CLIMATE FINANCE ADVISORY SERVICE

SUMMARY BRIEFING

33rd Green Climate Fund Board Meeting

17-20 July 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 July 2022

From 17 to 20 July 2022, the Board of the Green Climate Fund (GCF) convened for its 33rd meeting in Incheon, Republic of Korea. The meeting's agenda focussed on policy consultations, such as the update of the guidance on the approach and scope for providing support to adaptation activities; and steps to enhance the climate rationale of GCF-supported activities. Furthermore, the Board considered the approval of four funding proposals (requesting US$ 380.7 million of GCF funding) and the re-accreditation of four accredited entities.

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, as well as extending their appreciation to the Secretariat and the Executive Director of the GCF, as well as the GCF staff, for the organisation of the meeting. Regarding the agenda of the meeting, a Board member raised concerns about the fact that a document linked to the agenda item on the selection of the Executive Director had not yet been shared with Board members, and highlighted the importance of the Board receiving all documents on time. The item was suspended and after the pending documents, including the one on the selection of the Executive Director were shared, the agenda was finally adopted. Immediately after the adoption of the agenda, the Co-chairs presented a very short decision concerning the election of committee members. This decision appointed Ms. Nadia Spencer-Henry (Antigua and Barbuda) to substitute Mr. Albara Tawfiq (Saudi Arabia) as part of the Ethics and Audit Committee; it also appointed Ms. Fiona Ralph (Ireland) to the Performance Oversight Committee, thus ensuring the functioning of these committees. The decision was adopted without comments.

Status of the GCF resources, pipeline and portfolio performance

The Secretariat presented the status of the GCF resources, pipeline and portfolio performance. They highlighted that all contributors had confirmed the full amount of their pledges. They also stated that after B.33, they expected to receive US$ 1.1 billion in additional contributions, which would raise the commitment authority of the GCF to US$ 1.5 billion for B.34, if all the funding proposals presented at B.33 were approved.

Comparing the status of the portfolio against the established targets, the Secretariat reported that the balance between adaptation and mitigation was not yet fully achieved; that the project level outcomes for adaptation and mitigation were higher than the baseline (which is the Initial Resource Mobilisation (IRM) period); and that the direct access entity (DAE) portfolio volume had also increased compared to the baseline. However, they also noted that adaptation funding for SIDS, LDCs and Africa was lower than during the IRM period, but still above the 50% floor, and that the funding allocation for the Private Sector Facility (PSF) had decreased slightly.
Other trends included an improvement in the operational speed of the GCF; but delays remained, often due to issues on the side of accredited entities, but also included issues in countries and the GCF itself. Additionally, the report showed growth in the Readiness Programme as well as the Project Preparation Facility. Finally, the Secretariat reported on improvements in portfolio monitoring and management.

Some Board members welcomed the report and focused their comments on the issue of the foreign exchange (FX) risks faced by the GCF, especially in light of the strong appreciation of the US dollar against other currencies. They suggested the GCF develop an exchange risk mitigation strategy to face these issues. Other Board members also focused their comments on the need for the GCF to get a credit rating in order to be able to provide guarantees without facing the current limitations of having to put out 100% of the amount of the guarantees as cash reserves. Some concerns were also raised about the difficulties in tracking the results of the Readiness Programme and the need to look at the procurement processes in this area.

In response to the comments by Board members, the Secretariat pointed at the fact that a draft FX hedging strategy was submitted to the Budget Committee for review. The Executive Director added that a policy for reducing the impact of currency fluctuations was available, but that they have been waiting for the Risk Management Committee to take up its work and review the document before it going to the Budget Committee. On the point of guarantees, the issue was included in the document related to financial terms and conditions of the GCF instruments, where a formal assessment of the credit rating option is proposed, and expected to be presented to the Board by B.36. At the same time, the GCF is looking at other instruments to issue guarantees that could allow their expansion without a credit rating. On the issue of monitoring readiness support, the case has been made for strengthening the division of Portfolio Management within the GCF, in order to improve monitoring of readiness grants. As for procurement in readiness, the Secretariat explained that a balance was needed between the monitoring requirements and the additional burden put on accredited entities, to define how regularly the GCF could ask for this information.

After the comments and questions by the Board and the clarifications provided by the Secretariat, the reports were noted.

