16 December 2022

Update of the Green Climate Fund Strategic Plan 2024-2027

Consultation DRF.01

Strategic Plan for the Green Climate Fund 2024–2027

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.[1] 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, in the context of sustainable development, promoting the paradigm shift towards low-emission and climate-resilient development pathways, taking into account the needs of those developing countries particularly vulnerable to the adverse effects of climate change*"*.

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. 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 to meet the UNFCCC and Paris Agreement goals.

~~2.~~3. The Updated Strategic Plan for 2024-2027 aims to ensure that the GCF continues to perform and enhance its key role in channeling climate finance to developing countries, as well as using public resources to catalyse wider finance sources thereby striving to maximize the impact of its funding. In this context, the GCF should continue to build its ambition to deliver climate change impact for developing countries, in line with the UNFCCC and Paris Agreement, including by a) pursuing efforts to limit temperature increase to 1.5 °C above pre-industrial levels, and reach carbon neutrality or net-zero emissions by or around mid-century to stay within this goal which would significantly reduce the risks and impacts of climate change; b) increasing the ability to adapt to the adverse impacts of climate change and foster climate resilience; and c) making finance flows consistent with a pathway towards low emissions and climate-resilient development.~~e Paris Agreement goals, as well as implementing approaches to avert, minimize and address loss and damage.[2]~~

~~3.~~4. 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.~~5. 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

[1] Figures will be updated to be current at the time of the adoption of the updates to the Strategic Plan.

~~[2] Decision 1/CP.26 (Glasgow Climate Pact).~~

Commented [A1]: We do support recalling all the three PA goals here, as done under the USP-1, for the sake of consistency of the scaled-up effort that the USP-2 should bring in in comparison with USP-2. This would also help consistency with Figure 1 below. In line with this attempt to be as much as consistent and logic as possible in the introduction, we do not see a need to make reference to AMA L&D, as it is not a funding window of the GCF according to its Governing Instrument and it could be misleading.

Commented [A2]: COVID-19 and the war in Ukraine are affecting not only developing countries but also developed countries. In this context we should focus on the GCF institutional mandate and how GCF supports financing for climate mitigation and climate adaptation/resilience.

Commented [A3]: Finding new financial solutions to achieve the goals mentioned is a welcomed step further, given the historical and structural premises in which the fund operates in.

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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 deliver the highest levels of catalytic impact through its key assets – its financial resources, partnerships, convening power, people and knowledge – to maximize the ambition of its contribution to international climate goals and promote a paradigm shift for developing countries, while also maintaining focus on supporting the urgent needs of those most vulnerable to climate change.

Commented [A4]: We would suggest either to refrain from quoting figures out of the context or to rephrase the sentence to say that there is a need for broader basis of support and especially crowding in the private sector, given the magnitude of the issue ahead.

~~5.~~6. 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:

Commented [A5]: We welcome the simplified and streamlined structure of the USP, which must indicate the long-term vision and its goals as well as the strategic programming objectives.

(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;

Commented [A6]: We strongly appreciate the result-based approach with concrete objectives to be delivered.

(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.

Commented [A7]: We would request to include also ambition (in mitigation, adaptation and consistency of finance flows mobilization) among the operational goals?

~~6.~~7. 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.~~8. **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	
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

Commented [A8]: A reference to art. 2.1 c of the Paris Agreement should be made with a wider wording rather than with the current phrasing. "(c) Making finance flows consistent with a pathway towards low greenhouse gas emissions and climate-resilient development."

II. Long-term strategic vision of the GCF

~~8.~~9. 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~~ Implement the paradigm shift towards low-emission and climate-resilient development pathways in the context of sustainable development; and

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

~~9.~~10. This envisions that **every developing country and their people, particularly the most vulnerable, 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, scale up access and shift 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 UNFCCC and Paris Agreement goals. ~~It also aspires that~~ ~~b~~Building a successful track record of implementation 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.

Commented [A9]: We support keeping the wording used in the B34 Zero Draft 0 here (para 9).

Commented [A10]: It is important to recall the need for the GCF to have an ambitious contribution to the shift of finance flows here as well during GCF-2, in order to support the alignment of all financial flows to make them consistent with the PA, in line with its art. 2.1c.

~~10.~~11. 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 ensure an ambitious contribution towards addressing ~~meet~~ the scale of countries' investment needs. GCF channels and catalyzes resources in two main ways, guided by country priorities. First it makes patient, long-term investments in mainstreaming capacities and strengthening tools and enabling environments for developing countries to integrate climate change into economic and financial decision-making to promote their alignment with the UNFCCC and Paris Agreement, and generate a project pipeline for GCF and other financial sources. Second, it exercises its distinctive risk appetite – being willing to accept considerable uncertainties around investment

Commented [A11]: See wording in para 11a) of the B34 Zero Draft.

risks, including through its capacity to use a variety of financial instruments and to engage in innovative and high-risk ventures, to unlock significant climate impact potential – by deploying concessional finance and catalyse other sources of finance by promoting innovation in practices, business models, technologies or instruments 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.~~12. 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.

