CLIMATE FINANCE ADVISORY SERVICE

SUMMARY BRIEFING

37th Green Climate Fund Board Meeting

23-25 October 2023

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 23 to 25 October 2023, the Board of the Green Climate Fund (GCF) convened for its 37th meeting in Tbilisi, Georgia. The meeting's agenda focussed on the approval of the revised Readiness and Preparatory Support Programme Strategy 2024-2027; the revised operating modalities, activities and funding of the Project Preparation Facility; the outcomes of the GCF regional presence study, and a proposal on the financing of results-based payments for REDD+. Furthermore, the Board considered the approval of 15 funding proposals (requesting USD 736.4 million in GCF funding), the re-accreditation of six previously accredited entities and the accreditation of three new entities.

Status of GCF resources, pipeline and portfolio performance

As of 31 August 2023, the GCF portfolio comprises 228 projects worth US$ 12.8 billion with expected mobilisation of US$ 35.5 billion in co-financing. The current pipeline of funding proposals comprises 80 public and private sector funding proposals, requesting a total of USD 4.6 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 (52% vs. 48%); support for adaptation in LDCs, SIDS and Africa continues to be above the envisaged 50% threshold (66% under GCF-1); while the direct access entity (DAE) portfolio volume has grown from 12% during the Initial Resource Mobilisation period to

19% under GCF-1. The support to the private sector remains almost steady at 17% of funding allocations. The co-financing ratio from the private sector has stayed almost steady at 3.4, while the factor has improved in the public sector from 2 to 2.4. Overall, the Secretariat notes several improvements of the portfolio performance compared to the IRM period taking into account trends and key metrics:
Board Members welcomed and took note of the report, with some Members reiterating their concerns from previous meetings about the concentration of funding to international access entities and the need to increase the mobilisation of finance from the private sector.

Consideration of funding proposals

At B.37 a total of 15 Funding Proposals (FPs) have been presented to the Board for consideration, all of which have been approved under the adoption of the proposed conditions by the independent Technical Advisory Panel (iTAP). Four of the FPs used the GCF's simplified approval process track. The endorsed proposal package comprises eight adaptation, four cross-cutting and one mitigation proposal and amounts to a total GCF investment of USD 736.4M. Including expected co-financing, the total funding adds up to USD 3.6B. Among the ten public and five private sector proposals, only three have been submitted by Direct Access Entities (DAEs). The proposals dedicate most of the funding to African countries (54%), followed by the Asia-Pacific region (30%) and Latin America and the Caribbean (14%). LDCs, SIDS, and African States receive 78% of the approved total funding. Investments are projected to reach 62 million beneficiaries and avoid 74.8 MtCO2eq.

Overall, Board Members positively acknowledged the diversity of the presented FPs. Some Members, however, were concerned with an inadequately regionally balanced portfolio, to the disadvantage of the Latin American and Arabic regions. Also, the Board urged the Secretariat to increasingly funnel resources through the Fund's direct access modality.

While many proposals received positive feedback from the Board, the Africa Rural Climate Adaptation Finance Mechanism (FP220), was of particular interest. The programme aims to establish a mechanism to crowd in private investment for adaptation finance (agricultural focus). Thereby, the proposal did not lack to demonstrate strong local ownership and engagement. On the contrary, for some of the larger programmes (e.g. FP 223) the concern was raised that funds often do not reach smaller countries and SIDS, as promised in the documents.
Furthermore, references to risks for labour and human rights violations in the solar supply chain in several proposals have been criticised by one Board member - an issue that emerged already at B.36. In consequence six projects and programmes have been objected to by one Board Member and were only later on approved through a voting procedure.

