



Update of the GCF Strategic Plan 2024-2027

DRF.01 Overall structure & Feedback

Board workshop

1 March 2023 | Paris



PART 1

Introduction to the overall structure of DRF.01 & cross-cutting feedback received from consultations

Introducing DRF.01: Overview



- **Approach:** Build on B.34 *ad referendum* draft, with a focus on elaborating the mid-term goals and developing a streamlined set of strategic objectives/priorities

I. INTRODUCTION

- Describes GCF's organizational journey, evolving context for USP-2, overall structure & logic
- Text follows *ad ref* draft: adding content on macro-economy, updating structure & Figure 1

II. VISION

- Reiterates the Board's long term strategic vision, and elaborates how this links to NDCs/ACs/NAPs/LTS, GCF's investment approach & GCF's role in the wider climate finance landscape
- Text follows *ad ref* draft; substantially condensed compared to *zero draft*

III. MID-TERM GOALS

- Elaborates proposals for 2027 and 2030-2035 'mid-term goals'
- Context on how the goals/targets were identified, including factors informing goal/target selection and resourcing hypothesis, are set out for background in Annex I

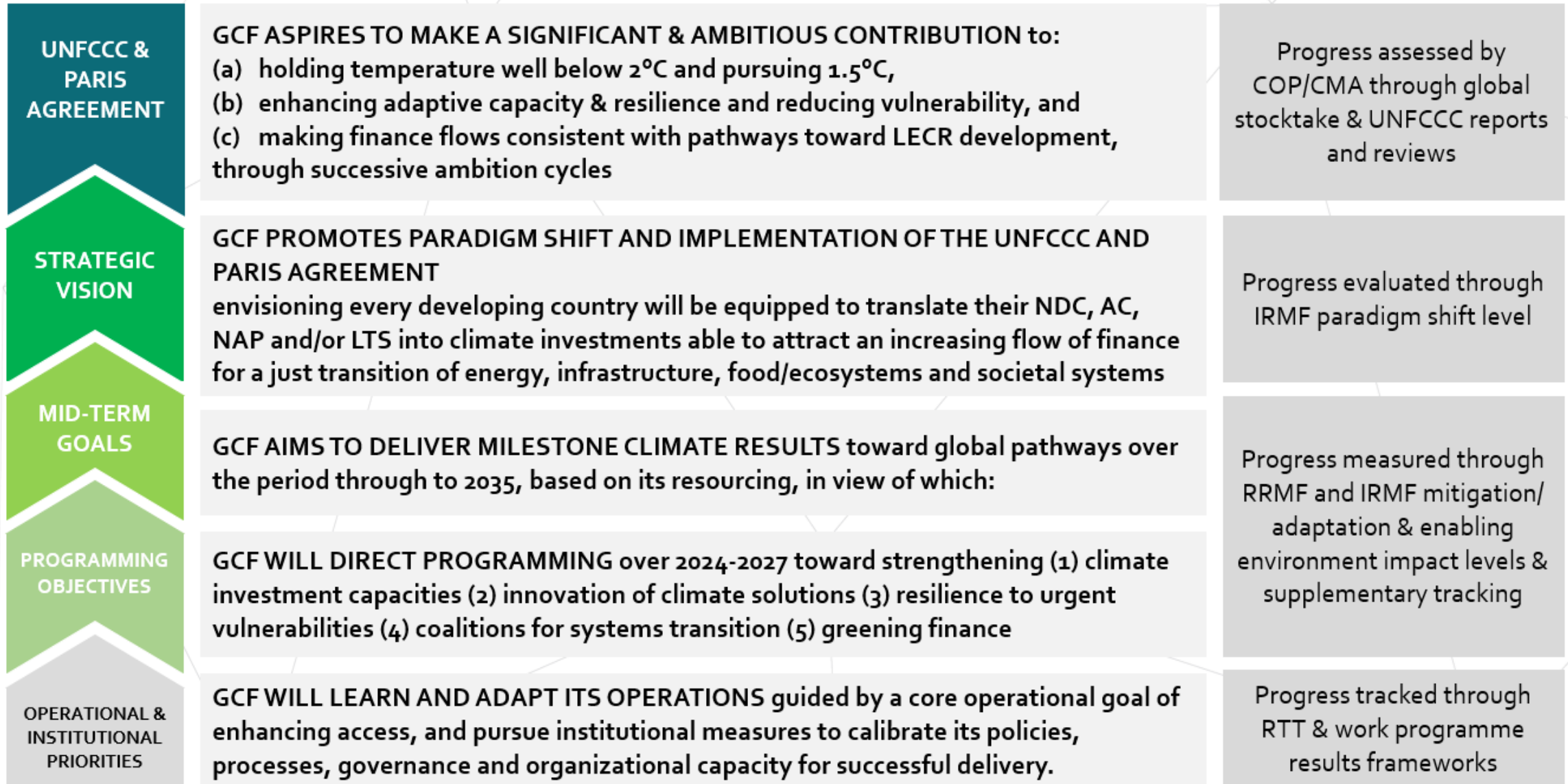
IV. STRATEGIC PROGRAMMING OBJECTIVES

- Streamlined set of 5 strategic programming objectives for 2024-27
- Focused on setting GCF-2 programming directions aligned with meeting the mid-term goals, and identifying the main actions, modalities and partnerships that will support these

V. OPERATIONAL / INSTITUTIONAL PRIORITIES

- Core operational goal focused on enhancing access across 5 dimensions
- Streamlined institutional priorities, targeting remaining areas of institutional/capacity evolution

Introducing DRF.01: Overall structure



Introducing DRF.01: Overall structure



LONG-TERM STRATEGIC VISION

MID-TERM GOALS (2027/2030/2035)

