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CLIMATE FINANCE ADVISORY SERVICE

SUMMARY BRIEFING

40th Green Climate Fund Board Meeting

21-24 October 2024

Dear Friend of the Climate Finance Advisory Service (CFAS),

This is the CFAS Summary Briefing. Produced at key meetings and negotiations by the CFAS expert team, the Summary Briefing tries to provide a concise, informative update on key discussions that have taken place at each meeting and give an overview of substantive points of action or progress. Please note that this is an independent summary by CFAS and not officially mandated by the GCF.

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The CFAS Team

Summary

From 21 to 24 October 2024, the Board of the Green Climate Fund (GCF) convened for its 40th meeting in Songdo, Republic of Korea. The meeting's agenda focused on the consideration of a revised Accreditation Framework; the formulation of a Risk Appetite Statement for the Fund; as well financing of results-based payments for REDD+. Furthermore, the Board considered the approval of 16 funding proposals (requesting USD 1,011.0 million in GCF funding), and the accreditation of five new entities.

Opening of the meeting and adoption of the agenda

The Board Co-Chairs, Ms. Sarah Metcalf (United Kingdom) and Ms. Milagros de Camps German (Dominican Republic), opened the 40th meeting welcoming new permanent Board members, as well as announcing temporary changes to the Board's composition for B.40. The meeting's agenda was swiftly adopted without amendments.

Report on the activities of the Secretariat

The Executive Director, Ms. Mafalda Duarte, highlighted key efforts to streamline accreditation, shorten the project review cycle to nine months, and drive efficiency within the GCF. Updates were also shared on the upcoming launch of the new Readiness Programme and plans to discuss the establishment a Regional Presence at the next Board meeting.

The Secretariat noted that funding proposals totaling more than USD 1 billion in GCF funding have been presented at this and the previous Board meeting. At the same time, disbursement processing time was cut from 51 to 20 days. It was also shared that the private sector team hosted investor forums to foster partnerships, while the Secretariat stressed the importance of sharing project impacts to attract further support. Efforts to modernize policies are also in progress, aligned with a new fit-for-purpose organisational design of the GCF. Board members commended the Secretariat's progress, suggesting improvements such as bolstering Monitoring, Evaluation, and Learning (MEL) capabilities. One member advocated for an updated Human Resource Policy and clearer alignment of GCF's role with climate funds like the new Fund for Responding to Loss and Damage, noting COP29 as an opportunity to showcase GCF results. While structural improvements were welcomed, members requested details on new staff roles, and expressed concerns over the number of new executive positions within the Secretariat and the Board's oversight role. One member explicitly highlighted the mentioning of the term "underserved countries," while pointing out lack of GCF funding for various countries, with the Executive Director confirming this would guide future accreditation revisions. Observers raised concerns about the GCF appearing more like a development bank and criticized a proposed "client satisfaction survey" as misaligned with GCF's community focus. They also voiced frustration over recent investor forums that excluded CSOs from critical updates. In responding to these concerns, the Executive Director reassured observers that the Fund's mandate remains community-centered and aligned with CSO priorities.

Status of GCF resources, pipeline and portfolio performance

As of 31 August 2024, the GCF portfolio comprises 270 projects worth USD 14.9 billion. The 270 projects and programmes are spread across 130 countries comprising 49 African States, 41 countries in the Asia-Pacific region, 32 countries in Latin America and the Caribbean, and 8 countries in Eastern Europe. The current pipeline of funding proposals comprises 65 public and private sector funding proposals, as well as 274 concept notes, requesting a total of USD 16.7 billion in GCF funding.
Looking at the portfolio performance against the targets in the Updated Strategic Plan the balance between mitigation and adaptation continues to marginally favour adaptation (55% vs. 45%). Support for adaptation in LDCs, SIDS and Africa has remained considerably above the floor of 50 per cent in grant equivalent terms, currently 64 per cent; while the DAE portfolio volume has grown from 12% during the Initial Resource Mobilisation period to currently 20%. Out of the total approved GCF funding of USD 14.9 billion, USD 3.1 billion was channeled through DAEs, while 11.8 billion was channeled through IAEs.
Regarding resources, it was reported that as of 30 June 2024, the total confirmed pledges for GCF-2 was USD 4.85 billion equivalent out of the USD 12.83 billion equivalent pledged. In addition, it was noted that the actual amount of GCF-2 contributions (cash and promissory notes) received by the GCF as at 30 June 2024 was USD 1.2 billion.

