CFAS

CLIMATE FINANCE ADVISORY SERVICE

SUMMARY BRIEFING

35th Green Climate Fund Board Meeting

13-16 March 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 13-16 March 2023

From 13 to 16 March 2023, the Board of the Green Climate Fund (GCF) convened for its 35th meeting in Songdo, Republic of Korea. The meeting's agenda focussed on the selection of the Fund's new Executive Director (ED); the update of the GCF's strategic plan; as well as the Fund's second replenishment, incl. the Independent Evaluation Unit's Second Performance Review.

Furthermore, the Board considered the approval of seven funding proposals (requesting US$ 587.7 million in GCF funding), the re-accreditation of two previously accredited entities and the accreditation of one new entity.

Opening of the meeting, adoption of the agenda and selection of the new Executive Director of the GCF

The new Co-Chairs for 2023, Ms. Victoria Gunderson (USA) and Mr. Nauman Bhatti (Pakistan) opened the meeting welcoming all those in attendance, particularly the newly appointed Board and alternate Board Members from the GRULAC region, whose seats had been vacant throughout last year's proceedings.

After adoption of the agenda, the Board moved into an executive session in order to deliberate on the selection of the new ED of the GCF, including by conducting interviews with the remaining candidates for the succession of Mr. Yannick Glemarec, incumbent ED of the GCF. Mr. Glemarec's term will end in March 2023.

Following extensive consultations, the Board announced the appointment of Ms. Mafalda Duarte, former Head of the Climate Investment Funds, as the new ED for a four-year term. For the interim period, Mr. Henry Gonzalez, Deputy Executive Director of the GCF will take on Mr. Glemarec's role in leading the Fund's Secretariat.

Report on the activities of the Secretariat

GCF ED Mr. Yannick Glemarec, presented the GCF's progress against its key performance indicators (KPI's). In terms of workload, 2022 was surely challenging for the Secretariat, with four Board Meetings held. Nevertheless, the Fund could meet or even exceed most of its targets. The Board expressed appreciation of last year's achievements and thanked Yannic Glemarec for its successful 4-year term as executive director.
The ED's presentation further drew attention to the importance of risk management against negative effects of investments for indigenous people, local communities, and other stakeholder groups, which must be aligned with the Fund's partner institutions. In this context, the GCF's approach comprises three "lines of defence". First, the Secretariat's staff that ensures the technical soundness of funding proposals, second, the office of risk management and compliance, and third, the Independent Evaluation Units (IEU).
The Secretariat and Board further focussed on challenges, shortcomings and recurring "red flags". As such, critically discussed have been the effectiveness of Country Programming and the Simplified Approval Process (SAP). Yannick Glemarec admitted that many of GCF's partners are questioning the usefulness of country programmes, which result in too few actual projects and programmes. The Secretariat announced a new Readiness Strategy at B.36. Also, the SAP is still not offering what this fast-track process initially promised. In a very open response Yannick Glemarec pointed to the need of much more radical simplifications if last year's revisions will not result in different outcomes in 2023.
In addition, the Board pointed to the lacking balance between adaptation and mitigation in the GCF's portfolio. Only about 35% of the GCF's portfolio is dedicated to adaptation investments. In this regard, however, the Secretariat responded that the respective KPI only refers to grant financing, where a balance of 50/50 between Mitigation and Adaptation is reached. Another topic was the slow pace of staff recruitment, which is projected to speed up with an enhanced visibility of the GCF. With Mafalda Duarte as the new ED, women will take over 70% of the Fund's leading positions. Other challenges raised were the slow development of policies, the low quantity of agreements on privileges and immunities, and the low disbursement rate of approved commitments.
Looking ahead, for the ongoing financial year, the GCF wil have available about USD 2.8 billion of which 2.2 will be dedicated to funding proposal, around 310 million to the Readiness and Preparatory Support Programme (RPSP) and the Project Preparation Facility (PPF), and 230 million to AE fees, foreign exchange risks management, and administrative expenses.

Second replenishment of the GCF: Update from the replenishment Facilitator

Last year's Co-Chairs, Mr. Jean Christophe Donnellier (France) and Mr. Tlou Ramaru (South Africa), provided an overview of the Co-Chair's summary of the first consultation meeting for the second replenishment of the GCF. They reminded the Board that the first consultation meeting was held virtually on December 1-2, 2022. It was attended by 37 potential contributors, 16 Board members, a representative of the Trustee, 3 active observers of the Board (2 civil society observers and 1 private sector observer), and observers from the secretariats of the United Nations Framework Convention on Climate Change (UNFCCC), the Adaptation Fund, and the Climate Investments Funds (CIFs). The meeting also served to discuss the Updated Strategic Plan (USP) 2024-2027 and for the participants to provide inputs for its first draft.

