



CLIMATE FINANCE ADVISORY SERVICE

SUMMARY BRIEFING

34th Green Climate Fund Board Meeting

17-20 October 2022

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 17-20 October 2022

From 17 to 20 October 2022, the Board of the Green Climate Fund (GCF) convened for its 34th meeting in Incheon, Republic of Korea. The meeting's agenda focussed on the update of the GCF's strategic plan, and included policy consultations on the accreditation strategy, the policy to minimise the effect of currency fluctuations on the commitment authority of the GCF and the policy for contributions from alternative sources. Furthermore, the Board considered the approval of nine funding proposals (requesting US\$ 593.1 million in GCF funding) and the re-accreditation of five accredited entities and accreditation of one entity.

Opening of the meeting and adoption of the agenda

The Co-Chairs, Mr. Tlou Ramaru (South Africa) and Mr. Jean-Christophe Donnellier (France) opened the meeting by welcoming all those in attendance, particularly new Board members and alternate Board members, and noting the continued absence of the members representing GRULAC. After the opening of the meeting, the Co-chairs presented the agenda for adoption, which was adopted by the Board without comments. However, a Board member noted that the lead-time for dissemination of documents was again not respected, as per the Rules of Procedure, an issue that was raised in the past. The Co-chairs took note of the point raised.

Report on the activities of the Secretariat

The Executive Director opened the item by presenting progress on the Fund's Key Performance Indicators (KPIs). He mentioned that the Fund was on track to achieve or exceed the majority of KPIs. He also presented the GCF-1's financial plan, including the current projection of commitments and the commitment authority of the Fund, ahead of B.34. He added that if all funding proposals were approved at B.34, only 22 million dollars would remain. The Executive Director also presented the status of policies and governance frameworks; the GCF's recruitment trends for 2022; their recently held events, the programming conference and the private sector conference; as well as measures to improve access and simplification, as well as transparency.

Board members noted a few positive aspects, like the organisation of the conferences, the elaboration of the different dimensions of access, improvements of key KPIs, improvements in transparency, the development of sectoral guides, amongst others. Some noted the need to communicate those positive aspects better with a view to the upcoming replenishment of the GCF. After these reflections, the Board took note of the report.

Diversification of financial instruments and parametric insurance

At COP26 in Glasgow, Parties urged the GCF Board to explore diversifying the Fund's financial instruments for addressing climate risks, such as parametric insurance instruments for climatic events. In the context of a respective Board request (B.32) the Secretariat presented an information paper for the consideration of the Board for diversifying its selection of financial instruments at B.34. It was highlighted that along with the GCF's strategic vision, the paper considers latest trends of the use of guarantees and equity for addressing climate risks and the insurance-related experience of GCF with regards to its portfolio. Currently nine Funding Proposals comprise parametric insurance components and according to the Secretariat, the GCF is in a good position to enable transformational support for insurance. However, at the moment, no Accredited Entity (AE) provides insurance instruments by themselves. Regarding next steps, outlined in the information paper, the Secretariat will continue its efforts to diversify the application of financial instruments and suggest updating the initial fiduciary standards and specialised fiduciary standards for the inclusion of standards related to entities providing insurance financial products.

Matters related to the Trustee

The Secretariat was requested to undertake a performance review of the International Bank for Reconstruction and Development (IBRD) as current Trustee of the GCF. As the agreement with the Trustee will expire in April 2023, the Board has to decide whether to renew the contract, subject to a satisfactory review.

Through an external evaluator, the Secretariat focused on five areas for the review: management of investments and costs, contribution management, cash transfer, financial reporting to the Board and the Secretariat, and overall relationship with the Board and the Secretariat. The Secretariat came to the conclusion that the IBRD is fulfilling its role and obligations as specified per the contract and that the Secretariat is satisfied with its overall performance. The relationship, however, could be further strengthened through stronger strategic collaboration, potential IT system integration, and the consideration of additional financial services such as improved ESG investment and foreign exchange hedging. In this context, the Secretariat recommended the renewal of Trustee arrangements and suggested that the Board request the Secretariat to develop an ESG investment and hedging strategy with the Trustee. The Board supported the Secretariat's suggestions and adopted the decision.