OBJECTIVE 1:
Strengthening
country climate
investment capacity

OBJECTIVE 2:
Accelerating
innovation of new
climate solutions

OBJECTIVE 3:
Building resilience to
urgent climate
threats

OBJECTIVE 4:
Forging coalitions for
just systems
transitions

OBJECTIVE 5:
Greening financial
systems

1A: Country capacity
for climate investment
planning

1B: Direct access
programming capacity

2A: Incubating &
accelerating climate
technologies/practices

2B: Proof of new
business models,
NB for adaptation

3A: Rapidly expanding
CIEWS +comprehensive
risk management

3B: Scaling up locally
led adaptation action
for most vulnerable

4A: Investment
collaborations for
country-led system
transitions

4B: Blended finance for
de-risking private
sector at scale

5A: Helping financial
institutions mainstream
climate risk

5B: Enhancing access to
capital markets for
climate investments

OPERATIONAL & INSTITUTIONAL PRIORITIES

DRF.01: Responding to lessons from the IEU SPR



- Drf.01 setup aligned with **SPR Rec.1** that the Board use the Strategic Plan to make critical strategic choices on positioning, programming and address trade offs, based on resources
- Objective 1 links to **SPR Rec.2** that GCF should clarify its intended approach and role at country level; with potential to further develop response through readiness strategy, update of country ownership guidelines & possible partnerships strategy
- USP-2 programming directions & operational priority on enhancing access would set basis for actioning **SPR Rec.3** on accreditation and access, in conjunction with accreditation strategy & possible direct access strategy; and **SPR Rec.4** on improving operating systems
- Institutional priorities provide hook for consolidating ongoing action on **SPR Rec 5** on results and learning, **SPR Rec 6** on risk management and **SPR Rec 7** on governance, with more detailed implementation action through regular work planning & operations

Feedback from Board/AO consultation process



- 16 submissions received
 - 11 from developed countries; 4 from developing countries; 1 from CSO active observer
- Comment response matrix prepared by Secretariat and distributed on 24 February 2023
- Comments broadly fall into three categories:
 1. **'Non-contentious'**
 - Areas of commonality / emerging convergence
 - Non-contentious text proposals that may be addressed through language edits
 2. **'More work needed'**
 - Issues requiring further analysis or technical clarifications
 - Proposals that may be taken up in other ongoing workstreams
 3. **'Potential sticky issues'**
 - Politically sensitive matters requiring further discussion/guidance
 - Areas where divergent views were expressed

DRF.01 feedback : 'Non-contentious'



Areas of commonality / emerging convergence

- ✓ Welcomed **overall structure and shorter, more streamlined draft**
- ✓ Stronger focus on **implementation of NDCs/ACs/NAPs/LTS**
- ✓ Stronger focus on **climate results**, as expressed through section on mid-term goals
- ✓ Maintaining **50:50 adaptation : mitigation** balance
- ✓ GCF role in **strengthening developing countries' capacities and RPSP support**
- ✓ Emphasis on **direct access** in GCF programming and **DAE capacity-building**
- ✓ Emphasis on **resilience, adaptation support and locally-led action**
- ✓ Including **access** as a cross-cutting operational priority
- ✓ Better **differentiating support**, e.g. for countries that have not accessed GCF

DRF.01 feedback : 'Non-contentious'



May be addressed through language revisions

- ✓ **Ensuring consistency with Governing Instrument and Board decisions**
- ✓ **Stronger narrative up front on 'the GCF story/evolution' & commitment to access**
 - * GCF key to UNFCCC/PA implementation
 - * Growing institutional maturity
 - * USP-2 as a leap forward
- ✓ **Expand on how GCF plans to work with its partners and in complementarity to others**
 - * More inclusive approach to country ownership
 - * Speak to cooperation with UNFCCC/MDBs/NDBs/etc
- ✓ **Strengthen emphasis on elements from GI/COP within programming priorities**
 - * Country ownership
 - * Ambition to reach particularly vulnerable
 - * Mitigation
 - * Gender
 - * Direct access
 - * Climate-biodiversity nexus and nature based-solutions
- ✓ **Strengthen emphasis on specific matters within operational/institutional priorities**
 - * Enhanced access
 - * Learning
 - * Results and risk management
 - * Outreach strategy
 - * Multilingualism

DRF.01 feedback : 'More work needed'



Issues requiring further analysis or technical clarifications (see response matrix)

- ? Refine the **formulation of the mid-term goals** with **associated resourcing scenarios**
- ? Clarify impact relating to **prioritization & pipeline management**; and **IF allocation parameters**
- ? Further develop analysis of **feasibility, trade-offs and capacity** implications
- ? Clarify implications for **results measurement and IRMF**
- ? Clarify specific **terminology, overlaps** between objectives/zero draft/thematic strategies
- ? Various requests for **additional information**

Issues linked to other workstreams

- E.g. Expanding detail of private sector support for adaptation, expand on accreditation strategy, multi-annual budgetary framework

