



CLIMATE FINANCE ADVISORY SERVICE

## SUMMARY BRIEFING

### 38th Green Climate Fund Board Meeting

4-6 March 2024

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

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

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The CFAS Team

## Summary

From 4 to 6 March 2024, the Board of the Green Climate Fund (GCF) convened for its 38th meeting in Kigali, Republic of Rwanda. The meeting's agenda focused on determining a way forward for the potential establishment of the GCF's regional presence, as well the Financing of results-based payments for REDD+. Furthermore, the Board considered the approval of eleven funding proposals (requesting US\$ 489.8 million in GCF funding), and the accreditation of eight new entities.

## Opening of the meeting and adoption of the agenda

The 38th Board meeting started with a ceremony and a minute of silence in memory of Brazilian Board Member, Mr. Daniel Machado da Fonseca. After the ceremony, one of the new Co-Chairs for 2024, Ms. Milagros De Camps German (Dominican Republic) opened the meeting by welcoming all those in attendance and thanking the host of the meeting, the Government of Rwanda, for their hospitality. She then informed the Board that Ms. Sarah Metcalf (United Kingdom), the second Co-Chair was unable to join the meeting and requested the Board to decide on allowing Ms. Victoria Gunderson (United States) to assume the function of Co-Chair for this meeting, based on the Board's Rules of Procedure, and after her selection by her constituency. The Board decided that Ms. Gunderson would Co-Chair the meeting in the absence of Ms. Metcalf.

Concerning the agenda, some Board members expressed their concerns that the agenda, as well as some of the agenda items included in it, had not been the subject of previous

consultation with the Board. They highlighted the importance of these consultations to facilitate the work of the Board and the Secretariat, enhance openness and transparency, and allow the Board to play a role in the definition of these items. They encouraged the Co-Chairs and the Board to ensure appropriate consultations are held moving forward. Board members also addressed the proposed restructuring of the Secretariat being led by the new Executive Director, Ms. Mafalda Duarte. The restructuring was not an agenda item, but had been discussed before the start of the formal Board meeting. Board members highlighted the need for them to be engaged and informed about this process in the future.

One Board member inquired about the additional agenda item that was included at the last minute on the agenda, as part of Other Matters, related to policy coherence and compliance. The proponents of the item explained that this proposal came as a result of an issue with a previously approved funding proposal, which pointed at a potential policy loophole that the Board should address. After these statements and the clarification of the additional agenda item, the agenda was adopted.

## Consideration of funding proposals

Prior to B.38, a total of 12 Funding Proposals (FPs) have been submitted to the independent Technical Advisory Panel (iTAP), of which 11 have been endorsed for the Board's consideration. Four of the proposals used the GCF's simplified approval process track, while also four of the 11 FPs received support from the Project Preparation Facility (PPF). The endorsed proposal package comprises six adaptation, four cross-cutting and one full mitigation proposal. The total GCF investment for the FPs amounts to US\$ 489.8 million, while the total value, including expected co-financing, adds up to US\$ 1,258.9M. The split between private and public sector proposals is very even, with six public and five private sector proposals. Similarly, five proposals have been submitted by Direct Access Entities (DAEs), whereas six proposals were submitted by International Access Entities (IAE). Four of these AEs have submitted proposals for the first time (3 DAEs and 1 IAE). The proposals dedicate most of the funding to the Asia-Pacific region (49%), followed by Latin America and the Caribbean (21%) and Africa (20%). LDCs, SIDS, and African States receive 48% of the approved total GCF funding. Investments are projected to reach 29.1 million beneficiaries and avoid 32.3 MtCO<sub>2</sub>eq.

Overall, several Board Members positively acknowledged the increased share of proposals submitted by DAEs, against the tendencies of previous Board Meetings. The floor also appreciated the enhanced involvement of the private sector in a number of proposals. However, some Board Members urged the Secretariat to work on reducing the time between a first concept submission to the secretariat and the presentation of the full funding proposal to the Board. Additionally, it was requested from the iTAP to provide transparent information on their processes as well as the working modalities between the iTAP and the Secretariat.

