

Annex X: Readiness Strategy 2024–2027

1. This document sets out the 2024–2027 strategy for the Readiness and Preparatory Support Programme (hereinafter referred to as the readiness strategy), which was established by paragraph 40 of the Governing Instrument for the GCF to enable countries to directly access the Fund for preparatory activities and technical assistance (TA).

Background

2. The Readiness Programme was operationalized by decision B.08/11 as GCF's first active form of financing, with objectives and activities focused on preparing national designated authorities (NDAs) and/or focal points to access GCF during its early stages of operationalization. The decision established an initial cap of up to USD 1 million per country per calendar year. In 2016, by decision B.13/09, the national adaptation plans (NAPs) and adaptation support modality were added to the Readiness Programme, with a cap of USD 3 million per country to facilitate the formulation of NAPs and other adaptation planning processes. Since then, the Board has taken several more decisions to expand the Readiness Programme, including decision B.29/01 to allocate an additional amount of up to USD 12.4 million available directly to direct access entities (DAEs) to support the implementation of a readiness results management framework.

3. In decision B.22/11, the Board adopted a set of five readiness objectives, namely:

- (a) Objective 1: Capacity-building around setting up systems – human, technical and institutional – to enable developing countries to engage with GCF and achieve their climate objectives;
- (b) Objective 2: Strategic frameworks to address policy gaps, improve sectoral expertise and enhance enabling environments for GCF programming;
- (c) Objective 3: National Adaptation Plans and Adaptation Planning Processes to enable development and submission of NAPs;
- (d) Objective 4: Pipeline development emanating from strategic frameworks and entity work programmes – a pipeline of quality concept notes and funding proposals, including from least developed countries (LDCs) and small island developing States (SIDS) and African States, and direct access accredited entities; and
- (e) Objective 5: Knowledge-sharing and learning that contribute to developing and implementing projects on low-carbon and climate-resilient development.

4. According to the 2022 Annual Report on Implementation of the Readiness Programme (GCF/B.36/INF.05), as of 30 April 2023 the Secretariat had approved 693 readiness grants for 142 countries, totalling USD 513 million, establishing it as the largest capacity-building programme for climate action, globally.

5. It is now time to build on the results of the Readiness Programme that have been delivered in the eight years of operation so that it can become not only the largest, but also the most impactful capacity-building programme that enables countries to directly access climate finance and successfully design programmes and projects that help them address climate change challenges.

6. In order to build on the results delivered to date, the outcomes of actual spending on 239 completed grants¹ were reviewed, and the findings are presented in table 1.

Table 4. Breakdown of readiness spending per objective for completed grants (as of 30 April 2023)

Readiness Programme objectives approved as part of the 2019–2021 readiness strategy	Actual spent 2014–2023, for completed grants	
Objective 1: Capacity-building [portfolio target: 10%]	USD 25.9 million	38%
Objective 2: Strategic frameworks [portfolio target: 20%]	USD 22.7 million	34%
Objective 3: NAP and the NAP process [portfolio target: 50%]	USD 11.9 million	18%
Objective 4: Pipeline development [portfolio target: 15%]	USD 5.7 million	8%
Objective 5: Knowledge-sharing and learning [portfolio target: 5%]	USD 1.4 million	2%
Total	USD 67.6 million	100%

7. A summary of readiness resources commissioned on completed activities is as follows:

- (a) USD 11.9 million (18 per cent) of the total spent was allocated to the USD 3 million per country for NAP development (objective 3);
- (b) USD 55.7 million (82 per cent) of the total spent was allocated to the USD 1 million per country per calendar year window (covering objectives 1, 2, 4 and 5), comprising an allocation of 72 per cent for objectives 1 (capacity-building) and 2 (strategic frameworks) combined; followed by 8 per cent for objective 4 (paradigm-shifting pipeline development) and 2 per cent for objective 5 (knowledge-sharing and learning).