DRF.01 Feedback: Potential sticky issues



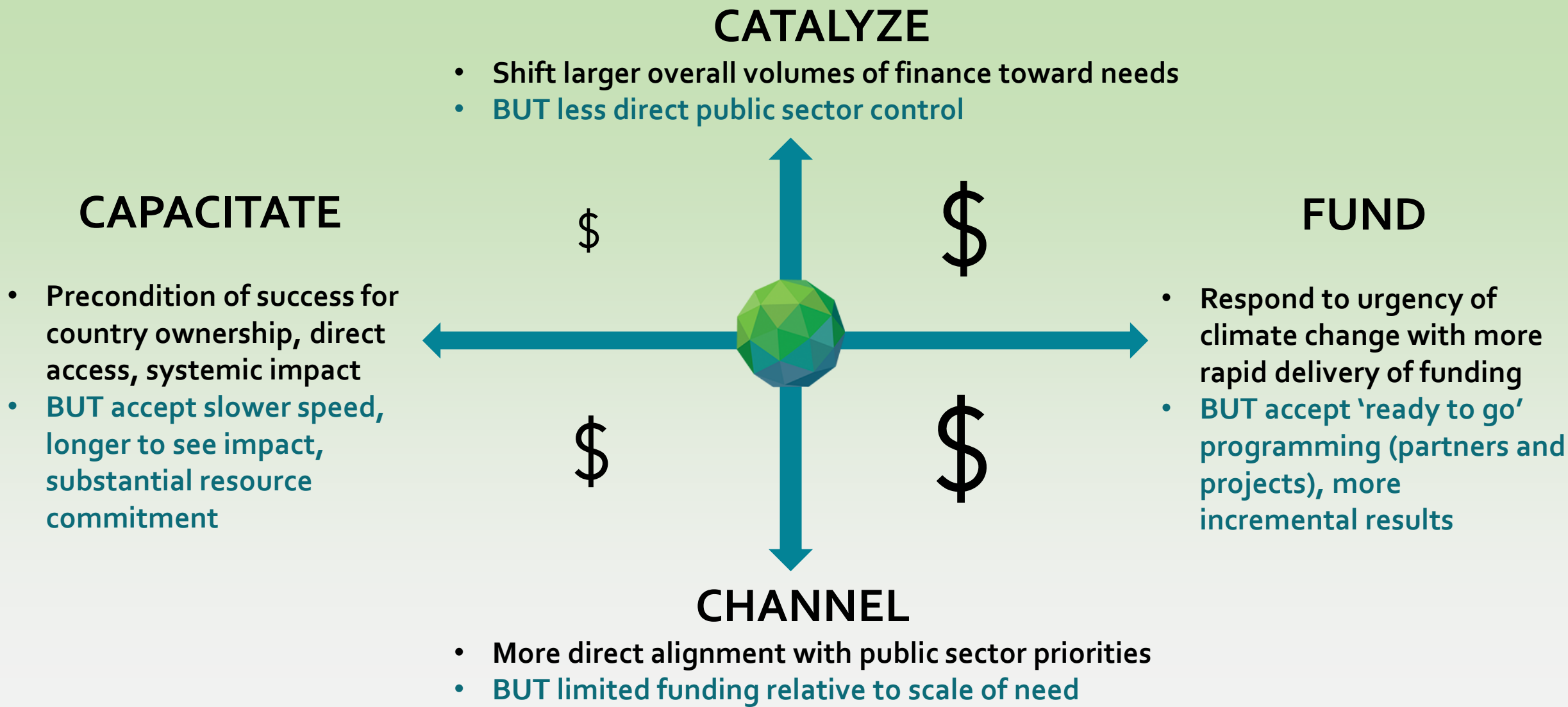
Politically sensitive matters requiring further discussion/guidance

- ! Approach to **loss and damage**, including relation to new loss and damage fund agreed at COP27
- ! Explicit alignment to the CBD **Kunming-Montreal global biodiversity framework**
- ! Approach to engaging in **fragile and conflict-affected states/areas**
- ! Development of **disability inclusion policy and action plan**

Areas where divergent views were expressed

- ! Strength of language on **1.5/decarbonization**; GCF role in **supporting NDC updates**
- ! Balancing 'channeling' and 'catalyzing' roles, including emphasis on private sector & innovation
- ! Role in supporting **climate investment capacities**; role in **greening finance**
- ! Accreditation; delegation & clarifying governance; regional presence; knowledge hub

Critical cross-cutting strategic 'choices'





PART 2

Section II: Long-term vision

Section III: Mid-term goals

**Consultation feedback &
key matters for further discussion by the Board**

Introducing DRF.01: Overall structure



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OPERATIONAL & INSTITUTIONAL PRIORITIES

Long term vision: DRF.01 approach



- **Board's strategic vision from initial Strategic Plan is maintained but elaborated to clarify how GCF will support UNFCCC/PA implementation/paradigm shift:**

GCF envisions that every developing country will be equipped to translate their NDC/NAP/AC/LTS into country-owned, impactful, bankable climate investments, are able to attract an increasing flow of finance and remove barriers to a just transition of energy, infrastructure, food, ecosystems and societal systems in line with pathways to meet UNFCCC/PA goals

- **GCF promotes paradigm shift by both channeling *and* catalyzing resources:**
 - Patient investments in mainstreaming institutional capacities and building pipeline
 - Exercise of risk appetite to deploy concessional financing for projects that can help unlock pathways to paradigm shift and systems transition
- **GCF seeks to work as an accelerator and amplifier,** building on its relative project ticket size, instruments and risk appetite to play a scaling-up/market creation role, through forging investment collaborations

Long term vision: Feedback & key issues



! Strength of signaling on ambition, 1.5 °C, decarbonization pathways & updating NDCs

- strengthen language **or** stick to agreed COP language
- signal support for updating NDCs **or** limit to implementing submitted NDCs
- stronger signaling on shifting financial flows **or** limit signaling

! GCF's role in channeling and/or catalyzing finance

- intersects with interpretation of GI
- flows into comments on other parts of DRF.01 on GCF's scope of programming, incl. capacity support, private sector orientation, greening finance

? Further articulating complementarity & coherence and GCF's partnership approach

- interest in elaborating GCF's role with reference to other partners in the climate finance landscape beyond those mentioned – eg UNFCCC bodies, NDBs, MDBs
- possible value of separate partnership strategy?

Mid-term goals: DRF.01 approach



Approach: Move away from *allocative* goals to *climate results oriented* mid-term goals, which chart a pathway toward the long-term vision

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 Direct Access Entities will have built the climate investment capacities to start programming approved public and private sector funding proposals

