Initial Submission

Joint Comments from the GCF observer network of civil society organizations, Indigenous Peoples, and local communities on the Update to the Updated Strategic Plan

Introduction

Thank you for the opportunity to comment and to provide initial inputs on the update to the Green Climate Fund (GCF) Updated Strategic Plan! The GCF Observer Network of civil society organizations, Indigenous Peoples, and local communities looks forward to engaging throughout the process of developing a new, updated Strategic Plan. Developing a new Updated Strategic Plan to coincide with GCF-2 offers the GCF a critical opportunity to set directions for the Fund for the next four years, review lessons learned, embrace its comparative advantage, fulfill its promise, and play a leading role in the implementation of the Paris Agreement and limiting warming to 1.5°C.

In the over ten years since the GCF was created, the world has changed dramatically and the climate crisis has worsened every year. Changes have also been evident since the last Updated Strategic Plan was discussed and ultimately adopted in 2020. The Intergovernmental Panel on Climate Change (IPCC) is in the midst of drafting its Sixth Assessment Report (AR6), and as demonstrated by the three Working Group Reports released so far, the climate crisis has continued to accelerate and the need to take urgent mitigation action and to adapt to the increasingly changing climate is even more apparent and undeniable. But it’s not just the climate crisis that is worsening; there are multiple intersecting and mutually reinforcing crises, including the biodiversity crisis. Additionally, over the last several years, the world has faced an ongoing global pandemic and an economic downturn that have exacerbated growing inequality and the debt crisis in many countries and demonstrated the increased relevance of having comprehensive social protection systems to help those most impacted mitigate and adapt to these crises. Thus, if the GCF wants to remain relevant, it must ensure that the revisions to the Updated Strategic Plan reflect this changed world and the increased urgency of the climate crisis.

As the largest dedicated climate fund and one that partners with so many entities around the world, the GCF can and should play a signaling function for the wider climate finance architecture. We continue to believe that the GCF should be the flagship fund for implementation of the Paris Agreement, demonstrating with transparency and accountability what effective climate action looks like in fulfillment of the promises and goals of the Paris Agreement. GCF approaches and GCF-funded climate action must demonstrate the efforts necessary to limit warming to 1.5°C. To do this, the GCF must build on its comparative advantages and ensure that it is creating and holding the highest standards when it comes to implementing ambitious climate solutions that are firmly anchored in human rights, gender equality, and country ownership. The new Updated Strategic Plan should help the GCF meet its paradigm shifting vision in light of the existing global environment.

In the following, we provide, as requested input on the specific questions provided.

1. **Does the GCF's long-term strategic vision – of promoting paradigm shift and supporting developing countries in the implementation of the Paris Agreement and UNFCCC – remain relevant and ambitious? Has the GCF set out sufficiently clearly how it will deliver its long-term strategic vision?**

Yes, the vision is still relevant and it is even more important in light of the heightened urgency of the climate and human rights crisis compared to when the GCF was created over a decade ago. The latest IPCC reports have underscored the imperative of immediate, effective, transformative climate action, and the IEA's assertion last year that no new oil, gas, or coal development can be pursued anymore if the world is to achieve net-zero in 2050 has reframed the necessity of a paradigm shift in a world continuing to invest and depend on fossil fuels.

The GCF needs to recommit to its mandate and be more ambitious by leaning into its comparative advantage and the paradigm shift it can catalyze, including promoting real solutions and not false ones based on the current, destructive paradigm of top-down, market-based approaches with little accountability or engagement of people and a misguided and unethical focus on profit. In an economic system where externalities are not captured, where what is best for the health of ecosystems and communities may not be profitable, the GCF must stay committed to the ultimate goal of supporting and achieving the promises of the Paris Agreement. A true paradigm shift would ensure that people-centered, locally-led, rights-based, gender responsive finance is the default and priority of all climate finance, and that financial systems are aligned with supporting these true solutions to the climate catastrophe.