The following projects and programmes were approved by the Board at B.37:

- **FP214:** *"Thai Rice: Strengthening ClimateSmart Rice Farming"* / Country: Thailand/ AE: GIZ / GCF funding: USD 41.0M
- **FP215:** *"Community Resilience Partnership Program"* / Country: Cambodia, Indonesia, Lao People's Democratic Republic (the), Pakistan, Papua New Guinea, Timor-Leste, Vanuatu / AE: ADB / GCF funding: USD 120.0M
- **FP216:** *"Scaling up climate resilient flood risk management in Bosnia and Herzegovina" Country: Bosnia and Herzegovina"* / AE: UNDP /GCF funding: USD 14.4M
- **FP217:** *"Building Resilience of Vulnerable Communities to Climate Variability in Rwanda's Congo Nile Divide through Forest and Landscape Restoration"* / Country: Rwanda / AE: MOE_ Rwanda / GCF funding: USD 39.1M

- **FP218:** *"Building climate resilience in the landscapes of Kigoma region, Tanzania"* / Countries: Tanzania / AE: UNEP / GCF funding: USD 19.0M
- **FP219:** *"Staple Crops Processing Zone (SCPZ): Promoting Sustainable Agricultural Value Chains"* / Countries: Guinea, Senegal, Togo / AE: AfDB / GCF funding: 102.8M
- **FP220:** *"Africa Rural Climate Adaptation Finance Mechanism (ARCAFIM) for East Africa region"* Countries: Kenya, Rwanda, Tanzania, Uganda / AE: IFAD / GCF funding: 55.0M
- **FP221:** *"Rwanda Green Investment Facility (RGIF)"* Country: Rwanda / AE: AfDB / GCF funding: 42.8M
- **FP222:** *"Renewable Energy Performance Platform (REPP 2)"* Country: Cameroon, Democratic Republic of the Congo (the), Lesotho, Madagascar, Malawi, Niger (the), Nigeria, Sierra Leone, Zambia / AE: CAMCO / GCF funding: 50.0M
- **FP223:** *"Project GAIA ("GAIA")"* Country: Barbados, Benin, Costa Rica, Cote d'Ivoire, Dominican Republic (the), Ghana, Guatemala, India, Indonesia, Jamaica, Kenya, Mauritius, Mongolia, Morocco, Panama, Peru, Philippines (the), Tanzania, Togo / AE: MUFG_ Bank / GCF funding: 152.5M
- **FP224:** *"Renewable Barbados Project"* Country: Barbados / AE: IFC / GCF funding: 41.0M
- **SAP030:** *"Strengthening Climate Resilience of the Lao People's Democratic Republic (PDR) Health System"* / Country: Lao People's Democratic Republic / AE: SCA / GCF funding: 25.0
- **SAP031:** *"Marajó Resiliente: Enhancing the resilience of smallholders to climate change impacts through adapting and scaling up diversified agroforestry systems in the Marajo Archipelago of Brazil"* / Country: Brazil / AE: Fundación Avina / GCF funding: 9.4
- **SAP032:** *"Local Climate Adaptive Living Facility – LoCAL"* / Country: Benin / AE: FNEC / GCF funding: 9.4
- **SAP033:** *"Enhancing Climate Information Systems for Resilient Development in Sierra Leone"* / Countries: Sierra Leone / AE: AfDB / GCF funding: 15.1

Consideration of accreditation proposals

At B.37 the Board approved the re-accreditation of six entities and the new accreditation of three entities. Among those nine entities (as listed below), four entities are direct access entities (DAEs), while the remaining five operate at the global level. Two of the four DAEs are from the Pacific region, one from the Caribbean region, and one from Asia. Three entities are from SIDS. With the new applicants, the GCF's accredited entities portfolio now comprises 121 organizations, with a DAE share of 64%.
Similar to the last Board meeting, the GCF's capacity to cope with the high amount of accreditation and re-accreditation processes was actively discussed. The Secretariat stated to currently support 76 AEs in addressing their re-accreditation conditions and to assist a pipeline of over 145 new applicant organizations. In response, the Board decided that the Secretariat must revise the current accreditation framework, to be presented at the last Board meeting in 2024. To ease the situation of current re-accreditation processes, the Board further decided to extend the current accreditation term of five years by an additional 3 years.
Furthermore, discussions centered around the GCF's eligibility to influence an entity's portfolio, in case of significant fossil fuel investments. Arguments got concrete, as a significant share of the portfolio of the Japan-based MUFG Bank, Ltd, which applied for re-accreditation, comprises investments in fossil fuels. The final decision text reflected that the GCF may not impose additional requirements on entities to align their portfolios with the GCF's objective.