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Commented [A12]: It would be helpful to highlight here the unique comparative advantage of the GCF in the climate finance landscape to make full use of its range of financial instruments to promote a demand-driven, fit-for-purpose strategic management of financial risk.

Commented [A13]: We propose to use the wording of para 11(b)(iii) of the B34 Zero Draft.

Commented [A14]: We welcome this approach. It is crucial for GCF to cooperate with the main stakeholders in order to harmonize the respective plans and work programs, avoid overlapping of the activities and optimize the financial resources available.

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III. Mid-term goals for climate results

~~12.~~13. 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 meet the UNFCCC and Paris Agreement goals. The pace at which GCF will be able to deliver these goals will not only be based on its total resourcing over progressive programming periods, but also on~~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~~.

Commented [A15]: We would like to suggest the deletion of this sentence since it has no value added in this paragraph.

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

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

~~Double the number of~~ An increased number of **Direct Access Entities** will have built the climate investment capacities to start programming approved public and private sector

INNOVATING CLIMATE SOLUTIONS

Over 50 new incubators or accelerators will be established to promote innovation of climate solutions in developing countries

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

RESILIENCE TO URGENT VULNERABILITIES

Every developing country will be protected by basic early warning systems, including all SIDS, LDCs and African States

Vulnerable communities in more than 20 of the most at-risk countries will have access to devolved financing for locally-led adaptation

By 2030-2035

Just energy transition – over three quarters of developing countries will be supported to advance 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

Just infrastructure transition – systemic infrastructure resilience planning will be in place in a third of developing countries, focusing on SIDS, LDCs and African States

Just food systems transition – over a quarter of the world's 500+ million smallholder farmers will be helped to adopt low-emission climate-resilient agricultural practices

Just ecosystems transition – Over 100 million hectares of terrestrial and marine areas will be conserved and over 200 million hectares restored or brought under sustainable management

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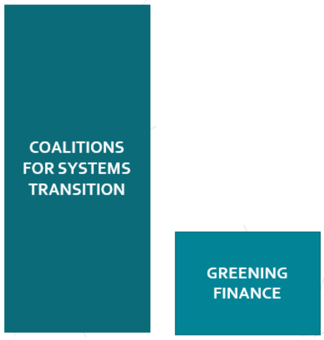

Over 50 new green banks, green facilities or climate bonds issuances will be created to promote alignment of wider finance flows with low-emission, climate-resilient development pathways

IV. Strategic programming objectives for 2024-2027

~~13.~~14. 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.~~15. 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 and national climate strategies and plans 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, and the capacity to design systemic responses to climate change, 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 support the institutional paradigm shift that is a critical condition for success. In line with its mid-term goals, GCF's focus for 2024-2027 will be:

CLIMATE INVESTMENT CAPACITIES	1A: Strengthening developing country capacities and enabling environments for systemic, country-driven climate investment planning 1B: Strengthening direct access entity programming capacities

Commented [A16]: We support this approach by the Secretariat, with high level key enabling actions for the strategic programming objectives and more detailed thematic strategies to be adopted across the programming areas. Which process the Secretariat is envisaging for the elaboration of these thematic strategies? Are they expected to be adopted together with the USP-2 at B36?

Commented [A17]: Useful here to have a reference to national climate strategies and plans (i.e., NDCs, NAP, ACs, LTS, NAMA, etc.), also for the sake of consistency with Chapter 2 on the Long-Term Vision.

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~~15.~~16. Objective 1 will be supported by the following key modalities, actions and partnerships:

(a) **Board decisions on an updated strategy, aligned work programmes and predictable resourcing for the RPSP**, reoriented toward addressing gaps in the capacities and enabling environments needed for effective NDC, AC, NAP and LTS 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/ACs/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 practices;

(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 investment planning and design[3];

(f) **Refocusing country programmes as more dynamic climate investment planning tools**, examining how these can be better informed by systemic climate assessments, be used to structure and maximize potential sources of finance, and also be better linked to existing national development or 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;

(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;

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

Commented [A18]: Could the Secretariat better clarify which are these countries and how many of them are LDCs, SIDS and African Countries?

Commented [A19]: Support. It would be helpful to focus such activities also in the context of building of the climate rationale and climate-sensitive adaptation strategies along with support to identifying blended finance vehicles and crowding in commercial capital. It would be important for the GCF to have a strategic take up on existing and/or innovative solutions to improve enabling environments to better manage physical climate risks in infrastructure and investment decisions, including working on markets for disaster risk finance, early action and preparedness.

Objective 2: Accelerating innovation of new climate solutions

~~16.~~17. 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. 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 transition. 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

[3] In collaboration with UNDP, UNEP, FAO and partners responsible delivering the first phase of NAP support.

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inclusive, responsible 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. 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

~~17.~~18. 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 and promote the GCF added value**, confirming and further clarifying 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

Commented [A20]: Why the focus is only on adaptation? We would prefer to have similar attention also to mitigation.

Commented [A21]: We support this, noting that an active management of the pipeline to overcome the "first come, first served" approach should be fostered throughout the GCF-2.

