



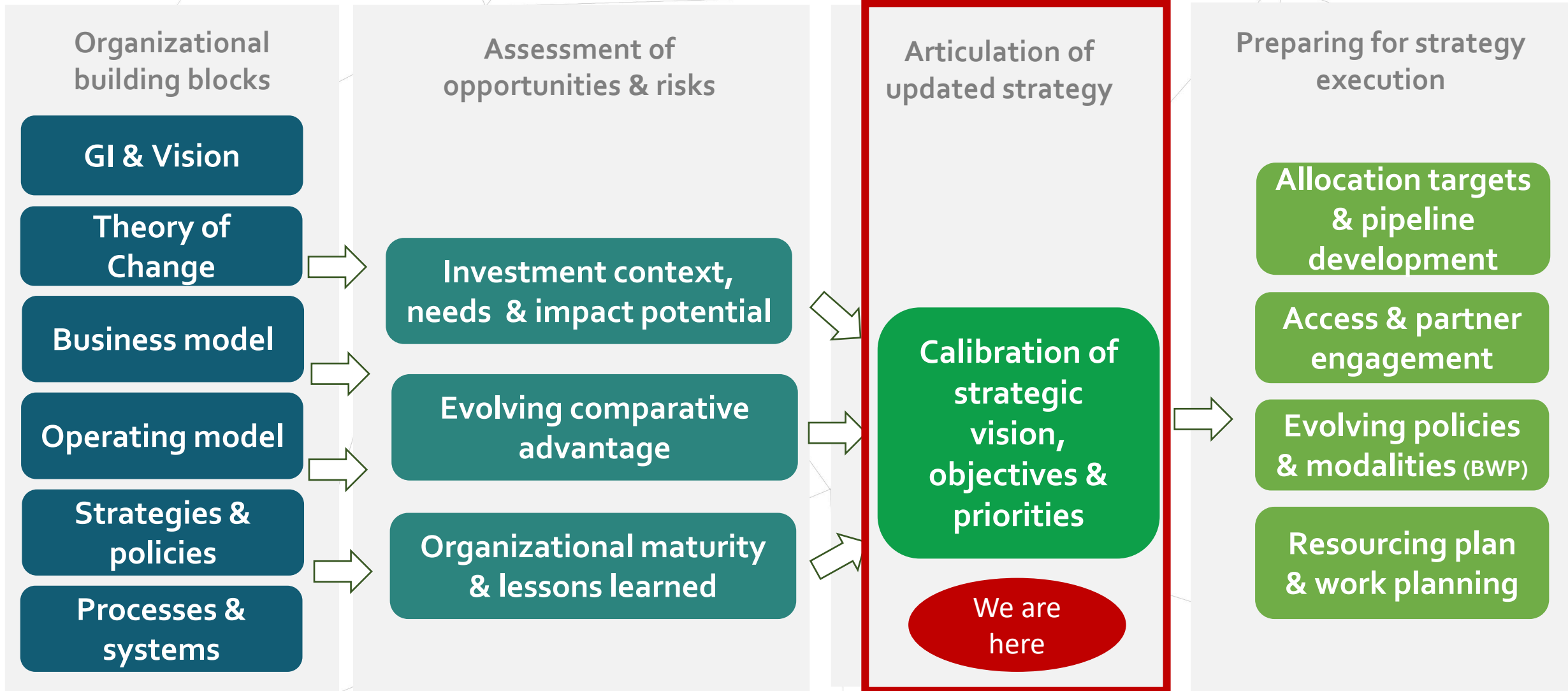
Review & Update of the GCF Strategic Plan

Update on consultations &
early 'proposals for testing'

Consultation Session with the Board / 22 September 2022

Policy & Strategy Unit, OED

Approach: where we are in the leadup to B.34



MODEL FOR STRATEGIC PLANNING

Governing
Instrument

VISION

WHY GCF exists

USP: Strategic Vision
Strategic Objectives
Strategic Priorities

OBJECTIVES

**WHAT results GCF aims
to deliver**

STRATEGY

**HOW: Long-term plan to
achieve objectives**

'Thematic'
strategies

APPROACH

**HOW: Methodology for
executing the plan**

Work
plans

TACTICS

**HOW: Focused action
plans**



REVIEW OF THE USP 2020-2023 & UPDATE FROM CONSULTATIONS

Update on consultation process and inputs

- **June 10:** launched call for inputs
- **July 17:** B.33 Informal discussion; Co-Chairs summary published
- **August:** Consultation sessions with observers, developing country constituency
- **6 September:** Synthesis Report published, covers submissions & inputs received to 31 August
- **13-16 September:** Global Programming Conference and GCF Private Investment for Climate Conference, consultations with NDAs and AEs
- **Advance draft of IEU summary report for the SPR** shared with Secretariat

Materials available on <https://www.greenclimate.fund/about/strategic-plan/update>



Consultations at the Global Programming Conference

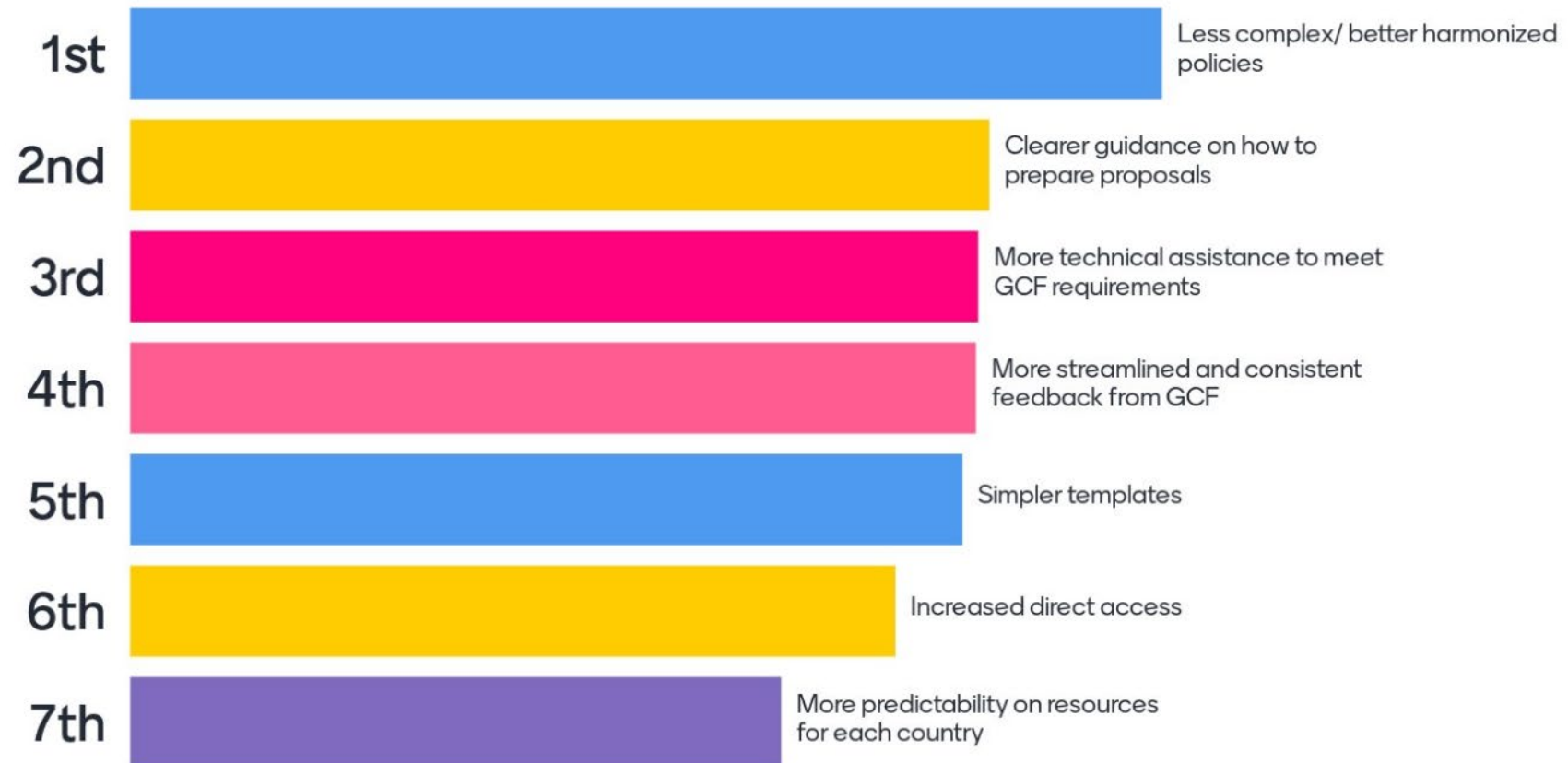
What has GCF done well/ should it keep doing into GCF-2?

