UNDP Comments on the Updated GCF Strategic Plan

- **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?**

- GCF´s long term ambition remains relevant, including the paradigm shift needed. Where there are more challenges is on the way this paradigm shift can be achieved. For example, not all the instruments set out in the UNFCCC (like REDD+), including the provisions of the Paris Agreement (i.e., Article 6) are yet well accommodated in the financing mechanisms of the GCF. This is understandable in the context of Art. 6 of the PA, as many key elements remain to be defined, but it is not clear why the full potential of other instruments like REDD+ has not been realized (e.g. a full-fledge GCF REDD+ RBPs scheme, able to finance results from countries, especially while carbon market mechanisms are still being put in place (Art. 6) and while the international community needs substantive progress by 2030).
- There might be several explanations for the above, but it is important that the GCF, as the main financial mechanism of the UNFCCC, sends a strong signal that sufficient and predictable funding is – and will be available – to finance actions to reduce GHG emissions in the LULUCF/AFOLU sector/s, as it is one of the key sources of emissions, especially in the developing world. Article 5 of the Paris Agreement is about REDD+. The GCF is meant to provide substantial, continued and predictable financial resources to achieve it.
- The mandate is still relevant, though for adaptation, the ambition does not fully pivot towards the financing gap identified for adaptation globally. While the GCF vision for 50% adaptation and the efforts to balance have been largely successful, there is no clear strategy as well as mechanisms of support laid out to leverage the GCF financing to crowd in and redirect finance to adaptation from both public and private sectors. In the absence of this the climate finance from GCF is inadequate for the level of finance needed for adaptation.
- **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?**

- See comments on question above.
- For Climate Change mitigation, one of the most promising opportunities in developing countries is to keep addressing GHG emissions in the LULUCF sector. Yet, despite a successful and pragmatic pilot programme of REDD+ Results Based Payments (RBPs), the GCF has not moved to set the very RBPs scheme, building on the pilot's lessons and making it broadly available. This is critical to provide assurance to countries that this is an engagement that will last and will be available in the mid and long terms. Intervention in the LULUCF sector should be financially managed with a long-term perspective, as the reforms are complex, and finance is a key incentive mechanism. In the absence of a financial mechanism for such interventions, it is unlikely that GHG ER will last over time or that countries will undertake complex reforms.
- The GCF REDD+ RBPs pilot left insufficient funds disbursed to countries that presented ERs to this pilot (i.e., Argentina and Paraguay). Similarly, countries that will be able to present new GHG ERs to this window have no certainty about the availability of funds now and in the future. GCF has not provided any signal to countries to trigger further motivation and action to further reduce GHG emissions in the LULUCF sector.

- There is a strong need for the GCF to be vastly more attuned to the global crises manifesting with COVID, war in Ukraine, and now the cost-of-living crisis. The role of climate finance in recovery and resilience building even as fiscal space shrinks across many countries needs to be better positioned. Adaptation and Mitigation strategies need to support range of urgent (including social protection and safety nets for food, health and water security and livelihoods; energy access) and long-term structural transformations, including just transition to green economies and transformations on agri-food systems, urban, and land and ocean ecosystems. One of the key lessons, therefore, is the need for agility to respond to and contribute to recovery and transitions as well as the need to integrate better with the humanitarian and development finance and fiscal support to countries reeling the most from the multiple crises.

