

Swiss-Finnish Seat Submission on the GCF Strategic Plan for 2024-2027

We welcome the opportunity to provide inputs on the elaboration of the GCF's second Updated Strategic Plan (USP2). The GCF's long-term strategic vision and its overall business model remain highly relevant. However, strategic priorities, objectives and targets of the USP1 should be better prioritized, as their full implementation is not practical due to trade-offs between targets. These ambitions should remain high, be updated and better articulated in a theory of change, following the key recommendations of the Independent Evaluation Unit (IEU) in the second performance review and in particular of its Rapid Assessment of the Progress of the GCF's USP1. Also, USP2 must be accompanied by an updated results framework, and speedier GCF decisions and procedures to implement it.

The overall vision, strategic priorities, programming goals (including portfolio targets; priority sectors and regions; transversal themes; funding windows/means of implementation) and finally strategic policy guidance (guidelines and mandates for updating GCF policies) should be elaborated in distinct chapters of the USP2. Potential contributors and other stakeholders - even without Board seat - must be able to directly express their views on the document. We count on the Board and Secretariat to establish adequate channels based on decision B.32/04.

1) Strategic programming

The GCF's portfolio targets from GCF1 remain largely appropriate and should generally be maintained for GCF2, in particular the goal of balanced funding (in grant equivalent terms) across mitigation and adaptation, and the focus on adaptation in the most vulnerable countries. The USP2 should bring the following adjustments:

- Ensure trade-offs between targets are duly considered such that the targets are concomitantly achievable during the GCF-2 period;
- Private sector mobilization at greater scale (including for adaptation), raising the target of allocation to the Private Sector Facility (PSF) from 20 to 30% during GCF2 and the mobilization target from 1:3 to 1:5;
- Continuous balance mitigation/adaptation, better complementarity with other climate finance providers, enhanced focus on LDCs/SIDS (particularly for adaptation);
- Greater regional balance in the portfolio, given the untapped potential and strong needs for supporting the energy transition and adaptation in Eastern Europe and Central Asia.

The GCF should strive to be even more results-oriented, prioritizing activities with high paradigm-shift potential. Its growing portfolio requires increased attention to results management and measurement. USP2 should seek to:

- Prioritize funding proposals with high climate impact, innovation and potential for replication/scalability, in particular by helping to improve enabling environments, innovation and partnering with the private sector;
- Ensure that projects are long-lasting and resilient, not only to climate-related impacts, but also reduce vulnerability and exposure of people and ecosystems/biodiversity;
- Bring results for vulnerable groups beyond the focus on vulnerable countries, both in access to clean energy and in adaptation. The GCF should further strengthen gender and social inclusion and ensure its activities are conflict-sensitive;
- Use opportunities for nature-based solutions, and upscale good project examples and best practices of smaller and regional funds in this area;
- Building on USP1 ambitions, present a coherent theory of change and a related integrated results management framework (IRMF), reviewing and complementing current indicators, particularly to better capture adaptation results, (global) sustainable and environmental development co-benefits, gender and results for vulnerable groups;
- Continue to improve the quality of project results measurement, reporting and evaluation during and after implementation, building on the IRMF. This includes a focus on getting

and analysing data on achieved and verified results and find ways to use this information in decision-making; and further enhancing the reliability of mitigation results reporting (CO2 emissions reductions), and of current core indicators 2-4;

- Focus on effectiveness and assure integrity of the Readiness and Preparatory Support Program (RPSP) through results-orientation, closer monitoring and evaluation, and adjust its financing envelope according to programming ambition.

2) Strategic policy guidance

We will first seek improvements in the policy framework ahead of GCF-2, notably adopting the accreditation strategy and implementing the private sector strategy. In tune with its increasing maturity and complexity, the GCF should adopt an overall policy framework that articulates the multitude of strategies, standards, policies, guidelines and operational guidance into a coherent whole. This should include a clear determination of roles in developing, adopting and implementing such guidance.

