

Danish Organisation Strategy for the Green Climate Fund (2021-23)

Introduction:

In 2010, the Green Climate Fund was established by 194 Parties to the UNFCCC, as part of the Convention's financial mechanism. The Fund provides support to developing countries to limit or reduce their greenhouse gas emissions and to adapt to the impacts of climate change, taking into account the needs of those developing countries particularly vulnerable to the adverse effects of climate change.

GCF Key results (by 2023):

- 4,937 million tonnes CO2 equivalent reduced or avoided
- 618 million people with increased resilience toward climate change
- 256 million people with increased access to climate-resilient water infrastructure and services

Justification for support:

- Fully aligned with the government's long-term strategy for global climate action the World 2030.
- GCF has a crucial role in serving the UNFCCC and the Paris Agreement and enjoys a high degree of legitimacy, as it was established by Parties to the UNFCCC with an equal number of developed and developing countries in the Board.
- GCF provides a strong platform for supporting particularly the most vulnerable developing countries and a strong engagement with GCF serves as a critical element of Denmark's ambition to take a lead on climate action internationally.

How will we ensure results and monitor progress:

- Actively engagement in between and during Board meetings, monitor Danish priority areas and support the implementation of the revised Integrated Results Management Framework.
- Undertake a mid-term review of this Organisation Strategy.

File No.	2019-14609					
Responsible Unit	GDK					
	<i>Mill.</i>	2020	2021	2022	2023	total
Commitment		245	220	335		800
Projected ann. Disb.		245	220	335	0	800
Duration of strategy	2021-23					
Finance Act code.	06.34.01.70					
Desk officer	Tobias von Platen-Hallermund					
Financial officer	Christina Hedegård Hyttel					

SDGs relevant for Programme

 No Poverty	 No Hunger	 Good Health, Wellbeing	 Quality Education	 Gender Equality	 Clean Water, Sanitation
 Affordable Clean Energy	 Decent Jobs, Econ. Growth	 Industry, Innovation, Infrastructure	 Reduced Inequalities	 Sustainable Cities, Communities	 Responsible Consumption & Production
 Climate Action	 Life below Water	 Life on Land	 Peace & Justice, strong Inst.	 Partnerships for Goals	

Risks and Challenges

- Insufficient speed in programming resources and disbursement of funding
- Inefficiency in decision-making at the Board
- Lack of credible reporting of results from GCF funding

Strategic objective

The aim of Denmark's support to GCF is to reduce greenhouse gas emissions and build resilience and increase the ability to adapt to climate change impacts in developing countries and contribute to making global financial flows consistent with low-emission and climate-resilient development. Thereby, it is a key contribution to the implementation of the Paris Agreement. GCF provides a strong platform for supporting particularly the most vulnerable countries and it serves as a critical element of Denmark's ambition to increase mobilization of climate finance and take lead on climate action internationally.

Strategic priorities

- Maximizing impacts of GCF investments
- Efficiency in the Board
- Country ownership
- Safeguards and gender mainstreaming

Core information

Established	Decision at COP15 (2009), established in 2010, operationalised in 2014
Headquarter	Songdo, Republic of Korea
Executive Director	Yannick Glemarec (since 2019)
Partner Countries	194
Human Resources	220 staff
Danish involvement in governance structure	Shares a seat in the GCF Board (24 members) with the Netherlands and Luxembourg
Funding amount by target (November 2020)	50% adaptation and 50% mitigation (grant equivalent terms)
Adaptation funding going to the most vulnerable countries (November 2020)	68% (grant equivalent terms)



Danish Organisation Strategy
for
The Green Climate Fund
2021-2023

January 2021

File no.: 2019-14609

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1. Objective of the Organisation Strategy

This Organisation Strategy provides strategic considerations and specific goals for Denmark's engagement with the Green Climate Fund (GCF). It forms the basis for the Danish core contributions and is the platform for dialogue with GCF. It outlines Danish priorities for GCF performance within the framework established as part the first replenishment process of the GCF (GCF-1) and as outlined in the Updated Strategic Plan for GCF for the period 2020-23. The organisation strategy has been developed jointly by the Ministry of Foreign Affairs (MFA) and the Ministry of Climate, Energy and Utilities (MCEU), who jointly undertakes Denmark's engagement with the GCF.

2. The organization

2.1. Mandate and mission

During the UN Framework Convention on Climate Change (UNFCCC) 15th Conference of the Parties, in Copenhagen in 2009 it was decided to establish a climate fund. In 2010 the GCF was formally set up by 194 Parties to the UNFCCC, as part of the Convention's financial mechanism. In 2014-15, the Fund became operational and the first projects were approved. The Fund is guided by the principles and provisions of the UNFCCC and the Paris Agreement and the GCF's Governing Instrument sets out its mandate and working methods.

The purpose of GCF is: *“to make a significant and ambitious contribution to the global efforts towards attaining the goals set by the international community to combat climate change”*. The GCF will promote a paradigm shift towards low-emission and climate resilient development pathways in the context of sustainable development. The Fund will do so by providing support to developing countries to limit or reduce their greenhouse gas emissions and to adapt to the impacts of climate change, taking into account the needs of those developing countries particularly vulnerable to the adverse effects of climate change. All developing country Parties to the Convention (non-annex I parties) are eligible to receive resources from the Fund.