direct access
streamline processes
readiness program
capacity building
creating partnerships
country ownership
regional desk support

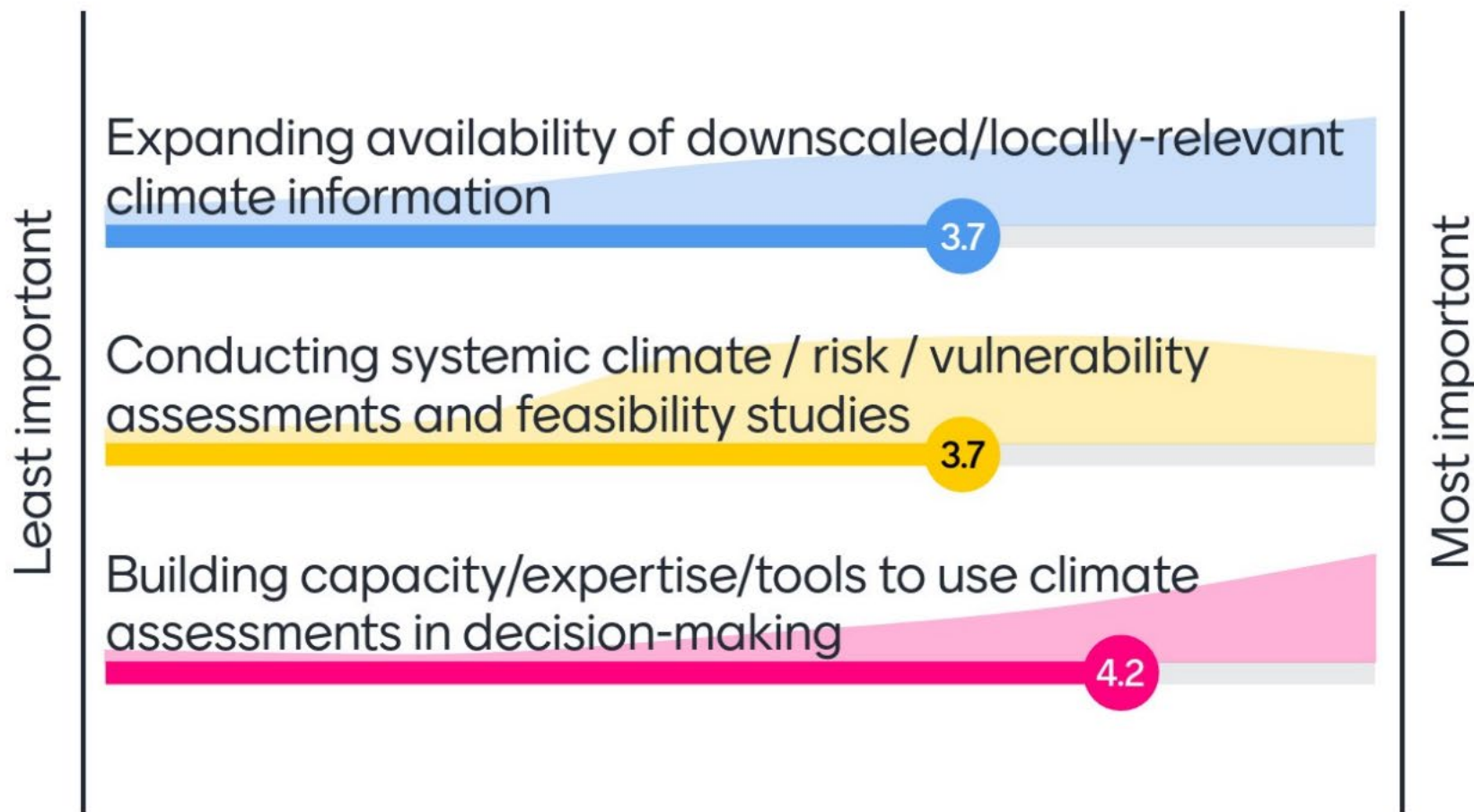
What can GCF improve on as it moves into GCF-2?

regional presence
national dae projects
streamline accreditation
simplify procedures
speed up approvals
consider local context
capacity building

