



GREEN
CLIMATE
FUND

Summation by the Global Facilitator – First Replenishment of the Green Climate Fund Second Consultation Meeting

29-30 August 2019

Ottawa, Canada

Revised, 3 October 2019

I. Introduction

1. The Second Consultation Meeting of the Green Climate Fund's First Replenishment (GCF-1) convened on 29 and 30 August 2019 in Ottawa, Canada. Participants consisted of 27 potential contributors, the GCF Board Co-chairs and 6 GCF Board members, one observer each from the United Nations Framework Convention on Climate Change (UNFCCC), Global Environment Facility (GEF), and civil society organizations (CSOs), the GCF Executive Director, GCF staff, and staff of the Trustee. The Global Facilitator chaired the meeting.

II. Summary of Discussion

2.1 Opening remarks and adoption of the agenda

2. The Global Facilitator called the meeting to order and introduced the Government of Canada's Deputy Minister of International Development Diane Jacovella to provide opening remarks. Ms. Jacovella welcomed the participants and delivered a statement on behalf of the Canadian authorities stressing the importance and urgency of the climate agenda and expressing her authorities' strong support for a successful GCF replenishment. She reminded the meeting of Canada's recent pledging announcement to the GCF-1 replenishment made by Canada's Prime Minister at the G7 summit in Biarritz France.

3. The Global Facilitator then introduced the GCF Co-Chairs. They reminded the meeting participants that the Replenishment Summary Report will provide recommendations for the ambition of GCF-1 in terms of ambition for results, the reforms needed to achieve them, backed up with a clear demonstration of support through new contributions, for the consideration and endorsement of the Board at its twenty fourth meeting (B.24). They outlined that they envisaged that the substance of the Replenishment Summary Report would be taken up by the Board in its first consideration of the revised Strategic Plan for GCF-1, also to be considered at B.24, which would, in turn be finalized at the first Board meeting of GCF-1 (B.25). This process would provide a way for the Board to unify its planning with the recommendations of the Replenishment process in one plan for GCF-1. They also noted that the Strategic Plan for GCF-1 should include provisions for GCF-2 so that it can be planned in advance, based on the lessons learned from the GCF-1 Replenishment.

4. The Global Facilitator then introduced Mr. Yannick Glemarec, the Executive Director of the GCF, to make opening remarks. Mr. Glemarec thanked the Canadian authorities for their hospitality. He informed the meeting of highlights from the recent high-level international programming meeting organized by the GCF in Songdo.

5. The Global Facilitator noted the importance of the GCF-1 replenishment process in addressing climate change. He recalled the successful first replenishment meeting in Oslo, the productive twenty-third GCF Board meeting, as well as the pledges already announced prior to this meeting. He reminded attendees that this will be the final meeting prior to the pledging conference later in 2019 and encouraged all present to make efforts to reach agreement on as many outstanding issues and items as possible prior to the end of the meeting.

6. The Global Facilitator then introduced the agenda for the meeting. Board members expressed concern over the presentation of the Secretariat's Management Response to the Forward-Looking Performance review prior to review and endorsement by the GCF Board. The Secretariat clarified that the Management Response is presented to the Replenishment for information. A Board member also requested clarification on what items on the agenda were to be finalized and which represented work in progress. The Facilitator responded that he hoped

contributors come to an agreement at this meeting regarding the Policies of Contributions, while also making progress towards agreement on the draft Replenishment Summary Report, which would then be further revised and submitted for approval at the Pledging conference.

7. The agenda was adopted by the participants without any amendment.

2.2 Item 1: Forward Looking Performance Review, and GCF Secretariat Management Response

8. The Head of GCF's Independent Evaluation Unit (IEU) presented the Forward-Looking Performance Review (FPR) of the GCF, which had also been presented at the GCF Board's most recent meeting (B.23) in July.

9. The Executive Director of the Secretariat offered the Management Response to the Forward-Looking Performance Review which highlighted the clear alignment with most of the IEU's recommendations as outlined in the FPR.

10. Participants warmly welcomed the detail and quality of the FPR report and the Secretariat's management response, which demonstrated the Fund's commitment to be a learning organization that is transparent and accountable to its constituents. They also noted the significant alignment between the Review and the management response.

