Summary Briefing
28th Green Climate Fund Board Meeting
16-19 March 2021

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 16-19 March 2021
From 16 to 19 March 2021, the Board of the Green Climate Fund (GCF) convened for its 28th meeting. Due to the ongoing challenges imposed by the global COVID-19 pandemic, the meeting was conducted once again in a virtual setting, focussing on procedural and administrative matters, as well as a couple of policy items, such as the Integrated Results Management Framework and the Update of the Simplified Approval Process. Furthermore, the Board considered the approval of fifteen funding proposals (requesting US$ 1,197.1 million of GCF funding) and the accreditation of six new implementing entities.

Opening of the meeting and adoption of the agenda
The new Co-Chair, Mr. Jean-Christophe Donnellier (France) opened the meeting and welcomed all new and previous Board and Alternate Board Members, the GCF Secretariat, Active Observers and other stakeholders following the meeting. He thanked Board members and the GCF Secretariat for their hard work and dedication under difficult circumstances with the global COVID-19 pandemic. Before starting the meeting, he announced that the previously elected Co-Chair from the developing country constituency, Ms. Brenda Ciuk Cano (Mexico) would be formally replaced by Mr. José de Luna Martínez (Mexico).
After a short break requested by the developing country constituency, the Board moved on to discuss the meeting's agenda and organization of work. Several Board members stressed that the Board should focus on procedural and administrative agenda items, such as the consideration of funding proposals and the accreditation of new entities, rather than

discussing policy matters. In their view, the virtual meeting format was not adequate to discuss policy matters, as they would often require room for extensive deliberations and consultations before approval, which a virtual meeting does not provide. They added that some of the policy items on the agenda for the 28th meeting were not ripe for approval and that the time before the meeting was not sufficient to conduct the adequate amount of consultations. Some Board members also highlighted that a virtual meeting format poses a challenge in terms of inclusiveness and participation, as many Board members were facing technical issues trying to connect to preparatory meetings or the Board session itself. Consequently, some Board members requested the removal of the policy items on the "Integrated Results Management Framework", the "Updated Accreditation Framework" and "Updated Simplified Approval Process" from the meeting's agenda.

Other Board members disagreed with this approach, highlighting the many outstanding policy items and policy gaps still on the Board's annual workplan, as well as some issues identified in the GCF's Updated Strategic Plan 2020-2023 that still needed to be discussed. They stressed that the policy items on the agenda were not new, as they had been already discussed at previous meetings and that sufficient time was provided to reflect on the respective documents and proposed decisions. Furthermore, they requested to add the "Recruitment of the Head of the Independent Evaluation Unit (IEU)" to the agenda, as the Fund was lagging far behind on starting the recruitment process for this important position, after the previous head of the IEU had already declared her resignation at the end of June 2020.

After some further consultations in the two constituencies and the two Co-Chairs, as well as prolonged debates in the Board, Board members agreed to a compromise, taking into account the views expressed. Accordingly, the "Recruitment of the Head of the IEU" was added to the agenda. In addition, the status of the agenda items on the "Updated Accreditation Framework" and the "Updated Simplified Approval Process" was changed to 'information only' items, in order to allow some initial discussions and to provide further guidance to the GCF Secretariat. Furthermore, the item on the "Integrated Results Management Framework" was kept on the agenda. Last but not least, the consideration of funding proposals and accreditation applications was moved up considerably on the agenda and supposed to start on day two of the meeting.

Decisions proposed between the twenty-seventh and twenty-eighth meetings of the Board

Decisions approved between meetings included:

- Election of Co-Chairs of the Board for 2021
- Appointment of additional members of the Independent Technical Advisory Panel (ITAP)
- Accreditation of observer organisations
- Dates and venues of upcoming meetings of the Board
- Reappointment of members of the independent Technical Advisory Panel
- Initial analysis of options to minimize the effects of currency fluctuations on the commitment authority of the GCF
- Ninth Report of the Green Climate Fund to the Conference of the Parties to the United Nations Framework Convention on Climate Change

Three decisions between meetings were objected:

- Guidelines to facilitate Board consideration of IRM reports on reconsideration requests, grievances or complaints, which received one objection
- Independent Evaluation of the Green Climate Fund's Environmental and Social Safeguards (ESS) and the Environmental and Social Management System (ESMS), which received two objections

- Independent Evaluation of the Green Climate Fund's Country Ownership Approach, which received two objections

These objections were upheld; therefore, the proposed decisions were considered during the Board meeting. Revised text was proposed, and circulated to Board members; however, some Board members proposed holding further discussions on these items. It was finally decided to return to the consideration of the pending decisions later.