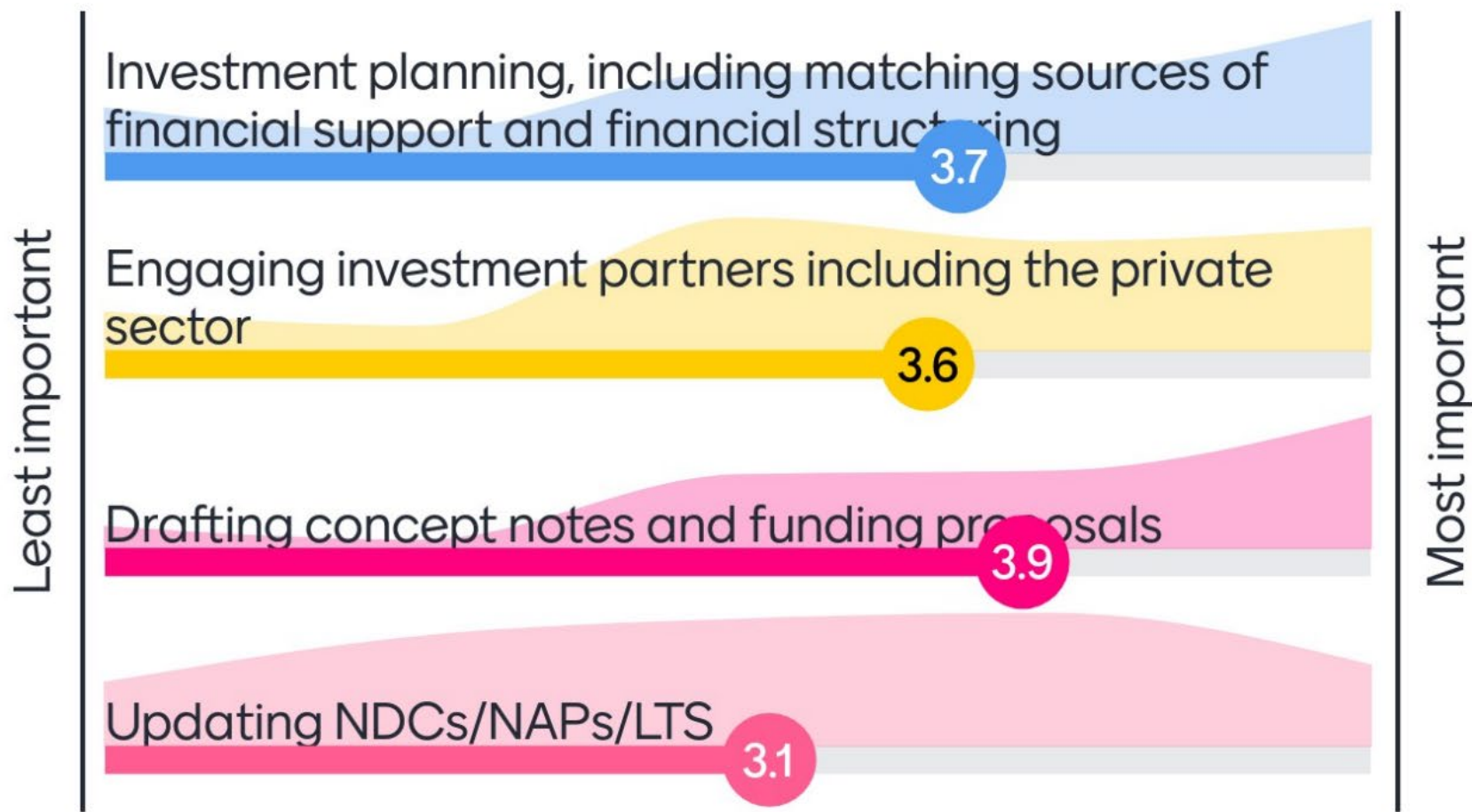
What would be the most significant step GCF could take to improve access to resources?



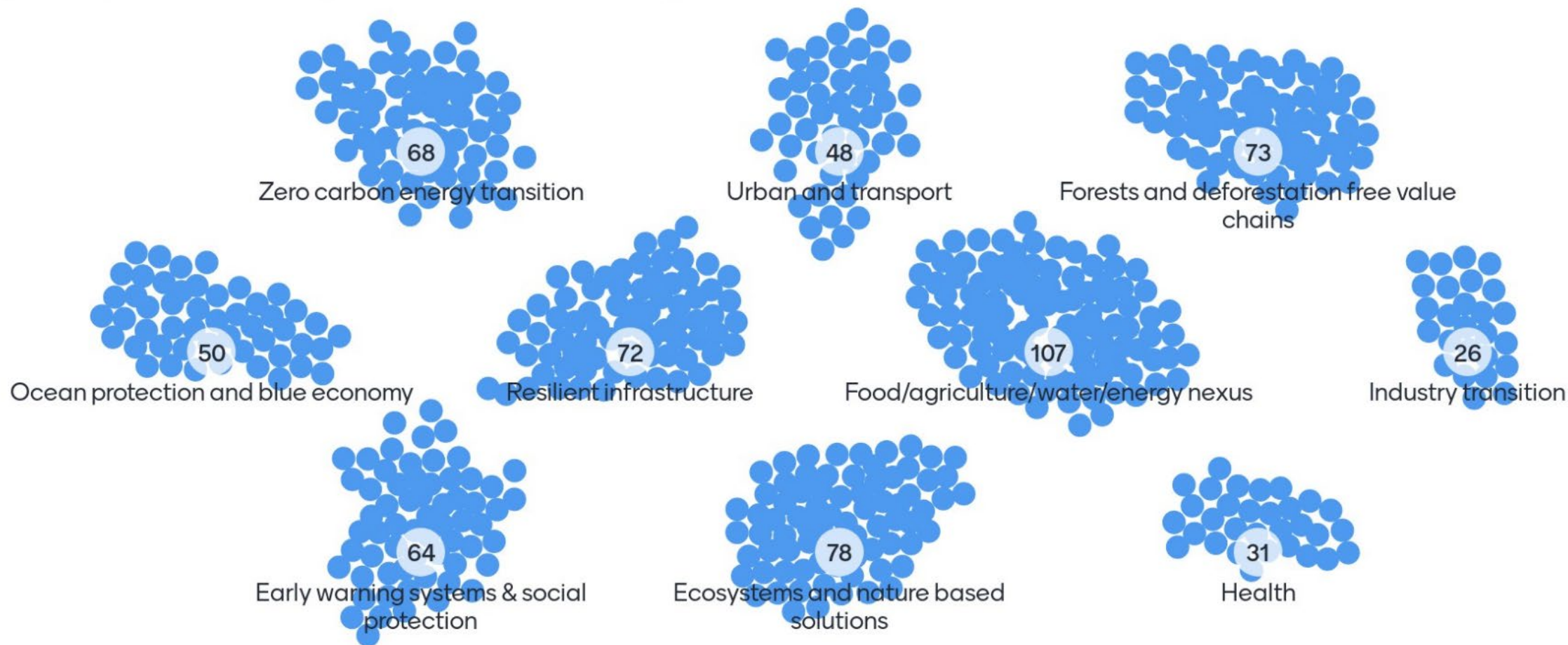
How important is GCF support in the following areas to strengthen NDC/NAP/LTS implementation and climate investment design



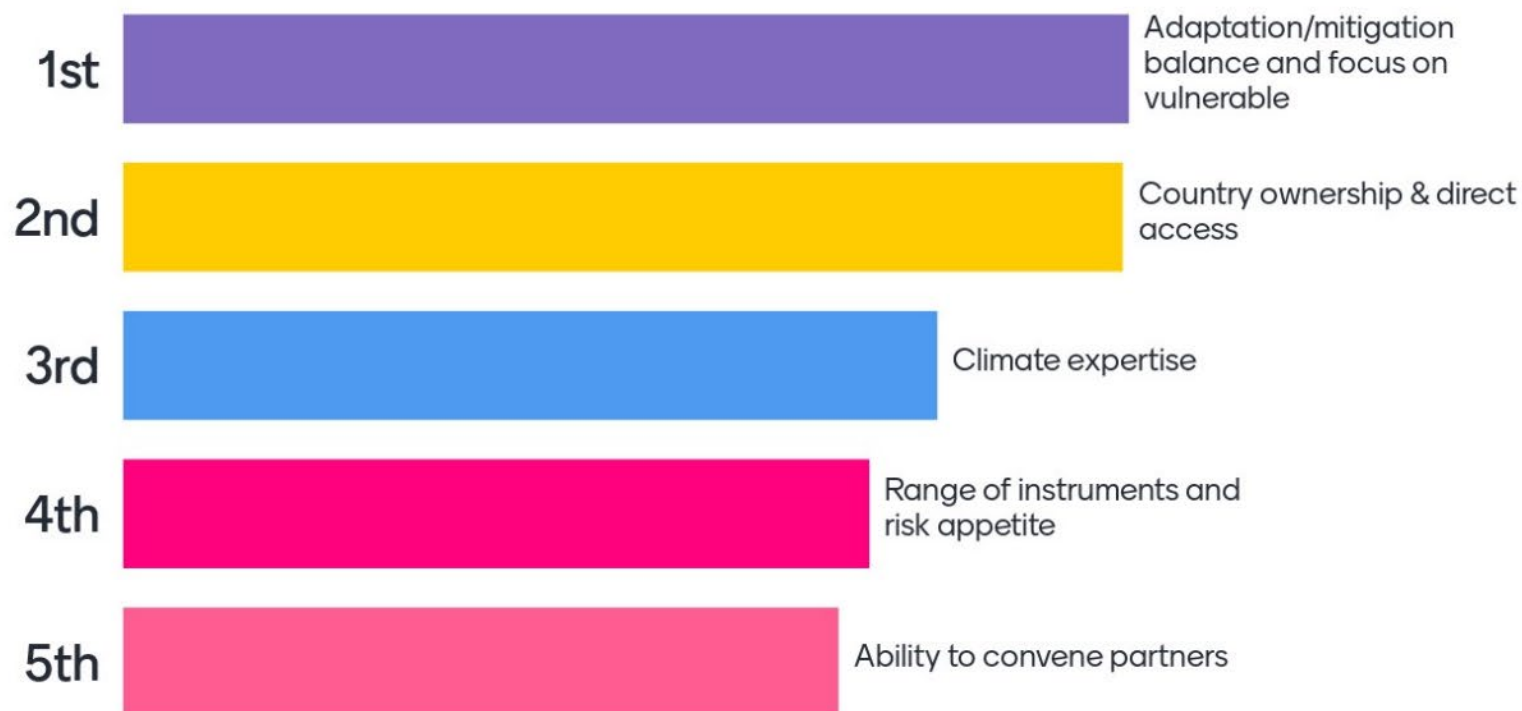
How important is GCF support in the following areas to strengthen NDC/NAP/LTS implementation and climate investment design