After this introduction, Mr. Mahmoud Mohieldin - facilitator for the second replenishment, as well as UN Climate Change High-Level Champion for Egypt and an executive director for the International Monetary Fund (IMF) - gave his remarks on the replenishment.
Mr. Mohieldin thanked the Board and the GCF for his selection as facilitator. He began his remarks by highlighting how critical a fully resourced GCF is for making climate finance accessible and accelerating climate action. He then introduced the international context that, in his view, will influence the Second Replenishment, and highlighted issues like the COVID-19 pandemic, the war in Ukraine, inflation, recession and fears of stagflation, and debt levels in developing countries, amongst many other challenges.
He continued by emphasising the importance of communication and outreach and building on the positive. Then, he reflected on the topics that required further engagement and discussion, including the GCF's geographical presence and regionalisation; partnerships, particularly with the private sector, philanthropies, MDBs and NDBs; financial innovation; greening economies; the development of carbon markets; Loss and Damage; governance and access.
He gave a quick update on organisational matters, highlighting the many meetings and events attended by the ED to support the replenishment, as well as many more planned for the coming weeks. He also pointed at many upcoming international meetings and initiatives, including the reform of the financial architecture, which will affect the GCF's work and the replenishment. He concluded organisational matters by thanking Germany for offering to host the pledging conference on October 5, 2023 in Bonn.

The Board members thanked the facilitator. Some Board members stated their intention to contribute to the Second Replenishment, though not by doubling their previous pledges. Others called for contributors to contribute at least as much as they did for GCF-1, but ideally more. It was highlighted that for the Initial Resource Mobilisation (IRM), there were 43 contributors, whereas for GCF-1 there were only 34. Board members encouraged the facilitator to engage with IRM contributors who did not contribute to GCF-1 to bring them back to the GCF. They also encouraged other contributors, including new ones from emerging economies, to consider how they can contribute efficiently to the GCF during this replenishment. However, some developing country Board members stated that countries could not run away from their core responsibilities under the UNFCCC, which already stated who the core providers and mobilisers of finance are.
Board members also highlighted the need to build a positive narrative about the GCF and to communicate the GCF's achievements better, to support the replenishment.
Mr. Mohieldin thanked the Board for their guidance and remarks. He agreed with the idea of better communication and improving the perception of the GCF. He also spoke about alternative and new sources being additional and supplementary instead of substitutes or being there to breach a gap. The outgoing ED added that the replenishment is a political exercise and agreed that they should reach out to contributors that were part of the IRM but did not contribute to GCF-1.

After this exchange, the Board took note of the document.

Status of GCF resources, pipeline, and portfolio performance

At the start of 2023, the GCF portfolio comprises 209 projects worth US$ 11.4 billion with about US$ 3.0 billion having been disbursed. The current pipeline of funding proposals is almost double the existing portfolio (standing at US$ 19.4 billion), indicating the high demand of climate finance and underscoring the importance of an ambitious second replenishment of the Fund. The pipeline does not yet reflect the effects of the approved Project Specific Assessment Approach, which according to the Secretariat could attract a lot more funding proposals.
Regarding the performance of the Readiness portfolio (i.e. formulation of NAPs, Project Preparation Facility and other activities), the Fund currently stands at US$ 506 million worth of grant approvals covering 141 countries, of which about US$ 300 million have

been disbursed. With readiness support the GCF has supported the development of 88 country programmes, 195 concept notes and 14 funding proposals as of December 2021. In addition, 21 funding proposals have been developed with support from the Project Preparation Facility.
Looking at the portfolio performance against the targets in the Updated Strategic Plan the balance between mitigation and adaptation continues to marginally favour adaptation (51% vs. 49%); support for adaptation in LDCs, SIDS and Africa continues to be above the envisaged 50% threshold (65% under GCF-1); while the direct access entity (DAE) portfolio volume has grown from 12% during the Initial Resource Mobilisation period to 18% 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 steady at 3.5, 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: The approval volume per year has increased from US$ 1 billion to US$ 2.1; the number of projects under implementation has increased from 62% to 87%; while the disbursement rate grew from 24% to 34%. Significant challenges were encountered due to the COVID-19 pandemic, resulting in slower-than-expected disbursements compared to the envisaged target (US$ 3 vs. US$ 3.4 billion).