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

COALITIONS FOR SYSTEMS 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

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

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

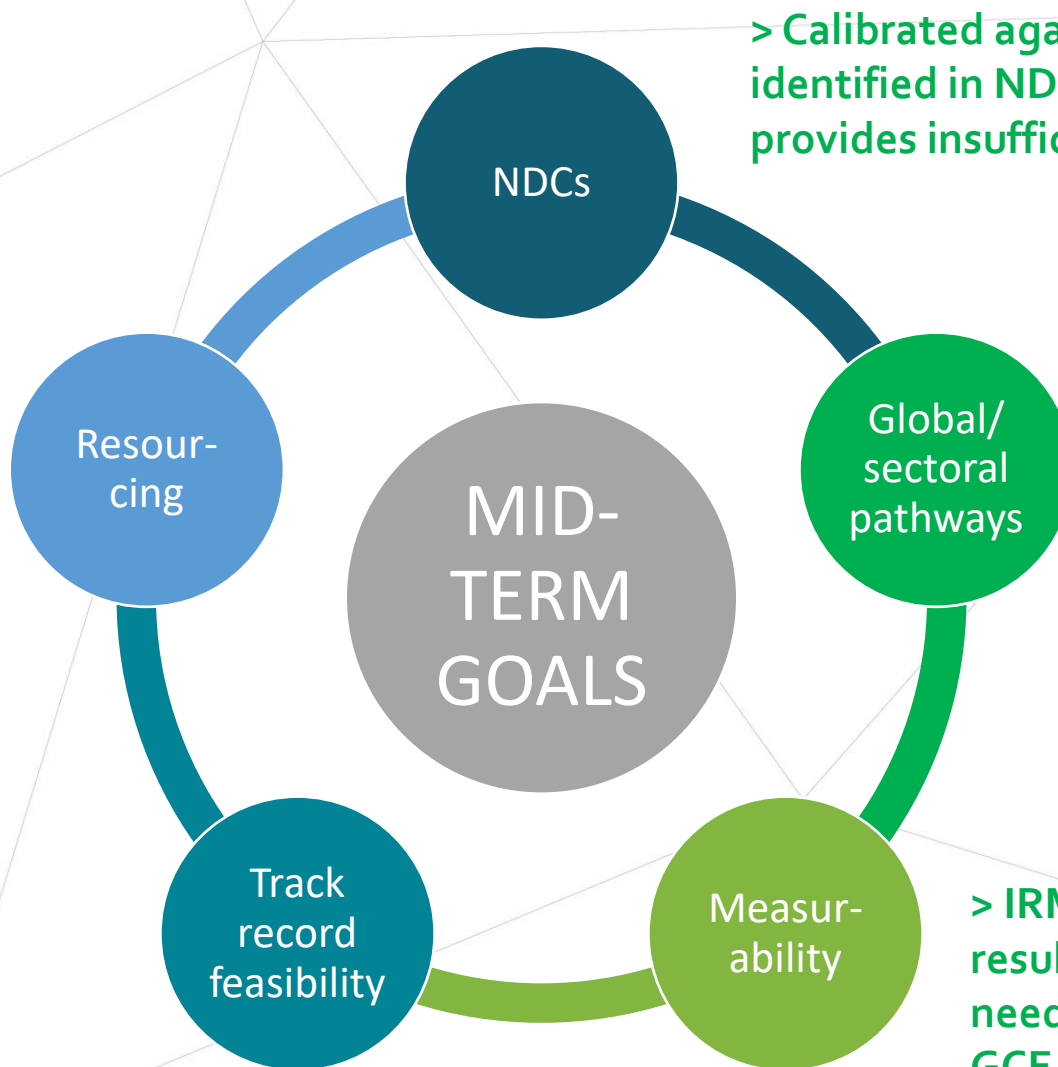
- **Signal to stakeholders** where GCF will focus programming
- Bring greater **transparency/predictability** to GCF programming & help avoid trade-offs resulting from current allocation-based targets
- Chart **ambitious pathway** over the medium term – set 'stretch' targets that are achievable with deliberate strategic programming effort
- **Linked to scale of resourcing**
- DRF.01 proposed goals for **2027 and 2030-35**

How were the proposed goals/targets identified?



> Targets were calibrated for achievability and resourcing, based on GCF's track record, pipeline and partnership potential

> Represent 'stretch targets' that could be achieved through deliberate programming and partner engagement



> Calibrated against the "concentrations" of needs identified in NDCs, however current NDC analysis provides insufficient data to calibrate target levels

> Calibrated against global pathways where available (eg CIEWS, Global Biodiversity Framework, energy transition)

> IRMF = basis for measuring progress toward results, but some supplementary tagging will be needed, building on approaches already used in GCF reporting

Mid-term goals: Feedback & questions



Overall feedback: More work needed!

- Clarify distinction and linkages between *pathways based on NDCs/collective global goals (2030/35)* and *what GCF can contribute (2027)*
- Link to resourcing, with preference to see low/mid/high scenarios

? Clarify intent of proposed DAE goal

- Intent was to double number of DAEs with FPs, not DAEs accredited > issue for discussion

? Rationale for selecting certain goals/targets (incubators, MSMEs, locally-led action, green banks)

- All goals chosen for combination of feasibility & measurability – eg measure ‘countries’ where indicators difficult to aggregate; measure ‘incubators’ as no ready metric for ‘tech/innovation’
- All targets informed by metrics derived from portfolio baselines & pipeline potential – eg goals for devolved financing, incubators etc set to be realistic based on historical programming & pipeline

Mid-term goals: revised proposal

Step 1: Resourcing hypothesis



Approach: Resourcing hypothesis premised on three scenarios for GCF-2: status quo – \$10B, mid – \$12.5B, high - \$15 B and *indicative resource distributions* across programming objectives

OBJECTIVE 1: Strengthening country climate investment capacity
~ 500-600m via RPSP

OBJECTIVE 4: Forging coalitions for just systems transitions (cross-cutting, public and private)
~ 50% of funds available for FP programming, split across energy, infrastructure, food, ecosystems and 'other'

OBJECTIVE 2: Accelerating innovation of new climate solutions (cross-cutting)
~ up to 10% of funds available for FP programming

OBJECTIVE 3: Building resilience to urgent climate threats (adaptation, majority public)
~ 20% of funds available for FP programming

OBJECTIVE 5: Greening financial systems (cross-cutting, private and public)
~ up to 20% of funds available for FP programming

Mid-term goals: revised proposal

Step 2: Pathways vs goals | Step 3 Targets



Mid-term (2030/35 pathways)

- Every developing country has the essential capacities to translate their NDC, AC, NAP, LTS into a climate-evidence informed, country-owned climate investment plan and pipeline of climate investments (GCF)
- Every GCF recipient country has a subnational, national or regional entity actively engaged in climate programming to implement the country's NDC/AC/NAP/LTS (GCF)
- A sevenfold increase from current financial flows – an additional US \$1 trillion per year by 2030 – for clean investment in developing economies (GFANZ)
- Every person on earth protected by early warning systems within five years (UN/WMO)
- Enhance resilience for 4 billion people living in the most climate vulnerable communities by 2030 (SSH AA)