CSOs raised concerns about low GCF resources, noting that only USD 1.2 billion of the USD 12.83 billion pledged under GCF-2 has been delivered, with only USD 4.85 billion confirmed, leaving two-thirds unverified. They highlighted a significant pipeline backlog, with 48% of concept notes and 62% of funding proposals over two years old.
One Board member echoed these concerns, pointing to unfulfilled pledges across GCF phases as a recurring issue, and asked the Secretariat what actions were underway. The Secretariat noted ongoing follow-ups with contributor countries. Another member also highlighted disbursement delays, questioning if recipient countries face challenges in meeting Fund conditions despite reported progress in the Project Preparation Facility.

Consideration of funding proposals

In the context of B.40, a total of 16 Funding Proposals (FPs) had been endorsed by the Technical Advisory Panel (iTAP) for the Board's consideration. All of these FPs were approved, including some with conditions proposed by iTAP, except for minor revisions in two cases. Of these proposals, four utilized the GCF's simplified approval process, while two received support from the Project Preparation Facility (PPF). The approved package included eight adaptation proposals, seven cross-cutting proposals, and one mitigation-only proposal. The total GCF investment amounts to USD 1,011 million, while the total value with co-financing reaches USD 2,823.7 million. There was a nearly equal distribution between public and private sector projects, when looking at the total funding volume, despite only 4 private sector proposals in the B.40 proposal package. Five proposals were submitted by Direct Access Entities (DAEs), and eleven by International Access Entities (IAEs). Of the 16 projects and programmes approved, 12 are single-country projects, while 3 projects are the first GCF projects of the respective countries (Angola, Azerbaijan and Iraq). Geographically, the largest share of funding will be allocated to the African region (44%), followed by the Asia-Pacific region (33%), Eastern Europe (13%) and the LAC region (11%). Almost half of the funding will be disbursed through grants (49%). The approved projects are expected to benefit 120.6 million people and avoid 72.4 MtCO2eq of GHG emissions.

The Board welcomed that the total funding of proposals reached the billion-dollar threshold while appreciating the diversity of proposals presented. Further, the good geographical balance, the focus on adaptation investments, the presence of private sector engagement and the number of single-country proposals were complimented. Also, it was regarded positively by the Board that for the first time, one proposal successfully went through the Project-specific Assessment Approach (PSAA). The PSAA pipeline is growing and further projects are expected at upcoming Board meetings. General critical comments were limited to the inadequate balance of DAE and IAE submissions in the Fund's overall portfolio and the lack of funding flowing to the transport, buildings and industry sectors.
Other aspects of the active discussion touched upon systematic risks regarding privileges and immunities and the lack of legal protection of beneficiaries, the issue of double counting of emission reductions in project structures involving intermediary financial institutions, the accuracy of monitoring and reporting of adaptation and mitigation impacts in cross-cutting projects (and their ratio) as well as concentration limits for country allocations in multi-country programmes.

Also, discussions on a project basis were quite substantial at B.40, with several amendments to the decision text as well as two voting processes (FP244 and FP247). Particularly regarding the LoCAL+ initiative (FP247) concerns were raised about the financial mechanisms and associated fiduciary risks of project components that include on-lending to private sector entities engaged in adaptation-aligned investments.
In turn, the Climate Resilient Agriculture project in Somalia, led by FAO, received very positive feedback. It is the first project in Somalia, it includes a substantial grant component and the project design was endorsed by iTAP without any further recommendations. Other highlights included the Barbados Climate Resilient South Coast Water Reclamation Project, which embarks on an innovative financing approach involving "Debt-for Climate Conversion" (DfCC), as well as the Climate Resilient Health and Well-Being for Rural Communities project, which addresses climate-related health issues in Southern Malawi.