8. The allocation of Readiness resources above is drawn on completed grants. The readiness strategies for 2019–2021 and 2022–2023 yielded a positive shift in grants “approved” and “under implementation” towards greater expenditure on objective 3 (NAP support), bringing it to 42 per cent of the total committed funds of USD 513 million, as of 30 April 2023. With respect to non-NAP support, readiness allocations covering objectives 1, 2, 4 and 5 comprised 58 per cent of the total committed USD 513 million (grants approved and under implementation). The allocation for objective 4 (pipeline development) has remained under 10 per cent of the overall readiness funds, both in terms of completed grants and in terms of grants approved and under implementation.

9. **Against the backdrop of the USP-2 vision and targeted results, this points out a clear and imminent need to reconsider the focus of the readiness support.** Increasing the allocation of readiness resources to pipeline development from under 10 per cent to 60 per cent, will help build a solid programming base for USP-2 targeted results.

10. Furthermore, the compartmentalized objective 3 (NAP development) includes work areas such as capacity-building for adaptation planning and coordination, institutional strengthening, development of strategic frameworks, adaptation investment pipeline development, and knowledge generation. These areas overlap with objectives 1, 2, 4 and 5. This has resulted in (1) a fragmented, piece-meal approach; (2) naturally occurring gaps that hinder coherence; and (3) labour-intensive, duplicative grant application and approval processes, which exponentially add time for countries to access readiness resources.

11. In this context and in line with USP-2, the readiness strategy has been revised to significantly enhance its support for developing countries, specifically through strategic planning and requesting readiness support; and by focusing on direct access programming, and better, faster and more predictable access to GCF resources.

¹ As of 30 April 2023, the Secretariat has approved 693 readiness grants for 142 countries, totalling USD 513 million. 239 completed grants comprise 34% of the approved 693 readiness grants.

Theory of Change Statement

12. At a high-level, the revised readiness strategy is guided by the GCF long-term strategic vision of promoting a paradigm shift towards low-emission and climate-resilient development pathways in the context of sustainable development and supporting countries in the implementation of the Paris Agreement and the UNFCCC within the evolving climate finance landscape. Aligned to the GCF Strategic Plan 2024-2027, the Readiness Programme vision is that by 2027, developing countries have strengthened programming capacities and enabling environments for NDC, NAP, and LTS implementation, investment planning and enhanced access to GCF resources through an enhanced focus on climate programming and direct access to advance implementation of the UNFCCC and Paris Agreement. This vision of the Readiness Programme builds on the following theory of change statement:

Theory of Change statement	IF GCF provides support to countries and direct access entities that is (1) based on strategic planning and deploying of readiness resources that reflects progressively strengthened and deepened capacities, (2) clearly focuses on enhancing capacities to successfully programme and implement climate investments, and (3) through streamlined modalities, objectives and processes increase speed, ease of access and predictability of readiness resources	THEN developing countries will be better equipped to translate their nationally determined contributions, national adaptation plans and long-term strategies into low-emission, climate-resilient, catalytic investments to advance the implementation of the United Nations Framework Convention on Climate Change and the Paris Agreement	BECAUSE developing countries will have predictable resources for longer-term planning, simplified and responsive readiness support that addresses multiple challenges in a structured, coherent manner and support that is focused on the development of the necessary programming capacities and enabling environments to increase the flow of impactful, country-owned mitigation and adaptation investments ready for funding from a variety of sources of finance, including GCF
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13. This vision is translated into action through objectives and intended outcomes that are aligned with the USP-2 strategic directions and targeted results.

Aligning readiness objectives with the GCF Strategic Plan 2024-2027

14. To follow the USP-2 intentions of ensuring predictability, speed, simplicity, complementarity, volume and direct access, the objectives of the readiness strategy for 2024–2027 have been streamlined from five (5) to three (3), with the following aims:

- (a) **Effective climate finance coordination and sequencing for climate investment planning and execution, including strengthening the enabling environment.** The readiness portfolio target is set at 30 per cent to ensure fit-for-purpose support that lays the foundations for country programming capacities and direct access;

- (b) **Strong focus on paradigm-shifting pipeline** development and implementation for adaptation and mitigation measures. The readiness portfolio target is set at 60 per cent to signal the reorientation to programming capacities and direct access, and to ensure adequate resources; and
- (c) **Better use of knowledge-sharing and learning** as one of the most impactful tools for capacity-building, particularly with respect to solving climate challenges that are common and shared by neighbouring countries and peer stakeholders. The readiness portfolio target is set at 10 per cent to provide laser-sharp focus on impactful and carefully crafted activities.