Commented [A22]: Support

Commented [A23]: Please clarify the term "educated risk".

Commented [A24]: It is crucial to better define the GCF risk appetite in order to allow the Fund to work on its value added and deploy its comparative advantages investing where and how other actors cannot.

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~~18.~~19. The latest science makes clear that climate change impacts are being felt now, and there is a limited window of opportunity for transformative adaptation response, underscoring the increased urgency of the adaptation financing gap. One of GCF's unique characteristics is its commitment to balance 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 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.~~20. 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 continue to support measures to avert, minimize and address loss and damage** in line with COP guidance and Board decisions, and~~,~~ in line with the Fund`s Governing Instrument, 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;

(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 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 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.

Commented [A25]: The GCF has already a track record of projects to avert, minimize and address LnD. Reference to Governing Instrument is needed, particularly with regards to the Board's mandate on funding windows (para 39 GI).

Commented [A26]: "Complementarity" could be the keyword that reduces the potential responsibility for the Fund to act by itself.

Commented [A27]: This activity should be dealt consistently with the existing investment and results framework, and within funding window and structure of the GCF. The pipeline programming should be consistent with the experience and activities already undertaken under the GCF in supporting measures to avert, minimize and address L&D in the context of its funding windows as specified by its Governing Instrument. For example, in 2020, almost a quarter of the GCF's approved projects explicitly mentions L&D, with 16% linking L&D to their main project activities.

Commented [A28]: There is a need to further elaborate on this topic. The full suite of GCF financial instrument should not be limited to address "urgent vulnerabilities", but also to promote innovative, long-term, adaptation financing in line with country-driven priorities identified in NDC, NAP, AC, LTS.
GCF investments in adaptation should focus on transformational and innovative projects, including the promotion of a greater engagement with international and domestic private sector (i.e., exploring insurance and markets for disaster risk reduction, mainstreaming of climate risk in investment decisions, etc.). Finally, GCF should promote additionality throughout its adaptation portfolio, *inter alia* by strengthening and aligning complementary and cooperation with other climate funds and investors, including MDBs and development finance institutions.

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Objective 4: Forging coalitions for improving access to resources and scale up private sector engagement [to foster just systems transitions]

21. GCF has internalized the feedback from its stakeholders that access to financial resources must be expedited in order to meet the urgency of the global climate challenge and the needs on the ground. 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. Second, there is a need to attract financing from the widest possible set of sources, using scarce public finance catalytically to shift trillions in private sector flows. Contributing to making wider financial flows, including those managed by the private sector, consistent with a pathway towards low greenhouse gas emissions and climate-resilient development is key to realizing the scale of resources – in the trillions – needed to implement developing countries' NDCs, ACs, NAPs, technology plans and other climate strategies. This aim is supported by programming efforts across the GCF's public sector division and Private Sector Facility. GCF programming will aim to more systematically and fully realize GCF's potential to mobilize resources at scale and attract and crowd-in private funding in new markets, geographies and asset classes, while encouraging a wider alignment of financial flows with countries' climate plans and strategies.

~~20.~~22. 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:

COALITIONS FOR SYSTEMS TRANSITION	4A: Advancing high-impact, cross-cutting, country-led initiatives across key sector 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

~~21.~~23. Objective 4 will be supported by the following key modalities, actions and partnerships:

(a) **Pipeline programming, led principally by the Division of Mitigation & Adaptation, to structure thematically or geographically based programmes of investments** that respond to key impact areas identified in NDCs/NAPs/LTS, bringing together co-investment from different sources based on the technical capacities, instruments and risk profiles of various AEs and GCF; these will cover areas such as blue economy, protecting critical biomes, restoring nature and green hydrogen and grids;

~~(a)~~(b) **Optimization of the AE network performance through a novel accreditation strategy,** that will *inter alia* further detail how GCF will continue to support increased direct access, including incentivizing IAE support for DAE capacity-building as well as peer-learning;

~~(b)~~(c) **Pipeline 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

Commented [A29]: In the B34 Zero Draft, Strategic Priority 3.3 was dedicated to "Catalysing Private Finance at Scale", and 3.5 to "Improving Access to Fund Resources". It is not fully clear how these two have been streamlined under this new Objective 4. We believe that a strategic priority dedicated to scaling-up and catalyse private finance should be kept as a key strategic objective for GCF-2. In this context, it is not fully clear how it is incorporated in the topic of "just systems transitions".

Commented [A30]: In line with the comment above, we suggest using this wording of para 31, section 3.5 "Improving Access to Fund Resources" from the B34 Zero Draft.

Commented [A31]: In line with the comment above, we propose here to keep the wording from para 25 of the B34 Zero Draft.

Commented [A32]: Unclear - what is the scope and goal of this modality?

Commented [A33]: We suggest including the wording from para 33(b) and (e) of the B34 Zero Draft to better highlight how improving accreditation would support enhancing access to fund resources.