The following projects and programmes were approved by the Board at B.40:

- **FP243:** *"Climate-resilient community access to safe water powered by renewable energy in drought-vulnerable regions of Ethiopia"* / AE: MOF Ethiopia / Country: Ethiopia / Cross-cutting / GCF funding: USD 45.0M
- **FP244:** *"Climate Resilient Health and Well-Being for Rural Communities in Southern Malawi (CHWBRC)"* / AE: SCA / Country: Malawi / Adaptation / GCF funding: USD 33.0M
- **FP245:** "Green City Kigali: A new model for urban development in Rwanda" / AE: MOE_Rwanda / Country: Rwanda / Adaptation / GCF funding: USD 28.0M
- **FP246:** *"Climate Resilient Agriculture in Somalia (Ugbaad)"* / AE: FAO / Country: Somalia / Adaptation / GCF funding: USD 79.7M

- **FP247:** *“Local Climate Adaptive Living Facility Plus (LoCAL+) – West Africa”* / AE: BOAD / Countries: Burkina Faso, Cote d'Ivoire, Mali, Niger / Adaptation / GCF funding: USD 48.9M
- **FP248:** *“Land-based Mitigation and Adaptation through a Jurisdictional Approach in West Kalimantan”* / AE: GIZ / Country: Indonesia / Cross-cutting / GCF funding: USD 65.5M
- **FP249:** *“Strengthening climate Resilience of Vulnerable Agriculture Livelihoods in Iraq (SRVALI)”* / AE: FAO / Country: Iraq / Cross-cutting / GCF funding: USD 29.3M
- **FP250:** *“Achieving emission reduction in the Central Highlands and South Central Coast of Viet Nam to support National REDD+ Action Programme goals (RECAF)”* / AE: IFAD / Country: Viet Nam / Mitigation / GCF funding: USD 35.0M
- **FP251:** *“Barbados Climate Resilient South Coast Water Reclamation Project (SCWRP)”* / AE: IDB / Country: Barbados / Adaptation / GCF funding: USD 70.0M
- **FP252:** *“Acumen Resilient Agriculture Fund II”* / AE: Acumen / Countries: Cote d'Ivoire, Egypt, Ghana, Morocco, Nigeria, Uganda / Adaptation / GCF funding: USD 34.0M
- **FP253:** *“Greening Financial Systems: Delivering Climate Finance for All”* / AE: EBRD / Countries: Armenia, Egypt, Georgia, Jordan, Kazakhstan, Kyrgyzstan, Moldova, Mongolia, Morocco, North Macedonia, Serbia, Tajikistan, Uzbekistan / Cross-cutting / GCF funding: USD 200.0M
- **FP254:** *“GCF-IFC Scaling Resilient Water Infrastructure (RWI) Facility”* / AE: IFC / Countries: Azerbaijan, Chile, Cote d'Ivoire, Egypt, Gabon, India, Indonesia, Morocco, Pakistan, Peru, Tunisia, Uzbekistan / Cross-cutting / GCF funding: USD 258.0M
- **SAP044:** *“Empowering Women Groups to Build Resilience to Climate Impacts in the Province of Cunene in South West Angola (CREW Angola)”* / AE: OSS / Country: Angola / Adaptation / GCF funding: USD 9.6M
- **SAP045:** *“Scaling up Climate Resilience Solutions for Burundian Smallholders”* / AE: OAF (PSAA) / Country: Burundi / Cross-cutting / GCF funding: USD 25.0M
- **SAP046:** *“Strengthening Climate Information and Multi-Hazard Early Warning Systems for Increased Resilience in Azerbaijan”* / AE: UNEP / Country: Azerbaijan / Adaptation / GCF funding: USD 25.0M
- **SAP047:** *“Climaventures: Harnessing the Domestic Private Sector Ecosystem for Climate Action in Pakistan”* / AE: NRSP / Country: Pakistan / Cross-cutting / GCF funding: USD 25.0M

Consideration of accreditation proposals

At B.40, the Board approved the accreditation of five new entities and one upgrade in scope, continuing efforts to expand Direct Access Entities (DAEs) as part of the GCF’s strategic goals. The GCF portfolio now comprises 134 accredited entities, 64% of which are DAEs. The five entities newly accredited at B.40 include three national DAEs (from Bolivia, Cook Islands and Mali), along with two International Access Entities (IAEs): the Asian Infrastructure Investment Bank (AIIB) and UNICEF. In parallel, the Caribbean Development Bank (CDB) was successfully granted an upgrade in its accreditation, allowing the Bank to implement medium-sized projects with a wider range of financial instruments.

