



Summary Briefing 26th Green Climate Fund Board Meeting 18-21 August 2020

Dear friends 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 Board or Secretariat.

During the meetings, CFAS experts are available to provide advise to and answer specific questions for Board Members, Alternates and their advisers from developing countries. The CFAS team can be reached via cfas@germanwatch.org.

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The CFAS Team

Summary from 18-21 August 2020

From 18 to 21 August 2020, the Board of the Green Climate Fund (GCF) convened for its 26th meeting. Amidst the global COVID-19 pandemic the meeting was conducted in a virtual setting, focussing on procedural and administrative matters, as well as the approval of fifteen funding proposals (requesting USD 878.6 million of GCF funding) and the accreditation of three new implementing entities.

Opening of the meeting and adoption of the agenda

The Co-Chairs Ms Sue Szabo (Canada) and Mr Nauman Bashir Bhatti (Pakistan) opened the first virtual GCF meeting with condolences for Leonardo Paat Jr., the GCF's manager for gender, indigenous peoples as well as environmental and social safeguards, that passed due to COVID-19. Further, the co-chairs reflected the rotation of the Board, thanked outgoing Board members for their work and welcomed various new Board members and Alternate members.

Before adopting the agenda, the organization of work, the report of the 25th meeting as well as the Board decisions proposed between the 25th and 26th Board meeting, Board members expressed differing views on the agenda, focusing on the absence of policy items. While some stressed their disappointment about the missing opportunities to move ahead on policy decisions, other views emphasized the appropriateness and highlighted that particularly developing countries are challenged by unreliable internet connections and a lack of space for important informal exchange on sensitive policy items.

Active observers expressed their concerns regarding limited access and participation in the

virtual meetings as well as in interaction with other stakeholders such as Accredited Entities. They stressed that an earlier communication of envisaged funding proposals for B.27 would facilitate the active observers' work.

Report on the activities of the Secretariat

The Co-Chairs invited the Executive Director Mr. Yannick Glemarec to report on the Secretariats' activities. His report provided an update on the activities undertaken from 1 January to 30 June 2020, with a focus on the key goals of the 2020 work plan of the Secretariat. Hereby, the COVID-19 pandemic implications have been reflected in various activities. With regards to readiness, the Secretariat reported several improvements such as the publication of a new guidebook, the launch of an e-submission system and significant efficiency gains that reduced the average required days for readiness grant approval by 70% since 2015. To support green recovery of developing countries, the Secretariat also proposed some fast response approaches in the light of COVID-19. Those green recovery elements were contentious among Board Members. Some emphasized their view of the GCF representing an institution limited to climate action activities, while others interpreted the scope in a broader manner taking into account green economy development.

With regards to its internal procedures, the Secretariat implemented new automated processes and strengthened its institutional capacity through hiring of new employees, establishing a staff culture and developing COVID safety guidelines. Regarding the GCF's replenishment process, the Secretariat stressed that it intends to further expedite the conversion of pledges to signed contributions. Despite the pandemic, it considered the risk of not-fulfilled pledges to be low.

The Board welcomed the Secretariats' activities in the challenging environment of COVID-19 and encouraged it to continue accelerating the implementation of approved readiness proposals, projects and programmes as well as remaining accreditation matters.

Reports from Board committees, panels and groups

The co-chair outlined the scope of reports from board committees, panels and groups prepared for B.26, comprising reports from the Accreditation Panel, the Budget Committee, the Ethics and Audit Committee, the Investment Committee, the Independent Technical Assessment Panel (ITAP), the Risk Management Committee and the Accreditation Committee.

A discussion among Board members evolved in relation to the Accreditation Committee, where some Board members had expressed a complaint in relation to notes perceived as inaccurate in Annex 3 of the report on the Accreditation Committee meeting. The Co-Chair explained that because of these concerns, the report of the committee had not yet been shared with the Board.

The Board member chairing the Adaptation Committee expressed disagreement with the fact that the report had not been shared with the Board, as it was finalised and adopted on a no-objection basis on 28th of July. A number of Board members pointed out their procedural concerns and that this was a matter of relevance beyond the specific committee. In their view, even though the Board members may disagree on substance, following agreed procedures was important and such a situation should not hinder reports being shared with all Board members. On this basis, the Board could then come back to the substantive issues. The Co-Chair suspended the item after this discussion for further consideration of a solution.