The "Cambodian Climate Financing Facility" (FP228) was among the proposals that received very positive feedback, as the project shows strong country ownership and puts an emphasis on south-south cooperation. In light of the "E-Mobility Programme" submitted by the ADB (FP225), one Board Member questioned the cross-cutting character of programme interventions. The concern was raised that if funds that are aimed at increasing the resilience of public transport systems, are labelled as adaptation, this may deprive the already scarce resources dedicated to key adaptation challenges in other areas.

Another interesting discussion arose around the iTAP conditions for the "Kuali Fund-GCF" (FP230), which stated that investments should not flow "[...] in fossil fuel vehicles, including without limitation, any investment in hybrid, plug-in hybrid, or "efficient" fossil vehicles, even if operated with biofuels [...]." Some Board Members argued that the readiness to adopt the use of electric vehicles depends on local circumstances (e.g. access to electricity), whereas the iTAP condition rules out any opportunities to avoid

emissions through enhanced energy/fuel efficiency. As a consequence, the respective iTAP conditions have been deleted in the approval text for FP230. One Board member objected to one proposal (FP231), as the project's risk analysis included references to forced labour issues in China. After a voting process, the proposal was approved with a 23 to 1 vote in favour.

The following projects and programmes were approved by the Board at B.38:

- **FP225:** *"E-Mobility Program"* / AE: ADB / Countries: Armenia, Georgia, Indonesia, Kazakhstan, Kyrgyzstan, Nepal, Uzbekistan Crosscutting / GCF funding: USD 169.9M
- **FP226:** *"Resilient Puna: Ecosystem based Adaptation for sustainable High Andean communities and ecosystems in Peru"* / AE: GIZ / Country: Peru / GCF funding: USD 44.2M
- **FP227:** *"Increase Resilience to Climate Change of Smallholders Receiving the Services of the Inclusive Agricultural Value Chains Programme (DEFIS +)"* / AE: IFAD / Country: Madagascar / GCF funding: USD 53.9M
- **FP228:** *"Cambodian Climate Financing Facility"* / AE: KDB / Country: Cambodia / GCF funding: USD 55.0M
- **FP229:** *"Acumen Climate Action Pakistan Fund"* / AE: Acumen / Country: Pakistan / GCF funding: USD 28.0M
- **FP230:** *"Kuali Fund-GCF"* / AE: COFIDES (New IAE) / Countries: Brazil, Colombia, El Salvador, Guatemala, Honduras, Mexico, Panama / GCF funding: USD 35.6M
- **FP231:** *"Accelerating Solar Action Program (ASAP)"* / AE: Ecobank (New DAE) / Country: Ghana / GCF funding: USD 16.2M
- **SAP034:** *"Akamatutu'anga To Tatou Ora'anga Meitaki (ATOM): Building a healthy and resilient Cook Islands Community – one block at a time"* / AE: MFEM\_COK (New DAE) / Country: Cook Islands / GCF funding: USD 12.5M
- **SAP035:** *"Building the Adaptive Capacity of Sugarcane Farmers in Northern Belize (BaC-SuF)"* / AE: CCCCC / Country: Belize / GCF funding: USD 25.0M
- **SAP036:** *"Sierra Leone Coastal Resilience Project (SLCRP)"* / AE: SCA / Country: Sierra Leone / GCF funding: USD 25.0M
- **SAP037:** *"Avaana Sustainability Fund"* / AE: SIDBI (New DAE) / Country: India / GCF funding: USD 24.5M

## Consideration of accreditation proposals

At B.38 the Board considered the accreditation of eight new implementing entities. This time, no re-accreditation proposals have been presented. This absence of re-accreditation proposals at B.38 mirrors the shift in focus of the Accreditation Panel (AP) towards new applicants over re-accreditations. On the contrary, the number of new accreditations has doubled compared to recent years, a necessary measure if the AP wants to meet its target of 25 new applications in 2024.