While the Board welcomed the report, one member highlighted the importance of “No Objection Letters” and the need to keep them in place as a safeguard to ensure country ownership. Another member stressed that the GCF REDD+ programmes should advance from the status of a pilot to a complete programme. She pointed out that the REDD+ framework under the UNFCCC shall be fully operational as a permanent financial channel based on results from REDD+ implementation to reduce emissions from deforestation and forest degradation in developing countries. She added that the programme had special significance for developing countries, while working towards reducing emissions and investing in policies, infrastructure and development programmes for the people and the productive sector.

Consideration of funding proposals

Before B.35, ten funding proposals (FPs) were submitted to the independent Technical Assessment Panel (iTAP), of which eight got endorsed. With one of the eight proposals being withdrawn by the AE due to unanticipated commercial reasons, seven funding proposals were presented by the Secretariat for the Board’s consideration. All seven proposals got approved for the amount requested with no major discussions. The newly approved projects and programmes represent a total of USD 588 million in investments, while GCF’s commitments are estimated to leverage an additional USD 1.7 billion in co-financing. Investments are projected to reach 246.8 million beneficiaries and avoid 110.3 $MtCO_2eq$ over the projects/programmes lifetime. Comprising one private sector and six public sector proposals, the project/programme package dedicates most of the funding sources to African countries (57%), followed by Asia-pacific (30%), and Latin America and the Caribbean (13%).

During the discussions on funding proposal approval (see list below), the active observer group brought forward major criticism against certain FPs. For instance, the Board was encouraged not to approve FP199, as the active observer group was concerned with the project’s tendency to favour “big-company-agriculture”, and with the lack of inclusiveness to smallholder farmers, local communities, and women. Furthermore, with regard to FP205, the floor drew attention to the risk of carbon lock-in associated with financing hard infrastructure. It was also criticised that the programme comprises financing of certain carbon-intensive transportation infrastructures, including airports.
Important general remarks were made regarding the lack of balance between direct access entities (DAEs) and international access entities (IAEs). Board members expressed their concerns that the share of DAE projects and programmes of the Fund’s portfolio is only at 17%. B.35 fits the picture, as all seven proposals were submitted by an

IAE. Moreover, it was pointed to the high focus on agriculture at this Board meeting, with three proposals even coming from the same accredited entity, the UN's Food and Agriculture organisation (FAO). Questions were raised whether to align tematic proposals and follow a programmatic approach in the future.
Finally, the board discussed amendments to the approved projects SAP016 (closed session), FP152 (closed session), FP198 (additional host countries Colombia, El Salvador, and Peru approved), and FP078 (additional host country Tanzania approved).

The following seven projects and programmes have been approved by the the Board under consideration of recommendations by iTAP:

- **FP199:** *"Public-Social-Private Partnerships for EcologicallySound Agriculture and Resilient Livelihood in Northern Tonle Sap Basin (PEARL)"* / Country: Cambodia / AE: FAO / GCF funding: USD 36.2M
- **FP 200:** *"Scaling up the implementation of the Lao PDR Emission Reductions Programme through improved governance and sustainable forest landscape management (Project 2)"* / Country: Lao People's Democratic Republic (the) / AE: GIZ / GCF funding: USD 35.2M
- **FP201:** *"Adapting Philippine Agriculture to Climate Change (APA)"* Country: Philippines (the) / AE: FAO /GCF funding: USD 26.3M
- **FP202:** *"Upscaling Ecosystem Based Climate Resilience of Vulnerable Rural Communities in the Valles Macro-region of the Plurinational State of Bolivia (RECEM-Valles)"* / Country: Bolivia (Plurinational state of) / AE: FAO / GCF funding: USD 33.3M
- **FP203:** *"Heritage Colombia (HECO): Maximizing the Contributions of Sustainably Managed Landscapes in Colombia for Achievement of Climate Goals"* / Country: Colombia / AE: WWF / GCF funding: USD 43.0M
- **FP 204:** *"Sustainable Renewables Risk Mitigation Initiative (SRMI) Facility (Phase 2 Resilience focus) [SRMI-Resilience]"* / Countries: Ethiopia, Guinea-Bissau, Indonesia, Kyrgyzstan, Mongolia, Seychelles, Somalia, Tajikistan, Tunisia / AE: World Bank / GCF funding: 160.0M
- **FP205:** *"Infrastructure Climate Resilient Fund (ICRF)"* Countries: Benin, Cameroon, Chad, Côte d'Ivoire, Democratic Republic of the Congo (the), Djibouti, Gabon, Gambia (the), Ghana, Guinea, Kenya, Mali, Mauritania, Namibia, Nigeria, Rwanda, Sierra Leone, Togo, Zambia / AE: AFC / GCF funding: 253.8M