What are your most significant priority areas for programming in the coming 5-10 years?



Which do you think are the most valuable comparative advantages of the GCF?



Review of the USP & SPR Emerging Findings: Action Areas



This
PPT

STRATEGIC VISION

- Maintain ambition, but clarify how strategic vision translates to action
- Draw clearer links between UNFCCC/PA goals, vision, strategic objectives & actions
- Better define approach to paradigm shift, GCF value-add in CF landscape & risk appetite

STRATEGIC OBJECTIVES

(incl programming approach)

- More results-oriented and 'SMART', link to NDCs/NAPs/LTS and country needs
- Too many objectives/priorities: resolve tensions by honing in on GCF 'niche'
- More ambitious and specific objectives for adaptation & DAE programming
- Further nuance objectives on catalyzing private sector
- Be clearer on approach to programming & prioritization

STRATEGIC PRIORITIES

(incl operating model/modalities)

- Value partnership model, but clarify accreditation strategy & expectations of partners
- Value country ownership, but improve how countries are engaged in investment process
- Value diverse instruments, but should expand & clarify approach to deployment
- Unpack ways to avert, minimize and address loss and damage, in line with COP guidance
- Value catalytic private sector, but improve country & local private sector engagement
- Improve access, in particular for particularly vulnerable/least capacity and via DAEs
- GCF role in knowledge extraction/exchange to be better defined; contribution to 2.1(c)?

OPERATIONAL PRIORITIES

(execution)

- Value more complete policy suite, prioritize remaining operationally significant gaps
- Simplify and speed up processes; clarify degree of reliance on AEs
- Clarify roles of different Fund bodies. Identify actions not completed in GCF-1.
- Ensure resourcing fit for purpose, evolve organizational structure & regional presence



ELABORATING THE STRATEGIC VISION: PROPOSAL FOR TESTING

Connecting the UNFCCC/PA and the GCF vision



PARIS2015
UN CLIMATE CHANGE CONFERENCE
COP21-CMP11

- Hold global temperature well below 2°C, pursue 1.5°C
- Enhance adaptive capacity & resilience, reduce vulnerability
- Make finance flows consistent with pathway towards LECR
- Regular ambition cycles to update NDCs, ACs, LTS etc

GCF contributes to global climate goals (noting <3% of USD 100 billion/annum) **BY**

VISION

- Promote paradigm shift toward LECR development pathways
- Support implementation of the Paris Agreement and UNFCCC

> Clarify link to NDCs/AC/NAPs/LTS & approach to paradigm shift

Supporting NDC/AC/NAP/LTS implementation (via climate investments oriented to p-shift/system transition & institutional change) **BY**

STRATEGIC OBJECTIVES

- Enhance impact; balance mit: ad & risk appetite; significantly increase DAE and private sector mobilization; improve speed

> Elaborate mid-term vision for results & align allocations

Delivering a portfolio of funded activities that (A) strives for XXX climate results through (B) YYY allocations, **BY**

STRATEGIC PRIORITIES

> Update strategic and operational priorities in line with updated objectives to guide evolution of operating settings

Pursing prioritized initiatives to adapt the GCF operating model, policies & processes for delivery

Elaborating the GCF Strategic Vision: WHAT



The Board's long-term strategic vision for the GCF is to:

(a) Promote the paradigm shift towards low-emissions and climate-resilient development pathways in the context of sustainable development

+

(b) Support developing countries in the implementation of the Paris Agreement and UNFCCC within the evolving climate finance landscape

BY

Strengthening the capacity of developing countries to translate their NDCs, Adaptation Communications, NAPs, TNAs, TPs, LTS and other climate plans into concrete interventions and bankable investments, able to attract an increasing flow of finance, to accelerate implementation and ambition over successive Paris Agreement cycles,

Supporting developing countries and their people, particularly the most vulnerable, to remove barriers to climate investment and enable them to access finance at scale to support a just transition of energy, industry, infrastructure, ecosystems, societal and financial systems via pathways to peak and reduce emissions, and enhance adaptive capacity, strengthen resilience and reduce vulnerability, in line with the global goals set out in the UNFCCC and Paris Agreement

Elaborating the GCF Strategic Vision: HOW



Investment in institutions and pipeline:
“Building a climate investment ecosystem”

Investments in mitigation & adaptation:
“Accelerating the race for results”

(a) Promote
paradigm shift to
LECR development

(b) Support
UNFCCC & PA
implementation

Patient investment in the architecture for
expanding LECR aligned pipeline & finance:

- NDA/developing country capacities for integrated climate investment planning
- Collection, analysis and use of climate/risk information, enabling system-level design
- AE/DAE capacity for climate programming, fiduciary mgt & portfolio mainstreaming
- Enabling policy/regulatory environments, including carbon market readiness
- Green Banks & national financial system capacity to mainstream climate risks and expand access to capital markets

Exercise of risk appetite to fund paradigm-
shifting investments that:

- Are aligned with NDCs/ACs/NAPs/LTS and areas of highest potential impact/needs
- Magnify the impact of GCF concessional financing and catalyze other financial sources by demonstrating:
 - Innovation in practices, business models, technologies or instruments;
 - Scale-up of successful and replicable approaches (incl. local/indigenous);
 - Commercial track record and viability of new markets and asset classes
- Address urgent needs of countries/people particularly vulnerable to climate change.

Theory of change for promoting paradigm shift



GOAL

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

THEORY OF CHANGE STATEMENT

IF GCF helps remove technical and financial barriers to climate investment in developing countries
THEN developing countries will demonstrably shift towards LECR pathways by 2030
BECAUSE finance will become available at scale for an increasing flow of bankable climate investments in developing countries that advance transitions in energy, industry, infrastructure, ecosystems and societal systems.