15. Importantly, re-grouping of the Objectives does not compromise on the scope and scale of readiness support – nothing is lost, nor eliminated – yet that support is streamlined for effectiveness and efficiency, and for the use of resources in line with USP-2 targeted results.

16. **Streamlined objective 1** will address gaps in the country-recipients' capacity to effectively coordinate climate investment planning and execution (for both adaptation and mitigation measures), at the sectoral, national and subnational levels, and with relevant stakeholders. The latter include the private sector, civil society organizations, indigenous peoples, academia, women's organizations, and other entities engaged in line with GCF best practice for country coordination and multi-stakeholder engagement. Support with the coordination function will leverage and build upon wide-stakeholder collaboration on the development and updating of NDCs, NAPs, and LTS, when such are in existence. If and as needed, support will be provided with the development and enhancement of these strategies as well as their implementation through climate investment planning that targets a broad spectrum of private and public, international and national climate finance resources. Support provided under objective 1 will also serve to address policy gaps and enabling environments, and where requested, to develop sustainable or green product offerings and support policy initiatives to create market-based mechanisms to unlock climate investments at scale, including private sector-led climate investment and international and domestic public financial flows beyond GCF funding. The Readiness Programme will continue to support candidate DAEs, as requested by NDAs, targeting direct access through DAEs and enabling them to play a greater role in GCF programming through pre-/accreditation support. Further, support will be provided where it is needed the most, targeting developing countries that have not yet accessed GCF for funded activities, as well as providing tailored support to SIDS and LDCs to cater for their specific challenges around human and institutional capacities, highlighting the importance of ensuring that the sustainability and embedding skills and capacities acquired through readiness enable these countries to continuously engage with GCF and achieve their climate objectives. As such, this objective will help provide long-term, strategic capacity that is aligned with countries' climate change adaptation and mitigation efforts.

17. **Streamlined objective 2** will target the enhanced capacity of developing countries and DAEs to develop and implement a paradigm-shifting pipeline of climate projects. This will include providing support for (1) developing initial country programmes or updating already developed country programmes that will serve as the point of origination for GCF investment; (2) developing a pipeline of adaptation and mitigation measures, in line with the country programme, USP-2 targeted results and countries' NDCs, NAPs and LTS, through support for developing project ideas, concept notes and funding proposals, ensuring the concept note to funding proposal continuum by working with the Project Preparation Facility, if and as necessary; and (3) addressing NDA/focal points' and DAEs' capacity gaps pertaining to project implementation and oversight, so that they are able to measure and report on climate impacts. In line with the USP-2 focus areas on readiness, objective 2 aims to maximize country ownership, in line with Board decisions on the matter. Furthermore, the support under