Report on the Activities of the Secretariat

The GCF's Executive Director Mr. Yannick Glemarec made a presentation of the overall progress in the Key Performance Indicators (KPIs) of the GCF, as of May 2022. KPIs related to formulation, as part of the Readiness and Preparatory Support Programme have been exceeded, so the GCF will run out of resources to finance the programme by the end of July and is thus requesting more funding from the Board. However, implementation and reporting related KPIs showed less success. To address this, the Secretariat has reached out to delivery partners to identify issues and has developed a number of systems to improve management of the

implementation and reporting.
Concerning programming, some contributors have agreed to frontload their contributions in 2022, ensuring that in September, the GCF will have US$ 1.5 billion available for funding proposals, if there is no further devaluation of other currencies against the US dollar. The Secretariat also addressed the fact that the implementation capacity of the GCF needed to be strengthened. In their view, the GCF has moved from being a co-financier to becoming a co-investor, which required more capacity - a need further exacerbated by the COVID-19 pandemic. An important issue was raised by the Secretariat concerning the lapses in the accreditation of entities, including many direct access entities, which have a negative impact on the ability of some funding proposals to come to the Board for approval. This issue is also linked to the absence of the Risk Management Committee (RMC), whose authorisation is required to sign Accreditation Master Agreements (AMAs). As a way forward, the Secretariat recommended the Board to delegate the signature of AMAs to them, until the RMC is established, to avoid these lapses in the future.
Finally, the Secretariat addressed the issue of access, first pointing out the potential need for harmonisation of requirements by the different funds. As a way forward, they introduced ways in which they are addressing this topic, including by working to improve access to capital markets, improving the GCF's regional presence to ensure better access to the fund and the provision of an Appraisal Guidance for partners to have clarity on how funding proposals are appraised by the GCF.

Board members welcomed the provision of the Appraisal Guidance, which provided the needed clarity on the appraisal process. Two specific questions were raised. One on the idea of the GCF becoming a co-investor and whether this vision came from the Board or the Secretariat. Another one concerned the status of the sectoral guidelines prepared by the Secretariat and which were made public on the GCF website. On the first question, the Secretariat replied that the idea of being a co-investor consisted in working closely with accredited entities to develop better projects, instead of waiting to receive their proposals. On the sectoral guidelines, the Secretariat clarified that these were still drafts that will be finalised by B.34, for the consideration of the Board.

Matters relating to Risk Management

The Secretariat introduced an information document on matters relating to risk management, which address three separate issues: a) matters relating to accreditation master agreements (AMAs), b) the foreign exchange commitment risk buffer, and c) the policy to minimise the effect of currency fluctuations on the commitment authority of the GCF.

On the AMAs, the Secretariat clarified that the GCF cannot sign new re-accreditation AMAs without approval by the Risk Management Committee (RMC), because the RMC along with the Executive Director decide whether the AMA changes are substantive enough to be taken for Board approval, and noted that 11 AMAs are or will soon be ready to sign, pending RMC decisions. Three funding proposals expected to come up at B.34 could be affected by delays in signing these AMAs, two of which are presented by direct access entities.
Some Board members commented that delegation of these decisions to the Executive Director could be a way forward, especially in cases when changes are not substantive. Alternatively, bringing these discussions to the whole Board could also be an option.

The Secretariat made a presentation on the foreign exchange (FX) commitment risk buffer, and how it intends to mitigate the GCF's solvency risks related to the fluctuations in the exchange rates. The current GCF buffer stands at US$ 170 million, which is lower than the prescribed level by the GCF's Funding Risk Policy. Accordingly, the Secretariat recommended a US$ 150 million increase in the level, to a total of US$ 320 million. The Secretariat also clarified that the current appreciation of the US dollar was immaterial in this case; therefore, there was no need to increase the risk buffer further.
A member of the Budget Committee suggested a revision of the amount, in light of the current economic context, and pointed at the need to assess the changing economic situation regularly.