OUTCOMES

1: Transformational planning and programming: Strengthened capacity and enabling environments for climate investment, and integrated and participatory investment planning to build high-potential pipeline.

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

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

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

Rationale for the proposed update to the Strategic Vision

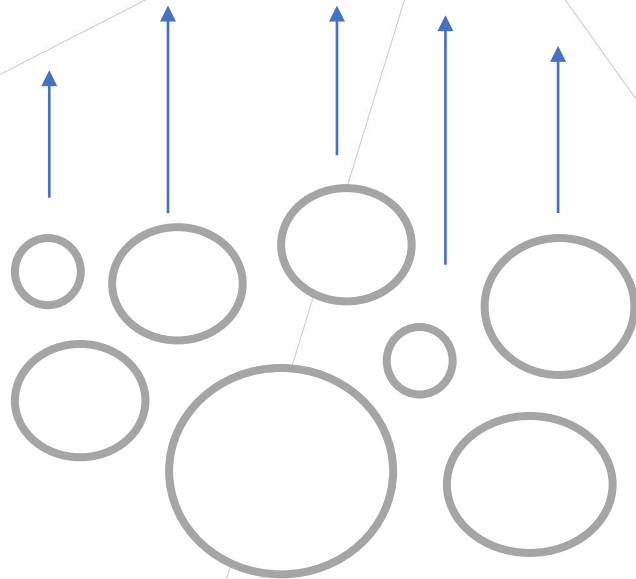
- Responds to inputs received through the consultation process, to better align vision with countries NDCs/ACs/NAPs/LTS and Paris Agreement cycle
- Responds to the latest climate science, recommending increasing shift from incremental to systemic responses
- Responds to needs identified by developing countries as critical gaps in translating planning to investments
- Responds to the GCF's evolving comparative advantages and relative positioning in the climate finance architecture
- Seeks to better define *HOW* the GCF will implement its vision to promote paradigm shift and support developing countries in implementing the UNFCCC & Paris Agreement

Shifting from incremental to systemic responses



Status quo / “incremental” approach

NDC / NAP / LTS



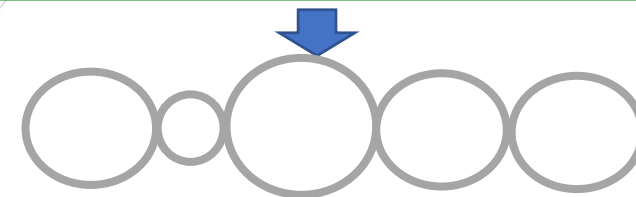
AEs/countries identify discrete project ideas, usually within one sector/area, fitted into the NDC narrative. Climate risk assessments, feasibility studies and project structuring done on a case-by-case basis, with frequent review iterations required.

Desired / “systemic” approach

NDC / NAP / LTS

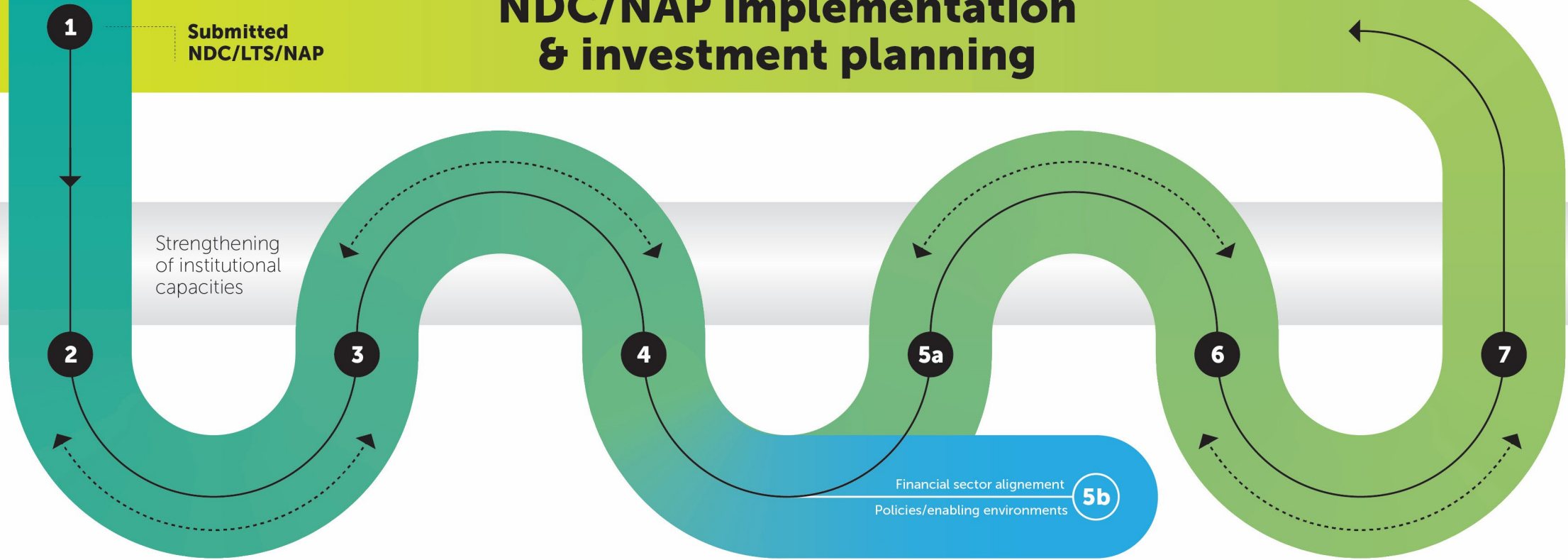
Systemic climate analysis / feasibility assmt – to ID most critical responses

Analysis of financial sources & structuring to optimize bankable projects & use of GCF resources



NDCs guide priority intervention areas. Climate assessments and feasibility studies done at a systems level, looking at trade-offs/synergies across sectors. Leads to analysis of financial sources & structuring of an optimized programme of investments

NDC/NAP implementation & investment planning



2 NDC/LTS/NAP implem. planning

- Macro-economic planning
- National budgeting
- Sector & subnational planning
- Socio-economic analysis
- Action gap analysis

3 Evidence-based option identification

- Emissions scenarios
- Climate risk and vulnerability assessment
- Option identification analysis & costing

Opportunities:

- **Systems-level analysis to ID transformations and key interventions needed**
- **Options/methodologies responsive to LTS/2.1c**

4 Investment planning

- Assess funding needs for prioritized interventions
- Assess financing barriers
- Assess financing options (private/blended/public)

Opportunities:

- **Optimize solutions for barriers & comparative advantages or financiers**
- **Sequence programmes of investments**

- 5a • **Public financing**
- **Financial de-risking**

- 5b • **Policy de-risking**
- **Private financing**

6 Proposal development

- FP development
- Project & financial structuring
- Investor roadshows
- National budget prioritization

Opportunities:

- **Co-investment platforms**
- **Aggregators**

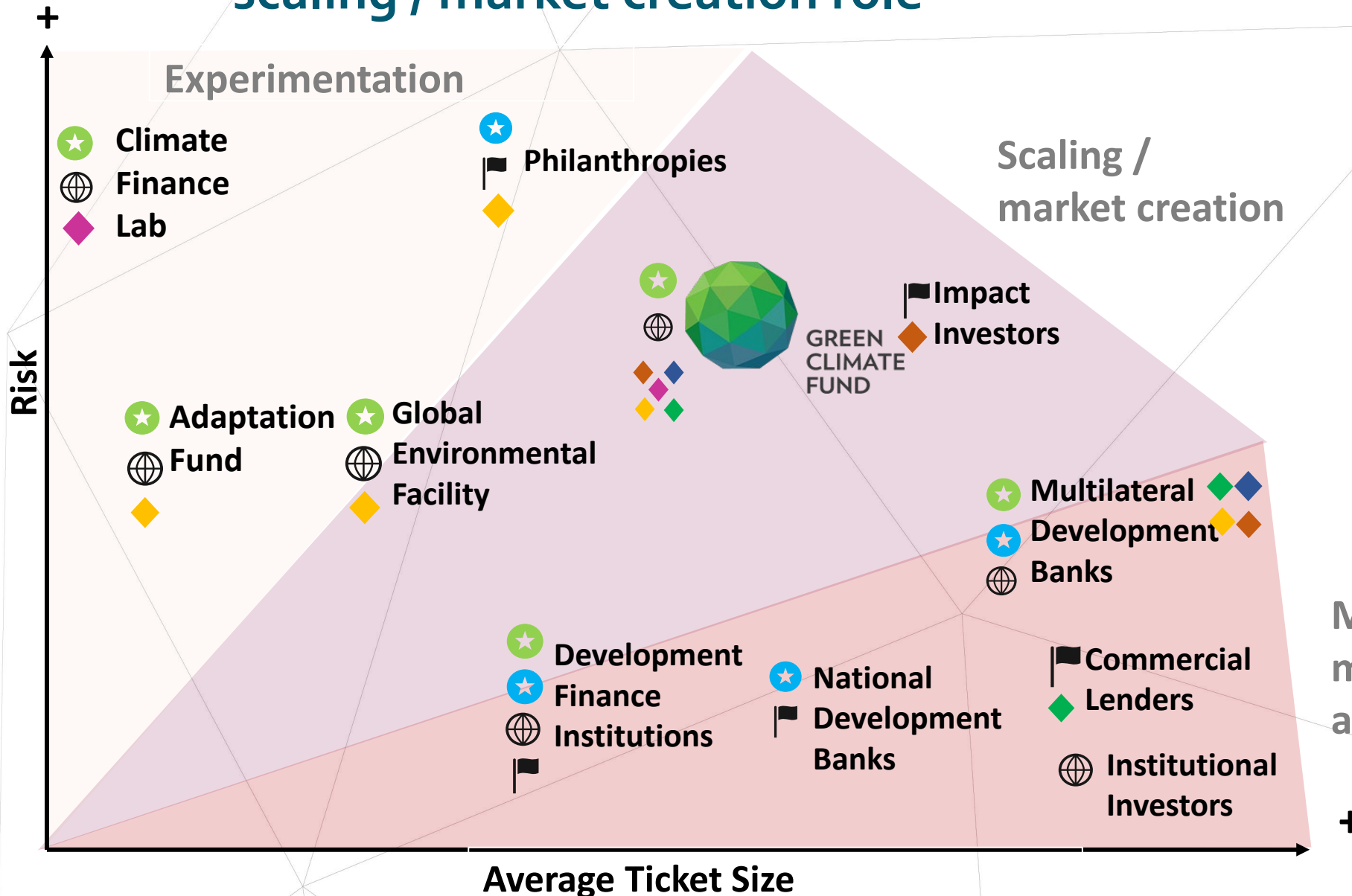
7 Implementation & monitoring

- Project implementation
- Project monitoring & evaluation

Opportunities:

- **Tracking of finance flows**
- **Performance analytics**
- **Evidence generation for revised NDCs/NAPs formulation**

GCF'S size and risk appetite position it to play a scaling / market creation role



Thematic area

- ★ Climate / Environment
- ★ Development

Scope

- 🌐 Global
- 🚩 Local / origin country

Financial Instrument

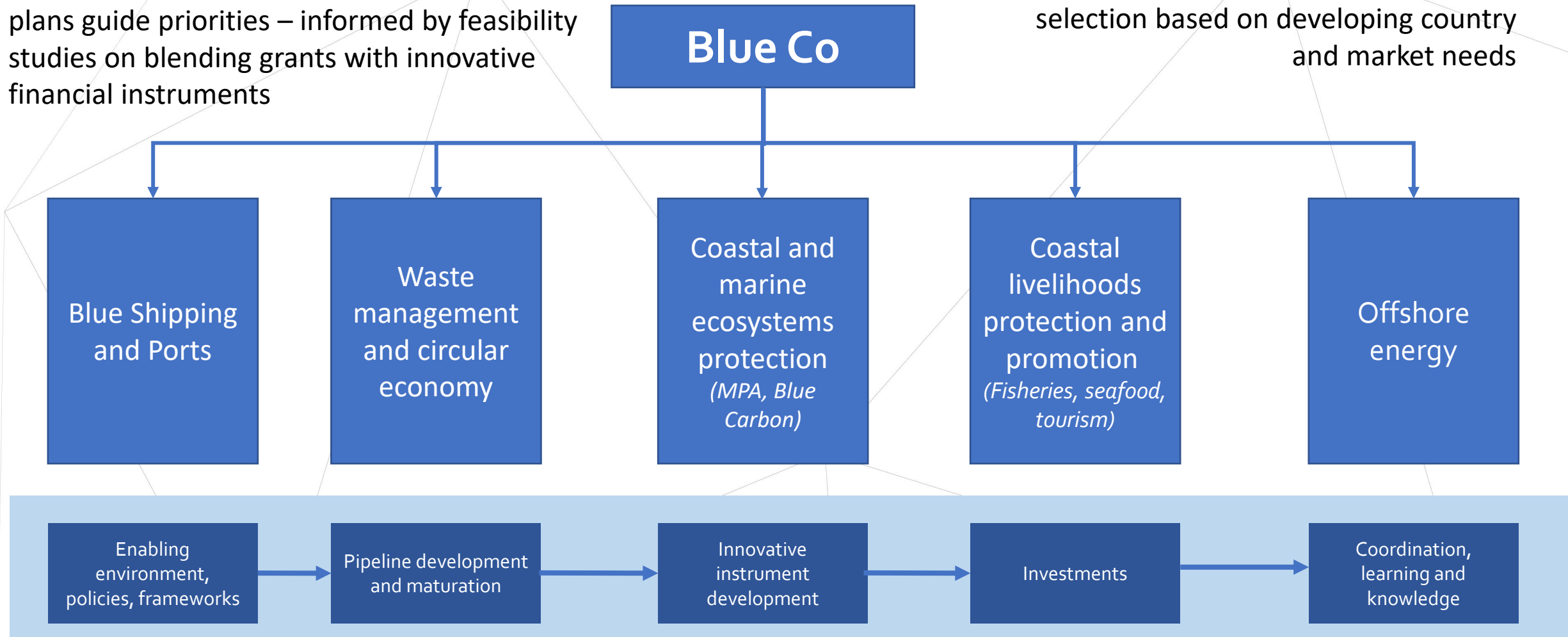
- ◆ Equity
- ◆ Guarantee
- ◆ Grants
- ◆ Loan
- ◆ Seed support

Mature markets & asset classes

Example: Sustainable Blue Economy Co-Investment Facility

Regional/national strategies and investment plans guide priorities – informed by feasibility studies on blending grants with innovative financial instruments

Syndicate partners with sub-project selection based on developing country and market needs