A key part of the GCF's comparative advantage is working with accredited entities (AEs), especially direct access entities (DAEs), to ensure finance flows to those who need it most for the most effective climate solutions. The GCF is uniquely poised through the strength of its network of accredited entities, especially DAEs, to address country and community needs with grant-based and highly concessional finance. Part of the paradigm-shift is building the long-term capacity of developing country national, subnational and local entities, including institutional capacities and capacities for strategic planning, to facilitate the shift from multilateral/developed-country-led implementation of GCF-funded climate action to DAE-led strategy and implementation. This requires greater support and prioritization to help develop a robust pipeline of DAE activities. The recognition and realization of such a pivotal piece of the GCF's intentionally designed architecture should be marked by a correspondingly ambitious target for increasing the share of DAE programming during GCF-2.

Another foundational element of the paradigm shift the GCF can catalyze involves leveraging the network of AEs, particularly the international access entities (IAEs), through the accreditation and re-accreditation process so that the portfolio shift towards low-emission and climate-resilient development pathways is achieved. This will require a better baseline methodology and an increased emphasis on accountability for accredited entities shifting their portfolios and not allowing entities to use their GCF accreditation and relationship as a way of greenwashing their continued fossil fuel funding in their wider non-shifting portfolio. The GCF must maintain the highest standards for rights-based climate action during accreditation, as the policy and process infrastructure strengthened by this process should influence each entity's entire portfolio, climate or otherwise.

The re-accreditation process is critical to this effort. The GCF has recently addressed, in its discussions on evaluation of the portfolio of the AEs for re-accreditation, that the Fund lacks a clear guidance or metrics to assess if the level of transition to low-carbon pathways in AEs' portfolios is acceptable. Thus far the GCF, in its Board decision on re-accreditation, has only focused on whether the AE has a policy on the matter, which seems to fall far short of the ambition of a paradigm shift. The GCF should be clearer about this in its update of the USP and other related policies.

Delivering on the strategic vision also requires a more careful and realistic look at a project/programme's impact potential, starting during the evaluation of funding proposals. In the past, estimates of impact have had to be reviewed, then lowered after approval because they were overestimated. How will the GCF, using policies like the "steps to enhance climate rationale" and related guidance and tools, improve on this? Also, during implementation, is the new Integrated Results Management Framework (IRMF) fit-for-purpose for monitoring and evaluation of impact? How can it assure better accountability and transparent tracking for the realization of outcome/impact promises of the increasing number of fund-of-fund and programmatic funding proposals, especially private sector let ones where public disclosure of implementation outcomes/progress is curtailed?

2. **What global, regional, national and subnational developments, trends, needs and opportunities relevant to adaptation and mitigation programming in developing countries should the GCF take into account in preparing for its second replenishment period? What lessons can be learned from experience to date?**

The focus of GCF financing must be on targeting and benefiting the most vulnerable countries, and within countries the most disenfranchised and climate-vulnerable communities and populations groups, such as women and LGBTQ/gender-diverse groups and Indigenous Peoples. Acknowledging and taking into consideration the intersectionalities that aggravate their marginalization and discrimination is necessary, as are inclusive and participatory project design and implementation processes that center their voices. Ultimately, designing activities integral to individual projects/programmes to address inequality and marginalization must be matched by specifically allocating budget to robust implementation and monitoring, including participatory monitoring.

Within the global climate finance architecture, the GCF's commitment to allocate 50% of its funding to adaptation programming, and 50% of those funds to priority countries like the Least Developed Countries (LDCs), Small Island Developing States (SIDS), and African States, sets the GCF apart and has contributed significantly to increasing the delivery of climate finance to LDCs, SIDS and African States. However, if we look at where funds are going within these broad groups of states, there are deep disparities that must be addressed. The GCF should allocate its adaptation finance according to climate vulnerability to ensure that the most vulnerable countries are prioritized for investments. Given the unsustainable levels of indebtedness many of those countries are subjected to, GCF adaptation support must continue to grant support, including full cost grant financing.