GCF aims to play a key role in catalysing climate both public and private climate finance. The Fund pursues a country-driven approach where programs are formulated with engagement of relevant national stakeholders and meets objectives included in national action plans. The Fund seeks a 50:50 balance between mitigation and adaptation investments and aims for a minimum of 50 per cent of the adaptation finance allocation for particularly vulnerable countries, i.e. the Least Developed Countries (LDCs), Small Island Developing States (SIDS), and African States. The Updated Strategic Plan 2020-2023 reaffirms the target of achieving balance in funding for mitigation and adaptation. This includes aiming to build on the outcomes of the initial resource mobilization period (2015-2019), where 69% of adaptation funding in grant equivalent terms has been allocated for countries particularly vulnerable, including SIDS, LDCs and African States. The funding is directed to eight results areas:

Mitigation	Adaptation
Low-emission energy access and power generation	Enhanced livelihoods of the most vulnerable people, communities and regions
Low-emission transport	Health and well-being, and food and water security
Buildings, cities, industries and appliances	Infrastructure and the built environment to climate change threats
Land use, deforestation, forest degradation, and through sustainable forest management and conservation and enhancement of forest carbon stocks	Ecosystems and ecosystem services

Table 1: GCF Results Areas

Funding is further guided by an investment framework. GCF investments contribute particularly to Sustainable Development Goals (SDGs) no. 7 (affordable and clean energy) and no. 13 (climate

action) and to some extent no. 1 (no poverty), 6 (clean water and sanitation), no. 8 (decent work and economic growth), no. 11 (sustainable cities and communities), no. 14 (life below water) and no. 15 (life on land).

GCF provides funding primarily through grants and loans, but also to a lesser extent in the form of equity and guarantees to its partner organisations, known as accredited entities. These include Multilateral Development Banks, national banks, funds, government institutions and civil society organisations. The Fund has established a direct access modality to allow national and sub-national organisations to receive funding directly, rather than only via international intermediaries. A critical part of GCF is its support to readiness, which countries can access to develop enabling environment for climate action e.g. build capacities, put in place institutional frameworks, initiate programming and project development, and develop National Adaptation Plans. The objective of the readiness programme is to enhance the capacity of national institutions to efficiently engage with GCF and other climate finance institutions.

2.2. Structure and management

The GCF is governed by a board of 24 members, distributed equally between developed and developing countries. Two co-chairs (one from each of the developing and developed constituencies) are elected by the board to serve a period of one year. Denmark shares its seat on the Board with the Netherlands and Luxembourg based on an agreed rotation scheme. Representation from Denmark at the GCF Board consists of a staff member from both MFA and MCEU. Several committees, panels and groups assist the Board in decision-making, and exercise delegated authority from the Board if and when necessary. Civil society and private sector representatives participate as active observers in the board meetings.

The GCF Secretariat has around 220 staff and headed by an Executive Director, who is appointed by and accountable to the Board (see GCF organogram in Annex 1). The Headquarter of the GCF Secretariat is located in Songdo, Republic of Korea and GCF has no regional or national offices. The World Bank serves as the trustee of the Fund and manages the financial assets.

3. Key strategic challenges and opportunities

3.1. Status of GCF

Since the GCF adopted its initial Strategic Plan in 2016, the operating context of the GCF has evolved significantly. The latest science has highlighted the urgency of climate action, the Paris Agreement has entered into force and the GCF itself has moved to a more mature stage of operations, policies and partnerships, and with a substantial project pipeline.

The GCF Board has so far approved 159 projects with a total value of USD 23.3 billion, where GCF funds constitute USD 7.3 billion. The approved projects are anticipated to lead to 408 million people with increased resilience towards climate change and 1.2 billion tonnes of CO₂ equivalent avoided. However, as of December 2020 only USD 1.5 billion has been disbursed, which does not adequately reflect the sense of urgency for climate action. A total of 137 countries have received readiness support for a total value of USD 257 million with the aim to enhance the capacity of national institutions to efficiently engage with GCF and other climate finance institutions.

In October 2019, GCF successfully finalized its first replenishment process. New pledges have now been made by 31 contributors¹ totalling USD 9.9 billion equivalent². The amount pledged exceeds

¹ Neither USA nor Australia made new pledges to GCF-1 in 2019.

² Grant equivalent is calculated based on terms in Policies for Contributions

the USD 9.3³ billion announced at the Fund's first pledging conference in 2014. Almost 80 per cent of countries increased their pledges and over half of the contributors doubled their pledges or more. The new pledges represents a 70 per cent increase in GCF's annual programming resources⁴, which calls for a more efficient project approval process and higher speed of implementation. The first replenishment of GCF is part of a long-term vision for the Fund, building it up to become a significant global instrument for channelling public climate finance to mobilise the much larger shifts in global financial flows required to achieve the Paris Agreement goals.

3.2. Review of GCF

While the Fund is in a more mature position now compared to 2016 in terms of policy development and operations, several challenges remain. The Board operation continues to be challenged by a spill-over in terms of complex country and group dynamics stemming from geopolitical divisions and the international climate negotiations. In result, the dynamics of the Board is often affected by a split in traditional north/south or developed/developing lines. The split between interest of developed and developing countries in the Board has to some extent diminished recently, which leaves significant opportunities for strengthening dialogue between north and south Board members. A key example of this and an important achievement in terms of improving the decision-making of the Board is the approval in 2019 of a simple majority voting procedure for decision-making in the absence of consensus. This procedure has led to a halt in the former practice of board members using veto in decision-making and the procedure has already been applied for decisions on funding proposals on several occasions thereby indicating a promising tendency in terms of speeding up GCF operations.

As a critical input to the replenishment process, the GCF Independent Evaluation Unit (IEU) finalized the first comprehensive review of GCF in June 2019. The review concluded that the GCF in many areas has fulfilled the mandate given by the UNFCCC through the GCF's Governing Instrument. However, the review observed needs to improve performance, primarily to: i) improve access to GCF finance through greater speed, transparency and predictability of processes especially in terms of approval of accreditation and funding proposals; ii) encourage innovative solutions to climate-related problems; and iii) re-emphasize its support to adaptation investments while recognising the role of new actors in mitigation.