Among the new entities, six entities operate under the direct access modality (five national and one regional entity), while the remaining operate at the international level. Three direct access entities (DAEs) are from the LAC region and three are from Asia. With the new applicants, the GCF's accredited entities portfolio now comprises 128 organizations, with a DAE share of 64%.

The Secretariat reported to currently support 71 AEs in addressing their re-accreditation conditions and assisting a pipeline of over 155 new applicant organizations. While the GCF's capacity to cope with the high amount of accreditation and re-accreditation processes was a widely discussed issue at past Board Meetings, at B.38 the Secretariat and the AP reported an enhanced efficiency in recent processes.

Whereas the work of the Secretariat and AP has been appreciated, Board Members also pointed to the need to further reduce the timeline for re-accreditation processes. Another

remark was the imbalance of regional presentation among the applicant list. For instance, it was criticised that AEs from the African region are generally underrepresented. Furthermore, the Secretariat informed the Board about the successful operation of the piloted Project-specific Assessment Approach (PSAA). Almost all entities got approved smoothly, without further comments. One exception was the consideration of Terra Global (APL131). As a carbon offset developer, the entity was criticised by the Civil Society Organizations (CSO) Active Observer for its questionable climate impact.

The following entities were newly accredited by the Board at B.38:

- **APL125:** Banco de Comercio Exterior de Colombia S.A. (Bancóldex) / national direct access / Colombia / project/programme size: medium
- **APL126:** Banco Nacional de Obras y Servicios Públicos, S.N.C (BANOB RAS) / national direct access / Mexico / project/programme size: medium
- **APL127:** Cities and Villages Development Bank (CVDB) / national direct access / Jordan / project/programme size: medium
- **APL128:** Community Development and Investment Agency of the Kyrgyz Republic (ARIS) / national direct access / Kyrgyzstan / project/programme size: small
- **APL129:** Nepal Investment Mega Bank Limited (NIMB) / national direct access / Nepal / project/programme size: medium
- **APL130:** Corporation Interamericana para el Financiamiento de Infraestructura, S.A. (CIFI) / regional direct access / Latin America and the Caribbean / project/programme size: medium
- **APL131:** Terra Global Capital, LLC (Terra Global) / international access / project/programme size: small
- **APL132:** International Tropical Timber Organization (ITTO) / international access / project/programme size: micro

## GCF regional presence study outcomes

The Executive Director, Ms. Mafalda Duarte, opened this item with a presentation on the process of establishing a GCF regional presence that had taken place so far. This included all previous Board decisions on this matter; the work conducted by the Secretariat, in particular the feasibility study requested by the Board at B.36 and discussed at B.37; and the guidance coming from the 28th Conference of the Parties (COP28) to the GCF. She mentioned that the feasibility study did not contain sufficient information to serve as the basis for a decision, and more work was needed, including providing information on costs. She did also state the importance of proximity and the value of close, full programming support for countries. She continued by summarising the different views expressed by Board members during informal consultations, including on the focus for further analysis and work. Key recommendations coming from the informal consultation included assessing models based on regional specificities; including a “network model” based on GCF staff support provided directly to countries, as well as hybrid approaches; and implementing a progressive, step wise approach to the establishment of regional presence. She then presented the decision, requesting the Secretariat to conduct a detailed assessment of the different potential models included in the feasibility study for regional presence, including legal and financial implications, to be presented at the 40th meeting of the Board (B.40), accompanied by consultations with Board members and other stakeholders.

Board members used the floor to present their views and preferences on the way forward, and to highlight the different needs and challenges countries face. Some emphasised the importance of regional presence for their regions, to ensure equity between, since some regions are faced with time zone issues when communicating with the GCF. A network approach supporting National Designated Authorities (NDAs), including through the Readiness programme, had strong support from some Board members; others were supportive of establishing regional offices. Many expressed their preference for differentiated and tailored approaches to address the specific needs of different regions. However, a Board member expressed concerns that a hybrid or differentiated

approach could affect institutional coherence and present trade-offs that would need to be addressed. Board members insisted on the need to find models that could ensure efficiency gains in GCF processes, and ensure more access to GCF finance.