Correspondingly, fragile states (which overlap with the most climate vulnerable countries) receive little funding from the GCF. For example, within the top-25 fragile states, as ranked by the Fragile States Index, only 8 single-country adaptation projects have been approved by the GCF (a total of USD 266 million); additionally, the value of investments the most climate vulnerable or fragile states receive is lower. To improve this situation, the GCF should set a target for how much readiness funding should flow to fragile states. Prioritizing fragile states for readiness funds will enable these countries to plan for and eventually support GCF projects in their countries.

Within countries, in order to benefit the most vulnerable people and communities, the GCF should be more focused on locally led adaptation and have clear processes, metrics, and goals to track this support; such support must be provided largely in the form of grants, including full cost grants. First and foremost, the GCF must recognize, in policy and procedure as well as in its rhetoric, that locally-led, inclusive, rights-based, gender-equitable adaptation, which does take into account local, traditional and indigenous knowledge and experiences, is the most effective and sustainable. It is not clear why the GCF has not joined the growing number of institutions, including the other entities of the UNFCCC financial mechanism (the Adaptation Fund and Global Environment Facility) that have committed to the principles for locally-led adaptation. As part of its adaptation programming under GCF-2, the GCF should set a target (KPI) for the share of GCF supported adaptation action that is to be implemented through locally-led adaptation approaches, including by tracking and disaggregating the amount of GCF funding being channeled to local organizations, including women-led or indigenous organizations. As articulated in the LDC 2050 Vision, a floor of 70% of finance channeled to the local level would be a strong commitment to champion in the next iteration of the USP.

To accomplish this, the GCF should focus on prioritizing partnering with those kind of actors, primarily DAEs that intermediate such funding for locally-led action, and thus fill the currently existing “missing middle” gap in adaptation finance provision for locally-led implementation. This is especially important in light of the growing (and misguided) GCF adaptation funding emphasis on private sector engagement for adaptation financing, including through equity financing and large-scale resilient infrastructure investments with partners, which are not interested in prioritizing local level engagement..

Correspondingly, the GCF must focus more strongly than during its first funding phases on multi-benefit approaches. The current subordination of social, economic, other environmental and gender benefits under narrowly conceptualized climate benefits, especially in mitigation (with an emphasis on the cost-efficiency of emissions reductions and leverage ratios) must shift to a more balanced approach to avoid harmful approaches, including maladaptation and threats to biodiversity and human rights. The current missteps are probably most glaringly apparent in a number of the results-based forest and landscape protection financing approaches, where often under the label of “nature-based solutions” (NBS) industrial monoculture implementation is pursued with negative social and biodiversity impacts, instead of implementing more holistic ecosystem-based approaches. In particular, ensuring climate and biodiversity protection through ecosystem-based, cross-cutting funding approaches has to be prioritized over REDD+ funding approaches or private sector forestry investment approaches based on monoculture tree plantations, often with invasive species. A reference to NBS is also a false solution and not more as a greenwashing when it is used to justify essentially gray infrastructure investment projects.

The GCF must commit to investing in the myriad ways in which rights-based approaches build climate resilience, such as the realization of sexual and reproductive health and rights, a key adaptation approach, and the development and maintenance of social protection systems, particularly those that accessibly serve the most vulnerable and marginalized within discrimination, as fundamental to reducing shocks from climate-exacerbated disasters. The evidence is ever-growing for the “climate rationale” of these approaches, but traditional ways of thinking about climate projects often prevent full recognition of their potential.

In engaging the private sector, more focus must be placed on supporting micro-, small-, and medium-sized enterprises (MSMEs), cooperatives and other locally-owned and locally-focused providers of climate-relevant goods and services, including through increasing the availability of local currency financing through local financial institutions (LFIs) and with guaranteed pass-through of GCF concessionality to local level actors. The assumptions that a “trickle down” of GCF concessionality to end beneficiaries will occur have to be checked, with commercial finance providers, including LFIs, held accountable, including for the gender-responsiveness of intermediated finance provision.