Last but not least, the Secretariat introduced the draft policy to minimise the effect of currency

fluctuations, by presenting the status of the GCF pledges and resources, and explaining the process of confirming and receiving contributions. They showed that confirmed pledges were either paid in cash or deposited as promissory notes that would be encashed according to an agreed schedule. These promissory notes, when deposited in currencies other than US$, are the main driver of FX risk to the GCF's commitment authority. At the GCF, a substantial part of the confirmed pledges (98% of GCF-1) are denominated in non-US$ currencies. After this introduction, the Secretariat presented a policy proposal aimed at setting out hedging principles, roles and responsibilities, to minimise the effect of currency fluctuations on the commitment authority of the Fund. An analysis of the policy proposal presented four options, for further consideration and analysis: i) natural hedging, ii) FX reserve, iii) using the Euro as accounting currency and iv) using FX hedging instruments. They also presented some potential challenges, benefits and risks related to these strategies and their intention to continue engaging with contributor countries to make sure they meet their agreed schedules. Finally, they introduced the implementation arrangements and budget implications of this policy.
Board members highlighted the importance of this policy and pointed at the implications of this for the upcoming replenishment process, including contributor countries with flexibility to make faster disbursements in order to minimise the FX risks. Some Board members commented that it is important for the GCF to have these discussions and look at the implications at the project level as well, considering the risks related to the repayment of money lent.

After further work and consultations, the Co-chairs came back with a proposal on the three issues for the consideration of the Board. Firstly, the decision gave authority to the Executive Director to decide (on a case-by-case basis) if an amendment to an accredited entity's AMA was substantive and therefore required Board approval. Secondly, the proposed decision also approved the proposed US$ 150 million for the risk buffer, while requesting the Secretariat to manage the buffer and make periodic adjustments. Thirdly, it requested the Secretariat to continue consultations with the Budget Committee to present a policy to minimise the effect of currency fluctuations on the commitment authority of the GCF, for Board consideration at its 34th meeting. The decision was adopted as proposed by the Board.

Current approaches on financing for forests and alternative approaches

The Secretariat presented a paper outlining the GCF's current approach on financing for forests. The document tried to provide an operational definition of forest financing at the GCF, based on the UNFCCC discussions in terms of REDD+ and alternative approaches (JMA); as well as an estimate of the forest finance provided by the GCF, via its Readiness Programme, funded mitigation, adaptation and cross-cutting projects, as well as the Results-Based Payments (RBP) pilot. The Secretariat also outlined the GCF's current approach to REDD+ and JMA, as well as complementarities and coherence.

Board members welcomed the report. A comment was made about the use of JMA in the document, as this term was still under negotiation, suggesting instead referring to alternative approaches. Some members pointed at the importance of having a holistic approach that targets both adaptation and mitigation, while others added the need to include a focus on biodiversity as well. Board members also pointed at the potential for the GCF to be a provider of high quality carbon credits, while many members emphasised the potential role of the private sector in providing forest finance, though not necessarily via carbon markets. Related to this conversation, the importance of safeguards and standards, including Free Prior and Informed Consent (FPIC), as well as environmental integrity were discussed, as particularly relevant to the sector, especially if the GCF was to become a provider of carbon credits. This could have negative implications for communities. Finally, others called on the GCF to focus not only on reducing deforestation, but also on the conservation of existing forests.
Furthermore, several Board members called for the GCF to assess its REDD+ pilot programme, especially before considering the next phase. Many proposed using this report to start a conversation on next steps for the GCF to continue financing forest related activities, and called for the GCF to establish a strategic approach to financing forest related activities. Other comments included the need to address drivers of deforestation, as well emphasising blue carbon, which is of particular importance to SIDS.

The Secretariat responded that some of the comments made by Board members are addressed in the draft sectoral guidance on forest and land use. They also pointed at the existence of draft Terms of Reference aimed at addressing the issue of environmental integrity that resulted from consultations and workshops held in 2021. Looking at next steps, the Secretariat welcomed guidance from the Board on how to proceed. After the Secretariat responses, the Co-chairs proposed to come back to the Board with a proposal for next steps, after which the Board took note of the report.

Project Preparation Facility: Implementation report and resource allocation

The Board considered the report on the implementation of the Project Preparation Facility (PPF), the status of resources and an associated budget request for the remainder of the first replenishment period of the GCF-1 as presented by the Secretariat. It was reported that by 31 May 2022 a total of US$ 32.8 million had already been disbursed and committed, out of the total US$ 40 million approved by the Board. Under this support, 51 PPFs were approved by the Secretariat. The rest of the amount (US$ 7.2 million) would be exhausted by the end of 2022. To ensure uninterrupted PPF support to developing countries and accredited entities for the remainder period of GCF-1 additional resources would be necessary.