On the operational side, GCF faces significant challenges as documented in the review by the IEU. Based on the review and Danish experience working with the Fund, the main challenges include the following:

1. Micro management: The continued procedure of bringing all decisions incl. each full (not e.g. summarized) funding proposal to the Board, and leaving little space for decision-making and guidance to the Secretariat and the Executive Director, and for in-between meeting decisions based on earlier strategic guidance etc.
2. Results Management: The current gaps in the Results Management Framework leads to insufficient provisions to ensure credible reporting of results from GCF investments with important implications for the Fund's reputation and credibility.
3. Policy development and implementation: Significant gaps remain in policy development and implementation, including on country ownership, environmental and social safeguards, private sector engagement and accreditation processes, hampering effective fund management.

³ Of this amount, USD 8.2 billion were confirmed through unconditional contribution arrangements and, after accounting for variations in exchanges rates, USD 7.2 billion have been available for commitment during the GCF Initial Resource Mobilisation period (2014-2019).

⁴ The increase is due to increase in expected commitments and a shorter replenishment period.

4. Institutional governance: The suboptimal structure and mandating of committees, panels and groups under the Board, including the extent to which decisions recommended are adopted by the Board, leading to inefficiency in operations and ultimately lack of good governance.

3.3. The Updated Strategic Plan for GCF

The Fund’s vision, strategic objectives and priorities along with the operational and institutional priorities are included in the Updated Strategic Plan for GCF for the period 2020-23 (the overall structure of the USP is included in figure 1). The USP was approved by the Board in November 2020 and builds on the implementation of the initial Strategic Plan from 2016 and the review from 2019 and sets out the overall mission of the GCF, in line with the provisions outlined in its Governing Instrument. The USP contains an ambitious programming and operational vision for the next phase of GCF, which, if fully implemented, will address the vast majority of the challenges mentioned above.

A specific aim of the Updated Strategic Plan is for the GCF to increasingly seek to drive cooperation between different climate finance mechanisms to help countries better navigate in the climate finance landscape. This could include to complement actors supporting the NDC update process (such as NDC Partnership) by turning national priorities into investment programmes. In addition, the Fund will seek to advance programming synergies with other climate funds (such as the Global Environment Facility (GEF), the Least Developed Countries Fund (LDCF) and the Adaptation Fund). Being a key contributor to the NDC Partnership, the GEF and the LDCF, this leaves several opportunities for Denmark to increase dialogue and influence across those funds and contribute to knowledge collaboration.

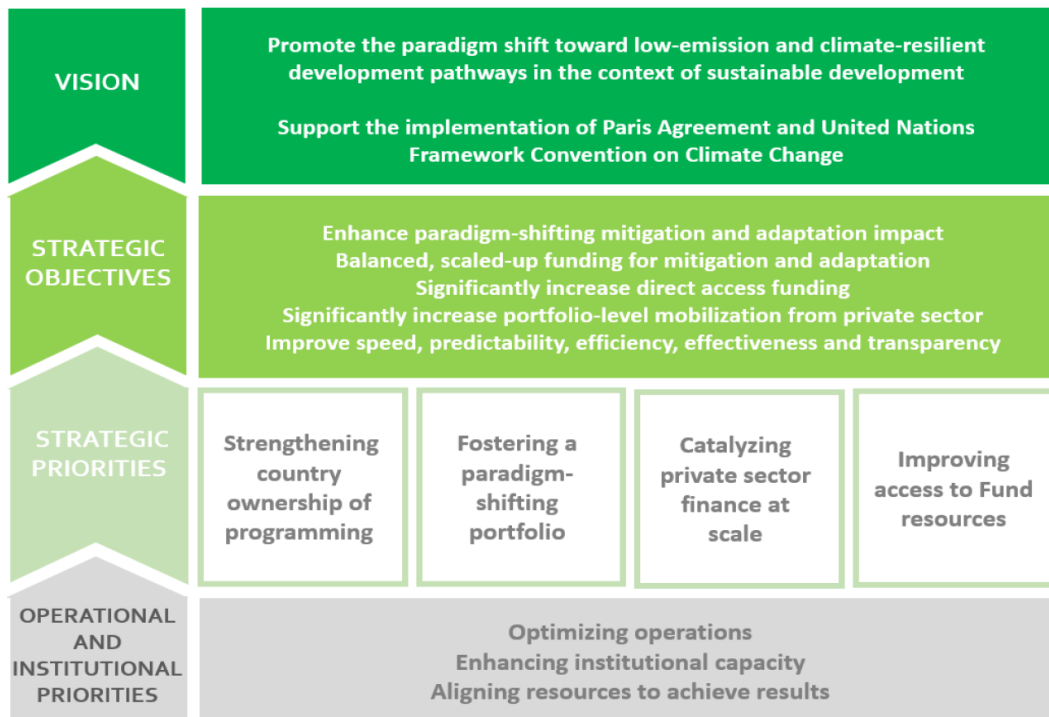


Figure 1: Overall structure of the Updated Strategic Plan

4. Danish support and priorities

4.1. Justification for support

The aim of Denmark’s support to GCF is to reduce greenhouse gas emissions and build resilience and increase the ability to adapt to climate change impacts in developing countries and contribute to making global financial flows consistent with low-emission and climate-resilient development.

Thereby, it is a key contribution to the implementation of the Paris Agreement. GCF provides a strong platform for supporting particularly the most vulnerable countries and it serves as a critical element of Denmark's ambition to increase mobilization of climate finance and take lead on climate action internationally.

As the largest global fund dedicated to help fight climate change, GCF is strongly positioned in the climate finance architecture. GCF has a crucial role in serving the UNFCCC and the Paris Agreement and enjoys a high degree of legitimacy, as it was established by Parties to the UNFCCC with an equal number of developed and developing country seats in the Board. The Fund makes a critical and distinctive contribution in scaling up financing for adaptation and resilience, with a focus on those countries particularly vulnerable to the effects of climate change. As an operating entity of the financial mechanism of the UNFCCC and the Paris Agreement, GCF is a key platform for Parties to live up to the Paris Agreement by providing and scaling up climate finance to developing countries.