3. **How should GCF further elaborate its role within the climate finance landscape, in light of its comparative advantages? How should GCF seek to differentiate its focus from other sources of climate finance? Where are the opportunities for complementarity, coherence and partnerships with others?**

One of the GCF's comparative advantages is working with a vast and unparalleled network of accredited entities, especially direct access entities. The GCF is not only the largest multilateral fund, but the largest global climate funder that provides direct access. Its ties with the UNFCCC, from which it receives guidance and to which it is accountable as a part of its financing mechanism, mandate it to operate under the principles and guidance of the international climate regime, such as implementing in line with the mandate for CBDR-RC, including through its allocation focus that pushes for a balance between mitigation and adaptation. In contrast, the climate finance landscape as a whole still falls significantly short in this area. GCF financing has significantly increased the provision of multilateral adaptation funding overall and especially for SIDS, LDCs and African States.

The GCF in the past has highlighted its "risk appetite" and its willingness to fund where other funders might not be willing to engage, as a clear differentiation mark within the climate finance architecture. In order to play this role, however, the GCF's understanding of "risk taking" needs to be broadened to include the clear articulation that "risk-taking" cannot be solely understood with respect to financial approaches aimed at leveraging private sector engagement, but needs to also include taking a chance with engaging and allowing access to local level/community actors and population groups for locally-led .

As the flagship multilateral climate fund for the implementation of the Paris Agreement (which it serves as part of the UNFCCC financial mechanism), the GCF should therefore strive to differentiate itself further by being the multilateral funding leader in providing – and demanding from its partners – locally led, people-centered, rights-based, and gender-responsive solutions, solutions necessary to limit warming to 1.5°C. In this context, the GCF should also consider how to promote localization within internationally accredited entities, such as by requiring projects to have local partners as executing entities as a prerequisite for approval or including capacity building for local organizations within programme budgets, following the principle of subsidiarity according to which implementation should be done at the most local level feasible. To empower direct access entities further, more enhanced direct access (EDA), can help in realizing this ambition, starting with an evaluation of the current pilot and designing ways in which the GCF could better approach EDA in the future, An improvement to the GCF's EDA approach, and thus facilitating the uptake of this access modality, must focus on reducing perceived or actual hurdles, such as transaction costs and DAE compensation or willingness to take risks with locally-focused EDA approaches, and on finding ways to integrate EDA approaches into funding proposals more broadly, such as provision of small-grants funding with local decision-making and ownership as one component of multi-component projects or programmes.

Contrary to the Secretariat's contention that small grants for direct implementation by NGOs, CSOs, academic institutions and private sector is something that the GCF should not do (as this is purportedly covered by the AF and GEF small grants), it would be a significant failing of the GCF's role as signal giver to the wider climate finance architecture to ignore the power of scaled-up direct small grant funding. Indeed, the GCF Secretariat is already doing the exact thing via its Readiness and Preparatory Support Programme (RPSP), thus demonstrating that the GCF Secretariat has the capacity to successfully administer a small grants facility at the Secretariat level. Thus, the Secretariat should build on its RPSP experiences and lessons learned (also by studying limits to provision in the current AF and GEF SGP efforts) and establish a dedicated small grant facility at the Secretariat level to directly support stakeholder engagement of CSOs and communities beyond what is currently possible under readiness in order to allow direct finance access for community groups, women's groups, and Indigenous Peoples for activities including climate awareness raising, capability-building on all things GCF, and monitoring and reporting functions, among others. The new Updated Strategic Plan should firmly commit to the establishment of such a program. The GCF claims correctly that the RPSP is one of its distinct features and indispensable to support the paradigm shift within recipient countries. A GCF Secretariat-level small grant facility would be no less.

Through its engagement with the AE and wider partner network, the GCF can build the capacity of its partners, including with respect to requirements related to environmental and social safeguards (ESS), gender-responsiveness, ensuring the rights of Indigenous Peoples and disclosure/transparency requirements that go further than the existing practice of many actors (especially also private sector actors). As thus, the GCF 'leverages' its strong policies and frameworks for the GCF to punch over its financial weight in terms of supporting better overall outcomes of supported climate actions.