Reports from the independent units

Report of the Independent Evaluation Unit (IEU)

The head of the IEU, Ms Jyotsna Puri, presented key aspects of the unit's recent work, which included the completed independent assessment of GCF's country ownership approach, the independent evaluation of environmental and social safeguards, and the

translation of key IEU documents into Spanish, French and Arabic. Amongst others, the IEU recommends to clarify country ownership definitions, to consider co-designing projects with International Access Entities and Direct Access Entities, to develop new positive safeguards beyond “do no harm”, and to develop a policy on stakeholder engagement. Furthermore, the head of the IEU reported that the IEU newsletter has increasingly led to an active engagement by participants, and that by June 2020 approx. 52% of the annual budget of the IEU has been executed. As the head of the IEU informed that she leaves the GCF, several Board members thanked Ms Puri for her work. One board member suggested to have an informal board meeting to discuss in more detail the evaluation reports completed but not yet discussed so far. Two board members remarked that the reports should adhere to language established in the climate negotiation process in regard to country categorisations and to not apply other categorisations, such as those based on income. A civil society active observer expressed thanks to the leaving head of the IEU and appreciated Ms. Puri’s approach towards civil society and indigenous peoples as partners in evaluation efforts.

Report of the Independent Integrity Unit (IIU) and the Independent Redress Mechanism (IRM)

The head of the IIU, Mr Ibrahim Pan, introduced the unit’s report, including information from the IRM. He highlighted key 2020 achievements, including progress on the policy on administrative remedies and exclusions and the investigation standards. Both, policy and standard, are expected to come to the Board for B.27. Furthermore, he reported on a review of the integrity policies with regard to their effectiveness. This is a process to prepare recommendations on improvements for the fiduciary standards. It was further reported that seventeen new cases of complaints have been opened, while thirteen cases have been closed. No complaints were received specifically on sexual harassment in relation to GCF projects. The IIU also reported that 32% of the annual budget had been spent, the underutilisation is linked in particular to smaller travel and workshop expenses due to COVID-19. It is expected that 65-70% would be spent by the end of year. The CSO active observer welcomed the IRM’s advisory report on the prevention of Sexual Exploitation, Abuse and Harassment (SEAH) with full support for its recommendations. Eventually, the Board agreed to formally take note of the reports, and the Co-Chair closed the item.

Report on the activities of the Co-Chairs

The Co-Chairs invited the Board to consider the report of the Co-Chairs, which covered their activities since B25th. The Board took note of the report without further comments.

Guidelines on decision-making without a Board meeting

Due to time constraints, this item was deferred to B.27, in order to allow more time for interaction and further consultations between Board Members. The Co-Chairs suggested establishing a Board committee that will lead the consultations.

Status of GCF resources, pipeline and portfolio performance

The Co-Chair invited the Secretariat to provide an update on the overall status of resources, pipeline and portfolio performance of the GCF. As of June 2020, the GCF Board has approved USD 5.3 billion for 128 projects and programmes from 39 accredited entities (AEs) and distributed across 103 developing countries. USD 13.6 billion were mobilised by the Fund as co-financing. Furthermore, the GCF has committed USD 0.3 billion for 376 readiness support activities in 136 countries and project preparation support provided to 25 countries with a focus on direct access entities. Based on the estimation of the accredited entities, the approved projects are expected to reduce 0.9 billion tonnes of carbon dioxide equivalent of greenhouse gases and impact 351 million (direct and indirect) beneficiaries. The report noted that a wide range of financial instruments are utilized under the GCF portfolio, with the largest portion being financed by loans and grants, followed by equity,

results-based payment and guarantees. One specific focus of the Secretariat's presentation was on observed COVID-19 influence, reducing the total disbursement projections from USD 1.8 billion to USD 1.5 billion by the end of the year. In its response to the report, the Board expressed concerns about the pandemic impact on the GCF portfolio and asked the Secretariat to develop appropriate responses. Furthermore, some Board members raised concerns about a shift of resources towards mitigation, an underrepresentation of adaptation activities in the concept note and funding proposal pipeline, a non-balanced allocation between international and direct access entities as well as an underrepresentation of other instruments than loans and grants. Some members suggested having separate LDC figures in the presentations of numbers. The active observers raised concerns about the REDD+ pilot activity impacts.

Consideration of funding proposals

The Board considered fifteen funding proposals requesting USD 878.6 million of GCF funding. Three of the funding proposals were considered under the Simplified Approval Process. The Secretariat reported that with the approval of the proposed fifteen funding proposals the total number of projects and programmes approved would reach 143, worth USD 6.2 billion of GCF funding and a total value of USD 21.2 billion, when taking co-financing into account.

Board members welcomed the general introduction by the Secretariat and thanked GCF and ITAP for the work conducted despite difficult circumstances amidst the global COVID-19 pandemic. Several members expressed satisfaction with the many funding proposals addressing forestry, land use and ecosystem services. Some members highlighted the importance of REDD+ instruments in the GCF for developing countries and the relevance of the REDD+ pilot programme. Others stressed the need to aim for REDD+ funding proposals with the highest impact and environmental integrity, rather than applying a first-come first-serve approach, while also suggesting a review of the REDD+ pilot programme once the US\$500 million funding envelope was exhausted, in order to generate lessons learned. Concerns were raised by several Board Members regarding the limited share of funding proposals from direct access entities among those presented for B.26, as well as in the overall GCF project portfolio. Similarly, members alluded to the low amount of funding proposals targeting adaptation in the batch of projects for this meeting, as well as those that involved the private sector. Last but not least, some members highlighted the low share of funding proposals in the overall GCF project portfolio with a focus on the result area of "low emission transport" (only 2% of projects overall).