Selection process to recruit the Head of the Independent Evaluation Unit

The selection process to recruit the Head of the Independent Evaluation Unit (IEU) was added to the agenda, after a proposal by Board members and the Co-chairs during the first day of the meeting. The purpose of the item was to discuss the Terms of Reference (ToR) of the Selection Committee and of the independent executive search firm, as well as the establishment of the expected timeline for recruitment.

However, several Board members objected to the discussion of this item, based partly on procedural issues, since the decision had not been circulated 21 days prior to the meeting, as the rules of procedure establish, thus not allowing time for members to prepare. Others objected because they considered that the main question to discuss and agree on was the ToR of the IEU itself, which so far had been the subject of lengthy discussions but ultimately no agreement.

However, both the Co-chairs, as well as other Board members considered that the selection of the Head of the IEU was essential, as well as a matter of good governance, and stated their willingness to move forward with the process. Many also did not agree with the idea of linking the ToR of the IEU with the selection process of its Head, while suggesting that these two processes could be conducted in parallel.

There was no agreement between the different Board members and the Co-chairs, with some suggesting the matter should be further discussed intersessionally. Finally, it was decided that consideration of this item would be moved to B.29, with discussions starting in the coming weeks.

Review of the structure and operations of the independent Technical Advisory Panel

The Secretariat made a presentation of the recommendations for the structure and operations of the independent Technical Advisory Panel (ITAP). These included the work of the ITAP being conducted on a rolling basis, with the use of virtual meetings, smaller peer review groups and the availability of a roster of experts for SAPs. The recommendations aimed to increase the ITAP´s project review capacity, make the process more transparent, as well as improve work-life balance for the ITAP team.

Some Board members expressed their support for the recommendations, considering that they improved the efficiency and transparency of the ITAP´s work, while decreasing operational costs. They also noted the need to increase the ITAP´s capacity for GCF-1 and an increase in the number of proposals received.

Others suggested that more needed to be done to increase the Board's oversight of the ITAP´s work, especially concerning those proposals not endorsed by the ITAP, and therefore not reaching the Board. These Board members emphasized the need for the Board to have full access to detailed information concerning non-endorsed projects, allowing them to understand why these proposals are not reaching the Board.

Though all Board members agreed on the need for transparency, some considered that transparency was not being promoted by keeping the non-endorsed projects´ information from the Board, and worried that these decisions were based on political considerations and not only technical ones. Others considered that maintaining the ITAP´s independence was important, and therefore that it needed discretion to make decisions on the funding proposals reaching the Board. They also considered that sharing too much information was not efficient, but that detailed summaries could be prepared and shared with the Board, concerning these non-endorsements of proposals.

The chair of the ITAP clarified that the team writes reports on all non-endorsed projects, which could easily be shared by the Secretariat with all Board members. Whereas the Secretariat added that, there was already a mandate, based on a decision taken at B.17, to inform the Board on the status of funding proposals not recommended for approval and not submitted to the Board, either by ITAP or by the Secretariat. The Secretariat clarified that it is a matter of guidance from the Board on what that reporting should be. As for sharing the non-endorsed proposals´ information, the Secretariat proposed sharing this information also with other units to facilitate their work and learning processes. Finally, the Secretariat considered that the suggestion of sharing detailed summaries of the non-endorsement of proposals could be easily implemented.

After these discussions, the Board adopted the proposal as it was presented.

<u>Consideration of funding proposals</u>
The Board considered fifteen funding proposals, requesting a total of US$ 1,197.1 million of GCF funding, and representing a total value of US$ 7,465.5 million. Of the fifteen funding proposals considered, 14 were public sector proposals, including four considered under the Simplified Approval Process (SAP), whereas one was a private sector proposal. With the approval of these fifteen funding proposals, the total number of projects and programmes funded by the GCF would reach 173, with a total GCF funding amount of US$ 8.4 billion and a total value of US$ 30.3 billion when including co-financing.

Board members welcomed the general introduction by the Secretariat and thanked both the Secretariat and ITAP for the work conducted. Many Board members raised concerns about imbalances in the batch of proposals presented to the 28th meeting, in particular in regard to the low number of and funding volume allocated to proposals from direct access entities (only 1% of the funding volume presented at B.28). Some members stressed that the issue was more than about the mere numbers and that direct access was an enabling element for countries. In their view, more projects from national entities would mean enabling the countries themselves. In this regard, some members reiterated the need for the GCF to develop an accreditation strategy, as well as simplifying the accreditation process. Other Board members also highlighted the imbalance between funding proposals targeting mitigation and adaptation, as well as the imbalance of the geographic distribution of projects, especially regarding funding proposals in the region of Latin America and the Caribbean. Several Board members also pointed out the low number of funding proposals from the private sector (only one of the fifteen projects presented at B.28) and that the GCF needed to do more to incentivize private sector engagement. Last but not least, concerns were raised regarding the recent allegations of fraud and corruption faced by the United Nations Development Programme (UNDP) and some of their projects with the Global Environment Facility (GEF). Members expressed the view that these allegations should not affect the consideration of specific funding proposals from UNDP at B.28, but that further consultations and the formulation of additional conditions were needed.