Several Board Members highlighted the importance of PPF for developing countries and how they support the preparation of funding proposals. However, some also stressed that adequate consultations should be conducted before bringing such an essential agenda items to the Board. There were suggestions that PPF must be reformed with an expedited decision-making process and rapid response to prepare the proposals on time. It was also mentioned that the PPF and readiness support should be complimentary. Some emphasised that PPF should not be considered a project but rather a tool to assist the preparation of a funding proposal, especially for direct access entities.

After these deliberations, the Board approved the Secretariat's request for an additional US$ 18 million in support of the PPF.

Readiness and Preparatory Support Programme: Work programme and budget for 2022-2023

The Secretariat presented a work programme and an associated budget request for the Readiness and Preparatory Support Programme (RPSP) for 2022-2023. It was reported that as of May 2022, 590 grants were approved for the RPSP amounting to US$ 413.97 million. It was noted that 141 countries were accessing this support, of which 61% went to LDCs, SIDS and African countries. The Secretariat also informed that there are currently 113 requests in the pipeline with a value of US$ 126.7 million and an increasing trend. Under the five readiness objectives, the Secretariat plans to extend support to emerging areas such as DAE capacity building; coordination with the private sector and CSOs; translation of NDCs to national and sectoral plans; South-South learning; and scaling up the Simplified Approval Process (SAP), among other activities. The Secretariat also plans to improve the delivery of the RPSP across the project cycle under the operational reforms for 2022-2023.

Several Board Members reiterated the importance of readiness for developing countries. Some Board Members suggested revising the RSPS strategy and work programme to include an envelope for direct access entities with US$ 1 million per year, establishing a pilot South-South cooperation programme and support for loss and damage planning with one-time support of US$ 3 million. There were also suggestions to continue the in-person structured dialogues for developing countries. Similarly, there was a call on the Secretariat to expedite readiness support and avoid putting conditions on countries to submit multi-year readiness proposals. Some Board members also raised the issue that the current financial support of a maximum of US$ 3 million for the National Adaptation Plans (NAP) preparation was inadequate. Furthermore, there was a call for the Secretariat to coordinate with other climate funds such as the Global Environment

Facility and the Adaptation Fund while harmonising the support-related formats. Similarly, in the future review process, it was suggested that looking into bottlenecks and reasons for delays faced by developing countries would be critical. Some members suggested supporting the formulation of NDCs to raise ambition, while others said that the country's leadership in programming and preparing an investment pipeline was key and that flexibility was needed to respond to countries' needs and capacity. One of the Board members stated that there was a need to map out the fulfilment of obligations for the international access entities to support and capacitate the direct access entities and countries.

The Board approved the additional resource allocation of US$ 166.94 million for the 2022–2023 RPSP, raising the total amount available to US$ 193.60 million for 2022–2023, including the remaining commitment of US$ 26.66 million as of May 2022.

Addressing gaps in the current portfolio for measurement

The Secretariat introduced a report, starting by introducing the decision of the Board that requested the Secretariat to undertake a remediation exercise for projects rated “moderate to high risk”, from a Monitoring and Evaluation perspective. The exercise was conducted in two phases. The first phase consisted of consultations with AEs to assess their willingness to undertake remedial action, while the second consisted in the Secretariat proposing an action plan and funding envelope for remedial actions, for those AEs that were willing to proceed with the exercise.

Thirteen of the initially consulted AEs participated in the exercise, representing 21 funding proposals, while nine AEs declined to participate. 102 remedial measures were accepted, in the areas of capacity building, outcome indicators, core indicators and impact indicators, with outcome indicators representing the largest number. This resulted in the reduction of the risk category of 21 funding proposals.

Board members welcomed the document. One member expressed their surprise about the extent of the gaps in the portfolio, and the comparatively low level of engagement from AEs. Giving more emphasis to this issue was suggested, in the framework of updating the GCF’s Strategic Plan (USP), after which the document was approved.

Consideration of Funding Proposals

The Secretariat presented four funding proposals for the Board's consideration amounting to US$ 380.7 million in GCF funding. The Secretariat also informed that the independent Technical Assessment Panel (iTAP) did not endorse one of the funding proposals forwarded by the Secretariat. All four funding proposals presented were from international access entities.