Consideration of accreditation proposals

In 2022, the Secretariat conducted assessments for 22 re-accreditation applications as well as for seven upgrade applications. Additionally the Secretariat supported 70 entities in addressing their accreditation conditions, while reviewing institutional-level monitoring reports on compliance with GCF accreditation standards of 110 entities. Also, the Secretariat assessed the applicant pipeline, which includes over 140 institutions. Given the large interest in partnering with the GCF, under the updated accreditation framework (which becomes effective in April 2023) the Secretariat aims at increasing its processing capacities from 15 to 25 applications per year and prioritising re-accreditation over new accreditation processes. Additionally, the Accreditation Panel representative expressed the preference to process re-accreditations also between Board meetings.
Since B.34, the Secretariat processed five new entities to the Accreditation Panel assessment. At B.35 the Board considered two re-accreditation applicants, the Caribbean Community Climate Change Centre (CCCCC) and the Inter-American Development Bank (IDB) and one new accreditation applicant, The Nature Conservancy (TNC). In a round of general comments, Board members called for the need of more direct access entity accreditations.
While all three entities were finally accredited by the Board, the decision went along with significant discrepancies in the Board. The CCCCC is required to adjust certain policies and procedures in order to sign the Accreditation Master Agreement. This was criticised

by representatives from the region as substantially hampering the entity's operations until legal arrangements are taken care of. Approval of the IDB’s re-accreditation was rather smooth; however, the decision text was amended to reflect on the fossil fuel intensive portfolio of the bank. Finally, due to unfavourable experience in working with TNC, one Board member opposed TNC’s accreditation. Accordingly, the collaboration resulted in reputational damage for the country with accusations of corruption, money laundering and other allegations by the entity. This resulted in a voting process of the Board members. With 23 votes in favour and 1 vote against the accreditation, ⅘ of the required votes could be reached and TNC was officially endorsed.

The following two entities have been re-accredited by the Board under consideration of accreditation panel conditions:

- **RAPL012:** Caribbean Community Climate Change Centre (CCCCC) / regional direct access, the Caribbean
- **RAPL018:** Inter-American Development Bank (IDB) / international access

The following entity have been newly accredited by the Board under consideration of accreditation panel conditions:

- **APL117:** The Nature Conservancy (TNC) / international access

Final report of the Independent Evaluation Unit’s Second Performance Review of the GCF

The IEU presented the background and scope of the evaluation, the approach taken to conduct it, the schedule of deliverables, and then proceeded to present the key findings for topics including institutional architecture and performance, access, programming and results and impact.

- On <u>institutional architecture</u>, the IEU found that on governance, there were no insurmountable challenges. The GCF’s governance brought legitimacy to the Fund, but required compromises on efficiency. Areas for strengthening included accountability, observer input and gender balance. It concluded that the GCF needs to clarify its role at the country level and develop a strategic approach to partnerships.
- On <u>access</u>, the evaluation found that the Fund lacked vision and strategy for a manageable network of accredited entities. It also found that, though direct access is growing, it is still limited and that accreditation processes are protracted and inefficient, and there is not enough differentiation by entity characteristics.
- On <u>programming</u>, it showed that the different instruments like country programmes, entity work programmes and the readiness support were not focused enough, while approval processes were perceived as bureaucratic, lengthy, inconsistent and non-transparent. It also found that risk management was underdeveloped and risk culture limited.
- Finally, on <u>results and impact</u>, the evaluation found that the GCF was unlikely to meet the adaptation allocation and private sector targets; results were modest but forthcoming; co-finance did not meet expectations; results management was underdeveloped; and results related to gender and Indigenous Peoples engagement showed limited precision.