The Board decided to approve all fifteen funding proposals:

- **SAP020:** *"Climate resilient food security for farming households across the Federated States of Micronesia (FSM)"*, Micronesia Conservation Trust (MCT); Micronesia; US$ 8.6 million
- **SAP021:** *"Community-based Landscape Management for Enhanced Climate Resilience and Reduction of Deforestation in Critical Watersheds"*, Japanese International Cooperation Agency (JICA); Timor-Leste; US$ 10 milion
- **SAP022:** *"Enhancing Multi-Hazard Early Warning System to increase resilience of Uzbekistan communities to climate change induced hazards"*, United Nations Development Programme (UNDP); Uzbekistan; US$ 10 million
- **SAP023:** *"River Restoration for Climate Change Adaptation (RIOS)"*, Fondo Mexicano para la Conservación de la Naturaleza (FMCN); Mexico; US$ 9 million
- **FP154:** *"Mongolia: Aimags and Soums Green Regional Development Investment Program (ASDIP)"*, Asian Development Bank (ADB); Mongolia; US$ 175 million

- **FP155:** *"Building resilience to cope with climate change in Jordan through improving water use efficiency in the agriculture sector (BRCCJ)"*, Food and Agriculture Organization of the United Nations (FAO); Jordan; US$ 25 million
- **FP156:** *"ASEAN Catalytic Green Finance Facility (ACGF): Green Recovery Program"*, ADB; Cambodia, Indonesia, Lao PDR, Malaysia, Philippines; US$ 300 million
- **FP157:** *"Coastal Resilience to Climate Change in Cuba through Ecosystem Based Adaptation -"MI COSTA""*, UNDP; Cuba; US$ 23.9 million
- **FP158:** *"Ecosystem-Based Adaptation and Mitigation in Botswana's Communal Rangelands"*, Conservation International Foundation (CI); Botswana; US$ 36.8 million
- **FP159:** *"PREFOREST CONGO -Project to reduce greenhouse gas emissions from forests in five departments in the Republic of Congo"*, FAO; Republic of Congo; US$ 29 million
- **FP160:** *"Monrovia Metropolitan Climate Resilience Project"*, UNDP; Liberia; US$ 17.3 million
- **FP161:** *"Building Regional Resilience through Strengthened Meteorological, Hydrological and Climate Services in the Indian Ocean Commission (IOC) Member Countries"*, Agence Française de Développement (AFD); Comoros, Madagascar, Mauritius, Seychelles; US$ 52.8 million
- **FP162:** *"The Africa Integrated Climate Risk Management Programme: Building the resilience of smallholder farmers to climate change impacts in 7 Sahelian Countries of the Great Green Wall (GGW)"*, International Fund for Agricultural Development (IFAD); Burkina Faso, Chad, Gambia, Mali, Mauritania, Niger, Senegal; US$ 82.8
- **FP163:** *"Sustainable Renewables Risk Mitigation Initiative (SRMI) Facility"*, World Bank; Botswana, Central African Republic, Democratic Republic of the Congo, Kenya, Mali, Namibia, Uzbekistan; US$ 280 million
- **FP164:** *"Green Growth Equity Fund"*, Nederlandse Financierings-Maatschappij voor Ontwikkelingslanden (FMO); India; US$ 137 million

Funding proposals **SAP022**, **FP157**, **FP159**, **FP160** and **FP161** required further interaction and consultations between Board members.

One Board member opposed both **FP157** and **FP161**. Further consultations were conducted with Board members but agreement could not be reached. The Co-Chairs, considering that all efforts at reaching consensus had been exhausted, proceeded to put the funding proposals up for a vote by the Board. For **FP157**, 23 Board members voted in favour, 1 Board member against the proposal - the proposal was ultimately approved. As for **FP161**, 23 Board members voted in favour and 1 Board member against the proposal, which was ultimately approved.

Funding proposals that were submitted by UNDP (**SAP022**, **FP157** and **FP160**) were also pending approval. After consultations and in accordance with UNDP, the Board agreed to additional conditions for the approval of the funding proposals, taking into account the concerns expressed by Board members.