The following six entities were re-accredited by the Board at B.37:

- **RAPL043:** Foreign Environmental Cooperation Center of the Ministry of Ecology and Environment of China (FECO) / national direct access, China
- **RAPL053:** Micronesia Conservation Trust (MCT) / regional direct access, Pacific
- **RAPL040:** Food and Agriculture Organization of the United Nations (FAO) / international access
- **RAPL038:** Deutsche Gesellschaft für Internationale Zusammenarbeit GmbH (GIZ) / international access
- **RAPL041:** International Fund for Agricultural Development (IFAD) / international access
- **RAPL054:** MUFG Bank, Ltd (MUFG) / international access

The following three entities were newly accredited by the Board at B.37:

- **APL122:** Federated States of Micronesia Development Bank (FSMDB / national direct access, Federated States of Micronesia
- **APL123:** CARICOM Development Fund (CDF) / regional direct access, Caribbean
- **APL124:** SK Securities, Co., Ltd (SK Securities) / international access

Final Report on the Independent Evaluation of the GCF's Readiness and Preparatory Support Programme

At the outset, the Independent Evaluation Unit (IEU) provided a recap of the 2018 Readiness and Preparatory Support Programme (RPSP) Evaluation and conclusions regarding the RPSP 2023 evaluation. In this context, the IEU presented seven overall conclusions on the RPSP to the Board. First, the RPSP is the key GCF program designed to meet the climate needs of recipient countries, but its value propositions remain insufficiently developed and universally shared. Second, RPSP’s effectiveness and efficiency are challenged by GCF’s known operational constraints. The time of moving from first submissions to effectiveness was reduced but generally is still taking too long. Third, the fragmentation of the GCF’s internal structure affects the level of integrated engagement with country-level stakeholders. Fourth, success at the country level depends on contextual factors that are not fully acknowledged and addressed. Fifth, clarity around key concepts in the RPSP theory of change, specifically paradigm-shifting potential and country ownership is lacking. Sixth, the Readiness Results Management Framework provides a framework for measuring results in quantitative terms of inputs and outputs, but the GCF has no means to assess the quality of implementation and final results. Seventh, there is little harmonization and coherence between the RPSP strategy and the tools for their operationalization.

The IEU recommended paying further attention to three key questions in the future development of the RPSP. First, “ready for what?”, referring to the expected outcomes and outputs of the RPSP. Second, “when are countries ready”?, referring to the need for clear targets. And third, “how ready are countries?”, referring to the measurement and management of results.

Readiness and Preparatory Support Programme

The new Readiness and Preparatory Support Programme (RPSP) 2024-2027 was developed based on the Board’s request at B.33 for a revised strategy that aligns with the Strategic Plan 2024-2027 and is based on the Independent Evaluation Unit’s (IEU) recommendations as well as stakeholder consultations. The RPSP 2024-2027 addresses three key issues and needs identified in the current RPSP, namely (i) the need for a more strategic and systems thinking approach to the Readiness Program; (ii) the fact that most funding proposals are not linked to concept notes developed under Readiness Programs, meaning a loss of resources; and (iii) the high complexity due to the large number of

transactions resulting from too many modalities.
Improvements in the RPSP 2024-2027 aim at improving predictability, speed, simplicity, complementarity and volume of funding resources and partnerships. The new RPSP includes the following three objectives:

1. Capacity building for climate finance coordination and enabling environment
2. programming for adaptation and mitigation based on country needs
3. knowledge sharing and learning.

