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## Summary Briefing 25th Green Climate Fund Board Meeting 10-12 March 2020

Dear friends 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 Board or Secretariat.

During the meetings, CFAS experts are available to provide advise to and answer specific questions for Board Members, Alternates and their advisers from developing countries. The CFAS team can be reached via [cfas@germanwatch.org](mailto:cfas@germanwatch.org).

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The CFAS Team

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### Summary from 10-12 March 2020

From 10 to 12 March 2020, the Board of the Green Climate Fund (GCF) convened for its 25th meeting in Geneva, Switzerland. This was the first Board meeting since last year's Pledging Conference for GCF's First Replenishment. Despite evolving into a meeting dominated by the Coronavirus disease (COVID-19) outbreak, the Board still looked at important issues, such as the Updated Strategic Plan for 2020-2023, the review of the Simplified Approval Process pilot scheme and the consideration of new funding proposals (requesting USD 169.7 million of GCF funding).

### **Opening of the meeting and adoption of the agenda**

The new Co-Chairs for 2020, Ms Sue Szabo (Canada) and Mr Nauman Bashir Bhatti (Pakistan) opened the meeting, welcoming new Board and Alternate Board members and thanking the outgoing Co-Chairs for their work. The decision of relocating the meeting venue from Songdo, Republic of Korea, to Geneva, Switzerland, due to the COVID-19 was formally adopted. Some members raised concerns about risks associated with the meeting still taking place, in light of the spread of the virus among the participants who travelled through or came from countries with infection cases reported. The Board convened in an executive session in the afternoon of the first day to discuss the outbreak implications in the work of the GCF in 2020. Before adopting the meeting agenda, the Board discussed, inter alia, precautionary measures related to the COVID-19 to ensure that its 26th and 27th meetings still take place and that the work of the Secretariat staff and other GCF stakeholders can continue.

## **Report on the activities of the Secretariat**

O As usual, the Co-Chair invited the Executive Director, Mr Yannick Glemarec, to report on the activities of the Secretariat. The report provided an update on the activities undertaken between 1 September and 31 December 2019, with a focus on the overarching goals of the 2019 work plan of the Secretariat.

The report noted that the Secretariat advanced a series of workstreams to support the Board in preparing the GCF for a new operational and programming cycle in 2020. It highlighted support provided to the Board in making informed decisions, enhancing responsiveness to the COP guidance and preparing the GCF first replenishment and the High-Level Pledging Conference held in October 2019, which successfully raised USD 9.8 billion in pledges from contributors by the end of December 2019. Country ownership was strengthened through holding country engagement and programming dialogues across all regions, building the capacity of national designated authorities (NDAs) by enhancing the delivery of readiness support, and increasing cross-Secretariat engagement with both NDAs and direct access accredited entities (DAEs).

The Board welcomed the report and encouraged the Secretariat to continue accelerating the implementation of approved projects and programmes as well as building a paradigm-shifting portfolio in the GCF and implementing explored solutions related to staff matters.

## **Reports from the Independent Units**

### Report of the Independent Evaluation Unit (IEU)

Ms Jyotsna Puri, Head of the IEU reported on the activities undertaken in 2019, including several comprehensive evaluations on matters such as the performance review, country ownership approach, Environmental and Social Safeguards (ESS) and Management Systems (ESMS), capacity building measures and communication materials. Overall, the unit stayed within its budget lines and scheduled multiple additional evaluations (e.g. SAP, accreditation process, SIDS investments, and adaptation related investments) among other activities for the upcoming year. On a comment by the Board that the IEU is still operating under the absence of clear guidelines and procedures, Ms Puri underlined that a draft document on procedures has been prepared, awaiting comments from the Co-Chairs. The Board took note of the report.

### Report from the Independent Redress Mechanism (IRM)

Mr Lalanath De Silva, Head of the IRM, reported back to the Board via video, including a short presentation on the main achievements in 2019, which included the adoption of procedures and guidelines, the drafting of supporting operating procedures and the implementation of an online case management system. In terms of complaints and requests, the unit has received five cases in 2019 and filed one inquiry related to the very first proposal adopted by the GCF (FP001). Besides, two advisories on Sexual Exploitation, Abuse and Harassment (SEAH) for the project and institutional level were developed. To inform (direct) AEs as well as CSO representatives about the IRM, a first workshop was held in 2019 and online training modules were developed for further outreach in 2020. As the Head of the unit was not available, Board members had no essential comments on the IRM's report and just took note of it.