UPDATING STRATEGIC OBJECTIVES: PROPOSAL FOR TESTING

Connecting the GCF Vision and Strategic Objectives



VISION –
LONG TERM

(a) Promote
paradigm shift to
LECR development

(b) Support
UNFCCC & PA
implementation

Strategic
Objectives
:
Different
types

A. MID-TERM GOALS
GCF's ambition to deliver certain results
on a pathway to the long-term vision

USP-1:
average
impact
goal

B. PROGRAMMING/ALLOCATION TARGETS
How GCF will allocate resources –
should be aligned with vision & any mid-term goals

USP-1: Per
B.27/06

C. OPERATIONAL TARGETS
What outputs GCF will deliver – should reinforce
delivery of mid-term goals & allocation targets

USP-1:
Various
Op goals

Crafting Strategic Objectives: A. Mid-term Goals



- **Desire from B.33 & inputs/submissions to update and clarify Strategic Objectives**
 - More clearly aligned with PA/NDCs/NAPs/LTS and more clearly linked to Strategic Vision
 - 'SMAR' – Specific, Measurable, Ambitious (more important than Achievable), Relevant

- **Other organizations have taken a mix of approaches**
 - MDBs have institution-level goals for allocating climate finance; UN goals broad/aspirational
 - CIF/GEF/AF use specific programming indicators (similar to IRMF)
 - SOFF: 76 SIDS/LDCs supported to become GBON compliant & access improved climate products

- **Calibrate against concentrations in needs, GCF portfolio and results data:**
 - Needs analysis shows highest concentrations of mitigation needs for RE, forests & transport; adaptation needs for agriculture, water, EWS & coastal zone management
 - GCF has programming concentrations in: agriculture, CIEWS, water. Water most prominent in SIDS, energy most prominent in Africa & LDCs. Health & transport least represented.
 - Most data for: tonnes/overall beneficiaries; value of physical assets; Hectares under improved management practices; EWS beneficiaries; readiness results

A. Crafting mid-term Goals aligned with Vision: "By 2030..."



"Building a climate investment ecosystem"

"Accelerating the pursuit of results"

(a) Promote paradigm shift to LECR development

(b) Support UNFCCC & PA implementation

Every developing country capacitated to access, analyze and use climate information for early warnings and investment planning

Every developing country able to access support to complete and periodically update NDCs/NAPs and translate to investment plans

More than double number of DAEs actively programming and implementing GCF funding

developing countries supported to mainstream climate into national financial systems, including establishing green banks

% AEs with active strategies to mainstream climate into their wider investment portfolios

1+ billion beneficiaries, 5 GT CO₂ avoided; 100 billion USD finance mobilized

developing countries supported to mature markets for RE & plan for just energy transition

countries (NB. SIDS/LDCs/Africa) supported to build resilience of critical infrastructure

countries vulnerable communities (NB SIDS/LDCs/Africa) supported via EDA/locally-led action

\$ enhanced access to finance for MSMEs and smallholders for LECR crops, products, services

Area covered by ecosystem conservation, restoration & supply chain initiatives

X times increase in coverage of EWS

Crafting Strategic Objectives: B. Programming & allocations



- **GCF currently does programming strategy via allocation targets – this has challenges**
 - With multiple discrete allocation targets, it is difficult to build a portfolio that reconciles all – eg current premium on PSF+DAE+adaptation proposals, but very few of these in the pipeline
 - Currently no Board direction on how to prioritize between the targets > leads to trade-offs reducing predictability for stakeholders and raising concerns on access
- **A clearer USP-2 programming strategy would help align allocations and pipeline efforts**
 - USP-2 could more clearly articulate the GCF's overall programming directions, based on the Strategic Vision & Strategic Objectives/Mid-term goals
 - Allocation targets would then be calibrated to align with this programming strategy
 - Helps Secretariat focus pipeline development efforts & clarify stakeholder expectations
- **Considerations relating to programming directions & allocation targets**
 - Consider nominal targets to increase transparency/certainty in pipeline management
 - Consider setting allocations as amount to be programmed for GCF-2 > can't shift the significant allocations already "baked into" the portfolio
 - Secretariat can model effects of different programming settings and allocations

Crafting Strategic Objectives: GCF programming strategy?



1. Investing in institutions and pipeline ('investment ecosystem')

Current allocation: RPSP & PPF (Approx 500m for GCF-1); DAE share of portfolio - x-cutting

2. Unlocking potential for scale in high-impact areas (public)

Current allocation: NA, possible RfPs

4. Taking changes on innovation

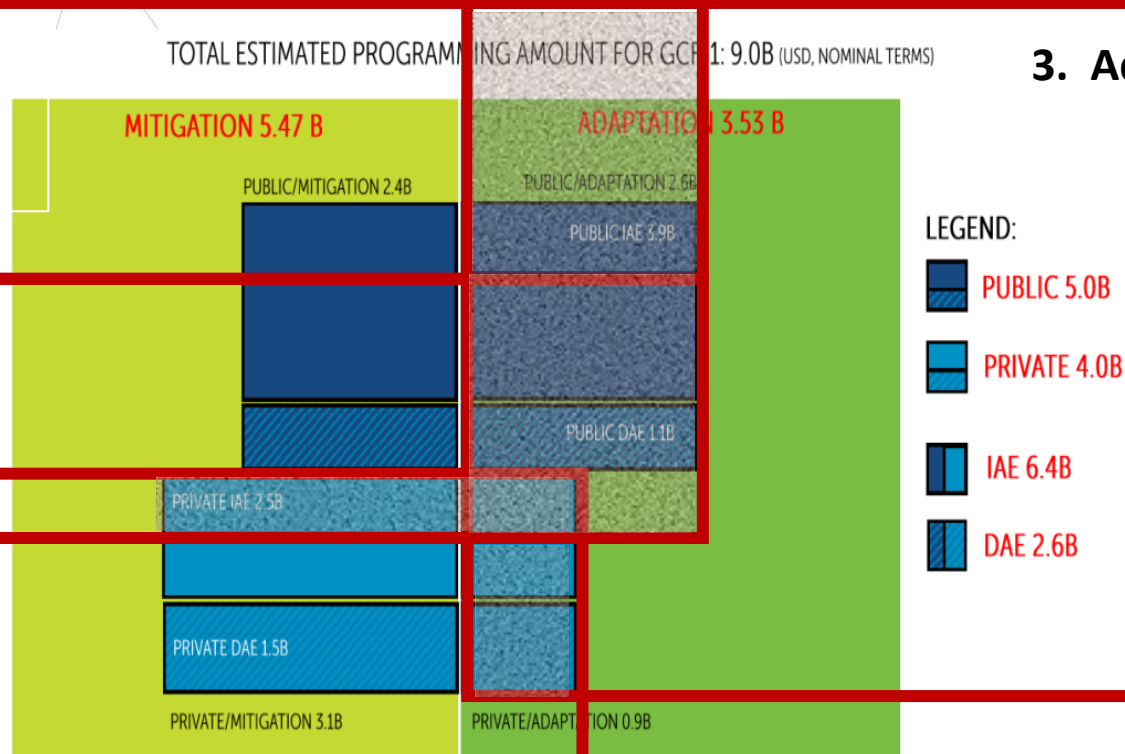
Current allocation: NA, possible RfPs

5. De-risking to catalyze private sector investment at scale by establishing new markets & assets classes

Current allocation: 20% to PSF in GE

3. Addressing urgent vulnerabilities to climate change, incl. EWS & locally led action

Current allocation: 50% GE + floor for SIDS/LDCs/Africa



Note: Secretariat has to convert GE targets to nominal for modelling & pipeline management