Many Board members lamented the lack of proposals from DAEs, and their low numbers in the last successive meetings. A strong emphasis was put on balancing adaptation and mitigation projects and allocating more grants for adaptation projects. Some members emphasised that the programmatic and large-scale funding for MDBs must be scaled down while up-scaling this approach for direct access. The Secretariat responded that they would consider direct access proposals in the next session as many were in the pipeline. Since the Board was considering all four proposals under the cross-cutting thematic window, some members welcomed the approach stating that the proposals were now including a holistic approach to addressing climate change.

The proposals were approved with terms and conditions attached to the decisions. However, one Board Member strongly objected to having too strong terms and conditions that the entity and the country could not fulfil - suggesting that this would only complicate the effective project implementation.

Some Board members also questioned the concept of a “reimbursable grant” proposed as a financing instrument under FP190, especially since this represents concessional funding being directed at a large scale private sector project. This prompted a clarification from the GCF’s General Counsel and the Secretariat.

Ultimately, the Board approved all the funding proposals presented at B.33:

- **FP187:** *“Ouémé Basin Climate Resilience Initiative (OCRI)”*, FAO; Benin; US$ 18.5 million in GCF funding;
- **FP188:** *"Climate Resilient Fishery Initiative for Livelihood Improvement in the Gambia (PROREFISH Gambia)"*, FAO, US$ 17.2 million in GCF funding;
- **FP189:** *"E-Mobility Program for Sustainable Cities in Latin America and the Caribbean"*, IDB; Chile, Colombia, Costa Rica, Dominican Republic (the), Jamaica, Panama, Paraguay, Uruguay; US$ 200 million in GCF funding;
- **FP190:** *"Climate Investor Two"*, FMO; Bangladesh, Botswana, Brazil, Colombia, Côte d'Ivoire, Djibouti, Ecuador, India, Indonesia, Kenya, Madagascar, Maldives, Morocco, Namibia, Nigeria, Philippines, Sierra Leone, South Africa, Uganda; US$ 145 million in GCF funding

Co-chairs' note on the existing review of committees and panels

The Co-chairs requested the views of the Board on several questions concerning improving the efficiency of the work of committees; delegation of tasks by the Board to the committees; usefulness of all committees; potential simplification to their structure; needed amendments or changes to their Terms of References (ToR); as well as achieving gender balance in the committees.
Members started by echoing the views expressed in previous agenda items, on the need for the Risk Management Committee to meet, to review the AMAs of accredited entities, and to ensure that there are no delays in the consideration of funding proposals due to AMAs not being agreed. Suggestions were made to merge certain committees, which could facilitate filling the positions and achieving quorum, as well as gender balance. However, not all members agreed with this proposal. Some members stated that the issue is one of ensuring active participation of members in the committees, to ensure quorum, as well as addressing the frequent changes in the membership, and that these are the issues to address, instead of recurring to merging committees. A Board member inquired as to what the process would look like if committees were to be merged, especially concerning the transition of the work being undertaken by the committees at the time of the merger. The member also pointed at the fact that merging committees would increase the amount of work a committee would need to undertake, thus crowding their agenda. The Co-chairs replied that if a decision to merge committees were taken, a transition would need to be organised, and acknowledged that this would indeed increase the workload of the remaining committees, a point that would need to be taken into consideration.
Board members addressed the issue of transparency at the committee level and requested more transparency in the discussions and development of documents and reports conducted at the committee level. Some specifically requested the committees to share with the full Board their reports, on a limited distribution basis, in order to provide the Board with information on how items are proceeding within the committees.
On the topic of gender balance, it was noted that gender balance in the committees is linked to gender balance at the Board level; therefore, some members suggested to the constituencies to consider this when selecting Board members.

The Co-chairs invited the Board to submit written comments until September 2022, so that they could come back with a proposal for consideration of the Board at B.34.

Consideration of accreditation proposals

The Secretariat presented the current accredited entity portfolio and pipeline. It showed that 113 entities have been accredited, 27 of which are private sector entities; 76 have effective legal agreements with the GCF. There are currently 138 entities in the pipeline, seeking accreditation, the majority of which are still under review at stage I, before being sent to the Accreditation Panel. As for re-accreditation, the pipeline continues to grow. Currently, 11 entities are

undergoing the re-accreditation process; an average of 15 entities per year is expected for re-accreditation. To minimise lapses in accreditation, the Secretariat has been focusing on processing re-accreditations. However, many entities are unable to complete the process by signing the AMAs, because the Risk Management Committee has not met. To improve the accreditation and re-accreditation process, the Secretariat is preparing modules under a Digital Accreditation Platform, to be launched in 2022; it is providing guidance on re-accreditation via trainings and workshops; it is also supporting NDAs in developing approaches to identify potential DAEs and partner AEs for programming.
After a general overview of accreditation, the Accreditation Panel introduced the entities seeking re-accreditation and upgrades in their accreditation status. There were no entities seeking accreditation.