4. **Do the CGF's strategic objectives and portfolio targets capture appropriate ambition for the second replenishment period? How could GCF evolve these in a way that sets clear, actionable, measurable programming goals aligned with its strategic vision?**

The GCF could more clearly define what steps it intends to take to make these objectives and targets actionable. For example, it could outline clear links to policies, assessing whether existing policies need to be reviewed or new ones developed to achieve its objectives.

In addition, more ambition is needed when it comes to establishing targets against baselines. Using GCF-1 baselines to inform targets might not always be appropriate, given the experience of using IRM as a baseline for GCF-1; some of the results were so disappointing that any progress on them is virtually meaningless as indication of real progress (e.g., funding channeled through DAEs). Ambitious targets should be set not merely to exceed the previous replenishment period's results, but to focus on the level of need for that specific objective within the context of the consideration of the GCF's comparative advantages, which should inform the strategic objectives of this updated plan. As the LDC 2050 Vision and its floor of 70% of finance channeled to the local level by 2030 were referenced earlier, the DAE share of funding in GCF-2 should be set by such vision, in line with the GCF responsibility to serve the most vulnerable and fund effective climate action (which is locally-led), instead of using the under-performing GCF-1 share of DAE funding to chart the course. Entirely new targets may also be needed. Given the poor record to date of "maximizing engagement with… small-, micro- and medium-sized enterprises", for example, it would be useful to set a supplementary target to ensure that a greater share of the private sector allocation reaches these actors, in line with the GCF mission as set out in the Governing Instrument.

Also, within the GCF's Theory of Change, the logic of how each level contributes to the higher level could be further developed: how the operational priorities contribute to the strategic priorities and these to the strategic objectives, and all of these levels contribute to the vision. Some of these links are not clear.

Clarification of what certain objectives mean and how they can be translated into action and measured would also help make this a more implementable plan. For example, "Scaled up funding for ambitious projects informed by countries' adaptation needs and mitigation potential, in line with their climate plans and strategies, recognising the urgency to achieve the goals of the Paris Agreement". How does the GCF propose to make sure that projects are informed by countries' needs? What does "inform" mean? How does it translate into policy as well as connect to processes, such as the GCF country programmes or countries' Nationally Determined Contributions or National Adaptation Plans? These questions are opportunities to make ties to guidance and expectations for meaningful stakeholder engagement for NDAs and AEs, to specify how readiness processes can be leveraged in project prioritization, etc. Similarly, the notion of "Balanced GCF risk appetite across all result areas" could be further articulated, such as by considering the share of IAE and DAE projects within results areas and the share of projects vs. programmes within results areas, ensuring there is not dominance of IAEs or programmatic approaches in each results area.

5. **How can the GCF better respond to developing countries' mitigation and adaptation needs and ensure country-ownership of programming? What role should the readiness and preparatory support programme, support for national adaptation planning, and country programmes play?**

One of the core differentiating characteristics of the GCF is its comprehensive readiness and preparatory financing approach through the Readiness and Preparatory Support Programme

(RPSP). RPSP should play the role of identifying projects and programmes to finance, and as much as possible, the GCF should finance only projects that result from these national planning processes, as opposed to projects developed and pushed by AEs, especially IAEs. RPSP can and should continue to contribute to countries' planning and policy development processes as well, such as the support for National Adaptation Plans (NAPs), and greater linkages with the GCF's gender-mandate could be pursued by requiring such plans be gender-responsive in their development (for example, including robust, participatory engagement with women's groups), goals, and implementation. With attention to linking prioritized projects to the NAPs and Nationally Determined Contributions (NDCs), the scope of country need and ambition must be considered, noting the latest NDC Synthesis Report showed overall inadequacy of the commitments made in achieving the goals of the Paris Agreement. As this strategic planning process concludes the same year as the first global stocktake, it is imperative that the RPSP under the next strategic plan must be a robust, fully funded vehicle that supports countries in fulfilling their obligations to the Paris Agreement through timely, adaptive national planning processes that are inclusive, participatory, and ambitious, as well as undergirds the implementation of these plans through mechanisms such as GCF financing.