GCF goals (2027)

Target range

1

- # countries developing integrated climate investment plans/planning
- # DAEs with approved GCF projects/programmes

A third of developing countries
44-58 (150-200%)
(baseline: 29)

2

- # incubators or accelerators established
- # start-ups or MSMEs with enhanced access to seed or early-stage capital

10-20
(baseline: 2)
1000-1500
(baseline: 200+)

3

- # countries (SIDS/LDCS/Africa):
 - protected by new or improved CIEWS
 - where vulnerable communities have enhanced access to devolved financing for locally led adaptation action

50-60 with priority on 'below basic'
(baseline: 72)
15-20
(baseline: 11)

Note that portfolio baselines reflect programming over almost two programming periods / 8 years (IRM and GCF-1)

Mid-term goals: revised proposal

Step 2: Pathways vs goals & Step 3 Targets



Mid-term (2030/35 pathways)

- Reduce emissions by 30-45% by 2030 globally (IPCC/MP CAP)
- Reach a global share of at least 60% zero-carbon energy in electricity generation, universal clean energy access, 50% end use sector electrification and accelerated decarbonization of hard-to-abate sectors (UN/IEA/IRENA/MR CAP)
- Facilitate sustainable and resilient infrastructure development in developing countries (SDG 9)
- Ensure sustainable food production, implement resilient agricultural practices, and boost nature positive production to increase yields by 17%, reduce emissions from agricultural production by 22% and improve livelihoods of smallholder farmers (SDG 2, Food Systems Summit, SSH AA)
- Effective conservation and management of at least 30% of the world's lands/inland waters/coastal areas/oceans; restoration on at least 30% of degraded ecosystems; reduce to near zero loss of areas of high biodiversity importance (KMBF)

GCF goals (2027)

Target range

4

countries with (i) enhanced access to clean energy for the hardest to reach (ii) accelerating markets for RE/ electrification (iii) demonstrating clean technologies for industry at scale

countries (SIDs/LDCs/Africa) with systemic infrastructure resilience planning in place

smallholders adopting low-emission, climate-resilient agricultural practices

hectares of terrestrial and marine areas conserved, restored or brought under sustainable management

35-55
(baseline: 100 incl programmes)

20-30
(baseline: 7)

45-70 million
(baseline: 35m)

120-190 million
(baseline: 40m)

5

Local financial institutions channeling green finance

new green banks/facilities in DAEs or NDBs/bond issuances

175-275
(baseline: 325)

10-15
(baseline: 325)

Mid-term goals: Questions on operationalization



? What would be the approach to pipeline management & prioritization

- In GCF-1 Secretariat has had to substantially evolve GCF's pipeline management approach to manage trade-offs inherent in GCF-1 portfolio targets within resources available
 - Current approach uses **GCF financial plan**/projected commitment authority and **modelling of GCF-1 portfolio allocation targets** to identify '**best fit**' pipeline meeting **GCF IF criteria**
 - No-longer 'first-come' as this would **not** meet current DAE/adaptation/PSF goals
- Under USP-2 DRF.01 proposed approach, Secretariat would use **GCF financial plan**, Board's **resource distribution by objective**, and **agreed goals/targets** to manage pipeline and identify 'best fit' FPs – providing improved transparency/predictability to partners
- The Board may consider whether it wishes to establish **additional** prioritization criteria, to apply where a programming area is oversubscribed relative to resourcing – eg countries with no FPs, particularly vulnerable countries, greatest impact potential, etc
 - The Secretariat can advise on feasibility of any proposed criteria, and tradeoffs involved.

Mid-term goals: Questions on operationalization



? Clarify relationship with the iRMF and current results measurement practices

- Premised on *no immediate change* to IRMF – too disruptive as just beginning implementation
- Proposed goals either (i) use IRMF indicators (beneficiaries, hectares) (ii) aggregate to level of countries reached (IRMF would be used to report more detailed results) or (iii) could be tracked through additional project tagging (eg incubators/LFIs/green banks etc)
- Updated Results Tracking Tool would report results based on GCF-2 goals & iRMF indicators
- IRMF will be reviewed in third year of GCF-2 based on lessons learned

? Mechanism for reviewing progress toward goals and making adjustments

- This could be built into the 'review' section of the USP-2

? USP-2 goal implications for portfolio allocation targets (50:50, share to most vulnerable etc)

- DRF.01 intentionally refrained from including allocation parameters in order to keep focus on climate results; but Secretariat can analyze impact on IF allocation parameters when proposal on mid-term goals is firmer

Mid-term goals: Questions on feasibility & risk



- Depending on Board's choice of goals and resource distribution, will be different implications for feasibility and risk – Secretariat can further refine analysis, including impact for AE network/PSAA and risk register, as proposal develops

PIPELINE UNDER-SUBSCRIBED

Goals may drive need for new/enhanced programming in some areas – eg incubators, devolved financing – or at greater scale – eg food, ecosystems

Assumptions/risks:

- Alignment with country priorities
- Can identify new AEs/PSAA partners or encourage AEs with right accred scope
- Capacity in place to develop pipeline sufficient to execute resources
- Proposals can deliver desired impact



PIPELINE OVER-SUBSCRIBED

Goals may require stricter prioritization of existing pipeline to fit within resource distributions – eg energy – or reach target groups – eg SIDS/LDCs/Africa for O.3

Assumptions/risks:

- Country/partner expectations can be fairly and transparently managed
- AEs able to shift programming to less subscribed areas
- Target FPs reach maturity at pace
- Proposals deliver optimized impact

Mid-term goals: Questions on capacity

- GCF's execution capacity driven by **number of FPs & complexity of FPs**
 - Over last 3 years, programming in the range of 20-35 FPs per year
- Secretariat can run rough model of capacity requirements based on **scale of resourcing & profile of programming directions** (average project size & expected complexity) when mid-term goals are clearer. Should also update capability assessment after adoption of USP-2.
- Delivery capacity also dependent on **partner skills/experience** > partnership strategy?