11. Participants raised the following specific points:

- The GCF must sharpen the way it articulates its uniqueness and value proposition and ensure GCF plays a complementary role in coherence with other sources of climate finance;
- GCF programs need to be country-driven, a central principle of the Fund that could have been more explicitly highlighted in the Report;
- The Fund needs to develop an accreditation strategy to ensure it is working with the right accredited entity (AE) partners to deliver programming, noting that a number of AE partners had not yet realized value for the Fund or developing countries;
- The Fund should reconsider its approach to prioritization and filtering of funding proposals, including through revision of the Investment Framework;
- The Fund should give greater attention to innovative financing for adaptation; while recognizing that the Board had decided that the balance between mitigation and adaptation funding is measured in grant-equivalent terms, some participants felt that this might have to be revisited by the Board;
- Participants stressed the importance of the Fund's private sector engagement;
- They further noted the importance of implementation and of management for results;
- Contributors were open to explore further possible delegation of authority to the Secretariat (from the Board), while some Board members expressed reservations in this regard;
- Contributors noted that the importance of effective engagement of Civil Society Organizations and Private Sector Organizations in GCF program preparation and implementation deserved more attention.

12. The Head of the Independent Evaluation Unit responded to a number of these points, including the following:

- She noted the Report's important recommendation on scaling up direct access, but also acknowledged the importance of the technical knowledge that international access entities can bring to GCF as partners.

- On mitigation, the Report was not suggesting GCF move away from funding mitigation activities, but that the Fund should focus more on how to crowd in investment for higher risk project or innovative technologies with mitigation focus.
- With GCF's accreditation process, many international access entities do not recognize why they should adopt GCF's Gender, Safeguards and Environmental and Social Safeguards if they already have their own – this is an opportunity for GCF to create value by raising the bar

13. The Secretariat's Executive Director responded to the comments by the participants by noting, inter alia:

- GCF should not be considered a niche player; it has many unique attributes that enable it to be more ambitious than many other channels for climate finance.
- There is a dramatic demand for equity investment into adaptation, and an opportunity to demonstrate innovation in adaptation as much as in mitigation.
- Over the IRM period, the secretariat has accredited 88 entities and originated 111 projects. Over the GCF-1 programming period, the secretariat will not only need to repeat this, but likely will have to expand this performance and begin re-accreditation for many entities. Moreover, it will have to manage the implementation of the current cohort of projects and of newly added projects. This calls for significant efficiency gains, including through enhanced delegation of authority.

2.3 The GCF Board Observer representing Civil Society Organizations offered an intervention to the participants

14. The CSO Observer reminded participants that the replenishment process must send the signal that the GCF can act at scale and give developing countries the confidence to increase the ambition of their nationally determined contributions (NDCs) in 2020. She also noted that for the CSO community the scenarios that had been presented by the Secretariat during the informal session the previous day were not ambitious enough. She further

- urged all contributors to provide their support to the GCF overwhelmingly in the form of grants, not loans or capital contributions;
- voiced support for moving towards a more balanced allocation of funding by increasing the share of adaptation finance in nominal terms, and for an increase in Direct Access Entity project approvals, not only in the number of projects, but also in the value of finance;
- voiced concern over:
 - some of the proposed private sector strategy reforms that, in the view of COSs, could fundamentally alter the nature of the GCF;
 - a potentially greater share of contributions in the form of loans and capital contributions, rather than grants;
 - the limits of a narrow quantitative approach to results management, and
 - inadequate attention to transparent and participatory, human rights-based and gender-sensitive approaches.

2.4 Item 2: Draft Replenishment Summary Report (Round 1)

15. The Secretariat presented the draft Replenishment Summary Report for the GCF's first replenishment (except for Section 6). The draft Report sets out proposed strategic, programming and operational directions for GCF-1 based on various documents and other

inputs developed for the GCF Board and for the replenishment process and reflecting their consideration by the Board and replenishment consultations.