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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 such as resilient infrastructure, energy transition and climate-resilient agriculture;~~

(d) **Promoting the GCF as the hub of a global partnership network to forge novel programming collaborations and co-investment approaches**, drawing on respective strengths and financing from different partners; and the role PSF can play in forging public-private collaborations and leveraging GCF financing and due diligence standards to de-risk investments and attract private participation;

(e) **Expanding the GCF partnership combining policy dialogue and technical and financial assistance** with MSMEs and local private sector actors, including the role of national and regional DAEs, and with private sector-oriented development banks;

~~(c)~~(f) **Deploying requests for proposals, subject to Board decision**, to target specific impact areas where these can not be effectively covered by pipeline programming;

~~(d)~~(g) **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 transition;

~~(e)~~(h) **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 and deliver economic and non-economic co-benefits;

~~(f)~~(i) **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)~~(j) **Building on GCF's institutional reputation and robust due diligence standards** to attract co-investors, including private sector, to GCF-funded projects and programmes.

Strategic Objective 5: Greening financial systems

~~22.~~24. 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 and investments toward 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 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 5B: Enhancing the ability of developing country governments, financial institutions and corporates to access domestic and global capital markets

Commented [A34]: We suggest adding elements from para 27 (c) - (f) from the B34 Zero Draft to better reflect some key modalities, actions and partnership whose inclusion is important in order to reflect the importance of scaling up private sector participation in the GCF-2 USP.

Commented [A35]: What specific impact areas are envisaged?

Commented [A36]: To be further clarified by the Secretariat.

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~~23.~~25. 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;

(b) **Pipeline programming to enhance access to credit for low-emission climate resilient solutions**, including through establishing national, regional and international green banks or establishing climate facilities within public development banks or other financial institutions, which can then extend green credit lines either to private financial institutions or end-borrowers including local MSMEs; in line with the GCF private sector strategy;

Commented [A37]: We strongly support

(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;

Commented [A38]: We strongly support.

(f) **Through its re/accreditation process, incentivizing AEs to evolve their overall portfolios** of activities beyond those funded by the GCF towards low-emission and climate-resilient development pathways.

V. Operational goals and institutional priorities for 2024–2027

5.1 Enhancing access to GCF resources: key operational goals

~~24.~~26. 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:**

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(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;

Commented [A39]: Such goal is crucial and should be carefully monitored for the stakes and the partners involved.

(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 and environmental 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;

Commented [A40]: While we are supportive and fully committed to enhance access, we should be careful with introducing different standards and layers of standards that might contradict the efforts of the Fund to speed up processes.

(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.

(d) **Volume:**

(i) Set clear expectations, through the Board's setting of annual programming targets, on the volume of resources GCF will channel annually, highlighting the catalytic role of the Fund in the wider climate finance landscape ~~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;

(e) **Partnerships and direct access:**

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(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 help ~~increase the share of~~ DAEs enhancing their capacity to deliver in cooperation in the AE network, alongside increasing the role of DAEs in GCF programming;

Commented [A41]: Only increasing the number of DAEs is not the solution. We believe it is important to enhance their capacity to deliver.

(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.

5.2 Institutional priorities: consolidating capacity for delivery

~~25.~~27. 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:**

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(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 an impact-oriented and performance-based multi-annual approach, more predictably aligning resources with targeted results;

Commented [A42]: Allowing for a multiannual budgetary framework requires a strengthening of impact-orientation of budgetary processes. Any multiannual approach requires a performance-based/ impact-related dimension

(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.~~28. 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.~~29. 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.~~30. 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

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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.

ANNEX I: Mid-term goals – Analysis to inform Board consultations

1. This analysis has been prepared to support further Board consultations on DRF.01 of the updated Strategic Plan for the GCF: 2024-2027, and in particular on the mid-term goals for climate results. On the basis that the proposals included in DRF.01 are not exhaustive and expressly designed for further discussion by the Board, this annex provides background material related to how proposals were calibrated with reference to the factors discussed by the Board at B.34, namely: (a) commitments expressed by developing countries in their NDCs and other climate plans, as updated through the Paris Agreement ambition cycle; (b) measurability based on GCF's results frameworks; (c) achievability based on GCF organizational capabilities/the capabilities of its partnership, and informed by portfolio programming to date; and (d) just system transitions and sectoral pathways toward UNFCCC/Paris Agreement goals.

Commented [GB1]: Still not clear what we mean here with "just systems transitions" in terms of scope, approach, methodology to define the determination of what is a "just" element in terms of its operationalization in the context of transitions - across what sectors, which is the methodology and what criteria should be used to determine the(ir) baseline(s)/target(s)?

2. The **analysis of NDCs** is based principally on the UNFCCC *NDC Synthesis Report*[1] and the *First report on the determination of the needs of developing country Parties related to implementing the Convention and the Paris Agreement*[2], which report (i) the number of NDCs which target specific sectors/intervention areas, and (ii) the number of needs identified by developing countries, with costings where available. The Secretariat also looked into various sector-specific analyses of NDCs. In undertaking these investigations, the Secretariat found that there are still significant data gaps around: (i) the climate results targeted by NDCs and other national climate plans overall, beyond total GHG reductions or sectors targeted, because targets and actions tend not to be expressed in aggregable form; and (ii) disaggregated information on developing country NDCs. This made it difficult to use developing countries' NDC ambitions as a reference point for setting specific GCF mid-term goals. This is a knowledge gap of significant relevance for GCF, which the fund may consider taking steps to address for the future.