B. Crafting programming directions aligned with Mid-term Goals



GCF-1

50:50 balance adaptation:mitigation over time

>50% adaptation funding to SIDS, LDCs, Africa, aiming for greater than IRM (69%)

Aim for appropriate geographical balance

Significantly increase funding channeled through DAEs relative to IRM

Allocation to PSF > 20%

Significantly increase mobilized private sector finance relative to IRM

GCF-2 - proposals

Predictable support for climate investment readiness and institution strengthening (X%)

Greater share overall to adaptation (50%+), with allocations/floors/RfPs as appropriate for:

- Particularly vulnerable (LDCs/SIDS/Africa)
- Addressing urgent vulnerabilities through EWS and locally-led action
- Unlocking potential in high impact areas, eg NBS and blue economy
- PSF exploring private sector potential

Mitigation through catalytic investments:

- PSF to accelerate market creation
- Public to unlock barriers

Cross-cutting commitments to increasing DAE and PSF programming

Mid-term goals (TBD)

Programming directions will have different risk and resourcing implications



“To realize significant impact and promote paradigm shift GCF is willing to accept *considerable uncertainties around investment risks in return for impact potential*”

In determining GCF Programming directions...

...Consider overall portfolio risk profile...

... and Resourcing

Example

1. Investing in institutions and pipeline ('investment ecosystem')

Current allocation: RPSP & PPF (Approx 500m for GCF-1); DAE share of portfolio - x-cutting

2. Unlocking potential for scale in high-impact areas (public)

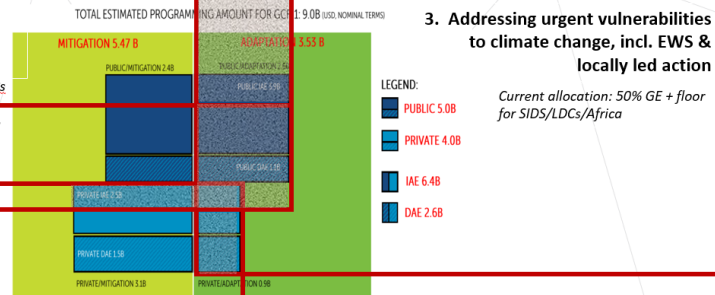
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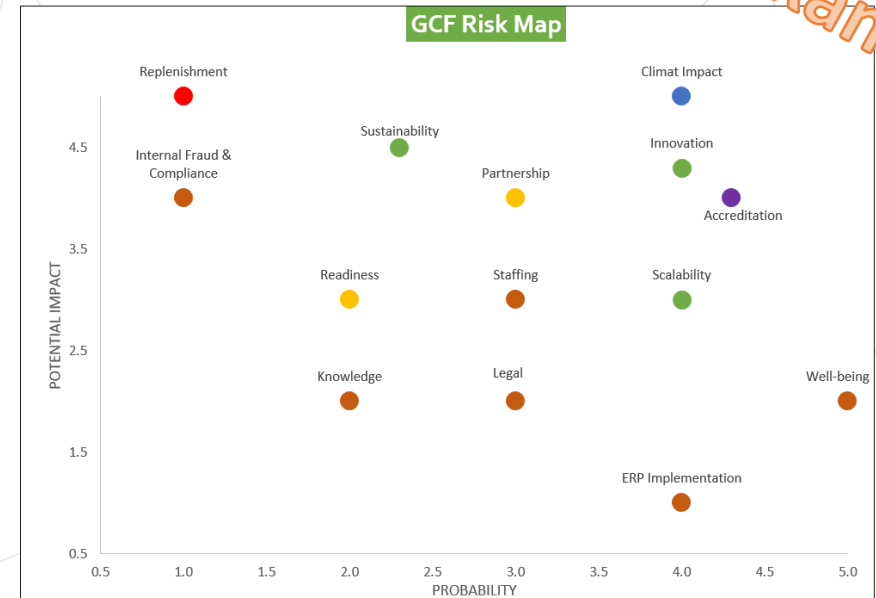
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3. Addressing urgent vulnerabilities to climate change, incl. EWS & locally led action

Current allocation: 50% GE + floor for SIDS/LDCs/Africa

- 1. Country Capacity
- 2. Pipeline
- 3. Climate result
- 4. Access
- 5. Expertise/Performance
- 6. Replenishment



Crafting Strategic Objectives: C. Operational targets



- **USP 2020-2023 included the following quantified operational targets:**
 - % resources programmed by mid-point and end 2023
 - % portfolio under implementation by end 2023
 - Initiate replenishment 30 months after commencement of programming period

- **Proposals for other quantified operational targets:**
 - Increase speed of access – reduction in average Fund delivery times across key processes
 - % AEs actively engaged in programming
 - # policies/procedures harmonized with other climate funds
 - % policy frameworks subject to implementation review to diagnose bottlenecks and opportunities for improvement
 - Staff fill rate, and gender/geographical balance
 - Target for administrative costs < 0.7% of assets under management



STRATEGIC & INSTITUTIONAL PRIORITIES

Detailing the 'HOW': Strategic & Institutional Priorities

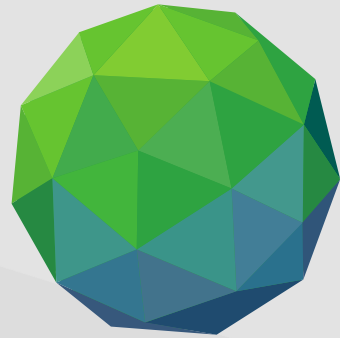
- **Inputs include many perspectives on strategic and operational priorities – i.e. the 'HOW'**
 - Many proposed improvements to the operating model and modalities, including approach to implementing country ownership, readiness/PPF, pipeline generation & prioritization, use of SAP, RfPs, EDA, programmatic approaches, financial instruments, private sector engagement, accreditation, PSAA, IAE-DAE cooperation, etc.
 - Many submissions also proposed refinements to institutional settings, including governance, policies, processes, resourcing, regional presence, transparency, M&E etc
 - Access was a universal theme of concern, dimensions cut across elements of resource mobilization volume, partnerships & direct access, process speed, simplicity and harmonization, flexibility/differentiation, etc

Strategic & Institutional Priorities: Proposed way forward

- **Zero draft will not include fully developed text on strategic and institutional priorities,** but annotations indicating areas that may be continued from USP and new inputs
- **This will provide opportunity to align the Strategic/Institutional priorities with the Board's directions on Strategic Vision/Objectives,** as the 'HOW' should match the 'WHAT'
- **Some content will be taken up in parallel/related strategies,** e.g. accreditation strategy, readiness strategy, update of country ownership guidelines etc.
- **Proposal to move to five strategic priorities:** split the previous priority on "improving access" to recognize that:
 - **Accelerating access** is a broader priority than just accreditation
 - **GCF's work with partners to strengthen the climate investment ecosystem** is an important cross-cutting priority

Next steps

- **Preliminary zero ('pre-zero') draft already shared for Co-Chairs' guidance**
- **Zero draft to be prepared based on Co-Chairs guidance and input from this session, for publication by 3 October**
- **Secretariat stands ready to support 'orientation' to draft as required in leadup to B.34, to enable substantive discussions at B.34**



**GREEN
CLIMATE
FUND**