16. Overall, participants welcomed the directions presented in the draft of the document.

17. Contributors addressed the following aspects of the report:

- They called for GCF to articulate more clearly the unique value proposition of the Fund, and its advantage in the climate finance ecosystem;
- They called for greater clarity on the purpose and ownership of the report;
- They recommended the Fund focus on strengthening impact, scale, quality and efficiency;
- They noted the importance of having a clear accreditation strategy to focus on prioritizing accreditation of entities that bring value to GCF;
- They also noted the importance of having clear mitigation and adaptation strategies;
- Some stressed the value of the Fund setting a more ambitious co-financing ratio and a target for mobilizing private finance.
- Contributors suggested that a separate section should clarify the Fund's approach to engagement with the private sector and how it can mobilize funds at scale.
- They urged the Fund to pursue innovative approaches to adaptation finance and to consider allocating a greater share of adaptation finance to the most vulnerable countries.
- They noted the importance of proactive prioritization of funding proposals to assure quality and impact, in conjunction with clarification of the investment criteria and completion of investment policies;
- They called for greater attention in the report to gender, social inclusion, and rights-based policies and to how the Fund will engage with CSOs, PSOs and local stakeholders so as to ensure impact for the most vulnerable groups;
- They urged the Fund to
 - consider the adoption of a two-stage project approval process,
 - pursue a programmatic approach,
 - scale up its engagement in SIDS and LDCs,
 - explore synergies with work on biodiversity and oceans, and
 - add the monitoring of impacts related to gender and social inclusion;
- They noted that for the Fund the range of possible partners extended beyond accredited agencies;
- They called for strengthening the Fund's focus on the climate rationale of the projects it supports and for linking climate and development impact more explicitly;
- They acknowledged that defining and measuring transformative change is difficult, but noted that the Fund needs to strengthen the links between results management, implementation and evaluation, with a results management framework that eventually tracks not only expected results, but actual results of project implementation; this should be a key area for knowledge generation in the GCF;
- They called for more detail on how GCF can implement proposed directions throughout GCF-1; and
- They proposed that GCF thought leadership on climate finance be considered as a longer-term goal.

18. Members of the Board noted the importance of ensuring alignment with the GCF's Governing Instrument and principles and provisions of the UNFCCC and the Paris Agreement; noted the importance of grants and concessional loans for SIDS, LDCs, and Africa, and that these countries would find it difficult to use innovative financing mechanisms; and called for clarification of the report's language in a number of regards. Some members of the Board

contested the presentation and content of the Replenishment Summary Report drafted by the Secretariat arguing that it contains policy options and concepts that have not been proposed to, discussed in and/or agreed by the Board and that are inconsistent with the Governing Instrument, adopted by consensus by the State parties to the Convention, in particular Article 5 that established that the Fund will be governed and supervised by a Board, not the contributors, and Article 18 that set forth the role and functions of the Board. They therefore challenged the appropriateness of contributors submitting and adopting proposals related to accreditation modalities, delegating authority, budget allocation, changing operational modalities, principles, business model, financial instruments, etc., that in their view are beyond the mandate of this process of consultations, that change the direction of the Fund and take over functions of the Board.

19. The Secretariat welcomed the many comments received and promised to give them full consideration in its further revision of the paper. It noted that, once finalized and approved by the Contributors, the report will represent their recommendations to the CGF Board to be transmitted for Board consideration and endorsement.

2.5 Item 3: Updated Policy for Contributions (Round 1)

20. The Secretariat presented a paper on Updated Policy for Contributions for the First Replenishment, which had been developed in response to Board Decision B.21/18. Based on the comments received at the first Replenishment meeting in Oslo and from selected Board members, the Secretariat offered recommendations for approval by the meeting in four areas:

21. **Effectiveness:** Under the Initial Resource Mobilization procedures, the percentage threshold required 50 percent of pledges to be finalized for the Replenishment to be declared effective. The Secretariat recommended this threshold be reduced to 25 percent. Contributors discussed the merits of a 25 percent effectiveness threshold, and in particular the need to allow for an early commencement of commitment authority under GCF-1, while retaining an incentive for contributors to finalize their contribution agreements quickly. They reached agreement on this recommendation.

22. **Trigger for replenishment:** Under the IRM period of GCF, the trigger to launch the next replenishment was reached when cumulative funding decisions exceeded 60 percent of total amount pledged. The Secretariat recommended instead to start the next replenishment process after a fixed amount of time – 30 months – following the start of GCF-1 programming period. Participants discussed the merits of this recommendation and considered various alternatives. In view of enhanced predictability and more effective sequencing of various steps in the replenishment process, Contributors agreed to fix the launch of GCF's next replenishment to begin 30 months after the beginning of the GCF-1 programming period.