Emphasis is placed on the objective 2), where about 60% of resources should be allocated to. The modalities are split in two. The country modality through which countries can access funding of up to USD 4 million for a timeframe of four years through one proposal. Additionally, USD 320,000 are available to LDCs/SIDS to develop such proposals. The additional USD 3 million National Adaptation Planning (NAP) support remains. The second modality is the DAE modality, through which DAEs can access USD 1 million for a four-year period.
Board Members generally expressed strong support for the new Readiness Strategy. Members welcomed the simplification of the Readiness Program by reducing the number of objectives and funding modalities, stating the GCF is a quite complex fund to access, so the improvements make assessing the Readiness Program more practical and simplify the work of DAEs. The strategic approach to move from a piecemeal manner to the modality for countries to submit one single but holistic and integrated readiness proposal was considered useful. It was also welcomed that this simplification of objectives improves alignment with other funds.

However, there were ambiguities in the presented strategy for which Board Members sought clarification. For instance, the Secretariat confirmed that not only countries without current NAPs may access relevant resources but it would also be possible to access additional funding for updating already existing NAPs. With regard to practical implementation, the Executive Director envisages engaging and consulting with as many NDAs and DAEs at COP28 as possible to develop a sound set of operational modalities. The Readiness Strategy was criticized by Board Members for not emphasizing country ownership enough and for missing indicators for result achievements. Another criticism was that the new Readiness Strategy addresses gender equality very poorly, hence a clear gender target would be needed. The Secretariat clarified that gender will continue to be a priority and that the issue will be reworked.

GCF regional presence study outcomes

At B.27, the GCF Board endorsed the GCF updated Strategic Plan (USP) which called for several specific actions to assess the sufficiency of the Fund’s institutional capacity. This included a request to assess needs and options for establishing a GCF regional presence to be closer to the countries GCF serves and monitor portfolio implementation. In response to this mandate, the Secretariat contracted an external firm in 2021 to undertake an assessment of needs and options for establishing a GCF regional presence. Following the consideration of this assessment at B.30, the Board endorsed the terms of reference for a needs and feasibility study at B.36, in order to further examine options for a GCF regional presence.
As presented, the study identified nine options for establishing regional presences, ranging from regional hubs providing project programming and delivering support, to GCF offices with a multifunctional team providing full support and project programming. It was noted that regional presences would help address operational bottlenecks, but may result in additional costs that can be outweighed in the long-run depending on the efficiency and effectiveness of the roles and mandate of the regional presence.
A couple of Board Members stressed the need value of establishing regional presences as soon as possible and suggested a dedicated Board decision at this meeting. Some shared general agreement for the establishment of regional presences, allowing a strengthening DAEs and NDAs and the ability of responding to the needs of national

entities more efficiently, especially for countries and regions that remain underrepresented to the GCF. It was also highlighted that language, time zone differences and other logistical challenges would be addressed, in particular if regional presences were tailored to the different needs and priorities of the regions. However, some Members were of the view that regional presences would not necessarily improve bottlenecks and challenges around accessing the Fund, as this was a recurring problem that can be addressed by more efficient processes. One member highlighted the role of the Readiness and Preparatory Support Program in solving issues around complex processes. Another Board Member emphasized that a one-size-fits-all approach of the regional presences would not address the challenges in an adequate manner.

The Board took note of the study, agreeing that the matter was of high priority and should therefore be revisited at the next Board Meeting.

Proposal on the financing of results-based payments for REDD+

At its 35th meeting, the Board requested the Secretariat to present a proposal on the financing of results-based payments (RBPs) for REDD+, building on the outcomes of the pilot phase. In 2017, the GCF allocated USD 500 million for its REDD+ RBP pilot programme.

As presented by the Secretariat the new proposed REDD+ programme would inter alia i) have a funding window of USD 620 million to USD 1.2 billion; ii) price reduced CO_2 emissions at USD 6-8 per tonne of CO_2 equivalent; iii) be open for four years or until the funding window is fully consumed, whichever comes first; and iv) be phased in two tranches. Regarding country eligibility, three options were highlighted: a) Limited to small island developing states (SIDS), African States, and Least Developed Countries (LDCs), including those with concept notes from the first pilot but were not funded due to the window being exhausted; b) All countries are eligible except those that benefited from the pilot program; and c) All countries are eligible except those that received more than 30% of funding from the pilot program. It was assured that the proposed REDD+ program would adhere to GCF Policies and is aligned with the Cancun REDD+ safeguards.