So far, 19 new accreditation proposals have been presented to the Board for approval in 2024, nevertheless, the Board was critical of the pace at which the Secretariat is dealing with accreditation proposals. Particularly, in the context of a decision at the end of 2023 to provide more resources to accreditations while also prioritising new accreditations over re-accreditations. The current accreditation pipeline still presents a bottleneck to the Fund’s processes with over 140 applicants in the pipeline.
While progress towards better national and regional access can be observed, one Board member expressed his concern over the predominance of banks among the AEs, as the core business of such institutions is lending instruments, which are often insufficient for adequate adaptation interventions.

Additionally, the accreditation of the AIIB received criticism from the Active Observer Group, in light of the bank's portfolio of fossil fuel-related investments and its weak gender policies.

The following five entities were newly accredited by the Board at B.40:

- **APL139:** Banco de Desarrollo Productivo - Sociedad Anónima Mixta (BDP-S.A.M.) / national direct access / Bolivia / project/programme size: medium
- **APL140:** Bank of the Cook Islands Limited (BCI) / national direct access / Cook Islands / project/programme size: micro
- **APL141:** Banque Nationale de Développement Agricole (BNDA) / national direct access / Mali / project/programme size: small
- **APL142:** Asian Infrastructure Investment Bank (AIIB) / international access / project/programme size: large
- **APL143:** United Nations Children's Fund (UNICEF) / international access / project/programme size: medium

The following entity was approved for an upgrade in its accreditation scope:

- Caribbean Development Bank (CDB) / regional direct access / project/programme size: medium

Revised Accreditation Framework

The GCF faces immense difficulties in managing its network of partners in terms of adequately dealing with the amount of accreditation and re-accreditation applicants. In response, the Board requested the Secretariat to develop a draft proposal for a Revised Accreditation Framework (RAF), aimed at improving the speed, predictability, and efficiency of accreditation procedures and reducing transaction costs. Key changes in proposed Revised Accreditation Framework, presented to the Board for approval, included:

- Nomination by the country for direct access public sector candidates; self-nominations for any other category of applicants, including national private sector ones
- Replacing re-accreditation with an ex-post accountability mechanisms
- The accreditation process itself focuses on core standards, such as legal, fiduciary, ESS and gender standards, while other elements are assessed on a project level.
- The accreditation process will no longer include assessment and building of capacities but only focus on evaluating the institutional fit

Overall, the standpoints were aligned about the need for structural reforms to streamline and simplify the accreditation process, enhance efficiency, and expand the network of particularly direct access entities, emphasizing the importance of country ownership, transparency, and fairness, while maintaining appropriate risk management and accountability levels.

However, opinions differed among Board members concerning the self-nomination of private sector entities, which could undermine country ownership. The point was made that a private sector preference may undermine adaptation investments. Board members also mentioned that for institutions from LDCs and SIDS a capacity-building component in the accreditation process is a benefit and helps to move from micro to medium or large-scale project size eligibility over time.

Board members also highlighted the need to better understand potential implications of the RAF for other GCF policies. Therefore, the Board decided to request the Secretariat to present a "complete package" for the RAF at B.42, including related screening requirements for accreditation, an analysis of policies that will be impacted by the RAF, an update of the policy on fees for accreditation, updates on the monitoring and accountability framework (MAF) and a proposal for a fit-for-purpose approach to legal agreements with all current and future AEs.

Financing of results-based payments for REDD+

The Secretariat presented a mainstreaming proposal on Financing Results-Based Payments (RBPs) for REDD+. This followed the 2017 GCF Pilot Programme on REDD+, which exhausted its funding envelope ahead of the envisioned 2022 programme end. At its previous meeting, the Board requested the Secretariat to prepare a policy proposal to "mainstream" REDD+ RBPs into the GCF project cycle.