GCF has delivered on the mandate given by the UNFCCC and has succeeded in establishing a strong partnership with 103 entities approved for accreditation by the Board of which 71 have completed the accreditation process. No Danish entities have been accredited so far but a few have started expressing interest, which MFA will follow and support as best as possible. The Fund has also managed to build a strong project pipeline and portfolio with a substantial increase in projects under implementation. The project portfolio will contribute significant to increased resilience and CO2 equivalent avoided as well as support a green recovery from COVID-19 with a specific focus on job creation.

There are clear benefits from an enhanced Danish engagement with the GCF in relation to sustaining and building cooperative relationships with Parties to the UNFCCC and the Paris Agreement, serving to benefit Danish and EU priorities and positions in the climate negotiations. The GCF provides a unique platform for supporting particularly the most vulnerable developing countries by providing adaptation finance, thereby also helping to advance dialogue and build trust between Parties to the UNFCCC and the Paris Agreement. As such, the GCF represents a forum for promoting strategic interests that coincide with the Danish priorities in the UNFCCC negotiations. Furthermore, Danish efforts in the GCF are important in support of reaching the developed countries' collective goal of mobilizing USD 100 billion in climate finance to developing countries annually from 2020 to 2025 and making all financial flows consistent with low-carbon and climate-resilient societies in line with Article 2.1c of the Paris Agreement. The GCF also constitutes a key financial mechanism under the UNFCCC for implementation of the new, collective goal on climate finance that will be effective post 2025.

The Updated Strategic Plan sets out an ambitious programming and operational vision for the next phase of GCF, aiming high to match the urgency of climate change and positioning GCF to make a significant and ambitious contribution towards the goals of the UNFCCC and the Paris Agreement. By aiming to provide increased and predictable climate finance to developing countries the Fund plays a critical role in raising ambitions of Nationally Determined Contributions (NDCs) and in the COP-negotiations. The Fund's Readiness Programme supports countries in formulating NDCs and strengthening capacity for implementing NDCs e.g. by means of GCF funding. GCF aims to play an important role in the Climate Investment Platform (CIP) e.g. through support to readiness and project preparation, and the Fund can potentially provide funding to climate partnerships like Partnering for Green Growth and the Global Goals 2030 (P4G) through project preparation support.

Support to the GCF is fully aligned with the objectives and priorities of the government's long-term strategy for global climate action: A Green and Sustainable World (2020) and Denmark's strategy for development cooperation and humanitarian action (The World 2030). The strategy for global climate action explicitly calls for strengthen Danish engagement with GCF including around areas of strategy

development and approval of funding proposals. This organisation strategy also takes into consideration the guiding principles of the Danish Climate Envelope. GCF will support the achievement of multiple SDGs and a strong engagement with GCF serves as a critical element of Denmark's ambition to promote climate diplomacy, take lead on climate action internationally and seek alliances with developing countries thereby playing a constructive role as bridge builders within the international climate agenda.

4.2. Danish priorities

As described above, a strong Danish partnership with GCF is a key strategic priority. Based on purely core funding, Denmark fully supports the mandate of GCF and will seek to increase the overall performance and impact of the Fund through four priorities. These Danish priorities in the engagement with GCF builds upon the priority areas of the Danish GCF organization strategy update (2016-2019) as well as the priorities of the Danish mandate of the first replenishment process of GCF in 2019. Furthermore, the priorities will to the extent possible, support a recovery from COVID-19 that is fully aligned with a just and climate smart transition. The Danish priorities for the period 2021-23 consist of the following: i) maximizing impacts of GCF investments; ii) efficiency in the Board; iii) country ownership; and iv) safeguards and gender mainstreaming.

I. Maximizing impacts of GCF investments

Rationale and relevance: With limited funding available under GCF-1 and a fast growing project pipeline (as of September 30, 2020 the pipeline included a total request for GCF funding of more than USD 22 billion) GCF must be selective to maximise the impact of addressing and preventing climate change by providing funding for adaptation and mitigation investments. One of the four strategic priorities of the Updated Strategic Plan calls for the Fund to better respond to developing country needs, support them in realizing and raising ambition under the UNFCCC and Paris Agreement, and deliver greater paradigm-shifting mitigation and adaptation impact. Further to this, the USP aims to promote climate mainstreaming across the GCF partnership network.

As of December 2020, 108 projects are under implementation worth a total of 4.8 billion USD and 1.5 billion USD disbursed. With an expected 90 per cent of the total GCF portfolio under implementation by the end of 2023, sufficient monitoring and reporting on results becomes ever more critical. The current Results Management Framework (RMF) has, however, several significant gaps and weaknesses. As a result, the Secretariat has only been able to report on anticipated and not actual results from GCF investments, which could have serious implications for the Fund's reputation and accountability. The GCF is currently developing a revised RMF for an expected Board approval in 2021.

Activities and ways of working: To enable prioritisation of project proposals, Denmark will underline the need for a more systematic and explicit assessment of the climate rationale and paradigm-shift in funding proposals and the importance of continuing to balance 50/50 funding in grant equivalent between mitigation and adaptation. In line with political priorities, Denmark will continue to clearly emphasize the importance of a stronger focus on adaptation finance to the most vulnerable countries (LDCs, SIDS and African States). Increased finance to these countries will strengthen their resilience to climate change, the COVID-19 crisis and future shocks in ways that foster low-emission, sustainable and inclusive growth. In terms of mitigation finance, Denmark will encourage the identification of cross-country and cross-project learnings on large-scale renewable energy projects. These learnings can enable increased targeting and efficiency of funds in high impact mitigation projects. To complement the core funding modalities of GCF and to attract more private capital investments, Denmark will also explore possibilities of using guaranties in GCF.