Commented [GB2]: Indeed, this is a problem and further efforts to fill this knowledge gap should be undertaken. NDCs' ambitions should be the basis for action and, while global pathway analysis represents an interim solution in absence of clarity on the climate results targeted by NDCs, this cannot be a solution. This is even more important since the USP-2 will cover the first implementation period (until 2027) of the next NDCs ambition cycle after 2025.

3. The analysis of **global pathways** identifies any 'widely shared' goals, milestones or pathways for different mitigation and adaptation programming areas that the GCF could contribute to via its mid-term goals, in the absence of having good clarity on the climate results targeted by NDCs. The table shows that these exist and are highly relevant for some areas, while in other areas there are either no goals/pathways or these are still under development.

4. The analysis of **feasibility and measurability** draws on GCF portfolio and pipeline data to present a picture of how much GCF has already programmed in various areas, with associated country coverage and results, as well as the potential that exists in the current pipeline of concept notes and funding proposals. This provides a basis for projecting results potential and assessing the achievability of proposed goals. The proposed goals are cumulative and therefore designed to capture historical results plus future results potential through to the target dates. The pipeline data has also been used to provide an initial indication of what *changes* in pipeline origination and programming may be needed to meet proposed goals (eg either scaling up origination efforts, or managing excess pipeline). Finally, this column includes notes on how progress toward proposed goals could be measured.

~~5. Finally and importantly, the **resourcing hypothesis** presents a hypothetical resourcing scenario, including indicative shares of resource allocation across different programming areas, that has been used to calibrate the ambition level of proposed goals. For the purposes of this exercise the Secretariat has used a 'BAU+growth' scenario based on having USD 15 billion to commit through to 2027, and a cumulative USD 25 billion to commit through to 2030. Under an 'Accelerated' scenario where GCF has USD 20B to commit through to 2027, the fund could~~

[1] https://unfccc.int/ndc-synthesis-report-2022

[2] https://unfccc.int/topics/climate-finance/workstreams/determination-of-the-needs-of-developing-country-parties/first-report-on-the-determination-of-the-needs-of-developing-country-parties-related-to-implementing

~~accelerate many of the 2030 goals to achieve deeper results sooner. Under a 'Flat' scenario where GCF resourcing remains at current levels, delivery would be delayed, and GCF would only achieve 2027 goals by 2030, and 2030 goals by 2035. In sum, rather than setting different goal levels for different resourcing levels, the working hypothesis is that the pace at which GCF would be able to deliver its mid-term goals would be based on the extent to which resourcing is accelerated or deferred. The resourcing hypothesis shows only GCF finance, but the calculations build-in assumed levels of co-financing based on track record.~~

Commented [GB3]: In our opinion, it is not appropriate to include this paragraph about different scenarios in the USP. However, it is crucial that a thorough analysis on the costs to reach the USP's goals is carried out in order to give the magnitude of the Plan implementation.

~~6.~~5. The resourcing hypothesis also shows *indicative shares of resourcing allocations to each programming area*. Each programming area covers one or more mid-term goals; it is also assumed that each programming area will include some programming not directly associated with any of the mid-term goals, but which respond to other country-driven priorities. The indicative allocation shares are not designed to be precise, but do seek to illustrate how resourcing will need to move in line with any mid-term goals agreed by the Board in order to support their delivery. This column also includes notes on other initial assumptions related to capacity for delivery, including in relation to the use of origination modalities, anticipated number of funding proposals and scale, and whether or not the GCF currently has partners with the requisite capacities for delivery or will need to pursue these through accreditation or PSAA.

~~7.~~6. The Secretariat is prepared to build on this analysis as Board consultations progress, in terms of both: (i) further refining the analysis on mid-term goals (ii) expanding the analysis to cover implications of the mid-term goals and programming objectives for the investment framework allocation parameters and accreditation, including where trade-offs may arise; and (iii) providing deeper analysis of resourcing and capacity considerations.