Last but not least, **FP159** was approved with additional conditions.

Matters related to results management

(a) Integrated results management framework and results tracking tool
Co-Chair Jean-Christophe Donnellier opened the agenda item by outlining the in-depth consultation process that has been conducted on the current draft of the Integrated Results Management Framework (IRMF). Among the latest consultation efforts were a technical session at B.27, followed by 15 bilateral consultations in early 2021. The Secretariat presented the status quo on the item based on the recent feedback received. The key revisions undertaken included: (a) simplified, clarified and aligned language, (b) clarified rationale for development of IRMF, and (c) refinement of indicators to better measure results related to the objectives under the United Nations Framework Convention on Climate Change (UNFCCC), in particular the Paris Agreement. Certain outstanding issues

that remained after the consultations included: (a) measuring paradigm shift and systemic change, (b) statement that it is an onerous and costly process for Accredited Entities (AEs), (c) phasing the start of the IRMF implementation by project size and (d) enhancing support for direct access entities (DAE) for the implementation of the IRMF.

Most remarks by Board members related to the outstanding issues following the consultations. While several Board members welcomed the reduction in indicators and the added flexibility for AEs to reduce overall complexity, others insisted that the proposed IRMF still remained too complex.

Board members also continued to be divided over the inclusion of indicators measuring paradigm shift and systemic change. Multiple board members underlined that it would be challenging to prove systemic change, citing in particular smaller-sized projects and their capacity to induce systemic change as a case in point. Moreover, one Board member argued that it was not appropriate to use a one-size-fits-all-approach without taking into account the nature of the respective economy. In addition, one Board member added that there could be data constraints to fulfil the reporting duties for such complex indicators. One Board member also indicated that there was not a common definition for systemic change, and that the lack of common definitions had created problems within the UNFCCC context in the past. Some Board members expanded these concerns regarding systemic change to paradigm shift. The Secretariat alluded to the fact the proposed framing is "contribution to paradigm shift", recognizing the variety in GCF funded projects and their respective capacity to induce systemic change.

On the handbook, the Secretariat outlined that it would include a more in-depth guidance on the indicators, also providing examples for interpretations, and it would include a revised funding template, useful tools and a revised reporting template. While some board members welcomed the suggestion to develop such a guidance document, others underlined concerns of agreeing to such a document without prior notice on its content. The latter expressed that they felt that it was within the Board's oversight obligations to know the exact content of the handbook and tool, and to approve the respective instruments instead of just having them presented by the Secretariat. Other Board members argued that the Board needed to trust the Secretariat and could not micro-manage the Secretariat.

At large, board members agreed in welcoming the reduction of indicators and more flexibility for AEs (e.g. focus on relevant indicators). Further, they overall expressed broad support to provide additional financing for capacity building for DAEs to respond to the requirement of the IRMF. In response to questions raised on the estimated budget of 12.4 million US-Dollar of the new dedicated funding window under the Readiness and Preparatory Support Programme, the Secretariat indicated that this corresponded to 150-220,000 US-Dollar per DAE. For those DAEs still to be accredited, the Secretariat stated that it would look for more sustainable support options.

The civil society Active Observer raised a couple of concerns, indicating that it was unclear how the IRMF was dealing with independent evaluations, which could be biased, that there was a need for establishing a baseline for monitoring or that certain other policies were not yet reflected at all or not strong enough (e.g. gender, indigenous people policy). The Secretariat responded that the IMRF will try to take all policies into consideration and that baselines will be suggested for some cases, but that AEs can still come up with their own methods for other cases.

The private sector Active Observer made the case for approving the document, indicating that the old framework was outdated and required updating and that the board needed to show effectiveness by not approving individual documents like the handbook but decisions. While some Board members clearly expressed being in favor of an adoption of the IRMF, others with concerns clearly underlined that they still see a great need for adjusting the current draft text. Eventually, after additional non-public consultation efforts, no decision was taken on the agenda item. The Co-Chairs will nominate facilitators for the process in the upcoming days. The aim is to come up with a refined draft for the next Board meeting.

(b) Addressing gaps in the current portfolio for measurement
Following elaborations during co-chair consultations, the Secretariat provided a revised decision. The Board approved the decision without further deliberations.

Consideration of accreditation proposals

The Secretariat presented the status of the pipeline of entities seeking accreditation, as of 28 February 2021. It reported that 74 entities have completed accreditation, by making their legal agreements effective, whereas 72 entities are currently being reviewed by the Secretariat, before progressing to stage 2, entailing a review process by the Accreditation Panel (AP). It also reported that a majority of entities that have progressed to stage 2 are either Direct Access (DAE) or private sector entities. Additionally, it reported that the first 15 accredited entities are applying for re-accreditation this year.