Secretariat work programme and administrative budget for 2023

The Secretariat started by stating that the work programme was fully aligned with the current Updated Strategic Plan (USP) and sought to deliver on the work called by the plan, while also advancing the implementation of new policies and modalities approved by the Board. The Secretariat presented its six objectives: advancing developing country capacity and tools to turn national plans into climate investments; building a pipeline of ambitious funding proposals that meet the portfolio targets; strengthening the delivery of climate results; enhancing access; nurturing climate finance expertise; and helping to deliver a successful second replenishment. The annual programming and disbursement targets were introduced. The Secretariat also introduced its budget, as well as that of the Board, the Trustee and the administrative budget.

Many Board members supported the proposal to align the programme with the USP. Others raised a few concerns, including the lack of ambition on the KPIs related to the Simplified Approval Process (SAP) and direct access, as well as the low targets for accreditation and lack of balance with re-accreditation targets. Others raised general concerns about the objectives and direction taken by the Secretariat, especially the framing of the Fund as a catalytic Fund. Concerning the programming and disbursement targets, it was mentioned that this clearly links to the issue of the commitment authority of the GCF, and that more clarity and predictability was needed in this respect, considering that proposals had already been deferred due to the lack of commitment authority, including one for LDCs.

On the budget, a member mentioned that budgetary caps and multi annual budgets could be tested, and that more mid to long term planning was needed. As for the replenishment, a Board member stated that the pledging would likely be linked to the new USP and highlighted the need to stick to the timeline for approving the USP. After this first discussion, the Co-chairs proposed that the Secretariat considered the comments and provided new text, to bring for consideration an updated decision.

In light of discussions and remarks from the Board, the Secretariat presented changes made to the initial proposed 2023 work programme and annual administrative budget. Amendments included the annual programming target, which was revised to USD 1.2-1.7 billion of funding proposals presented to the Board (instead of previously proposed USD 1.6-2.1 billion). Furthermore, the Secretariat updated the budgeting system for all GCF administrative budgets, including the establishment of budget caps, the moving to an multiannual budgeting framework, and the updating of relevant GCF rules accordingly (e.g. administrative budgeting guidelines for the independent units). Moreover, Key Performance Indicators (KPIs) have been increased with regards to SAPs, funding proposals, and accreditation requests. In detail, for 2023 the Secretariat aims to finalize 8-12 SAPs with an investment volume of USD 150-200 billion, 5-10 direct access entity (DAE)-led funding proposals with an investment volume of USD 270-465 million, and processing 25 accreditation applications (18-22 re-accreditation and 4-6 new accreditation applications), compared to a former accreditation capacity of 15 applications per year on average.

Other key comments from the Board concerned the lack of consistency and coordination between the Secretariat's work programming and the Independent Evaluation Unit's (IEU) respective evaluation. While the GCF Executive Director, Yanick Glemarec, highlighted practices to benefit from IEU evaluations and ensuring operational efficiency and transparency, language and wording was sharpened in the Secretariat work programme to streamline coherence with the IEU.

Strategic planning and programming matters

Review and update of the GCF strategic plan

The Co-chairs opened the discussions by reminding the Board of its decision to conduct an open and transparent consultation process to update the strategic plan, as well as requesting the Secretariat to present a review of 2020-2023 USP and an updated draft of the USP. To facilitate the discussions on the zero draft prepared by the Secretariat, the Co-chairs outline a three-part structured discussion, with each part focusing on one of three key aspects: the long-term vision, the mid-term programming goals and the linkage to other strategies. For each part, the Secretariat presented background information and guiding questions.

On the strategic vision, the Secretariat presented the logic of the updated strategic plan for 2024-2027, as well as further elaboration on how the Fund will promote paradigm shift and support the Paris Agreement, including a theory of change for the GCF. The guiding questions focused on whether the strategic vision adequately captured the GCF's long-term ambition in more actionable terms, and if not, what refinements were needed.