Denmark will continue to advocate for climate mainstreaming across the portfolios of the GCF accredited entities in order to further advance the goal of GCF to promote the paradigm shift towards

low-emission and climate-resilient development pathways in the context of sustainable development. Denmark will also continue its strong engagement in supporting the implementation of the revised RMF based on focus areas highlighted in the Independent Evaluation Unit evaluation of the RMF from 2019. These focus areas will serve as part of the Danish screening criteria for funding and accreditation proposals. Increased collaboration with relevant embassies, the Ministry of Environment and the Danish Energy Agency will be explored further under this priority with the aim of receiving enhanced technical inputs on relevant funding proposals.

II. Efficiency in the Board

Rationale and relevance: Since the GCF started its operations in 2016 the urgency of the climate crisis has increased and along with this the importance of climate action. Based on the total pledged amount to GCF-1 the Board will need to significantly improve the efficiency in approval and implementation of projects in order to ensure higher levels of disbursements. Despite important progress made, unpredictability of policy development and ineffective decision-making procedure remain a challenges for the Fund. In addition, the current operation modalities and policies are often viewed as being burdensome. This has contributed to the Fund's reputation as being non-transparent and unpredictable and have affected the efficiency and effectiveness of the Fund including relatively low disbursements. One of the strategic objectives of the USP is to improve the speed, predictability, efficiency, effectiveness and transparency of the Fund. Ways of meeting this objective include to simplify and streamline review, allocation and decision-making processes in several areas. This involves a continuous focus on underlining the independent and effective management of the Fund's Secretariat to ensure an appropriate prioritization of items for Board consideration.

Activities and ways of working: Denmark will continue working to increase the efficiency of the Board with a specific focus on actively engaging in the preparation and approval of the following:

1. Introducing a two-stage review process, which will allow the Board to give early strategic guidance and move away from micro-managed guidance by scrutinizing assessments of funding proposals done by the Secretariat.
2. Setting up a new phase of the Simplified Approval Process (SAP) to ensure an increased fast-track approval of small, low-risk funding proposals, building on the upcoming IEU assessment of the current SAP.
3. Streamlining the accreditation process including to pilot the Project Specific Assessment Approach, which will allow entities not accredited to GCF to seek funding for a single project.
4. Introducing procedures to allow for increased use of decision-making in between Board meetings through the use of written procedures.
5. Revising the structure and mandating of committees, panels and groups under the Board, including the extent to which decisions recommended are adopted by the Board.

III. Country ownership

Rationale and relevance: GCF recognizes the need to ensure that developing country partners exercise ownership of climate change funding and integrate it within their own national climate action plans. Developing countries appoint a National Designated Authority that acts as the interface between their government and GCF, and must approve all GCF project activities within the country. Country ownership is one of the six investment criteria for GCF and this country-driven approach seeks to ensure that GCF's activities are aligned with national priorities. The UNFCCC also considers country ownership critical for the delivery of effective climate finance. Moreover, country ownership is vital to ensure projects align with NDCs and National Adaptation Plans (NAPS). The GCF Partnership consists of 103 accredited entities and is still growing. But while the mix of entities (international, regional and national) in the portfolio has become more balanced over time, funding recipients

continues to be dominated by international accredited entities. This trend poses a challenge toward the Fund's objective of country ownership, as a critical element of achieving this is to ensure effective participation of regional and national accredited entities in GCF pipelines and implementation.

In 2019, the IEU conducted an evaluation of the Fund's Country Ownership Approach. While the evaluation found many strengths of this approach, it also concluded that country programmes and the GCF readiness programme are not focused enough for countries to build strong, effective climate-finance-related pipelines. Moreover, the evaluation included a key recommendation that the GCF needs to expand its definition of "country" to go beyond national capitals and include a multitude of stakeholders. GCF's interaction with countries and governments is done primarily through the National Designated Authority or national focal points. Currently, country ownership essentially means an endorsement by the National Designated Authority located in the capital city. This approach is insufficient since investments in the area of climate and development also affect people outside of the capital, including those living in rural and remote areas. Moreover, in many cases the NDAs do not sufficiently engage with the private sector.

Activities and ways of working: Denmark will underline the importance of ensuring country ownership including involvement of local governments, civil society organisations, indigenous peoples and the most vulnerable communities in developing funding proposals. Denmark will continue to push for a broad approach to development of enabling environments for climate action through the use of NDCs and NAPs in project development. A mutually beneficial collaboration between climate responsible experts in the MFA and MCEU, relevant Danish embassies and Danish CSOs' partners in the Danida priority countries and countries with relevant Strategic Sector Cooperation engagements will help facilitate a more inclusive application process and a Danish engagement in following up through various channels on project implementation upon approval in the GCF Board. As part of these activities, Denmark will also strive to increase attention to the use and impact from the GCF readiness support possibly in collaboration with GGGI and UNEP-DTU, which are both GCF readiness delivery-partners.

IV. Safeguards and gender mainstreaming

Rationale and relevance: The Governing Instrument requires the GCF to adhere to the "*principles and the provisions of the Convention...while promoting environmental, social, economic and development co-benefits and taking a gender-sensitive approach.*" Environmental and social benefits are critical for any action in climate change. Moreover, women are most vulnerable to the challenges caused by the climate crisis and are hardest hit by climate-induced disasters.

So far, the GCF operates based on interim environmental and social safeguards standards (ESS). The Board has therefore requested the development of GCF-specific environmental and social safeguards to be presented in 2021. In 2019, the IEU conducted an evaluation of the GCFs interim ESS and found that it is imperative for the Fund to urgently develop and adopt new environmental and social safeguard standards, policies, procedures, and guidelines that align with its climate mandate and are international best practices. Major gaps in the current ESS include inadequate monitoring of ESS compliance and insufficient guidelines on how funded projects should report on social and environmental outcomes. In 2019, the Board adopted the Updated Gender Policy and Gender Action Plan 2020–2023. The policy strives to mainstream gender issues in all its interventions and requires gender assessments and submission of project-level gender action plans.