A more expansive definition of country-ownership is needed throughout the GCF, with some particular implications for the RPSP. This understanding must go beyond the national government (mostly NDA) level and focus on citizenry (people-centered). Commensurately, a greater focus (and greater accountability for) support for NDAs for meaningful participatory processes is also needed, such as for the development of country programmes (as an iterative process) as well as participatory monitoring by local communities and citizens of projects and programmes under implementation (including through facilitation by NDAs as outlined under the monitoring and accountability framework but never enforced/documented and as a requirement for AEs under monitoring and results frameworks at the project/programme level).

With respect to project/programme proposal approval, country-ownership as currently established, namely through the provision of 'no-objection-letters' (NOLs) is insufficient. The no-objection procedure should be a country-level stakeholder engagement process facilitated by the NDA on any given project/programme proposal, not a form-letter issued. The lack of country ownership is particularly glaring under fund-of-fund/programmatic approaches, where NOLs are collected at a time when individual sub-projects, their focus, and their intended outcomes are not known. As currently used, they are a "carte blanche" that the NDA gives to the AE in such approaches, thus subverting the intent and meaning of country ownership. The NOLs need to be redefined as an iterative process in programmatic approaches, with an initial NOL of participating countries under a multi-country programme having to be repeated and documented when sub-projects are identified.

Given the importance of strengthening participatory multi-stakeholder engagement processes for true country-ownership, countries/NDAs should be more strongly incentivized to request RPSP funding for facilitating and setting up better sustained stakeholder engagement processes that include local level actors and affected communities and population groups for GCF-related interactions at (sub-)national level (not just identification of country-level GCF funding priorities, but also project approval, monitoring of project implementation as well a input regarding policy formulation and operationalization); a certain amount of each country's eligible RPSP funding could be ringfenced for this purpose or additional funding (on top of a country's RPSP funding cap) made available solely for strengthening such engagement processes.

6. **How should GCF continue to build its paradigm shifting portfolio through its next programming period? What opportunities for adaptation and mitigation programming, and opportunities to improve the funds programming processes, can the GCF capture?**

As a 'green' climate fund, the GCF cannot be technology-agnostic. For the GCF-2 programming period, the GCF should have a clear exclusion list of approaches and technologies that are counter to the mandate and the vision of the GCF and are antithetical to the paradigm shift that the GCF wants to support. This means avoiding false solutions, such as those focused on 'net-zero' emissions and relying on largely unproven and costly geoengineering technologies such as carbon capture and storage (CCS), including as related to bioenergy approaches (BECCS), as those expand the lifespan of fossil fuel infrastructure and perpetuate the fossil fuel economy, including related harmful regulatory and tax policies (such as subsidies) that make it harder for sustainable renewable energy approaches to take hold and gain regulatory favor in recipient countries. Such no-go areas for GCF funding support should also include the provision of support for nuclear energy, large-scale biofuel and bioenergy approaches, monoculture forest plantations as well as (in the name of resiliency) support for large-scale hydropower or gray infrastructure construction. .

The GCF should develop a policy on programmatic approaches that tackles issues of transparency, accountability, country-ownership of sub-projects, coherence with other initiatives, and predictability (ensuring a minimum amount of funding to all participating countries, when the approach is regional or global), amongst others. The USP could establish these as principles, or objectives and set the stage for further work towards a policy that operationalises them.

7. **Building on its private sector strategy, what actions and partnerships should GCF pursue to catalyze private sector finance at scale?**

Transformative potential, such as through replicability and the development of local/national markets, should be the priority and is not reducible to "scale" as currently defined. Scale should be redefined as meaning more than just the amount of co-finance, or alternatively, the need for the phrase “at scale” here should be reviewed. Scale understood solely as a funding or co-financing amount is not enough to ensure the paradigm shift the GCF expects to achieve.