Key recommendations included that the new USP should clarify the Fund’s strategic positioning, articulate programming and operational priorities and address trade-offs. At the country level, the GCF should clarify its approach and roles, and align them with available resources. The Fund should also review its accreditation priorities and explore access mechanisms beyond accreditation. It should improve its operational systems, ensuring they reflect policy priorities, strategic objectives and climate urgency. The IEU also recommended the Fund emphasises results and learning; that it clarifies its approach to managing entities and projects' risks and strengthens governance processes.

After the IEU's presentation, the Secretariat presented the management's response to the findings, which showed it was largely in agreement, with only a few clarifications. The Secretariat demonstrated ways in which it was already implementing some of the recommendations, and asked for Board guidance when needed.

Board members welcomed the report and thanked the IEU. They emphasised the importance of the IEU's work and its function. Members were pleased that the evaluation resonated with Secretariat's experience and lessons learned, and that the Secretariat is already making progress in addressing some of the issues. Many called for the Board to consider the recommendations, and pointed at the new USP as the way forward to discuss and integrate these recommendations. Other policies were also mentioned, as ways of addressing the recommendations, for example, the accreditation strategy and the review of the Readiness and Preparatory Support Programme (RPSP). Others raised particular concerns about some of the findings, including the lack of balance between DAEs and IAEs, with IAEs handling a larger share of the portfolio, and the challenges of accreditation. However, not all agreed about the idea of exploring other mechanisms beyond accreditation. Access and support for adaptation were also mentioned. Some focused on improving issues like observer input or the need to ensure privileges and immunities for the GCF. Others focused on improving and making governance processes clearer. Finally, it was commented that staff capacity within the Secretariat to implement some recommendations should also be considered.
After this discussion, the Board adopted the decision presented to them, including a request for the IEU to submit a management action report to the Board no later than one year following the adoption of the decision.

Matters related to the Policy for Contributions to the Green Climate Fund

The Secretariat introduced the process, started during the first consultation on the policy for contributions, where they received comments that were integrated in the current document. Next steps included the development of a new draft, a second consultation and Board endorsement expected at B.36. Key topics addressed during the first consultation included minimum contributions, effectiveness, timing and commitment authority.

- On <u>minimum contribution</u>, the current policy states there will be no minimum contribution threshold for Parties and non-Parties to the UNFCCC to participate in the replenishment consultation process, make pledges and contributions. Most of those consulted wanted to maintain the current policy of no minimum contribution, with a few exceptions, while the Secretariat recommended maintaining the current policy. Part of the discussion was linked to widening the contributor base.
- On <u>effectiveness</u>, the current policy requires reaching 25% of the total amount pledged confirmed by fully executed contribution agreements. Those consulted preferred to maintain the 25% threshold, though other options could include lowering it to ensure early usage of commitment authority.
- Concerning <u>timing</u>, the current policy encourages contributors to fulfil their payments and deposits as early as possible, and at least one year prior to the end of the replenishment period. However, for GCF-1, some contributors are scheduled to fulfil their payments after the end of the GCF-1. The recommendation presented is to continue to encourage contributors to fulfil their payments within the replenishment period and to make their contributions by the end of the third quarter of every year.

- Finally, on commitment authority, the current policy is to make funding decisions based on the total amount of available resources in the form of cash and promissory notes in the Trust Fund. Options for the new policy included continuing with the existing practice or exploring new options, with the preference of those consulted being to continue to use the existing practice.

During the Board discussions, some of the already identified preferences were reiterated. A Board member mentioned, on the possibility of shortening the encashment period, that some contributors might find it hard due to budgetary processes. They suggested that the period could be left open, while providing incentives for those that opted for shorter periods. Another Board member inquired about the status of the related policy on contributions from alternative sources, and whether it would be included on the agenda for B.36. They considered it important to include alternative sources. Also to engage in outreach for non-traditional contributions, as a good argument for stronger contributions from traditional contributors. Other Board members considered that the Board needed to provide clear guidance for stable and predictable annual commitment authority, in light of how unstable the annual commitment authority was during the IRM and GCF-1. They also voiced their concern about developed countries that have unconfirmed pledges and do not provide funding for the GCF but still serve in the Board in leadership positions. They stated that the Board should address the non-contribution of developed countries and pointed at the lack of a policy in this regard. A specific request was made to include a statement regarding stable and predictable annual commitment authority of at least USD3 billion; a risk management statement addressing the lack of compliance from developed countries and its impact on the programming capacity of the Fund; an approach to deal with non-confirmed pledges and a regime for managing non-contribution.

