creating investments to crowd in private finance;** in line with its private sector strategy, GCF will leverage its flexible instruments (with a focus on equity and guarantees) to develop fit-for-purpose blended finance instruments that help reduce the real or perceived risks faced by private sector actors seeking to scale climate solutions in developing countries, aiming to establish track record to enable wider market-driven diffusion; this will cover areas **identified as priorities for prospective recipients such as** ~~which may include inter alia~~ resilient infrastructure, energy transition and climate-resilient agriculture;
- (c) **Deploying requests for proposals, subject to Board decision,** to target specific impact areas where these can-not be effectively covered by ~~pipeline priority~~ programming;
- (d) **Promoting systemic resilience planning for development of integrated infrastructure project pipelines,** building on the pilot with Jamaica, and looking at ways to expand into wider adaptation planning to help unlock ~~systems country-wide transformative adaptation projects as well as just transitions~~ **transition;**
- (e) **Socializing and enhancing knowledge on key opportunities for paradigm shift pathways and system transition,** building on the GCF sector guidance and encouraging design of cross-cutting, multi-sectoral, inclusive interventions which address complex, interacting climate ~~risks opportunities~~ and deliver economic and non-economic co-benefits;
- (f) **Exercising investment risk appetite to prioritize catalytic outcomes** via the potential for establishing new markets and novel assets classes rather than seeking to maximize leverage or mobilization for more established asset classes/geographies, except where mobilization at scale is itself a necessary driver for paradigm-shift;
- (g) **Building on GCF's institutional reputation and robust due diligence standards** to attract co-investors, including private sector, to GCF-funded projects and programmes.

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## Strategic Objective 5: **Greening financial systems** Enabling access to sustainable finance

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22. Domestic and regional financial institutions in developing countries will have a crucial role to play in mobilizing ~~and redirecting the vast volumes of global and domestic savings towards~~ **the implementation of national climate action plans in developing countries. adoption of low emission, climate resilient solutions. Over recent years, an increasing number of financial institutions have become engaged in assessing the risks of climate change on their investment and lending portfolios, as well as in initiatives to enhance access to finance, including via capital markets, for climate action.** GCF is able to count many national and regional, public and commercial financial institutions among its DAE partners, and with its combination of institutional capacity-building and investment support, sits on a critical opportunity to partner ~~with these institutions to explore avenues to scale up support and unlock funding on~~ **greening**

finance in line with developing country priorities. This effort, if successful, could have catalytic impact at many multiples the scale of GCF's own resources. In line with its mid-term goals, GCF's focus for 2024-2027 in this area will be:

GREENING FINANCE

5A: Developing the capacity of national and regional financial institutions to ~~incorporate climate risks into investment decision-making~~ **direct funding to implement national climate action plans**

5B: Enhancing the ability of developing country governments, financial institutions and corporates to access domestic and global capital markets

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23. Objective 5 will be supported by the following key modalities, actions and partnerships:

- (a) **As part of its DAE support, helping DAEs that are public or commercial financial institutions** to ~~assess climate physical and transition risks in their wider investment portfolios, and to mainstream climate into lending and investment decisions; identify opportunities within their jurisdiction for investment in line with national climate action plans, including by supporting the mainstreaming of the national climate action plan across government entities and regulatory authorities, increasing awareness and building capacity and provide funding to implement identified actions determined by domestic actors to address needs they identified;~~
- (b) **Pipeline programming to enhance access to credit for low-emission climate resilient solutions**, including through ~~establishing~~ **leveraging** national ~~green~~ banks or ~~establishing climate facilities within~~ **leveraging** public development banks or other financial institutions, ~~which to explore whether can then extending~~ green credit lines either to private financial institutions or end-borrowers including local MSMEs **is in line with their objectives**; in line with the GCF private sector strategy;
- (c) **Capacity development and pipeline programming to enhance access to capital markets for climate investments**, through readying developing country governments, exchanges, financial institutions, corporations and related ecosystem players to access and deepen local, regional and international capital markets, through issuing green bonds, other thematic climate bonds and green asset-backed securities, and associated regulatory and capacity strengthening; in line with the private sector strategy;
- (d) ~~Supporting where requested the development or adoption of methodologies that can help green finance, including on assessing exposure to climate-related risks, climate disclosure standards, green taxonomies, methodologies for pricing climate-related risks, incorporating climate in valuation methodologies, or approaches to originate and appraise climate investments;~~
- (e) ~~Collaborating with other actors engaged in greening finance to collect and share knowledge and tools that can support wider uptake of low-emission, climate-resilient investment, including the Network for Greening the Financial System and Task Force on Climate-related Financial Disclosures, among others;~~
- (f)(d) ~~Through its re/accreditation process, incentivizing AEs to evolve their overall portfolios~~ **Identifying the needs of developing countries and challenges associated with accessing green finance** of activities beyond those funded by the GCF towards low-emission and climate-resilient development pathways. ~~Obtain an understanding of developing country needs associated with accessing sustainable finance and providing support as such to enable them to overcome such challenges in a manner that aligns with their national climate action and development priorities.~~

