



Green Climate Fund, Updated Strategic Plan 2 (USP2)

Submission by Switzerland, November 25, 2022

Switzerland's submission builds upon and further develops our previous inputs (Swiss-Finnish inputs on USP2 of 09.08.2022, oral comments made in in-between Board meetings and at B.34), which remain fully valid, while not repeating all their content. Many of our views draw upon the SPR summary (GCF/B.34/Inf.08) and the Secretariat's USP1 analysis (GCF/B.34/Inf.17), whose conclusions and recommendations we largely support.

We support the general thrust of the zero draft USP2 as submitted at B.34 (GCF/B.34/Inf.17/Add.01), with its “two arms vision” of paradigm shift (accelerating the race for ambitious mitigation and adaptation results) and supporting climate governance in developing countries (climate investment ecosystem). Doing both, the GCF must seek synergies and clarify the weight of each arm, pursuing ambitious while attainable results with feasible allocation targets. We note that balanced funding in grant equivalent terms between mitigation and adaptation is practically achieved. We support enhanced private sector engagement based on its comparative advantage in larger markets and mitigation.

While Switzerland supports the four-pronged theory of change (already reflected in recent Board-adopted strategies/policies), USP2 must demonstrate the GCF's comparative advantage in each outcome area. In the increasingly complex and crowded climate finance space, the USP2 must guide the GCF in collaborating and further improving coherence/complementarity with other players in country programming, readiness and project preparation (“working as a system”), rather than contributing to fragmentation. Switzerland would be open to a further prioritization of the “eight result areas”¹ in order to further galvanize and focus efforts, avoiding the risk of spreading too thinly.

GCF-2 needs to deliver and better communicate results. It is key that the “results chain” is logically articulated and “reality-checked” from the top (greenhouse gas reduced, adaptation capacity/resilience) down to operational and institutional goals and activities. This has not been the case with USP1. The same goes for effective monitoring and reporting results, in particular actual results. Corresponding responsibilities, tasks and capacities between Secretariat and IEU have to be clarified and re-calibrated. We welcome the introduction of “mid-term goals”, moving away from the excessive focus on investments and allocations to clear targets for strategic impact. At the same time, the results architecture and management must remain manageable, considering transaction costs and communication to stakeholders and ensuring a logical link between USP2 and the IRMF and RRMF, rather than unrelated parallel systems.

We fully support the focus on gender and on vulnerable countries and communities – often living in coastal or mountain regions - integrating such groups and women as active agents of change. This should go beyond adaptation. There are currently well over 700 million people without access to electricity. The GCF's mitigation efforts should seek to address this. Many of the world's most vulnerable live in situations affected by conflict and fragility and have received little support by the GCF. To reach results and avoid doing harm, working in such places requires strong conflict-sensitive project/program management. In climate action, where access and distribution of resources are at stake, such an approach is central. We also strongly encourage the GCF to exploit opportunities for nature-based solutions to address the twin crisis of climate change and biodiversity loss. Likewise, the GCF needs to serve capacity-

¹ To give more flesh and blood to this plan, i.e. some more granularity on what the GCF actually does on the ground, we would recommend that the “eight result areas” are mentioned and reconfirmed in USP2, and that this is accompanied with a short indication how the GCF works in different territories, such as maritime/coastal and mountainous regions – both bringing very specific mitigation, adaptation and eco-system challenges and opportunities



constrained LDCs/SIDS and remote mountain regions efficiently, including through bundling under multi-country programs. Switzerland fully supports EDA/SAP devolving financial decision-making “to enable and empower locally-led climate action and strengthen capacities on the ground”.

The USP2 should inform market creation and help mobilize the private sector at greater scale - this implies creating conditions for enabling business environment (incl. supporting the removal of negative market distortions such as fossil fuel subsidies), allowing climate-smart financial and technical innovations to spread. We support raising the PSF allocation target from 20 to 30% and the mobilization target from 1:3 to 1:5. This should be accompanied by more strategic risk-taking, in line with the private sector strategy, and by expanding partnerships with the financial and insurance sectors.

We support the USP2 to further enhance and expedite access to both accreditation and project finance, when not sacrificing quality, internationally agreed (E&S) standards, integrity and transparency. A GCF-wide bold simplification and transparency effort would be a powerful tool to enhance access. This should include the full deployment of PSAA; further simplification of FP and SAP processes; fast-tracking of re-accreditation incl. longstanding successful GCF partners; and accountability of the readiness and project preparation programs. The GCF should harmonize its accreditation/project processes, templates and formats with other providers of climate finance (GEF, AF, CIFs). Thanks to lower transaction costs, the first beneficiaries of such harmonization would be those countries struggling most to access the fund. The system of NOLs – a cumbersome barrier for many NDAs and private sector alike – should be revised or discontinued, in favor of an approach that better captures national ownership.

USP2 must make the accreditation system fit for purpose, resolving the serious system overload which the Accreditation Strategy leaves unanswered. USP2 needs to come with priority-setting for accreditation, linking it to the GCF’s objectives, specifying an overall cap on AEs, and defining a medium-term target share between IAEs and DAEs. This means abandoning the “first come, first serve” principle – requiring measures to guarantee predictable, transparent and impartial access. Switzerland is in favor of a gradual shift towards a higher share of DAEs, while continuing a strong cooperation with IAEs, critical for GCF results and network. GCF access modalities can be appropriately differentiated, while ensuring the adherence to ambitious, internationally recognized and harmonized standards.

Improving the GCF’s governance, building on respective SPR recommendations, is a top priority for Switzerland. USP2 must undertake key reforms required to assure a professional functioning of the board (and its committees) and a clear and efficient division of labor particularly between Co-chairs and Secretariat. The Review of Committees, Panels and Groups, pending four years, must be conducted and completed without further delay. Co-chairs should resist the temptation to re-draft and delay Board documents, giving more authority to the Secretariat. Committee Guidelines should define processes to bridge vacancies and avoid dysfunctional committees. As found by the IEU, a new “esprit de corps” in the Board, across constituencies, would tremendously help.

Finally, USP2 should come along in a more attractive format than its predecessor, whose design was characterized by long lists of bullet points but almost zero visualization. USP2 must avoid buzzwords and superlatives generating confusion and false expectations - in line with the IEU’s SPR recommendation to communicate USP2 priorities “in a clear and transparent manner”. The GCF must ensure a rightly calibrated communication, as excessive expectations regarding accreditation or funding undermine its reputation.