### Report from the Independent Integrity Unit (IIU)

The IIU did not report back, as the Head of the unit was not present at the meeting. However, Board members still discussed the report, especially on the increased number of registered prohibited practices, which arose to 40 in 2019, marking a 90 per cent increase in the total number of investigative matters addressed by the unit. Board members requested more clarification on potential reasons for such an increase, on measures to be taken in response to that, and underlined the need to address the issue in an in-depth manner on another occasion.

## **Report on the activities of the Co-Chairs**

The Co-Chair invited the Board to adopt the report on the activities of the Co-Chairs, including the updated 2019 work plan of the Board, the updated work plan of the Board for 2020-2023, Board decisions without a Board meeting, and the review of committees, panels and groups. The invitation extended to Board members and stakeholders to submit inputs to the updated Strategic Plan for the GCF 2020-2023 was welcomed, then some Board members shared their concerns on the Co-Chairs' decision to revise the updated Strategic Plan and to modify the agenda of the twenty-fifth meeting without prior consultation with the entire Board. To ensure transparency and accountability, and to recognise the roles of the Board, the Secretariat and other GCF stakeholders, the Co-Chairs were encouraged to align with the Rules of Procedures.

### Co-Chairs report, including an updated work plan of the Board for 2019

Besides regular engagement with the Secretariat, activities from the Co-Chairs for the period October 2019 to February 2020 included their participation in the fourth annual meeting between the GCF and the constituted bodies of the UNFCCC on 7 December 2019, to enhance cooperation and coherence of engagement. An information note was prepared on linkages between the Integrated Results Management Framework (IRMF) and the Results Tracking Tool (RTT) previously known as the Integrated Resources and Results Framework (IRRF). The Co-Chairs further guided the Secretariat in updating the Strategic Plan for the GCF 2020-2023 and have initiated steps in the preparations for the twenty-fifth meeting of the Board through engaging with the Secretariat and the independent units.

### Updated work plan of the Board for 2020-2023

As requested by the Board at its twenty-fourth meeting, the Co-Chairs presented an updated work plan of the Board for 2020-2023 and highlighted its linkages to the Strategic Plan for the GCF for 2020-2023. Important areas such as steps to enhance the climate rationale in the GCF portfolio, the complementarity and coherence framework, and additional analyses of investment priority areas or the private sector strategy were welcomed by members. Some Board members stressed the importance for the Board to prioritise the approval of policies that will enhance the work of the GCF, such as the investment framework, the incremental and full cost methodology, the policy on concessionality, and the mapping of elements related to project or programme eligibility and selection criteria, among others.

### Review of Committees, Panels and Groups

At its last meeting, the Board could not discuss the final report on the review which was received from a consultancy firm by the Co-Chairs and circulated among members. The Board, therefore, requested the Co-Chairs to prepare a proposal on the review to be considered at their twenty-fifth meeting. Having taken a closer look at its contents, the Board took note of the final report of the review of the effectiveness of committees, groups and panels established by the Board. Members requested the Co-Chairs to facilitate inputs from the Board and the various committees to conclude the review of committees, groups and panels by the twenty-sixth meeting. The Co-Chairs were additionally requested to present updated general guidelines for committees and panels for consideration at the next meeting and to undertake relevant consultations in an open, inclusive, consultative and transparent manner before the twenty-sixth Board meeting.

### Board decisions without a Board meeting

On a non-objection basis, the Board approved several decisions between meetings. This includes the election of the 2020 Co-Chairs election, the performance review of members of the Accreditation Panel, the accreditation of new observer organisations from civil society and the private sector, and the consideration of a new host country for the funding proposal FP078 "Acumen Resilient Agriculture Fund (ARAF)" by the Acumen Fund. Board members discussed decisions pending approval of the implementation of the Policy on the Prevention and Protection from Sexual Exploitation, Sexual Abuse, and Sexual Harassment (SEAH) and a major change to funding proposal FP027 "Universal Green Energy Access Programme (UGEAP)" in multiple countries by Deutsche Bank approved in

2016. Following executive sessions closed to the public and some informal consultations, the Board approved a major change to FP027 and the implementation matters relating to the GCF obligations under the Policy on the Prevention and Protection from SEAH.