	Proposed GCF mid-term goal	Analysis of NDCs	Global pathways	Feasibility and measurability	Resourcing hypothesis
By 2027:					
Climate investment capacity	**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**	Almost three quarters of countries identified capacity-building as a prerequisite for implementation of their NDCs. These included capacity building for formulating policy, integrating mitigation and adaptation into sectoral planning processes, accessing finance and providing the information necessary for clarity, transparency and understanding of NDCs. Compared with previous NDCs, more countries listed capacity-building needs specific for adaptation.	2030 is the target date for the vast majority (92%) of NDCs. A global stocktake will be held under the Paris Agreement ambition cycle from 2027-28 so this will be a key checkpoint to examine capacities for/progress in NDC implementation.	RPSP is already supporting these outcomes for 141 countries but on an ad hoc basis, more structured targeting of support to NDC/NAP/LTS implementation gaps would help meet this goal. Progress could be measured through a simple index based on (i) capacitated NDA (ii) climate investment coordination mechanism (iii) access to climate information & risk/ vulnerability assessments (iv) climate investment plan.	Objective 1 overall will be delivered principally through RPSP, estimated between USD 500-700m to 2027 based on historical programming, plus potential for increased utilization and addition of DAE window (subject to Board approval of revised RPSP strategy) Matching levels of uptake by countries and strengthened coordination of capacity for readiness delivery (GCF, delivery partners, contracted firms/experts, other capacity building partners) would be needed to meet these goals
	Double the number of DAEs will have built the climate investment capacities to start programming approved public and private sector funding proposals		N/A – GCF and climate funds specific	To date, 29 DAEs have approved FPs with GCF. The annual rate of programming with first-time DAEs has varied from 2 to 6 per year, averaging at 3.6. Reaching this goal by 2027 would require 6 new DAEs to secure approved FPs per year. There are 43 DAEs already accredited that have not yet programmed with GCF, of which 39 have active CN/PPF/FPs. Progress will be measured by DAE count.	
Innovating climate solutions	**Over 50 new incubators or accelerators will be established to promote innovation of climate solutions in developing countries**	According to the UNFCCC, of the 70 estimated climate technology incubators and accelerators, only 25 are in developing countries. In their NDCs, 30% of countries included information related to technology innovation and research and development. 37% of identified measures	Supports wider systems transition pathways (see below)	Based on approved portfolio and current pipeline, one funding proposal may support 2-6 incubators/accelerators, and allocate funding for more than 100 startups or MSMEs. Assumes use of a PSF RfP to generate an expanded pipeline, particularly for regions not covered by current pipeline FPs. Measurement will require supplementary results tracking via tagging of related FPs.	Based on up to 10% of programming for Objective 2 overall, including: USD 200-300m for incubators and accelerators RfP, 10 FPs USD 500-700m for early-stage growth mechanisms for MSMEs, 10 FPs

Commented [GB4]: Business model and rationale of incubators to be further clarified by the Secretariat. Is there already experience in the current pipeline/concept notes?

	Over 1000 start-ups and MSMEs will have enhanced access to seed and early-stage capital, with a focus on adaptation and universal energy access	were multisectoral, followed by 15% in agriculture.		Based on approved portfolio and pipeline, one early-stage growth mechanism may support several dozen MSMEs, and one incubator/ accelerator may support 100 or more startups/MSMEs. Assumes a PSF focus on growing related pipeline, focused on business models for adaptation, ecosystem-based approaches and universal energy access. Measurement will require supplementary results tracking via tagging of related FPs.	Balance available for other innovation programming. Assumes active PSF engagement to expand pipeline in line with private sector strategy, including RfPs and targeting additional partners with relevant delivery capabilities
Resilience to urgent climate threats	**Every developing country will be protected by basic early warning systems, including all SIDS, LDCs and African States**	Of adaptation components in NDCs, 55% described measures for enhancing EWS and disaster risk management. These countries identified 176 needs on disaster prevention and preparedness for adaptation, for an estimated cost of $66 billion.	UN Secretary General / WMO goal to ensure every person on earth is protected by early warning systems within five years (2027) for targeted investments of USD 3.1 billion. Most significant gaps are in SIDS, LDCs and Africa.	GCF has already financed over USD 650 million in CIEWS, and has an active pipeline of around USD 1.5 billion. The fund is well positioned to make a significant contribution to the UN/WMO goal with potential for enhanced impact through improved coordination with the EWS for All steering group, using the proposed EWS index to better tailor investments depending on country context & needs and measure progress.	Based on at least 20% of programming for Objective 3 overall (USD 5B to 2030), including: USD 1.7-2.1B to cover 87 countries on CIEWS (to 2027), 20+ FPs; assumes ability to roll out replicable SAP fast-tracking packages and also several multi-country/regional FPs USD 400m for 20 devolved financing/EDA FPs (to 2027); assumes dedicated origination efforts and willingness for uptake by qualified partners with scope for on-granting/lending, particularly DAEs (currently around 70 AEs/40 DAEs) Balance for other programming targeting urgent vulnerabilities
	Vulnerable communities in more than 20 of the most at-risk countries will have access to devolved financing for locally-led adaptation	Most countries (80%) included an adaptation component in their NDC, with higher coverage in new/ updated NDCs. The top five adaptation priorities were freshwater resources; food security; terrestrial and wetland ecosystems; key economic sectors and human health. Around 30% of countries with an adaptation component described the role of indigenous peoples and local communities, and 20% elaborated on the role of local communities in climate action	IPCC estimates that 3.3-3.6 billion people – over 40% of the world's population – are highly vulnerable to climate change because of the location and circumstances in which they live. In all regions, but particularly SIDS, climate and weather extreme are and have the potential to drive displacement of populations	Over two-thirds of GCF adaptation financing is being directed to particularly vulnerable countries. Within this GCF has approved a number of FPs that establish devolved financing or 'enhanced direct access' mechanisms designed to channel resources to affected communities for locally-led action. Recently approved FPs show the potential for this modality to reach large shares of the population in SIDS, as well as provide accelerated, delegated access to financing for micro projects. This approach has significant potential for replication although origination efforts are needed to promote pipeline development. Progress will be measured by country count; share of population could also be reported.	

