African Board Member's Comments on the draft Updated Strategic Plan

1. We thank the Secretariat for this updated version.

2. In our view, further guidance on the scope of submissions and comments would have been useful. We believe this draft requires further discussion, workshopping and deliberation among the Board; as such, we will not be making line by line amendments- but will do so if requested.

3. As we noted in the technical session, we are in agreement with the proposed architecture and the evolution of the USP over the years. We welcome the updated, and simplified structure of the USP.

4. On the strategic vision, we are of the view that GCF has a key role in channelling and providing financial resources for adaptation and mitigation to developing countries, in addition to equipping developing countries to increase flows of finance. The USP must contain a strong statement regarding the GCF's resource base and the lack of an appropriate annual commitment authority. Unless there is a significant increase in resources provide directly into the GCF Trust Fund, based on the obligation by developed countries under the GI, the fund will not be able to meet its objectives as agreed by Parties in 2012, to make a significant contribution to the international communities climate change goals.

5. We welcome the USP's shift to setting mid-term goals. These goals need to cover at least two-three replenishment/programming periods to allow for targeting programming but also to align with the needs and priorities of developing countries as articulated in the current Updated NDCs (covering the years 2025-2030) and the 2024/2025 Updates (covering the period 2030-2035). We do not support setting goals only for the GCF-2 period. The goals are not only for the GCF to achieve, but rather the goals should represent existing international consensus and for the GCF Board to determine the extent to which the GCF can contribute to the achievement of these goals. In this regard the Board should set an overall resource mobilization goal/target.

6. We do not support an extensive goal-setting process. However, we need a small set of comprehensive goals. The goals will be backed up by the Board's decision on resource allocation expected at B.37, and monitored in terms of the IRMF. While we welcome the mid-term goals, we stress milestones and results through 2035 need to be discussed further as these results are contingent on resources. During the discussions on the GCF-3 programming period, the Board can measure and track the GCF's contribution to these goals, and amend accordingly.

7. We do not think it is helpful to repeat the exercise of re-drafting the USP every 2-3 years. Rather the process for GCF-3 must measure progress in contributing to the agreed goals across each replenishment/programming period.

8. In terms of the proposed goals for 2027, the goals include both proposed GCF programming goals and a broader set of goals that the GCF will only partially contribute towards. Some of these goals are far too broad and it will be almost impossible to track the GCF's contribution to these goals.

9. We are of the view that some of the goals need to be re-framed to convey the agreement in the Governing Instrument reflecting the objective of the Fund. The current draft also does not adequate situation the USP in terms of the recent agreement and priorities agreed to in the Sharm El-Sheik Implementation Plan.

10. We do not agree with the concept of /term climate investment capacities. This is a misinterpretation of the GCF direction and does not comply with the GI. Paragraph 36 states that the Fund will support developing countries in pursuing project-based and programmatic approaches in accordance with climate change strategies and plans, such as low-emission development strategies or plans, nationally appropriate mitigation actions (NAMAs), national adaptation plans of action (NAPAs), national adaptation plans (NAPs) and other related activities There is no reference to climate investment capacities. In fact, the national capacity the Funds need to support can only be related to the obligations and undertaking developing countries have agreed to, as contained in their NDCs, LTS and AC.

11. The proposed text of support for national climate investment and climate investment pipelines misinterprets and conflicts with nationally determined actions. This section, unfortunately, captures the Secretariat's very narrow view that the GCF is an investment vehicle for co-investments and investing in the climate finance architecture. We have repeatedly questioned the Secretariat's interpretation of the GCF's purpose and business model, and we do not support this approach. It is not the purpose of the USP to concretise the Secretariat's re-interpretation of the GI, particularly the views that the GCF should be a fund of funds. This matter was discussed at discussed at length during the Transitional Committee and rejected.

12. In our view the USP needs a core long term objective to build the in-country capacity of NDAs, direct access entities (DAEs) and other national institutions (including the private sector), recognizing that only a handful have the capacity to manage and mobilize funds at the requisite scale and speed to affect their NDCs.

13. We find the goal on DAEs for 2027 misleading. Doubling the number of entities with capacities to programme is not the same as the increasing the level of programming by DAEs. This is a fundamental issue for developing countries. In our assessment there are currently 71 approved DAEs, 58 of which are national DAEs and 13 regional DAE. However the Board's annual funding targets for DAEs (depending on available commitment authority) is on average between 6-12 DAE projects per year. In many case, meeting these target as based on 1-4 DAEs absorbing the majoring of both the number of project and the total value of the finding allocation. If the number of 58 DAEs would be doubled by the end of GCF-2, that would mean in GCF-3 there would be a total of 116 DAEs.

14. Unless the GCF's commitment authority significantly increases it would mean that these entities would be competing for 9-15 FP annually. Assuming parity among DAEs, some entities would not receive GCF funding until GCF-4 or GCF-5. Even for 2023, 71 entities are competing for 12 FPs maximum.