LESS GCF CAPACITY NEEDED

- Larger volume FPs/programmes
- Higher-capacity, GCF-experienced AEs
- Replicable FPs



MORE GCF CAPACITY NEEDED

- Larger number of smaller size FPs
- First time & lower/capacity AEs/DAEs
- Novel or complex FPs
- Also like to impact *speed*

Mid-term goals: Key choices and trade offs



- Illustrative examples of key choices / trade-offs to consider in setting mid-term goals

MAINTAIN PROGRAMMING PROFILE

- Portfolio traditionally weighted to larger scale energy, smaller scale food/ecosystems
- Robust pipeline already exists
- Potential for increasing overlap between GCF and others/lower additionality
- Misses more 'hard to reach' impact areas



SHIFT PROGRAMMING PROFILE

- Opportunity to pursue programming impact in areas less-well served by others
- More work/capacity needed to generate country-owned pipeline
- Imperative to find the right partners
- May take more time

DIRECT ACCESS BY NUMBER OF ENTITIES

- Incentivize building programming capacity of larger number of DAEs
- Requires capacity-building commitment
- May be lower overall DAE volume, given first time FPs generally smaller scale
- Programming may take more time



DIRECT ACCESS BY PROGRAMMING VOLUME

- Incentivize programming with DAEs capable of programming at larger scale
- Higher volume of funding through DAEs
- Likely to target 'repeat' DAEs, lower overall DAEs/new DAEs programming
- May reach absorption capacity



PART 3

Section IV: Strategic Objectives

Consultation feedback & key matters for further discussion by the Board

Introducing DRF.01: Overall structure



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OPERATIONAL & INSTITUTIONAL PRIORITIES

Strategic Objectives: DRF.01 approach



Approach: Building on B.34 *ad referendum* draft, streamline the previous “strategic objectives” and “strategic priorities” into a clearer, more coherent set of programming directions

OBJECTIVE 1: Strengthening country climate investment capacity

OBJECTIVE 2: Accelerating innovation of new climate solutions

OBJECTIVE 3: Building resilience to urgent climate threats

OBJECTIVE 4: Forging coalitions for just systems transitions

OBJECTIVE 5: Greening financial systems

- Programming objectives are **aligned with mid-term goals**, but **not exclusively directed to meeting mid-term goals**
- Each objective identifies **key actions GCF would take in deploying programming tools/modalities** to support delivery – incl. strategy for use of RfPs, SAP and EDA
- Stronger focus on **partnerships** – GCF will not deliver alone but engage partners with complementary capabilities
- Designed at high-level, to **operate in parallel with detailed thematic strategies** (eg readiness strategy, private sector strategy, accreditation strategy, adaptation guidance etc)

Strategic Objectives: General feedback/questions



? Clarify relationship with the *current* USP's four strategic priorities

- USP-2 DRF.01 strategic objectives designed to be based on **intended results** (ends); whereas current USP strategic priorities focused on **activities** (means)
 - Eg 'Fostering a paradigm-shifting portfolio', 'Catalyzing private sector finance at scale', 'Improving access to Fund resources' cross *multiple* objectives/intended results

? Clarify overlaps *between* strategic objectives

- There are inevitably intersections across objectives, but have generally tried to cluster by linking objectives to distinct intended results & programming modalities/instruments/partnerships
- This means that key 'cross-cutting priorities' are treated across several objectives:
 - **Adaptation:** O.1 covers planning; O.2 innovation of new approaches; O.3 urgent priorities for public funding via more conventional instruments; O.4 potential for scale
 - **Private sector:** O.1 captures capacity building; O.2 innovation of new business models, NB for adaptation; O.4 captures de-risking for scale; O.5 captures intermediation via FIs

Strategic Objectives: General feedback/questions



? Clarify relationship with *thematic strategies*

- USP-2 strategic objectives designed to:
 - be consistent with **adopted** thematic strategies (private sector, adaptation, accreditation)
 - provide a high-level hook for **in-development** thematic strategies (readiness, PPF)
 - Board may consider if **further** strategies needed (direct access, partnerships?)

! Balance of emphasis and focus across strategic objectives

- Divergent views were expressed as to the appropriate balance of emphasis and focus across the five objectives – reflect differing perspectives on 'capacitate/deliver funds' & 'channel/catalyze'
 - Climate investment capacities
 - Innovation & Private sector
 - Greening finance

O.1 Climate investment capacity – key issues



ADVISE/DEPLOY TA

- Stronger ability to shape outcomes
- BUT significant skills/resourcing commitment

FOCUS ON NDC IMPLEMENTATION

- Focus on NDAs, DAEs, capacities most relevant to building GCF pipeline
- Focused GCF support offering = easier to manage delivery
- Flexibility for countries?
- Miss opportunities for transformation?