Board members welcomed the proposal. Some members pointed at some positive aspects, like the proposed evolution of the GCF and its business model, focusing on creating investment coalitions, which would allow the Fund to work with larger flows of finance. In the same line, others pointed at the alignment of financial flows with the goals of the Paris Agreement as the transformational role of the GCF, including by being catalytic. However, others were of the view that the long-term vision should remain consistent with the vision established in the Governing Instrument (GI) of the GCF, in order to support predictability. This included not changing the character, business model and goal of the Fund, which was to finance projects directly, adding that the catalytic role of the GCF is a complementary role, not the main one. However, many pointed out that the proposal failed to properly articulate goals and set priorities. Several Board members considered that the current draft was not strategic enough and focused too much on operational and other details that were more appropriate for an action plan.

Some members voiced their concerns about some of the language included in the proposed vision, like the term bankable when referring to projects. Concerns were also raised about the inclusion of Loss and Damage and members sought further clarification as to what this means for the business model of the Fund. Some of the proposed refinements included the explicit inclusion of the Paris Agreement's ambition cycle in the USP and taking into account the update of countries' NDCs. Others mentioned the need for a stronger focus on adaptation and on closing the climate finance gap. Finally, one Board member commented on the proposed process, pointing at the summary of the Independent Evaluation Unit's evaluation on the USP, which had not yet been discussed, but presented preliminary results and recommendations that were relevant to the discussions.

On the mid-term programming goals, the Secretariat presented an approach in three steps, first testing possible types of goals and timeframes, then crafting programming directions aligned with the goals and finally analysing the feasibility and trade-offs of pursuing different programming directions, as well as resourcing and risk implications. The guiding questions focused on whether the types of mid-term goals proposed helped set clearer, more climate results oriented goals; on the timeframe for the goals and on how clear the programming direction of the GCF was to support its goals. Some board members supported the approach to defining the goals, but considered that the current draft did not define objectives that reflected the expected impacts and results of the fund. Several Board members suggested adding more results oriented goals. Some also considered that the alignment of financial flows with the goals of the Paris Agreement and the role of enabling environments were not clearly translated into objectives.

In terms of timeframe, several members voiced their support to include some objectives for 2030 or later, but to also include shorter-term targets in line with the GCF-2's timeframe, to reflect the available resources, or with the next round of NDCs. In terms of resources, some Board members mentioned that the GCF is not the only actor working on

climate finance and that its ambition and objectives should reflect the available resources, including the Fund's staff. Others added that resource considerations were key to understand and address the trade-offs presented by different objectives. In terms of process, some suggested it was important to agree on strategic objectives before moving to goals, instead of trying to do it all at the same time. As presented, many considered the draft was not clear about what the pathways were to achieve the strategic objectives.

Following on issues mentioned during the discussion on the long-term vision, many Board members agreed that some terms needed to be further clarified, and that some topics, like Loss and Damage, should be discussed in light of the outcomes of COP27. Concerning adaptation, some called for clarity on how the GCF would respond to the commitment on doubling adaptation finance. Finally, some members addressed governance aspects, like governance gaps and inefficiencies and the need to add targets for governance.

On the linkages to other strategies, the Secretariat presented these as the "how" of the USP, in response to the strategic vision and objectives, which were the "what". The Secretariat looked for guidance on the level of detail needed in the USP as opposed to that included in other policies, including those already approved, those still under discussion and the Board, Secretariat and Independent Units' work plans. The guiding questions focused on to what extent these questions should be included in the USP (the "how"), as well as what is the most appropriate level of detail for the USP versus other documents.

Board members considered that it was important to translate the strategic vision and objectives into guidance and to clarify responsibilities for implementation. To this end, several members highlighted the importance of establishing a coherent and formal policy framework, which clarifies policy hierarchy in order to reduce complexity and address the arbitrary nature of some processes. Improving governance issues was also mentioned, including efforts to achieve gender balance, focusing on how the Board and the Secretariat operate.

Others emphasised again that the GCF should not change its long-term vision with every cycle of USP review, because this would make the alignment of policies difficult. Most members considered that the USP should not have an operational level of detail, which instead should be captured in other policies and strategies, including under the Secretariat's work plan and budget. The USP should focus on high-level operationalization. A reduced level of granularity would allow the USP to adapt to the evolving policies, instead of requiring continuous policy updates. The goal-oriented nature of the USP was again highlighted by some Board members.