23. **Carry over of funds:** Contributors reiterated, as in the first Replenishment meeting in Oslo, that the document should stress the importance of pledges being honoured. A contributor proposed a revision to the text contained in the paper for consideration. It was agreed that the Secretariat and the Trustee would review and revise the text to be proposed overnight, and that this issue would be considered further on the following day.

24. **Limits on capital and loans in individual contributions:** During the initial resource mobilization period, a cap limits the percentage of pledges that could be made to the fund in either capital contributions, or loans. This cap is applied to each contributor individually. The Secretariat recommended this individual cap be removed, while maintaining an overall cap on contributions for pledges from all contributors. Participants agreed on the importance of maintaining an overall cap. They also considered the pros and cons of removing the individual caps. One contributor recommended to remove the individual country contribution cap so long

as the total amount being contributed in grant form would not be lower than the previous replenishment. It was agreed that the Secretariat and the Trustee would review this matter further and revise the text as appropriate for further consideration by the replenishment on the following day, along with additional items of concern to contributors relating to the proposed Policy for Contributions.

2.6 Item 4: Replenishment Targets, Scenarios, and Financial Planning

25. The Secretariat made a presentation on replenishment targets, scenarios and financial and results planning. These were abridged versions of what had been presented in detail during the informal technical session on Wednesday, 28 August 2019.

26. On replenishment targets, participants offered a number of comments, including the following:

- Contributors noted it would be helpful to establish a longer-term vision for the Fund to secure its continuity and sustainability, but opposed introducing numerical targets to its future size.
- Contributors also voiced concerns regarding the language for GCF to play an increasing role in overall climate finance flows in the future, as it is not currently clear what such flows may be, and asked that focus should be instead on GCF's role to catalyze and crowd in other sources of finance.
- Contributors noted that, while additional pledges after the GCF-1 pledging session would be welcome, it was not helpful to define and communicate an explicit resource mobilization target for such pledges.

27. Participants also offered comments on the scenarios presented, including the following:

- Participants warmly welcomed the granularity offered in the presentation through the modelling and the Secretariat's efforts to quantifiably link funding to impacts;
- One Contributor noted that they would welcome better understanding the impacts that the establishment of Privileges and Immunities might have on the financial planning process
- Participants requested clarity on what role the financial model and the results it presented would play as part of the Replenishment documentation.
- Participants requested more information to help them understand more deeply the assumptions used and embedded in the model.
- Participants noted that the model is helpful in illustrating quantifiable results, but they stressed that the Fund should place significant focus on ensuring the quality of projects, partners, and results during GCF-1.

28. Board members noted that in the presentation of the model many assumptions have been embedded that would require Board review and approval for implementation and thus that the relevance of the paper was in doubt.

29. The Secretariat responded that

- The modelling analysis presented was developed for illustrative purposes only, and
- The presentation of targets and scenarios in the revised draft report will reflect the guidance received from participants.

2.7 Item 5: Draft replenishment report (Round 2)

30. The Secretariat reminded participants that an annotated draft of the draft replenishment summary report had been circulated highlighting comments that had been collected at the session on Day 1 of the consultation meeting. It also reminded participants that the Secretariat intends to use the annotations as instructions to make further updates to the text of the report following this meeting. The Secretariat further clarified that the replenishment summary report will become the report of the contributors participating in the replenishment process.

31. The Global Facilitator opened the floor for discussion on the annotated draft. In addition to further discussion of the items touched upon during Day 1, as noted above under Item 3, participants added the following:

- Contributors voiced support for, and requested as an action item, the addition of more specific indicators on project prioritization and selection, taking account of impact as well as country needs, vulnerability and capacity, as well as project type.
- Multiple contributors reiterated their support for a specific action item on gender.
- A Contributor also requested to include an action item on building synergies between climate on the one hand and oceans and biodiversity on the other, with recognition of the urgency of action.
- Contributors recommended the private sector section of the document offer more detail drawing on discussions of the private sector strategy at the last board meeting;
- One contributor suggested that instead of quantified targets for the GCF-1 programming period, the Secretariat consider addition of language that the Fund would 'exceed the ambition of the GCF IRM programming period';
- A contributor requested that the report consider either setting a target for disbursements, or to make efforts to more clearly define what is meant by 'implementation';
- Contributors sought more information on the next steps in finalizing the draft report to ensure there is enough time for consideration and review by the report, with finalization ideally prior to it being reviewed and agreed at the pledging conference.