The Board welcomed the presentation, with most Members highlighting the need of ensuring fair access to REDD+ financing for developing countries. Some stressed the need for geographical balance and the absence of funding concentration to a specific region or country grouping. One Board member suggested dedicating 30% of the entire REDD+ funding window to LDCs, SIDS and African States.

The item was suspended to conduct consultations, aimed to determine which options are best and to address other crucial details such as the size of the funding window and the tranches. A compromise text proposal was shared on the final day of the meeting, which noted changes to the eligibility of countries for accessing the funding window and changes to carbon pricing. As the changes were rather substantial and some Board Members raised concerns about not being able to properly reflect on the issues the Board decided to defer the item to the next meeting.

Consideration and endorsement of the outcomes of the second formal replenishment of GCF

The Secretariat presented on the outcome of the GCF's second formal replenishment process. At a High-Level Pledging Conference hosted by Germany in Bonn on 5 October 2023, a total of USD 9.32 billion was pledged. To date, 25 countries have contributed to GCF-2. It was reported that three countries doubled their pledges, nine countries increased by 50%, while 18 countries overall increased their contributions. Three non-Annex I countries announced a contribution. Before the pledging conference, the Secretariat helped setting up for the process and organized consultations.

Dr. Mahmoud Mohieldin, the facilitator for the GCF-2 gave a brief update on the process

and the outcome. He thanked the Co-chairs, the Executive Director, GCF Staff and all the stakeholders engaged in making the process a success. In his remarks he also stated that GCF would need to work more efficiently in processes related capacity building, accreditation, simplified access especially for DAEs, partnerships with private sector especially for MSMEs and working with philanthropies and foundations as partners. It was also stated that several developed countries were yet to make pledges and requested those that announced the intention to do so to do it soon. The Secretariat was suggested to continue engaging with the pledging countries to convert their pledges and intentions into actual contribution agreements.
One Board member thanked Dr. Mahmoud Mohieldin and other stakeholders for their active engagement and stated that the replenishment process has sent a strong message in implementing the new strategy (2024-2027) of the GCF. The Board approved the decision.

Matters related to the updated Strategic Plan for the GCF 2024–2027

Allocation parameters and portfolio targets under the GCF initial investment framework
After approving the updated Strategic Plan for the GCF 2024– 2027 (USP-2) at B.36, the Board had requested the Secretariat to update the allocation parameters and portfolio targets under the GCF initial investment framework to reflect the allocation parameters and portfolio targets for the second replenishment period set out in the USP-2 under the guidance of the Co-Chairs. The Secretariat stated that the update was a routine as part of each programming cycle. They proposed to update the investment framework to reflect investment and results policies adopted between B.07 and USP-2 under investment policies. Similarly, under the investment strategy portfolio targets allocation are updated to reflect the USP-2, without substantive changes being proposed to investment guidelines.
Some Board Members raised concerns about the late arrival of the document and reiterated the importance of providing the document on time. One Board Member questioned why the results-based approach was not included as one of the allocation criteria, as it is mentioned in the GCF's Governing Instrument. There was also a suggestion to link the update to several evaluations conducted by the IEU. The Secretariat suggested that this update was in tandem with all the other GCF relevant policies and the language of the USP had been adequately captured.

The Board approved the update to the investment framework updating the allocation parameters and portfolio targets for the second replenishment period, with effect from 1 January 2024.