On specific strategic and policy directions, for some Board members, setting guidance on private sector mobilisation was seen as a priority. In that sense a review of the private sector strategy implementation could be included in the context of the new USP. Another specific topic mentioned by some Board members was access. One member welcomed the codification of access previously proposed by the Secretariat, while others proposed access as a lens through which to look at high-level directions. Finally, a Board member mentioned the link between proposals concerning risk and the links to the risk management framework.

The Co-Chairs also presented a Co-chairs summary and a proposal for a timeline for the further development of the USP. According to the proposed timeline, a revised draft would be circulated by December 16, 2022, followed by consultations in early 2023, including a technical session or sessions and a new draft by February 2023. At B.35, the Board would then discuss this second draft and identify "sticky issues". During May-June 2023, there would be a facilitated Board consultation process. A final draft would be published in June 2023 and at B.36, the Board would conclude its consideration of the update of the Strategic Plan. A few members underscored the need for observers to participate in the consultations to ensure a transparent process. After some changes, including a role for observers, the Board took note of the summary and approved the timeline for the update

of the USP.

Second performance review summary findings

The Independent Evaluation Unit (IEU) presented the Second Performance Review (SPR) summary findings. It started by introducing the purpose of the evaluation, which is to inform the Board's consideration of the further update of the Strategic Plan in 2023. The presentation focused on four areas: the institutional architecture and performance of the GCF, including governance and management; access to the GCF; programming in response to country needs; and results and climate impacts of GCF investments. The IEU presented emerging areas of recommendation, including clarifying the GCF's strategic positioning and strengthened priorities; clarifying roles in countries; ensuring streamlined fit-for-purpose systems; pivoting to a results and learning orientation; and strengthening governance processes. The IEU also highlighted the need to consider trade-offs and available resources, as well as communicate the GCF's strategy to the Fund's partners.

Some Board members questioned the sequencing of the USP discussions, as the IEU report was discussed after the discussions of the zero draft of the USP. In response to this, the Co-chair explained that the first discussion was an attempt to exchange with the Board on the direction the Board wants to take; whereas this was an institutional exchange between the IEU and the Board. The first exchange could serve to indicate areas to the IEU where the Board thinks the final report could have a deeper look. Board members highlighted issues they thought were key to the USP discussions. For some, governance issues were very important. For others, placing the GCF in the broader context was also relevant, so as not to overstate its importance, though for other members, the GCF held a privileged position in the global climate finance architecture. Some members highlighted the need to look at the tensions between programming directions and for the GCF to find a balanced approach to manage them. Finally, other topics like the integration of ecosystems were also mentioned.

There was broad agreement that the assessment, preliminary findings and lessons from the implementation of the first USP should feed into the new strategic plan. The IEU commented that it had taken good note of the feedback and highlighted that they still needed to carry out further verifications and add more information coming from country missions. After the IEU's response, the Board took note of the document.

Consideration of funding proposals

The Secretariat presented nine funding proposals for the Board's consideration amounting to US\$ 593.1 million in GCF funding. The Secretariat also informed that three funding proposals endorsed by the independent Technical Assessment Panel (iTAP) and GCF Secretariat have been deferred until the next Board Meeting to meet the available commitment authority of B.34. This was necessary due to a lower volume of contributions received and the impact of a devaluation of foreign currencies in their exchange rate towards the US dollar. In a response, some Board members raised concerns regarding the predictability of committed resources and emphasised the need that contributors stick to their pledges. Moreover, several Board members stressed the imbalance between adaptation and mitigation projects.

All nine proposals were approved, some with terms and conditions attached to the decisions. Hereby, FP197 led to contentious discussions and reconsideration of several approval options over three days. Board members and the CSO observer raised questions regarding the role of the GCF as an equity investor, the risk of GCF proceeds being channelled to non eligible countries, the assurance of an appropriate project pipeline with climate impact, local stakeholder management, a potential GCF governance role, the value of guarantees to sub-national actors and an appropriate compliance with ESS and gender policy. Most importantly, by representing a new approach of applying GCF equity investments to enable guarantees that leverage private capital at scale, FP197 created significant ambiguity about legal implications among Board members. Since the