Several Board members expressed their worries about the lack of DAEs being brought to the Board for accreditation and re-accreditation. Some members highlighted the issue of international accredited entities (IAEs) not demonstrating that they were fulfilling their commitments to enhance the capacity of DAEs. They stated that many IAEs were allowed to water down their contributions to capacity building for DAEs. An assessment of this was lacking and IAEs reports themselves lacked clarity and allowed for potential double reporting, as it was not clear whether the support was provided by the GCF or directly by the IAE. Some IAEs had also deemed this information confidential, which went against the principle of maximising access to information and commitment to transparency. Finally, it was proposed that the GCF needed to develop a policy or framework to ensure this support was provided, as well as an assessment standard and a process of verification, to ensure the support was adequate and fit-for-purpose. Specific text was shared with the Secretariat to ensure the issue was addressed in the decision. Others suggested that the AMAs of IAEs should include conditions related to the provision of support to DAEs. Others members highlighted the need for a strategic approach to accreditation, with clear elements on which the GCF would focus, so that AEs meet the expected standards. In line with the Updated Strategic Plan (USP), it was also mentioned that re-accreditation should be informed by an assessment of the overall portfolio of an AE, and its alignment with low-emission pathways and the goals of the Paris Agreement. As such, additional language was suggested in the decision text to highlight the commitments of two of the four entities under consideration, in line with similar text introduced in previous re-accreditation decisions.

The Secretariat responded by saying that support provided to DAEs was part of the general report provided to the Board on an annual basis, with the next report expected at B.34. They also suggested addressing this issue in the upcoming accreditation strategy, including clarifying what this commitment means and standards for assessment and verification, as well as budget implications. On the issue of DAE applications, the Accreditation Panel replied that they do not prioritise AEs, but process them in the order they come. Many DAEs require capacity building because they have limited standards and capacity. As for the assessment of AEs portfolio, and its commitment to a transition to low-carbon pathways, this is currently being assessed; however, guidance or metrics to assess if the level of transition is acceptable are lacking.

After the initial discussion, the Secretariat introduced the entities under consideration:

- **RAPL005:** Asian Development Bank (ADB) (international access, The Philippines), no change to original accreditation scope requested
- **RAPL017:** European Bank for Reconstruction and Development (EBRD) (international access, United Kingdom), no change to original accreditation scope requested
- **RAPL019:** United Nations Environment Programme (UNEP) (international access, Kenya), upgrade from small to medium size requested
- **Upgrade Applicant:** World Food Programme (WFP) (international access, Italy), upgrade from micro to medium size; upgrade from category C/I-3 to category B/I-2

After this introduction, the item was suspended to allow the decision text to be reviewed in light of the general discussions and additional text suggested by Board members. In the new text, references to IAEs having to indicate how they intend to support DAEs to strengthen their capacities and report on these actions annually were included, as was text indicating that these

provisions are set in the AMAs and any substantive reviews should be considered by the Board for approval. The new text also stated that the review for re-accreditation includes the reports on the IAEs support provided to DAEs.
For two of the entities (ADB and EBRD) a paragraph was included 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. The Board agreed to the revised text and all entities were re-accredited or upgraded.

Policy Consultations

<u>Steps to enhance the climate rationale of GCF-supported activities</u>
The Board has recognized that there is an urgent need for clear and consistent guidance to inform and assist accredited entities in presenting climate-related information related to establishing the impact potential of funding proposals. The same guidance would facilitate more consistent and transparent assessment of proposals by the Secretariat and the independent Technical Advisory Panel (iTAP). Accordingly, the Board requested the Secretariat, in close consultation with the iTAP, to develop a transparent and consistent approach to their assessment of funding proposals.
The Secretariat introduced the decision text and annexes, with annex 2 including the principles for establishing climate rationale. This annex was changed, from requiring that funding proposals align with long-term climate strategies consistent with keeping the 1.5°C temperature goal within reach, to language similar to that of the Paris Agreement.