Commented [GB5]: To be clarified whether Secretariat's proposal is assuming that the GCF is meant to be the only funding source for meeting the UNSG/WMO goal. There are many sources of funding, including other international, multilateral, bilateral channels, but also domestic investments in developing countries, which are potentially involved in this effort. Therefore, it is important not to prejudge programming allocation here at this stage, considering that there are many other important and cost-effective long-term investment areas under objective 3 where the GCF-2 can make a difference.

By 2030-2035:					
Coalitions for just system transition	**Just energy transition – over three quarters of developing countries will be supported to advance 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**	The vast majority (92%) of countries NDCs include energy supply as a priority for mitigation, as well as renewable energy generation (88%). 44% highlight the importance of adaptation in the energy sector as well. These countries identified 781 needs related to the energy sector, with costed needs amounting to USD 640B. Countries also identified 91 needs on industry and 253 needs on transportation, with costings at USD 218B and USD 1016B respectively.	The UN, IEA and IRENA have set various pathways for energy transition, which for 2030 aim for: (1) over 65% zero-carbon sources in electricity generation, or tripling global renewable power capacity (2) universal access to electricity and clean cooking (currently 800m/2.6B without) at a cost of USD 40B per year (3) electrification of end-use sectors (4) new clean technologies for industry (eg hydrogen and CCUS) demonstrated at scale, requiring increase from USD 1B to 40B investment (5) annual investment in grids expands from USD 260B to 820B (6) battery production leaps from 160 to 6600GWh	GCF has already invested almost USD 3B in energy generation and access in over 100 countries, reaching almost 50 million beneficiaries. This its most programmed results area to date, through the share declined from IRM high of 32% to 16% in GCF-1. The active pipeline is currently just over USD 3B for energy generation/access, transport, energy efficiency and industry combined. This goal is designed for GCF to further build its contribution, by reaching another 15-20 countries to: (i) advance the goal of universal clean energy access by 2030 with a focus on hardest to reach, (ii) invest where GCF has comparative advantage in financing developing countries' energy/industry transition needs (eg de-risking demonstration projects, market creating investments for green hydrogen, etc). These results will not all be the same/aggregable given differing needs/market maturity. GCF will seek complementarity with other sources of finance and focus on de-risking private sector. Progress measured by country count; also reporting IRMF indicators on GHGs and RE capacity/generation	Based on at least 45% of programming for Objective 4 overall (all transitions) (USD 11B to 2030), including: **<u>For just energy transition:</u>** USD 1.5-2B for de-risking energy transition or expanding energy access in 15-20 countries, 15-20 FPs USD 500m for green hydrogen, 5-10 FPs Assumes active pipeline management to focus on best-fit investments for GCF; potential for wider coverage subject to resourcing
	Just infrastructure transition – systemic infrastructure resilience planning will be in place in at least a third of developing countries, with a focus on SIDS, LDCs and African States	Just over half (55%) of countries NDCs identified infrastructure as a priority for adaptation. Countries identified a total of 162 needs for buildings and infrastructure, two thirds of which were for adaptation purposes, at a costing estimate of USD 20.5B	The World Bank/OECD have estimated that over USD 6 trillion in infrastructure investment is needed each year to 2030 to achieve global growth expectations, particularly in developing countries. It is estimated that on average, investing in resilience increases project costs by 3%, but can provide economic benefits of as much as 4 dollars for every dollar spent.	GCF is collaborating with Jamaica, the Coalition for Climate Resilient Infrastructure and partners to pilot a methodology for systemic infrastructure resilience planning, which uses a combination of climate/economic risk mapping, infrastructure re-pricing and green/grey solution selection tools. The project pipeline also includes several FPs demonstrating resilient critical infrastructure as an asset class. This goal would promote aggressive replication of these types of approaches to bridge the resilient infrastructure gap and shift infrastructure finance in developing countries. Progress measured by country count; also reporting IRMF indicators on beneficiaries and value of physical assets	**<u>For just infrastructure transition:</u>** USD 25-50m via RPSP to 2030, for up to 50 countries supported on systemic resilience planning, with focus on interested SIDS, LDCs, African States USD 500-800m for 5-10 FPs, 50 countries to demonstrate resilient infrastructure as an investable asset class