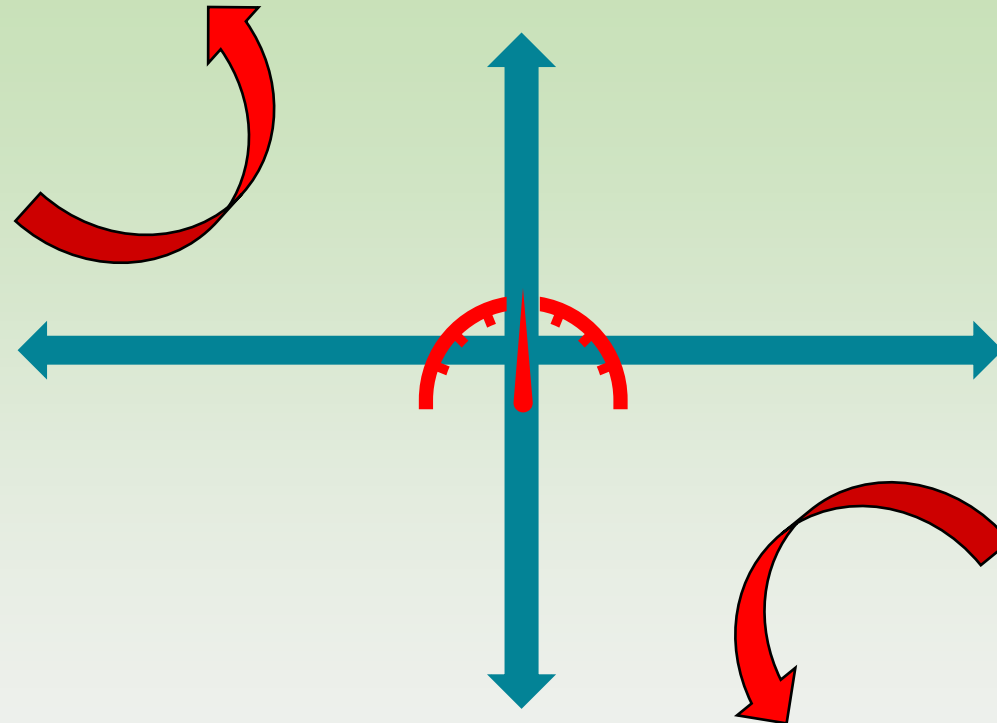
MAINSTREAM CLIMATE RISK

- Mainstream climate into wider planning & strengthen enabling environments
- Potential for wider impact beyond GCF programming
- Significant resourcing, spread GCF too thin?
- Difficult to deliver without comparative advantage?

PROVIDE FUNDING

- Less capacity commitment for GCF
- BUT dependent on right partners for delivery

OBJECTIVE 1:
Strengthening country climate investment capacity



O.2 Innovation – key issues

- What is **basis for GCF intervention** in area of innovation?
- **Too much focus** on private sector vs **not strong enough** focus on private sector
- Balancing technology **incubation with dissemination/transfer**
- Clarify reference to drawing on/basing on **local and traditional knowledge**
- Be clearer about **gender dimensions** of innovation

Examples from the GCF portfolio:

- **Public incubators:** IDB Bioeconomy (FP173), Profananpe Bioeconomy (FP193)
- **PSF incubators:** CATAL1.5ST (FP198), CRAFT (FP181)
- **Early-stage growth:** Kawisafi (FP005), ARAF (FP078), Global Fund for Coral Reefs (FP180)

Outstanding COP guidance on climate technology incubators and accelerators

O.3 Urgent vulnerabilities – key issues

- Support for strengthened focus on resilience, CIEWS, locally-led action/devolved financing
- Request to emphasize/prioritize support to **most vulnerable**
- Increase emphasis on deployment of **nature-based solutions**
- Refer to innovative ideas to attract **private sector** to adaptation (but ref: Objective 2)
- Query spectrum between resilience & **loss and damage**; GCF role vs new fund

Examples from the GCF portfolio:

- **CIEWS:** 57 FPs for USD 655 million
- **EDA & other devolved finance:** EIF Namibia (FP024), DoE A&B (FP061), SPC FSM (FP169), SCA Vanuatu (FP184)
- **Loss and damage: RPSP & PPF:** fisheries (Pacific), infra (Africa), DRR (Bhutan, SIDs)
FPs: CIEWS portfolio, FP021/SAP008 (flood mgt), FP133 (buildings), FP157/SAP009 (EBA)

O.4 Systems transitions – key issues

OBJECTIVE 4:
Forging coalitions for just systems transitions

- How **four systems transitions** were identified
 - Note different approaches taken by IPCC, Marrakech partnership etc
 - GCF has clustered – eg all energy end-use sectors together
- Meaning of '**just transition**'
 - Take cues from Sharm-el Sheikh implementation plan and ongoing COP discussion
 - Focus on social dialogue and effective stakeholder participation; encompass socioeconomic, workforce and other dimensions of transition based on nationally defined development priorities and social protection
- Explain approach to **systemic infrastructure resilience planning**/Jamaica pilot
- Focus on system transition vs **country ownership**
- Should GCF look at policy measures such as **fossil fuel subsidy/taxation reform** (AOs)

0.5 Greening finance – key issues



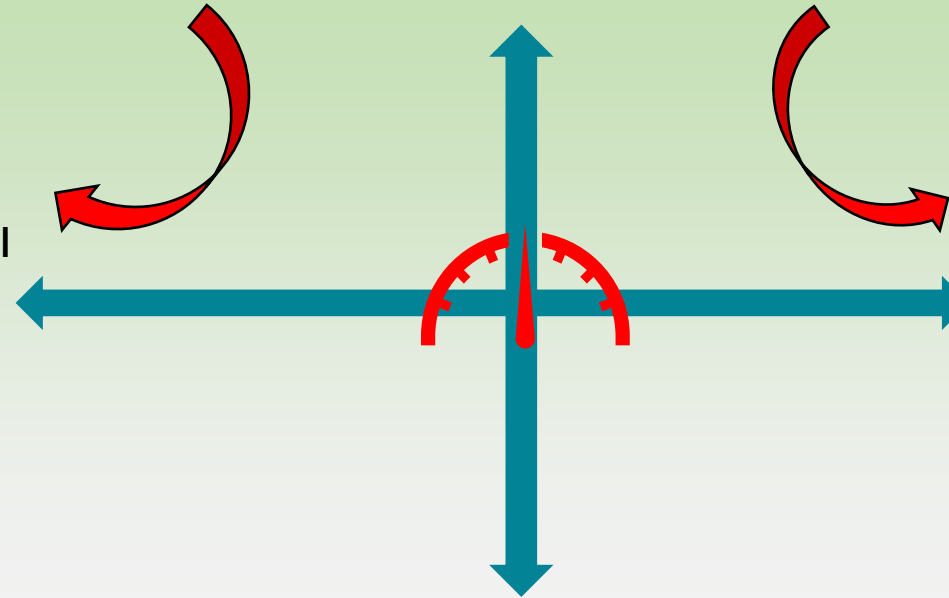
COUNTRY-DRIVEN

FOCUS ON GREEN FINANCE ACCESS

- Focus only on access to green finance via FIs, NDBs, green banks, capital markets
- Concentrate capacity in line with core GI mandate
- Limit flexibility?
- Miss opportunities for wider impact?