Criteria and planned allocations for targeted results
The Secretariat presented an information document on criteria and planned allocations for targeted results under the updated strategic plan 2024-2027 (USP-2). It was stated that the targeted results for 2024-2027 are projections based on resourcing scenarios for the GCF second replenishment programming period (GCF-2) and various other assumptions. The Secretariat stated that for the assumption and methodology used, the mid scenario (USD12.5B) was taken as an example for planning as the resource mobilization was still ongoing. The allocations were also estimated for Fund operating costs and the RPSP/PPF. It set planned allocations across programming priorities and used metrics from portfolio data to calculate targeted results.

A Board Member suggested that the gender component needed to be strengthened in the document and that more disintegrated data would be helpful. Another Board Member cautioned on the country drivenness and questioned if the document was too ambitious to meet the targets especially with the number of MSMEs mentioned in the document. It was also clarified that the numbers and allocations were only to present the methodology and

the assumptions.
Ultimately, the Board was not bound to follow the planned or projected allocations stated in the information document and took note of the document.

Project Preparation Facility: revised operating modalities, activities and funding

The Secretariat introduced the document to the Board as requested at B.33 with the elements in the Project Preparation Facility (PPF) including (a) Revised operating modalities for the PPF; (b) Revised list of activities that can be supported by the PPF; and (c) Review of the funding for the PPF. The revision was aimed to improve the GCF support to developing countries for the development of transformational, innovative and impactful proposals. It looks into strengthening the linkages between the Readiness Programme and the PPF; the adequacy of the current cap of USD 1.5 million per project preparation request; the complementarity with other climate funds; and inclusive stakeholder involvement among other things. Four major areas were suggested that included:

- enhanced access to climate finance especially by DAEs;
- maximum impact and innovation and unlocking private sector finance;
- maximizing synergy between readiness support and PPF; and
- support crowding-in of climate investment at scale

It was proposed that from the current funding cap of USD 1.5 million per PPF request, the revised approach (on a case-by-case basis) would allow the GCF to extend funding up to USD 3.0 million per PPF request where necessary for the project. This flexibility was proposed to better support countries with developing resource-intense interventions, such as innovative regional or multi-country projects or resilient infrastructure investments. The document also suggested the enhancements to the original operating modalities of the PPF adopted at B.13 titled “Operational guidelines for the Project Preparation Facility”. To implement the revision and to continue the operation of the PPF in the GCF-2 period, a financial resource allocation of USD 90.3 million was proposed.

A number of Board Members sought further clarity on the adequate linkage between the RPSP and the PPF. In their view, the support provided to develop concept notes under the RPSP should have linkages to the PPF. Similarly, there was also a suggestion made on the capacity building elements and how it needs to develop local expertise in the process of implementing PPF, while avoiding a reliance solely on international consultants. Gender considerations, a focus on DAEs and country ownership was also raised by the several Board Members. The Board approved the decision.

Potential measures to manage non-confirmed pledges and non-payment of Contributions

The Secretariat presented potential measures to manage non-confirmation of pledges and non-payment of contributions, as requested by the Board at B.36. The Secretariat stated that they were in continuous engagement with the concerned stakeholders for non-confirmation pledges and non-payment of contributions. Various measures and tools such as reports, Board papers and bulletins, annual reports to the COP were also being used to communicate these. The Secretariat laid out three options as a measure to manage non-confirmation of pledges and non-payment of contributions: (1) referring the matter to the COP for further guidance; (2) encouraging the developed countries constituency representation at the Board to consider measures to support the confirmation of pledges and timely payment of contributions; and (3) asking the Secretariat to continue with current measures being deployed by the Fund.

Some Board Members underscored the importance of realizing the pledges and contributions. It was stated that financial resources were needed in order to tackle climate change. Many Board members were in favor of Option 3. The Board took note of the document.

Election of Co-Chairs and Dates and venues of upcoming meetings of the Board

Before closing the meeting, the Board appointed the new Co-Chairs for 2024. Accordingly, Ms. Sarah Metcalf (United Kingdom) and Ms. Milagros de Camps German (Dominican Republic) were nominated by their respective constituencies.
As for the next meeting of the Board, it was decided to convene in Kigali, Republic of Rwanda from 4 to 7 March 2024.

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