## **8<sup>th</sup> GCF report to the Conference of the Parties (COP) to the UNFCCC**

The GCF has developed a document on how it responds to the guidance from the COP. Several questions raised by the Board were about how the GCF will accommodate the issue of loss and damage, as well as privileges and immunities. Some members showed interest in knowing how progress on privileges and immunities will be made. The CSO active observers highlighted that the GCF does not incorporate the entire concept of losses and damages under its adaptation focus.

On loss and damage, the Secretariat responded that efforts will continue to constructively work with other bodies under the UNFCCC on the linkages between adaptation and loss and damage goals. The Secretariat hopes to be able to present the kind of support the GCF could provide to countries to the Board. On the issue of privileges and immunities, the Secretariat explained that currently, the COP 25 Presidency has submitted a proposal to the United Nations General Assembly to ensure the matter is addressed by the wider Assembly and not only within the GCF. The results of the submission will be presented during COP 26 and are expected to be approved by the conference. The Secretariat is expected to report to the Board on the progress at its twenty-sixth meeting. After having all their questions addressed, Board members took note of the document as presented.

## **Updated Strategic Plan for the GCF for 2020-2023**

The starting point for further discussions on the Strategic Plan for 2020-2023 was an updated draft developed at an informal Board meeting in Liberia in February. As some Board members still raised concerns over the updated draft, the Co-Chairs decided to install an informal working group to further discuss six open issues identified, namely (1) strategic objectives and allocations, (2) shifting financial flows, (3) project prioritisation, (4) arrange of and diversifying instruments, (5) accreditation prioritisation, as well as (6) efficient process management and delegation. The informal group was chaired by representatives from developing countries (Mr Richard Muyungi (Tanzania), Mr Ignacio Lorenzo Arana (Uruguay)), and developed countries (Mr Josceline Wheatley (United Kingdom)) and was open to all Board members, Alternates and Advisors. The group aimed to achieve progress on the remaining issues to be clarified and to come up with a revised updated Strategic Plan. As participants in the informal group were not able to reach agreement on all open matters during the course of this meeting, the decision over a revised updated Strategic Plan was deferred to the next Board meeting.

## **Matters related to the approval of funding proposals**

While the policy on programmatic approaches has not been discussed at this meeting, the Secretariat was able to present its review of the Simplified Approval Process (SAP) pilot scheme and related recommendations to further improve the efficiency and effectiveness of the process. Several Board members expressed their concerns regarding some of the recommendations such as the proposed use of external consultants to substitute some of the iTAP's activities or the introduction of approvals of SAP funding proposals in-between-Board meetings. The CSO active observers added that decisions in-between meetings should guarantee sufficient time for stakeholder inputs and opposed SAP project eligibility beyond risk category C. Finally, the Board highlighted the need to align the Secretariat's review with the upcoming overall independent assessment of the SAP pilot by the IEU at B.26. Thus, the Co-Chairs presented a revised decision that only requests the Secretariat to further develop the simplified approval process for consideration by the next Board meeting. The Board did not take note of the current review of the SAP pilot scheme after having discussed this agenda item. Instead, an assessment by the IEU on matters related

to the approval of funding proposals will be presented at the twenty-sixth Board meeting and will take into account all the comments made by the Board.

### **Matters related to the independent Technical Advisory Panel**

Based on an independent consultant's report on whether the capacity of the iTAP would be sufficient to meet current and future tasks, Board members were asked to decide over a significant budget increase for the Panel (USD 338,800 as an addition to the budget of USD 3,673,720 approved at B.24). Some organisational recommendations such as increasing the number of iTAP members from six to ten, operationalising the roster of iTAP experts, etc. were also suggested.