The local private sector should be a vital part of the GCF’s understanding and emphasis on the private sector. In engaging the private sector, more focus must be placed on supporting micro-, small-, and medium-sized enterprises (MSMEs), cooperatives and other locally-owned and locally-focused providers of climate-relevant goods and services, which are the backbone of most developing countries’ economies and thus key to the paradigm shift that the GCF aims to support. A bigger focus must be placed on facilitating the engagement of such actors in climate actions in a lasting way, including through increasing the availability of local currency financing through local financial institutions (LFIs) and with guaranteed pass-through of GCF concessionality to local level actors. The assumptions that a “trickle down” of GCF concessionality to end beneficiaries will occur have to be checked, with commercial finance providers, including LFIs held accountable to ensure that this is happening. A greater emphasis on engagement with MSMEs and local actors should also include ensuring that the GCF Secretariat takes steps to recruit more staff with experience in this area.

Furthermore, some of the underlying assumptions behind this question need to be challenged. Rather than the exclusive focus on the quantity of private sector finance leveraged through the GCF, the quality of private sector engagement should be the focus of the strategic vision, namely the extent to which private sector actors provide lasting benefits to the host country/ies through their GCF-supported investments in the medium- to long-term. For example, short-lived equity investment positions that are liquidated after a few years without lasting impacts would not be appropriate GCF investments. Instead, the focus needs to be on the ability and willingness of private sector actors engaged with the GCF to permanently shift their investment approaches toward climate-resilient and low-carbon development and ensure project/programme implementation in their wider portfolio in line with good practice standards and safeguards applied to their GCF-funded portfolio components (including transparency/disclosure, stakeholder engagement, ESS, gender and IP policy compliance). Note also that there is a lack of transparency and public accountability of the extent to which leverage promises by GCF private sector projects and programs are being fulfilled.

8. **What steps can GCF take, in collaboration with its country partners, accredited entities and delivery partners, to ease and accelerate access to GCF resources, as well as strengthen the role of Direct Access entities?**

Given that the GCF is the largest fund promoting direct access, it should not approve an accreditation strategy that might effectively limit the role of DAEs or restrict them to a lower level of engagement (as executing entities, but without direct access to funding). Instead, it needs to step up the use of existing tools and mandates to simplify and facilitate access to GCF resources. This includes providing an ex ante impact analysis of suggested policy approaches to counteract requirements which in many cases will have a detrimental impact on the ability of DAEs to successfully submit project proposals. It is not enough to approve such policies that overtax the capabilities of most GCF accredited DAEs and then mandate capacity-building, as this will delay DAE access to finance further. This has been the case, for example, with respect to several recently approved policies, namely the one on the climate rationale, the one on co-financing establishing *de facto* co-financing requirements, and the on incremental cost approaches.

As shown in the last Board meeting (B.33), the GCF must also be clearer about the implementation of existing guidance and policy, when it comes to IAEs providing support to DAEs to strengthen their ability to access GCF funding. In this context, the GCF should require projects to have national and local partners as a prerequisite for approval such as by twinning with DAEs in joint implementation and thus asking them to provide project-implementation capacity building support to DAEs through ‘learning by doing’. Such twinning or collaboration as well as capacity-building support could also be considered between DAEs having successfully submitted project/programme proposals, and those still lacking such proposals, especially for entities in the same country or region.

In addition, the GCF with its recent decision on the Simplified Approval Process (SAP) now has a real opportunity to further ease access requirements for low-risk micro- and small-scale proven mitigation and adaptation approaches such as those that many DAEs according to their accreditation can implement. The paradigm shifting approach here would be the ease of replicating successful small-scale projects, including by considering including more standardized “project components” (based on template approaches). This would also mean focusing on reducing some of the factors that make it more difficult for especially public sector and non-governmental non-profit DAEs to successfully submit project proposals, such as strongly articulated expectations by the GCF Secretariat which whom they are engaging that they provide co-financing, use non-grant financial instruments or involve the private sector. As building capacity also comes from having successful implementation experience, facilitating numerous ‘no frills’ ‘plain vanilla’ micro- and small-scale mitigation and adaptation approaches (‘learning by doing’, a risk that the GCF can take within the financial and low ESS risk limits of the SAP approach to a greater extent), will strengthen DAEs and their institutional setting and prepare them for accessing climate finance beyond the GCF.