Board members welcomed the document, with some Board members highlighting that the approach of this document should be to remove barriers to access related to the non-availability of climate data and information, and therefore should clearly include local, traditional and indigenous knowledge as sufficient by itself. Accordingly, additional changes were proposed to the text along these lines. Furthermore, for funding proposals targeting mitigation, alignment with countries' MRV systems was suggested. Textual proposals were added in this regard, after which some additional questions were raised by Board members concerning the fact that the draft decision did not prescribe any methodology for calculating GHG emission reductions.

The Secretariat clarified that the methodology used by AEs needs to be transparent, but that there is no prescription as to which methodology should be used, in order to provide flexibility. Additionally, the Secretariat reminded the Board that the purpose of the document was to provide high-level principles that will be complemented by further guidance and tools, to be developed in the future. After these clarifications, no further objections were raised and the decision was adopted.

<u>Guidance on the approach and scope for providing support to adaptation activities</u>
The Board had requested the Secretariat to develop guidance on the approach and scope for providing support to adaptation activities, as well as clarifying the GCF's role in and vision for climate adaptation. Following discussions by the Board at B.32 and subsequent consultations, a draft decision text has been refocused and streamlined to elaborate GCF's vision, strategic approach, and scope for supporting adaptation programming, including the Fund's vision for enhancing adaptation in line with the UNFCCC, Paris Agreement and Global Goal on Adaptation, and how the GCF aims to deliver this through its range of modalities that support adaptation activities.

Many Board members welcomed the document. One Board member requested that when referring to best available data and information, explicit mention of traditional, local and indigenous knowledge and practices should be included. Another Board member suggested that more should be done to include the concept of maladaptation. Finally, a third Board member criticized that references to gender and vulnerable groups was left out of the decision. In addition some Board members raised concerns about the last few paragraphs of the revised decision text, in which other ongoing processes and discussions were implicated, including the revised Readiness and Preparatory Support Programme (RPSP), the accreditation strategy and the updated USP. They stated that those paragraphs should be left more open, in order to avoid prejudging the nature and outcomes of those discussions. However, as all Board members agreed with this suggestions, the item was suspended for further consultations.

After further consultations, a new draft decision text was presented, including text that encouraged the involvement of relevant stakeholders, including vulnerable groups, in adaptation activities, as well as addressing gender aspects. The decision was finally adopted without further changes, after which a statement was made on for the record, that in the understanding of a few Board members, the decision does not prejudice discussions or outcomes of other policies.

Second review of the GCF's financial terms and conditions

The Secretariat introduced the review, conducted in 2020. Findings included that the portfolio meets the requirements of the current policy and the process was compliant with the policy, as well as fit-for-purpose. The review proposed additions and adjustments, including recommendations on concessionality, a more efficient use of guarantees and to conduct and analysis of local currency financing. Based on this, three areas of work were proposed. First, the development of a local currency-financing pilot programme, based on an analysis of the potential options and risks. Second, the review and design of an approach to improve the deployment of guarantees. Both of these to be developed by B.36. Third, to consider the review's recommendations in the concessionality policy currently under development. The Secretariat also introduced the draft decision text requesting the Secretariat to review the financial terms and conditions of the GCF, and make recommendations to the Board for consideration no later than by B.37 and on the third year of a four-year period thereafter, to allow enough time prior to the commencement of a new replenishment programming period.

The Board welcomed the report and highlighted the urgency of this issue, hoping the recommendations could be implemented in preparation for the replenishment process, under an accelerated timeline. However, both the Secretariat and the Investment Committee responded that accelerating the proposed timeline would be difficult. Some Board members raised concerns about the use of highly concessional instruments, like reimbursable grants, for the private sector. They requested this to be addressed, to ensure that concessional finance was targeted for local private sector actors only. Concerning the proposed pilot for local-currency financing, a Board member considered that the approach proposed in the text was too limited and that the proposed action did not correspond to the objective of the recommendation. According to the Board member, the proposal focused mostly on supporting the development of domestic capital markets and green bonds, thus potentially contributing to further debt creation in developing countries, instead of taking a more holistic approach that looks at local-currency lending at the project level, for DAEs. The Board member proposed amendments to the text to address the limited nature of the proposal. Some Board members commented that since the proposal was to develop a pilot, this could begin with a more limited scope, and be expanded after implementation and review of the pilot, to be more holistic. Others responded that the proposal was not meant to imply that a pilot should not be developed, but that this pilot should be clearly guided in what it was expected to achieve. Additional text was included, to state that the pilot would address barriers and risks associated with currency fluctuations at the programme/project level after which the decision was adopted.