Both the Secretariat and the co-chairs took note of the views expressed during the discussion and reiterated that further consultation will take place and the paper will officially come to the Board for approval at B.36. After this, the Board took note of the information provided.

Updated Strategic Plan for the GCF 2024–2027

The Secretariat provided a timeline of the discussions, starting with B.32 in May 2022, when consultations began; followed by discussions of the zero draft during B.34, in October 2022; the inputs and submissions received in late 2022 and early 2023; and a workshop in Paris, in early March 2023. For B.35, the co-chairs developed a roadmap for Board consideration.

The Secretariat then provided an overview of the current draft, which includes an introduction, the vision of the GCF, mid-term goals for 2027, 2030 and 2035, five strategic programming objectives and operational and institutional priorities. Furthermore, the Secretariat shared the feedback received so far on the first draft of the USP, with many of those consulted welcoming the shorter, more streamlined draft and the new four-part structure; while highlighting the need to refine the order, emphasis and focus. The Secretariat also emphasised the need to strike the right balance in the USP between the different roles of the Fund, including between catalysing or channelling finance, as well as between a focus on capacity building or on providing finance.

Many Board members noted that the focus of the USP’s long-term vision should be on responding to the question of the value addition of the Fund and its place in the broader climate finance architecture. Addressing the question of balancing the Fund’s different roles, some Board members emphasise the need for the Fund to continue building the capacities of developing countries to access funding, increasing support for DAEs, including through the Readiness and Preparatory Support Programme (RPSP). Others highlighted the Fund’s catalytic role, as a facilitator and amplifier of climate action.

On the Mid-term goals, some Board members expressed their doubts about including goals that extended beyond the GCF-2 period, which for some added unnecessary complexity. They stressed the importance of the 2024-2027 period to keep the 1.5-degree

goal alive and concluded that, though adaptation is important, mitigation should also be a focus during this period.
Several Board members welcomed the inclusion of goals related to greening financial systems and accelerating innovation, particularly by including the private sector. However, not everyone welcomed the goal of greening financial systems, with some calling for this goal to be more specific and targeted. Many Board members also called for a clearer goal concerning access.
Many Board members stated that the USP should align with countries' needs, circumstances and realities and be consistent with, and support their NDCs, Long Term Strategies, NAPs and other plans. Others mentioned the need to improve the efficiency and impact of the GCF, by including the optimisation of procedures and the improvement of transparency and accountability, including for sub-projects. Some Board members also called for Results Based Payments to be included in the USP, and more generally, to include forests more clearly. Many links to the findings of the IEU's latest evaluations (on African States, direct access and the SPR) were made, with Board members suggesting the inclusion of many of the IEU's recommendations in the USP.
Finally, some Board members pointed at the need to align the resource allocation to the goals proposed in the USP, with one Board member proposing a clear statement that the GCF would plan to programme at least USD 3 billion per year during GCF-2.

On process, the co-chairs introduced their proposed roadmap, emphasising that it outlines an open, inclusive and transparent process leading to a decision at B.36. A second draft of the USP would be released in early May and an informal Board meeting will be organised afterward, to work on a third draft. Germany offered to organise this informal Board meeting in Berlin. A Board member proposed using the classification of issues coming out of previous consultations, including issues where there is agreement, those where there are divergent views and "sticky issues", to organise the upcoming discussions. It was suggested that further work is needed on "sticky issues", in order to reach agreement at B.36. After this discussion, the draft proposing the co-chairs roadmap was adopted.

IEU evaluations: Relevance and effectiveness of the GCF's investments in African States

At the outset of their report, the IEU highlighted some key basic statistics of their analysis. Accordingly - as of B.34 - 85 funding proposals were approved for African States, representing more than 40% of approved funded projects in terms of funding amounts. Nearly 60% of the approved financing goes to mitigation results areas, of which more than 40% go towards energy generation and access. The numbers also show that Africa is still facing challenges accessing the GCF. To date, six countries are without a GCF-funded project. In addition, many countries are only part of multi-country projects, which results in limited country engagement and reinforces the perception of a limited quality of access. In fact, 17 countries are without a single-country project. The level of limited country engagement and ownership is also illustrated by the number of direct access entities (DAE) on the continent: 41 out of 54 African countries are without a DAE.