The Board decided to approve all fifteen funding proposals:

- **FP129:** *Afghanistan Rural Energy Market Transformation Initiative – Strengthening Resilience of Livelihoods Through Sustainable Energy Access*; UNDP; Afghanistan; US\$17.2 million in GCF funding
- **FP130:** *Indonesia REDD-plus RBP for results period 2014-2016*; UNDP; Indonesia; US\$103.8 million in GCF funding
- **FP131:** *Improving Climate Resilience of Vulnerable Communities and Ecosystems in the Gandaki River Basin*; IUCN; Nepal; US\$27.4 million in GCF funding
- **FP132:** *Enabling Implementation of Forest Sector Reform in Georgia to Reduce GHG Emissions from Forest Degradation*; GIZ; Georgia; US\$38.6 million in GCF funding
- **FP133:** *Resilience to hurricanes in the building sector in Antigua and Barbuda*; Department of Environment, Ministry of Health and Environment, Government of Antigua and Barbuda; Antigua and Barbuda; US\$32.7 million in GCF funding
- **FP134:** *Colombia REDD+ Results-based Payments for results period 2015-2016*; FAO; Colombia; US\$28.2 million in GCF funding
- **FP135:** *Ecosystem-based Adaptation in the Indian Ocean - EBA IO*; AFD; Comoros, Madagascar, Mauritius and Seychelles; US\$38 million in GCF funding
- **FP136:** *Resilient Landscapes and Livelihoods Project*; World Bank; Ethiopia; US\$165.2 million in GCF funding

- **FP137:** *Ghana Shea Landscape Emission Reductions Project*; UNDP; Ghana; US\$30.1 million in GCF funding
- **FP138:** *ASER Solar Rural Electrification Project*; BOAD; Senegal; US\$88.8 million in GCF funding
- **FP139:** *Building resilience in the face of climate change within traditional rain fed agricultural and pastoral systems in Sudan*; UNDP; Sudan; US\$25.6 million in GCF funding
- **FP140:** *High Impact Programme for the Corporate Sector*; EBRD; Armenia, Jordan, Kazakhstan, Morocco, Serbia, Tunisia and Uzbekistan; US\$258 million in GCF funding
- **SAP014:** *Forest resilience of Armenia, enhancing adaptation and rural green growth via mitigation*; FAO; Armenia; US\$10 million in GCF funding
- **SAP015:** *Promoting zero-deforestation cocoa production for reducing emissions in Côte d'Ivoire (PROMIRE)*; FAO; Cote d'Ivoire; US\$10 million in GCF funding
- **SAP016:** *Fiji Agrophotovoltaic Project in Ovalau*; FDB; Fiji; US\$5 million in GCF funding

Funding proposals **FP134** and **FP139** and **FP140** required some further interaction and consultations between Board members.

Several Board members expressed their concerns on **FP134**, thus suggesting to have adjustments regarding the conditions of project approval. One Board member indicated concerns with regards to the REDD+ scorecard that was approved at B.18 and how it was interpreted in the proposal. Another concern focused on the context of interpreting high forest, low deforestation developing countries (HFLD). One Board Member expressed that the approval of this proposal should not be a precedent for future projects. Another Board member mentioned that this project should serve as a lesson learned regarding policy gaps. More clarity and better guidance are needed to improve future projects. The civil society active observer highlighted the need to guarantee safe conditions for indigenous communities to participate in the projects' stakeholder engagement process. Finally, adjustments to the conditions were presented and after the Accredited Entity expressed that it could meet the adjustments, the Board Members approved the proposal.

One Board member expressed his objection to the approval of **FP139**. As further consultations did not result in a common Board agreement, the Co-Chairs constituted that all efforts at reaching consensus had been exhausted. Consequently, the funding proposal was put up for a vote by the Board: 23 Board members voted in favour, 1 Board member against the proposal, which was ultimately approved.

Although new conditions for approval had been shared with the Board, **FP140** was difficult to accept for various Board members. They cited the lack of the programmatic approach policy as one impediment. Several Board members raised concerns about sufficient country ownership and emphasized that the approval of this project should not set a precedent for future alike project approvals. However, the Board finally expressed that it does not want to stand in the way of approving this project. Thus, FP140 was ultimately approved for the amount requested.