Review of GCF policy frameworks

A document presenting the findings of a Secretariat-led overall review of GCF policy frameworks was introduced, as requested by the Board as part of the workplan for 2020-2023. The review takes stock of the context for policy development and implementation at the GCF, and examines the coherence, implementation and impact of GCF policies. The report includes recommended areas of action, some for implementation by the Secretariat and others for the Board's consideration as part of updated strategic planning and Board work planning.
The Secretariat introduced the strategic and operational recommendations derived from the review. The first strategic recommendation was to formalise a Fund-wide policy development and implementation framework, establishing policy classifications, relationships between instruments and associated roles and responsibilities. Other recommendations included normalising consistent policy processes and templates; prioritising operational policy gaps; integrating the

resolution of policy conflicts in future Board work plans; and rationalising future policy reviews, as well as approaches that are more consistent.
Board members welcomed the document and its recommendations and highlighted its importance to the update of the Strategic Plan (USP). Some welcomed in particular the proposal for a Fund-wide framework to reduce complexity and the arbitrary nature of some policies, though this idea was not welcomed by all members. They also noted that there were not many substantive policy gaps left, but work was still needed to close the remaining ones. It was noted that the current policies seem to have less impact in mobilising private finance and on country ownership, and that the GCF should work to mobilise private finance at scale.
Finally, a suggestion of delegating the development of standards and guidelines to the Secretariat was welcomed by some Board members. Others however, shared the view that the issue of delegation was already clarified in the Governing Instrument of the GCF, so there was no need to look at that aspect any further. Additionally, some members considered that the Secretariat needed guidance as they operationalised agreed policies, to ensure the essence of what is being adopted by the Board is translated, especially since policy can be interpreted in more than one way. Some complemented by saying that gaps remained concerning the implementation of policies. Others noted that policies continue to evolve and needed updating, taking into account the challenges encountered during implementation.

After these discussions, the Board took note of the document.

Launching of the Second replenishment of the GCF

The Co-chairs presented a new draft document, outlining the governance of the process, clarifying the roles of the Board and the Secretariat, and stating the relation between the replenishment process and discussions on strategic programming and the revisions of the Updated Strategic Plan (USP), which are distinct processes, but with the last two informing the replenishment. The document also established the procedures, including the term of the replenishment (2024-2027); structure and format; timing of consultations and pledging conference; participants and observers; trustee and chairperson. It also addressed potential contributors and budget arrangements. The document’s annex further specified the process, with one initial organisational meeting at the outset, two dedicated replenishment consultations meetings and a high-level pledging conference.

Observers commented on the few spaces provided in the proposed process to their participation, to which the Co-chair replied that in the latest version, four spaces were included for observers to participate. No further comments from the Board were made. Hence, the decision was adopted and the Second Replenishment of the GCF officially launched.

Dates and venues of upcoming meetings of the Board

The proposal presented was to confirm that B.34 would be held from 17 to 20 October 2022, in the Republic of Korea, as proposed previously, while deciding to hold B.35 in Rwanda, from 13 to 16 of March 2023.

Board members were concerned that a clear, annual calendar for Board meetings was missing, to ensure enough time for the Secretariat to organise the meetings. The Co-chairs replied that the decision taken at B.32 outlines the meetings until B.37, but that there was still a requirement to confirm the next meeting at every Board meeting, as per the Rules of Procedure (RoP). To this last point, some members replied that this requirement to confirm the next meeting created uncertainty and therefore the Board should consider amending the RoP if necessary. However, there was agreement that amending the RoP was not a discussion that could be had at this time. It was also suggested that at least one meeting should be held virtually every year, and to limit meetings outside of the Republic of Korea, while giving priority to places where field visits to GCF projects could be organised. Developing country Board members did not agree with the proposal to hold meetings virtually, so the possibility of hybrid meetings was suggested as a way to find consensus.

After these discussions, the decision was adopted as proposed.

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