Activities and ways of working: Denmark will work to ensure that the Fund is using its position to take a leading role in pro-actively doing good through the ESS and thereby creating strong sustainable development outcomes with its investment in climate change action. This work will also include a focus on human rights and the most vulnerable people in the design and implementation of GCF

projects including in areas of conflict. Based on the conclusions and recommendations of the IEUs evaluation of the interim ESS, Denmark will actively contribute to the development of the GCF-specific environmental and social safeguards. Denmark will also closely monitor the implementation of the interim ESS (and once approved of the new ESS), the Gender Policy and the Indigenous Peoples Policy for example by including these as part of the Danish screening criteria for funding proposals and accreditation proposals. Relevant CSOs working on this agenda can potentially provide important insights into this process. Increased dialogue with these CSOs is already underway with the aim of achieving a more structured collaboration.

4.3. Budget

The Danish pledge to GCF-1 is DKK 800 million for the period 2020-22 (1.21 per cent of the total contribution to GCF-1). Based on current pledges Denmark has the 7th highest contribution per capita. See Annex 2 for a table of contributions divided by country. The contribution is expected to come from the Danish Climate Envelope based on a shared initiative between Ministry of Foreign Affairs (MFA) and Ministry of Climate, Energy and Utilities (MCEU). The Danish contribution and timing of the appropriations are shown in the table below. The contribution is given in the form of core support. During the initial resource mobilization of the GCF in 2014, Denmark contributed with a total of DKK 400 million.

Year of appropriation	2020	2021	2022	2023	Total
Timing of Appropriation	245m DKK	220m DKK	335m DKK	0m DKK	800m DKK

Table 2: Danish budget to GCF-1

5. Danish means of influence and monitoring

The developed countries constituency coordinates extensively both in-between and during Board meetings. Denmark will continue to work closely with like-minded countries, especially the Netherlands and Luxembourg towards the achievement of the abovementioned priorities. The cooperation in the shared NL/DK/LU seat is smooth and effective and Denmark seeks to promote Danish priorities on an ongoing basis initially within the seat and subsequently more broadly. As part of the recent replenishment process, the shared seat of DK/NL/LU has agreed on a set of principles and division of labour for the collaboration in the Board to further improve the efficiency of the collaboration. Denmark will seek alliances with developing countries most often through board members to better understand priorities on key areas with the aim of finding common interests and advocate for a “one board” approach. Denmark will also further seek influence through its current membership of the Private Sector Advisory Group (PSAG) and potential membership of committees, panels or groups (i.e. the Accreditation Committee or Investment Committee) relevant to the priorities described above. Further to this, strategic secondments to the GCF Secretariat will be considered on an ongoing basis. Through Denmark’s shared seat and efficient cooperation with NL, LU and other likeminded countries as well as structured coordination with the Nordic countries, Denmark has a substantial influence in the board.

To ensure fact-based input, during the implementation process the MFA and the MCEU will engage the Danish Ministry of Environment, the Danish Energy Agency and relevant civil society organisation (CSO) networks such as 92-Gruppen and Global Focus and including IWGIA who have observer status at GCF and who Denmark coordinates with in-between and during Board meetings. Prior to each GCF Board meeting representatives from MFA and MCEU will arrange dialogue meetings with CSO representatives to discuss key priorities of the meeting agenda and receive relevant input and information from the CSOs. Moreover, increased collaboration will be explored with Danish stakeholders seeking involvement with GCF including to facilitate potential accreditation processes.

Recently, steps have been taken to strengthen the monitoring of key multilateral institutions in countries with Danish bilateral engagements. As part of the MFA Doing Development Differently initiative, an annual action plan and stocktaking report will be prepared and a number of selected indicators will be reported and systematically assessed annually. This reporting system is under preparation and will become applicable to the GCF during the implementation of the organisation strategy. As means to fulfil this requirement, the revised GCF RMF entails annual performance reporting from 2021 on both RMF indicators and the implementation of priorities of the USP. The structure of the revised GCF RMF is included in Annex 4 along with a results matrix for monitoring progress on the four Danish priorities.