Many Board members also expressed their support for a step-wise approach that would include further consultations with stakeholders, including in particular NDAs. Some suggested developing a better understanding of the different needs, but also emphasised the need to better understand the process of restructuring the Secretariat, that was being proposed by the ED.

Board members suggested changes to the decision text, to reflect the need for the Secretariat to present to the Board various proposals for regional presence, including a comprehensive cost-benefit analysis and legal considerations, by B.40. Considering that many Board members expressed concerns about the feasibility of that deadline, the Board agreed to keep it but requested the Secretariat to provide an update to the Board by its 39th meeting, including an updated timeline. After these changes were agreed, the Board adopted the decision.

## Financing of results-based payments for REDD+

The Co-Chairs opened the item by reminding the Board that the purpose of the discussion was to seek guidance from the Board to the Secretariat on how to conduct consultations on the matter of Financing of results-based payments (RBP) for REDD+.

The Secretariat made a presentation introducing the different mandates the Board has regarding RBP and REDD+, as well as COP28 guidance and other decisions of the United Nations Framework Convention on Climate Change (UNFCCC). They introduced the three phases of REDD+ and their link to the different GCF funding modalities, include readiness and preparatory support and the Project Preparation Facility and funding proposal approval process, for ex ante support; and the pilot programme for REDD+ RBP for ex post payments. They highlighted that the use of proceeds from the RBP pilot allowed countries to carry on along the same cycle, thus creating a virtuous cycle where use of proceeds get reinvested in preparatory work. They also pointed out that the entirety of the first REDD+ pilot programme finance went to countries in Latin America and the Caribbean and Asia.

The Secretariat reminded the Board that a proposal was presented at B.37 on financing RBP for REDD+, with a format that was identical to the original pilot programme, based on a Request for Proposals (RFP) with a timeframe of 4 years, to align with the GCF-2 envelope, with funding in a range of US\$ 620 million to US\$ 1.2 billion. At this meeting, the Secretariat presented two options for consideration by the Board. Option 1 based on a RFP, with minimal changes from the previous proposal presented at B.37; and Option 2 which looked at mainstreaming RBP for REDD+ into the GCF's main funding window. The second option entailed further consultations and workshops, as well as adjustments in metrics and other elements, and therefore would need a longer timeframe than Option 1. This longer timeframe could create a hiatus, which could reduce the predictability needed for the virtuous cycle of REDD+ to work. Therefore, Option 2 also included RFP as a first step that could receive proposals in early 2025, while continuing to work and consult on mainstreaming, which could be ready by late 2025.

Many Board members supported Option 2 as the best option. For some, it was important to ensure that the projects already submitted during the first pilot that did not get funding due to the pilot reaching its intended allocation would receive support under a new RBP pilot. However, others raised questions about the regional balance in the allocation of this type of finance, if projects in the current pipeline were to be funded. A few Board members expressed that the mandate of the GCF is to use RBP, but not necessarily for REDD+ exclusively. They expressed their support for RBP, but not for REDD+, as RBP can also be designed for agriculture, adaptation and other sectors, considering not all countries can do REDD+, which could affect regional balance. A few Board members also supported conducting an analysis on how to reach women and Indigenous Peoples better. Finally, a Board member ask for clarification as to where the funding would come from, considering

the allocation for the different priorities reflected in the latest Strategic Plan (USP-2) The Secretariat responded to some of the questions raised, giving an estimate of the funding needed to finance the remaining proposals from the first pilot, as well as potential demand. They also explained that the focus of the RBP on REDD+ was due to the fact that the UNFCCC has developed a system for verifying emissions reductions for REDD+ but not for other sectors, which is needed in order to approve RBP. They also clarified that the proposal for REDD+ RBP presented at B.37 included an annex that refers to policies including Environmental and Social Safeguards, gender, and Indigenous Peoples. Finally, on the question of the funding allocation, they noted that it was included in the USP-2 as part of target 5 referring to ecosystems, and was based on projections.

After these discussions, the Board noted the information document.