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## V. Operational goals and institutional priorities for 2024–2027

### 5.1 Enhancing access to GCF resources: key operational goals

24. The GCF has made significant strides as an institution over the last two programming periods. It has grown from a simple, first-come co-financier, still putting its policies, processes and systems in place during the Initial Resource Mobilization, to an organization nearing maturity, engaging confidently with a global network of partners to structure investments, convene coalitions and capture greater opportunities for impact, and with the task of managing a high-quality pipeline that now well exceeds available resources. Building on this strong foundation, going forward GCF seeks to respond to the call from stakeholders that in order to match the urgency of the climate challenge and developing countries' needs, the fund must now focus on enhancing access to its financial resources. "Enhancing access" accordingly represents GCF's core operational commitment for the period 2024-2027 – or 'how' the GCF will deliver its strategic programming objectives – with operational goals framed through this lens. This goal also recognizes that GCF is a partnership institution and the health of GCF's partnerships is critical to operational effectiveness and developing country access. GCF will seek to deliver across the following dimensions of access, in line with GCF policies and decisions of the Board:

(a) **Speed:**

- (i) Plan to programme at a rate of deploying over 90% of available commitment authority, based on the GCF financial plan, ensuring no resources sit idle;
- (ii) Maintain an implementation rate of over 90 per cent of the total GCF portfolio (readiness and funded activities), ensuring resources are deployed on ground;
- (iii) Target current or greater rate of reduction in the median times taken by GCF to process readiness, PAP and SAP proposals from review to first disbursement;
- (iv) Provide rapid, clear feedback on whether or not project concepts and proposals show potential to meet GCF investment criteria and programming goals, to reduce transaction costs and aid transparent, predictable pipeline prioritization;

(b) **Simplicity:**

- (i) Reach full-scale implementation of the project specific assessment approach (PSAA), and identify ways to simplify accreditation and reaccreditation, and remove any duplication across accreditation and investment processes;
- (ii) Significantly increase deployment of the SAP, EDA and other devolved financing approaches through greater efforts to replicate proven successes;
- (iii) Mainstream operational performance monitoring and feedback mechanisms to identify bottlenecks and rapidly test solutions across all key business processes;
- (iv) Enhance GCF's ability to operate in the main languages of its stakeholders;

(c) ~~**Harmonization:**~~

- ~~(i) Examine potential to harmonize processes and policies with other climate funds, and develop guides to help countries navigate different finance sources;~~
- ~~(ii) Examine potential for AEs to apply their own systems and policies, while maintaining best practice and substantial equivalence to GCF policies;~~
- ~~(iii) Pursue opportunities to develop more consistent definitions, standards, taxonomies and approaches to key methodological issues in climate finance;~~



- ~~(iv) — Manage data as a strategic and shared asset that can be linked to other data sources to improve coherence and impact in climate investment programming;~~
- ~~(v) — Build complementarity and coherence with other climate funds and financiers, building on collaborations such the Long Term Vision between the GEF and GCF.~~

~~(c)~~ **Volume:**

- (i) Set clear expectations, through the Board's setting of annual programming targets, on the volume of resources GCF will channel annually and the contribution this represents to global climate finance goals, noting historically this has been around ~2% of the USD 100 billion mobilization goal;
- (ii) Improve measurement and reporting on how GCF helps developing countries attract and catalyze climate finance from wider sources, as well as improving reporting of mobilized finance according to instrument-based methodologies;
- (iii) Initiate the third GCF replenishment 30 months after commencement of GCF-2;

~~(d)~~ **Partnerships and direct access:**

- (i) Actively manage accreditation, reaccreditation and PSAA pipelines through the lens of AE value-addition to delivering GCF mid-term goals and strategic programming objectives, based on prioritization decisions adopted by the Board in line with the GCF accreditation strategy;
- (ii) Continue to increase the share of DAEs in the AE network, alongside increasing the role of DAEs in GCF programming;
- (iii) Maintain dynamic programming and implementation dialogue with partners, shifting away from static formats for entity work programming;
- ~~(iv) — Implement tools for full transparency of where proposals sit in operational processes and responsibilities for action, and set realistic expectations of GCF and partner response times, particularly where capacity building is needed and in relation to availability of GCF commitment authority.~~

- ~~(v) — Build the fund's resources to enable the fund to adequately engage with countries on the ground to better understand their needs and priorities.~~