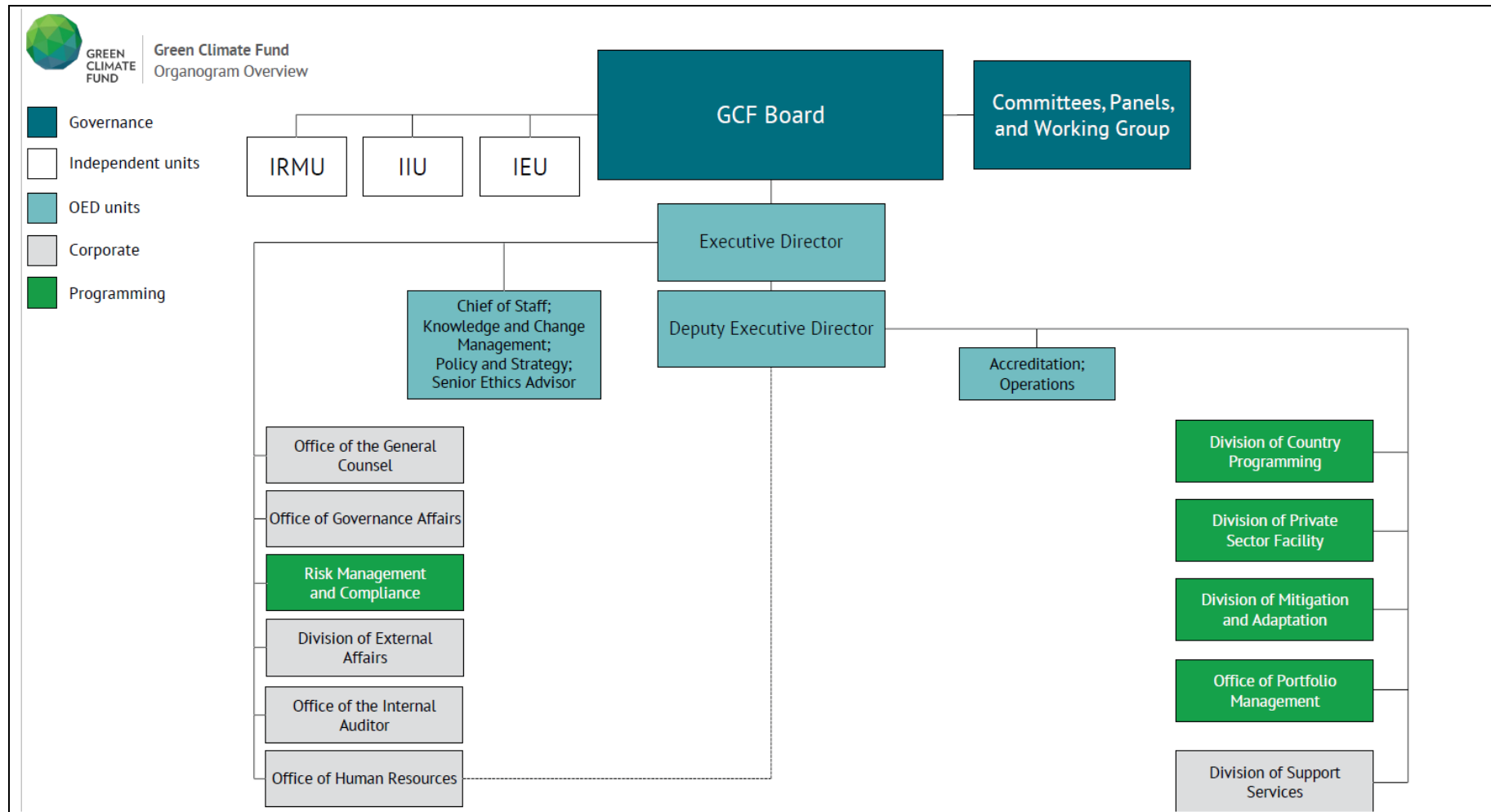
The Multilateral Organisation Performance Network (MOPAN) is planning to undertake an evaluation of the GCF during 2021. MFA in close cooperation with MCEU will carefully assess the results from the evaluation and take recommendations relevant to Denmark's key priorities into consideration in future engagement with GCF including as part of the mid-term review of this organisation strategy. To further strengthen the Danish priority on maximizing impacts of GCF investments and focus on results, Denmark has agreed to become co-institutional lead of the MOPAN assessment of GCF. As a co-institutional lead, Denmark will support liaison between the MOPAN Secretariat and the GCF Board, enhance impact by promoting ownership of the assessment, and review and contribute to assessment outcomes. This work is aligned with the MFA Doing Development Differently initiative and increased focus on adaptive management, and will serve as an important tool to bridge priorities between developed and developing countries in the Board.

Annex 1 – GCF-1 Contribution by State (in million USD) as of November 2020

CONTRIBUTOR	ANNOUNCED	CREDITS⁵	ANNOUNCED PER CAPITA
Austria	146.11	6.11	6.55
Belgium	112.62	4.62	9.85
Canada	225.53	3.67	6.09
Denmark	120.69	5.29	20.82
Finland	112.62	4.09	20.41
France	1743.38	50.68	26.03
Germany	1689.32	0.43	20.37
Hungary	0.70	0.04	0.07
Iceland	2.00	0.06	5.66
Indonesia	0.50	-	< 0.01
Ireland	18.02	0.65	3.71
Italy	337.86	-	5.59
Japan	1500.00	21.25	11.85
Liechtenstein	0.11	< 0.01	2.63
Luxembourg	45.05	1.30	74.13
Malta	0.11	< 0.01	0.22
Monaco	4.22	0.17	109.18
Netherlands	135.15	5.95	7.84
New Zealand	10.05	0.60	2.06
Norway	417.48	16.25	78.56
Poland	3.00	0.18	0.08
Portugal	1.13	0.07	0.11
Republic of Korea	200.00	-	3.87
Russian Federation	10.00	0.46	0.07
Slovakia	2.25	0.10	0.41
Slovenia	1.13	0.07	0.54
Spain	168.93	7.55	3.62
Sweden	852.55	-	83.72
Switzerland	150.00	5.45	17.61
United Kingdom	1851.88	-	27.85

⁵ As per the Policy for Contribution, a notional credit has been applied to the pledges made by Contributors who have indicated to make payments in advance of the standard schedule.

Annex 2 – GCF Organogram



Annex 3 – Risk Management Matrix

Risk Factor	Likelihood	Impact	Risk response	Residual risk	Background to assessment
Political influence of the UNFCCC Conference of the Parties (COP) to the GCF Board potentially leading to inefficiency in decision-making.	Likely	Medium	Increased predictability of policy development and work planning of the Board. Limited risk response available to Denmark but will seek alliances with developing countries on subjects with common interest and advocate for a “one board” approach.	Low	The risk is a basic condition for the functioning of GCF Board and based on the governance structure of the Fund. However, the split between interests of developed and developing countries in the Board has to some extent diminished recently.
Insufficient speed in programming resources and disbursement of funding. High demand for a more efficient project approval process and increased level of implementation, GCF Board and Secretariat may not have the capacity to fulfil this within a reasonable timeframe implementation.	Likely	High	Introduction of new policies and procedures that aim to significantly improve the efficiency in the approval and implementation of projects through the simplification and streamlining of review, allocation and decision-making processes in several areas. Denmark will actively work to ensure the preparation and approval of such initiatives.	Medium	Significant increase in GCF's annual programming resources and demand for more speed on disbursement. Several new measures to improve the speed, predictability and efficiency of operations are expected to be introduced within the period of this strategy.
The current gaps in the Results Management Framework (RMF) leads to insufficient provisions to ensure credible reporting of results from GCF investments with important implications for the Fund’s reputation and credibility.	Less likely	Medium	Approval and implementation of a revised IRMF that increases focus on measuring paradigm-shift from project/programs and requires annual reporting on actual results from GCF investment. Denmark will support the implementation of the revised IRMF and closely assess annual reports.	Low	Revised IRMF underway with enhanced guidelines and requirements for results reporting and monitoring.
Inadequate cooperation with Multilateral Development Banks (MDBs) to ensure complementarity and coherence with other financial institutions so that climate finance is delivered effectively.	Less likely	Medium	Ensure continued cooperation between GCF and MDBs through various channels with a focus on complementarity and potential for streamlining and expediting GCF’s operational cycles in relation to procedures and governance structure of the MDBs.	Low	Most major MDBs are part of the GCF partnership, which enables strong dialogue.