- **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?**

- The biggest opportunity for the GCF to differentiate itself from other sources of climate finance in the LULUCF sector is the anchorage in the UNFCCC decisions. Such decisions are owned by all parties of the UNFCCC, thus, countries feel more relevance in working with the GCF.
- Similarly, countries appreciate not only the connection to UNFCCC decisions, but also the fact that the full set of rules has been discussed and agreed through multilateral negotiations and agreements. Countries struggle a lot more in accepting requirements and conditions from other sources of funding (i.e., voluntary carbon markets), which translate into a stronger preference to look for finance alternatives within the GCF.
- Since most funding under the GCF is public, there is a great opportunity to find complementarities with private finance. Although this is easy to suggest, the actual practice is complex, but necessary. For example, in the LULUCF sector a good part of the paradigm shift must engage the private sector that generally is engaged in actions that drive GHG emissions. Business models need to be created and proofed engaging the private sector, which could be part of a GCF programmatic approach involving different finance windows (i.e., Forests and Land Use, REDD+ RBPs & private sector facility).
- GCF's comparative advantages lie in the scale and scope of the adaptation and mitigation investments supported. This entails that GCF focus on building on successes, piloting innovative technologies and practices, support risk reduction including helping bring down cost of capital for investments and convene sources of financing and partners for truly integrated solutions for scale of impact. Complementarity with other climate funds is critical as is the need for partnerships across the public and private sector windows of the fund to connect de-risking TA and capital to private sector investments.
- **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?**

- The best way to stimulate country ownership is to promote more actively national entities´ accreditation. Many international AE could also support this process, and then provide TA for the implementation of resources, once directed to national AEs.
- The readiness and preparatory funds should target actions to fill the gaps found to achieve national entities to get accreditation. Then, country programmes should reflect on the national

CC policy priorities and be structured in a way that the comparative advantages of national AEs are taken into account at the time to prepare and present country programmes, and at the time of national endorsement of FP to be presented to the GCF board.

- Country-driven programming needs to be anchored in support to countries on building capacities for data-driven, science-based setting of adaptation priorities, understanding trade-offs, and preparing bankable investments that can are viable and sustainable in the long-term. Critical support is needed on building of the climate rationale and climate-sensitive adaptation strategies along with support to identifying blended finance vehicles and crowding in commercial capital. The current readiness portfolio fails in sequencing TA in a manner that results in bankable projects as investment preparation and connecting to various sources of finance is missing.
- **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?**

- For the LULUCF sector, GCF could build upon the progress achieved in the REDD+ readiness process, and in the execution of the REDD+ RBPs pilot projects. Countries that accessed these resources should be invited to provide input and participate in discussions aimed at defining the future finance of the Forests and Land Use window and the prospects of what could be a REDD+ RBPs window.
- Linking finance to NDC implementation and UNFCCC provisions is key.
- **Building on its private sector strategy, what actions and partnerships should GCF pursue to catalyze private sector finance at scale?**

- A more active engagement of the private sector that is connected to the drivers of deforestation and forest degradation is necessary. In this context, partnering with other financial institutions to facilitate access to and implementation of the private sector facility instruments is also necessary. A sectoral approach to programming should be able to accommodate public and private finance in a given country, informed by the national sectorial CC policies, including the NDCs.
- Countries need readiness funds to craft private sector engagement approaches that link to public policy and NDCs. This is key to overcoming the usual divide in private sector engagement and public sector support/financing.
- GCF needs to make better use of the grant capital deployed for policy and regulatory support, building assets and capacities at the last mile, supporting risk reduction and resilience, enhancing value-chains and markets, engaging and capacitating national, sub-national local actors (govts, CSOs, communities, financiers), among other outcomes, and connect this to private sector actors and investments deployed through its PS window. Currently, there is little to no convening of the actors across these two windows and the opportunities for integrated solutions and public/private sector partnerships are missed.
- **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?**

- Capture the bottlenecks in countries to program and access GCF funding, including the barriers to national accreditation for direct access
- Address the barriers to national accreditation, in consultation with countries

- Direct as much readiness and preparedness support to facilitate national accreditation and to underpin public-private partnerships (under the NDC frameworks).
- It is important that GCF streamlines its criteria and review processes to address the urgency and uncertainty of climate change. This requires the Fund to match its risk appetite to the scale and scope of financing provided. Risk aversion at the Fund impacts all its criteria and processes and imposes a heavy burden of data and analytical requirements on countries, especially those most vulnerable. Lack of access to project preparation support (that is agile) compounds these issues impeding access by DAEs as well as MAEs. Therefore, a combination of project preparation support, streamlined criteria and processes, and fit-for-purpose risk management (with requisite delegation to AEs to discharge their roles and responsibilities) is required to strengthen access.