32. A Board member reiterated his concerns that the Paris Agreement, the UNFCCC, the Governing Instrument be fully recognized in the language of the report and requested inclusion of the recommendations that have been submitted to the Secretariat by the African Board members. He further requested that a footnote be added in Annex 3 that the actions recommended by the paper would be subject to Board decision.

33. The Secretariat noted that it will incorporate the comments over the coming weeks. It further noted that the process and timetable for preparing the documentation for the pledging conference would be discussed under agenda item 7.

2.8 Item 6: Updated Policy for Contributions (Round 2)

34. The Secretariat presented the proposed revision of the wording for the recommendations in the Updated Policy for Contributions based on consultation with relevant contributors. For the issues agreed on Day 1 (on effectiveness and trigger) the Secretariat presented the exact wordings that will go into the Updated Policy. These were accepted by the contributors.

35. The Secretariat presented the revised wording of recommendations for carry-overs and limits on capital and loans in individual contributions. The suggested language on the carry-overs was agreed and accepted by the contributors.
36. A Board member requested to record that resource mobilization at scale should not be seen as replicating the model of MDBs or pension funds, and GCF should maintain its uniqueness.
37. Regarding limits on capital and loans in individual contributions, a revised wording was proposed. After further discussion and exploration by among concerned contributors, participants agreed on wording regarding limits on capital and loans in individual contributions.
38. In response to the request from a contributor, the Secretariat presented an initial analysis of implication of changing the holding currency of the GCF from USD to Euro. Two contributors noted that they wished to reflect further on the information provided and discuss with the Secretariat how best to move forward. The Facilitator noted that the holding currency is not an issue to be discussed as part of the Updated Policy for Contributions, but is a matter of the financial management. It was agreed that this matter will be taken up among contributors and the secretariat as part of the process of finalising the replenishment summary report, but separately from the Updated Policy for Contributions.
39. One contributor expressed strong reservations on the rationale for requiring contributions in the form of loans to be accompanied by a minimum grant contribution to the Fund in respect of the administrative costs and expenses of the Fund and fees associated with the implementation and use of the loan. The participant noted that other comparable multilateral funds, such as the African Development Fund, IDA and IFAD have no such requirement, which represents an impediment for the concerned government to provide a loan contribution to the GCF.
40. After seeking any further comments or queries, the Facilitator concluded that agreement had been reached among contributors on the wording in the paper on Updated Policy for Contributions.
41. A contributor requested the Trustee to initiate work on the contribution agreements based on the agreed policies for contributions.
42. A co-chair requested that, while the Updated Policy for Contributions was now agreed among the contributors at the Second Consultation Meeting, the Secretariat coordinate with the co-chairs on procedural matters to have the Updated Policy considered and adopted by the GCF Board.

2.9 Item 7: Remaining steps in the process

43. After the Secretariat's Director of External Affairs introduced the next steps of the replenishment process, including the remaining dates of significance leading up to the proposed pledging conference, including a detailed timeline for the review process by participants to offer comments to the revised Replenishment Summary Report.
44. The representative for France made the proposal that his government host the pledging conference in late October in Paris, France. The Facilitator thanked the French authorities for their offer and extended his and the participants' appreciation to the South Korean authorities for having also offered to host the pledging conference.
45. The Global Facilitator opened the floor for discussion. The proposal by the French Contributor to host the pledging conference was warmly received by the participants. Participants also thanked the Republic of Korea for its offer to host the conference. The meeting

decided to accept the offer of the French authorities to host the pledging conference in Paris, with the exact date to be confirmed later.

III. Closing Session

46. The Global Facilitator presented his oral summation. Some Contributors and Board members asked for clarification on specific points. One Board member asked whether the Summation would be circulated in draft for review and comment by participants. The Facilitator welcomed the interventions. He noted that he would review the summation carefully before finalizing it in light of the comments received. He noted further that his summation of the first GCF-1 replenishment meeting in Oslo had not been circulated in draft for comment, but that he would consider how to proceed in the coming days and inform participants in due course.

47. In closing, the Executive Director and the Global Facilitator thanked the Canadian authorities for hosting the meeting in Ottawa and thanked all participants, GCF staff and the supporting personnel for a productive and efficiently managed event.