15. Therefore in our view just adding a number target goal does not comply with the GI's provision that the "Fund will play a key role in channelling new, additional, adequate and predictable financial resources to developing countries."

16. We also note the summary finding of the Second Performance Review, in particular:

    a. Direct access through accredited DAEs remains the preferred method for many countries.
    b. Only 25 per cent of countries have access to accredited national DAEs; more countries have access to regional DAEs, especially SIDS.

c. The appetite for accreditation among DAEs appears to be slowing down due to the length of the process and dimming expectations for FP approvals.
d. Country accreditation decisions, programming and capacity-building are not yet sufficiently aligned and targeted to facilitate direct access.
e. There has been limited success so far in bringing together the Secretariat, NDAs, AEs and DPs in countries to better align GCF and country programming priorities.
f. Many DAEs struggle with accreditation requirements and require capacity support, while the Secretariat's more focused and tailored capacity support has still to show results. DAEs in particular are concerned about a lack of transparency in the process requirements, length of time accreditation takes, and the likelihood for ultimate Fund access through successful FPs.
g. Building capacities of DAEs through IAE support as an explicit goal of IAE accreditation has not worked well in practice.

17. The USP needs to arrest this problem with a systemic solution. It is not a solution to limit the number of DAEs. A key issue here is the commitment authority and the overall level of resources provided to the GCF.

18. A second concern is that perception that the GCF does not prioritise direct access, and favours innovate financial products for the private sector. A third concerns is the GCFs failure to provide currency risks thus making the GCF an unattractive partners for the development finance institutions in developing countries- many of which are the regional DAEs.

19. In our view the Board needs to consider several options, including:

    a. A Board approved direct access strategy;
    b. A fast-tracked accreditation systems for national direct access entities under the revised accreditation framework that recognise the appropriate level of programming related to the fiduciary and ESS frameworks;
    c. A revised readiness programme for pre-and post-accreditation of national DAEs;
    d. A more robust annual allocation process that provides predictable to resources for national DAEs either through a dedicated set aside for each entity;
    e. An extended accreditation period that does not require re-accreditation;
    f. A programmatic approach for development finance institutions in developing countries; and
    g. A re-focused and prioritised project preparation facility.

20. The above measures can be dealt with under agreed Board agenda items, but require a clear strategic intent in the USP.

21. In relation to the proposed goal of universal access to climate information and early warning systems could be more explicit. If the UNSG's assessment is that the requirement is USD 3.1 billion, is it not better to at least double/triple the exiting GCF portfolio (USD 650m) by 2027?

22. The proposed goal for 50 incubators is not clear and may need further clarification on this. Firstly, simply supporting a number quantify of incubators is not a measure of support to technology transfer and development, nor does it imply implementation. It seems the focus here is on the number of incubators and nothing else.

23. The proposed goal of devolved finance for vulnerable communities also requires some clarification and can be strengthened to be more explicit. It is our view that this goal could

only be achieved with significant policy changes. It would be useful to understand the policy changes that would be envisage to turn this into reality.

24. On the proposed goal for MSMEs, the explanation in the Annex suggests a primary focus on the PSF. However, we are extremely concerned that the Fund relies to heavily on international private sector entities rather the local financial institutions.

25. For the propose 2030-2035 goals, we believe that they do represent a good starting base for consideration but they requires refinement. While we definitely support the GCF's work on just transition, we think the current phrasing does not represent the agreed language in the GI. We are missing the clear expression of the GCF's core objective that is to "*promote the paradigm shift towards low-emission and climate-resilient development pathways*." Ideally when the Fund gets to the 2030-2035 period we would need to demonstrate the GCF's contribution to the "paradigm shift" and the "pathway." Generally we do not see this being emphasised thought the USP, it seems it is just assumed or implied by other actions.

26. In relation to the proposed strategic objectives, we have concerns about the Secretariat's approach to include innovative financial systems and greening financial systems. As we saw in the Board's consideration on FP197 the Board does not have consensus on these approaches. There are still many open questions about using the GCFs very scarce resources for potentially trickle-down private sector support for developing countries.

27. In general, the USP is too focused on financial innovation and the role of the private sector. This needs to be more balanced, as the majority of the climate priorities of developing countries will remain as primarily public sector investments. It is the State that will still provide water, energy, transport infrastructure, food systems and as such the priority focus of the GCFs finance must support the state in implementing the pathway towards low emissions and climate resilient development. In this regard, the Board should consider direct budget support modalities as empowering the State.

28. We do not agree that the GCF was established to build the capacity of financial institutions in developing countries to integrate climate risk into decision making. This is an example of the on-going mandate confusion and creep.

29. We also look forward to the Secretariat's further analysis on the feasibility of achieving the proposed strategic objectives and/or trade-offs as a result of resourcing.

30. We would also to request a comprehensive list of all programming initiatives that the Secretariat is involved in or where the Secretariat has committed the Fund to support other programming process. We are concerned with the lack of transparency with regarding to his approach.