The Secretariat also reported its support to accredited entities, and particularly DAEs. This included continued in-depth support for pre-accreditation for 39 DAEs; 21 of which have completed the support and submitted their application, with nine already accredited. It also reported support provided to National Designated Authorities (NDA) in developing approaches to identify DAEs and other AEs for programming pipelines, including country programming guidance.

Concerning the entities proposed for accreditation, the Secretariat noted that of the five entities being presented for the first time, all are DAEs, and three are the first DAE of their respective countries. Furthermore, one entity is from a Least Developed Country (LDC), and three come from Africa. These entities included:

APL106: The Development Bank of the Philippines (DBP)
APL107: The Development Bank of Zambia (DBZ)
APL108: The Infrastructure and Development Bank of Zimbabwe (IDBZ)
APL109: The Moroccan Agency for Sustainable Energy S.A.
APL110: The Vietnam Development Bank (VDB)

Finally, applicant **APL100**, the private sector entity Sumitomo Mitsui Banking Corporation (SMBC), was presented to the Board again, following the official recommendation of the AP. All entities were being presented as a package for approval.

Board members welcomed the proposed accreditation of five new DAEs. Nevertheless, some objections were raised concerning the procedure for approval, where all applicants were expected to be approved as a package, suggesting instead an individual evaluation and approval of the entities.

Some members expressed concerns about the accreditation of **APL100**, due to the large percentage of its portfolio dedicated to financing coal. Many Board members emphasised the importance for the GCF of finding the right partners to support its goals, as well as the objectives of the Paris Agreement. To this end, they asked for strong conditions to be included as part of **APL100´s** accreditation to address these concerns. On the other hand, other Board members expressed their opposition to the addition of conditions beyond those contemplated in the Accreditation Framework of the GCF. Additionally, the point was made that, though everyone recognised the need for a transition to low carbon economies, the particular needs and constraints of developing countries, in terms of energy transition, needed to be taken into account.

Many Board members also noted the commitment to decarbonisation, in line with the Paris Agreement, expressed by SMBC; as well as the importance of promoting private sector engagement, especially through partners willing to evolve their operations in a manner consistent with the goals of the GCF. Therefore, they declared their willingness to find a path forward for the accreditation of such entities, including **APL100**.

After much deliberation, including on the procedure for the accreditation of the proposed entities, where several members opposed making a decision on the accreditation of these entities as a package, the session was closed and a decision postponed. A new proposal will be presented no later than B.29 for Board consideration.

Dates and venues of upcoming Board meetings

Regarding dates and venues of upcoming Board meetings, a decision between meetings had already been made. However, adjusted dates for B.29 and B.30 were proposed for adoption, with the purpose of having the meetings roll from Mondays to Thursdays, instead of Tuesdays to Fridays, with the dates proposed being June 28 to July 1 for B.29 and October 4 to 7 for B.30.

As for the venues, it was proposed to hold B.29 in a virtual format, and postpone the decision on the venue for B.30 for later. The Board adopted the proposed dates, as well as the decision to hold B.29 using a virtual format.

Update of the simplified approval process

The Secretariat made a presentation of the proposed document, as an information item, with a reminder that the revision was carried out as instructed by the Board, during B.25, and had benefited from the independent assessment of the Independent Evaluation Unit (IEU). The main changes included in the proposed updated SAP were the expansion of eligible activities to those with limited risk; the approval by the Board between Board meetings; and the delegation of the decision making, for those proposals with minimal or no risk, to the Executive Director (ED). The purpose of the modalities presented was to speed up the approval process.

Board members agreed on the need to update the SAP, and simplify it further, so that it could achieve its aims. Many expressed their support for the introduction of the Between Board Meetings approvals, with some noting the need to ensure timely disclosure of information, so that Active Observers could engage in the review of the proposals and provide feedback.

However, there was no agreement concerning the proposal to delegate the decision making for certain proposals to the ED. Though some members saw it as a good step and a sign of maturity for the Fund, others found this delegation to be premature and argued that Board approval ensures transparency. Many members suggested focusing instead on the information requirements for SAP proposals, as well as the review process and the time required for the different stages of this process. Some asked the Secretariat to specify measures to improve these issues.

Finally, some Board members showed their willingness to look into, and discuss further, the proposal to include projects with higher risk levels in the SAP, as well as the proposal to increase SAP allocation of funds.

The item was closed due to time constraints; since it was an item for information, no decision was made.

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