Secretariat and the legal council were not able to guarantee that a minor share of GCF proceeds might go into countries that have not issued a letter of no-objection, the Secretariat and the Accredited Entity had to present a broad range of additional conditions to mitigate the risks and raised concerns. This included also a tranching disbursement of funds for FP197 with a reduced initial volume of USD 40.5 million, the remaining share subject to re-approval by the Board based on reporting results. Ultimately, the Board approved all the funding proposals presented at B.34:

- **FP191:** “Enhancing Adaptation and Community Resilience by Improving Water Security in Vanuatu”; SPC; Vanuatu; US\$ 23.3 million in GCF funding;
- **FP192:** “The R’s (Reduce, Reuse and Recycle) for Climate Resilience Wastewater Systems in Barbados (3R-CReWS)”; CCCCC; Barbados, US\$ 39.4 million in GCF funding;
- **FP193:** “Peruvian Amazon Eco Bio Business Facility (Amazon EBBF)”; PROFONANPE; Peru; US\$ 9 million in GCF funding;
- **FP194:** “Programme for Energy Efficiency in Buildings (PEEB) Cool”; AFD; Albania, Argentina, Costa Rica, Djibouti, Indonesia, Mexico, Morocco, Nigeria, North Macedonia, Sri Lanka, Tunisia; US\$ 220.5 million in GCF funding;
- **FP195:** “E-Motion: E-Mobility and Low Carbon Transportation”; CAF; Panama, Paraguay, Uruguay; US\$ 76.6 million in GCF funding;
- **FP196:** “Supporting Innovative Mechanisms for Industrial Energy Efficiency Financing in Indonesia with Lessons for Replication in other ASEAN Member States”, KDB; Indonesia; US\$ 105 million in GCF funding;
- **FP197:** “Green Guarantee Company (“GGC”)”; MUFG Bank; Brazil, Gabon, India, Indonesia, Lao People’s Democratic Republic, Rwanda, Philippines, Trinidad and Tobago; originally requested US\$ 82.5 million in GCF funding, US\$ 40.5 million in GCF funding as first tranche approved;
- **FP198:** “CATALI.5°T Initiative: Concerted Action To Accelerate Local I.5° Technologies – Latin America and West Africa”; GIZ; Argentina, Benin, Burkina Faso, Costa Rica, Cote d’Ivoire, Dominican Republic, Guinea, Honduras, Mauritania, Mexico, Niger, Senegal, Togo; US\$ 26.9 million in GCF funding;
- **SAP025:** “Adaptation of agricultural production systems in Coastal Areas of Northwest Guinea -Bissau”, OSS; Guinea-Bissau; US\$ 9.8 million in GCF funding

Consideration of accreditation proposals

The item started with a presentation by the Secretariat of the status and pipeline of accreditations and re-accreditations and the activities the Secretariat has been implementing. The Secretariat added that currently they have enough capacity to deal with 15 accreditations per year. The total pipeline of entities seeking accreditation included 143 entities, of which 14 were being reviewed by the accreditation panel. Concerning re-accreditations, 7 entities that had their re-accreditations approved were currently updating their legal agreements, while 2 entities had already completed them.

The Chair of the Accreditation Panel introduced the entities up for consideration by the Board, including a total of 6 entities, 5 up for re-accreditation and 1 for accreditation; 5 of which were DAEs and 1 IAE. The panel added that they continue to prioritise re-accreditations and that they are still understaffed, which is affecting new applications. Some Board members voiced their concerns about the number of entities that were re-accredited but had not yet concluded their legal agreements, which could affect their approved funding proposals. Some asked the Secretariat and Accreditation Panel about their views on how to improve this process; they also asked about the timeline for the conclusion of the pending agreements. Others asked the Secretariat to expedite the accreditation of new entities, especially those in LDCs, as well as DAEs.

In response to the Board member’s questions, the Secretariat highlighted the changes

already approved, including the use of a single template for the legal agreements, and added that next steps included looking at how to integrate new policies approved by the Board into the agreements. They mentioned that a way to address this would be to look at the comparability of the GCF and the AEs policies, to increase reliance on AEs policies. The Secretariat also confirmed that those pending legal agreements not requiring substantial deviations from the original would likely be signed by the end of the year.