	Just food systems transition – more than a quarter of the world's 500+ million smallholder farmers will be able to adopt low-emission climate-resilient agricultural practices	Around three quarters (77%) of countries' NDCs identify agriculture as a priority for mitigation and 84% for adaptation, with 86% prioritizing measures for adapting food systems and ensuring food security. Countries identified a total of 603 needs on agriculture, the majority in adaptation space, for a costing of USD 114B.	The SDGs, Food Systems Summit & Systems Change Lab identify food systems goals for 2030 including: (1) doubling the productivity and incomes of small-scale food producers (2) ensuring sustainable food production, implementing resilient agricultural practices, and boosting nature-positive production (3) decreasing food loss by 50% (4) reducing global GHG from agricultural production 22%. FAO estimates there are over 500 million smallholder farmers globally	GCF has already invested over USD 1B in agriculture and food security projects in 72 developing countries, reaching 140m total beneficiaries/~35m smallholder households. The active current pipeline is around USD 1.5B oriented predominantly toward promoting resilient agro-ecology and reconfiguring food systems. 90% of interventions under all agricultural sector pathways would be expected to contribute to this goal. Continuing to scale up programming in this area would allow GCF to contribute to one of the top priority adaptation areas identified in developing countries NDCs, with cross-cutting benefits. Progress would be measured using the IRMF beneficiaries indicator aggregated to smallholder household level.	**For just food systems transition:** USD 2-2.5 billion to reach an additional 400m beneficiaries / 100m smallholder farmer households, cumulatively reaching around 25% of global need, 50+ FPs Assumes FPs are of significantly larger scale than IRM/GCF-1 average (20m), and GCF can partner with wider range of entities able to programme at scale
	Just ecosystems transition – Over 100 million hectares (Mha) of terrestrial and marine ecosystems conserved and over 200 Mha restored or brought under sustainable management	Around 80% of countries identified LULUCF as a priority for mitigation as well as adaptation, listing efforts to protect terrestrial ecosystems and forests. Some 32% listed ocean ecosystem sustainability as a priority for adaptation. The numbers of needs identified for adaptation on ecosystems and biodiversity was 149, with costed needs of USD 48B. Countries identified 346 needs on forestry, the majority for mitigation, with costed needs at USD 52B. Data in NDCs shows that needs related to reforestation are the largest in financial terms.	The 30 by 30 challenge set a goal of conserving at least 30% of the earth's land, sea and freshwater ecosystems by 2030 The Bonn Challenge and New York declaration of forests set a goal of restoring 350 Mha of degraded and deforested landscapes by 2030 The Kunming-Montreal Global Biodiversity Framework adopted 2030 goals of, among others, effective conservation and management of at least 30% of the world's lands, inland waters, coastal areas and oceans; having restoration completed or underway on at least 30% of degraded ecosystems; and reducing to near zero loss of areas of high biodiversity importance	GCF has already invested over USD 1B in ecosystems and ecosystem services FPs in 79 countries, and over USD 1.5B in forests and land use in 80 countries, restoring over 13 Mha and bring over 26 Mha under improved management. The ecosystems and forests programming areas grew from 8% and 10% of programming respectively during the IRM, to 12% and 17% of programming during GCF-1, reflecting the growing emphasis and potential of ecosystem-based approaches in providing cross-cutting climate solutions, and the criticality of forests to mitigation efforts in developing countries. The active current pipeline is over USD 3B covering conservation, restoration and improved sustainable management (the latter predominates targeted pipeline results), demonstrating the potential for programming growth. Progress for this goal would be measured using IRMF hectares, beneficiaries and GHG indicators.	**For just ecosystems transition:** USD 1.25B for conservation ($25/ha), USD 2.2-2.6B for natural regeneration & restoration ($100-1500/ha), USD 1.2B for sustainable management ($12/ha), assuming 1:1 co-financing, 50+ FPs Assumes FPs are of significantly larger scale than IRM/GCF-1 average (20-30m), and GCF can partner with entities able to programme at scale

Commented [GB6]: All of them are interesting proposals. But we do not understand the reasoning behind this approach. It seems that we are trying to pre-determine the allocation of resources to specific sectors/results areas/technologies/project typologies. Again, we do not fully understand here what we mean with "just" in terms of operational activities.

Greening finance	**Over 50 new green banks, green facilities or climate bonds issuances will be created to promote alignment of wider finance flows with low-emission, climate-resilient development pathways**	2020 data reported 12 countries with operational green banks (3 developing) and 24 countries actively exploring green banks (20 developing)	Supports wider systems transition pathways and shifting the scale of financial flows needed – IPCC estimates USD 1.6-3.8 trillion annually through to 2050 for mitigation, and an additional USD 140-300 billion annually for adaptation	GCF has already invested over USD 3B in diverse FPs related to greening finance in 64 developing countries, through over 300 local financial institutions, as well as in enabling activities through the RPSP. These have included support for establishing green banks, green credit lines, risk-sharing facilities, regulatory frameworks for green finance, supporting exchanges to enable green bond listings, new blended finance instruments, and others. The current active pipeline is over USD 4B for 91 countries, demonstrating the potential for programming growth with highly catalytic potential. Further potential exists through RPSP support for enabling activities. Progress for this goal would require supplementary results tracking by tagging related FPs and readiness proposals.	Based on up to 20% of programming for Objective 5 (USD 5B to 2030), including: USD 20-40m via RPSP to 2030, for up to 40 countries at USD 0.5-1.0m per proposal USD 4B for variety of project proposals, 20 FPs (noting size could vary significantly)