9. What enhancements or adjustments to operational modalities, policies or institutional capacities might be required to support successful execution of the GCF's strategic vision and programming priorities?

It has become very clear that the GCF Secretariat is understaffed/under-capacitated to provide the necessary oversight and support for the successful implementation of already approved GCF projects and programmes. It is not enough, as is the current practice, to largely rely on the self-monitoring and self-reporting by accredited entities through APRs and assume that there is only a 'light touch' or minimal oversight needed. The GCF should be providing due diligence oversight during implementation, including in particular with respect to ensuring compliance in implementation with ESS, gender and IP policies and relevant disclosure and transparency provisions. This is even more important as the number of high-risk, large-scale programmatic funding approaches, including through private sector equity engagements, has increased. The GCF should have due diligence oversight commensurate with the risk level and scale of GCF projects and programmes, with active and routine engagement, including regular site visits, for all Cat. A/I-1 projects and programmes with sub-projects. This means a significant staff increase devoting their attention to portfolio implementation, including in particular more staff focused on ESS, gender and IP, whose engagement at present is mostly focused on 'second due diligence' checks and support for proposal development readying them for ITAP assessment and Board consideration.

The lack of staff capacity has also been noted as a bottleneck in other areas, such as the processing of accreditation applications, and likely contributes to (but is not solely responsible for) the continued discrepancy between DAE project readiness for approval vs. IAE project development. The GCF's vision is vast, and inadequate staff capacity–and a slow process for building staffing resources–has the potential to limit the scope of possibilities under replenishment. The GCF must commit to more quickly scaling its staff and be allocated continued resources to do so. Demonstrating the ability to absorb funds and fully manage the roster of current and potential AEs as well as the portfolio of readiness projects, and all projects and programmes is critical to this next phase of the GCF.

Also, the GCF's engagement of stakeholders beyond AEs and NDAs is still largely haphazard and unprincipled, thus lacking sufficient accountability and transparency for observer engagement and participation (for example in the development and implementation of operational modalities and policies). In its 11th year of operation, the GCF Secretariat is still lacking a clear observer engagement strategy and clear engagement procedures. For example, there is still no full staff directory available online (outside of director and head of office contacts); there is no routine outreach or engagement for feedback of observers, including through the active observers and through the GCF Observer network of civil society, Indigenous Peoples, and local communities, on the development of operational guidelines nor a clear expectation communicated to GCF Secretariat staff that such engagement is an important part of their job description, cutting across all departments.

Language justice should also be explicitly integrated into the GCF's operational modalities as part of ensuring transparency and accountability. Greater attention to timely translation of all GCF policy and operational documents into at least French and Spanish should be a default, with increased attention to ensuring quality interpretation of webinars and meetings (in contrast to machine-generated text translation). Working to create summary project and programme information in the local languages of the communities where the projects and programmes are being implemented is also necessary for basic transparency, and must be considered through the project/programme cycle and not only at the point of ESS assessment.

10. Are the measures for measuring, monitoring and reporting progress towards the GCF's strategic vision, objectives and priorities sufficient, or how could these be strengthened?

We are concerned that a number of GCF performance indicators for measuring progress towards the GCF's strategic vision, objectives and priorities are inadequate, for example an undue focus on the scale of finance programmed and disbursed over the quality of the projects and programmes (including individual sub-projects) such approved financing supports and their successful implementation with full compliance with the GCFs standards and safeguards, including ESS, gender and IP requirements. This is particularly questionable in measuring success in GCF private sector financing, where a focus on leveraged financing seems to have entirely replaced a focus on qualitative outcomes with assured benefits for host country communities to be sustained even when the investor's engagement ends (such as for short-lived equity investments). Part of the measurement of quality is also the extent to which GCF projects and programmes through their implementation strengthen the policy frameworks, institutions and local capacity in recipient countries as a way of building the enabling environment for enhancing the ability of country actors to directly access and implement climate finance through strengthened local expertise, in engaging with the GCF as well as other bilateral and multilateral climate finance providers.