After the initial discussion, the Secretariat introduced the entities under consideration for re-accreditation:

- **RAPL009:** Ministry of Environment of Rwanda (direct access, Rwanda), no change to original accreditation scope requested
- **RAPL010:** National Bank for Agriculture and rural Development (NABARD) (direct access, India), no change to original accreditation scope requested
- **RAPL045:** PT Sarana Multi Infrastruktur (PT SMI) (direct access, Indonesia), upgrade from small to medium size requested; upgrade from category B/A-2 to category A/I1 requested
- **RAPL037:** XACBANK LLC (direct access, Mongolia), no change to original accreditation scope requested
- **RAPL049:** World Wildlife Fund, Inc. (WWF-US) (international access, USA), no change to original accreditation scope requested

And for accreditation:

- **APL116:** Zambia National Commercial Bank Plc (ZANACO) (direct access, Zambia)

Concerning the entity PT SMI, some Board members requested the addition of text taking note of their efforts to advance the purpose of the GCF, in the context of the Paris Agreement and referencing their respective low-carbon transition strategies, as had been done for past re-accreditations. The Board agreed to the revised text and all entities were re-accredited or accredited.

Accreditation Strategy

The Co-chairs first presented to the Board a series of questions for discussion, focused on the objectives of the strategy, options for partnerships, potential prioritisation criteria, the definition of a hybrid system of accreditation, capacity building and avenues for simplification of the accreditation process, including policy equivalence for AEs.

Many Board members expressed the view that the GCF should prioritise potential partners for accreditation, and offer clear directions on which AEs should be part of the GCF's network of partners, to reduce the overburden currently faced by the GCF when performing its accreditation function and process. Members offered many suggestions of criteria for prioritising entities for accreditation/re-accreditation. Some suggested prioritising AEs that support country ownership and DAEs to promote access. Others suggested prioritising entities that can promote private sector participation and adaptation activities. Prioritising the re-accreditation of entities that are active and have approved funding proposals, or that have high impact, was also suggested. Other members suggested that a strategic direction could focus on geographic and thematic distributions. For many, the strategic prioritisation of accreditation should be aligned with the strategic objectives of the GCF.

Apart from the different views on criteria, Board members did not agree on the idea of potentially "retiring" entities that do not comply with certain criteria, like having approved funding proposals within an accreditation period. Though some promoted this approach, others suggested that the GCF could instead provide enhanced cooperation and capacity

building to AEs without approved projects.

On capacity building, many Board members proposed encouraging more collaboration between international and direct access entities to build capacity and improve direct access. To this end, it was suggested that the Fund could work on providing guidance to IAEs, on tracking the implementation of IAE obligations to provide support to DAEs, and to look at the resource implications of this support. Promoting partnerships between IAEs and DAEs during project and programme implementation was also suggested as a way to build capacity of DAEs. Beyond this type of cooperation, others suggested using Readiness resources for this purpose, potentially through a dedicated Readiness window for AEs.

Board members also proposed that the GCF considers other ways to partner with the GCF. Members suggested exploring other potential partnerships, outside of the institutional accreditation, including participating as executing entities, co-investors or co-financiers. However, not all board members agreed with this proposal.

Aligning entities' wider portfolios to the goals of the Paris Agreement was also discussed. Some members suggested establishing benchmarks and standards to evaluate the evolution of climate mainstreaming in the broader portfolio of AEs. Others suggested establishing KPIs to assess the performance of AEs' alignment with the GCF's mandate. Board members also focused their discussion on finding ways to streamline accreditation and reducing the accreditation process timeframe. Proposals included strengthening the Secretariat's capacity to assess accreditation candidates, as well as proposals to look into policy equivalence to ensure that GCF policies are implemented without duplicating the policies that AEs already have. Some Board members suggested a review of the accreditation period, which is currently 5 years. Extending this period could help ease the increasing burden of dealing with re-accreditation requests. Others suggested establishing KPIs to streamline re-accreditation.