The IEU also provided some overarching challenges encountered through their assessment. These include:

- on <u>access</u>: lengthy and complicated approval processes, e.g. for the Readiness and Preparatory Support Programme (RPSP) and accreditation, as well as general language-related barriers for non-English speaking countries;
- on <u>project appraisal and approval</u>: high operating costs in Africa, in particular in vulnerable African countries; insufficient AE fees to cover costs, high upfront cost for proposal preparation, as well as lack of consideration for the country context; and

- on post-approval and implementation: the absence of GCF presence in the country

On these challenges, the IEU presented six key recommendations:

1. On targeting and positioning of the GCF in Africa, the IEU suggests focusing more on addressing adaptation needs in the African states through accessible financial instruments, in particular for vulnerable societies.
2. Regarding institutional coherence and complementarity and to streamline climate finance, the IEU proposes that the GCF should operationalize the framework of complementarity and coherence at country and project level, with the intention to reach across various types of stakeholders. Such an operationalization may benefit from RPSP and Project Preparation Facility (PPF) support as well as project financing informed by shared learning and knowledge sharing processes. In addition, based on the lessons from the "Great Green Wall", the GCF should consider incentivizing programmatic approaches which allow for the consideration of complementarities among entities that develop and implement projects for multiple climate institutions.
3. On the matter of country ownership and institutional capacity the GCF should clarify and reinforce guidance on the selection of, and responsibilities allocated to the National Designated Authorities (NDAs)/focal points of African states. In addition, the GCF should consider a more tailored approach to RPSP support in Africa. With it, the GCF should consider developing terms of reference and/or guidelines for NDAs that provide clear guidance to them on how to work with the GCF.
4. On access and partnership the IEU suggests the GCF should make special efforts to remove the barriers in African states in accessing the GCF, by taking specific actions, including revisiting accreditation requirements and processes for national DAEs with the goal of reducing transaction costs, revise its policy on fees for AEs operating in Africa, as well as encouraging accreditation among private sector actors in Africa and providing civil society organisations with opportunities for capacity building and direct access.
5. Regarding GCF's engagement with countries, the IEU proposes that the GCF should consider steps to increase efficiency in its engagement with stakeholders of the GCF ecosystem, to enhance planning, implementation and access to the GCF. This may also include regional engagement through existing institutional processes and structures.
6. In relation to learning and vulnerable groups the GCF should consider a comprehensive and integrated learning and knowledge management approach in the African states. In particular, the GCF should strengthen its knowledge base on the integration of environmental and social co-benefits, gender transformation and indigenous considerations. At the same time, it should become more intentional, consistent and proactive in applying its indigenous peoples policy in the African states.

Board members welcomed the IEU evaluation and recommendations, with several members raising concerns about the findings presented therein. These included the lengthy and bureaucratic processes in GCF which discourage many AEs on their journey to secure GCF funding; the low number of countries with an accredited direct access entity; challenges after funding approval, including the signing of Accreditation Master Agreements and slow disbursements; that submissions of concept notes by AEs are decreasing due to inefficiency of the GCF and the time and resources consuming, duplication and overlap of operational policies; and the perceived "mitigation focus" of the Fund. Accordingly, a decision at B.35 should focus on programming across results areas on adaptation, direct RPSP support towards NDC focal points, addressing the high transaction costs of participating in the RPSP, revisit accreditation requirements and processes for DAEs with the goal of reducing transaction costs, revise the GCF policy on fees for AEs operating in Africa to address the high operating costs of working in this continent. Others underscored recommendations in the report to focus on a greater number of smaller and more accessible national-level grant-based projects, in particular in light of the ongoing debt crises in many developing countries. Last but not least, Board members suggested conducting similar assessments of other regions not yet evaluated, such as Latin America and the Caribbean, as well as Asia.

The Co-Chairs requested time to consult further on the matter, in order to take a more substantive decision other than just noting the report.

Dates and venues of upcoming meetings of the Board

IAt the previous meeting, the Board had decided that B.36 would take place in Kigali, Republic of Rwanda. However, due to other international events taking place in Rwanda in 2023, the country will be unable to host any Board meeting this year. In addition, the Secretariat is exploring options with several developing country Governments, who have offered to host B.37. In this regard, the Board Member from Georgia, Ms. Nino Tandilashvili conveyed the country's interest in hosting B.37 in Tbilisi, Georgia.
Given the short notice on the change of venue for B.36, the Board decided that the next meeting will be held from 10-13 July 2023 in Songdo, Republic of Korea.

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GERMANWATCH