## Administrative Budget and Accounting Framework

In 2015, the Board approved the initial “Administrative Guidelines on the Budget and Accounting System”. These relatively simple guidelines served GCF well at a very early stage in its development when it had yet to begin programming and the Secretariat had few staff. Nine years and over 200 projects and three strategic planning cycles later, GCF is evolving and needs an overall budget framework that is more flexible and better aligned with its growing maturity, ability to advance budget forecasting and status as a vital going concern. As requested by the Board at B.34, the Secretariat has reviewed the relevant GCF rules and used this opportunity to update and streamline the existing system. The resulting proposed ‘Administrative Budget and Accounting Framework’ seeks to address several “pain points” that emerged over the Initial Resource Mobilization and the first replenishment period of GCF funding cycles. Inter alia, the Secretariat suggested the following changes:

- Approval of multi-year rolling budgets covering both salaries and other costs for the Secretariat and the independent units with limited impact on commitment authority;
- Continue using budgetary caps for the current year budget;
- Introducing a new contingency budget for Board requested mandates not covered in the approved budget;
- A provision for carry over of funds from year to year limited exclusively to already approved contracts; and
- The creation of a capital budget if needed in the future

The new Administrative Budget and Accounting Framework also makes changes in approach, most importantly moving away from being prescriptive to being principles-based; streamlining by using International Financial Reporting Standards; updating the Terms of Reference of the Budget Committee; as well as codified the desirability for consistent reporting across all GCF units and entities.

The Board welcomed the revised framework, with many members supporting the move to a multi-year rolling budget, while seeking clarification on other elements, such as the budgetary cap for the new contingency budget; the authority over deciding on the use of the contingency budget; the carry-over of funds; and options on allocating underspent resources to the commitment authority of the Fund. Without further discussion, the Board approved the new “Administrative Budget and Accounting Framework”, as presented.

## Compensation philosophy

At B.34, the Board agreed on a stepwise approach for the creation of a GCF salary structure. As a first step, the Secretariat was requested to present a Fund-wide compensation philosophy based on a benchmarked assessment of comparable organizations.

The proposed GCF compensation philosophy is based on an understanding of the unique

talent, skills and experience that GCF needs to attract and retain to support the effective implementation of its transformational global mandate and evolving strategic plan, and current market dynamics for acquiring and retaining essential talent. At that it shall guide compensation decisions with distinct focus to attract, nurture, motivate and retain diverse world-class talent. Key guiding principles of the proposed compensation philosophy include competitiveness, transparency and predictability, equity, rewards and responsibility and accountability.

The Board welcomed the presentation and highlighted the importance of the matter, in particular the need to focus on the well-being of GCF staff and offering competitive compensation. Members also stressed the need for cooperation between the Budget Committee and Human Resources and urged that any compensation should emphasise gender equity and inclusion, avoiding a gender pay gap. Others noted that equity should be addressed in all its dimensions, not just limited to gender. Without further discussion, the Board adopted the proposed Compensation Philosophy.

## Launch of the GCF Third Performance Review

Before closing B.38, the IEU presented the Budget and Schedule of the Third Performance Review of the GCF, prepared in consultation with the Budget Committee and the GCF Secretariat. The budget is based on IEU's review of practices in other comparable institutions, an assessment of the scope of the review, as well as institutional experience. Furthermore, the schedule takes into account the currently expected schedule of replenishment and review of strategic plan in 2026-2027.

The Board welcomed the presentation, raising some questions in particular on the projected costs, which are estimated at US\$ 1,847,000 and therefore constitute more than twice the costs of the first performance review. Others also stressed the need to utilise the expertise of the IEU rather than contracting external consultants, while others highlighted the need of keeping track of the implementation of recommendations formulated by the IEU in all of their reports, not limited to the Performance Reviews. Last but not least, one member also emphasised the importance of timeliness of the Third Performance Review, in particular to align with the third replenishment process of the Fund. As time was pressing and further consultations were needed, the Board decided to defer a decision to the next Board meeting.

## Dates and venue of upcoming Board meetings

After some discussion, the Board decided to hold its 39th meeting from 15-18 July 2024 in Songdo, Republic of Korea.

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