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## 5.2 Institutional priorities: consolidating capacity for delivery

25. Over the period of the 2020–2023 Strategic Plan, GCF's evolution toward organizational maturity has been based on tremendous growth in its institutional capacities, with completion of all major policy frameworks, comprehensive process codification, digitalization, regularizing strategic planning and corporate performance management and strengthening GCF's committed workforce. For 2024-2027 the GCF is accordingly adopting a slimmed down set of institutional priorities, designed to highlight only the most critical remaining areas of institutional evolution needed to deliver the Strategic Plan. Over 2024-2027 GCF will focus on the following priorities:

(a) **Governance and risk management:**

- (i) Clarify lines of responsibility for programming, financial and risk oversight; operational management; and lines of defense – refining the internal control framework to align responsibilities/accountabilities of bodies and avoid overlap;
- (ii) Consolidate GCF's risk management approach by ensuring risk is apportioned in line with the second level business model, risk and other policies are coherent and aligned, and risk culture is mainstreamed into governance and operations;

- (iii) Commit to building a governance culture based on respect, and cooperation between empowered institutional actors;
- (iv) Promote gender balance, and explore ways to better engage youth;
- (v) Secure wider privileges and immunities in line with the Governing Instrument;
- (b) **Policies and safeguards:**
  - (i) Update the GCF policy cycle in conjunction with the Board workplan for 2024-2027, shifting focus toward improving coherence, implementation and impact of core operational policy frameworks, and retiring superseded mandates;
  - (ii) Establish more consistent Fund-wide policy standards through evolving more standard classifications of policy instruments, templates, processes and roles;
  - (iii) Continue to advance best practice policies and standards on environmental and social safeguards, indigenous peoples, gender and integrity ~~in ways that not only include safeguarding measures of “do no harm” but also improve outcomes;~~
- (c) **Results, knowledge and learning:**
  - (i) Consolidate implementation of GCF’s results, portfolio management, monitoring and evaluation frameworks, with increased reporting of actual results ~~and intensified focus on extracting and sharing learning from programming;~~
  - (ii) Establish more structured forums for stakeholder and expert feedback, learning loops and advice, adopting participatory approaches that draw on insights of affected communities, indigenous peoples, civil society, youth and academia;
  - (iii) House and share climate investment data and knowledge, building systems and facilitating networks to promote free data-exchange, peer-learning and knowledge-sharing to improve investment design, access and impact;
- (d) **Organizational capacity:**
  - (i) Review GCF operational capabilities, across bodies and panels, to deliver the 2024-2027 Strategic Plan, taking account of the scale of GCF-2 replenishment;
  - (ii) Update GCF resourcing and budgeting frameworks to a multi-annual approach, more predictably aligning resources with targeted results;
  - (iii) Further its consideration of options for a GCF regional presence, to better support access and bring GCF closer to the countries it serves;
  - (iv) Secure the Fund’s employee value proposition through modernizing its human resources framework, to maintain a fill rate of over 90 per cent with a talented, diverse, gender and geographically balance workforce;
  - (v) Maintain administrative costs at less than 0.7 per cent of assets under management, and ensure the sustainability of GCF’s own operations;
  - (vi) Develop a more comprehensive outreach strategy to bolster GCF’s profile and brand, and serve as a hub for communicating GCF and partner success stories.

## VI. Implementation and Review

26. GCF work programmes over 2024-2027 will be aligned with the Strategic Plan, and will specify in further detail the priority actions and initiatives that will be taken to deliver it, along with associated budget and resourcing requirements. Overall, successful realization of the

Strategic Plan will depend on the scale of GCF's replenishments and adequacy of resourcing for delivery, for readiness, PPF, funding proposals, administrative budget and staff headcount.

27. The Secretariat will report progress toward implementation of the Strategic Plan over 2024-2027 at the first Board meeting of each year from 2025. The report will include a results tracking tools reflecting progress toward the goals and commitments set by the Strategic Plan, drawing upon readiness and integrated results management frameworks, corporate performance management systems for organizational results, as well as linked systems for monitoring, reporting, evaluation and knowledge management.

28. Prior to commencement of the GCF third replenishment process, the Independent Evaluation Unit will initiate the GCF third performance review. Findings will be delivered in time to inform the Board's consideration, from mid-2026 to mid-2027, of a review and update to the GCF Strategic Plan, focused particularly on refreshing the strategic programming priorities, operational goals and institutional priorities as needed for 2028-2031. This will be complemented by a second Secretariat-led overall review of GCF policy frameworks and an updated Secretariat assessment of how opportunities and risks related to GCF strategic programming have evolved for GCF-3, referencing global developments, developing country needs and GCF's evolving experience. This will be with a view to finalizing the update prior to conclusion of the GCF-3 replenishment process.