The Board supported the budget increase and other recommendations with a consensual agreement, but went through a procedural debate, whether prior agreed budget lines should be subject to significant adjustments at a later stage. As a background to this proposed budget revision, the GCF Executive Director explained that the iTAP's assumed workload was closely connected to the outcomes of the replenishment process as well as to certain management decisions about the envisaged output for the GCF soon (e.g. increasing the current output of 30 projects per year to 60 projects annually). He added that both issues were still under development at the time the original budget for the iTAP was drafted. During the debate, many Board members underlined the crucial importance of the iTAP's capacity to enable the GCF to efficiently continue its funding practice. The debate also had input by a civil society observer, who supported the proposed iTAP review, adding that the skillset of additional iTAP members and/or the roster of experts shall represent a much wider range of social and gender expertise. The Board concluded its discussion on the matter.

### **Status of resources, pipeline and portfolio performance**

The Co-Chair invited the Secretariat to provide an update on the overall status of resources, pipeline and portfolio performance of the GCF. The report highlighted that the Initial Resource Mobilisation (IRM) amounts to USD 10.3 billion pledged to the Fund, of which USD 7.1 billion have already been received. The first replenishment of the GCF held at the end of last year has contributed to mobilising an additional USD 9.8 billion, of which USD 1.2 billion have already been received. However, USD 6.3 billion are still unconfirmed from some of the pledging countries. In terms of funded activities, the report noted that, as of February 2020, the GCF has committed a total of USD 6.5 billion, comprising USD 5.4 billion for 123 projects and programmes approved by the Board from 35 accredited entities (AEs) and distributed across 105 developing countries. USD 13.9 billion were mobilised by the Fund as co-financing. The remaining USD 1.1 billion that the GCF has committed covers USD 0.3 billion for the readiness support provided to 138 countries, project preparation support provided to 24 countries with a focus on direct access entities, as well as USD 0.8 billion for accredited entity fees, administrative fees, and foreign exchange buffer. The GCF still has a remaining commitment authority of USD 1.8 billion, including investment income and fund reflows. Based on the estimation of the accredited entities, the approved projects are expected to reduce 1.6 billion tonnes of carbon dioxide equivalent of greenhouse gases and impact 350 million (direct and indirect) beneficiaries. As authorized by the Fund's Governing Instrument, the report noted that a wide range of financial instruments are utilized under the GCF portfolio, with the largest portion being financed by loans and grants, followed by equity, results-based payment and guarantee.

The Board welcomed the report, particularly the clarification provided by the Secretariat on the time granted for legal arrangements under the GCF portfolio, to address delay issues previously noted on the effectiveness of the Funded Activity Agreements (FAAs) and Accreditation Master Agreements (AMAs), following Board decisions. The corrective

actions taken by the Secretariat such as limiting consideration of funding proposals without executing AMAs, achieving a gradual standardization of legal agreement forms and procedures, and seeking proactive dialogue and guidance were welcomed. However, some

members shared concerns on delays of various projects already approved but not yet under implementation. It was stressed that country ownership should be further strengthened to ensure the collective success of funded activities, while strong policies should continue being in place to enable the Secretariat, the Board and national stakeholders to contribute to the GCF objectives. The Board additionally requested the Secretariat to explore solutions to overcome issues related to REDD+ results-based payments and disbursements of funds to approved projects. After having considered clarifications provided by the Secretariat to their questions, the Board took note of the report on the status of resources, pipeline and portfolio performance of the GCF.

## **Consideration of funding proposals**

At this Board meeting, the Board approved all of the following funding proposals:

- **FP124:** Strengthening Climate Resilience of Subsistence Farmers and Agricultural Plantation Communities residing in the vulnerable river basins, watershed areas and downstream of the Knuckles Mountain Range Catchment of Sri Lanka, IUCN, Sri Lanka, USD 39.8 million in GCF funding
- **FP125:** Strengthening the resilience of smallholder agriculture to climate change-induced water insecurity in the Central Highlands and South-Central Coast regions of Vietnam, UNDP, Vietnam, USD 30.2 million
- **FP126:** Increased climate resilience of rural households and communities through the rehabilitation of production landscapes in selected localities of the Republic of Cuba (IRES), FAO, Cuba, USD 38,2 million
- **FP127:** Building Climate Resilience of Vulnerable Agricultural Livelihoods in Southern Zimbabwe, UNDP, Zimbabwe, USD 26.6 million
- **FP128:** Arbaro Fund - Sustainable Forestry Fund, MUFGB Bank, Ecuador, Ethiopia, Ghana, Paraguay, Peru, Sierra Leone, Uganda, USD 25 million
- **SAP013:** Scaling Smart, Solar, Energy Access Microgrids in Haiti, NEFCO, Haiti, USD 9.9 million in GCF Funding