The proposed policy builds on mandates from B.35, preserving the use of scorecards with updates, adhering to GCF policies (e.g., Environmental and Social Safeguards, Gender Policy, Indigenous Peoples Policy), and allowing for regular assessments. Upon adoption, the Secretariat will provide specific guidance and templates for project design. The policy aims to achieve geographical balance, equitable access, and fiscal space for more REDD+ projects, with a focus on both short- and long-term results periods. It will integrate with the Readiness Programme, especially for technical areas like Forest Reference Emission Levels (FRELs).

The Board welcomed the proposal, expressing its support for the policy. Members highlighted the crucial role of forests for the implementation of the Paris Agreement and meeting its 1.5°C temperature target. Others stressed the role of REDD+ in helping countries meet NDC targets. Some Members felt that the proposed price per tonne of USD 8 was reasonable, while suggesting regular price reviews. Concerns were raised about potential technical barriers to RBP access, especially for LDCs needing to recalculate FRELs. Standard guidance and case studies for these countries was requested, while also stressing the importance of the Readiness Programme in supporting Nationally Designated Authorities. The Secretariat confirmed that the REDD+ team would collaborate closely with the Readiness Program to ensure capacity-building.

GCF’s Risk Appetite Statement

The risk appetite statement articulates the overall level and types of risk the GCF is willing to assume to achieve its strategic objectives. Thus, the risk appetite statement defines the institution’s risk tolerance, establishes a robust, proactive and strategic risk management culture, and guides institutional and programming decision-making within the broader Risk management Framework.
As the current risk appetite statement is in place since 2017, the Board requested the Risk Management Committee to update it in order to reflect a maturing GCF and to respond to the updated Strategic Plan 2024-2027. The proposed updated risk appetite statement considers five substantial changes:

- adds a context section highlighting the dynamic risk landscape GCF and partners face and the mandate and ability of the GCF to take risks others do not take;
- integrates reputational risk management throughout all GCF activities;
- eliminates confusion by changing from zero risk tolerance to zero tolerance for behaviors/activities and low risk tolerance for compliance breaches;
- provides more precision with graduated risk tolerance levels and delineates institutional and programming risks to facilitate effective application;
- clearly articulates GCF’s approach to risk management.

The updated risk appetite statement was broadly welcomed across the Board. Several Board members expressed the need to enhance the risk dashboard in accordance with the new statement which was confirmed by the Secretariat. Some Board members highlighted that the GCF needs to maintain its special status of not being risk averse and further being open to innovative approaches other institutions do not fund. One recurring question was on the GCF funding volume concentration risk of AEs with a threshold of 10% portfolio share per AE. The Secretariat clarified that this does not constitute a cap for AEs. Another part of the discussion circled around the question of how to operationalize the details of the updated risk appetite statement. On this matter, the Secretariat referred to the further integration of the statement into the broader Risk Management Framework and potentially other GCF policies in the future. At the end, the Board adopted the policy item with broad consensus.

Relevance of the effectiveness of GCF's investments in the LAC region

The IEU presented the report's findings. A special focus was given to REDD+ activities. The results show that the volume of DAE channeled funds still lags behind, despite strong local institutional capacities due to significant support under the GCF Readiness Programme, as well as a strong region wide desire of prioritizing direct access. On coherence and complementarity as well as private sector and Indigenous Peoples involvement, the IEU found mixed results. To address the challenges, the IEU recommended to clarify the GCF's approach for the region, calibrate access, strengthen country-focused support and increase national and regional partnerships, also with the support of the GCF's LAC division. The Secretariat welcomed the report and presented responses to operationalize the IEU recommendations, including enhanced regional organizational structures.

Also the Board welcomed the IEU findings. Hereby several Board members and the CSO representative raised their concerns on multi-country projects that often do not sufficiently channel GCF funds into LAC countries. One suggestion to increase transparency on this matter was to present how much of the funds of multi-country projects are flowing to the listed project countries in reality at the GCF webpage. Other Board members raised the need to increase non-loan based instruments since the region is already suffering from high rates of indebtedness. Moreover, the Board emphasized the challenges of the region in cooperating with the GCF due to language barriers, the time zone differences, misunderstandings of the regional context and a high turnover of regional GCF staff. Thus they reiterated the importance of a constant and well-staffed regional presence from GCF's side, similar to what the LAC countries have experienced from the Adaptation Fund or Global Environment Facility.