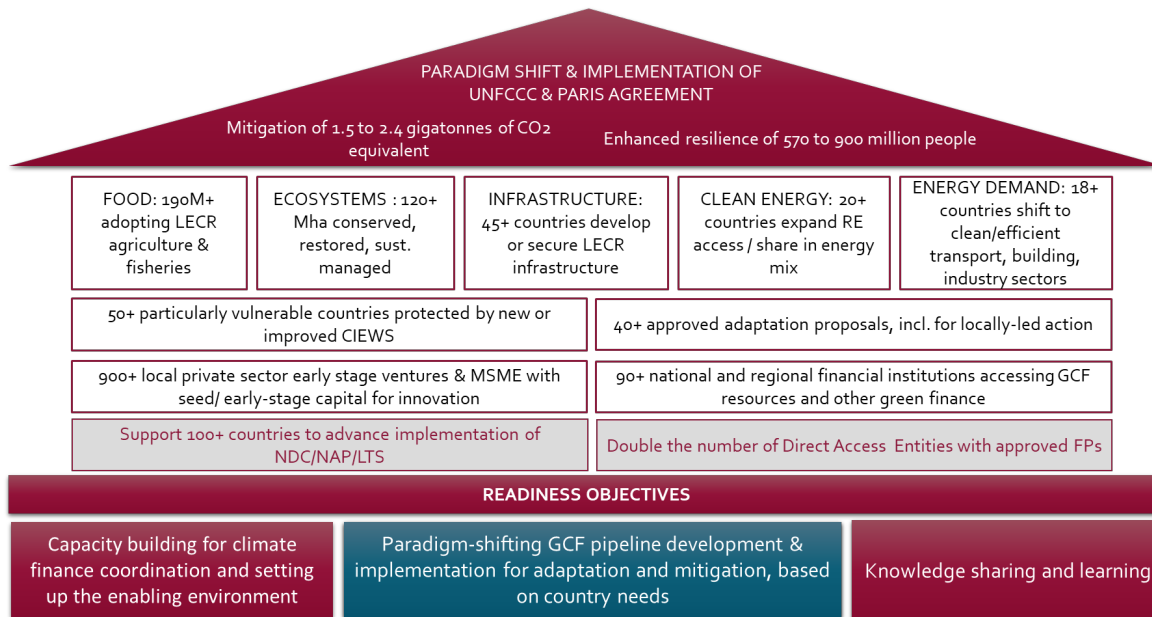
objective 2 will target accredited DAEs' programming capacities, through post-accreditation support. This will include supporting DAEs that are public or commercial financial institutions to mainstream climate into their operations and to facilitate access to capital markets through enhanced climate programming capacities, upon their request. In summary, objective 2 looks to ensure a seamless flow from climate project ideas to funding proposals approved by the GCF Board and on to implementation of the climate investments. In line with USP-2, the work will keep equity and gender dimensions at the core of project designs, recognising how socioeconomic impacts may be differentiated, and striving to maximise gender-responsiveness and social inclusion.

18. **Streamlined objective 3** is aimed at enhancing knowledge-sharing and learning loops that boost and scale up support under objectives 1 and 2. This will include providing support with (1) generating and disseminating knowledge required to develop and translate national climate strategies, including bridging policy gaps, into transformational climate investments; (2) distilling best practices and lessons learned in developing and implementing climate finance projects and programmes for GCF and other financiers; and (3) enhancing, deepening, and institutionalizing intra- and international partnerships and dialogues, including transboundary coalitions and regional programmes/projects to address climate change adaptation and mitigation issues.

19. Streamlining of objectives will ease and simplify the development of readiness requests, help to optimize the use of readiness resources and operationalize a clearer cause-and-effect linkage between readiness support and the improved capabilities of developing countries to access and utilize climate finance.

20. In order to align with USP-2, readiness resources will be channelled to support programming efforts in line with the 11 targeted results of USP-2 pertaining to developing country support, direct access programming, climate-resilient agriculture; sustainable management of terrestrial and marine areas; low-emission climate-resilient infrastructure; clean energy; novel solutions and emerging technologies for hard-to-abate sectors; locally led adaptation action; engagement of local early-stage ventures and micro, small and medium-sized enterprises (MSMEs) in climate solutions; and greater direct access to climate finance through "green" local financial institutions, as shown in figure 1.

Figure 6. Readiness pillars for the updated Strategic Plan for the GCF 2024–2027



Abbreviations: CIEWS = climate information and early warning systems, FP = funded proposals (definition refers only in this chart), LECD = low-emission climate-resilient, LTS = long-term strategy, M = million, MSME = micro, small and medium-sized enterprise, NAP = national adaptation plan, NDC = nationally determined contribution, RE = renewable energy.

21. Further, outcomes have been streamlined under each objective to ensure full alignment of the readiness objectives with the USP-2 results, with enhanced focus on climate programming and direct access, as summarized in table 2.