Annex 4 - GCF Results Architecture and Results Matrix

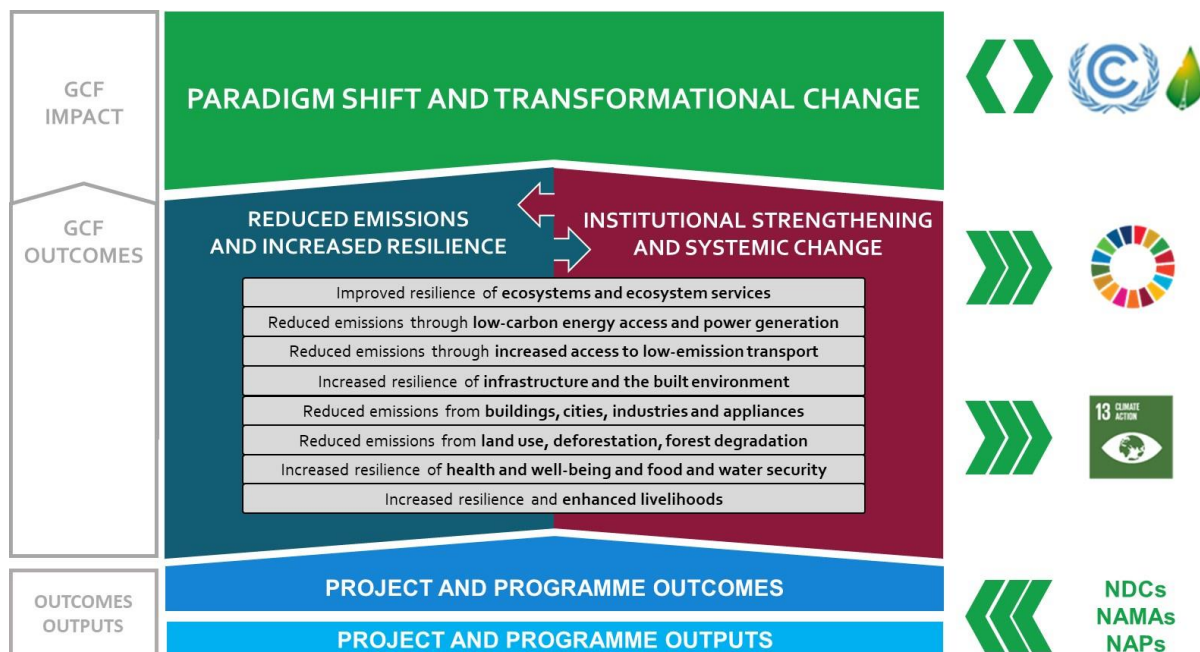


Figure 2: RMF results architecture (to be approved by the Board)

The following indicators at various levels in the revised GCF Integrated Results Management Framework (still to be approved by the Board) have been selected to measure progress on the four Danish priorities:

Indicator	Initial Resource Mobilization (IRM) results baseline (2014-2019)	Projected GCF-1 Results (2020-2023)
<i>Priority 1: Maximizing impacts of GCF investments</i>		
Tonnes of carbon dioxide equivalent (tCO ₂ eq) reduced or avoided	1,534 million tCO ₂ eq	Projected 4,937 million tCO ₂ eq
Number of beneficiaries	320 million beneficiaries	Projected 618 million beneficiaries
Number of females and males with increased access to climate-resilient water infrastructure and services	91 million beneficiaries in total	Projected 256 million beneficiaries in total
Number of females and males provided with access to clean energy	New indicator	To be reported
Percentage of GCF-1 funding proposals tracking results at Level 1 and Level 2 of the IRMF	New indicator	To be reported
Percentage of FPs under implementation reporting on results	New indicator	To be reported
Percentage of FPs delivering anticipated results	New indicator	To be reported
<i>Priority 2: Efficiency in the Board</i>		
Average number of conditions attached to projects reduced	New indicator	To be reported
Funding proposals review and implementation timeline reduced	New indicator	To be reported
Readiness review and implementation timeline reduced	New indicator	To be reported

Simplified Approval Process review and implementation timeline reduced	New indicator	To be reported
<i>Priority 3: Country Ownership</i>		
Number of GCF projects / % portfolio contributing to improved institutional, planning and coordination capacity	N/A	To be reported
Web-based proposal tracking system in place for countries and entities and utilized	Stakeholders do not have real-time access to the status of their proposals.	Stakeholders have real-time access to the status of their proposals.
Administrative, policy and programming manuals are in place and communicated to stakeholders	New indicator	To be reported
<i>Priority 4: Safeguards and gender mainstreaming</i>		
Percentage of projects with ESS action plans	New indicator	To be reported
Percentage of projects with gender assessments	New indicator	To be reported
Percentage of projects with gender action plans	New indicator	To be reported
Percentage of policies that are gender-sensitive	New indicator	To be reported
Percentage of GCF-1 FPs with gender-disaggregated indicators	New indicator	To be reported