Regarding accreditation, we urge for the realization of the “strategic approach to accreditation” called for in the USP1, including through:

- A sharper focus on the Accredited Entities' (AE) value addition to GCF programming and mandate, by clearly defining respectively raising the bar *who should be an AE*, rather than the current first-come-first served selection of AEs;
- Ensuring that all entities have the capacity to submit funding proposals, through more strategic selection of AEs, including by considering their climate project capacities, and by improving the capacity building for existing AEs;
- A formula or target/maximum number of AEs (maybe by type of AE) that match with the accreditation, programming and climate change project delivery capabilities;
- Clearer criteria and benchmarking for re-accreditations, taking into account the quality of the entity's engagement with the Fund, in particular track-record of approved and implemented GCF projects, and the extent of its commitment to Paris alignment (including coal and fossil upstream exclusions, and strict limitations on oil and gas);
- Encourage partnerships between IAEs and DAEs by enabling co-leadership agreements for FPs or arrange exchanges on programming ideas and opportunities;
- Further streamlining the (re-)accreditation processes beyond the UAF and aim to reduce the time of (re-)accreditation to less than one year, and ideally six months and increase efficiency and predictability of access to GCF funding maximized.

The GCF should seek to significantly increase private sector mobilization by:

- Improving methodologies for measuring private sector finance, leveraged finance in line with international best practice and COP guidance;
- Increasing the share of projects using innovative financial instruments (such as guarantees, equity and (re-)insurance) with high mobilization potential such as de-risking to support innovative business models, including in adaptation;
- Stronger focus on improving framework conditions by mainstreaming work on enabling environments in GCF funding proposals and through Readiness activities;
- Increasing the pool of DAEs and IEAs from the private sector and better orientate the support of the PSF and RPSP to develop capacity of local private sector AEs.

The GCF should continue to increase the complementarity and coherence of its actions within the global climate finance architecture by:

- Continue the cooperation with the GEF and AF, and take advantage of the GCF's size to scale up smaller projects from other funds with a good track record;
- Further clarifying division of labour with other Climate Funds (GEF, LDCF, AF and CIFs) and enhancing coordination with other climate finance providers (MDBs, UN funds and

programs, etc.) and relevant players (such as the Multilateral Fund for the Implementation of the Montreal Protocol);

- Coordinating closely readiness activities (regarding project and national climate strategies) with the multitude of readiness providers;
- Translating cooperation at global/institutional level into concrete coordination and division of tasks at country and activity level, wherever useful;
- Harmonizing procedures and guidelines with other climate funds with a view to enhance impact, efficiency and access, and decrease transaction costs for programme countries;
- Improving the transparency of the GCF project pipeline, to allow partners and other climate finance providers to explore potential synergies with GCF projects;

The project appraisal and approval cycle is still perceived as bureaucratic and lengthy by GCF partners, even large International Accredited Entities. The GCF needs to improve efficiency of processes to access the Fund and reduce transaction costs by:

- Further simplifying (efficiency, predictability and speed) of accreditation and project approval processes, including post-approval processes;
- Swiftly implementing the Project Specific Assessment Approach (PSAA);
- Adopting a policy on programmatic approaches to foster innovative replication of proposals and reduce submission costs (this is particularly relevant for SIDS, where transaction costs of working in single countries are high);
- Exploring simplification of documents' length and requirements beyond SAP projects;
- Addressing "first come first serve" through (1) better leveraging country-led country programming supporting proactive prioritization of project pipelines, so that limited resources are directed to the most impactful investments; (2) targeted use of the Project Preparation Facility, Requests for Proposals and programmatic approaches.

The GCF works in the right sectors – the currently developed sector guides provide valuable guidance, which have to be deployed with context-specificity:

- Given the special challenges and functions of mountainous regions, for both mitigation and adaptation, the GCF could develop an issue note on mountains that helps orient project development where relevant.

3) Governance

The GCF's governance, most importantly the efficiency and effectiveness of Board decision-making, should continue to improve in GCF2. The Board should build on the newly found more constructive and solution-oriented spirit, but also make some institutional improvements:

- A greater role for the Secretariat in operational decisions, including the adoption of operational guidance, and as a facilitator in Board decision-making, reflecting the increased maturity of the GCF's organizational development and enhancing the speed and responsiveness for developing countries;
- Formalize and adopt an overall policy framework to ensure policy coherence and establish clear relationships between policy instruments;
- Focus the Board's work on strategic decisions and not micro-managing administrative and operational issues; eliminating thus the backlog of Board decisions through:
 - 1) Surgical changes to the Rules of Procedures to make it easier to vote in the absence of consensus (including on policies), improve the effectiveness of decision-making, the timely circulation of documents, the ability to hold meetings as scheduled (by fixing and adhering to a year plan for Board meetings), etc.;
 - 2) Addressing unresolved issues in the Updated Committee Guidelines (election of Chair in absence of consensus, transparency of committees, requirement to hold meetings regularly, role of the Secretariat in assisting the work of committees, etc.)
- Secure well-functioning and fully independent units (IEU, IRM, IIU).