Table 5. Revised readiness objectives and outcomes

Streamlined readiness objectives	New and revised outcomes for 2024–2027
Objective 1: Capacity-building for climate finance coordination and setting up the enabling environment for integrated climate investment	Outcome 1.1. Developing countries, through NDAs or focal points, have enhanced capacity to fulfil their roles, responsibilities and policy requirements, including coordination mechanisms to engage relevant stakeholders ² to develop, advance, and implement NDCs, NAPs and LTS.
	Outcome 1.2. Developing countries design and implement strategic frameworks (including NDC/NAP/LTS), policies and instruments, including climate investment plans, to create enabling environments for integrated climate investments.
	Outcome 1.3. Direct access applicants and accredited entities (DAEs) have met and maintained the accreditation standards of the GCF and strengthened their programming capacities, as evidenced by the development of GCF-funded activities.
Objective 2: Paradigm-	Outcome 2.1. Developing countries have developed or

² Relevant country stakeholders may include ministries of finance, economy, and strategic planning, central banks, executing entities, civil society organizations, entities nominated for the project-specific assessment approach, and the private sector.

shifting GCF pipeline development and implementation for adaptation and mitigation, based on country needs and guided by USP-2 programming targets	updated their country programmes to guide GCF investment.
	Outcome 2.2. Developing countries have developed high-quality concept notes linked to approved GCF proposals for adaptation and mitigation that are aligned with the USP-2 results, including through DAEs, that build on readiness support and country programmes.
Objective 3: Knowledge-sharing and learning to enhance national and regional cooperation on climate programming and financing	Outcome 2.3. NDAs and DAEs have enhanced processes and systems to effectively oversee the implementation, financial management, monitoring and reporting of climate programmes and projects.
	Outcome 3.1. Developing countries, through NDAs or focal points, have made use of knowledge products to address policy gaps and integrated climate investment programming and implementation.
	Outcome 3.2. Enhanced collaboration among developing countries on climate change issues, evidenced by transboundary and regional cooperations/South-South cooperation.

Streamlining modalities for efficiency, speed and ease of access

22. The revised readiness objectives (see table 2, above) are supported through two modalities that are streamlined to eliminate repeated grant applications and approval processes. The two modalities are the country support modality and the DAE support modality, as described below. The streamlining will action greater efficiencies, reduced timelines and expedited access; and will ensure secured financing over a four-year period that will allow for a strategic approach to planning and addressing capacity gaps and needs. The streamlined modalities will also enable improved measuring and tracking of attributable impact achieved through readiness support. The two streamlined modalities are summarized below.

23. **Country support modality**³: Developing countries, through NDAs/focal points, will have access to support for addressing capacity gaps in a holistic manner, covering all three readiness objectives, through an envelope that is comprised of the following:

- (a) **Up to USD 4 million** per country over a four-year period, to provide support to NDAs or focal points to address capacity gaps pertaining to achieving coordinated climate action across government and with relevant stakeholders; policy initiatives and an enabling environment to support climate investment at scale; developing GCF country programmes; developing and implementing paradigm-shifting pipelines of adaptation and mitigation initiatives; and knowledge-sharing and learning. Upon request from NDAs or focal points, funding can also cover pre-/accreditation support to candidate DAEs nominated by NDAs or focal points for climate programming and direct access to GCF funding;
- (b) **Up to USD 0.32 million** for direct access by LDCs/SIDS per country over a four-year period, to support NDAs or focal points that are catering for specific human and

³ The total envelope is USD 7 million per country over the four-year period, with the possibility for additional support with the implementation of NAPs as stipulated in paragraph 23(d), and with the additional USD 0.32 million to support specific human and institutional capacity challenges in LDCs and SIDS.

institutional capacity challenges in LDCs/SIDS, to enable these countries to continuously engage with GCF and fulfil their climate objectives; and