Consideration of accreditation proposals

The Secretariat presented three new entities for accreditation, of which one is a direct access entity and two are private sector entities. However, the Sumitomo Mitsui Banking Corporation requested to defer the decision on its accreditation. Thus, the Board adopted an amended decision, accrediting two entities, upgrading one accredited entity, and extending the deadline for accredited entities to apply for re-accreditation as a result of COVID-19 related delays. During the Board deliberations, several Board members expressed their concern that the number of DAEs is not increasing sufficiently, in particular from LDCs, and that the accredited DAEs have merely access to small- and micro-funding. In response, the Secretariat informed the Board that nearly half of all DAEs have access to

medium or high funding. The accreditation panel complemented that thirteen entities are in stage 2 of the accreditation process, being mostly DAEs, several of them from LDCs and majoritarily applying for medium-/large-scale. Furthermore, the DAEs predominantly go through the normal process instead of the fast track and apply for several functions; thus, requiring significant time in advancing in the application process. The panel emphasized that accreditations have partially slowed down due to COVID-19, as field visits have been postponed. In response, the panel will start scheduling virtual site visits. One Board member noted however that the limited progress in accrediting DAEs had existed prior to COVID-19. Another Board member argued that a strategy is required in responding to the challenges posed by COVID-19, such as accepting accreditation with a larger set of conditionalities or going back to fast tracking DAE that have been accredited to the Adaptation Fund. Board members brought forward several suggestions as to how to respond to the limited progress in accrediting DAEs. These suggestions included having an informal session to discuss the accreditation synthesis report and included recommendations, engaging in a comprehensive discussion on a new accreditation strategy to form part of the Updated Strategic Plan, or having key performance indicators on DAE accreditation to guide the Secretariat. The active observers complemented by stating that the international accredited entities need to be held accountable in their role to support DAEs in accreditation and that DAEs should be able to upgrade to medium-/large-scale funding if they have proven their capacity to implement GCF projects. They further advocated for baseline assessments to be included in the accreditation process, not just for re-accreditation.

Readiness and Preparatory Support Programme – Annual Report 2019 and Work Programme and Budget 2020-2021

The Secretariat introduced key aspects of the annual report 2019 and an associated budget request for the Readiness and Preparatory Support Programme for 2020–2021. The progress highlighted by the Secretariat includes a number of 388 grants for 139 countries by 31st July, with an approved amount of USD 264 million (among the countries covered are 92 from LDCs, SIDS and Africa as well as 57 adaptation planning grants). The pipeline includes 120 proposals with an amount of more than USD 100 million. The Secretariat representative also noted measures to review the approval process efficiency and summarised an improvement in the duration from first submission to approval by 70% between 2017 and 2019. A core element of the decision proposed was the approval of a USD 162.39 million budget requested for further readiness work .

After the Secretariat's presentation, a Board member expressed reservations for the use of terminologies not contained in key mandates, such as "green recovery" or "green activities", which would raise questions whether resources would be reallocated away from activities related to the Paris Agreement. Several board members welcomed the report, noted the progress in process efficiency and also appreciated the efforts to factor in recent developments such as COVID-19 into the readiness work and the challenges it poses to many developing countries' climate action efforts. Two Board members noted that despite the progress in accelerating the approval process, in their view it often still takes too long and poses unnecessary challenges to countries accessing the fund.

The considerations of the item continued into the last day of the Board meeting. Eventually, the Board adopted the decision on the Readiness and Preparatory Support Programme with an allocation of USD 162.39 million for further activities as part of the 2020-21 work programme. The final decision text includes "to ensure that readiness support for resilient recovery efforts is fully consistent with the existing mandates and decisions of the Board [...]". One constituency had based its support on the deletion of the previously included "green" in terms of the resilient recovery efforts.

Review of the Multilateral Organisation Performance Assessment Network (MOPAN)

This item informed about a MOPAN assessment of the GCF and triggered a contentious discussion around Board procedures. Several Board members expressed their wish to

have a substantive consideration of this agenda item. Due to time constraints the Co-Chairs suggested to defer the discussion to B.27. Some Board members suggested having an informal meeting, while another Board member favored the idea of an extraordinary session to allow the MOPAN Secretariat to provide further information. Several Board members responded with a request to consider the item as not being opened and therefore suspend any MOPAN assessment activities until the GCF Board had time to discuss the matter. The Co-Chairs and the Board finally agreed to consider the item as not formally being opened, defer the discussion to B.27 and on the basis of the informal document reach the joint interpretation that no MOPAN assessment activities will be undertaken in 2020.

Dates and venues of upcoming Board meetings

Due to time constraints, the Co-Chair decided not to open this agenda item at this Board meeting. In the absence of a decision, the previous decision on date and venue of B.27 maintains, defining that the next Board meeting will take place during the week commencing 9 November 2020.

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