Some Board members also stressed the need to address legal challenges in the no-objection letter process. Finally, the Board adopted a decision requesting the Secretariat to consider the IEU findings in its efforts to make GCF's operations more efficient and responsive to the needs of developing countries as well as requesting the IEU to submit a management action report in one year's time.

Work programmes and budgets of the independent units for 2025–2027

The independent units of the GCF presented their work plan and budgets. These units are the Independent Evaluation Unit (IEU), Independent Integrity Unit (IIU) and Independent Redress Mechanism (IRM)).

Regarding the IEU, gender, climate information and early warning systems, country ownership and the Simplified Approval Process evaluations are planned for 2025 and 2026. Moreover the IEU aims to present a third performance review as well as providing support to AEs with upcoming impact assessments. With regards to the IIU, strategic objectives such as investigation, capacity building and proactive risk management have started to be implemented. To cover changed scopes, the three units requested budget increases between 6% (IEU) and 17% (IRM) for the three upcoming years.

In response, the Board entered into a lengthy discussion about the scopes, staffing and activities of the independent units. While the IIU and IRM budget was perceived as adequate, Board members raised several concerns on IEU elements. Some claimed the travel budget was too high, others criticized that the IEU staff has no internal gender experts and relies too much on external consultants and many Board members complained about the high costs for producing the third performance review. Thus the budget committee and the IEU presented an updated budget that reduced the scope for the third performance review and maximized synergies with the other units and the Secretariat's activities. Despite some remaining concerns on a postponed delivery of the gender report by end of 2026 and a constantly high travel budget for IEU staff, the Board finally adopted the work plans and budgets for all three independent units.

Administrative Budget and Work Programme

At B.40 the board approved the first multi-year work programme and budget (for the period of 2025-2027) in the GCF's history. The new work programme outlines a strategic approach with a focus on the following three key areas:

- Country Ownership and Access: reforms will include simplifying accreditation, facilitating capacity-building partnerships with DAEs and prioritizing country-led programming, aligned with NDCs and NAPs. The aim is also to clear blockades and reduce transaction costs in accreditation, in line with the Revised Accreditation Framework.
- Delivering Impact and Results: the Secretariat aims to approve over 170 funding proposals during GCF-2 while investing more resources into results monitoring, evaluation, and learning (MEL).
- Institutional Strengthening: The Secretariat will focus on enhancing its risk management capacities and data infrastructure. This includes investments in an Enterprise Resource Planning (ERP) system and other data management tools, aiming to make the GCF more efficient and transparent.

The proposed budget (Board, Secretariat and Trustee) for 2025 amounts to USD 127 million, rising to USD 143.2 million by 2027. Key targets to be achieved are a 40% increase in new programming levels & portfolio size over GCF-2, with 41-50 Funding proposals submitted to iTAP and 85% of the portfolio under implementation in 2025. Thereby, the GCF will not exceed the 350 staff headcount in the following year, however, restructuring among senior positions is envisaged.

Overall, the Board agreed on the need for an increasing budget that served the ambitions set under USP-2. Nevertheless, in a lengthy discussion, the Board discussed budget efficiencies and respective tradeoffs for the effectiveness of the GCF's operations, resulting in only minor cuts to the originally proposed budget. Certain cost-cutting measures could not reach consensus and will be subject to discussions in subsequent Board Meetings, including online meetings of the Board for specific discussions (e.g. approving SAP proposals) and amendments to the Fund's (and Board's) travel policy. Also, a new salary structure will be presented at B.41. The board further decided to increase the work concerning communication and visibility of the GCF.

Dates and venue of upcoming Board meetings

After some discussion, the Board decided to hold its 41st meeting from 17-20 February 2024 in Songdo, Republic of Korea. In addition, the Board decided to hold its 42nd meeting from 30th June to 3rd July 2025 in Port Moresby, Papua New Guinea.

Election of Co-Chairs

Before closing the meeting, the Board elected Mr. Seyni Nafo (Mali) and Mr. Leif Holmberg (Sweden) to serve as the Co-Chairs of the Board from 1 January to 31 December 2025.

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