- (c) **Up to USD 3 million** per country support to NDAs or focal points for NAP development and adaptation planning, as approved by the Board (decision B.13/09).
- (d) **Up to USD 3 million** per country to support the transition from NAP development to NAP implementation, in response to the COP27 guidance to “continue to enhance support for the formulation and implementation of national adaptation plans”, developing countries are encouraged to utilize USD 4 million for assistance with the development of projects and programmes to support the implementation of their NAPs, NDCs and LTS, to ensure integrated, balanced, and coherent planning and implementation of adaptation and mitigation measures. In case of requests for additional support specifically to facilitate the implementation of NAPs - upon utilisation of the USD 3 million NAP development and adaptation planning funding and of the USD 4 million per country over a four-year period for the medium-term integrated planning for mitigation and adaptation measures -, support might be provided to cater to specific needs, subject to results-orientation and clear causal links between requested support, and USP-2 targeted results as well as NAPs, NDCs and LTS. Upon request from NDAs or focal points, additional adaptation-focused funding for readiness support will be provided on a case-by-case basis once their country support modality has been utilised.
- (e) **Accessing country support:** Building upon the feedback received through consultations, it is proposed to eliminate the annual cap that instigated the need to develop and submit requests on a yearly basis. This will provide countries with a flexible yet systemic approach to planning and utilizing readiness resources over the medium term. To this end, countries are encouraged to submit one proposal for “an integrated readiness programme of activities” for an amount commensurate to targeted outcomes. However, to cater for the varying conditions and needs of developing countries, there is flexibility to submit more than one proposal in the four-year period. The Secretariat will encourage and help co-develop proposals that commit resources over the most appropriate time period, while accounting for the need to plan readiness resources strategically over the four-year cycle. Countries can request support for the development of medium-term planning/an integrated readiness programme of activities, outside their country modality allocation.
- (f) **Delivery of country support:** This modality follows the existing arrangement whereby NDAs or focal points may choose to act as implementing entities or nominate delivery partners (DPs) to develop and implement readiness support. Noting that the streamlined country modality calls for a suitably qualified partner to undertake the work, NDAs or focal points are encouraged to select the most suitable DP or a consortium of DPs (using any combination of national and international service providers) on the basis of “technical merit” along with the regular financial management capacity assessment. This can be achieved through an open call and a request for proposal launched by the NDA or focal point, which will facilitate an appropriate assessment of suitability of DP(s), specifically their expertise and experience to (1) deploy the strategic and integrated approach to planning and implementation over the medium term; and (2) address wide-ranging capacity-building gaps that are needed under the systemic and ‘programme’ approach. Upon request, the Secretariat will provide guidance and extend support in the form of templates and forms to assist NDAs and focal points with the selection of the most appropriate DP(s).

24. **DAE support modality:** DAEs will have direct access, based on coordination with respective NDAs in line with country priorities, to **USD 1 million** per entity over a four-year period, through a differentiated approach that accounts for entities' programming capacities, expertise, and experience, as well as current/previous access to GCF funding and readiness resources, to appropriately cater for needs of partners with greater capacity gaps when compared to experienced DAEs with existing large GCF-funded project portfolios. The envelope will serve to establish and advance DAEs' capacities to effectively programme, implement and report on GCF-funded activities. This will include laying solid foundations through securing, maintaining and upgrading GCF accreditation. Specifically, support will be available for (1) "last mile" accreditation processes to close gaps and meet the GCF accreditation standards (e.g. for clearing any outstanding accreditation conditions before concluding a legal agreement with GCF, which serves as a pre-requisite for direct access to GCF funds); (2) strengthening programming capacities, specifically in the development of quality concept notes and funding proposals; and (3) strengthening reporting capacities, including implementation of the GCF integrated results management framework. Overall, support will comprise capacity-building and training activities as well as improving systems in areas such as implementation of environmental and social safeguards; gender and social inclusion, including indigenous groups as well as other relevant GCF policies; building/strengthening the capacity to programme and access and utilize climate finance, and to undertake procurement, monitoring, evaluation and reporting.