Finally, some Board members openly supported the proposal for a hybrid model of accreditation, focusing on both ambitious transformative programming targets and AE capacity development objectives, in order to reflect the differences when it comes to potential accredited entities. The Executive Director pointed out during the discussions that this was the de facto model currently used by the GCF, but that it could be made explicit in the accreditation strategy, in order to find the right balance and manage the system.

After the opening discussion, the Co-chairs worked on a revised draft of the strategy and presented it to the Board. The structure of the revised document included an annex containing areas of convergence, which was presented as the strategy adopted by the Board. It also included a second annex containing matters that would need to be taken up in the Strategic Plan of the Fund and the revised accreditation framework, as well as strategic matters requiring further Board consideration later on.

Board members were concerned about receiving this new draft so late, giving them little time to read and digest the new proposal. They also emphasised that the discussions had not been transparent enough. Others pointed out that the accreditation strategy proposed in the new text was not in fact a strategy, and that most of the key strategic issues and decisions were included elsewhere, for later discussion. In this sense, some suggested renaming the annex containing the proposed strategy, and to instead call it guidance. Finally, others pointed out that they were being asked to approve a strategy without the knowledge of its budget implications. At the same time, many board members declared their desire to move forward in the discussions and approve the proposed text. After further consultations, which did not lead to consensus on many issues, the decision was adopted as presented in the latest draft.

Policy to minimise the effect of currency fluctuations on commitment authority

The Secretariat introduced the status of the GCF pledges and resources, explaining the risks posed by currency fluctuations and pointing at the fact that there would still be exposure to currency fluctuations despite the proposed policy, because the Fund cannot hedge exposures until the pledges are paid in cash or deposited as promissory notes.

The Secretariat introduced the proposed policy, setting out hedging principles, roles and responsibilities regarding the hedging activities to minimise the effect of currency fluctuations on the commitment authority of the GCF. The Secretariat mentioned that 4 options were considered: planned expenditure and FX reserve, which would still be used, with planned expenditure being the primary hedging tool. Changing to euro as accounting currency, which was considered but discarded. Finally, the use of hedging instruments was analysed and was the focus of the policy proposal, in order to reduce volatility from the point of hedging.

The analysis concluded that the GCF has no capacity to conduct hedging activities in house. Other options included the Trustee handling these activities, or a third party, either fully or partly. The analysis also presented benefits and risks of the proposal. Finally, budget implications were considered. Many Board members stated their preference for the Trustee to have the hedging function. It was also noted that the policy would not solve the problem entirely and suggested fund providers look into other ways to reduce the risks, including pledging in US dollars, shortening time frames between pledging and submission of promissory notes and shortening encashment periods. However, some members found these other options hard to implement. After the discussions, the policy was approved.

Policy for contributions from alternative sources

The Secretariat introduced the item with a presentation of the potential sources of direct contributions to the GCF, which included philanthropies, high-net-worth individuals, family offices, private individuals, civil society organisations, amongst others. They also presented the challenges identified for the implementation of direct contributions from alternative sources, including potential for earmarking, potential changes in the governance model, lack of visibility and high mobilisation costs. The Secretariat then proposed the Board considers ways to overcome these barriers, including a market analysis and the consideration of governance changes.

Board members suggested looking more closely at how the process would look like if other sources wanted to provide money to the Fund, as well as looking at trends and the market. Other Board members suggested that these alternative sources should have a complementary role. After these initial discussions, the Co-chairs concluded that the document was not developed enough and that the Secretariat should continue working on it.

Dates and venues of upcoming meetings of the Board

In light of COVID restrictions adopted by the Korean Government and associated challenges with accommodating a Board meeting in the GCF's Headquarter, the Government of Rwanda invited the Board to have B.35 in Kigali, Rwanda. Due to other international events during the originally agreed dates (13th to 16th of March 2023), the Secretariat in coordination with the Government of Rwanda further suggested having the next Board meeting on the 21st to 24th of March 2023. As several Board members expressed their concerns regarding the changing of dates, e.g. due to an overlap with the the Adaptation Fund (AF) Board Meeting or the start of Ramadan, the Board decided against the newly proposed dates. In consequence, the Board adopted the decision to

hold the next Board Meeting on the 13th to 16th of March 2023 in Korea with the addition that B.36 will be held in Rwanda.

