Submission by Denmark and the European Commission on behalf of the European Union and its Member States

Copenhagen, 18 August 2025

Subject: Guidance to the Green Climate Fund

The European Union and its Member States thank the Standing Committee of Finance for the opportunity to submit inputs regarding future guidance to the Green Climate Fund (GCF). The EU wishes to emphasize that future guidance should not repeat existing guidance that relates to on-going mandates of the Board, is already included in the Board's workplan or is under the consideration of the Board, and that guidance should be targeted, forward-looking, and designed to address strategic challenges, in order to fulfil its purpose.

In this spirit, the European Union and its Members States submit that the following items should guide the GCF's activities, on top of its ongoing activities:

1. Exploring large-scale and country-led investment programmes through direct access entities.

The COP and CMA should encourage the Board to explore programmatic approaches in a country-owned manner by establishing a pilot facility dedicated to direct access entities' submission of large-scale, country-led investment programmes financed in phases, in order to facilitate the financing of the implementation of NDCs, NAPs at larger scale, taking into account, when relevant to the country-specific context TNAs/ TAPs, while also leveraging the Fund's readiness programme to assist in concept-stage development and improved quality of proposals. This pilot could also enhance access through complementarity and coherence by including in such programmes, in a country-owned manner, financing available through other funds and financing arrangements, and possibly gather support from other accredited entities.

Justification: This proposal supports the implementation of article 4.3 by enhancing scale and predictability, as well as Article 9.9 of the Paris Agreement by improving country-ownership and implementation of developing countries' plans and strategies. It would complement the use of GCF Readiness Programming, especially when used for financing platforms, by better linking countries' plans and *strategies and the GCF's projects pipelines through a more programmatic approach. This proposal also answers various parts of decision 1/CMA.6, especially paragraphs 14, 15, 18 22(c), 23(c) and (d) and 24(d).*

2. Increase the use of innovative instruments

The COP and CMA should invite the Board to explore several options to systemically increase the use of innovative instruments, such as first-loss instruments, guarantees, local currency financing and foreign exchange risk instruments, with a view to reducing the cost of capital for developing countries and increase their access to it, including through the establishment of a dedicated pilot programme or facility that make the GCF share risk in a more systematic manner. When exploring these options, the related financial risks for the GCF should be considered.

Justification: This formalised approach to risk-sharing would enable the GCF to mobilise co-financing at scale and increase its risk appetite. This proposal also answers various parts of decision 1/CMA.6, especially paragraphs 15 and 23 (a) and (b).

3. Increasing the use of private capital for climate resilience and adaptation

The COP and CMA should invite the Board to explore modalities to better mobilise private capital for climate resilience and adaptation, including in LDCs and SIDS, including by establishing a dedicated window under the Private Sector Facility, for instance supporting green or resilience bonds for infrastructure in vulnerable countries, in partnership with insurers and other relevant stakeholders, and using concessional GCF resources to cover first-loss tranches and credit enhancement.

Justification: This is aimed at responding to the limited access to large-scale adaptation finance, encourage the development of innovative financial instruments and the leveraging of public finance. It answers various parts of decision 1/CMA.6, especially paragraphs 17, 21, 23(b) and (d).

4. Introducing a performance-based resource management system to enhance the Fund's use of its resources

The COP and the CMA should request the Board to introduce a performance-based resource management mechanism that can be used for reallocating committed and undisbursed funds after a set period, in consultation with the entity and countries concerned. In addition, at the accredited entity's level, this mechanism could be aligned with existing remedial measures under the recently approved Monitoring and Accountability Framework (MAF).

Justification: Slow disbursement rate are becoming an obstacle to the GCF's efficiency, scale and impact. The proposed mechanism would foster efficiency, incentivise timely delivery and better match resources to absorptive capacity.

5. Furthering the Fund's financial model by targeted measures.

In synergy with the prior proposal, the COP and CMA should request the Board to consider, in the mid-term, various measures to optimise the Fund's management of its resources and increase its financial efficiency, including by, exploring the adoption of a liquidity policy based on future inflows from a variety of sources to increase its commitment authority

Justification: The GCF's current liquidity could be optimised in order to increase its commitment authority in the mid-term by exploring various options, for the Board's consideration.

6. Increasing the efficiency of decision-making regarding funding and accreditation

The COP and CMA should request the Board to consider measures aiming at increasing the efficiency of decision-making regarding funding decisions and accreditation, including by exploring the possibility of discussing and approving some funding requests and accreditation requests through decisions between board meetings. In the spirit of facilitating participation, reducing costs and emissions, the Board may also consider holding some of its meetings in virtual format for a select set of topics (e.g. funding and accreditation matters)

Justification: increasing the scale of the GCF's funding will result in increased volumes of funding requests and accreditation requests presented to the Board. In order to ensure that this does not deteriorate decision-making, this proposal aims at providing a possibility to focus Board's discussions during Board meeting on those requests that warrant a formal Board discussion, while allowing for swift approval between Board meetings of those requests that does not warrant a discussion during a Board's formal session.