- (a) **Accessing DAE support:** DAEs will have direct access, based on coordination with respective NDAs in line with country priorities, to readiness resources of up to USD 1 million per entity over a four-year period, through systemic and integrated planning of capacity-building activities. To this end, DAEs are encouraged to submit proposals with a strategic medium-term outlook, avoiding incremental, sporadic requests. Flexibility exists to submit more than one proposal, depending on specific needs and targeted outcomes. DAEs can request support for medium-term planning and/or an integrated readiness programme of activities, outside the DAE modality allocation.
- (b) **Delivery of DAE support:** DAEs will have direct access to grant funds and can choose to request training and capacity-building support with or without the use of service providers/DPs.

25. The Secretariat will finalize a work programme for implementing the two modalities upon approval of the readiness strategy. The Secretariat will provide operational level guidance, templates and tools, and will host webinars to advance uptake and appropriate utilization of the benefits of the streamlined modalities.

Budget implications

26. Developing countries will have access to Readiness support aiming for a floor of 50% of readiness support allocation to particularly vulnerable countries, including SIDS, LDCs and African States in accordance with decision B.08/11. Overall resourcing for the Readiness Programme will be determined by the Board for each GCF programming cycle. For 2024-2027, the Secretariat anticipates committing a total of **USD 501.5 million**, which is comprised of the grant-based readiness support (USD 500 million) and costs in addition to the funding for grants (USD 29.2 million), less balance remaining to date (USD 27.7 million).

27. The grant-based readiness support, which is estimated at USD 500 million, includes:

- (a) USD 437.5 million to support readiness requests under the country support modality.

- (b) USD 62.5 million to support readiness requests under the DAE support modality.
28. In addition to the funding for grants, the budget of USD 29.2 million is planned for professional services and technical assistance, including support with medium-term planning, as well as events, such as regional dialogues, workshops, and trainings, and contingency.

Implementation arrangements and timeline

29. Following the Board's decision, the Secretariat will revise the Readiness and Preparatory Support Guidebook as well as **simplify** and **streamline** the results management framework in line with the revised objectives and intended outcomes, to provide appropriate guidance on how to prepare, implement and report on readiness support. Implementation arrangements will be detailed in a work programme and budget that will be finalized upon approval of the readiness strategy.
30. The readiness strategy shall become effective as of 1 January 2024, for the revised modalities and funding requests to operationalize as of 1 April 2024, to account for the programming cycle of 2023 ending on 31 March 2024. The built-in flexibility with the four-year planning cycle aims at providing ample time for the NDAs, focal points, DAEs and other stakeholders to adjust their current grant-based planning practices and to adapt a systemic, structured and coherent four-year strategic approach to planning and submitting readiness requests.
31. The Secretariat intends to take a conservative approach to resource allocation in the first year of GCF-2 cycle. The streamlined country and DAE modalities, and the deployment of a holistic approach to address a multiplicity of capacity issues through a comprehensive programme of activities, may result in a slower rate of submissions at first. As NDAs/focal points and DPs move away from the incremental approach and towards systems thinking over a four-year period, the portfolio is expected to see a more balanced demand for resources in years 2, 3 and 4 of GCF-2.

Reporting on implementation of the readiness strategy

32. The Secretariat will report on the progress of implementing the readiness strategy 2024–2027 through the readiness results management framework, as part of the annual readiness implementation report. Whilst reporting on the progress will take place annually, evaluations to examine the results and impact being delivered through the Readiness Programme will be conducted by the Secretariat prior to the end of GCF-2 programming period. IEU evaluations will take place in line with the GCF Evaluation Policy and Board-approved work programmes.
33. In addition, the Readiness Knowledge Bank (RKB) will provide GCF stakeholders such as NDAs, DPs, AEs and other stakeholders, with easy access to data, information and curated knowledge from the Readiness Programme. The RKB content is organized in categories such as success stories, analytics on readiness results data, and tools and guidance to help stakeholders quickly locate relevant information with respect to the Readiness Programme cycle as well as the GCF-2 period.