One Board member objected to the approval of FP126. As a result, informal consultations were conducted among the Board to explore joint consensus on the matter. The consultations did not reach any agreement and all efforts to reach a joint consensus were exhausted. The Co-Chairs then concluded that a formal voting procedure was necessary as the only option remaining. In the absence of two Board members and their respective Alternates, including the one previously objecting, who had to travel back home urgently as a consequence of sudden COVID-19 developments, the Board approved FP126 with 22 votes in favour and zero against and zero abstentions.

Board members uniformly approved FP128, yet many raised relevant concerns and asked for their recommendations to be reflected in the report of the meeting. On the project's design, Board members raised the issues of realistic carbon sequestration over the project's lifetime and the nexus with national accounting and voluntary carbon schemes, as well as on the need for more differentiation in the grievance mechanism in light of differing land tenure schemes across the different geographical areas. Other Board members questioned the GCF's role as risk-taker given that it will take on the same risk level as other private investors and on the lack of a rapid investment exit strategy.

## **Consideration of accreditation proposals**

The Board did not take any decision on the consideration of new accredited entities. The main reason to not reach consensus was because of the late dissemination of documentation on accreditation proposals, as the document was only disseminated on 5th March 2020, when it should have been disseminated 21 days before the Board meeting.

Many members raised their concern of the issue and one even stated that this late dissemination was a breach with the Fund's disclosure policy. Some members stated they could not take due diligence for all accreditation applicants, and proposed making a decision in-between Board meetings, while other members questioned the Secretariat about the low number of applicants for this meeting (only two new applicants, and one applicant for an upgrade in accreditation scope).

One Board member opposed the suggestion to postpone the decision, recalling paragraph 21 of the GCF's Rules of Procedures, which state that: "The Secretariat will transmit to Board members and alternate members the documentation relating to items on the provisional agenda at least 21 calendar days before the first day of the meeting scheduled, except in case of extraordinary meetings and in exceptional circumstances where, in the view of the Co-Chairs, a shorter period for the transmission of documentation is warranted. In any such cases, the Co-Chairs, acting jointly, shall determine the date by which the said documentation has to be transmitted." The Board member argued that the COVID-19 outbreak is a special circumstance and pointed out that the date of documents transmission was decided by the Co-Chairs. Several other members joined this view and some spoke in favour of approving the accreditation proposals at B.25 to support the application of direct access AEs, in particular as they were all from LDCs, and given that the Secretariat had undertaken the necessary due diligence.

In response to the Board comments on late dissemination of the document, the Secretariat presented the absence of clear standards on the SEAH policy that accreditation applicants are now requested to implement and the lack of SEAH expertise within the Secretariat staff as reasons. This had contributed to a delay in assessing applicants before circulating the documents to the Board. On the low number of applicants, the Accreditation Panel responded that most applicants are now direct access entities on normal track applications, which due to the thorough analysis take some time. Moreover, some assessment visits needed to be postponed due to the COVID-19 outbreak. However, between 6 to 7 new applicant entities for B.26 are expected.

### **Dates and venue of upcoming Board meetings**

At its twenty-fourth meeting, the Board decided to hold its twenty-sixth meeting from 23-25 June 2020 in Songdo, Republic of Korea. Due to the uncertainty imposed by the Coronavirus outbreak, Board members had different views on how to proceed. Some members suggested holding the next meeting via videoconferencing, while others raised concerns over that option, arguing that access to good Internet connectivity might be limited depending on members' locations. The overall decision-making authority on dates, venues and logistical arrangements related to upcoming meetings was also discussed. Especially whether this should remain with the Board members or be transferred to the Co-Chairs on an exceptional basis.

As there was no joint agreement on all these matters, the Co-Chairs proposed to monitor the global health situation and suggested to make a decision in-between Board meetings. As some Board members highlighted negative implications by not deciding over at least a date (e.g. alternation of the workflow of the GCF Secretariat), the GCF Legal Counsel underlined that the original decision made at B.23 over the dates and venue of B.26 would still hold until the Board decides to revoke it. No decision was taken on the dates and venue of the twenty-sixth meeting.

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