EXPAND CLIMATE MAINSTREAMING

- Support capacity to integrate climate risk into decisions, climate mainstreaming, green taxonomies etc
- Potential for larger impact beyond GCF
- Beyond GCF comparative skills/capacity advantage?
- Mandate creep spreads resources too thin elsewhere



OBJECTIVE 5:

Greening financial systems

Examples from the GCF portfolio:

- **Green banks/DAE facilities:** XacBank Mongolia (FP153); DBSA (Fp098); BOAD (FP105)
- **Local FIs/MSMEs:** 27 FPs reaching 325 LFIs
- **RPSP:** Green protocols, taxonomies, regulations (Colombia, Tunisia, Armenia), Aligning financial flows to Paris (LAC), Green institutions, products, bonds (Cambodia, Bangladesh, Jamaica)



PART 4

Section V: Operational & Institutional priorities

Consultation feedback & key matters for further discussion by the Board

Introducing DRF.01: Overall structure



LONG-TERM STRATEGIC VISION

MID-TERM GOALS (2027/2030/2035)

OBJECTIVE 1:
Strengthening
country climate
investment capacity

OBJECTIVE 2:
Accelerating
innovation of new
climate solutions

OBJECTIVE 3:
Building resilience to
urgent climate
threats

OBJECTIVE 4:
Forging coalitions for
just systems
transitions

OBJECTIVE 5:
Greening financial
systems

1A: Country capacity
for climate investment
planning

1B: Direct access
programming capacity

2A: Incubating &
accelerating climate
technologies/practices

2B: Proof of new
business models,
NB for adaptation

3A: Rapidly expanding
CIEWS +comprehensive
risk management

3B: Scaling up locally
led adaptation action
for most vulnerable

4A: Investment
collaborations for
country-led system
transitions

4B: Blended finance for
de-risking private
sector at scale

5A: Helping financial
institutions mainstream
climate risk

5B: Enhancing access to
capital markets for
climate investments

OPERATIONAL & INSTITUTIONAL PRIORITIES

Operational & Institutional: DRF.01 approach



- **Per B.34 guidance, operational and institutional priorities streamlined and kept high level**
 - Reflects substantial maturing of GCF operations, policies, processes and systems
 - More detailed KPIs/implementation actions can be elaborated through work planning
- **Operational goal focused on enhancing access across 5 dimensions: speed, simplicity, harmonization, volume and partnerships/direct access**
 - Actions designed to be as specific and measurable as possible, with operational targets where relevant
- **Institutional priorities focused on remaining few areas of institutional evolution needed to consolidate capacity for delivery of the USP-2**
 - Governance and risk management; policies and safeguards; results, knowledge and learning; organizational capacity
- **Section VI sets out arrangements related to implementation, reporting on progress and review of the Strategic Plan**

Operational & Institutional: Feedback



- ✓ Overall: elevate focus on access and institutional journey to earlier in the draft – as these theme are a critical to the entire USP-2 (programming & operational/institutional)

ENHANCING ACCESS (para 24)

Speed
Simplicity
Harmonization
Volume
Partnership & direct
access

? Clarify approach to differentiating access – countries without single-country FPs approved (67; 55 with NDA)

? More specifics on improving accreditation: Detail in USP-2 or defer to accreditation strategy?

? Harmonization & options for AEs to apply own policies: strengthen or remove? Noting AE/policy mandate from B.34/19

? Expand multilingualism: yes but has budgetary impact

? Tension between speed & qualitative programming goals

Operational priorities: trade-offs on speed



- **There are trade-offs between pursuing speed** (via high level of commitment authority execution & seeking to reduce processing times) and **qualitative programming goals** (increasing DAEs, countries with no FPs/fragile states, harder to reach sectors etc)
- GCF can still pursue measures to reduce its own processing times, but may not reduce overall median times for approval/implementation

PRIORITIZE SPEED OF APPROVAL AND EXECUTION – would tend to target:

- 'Most ready' FPs
- Highly engaged countries, most with one or more GCF projects
- Experienced & higher-capacity AEs, with previous GCF programming & implementation experience
- More replicable types of funding proposals & interventions



ACCEPT SOME REDUCTION IN SPEED FOR QUALITATIVE GOALS - would target:

- Countries without GCF FPs
- Diversification of AEs, NB DAEs, building programming & implementation capacity
- FPs that best help meet GCF programming goals
- FPs & interventions that target harder to reach or more novel interventions

Operational & Institutional: Feedback



INSTITUTIONAL PRIORITIES (para 25)

Governance and risk mgt
Policies & safeguards
Results, knowledge,
learning
Organizational capacity

- ! Include/or not additional directions related to delegation of authority, BBMs, 'one-Board' approach
- ! Positioning on decentralization & regional presence
- ! Enhance/reduce ambitions on GCF's role in extracting and sharing knowledge and learning
- ? Strengthen profile and outreach strategy
- ? Examine efficiency metric & budgeting approach
- ? Disability inclusion policy and action plan

IMPLEMENTATION & REVIEW: Key issues



? Frequency of updating and reviewing mid-term goals and the USP

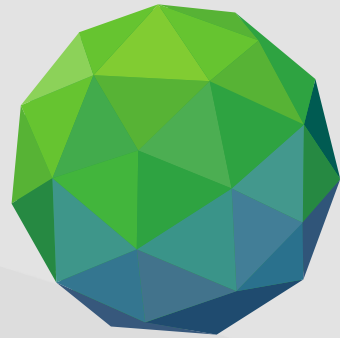
- Allowing the option of reviewing goals and targets every cycle
- Allowing the option of reviewing the USP

? Ensuring capacity to deliver on the Updated Strategic Plan

- Secretariat can run quick analysis on main directions of capacity requirements
- Subsequent capability review would be required to assess existing and required capacity, building on implementation of the GCF-1 capability review
- Also articulate role of commercial/non-commercial partnerships through holistic resourcing strategy

? Evolve GCF-2 results tracking

- An updated Results Tracking Tool would enable USP-2 aligned annual results tracking



**GREEN
CLIMATE
FUND**