



**GREEN
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FUND**

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Implementation of the initial strategic plan of the GCF: annual report

Summary

This report provides an annual update on the progress made in the implementation of the strategic plan for the GCF. The reporting period is from the twelfth meeting of the Board held in Songdo, Incheon, Republic of Korea, from 8 to 10 March 2016, to 28 February 2017.

I. Introduction

1. At its twelfth meeting, the Board endorsed an initial strategic plan for the Green Climate Fund (GCF) (hereinafter referred to as the strategic plan) for the Initial Resource Mobilization period of 2016 to 2018.¹ The strategic plan outlines the GCF strategic vision, operational priorities and action plan. Furthermore, the Board requested the Secretariat to take all steps necessary to implement the action plan as contained in the strategic plan in a gender-responsive manner, and report at each Board meeting on progress achieved.

2. Following the adoption of the GCF Gender policy and Gender action plan in 2015,² gender considerations have been put in place in many areas of the work of the GCF. Gender considerations have been addressed through a number of measures, including at the portfolio level, such as readiness and preparatory support, as well as knowledge-sharing and capacity-building. Concrete actions with regard to gender considerations are outlined in the relevant sections of this report.

3. This document provides an overview on the progress achieved by the Board and the Secretariat in implementing the actions outlined in the strategic plan. The reporting period covers activities engaged in and progress made since the adoption of the strategic plan at the twelfth meeting of the Board to 28 February 2017.

II. Prioritizing pipeline development

4. Under the key strategic measure of prioritizing pipeline development, the GCF is to focus on the actions and activities that would increase the number of projects and programmes submitted to the GCF. Those actions and activities should be country-driven, of high impact and should be scalable. In addition, such measures would support a more strategic approach to programming and would enhance responsiveness to countries' needs through enhanced readiness support, structured dialogues, targeted requests for proposals and help in identifying opportunities for the co-financing of projects with other climate funds.

5. During 2016, the Board adopted a number of decisions that support the implementation of this strategic measure. Furthermore, the Secretariat has made progress through structured dialogues and other means to achieve this objective.

2.1 Enhanced readiness support

6. At the fifteenth meeting of the Board (B.15), the Board decided to allocate an additional USD 50 million to the Readiness and Preparatory Support Programme,³ totalling USD 110 million and the Secretariat has approved proposals for the Readiness and Preparatory Support Programme for a total of USD 22.4 million.

7. The GCF has followed a focused approach to starting engagement with countries and to providing support for the preparation of their country programmes. Following B.15, one African country has officially submitted their country programme to the GCF for the 16th Meeting of the Board, found in Addendum I to this document. As of 28 February, 2017 23 countries have vetted their country programme briefs and 43 entities have presented their entity work programmes. Since then, 2 more country programme briefs were received. A compilation of these programmes can be found in Addendum II, III and VI of this document. Furthermore, 51

¹ Decision B.12/20.

² Decision B.09/11.

³ Decision B.15/04.

readiness proposals for the preparation of country programmes are currently under implementation.

8. The Board has provided further clarity on the modalities of the Project Preparation Facility (PPF) through the adoption of its operational guidelines⁴ and by expanding the scope of readiness support for accredited entities in order to meet some of the conditions placed on them during the accreditation process. These actions will be beneficial for the efforts to further develop the GCF pipeline.

9. The Secretariat organized three regional structured dialogues (Pacific region, Africa and Latin America), with participants from national designated authorities (NDAs)/focal points (FPs), accredited entities, delivery partners and the Secretariat. During those dialogues, accredited entities were able to engage with country representatives on their project prioritization, and the need for project development to fully assess project viability and potential by trying to align their potential funding proposals with national policies and plans.

10. At its thirteenth meeting, the Board adopted a decision on support for the development of national adaptation plans (NAPs) and other adaptation planning processes, allowing countries to request up to USD 3 million for the development of their NAPs.⁵ As a result, two proposals (Nepal and Liberia) had been approved.

11. Templates for country programmes have been developed and are currently being further refined to include improvements in form and substance; while existing readiness proposal templates have been simplified.

12. The disbursements for readiness support have accelerated through the simplification of readiness grant agreements and introduction of framework agreements for readiness delivery partners.

2.2 High-level engagement

13. During the structured dialogues, the Secretariat organized high-level sessions, which were attended by different ministers and were facilitated by the Co-Chairs. Such high-level sessions allowed Parties to present their national priorities for engagement with the GCF and to better understand the GCF process and procedures.

14. In addition, the GCF continues to receive high-level delegations, which has proven to be a useful way for country representatives to learn about GCF operations and to meet the technical experts of the Secretariat.

15. The Co-Chairs of the GCF were involved in high-level sessions and segments during the twenty-second session of the Conference of the Parties, including a high-level segment on climate finance and enhanced climate action.

2.3 Co-financing with other financial institutions

16. Through decision B.13/05, the Board requested the Co-Chairs to consult with the Board, with a view to presenting for consideration by the Board, a proposal related to identifying opportunities for the GCF to add value by co-financing projects and programmes together with the Global Environment Facility, the Adaptation Fund or multilateral development banks. By decision B.15/02, the Board extended the consultation on the mandate given to the Co-Chairs. On conclusion of their consultations, the Co-Chairs are to summarize the outcome and propose a draft decision for consideration by the Board.

⁴ Decision B.13/21.

⁵ Decision B.13/09.

17. Meanwhile, the GCF has accredited a number of multilateral development banks which have brought forward funding proposals that the Board has approved, and some of which are in the pipeline for the Board's consideration, so that co-financing projects and programmes with these institutions has already commenced.

18. The Board in decision B.13/12 mandated the preparation of an operational framework on complementarity and coherence around the key elements outlined in the Governing Instrument for the GCF namely:

- (a) Board-level discussions on fund-to-fund arrangements;
- (b) Enhanced complementarity at the activity level;
- (c) Promotion of coherence at the national programming level; and
- (d) Complementarity at the level of delivery of climate finance through an established dialogue.

19. The Board is to consider options for the operationalization of these key elements. Through the same decision, it began action on the key elements by mandating the initiation of an annual dialogue with climate finance delivery channels in order to enhance complementarity and coherence at the activity level.

2.4 Use of requests for proposals

20. The GCF issued two requests for proposals in 2016: the enhanced direct access (EDA) pilot programme (USD 200 million) and the micro-, small- and medium-sized enterprise programme (USD 100 million of a USD 200 million programme). As a result, one EDA proposal and two micro-, small- and medium-sized enterprise proposals were approved by the Board in 2016⁶. Furthermore, the terms of reference (ToR) for the request for proposals for mobilizing funds at scale will be considered by the Board in 2017.

2.5 Support for REDD-plus

21. At its fourteenth meeting, the Board requested the Secretariat to develop a request for proposals for REDD-plus results-based payments, which will be presented for Board's consideration in 2017.⁷

22. The Board also recognized that the GCF can support the development and implementation of national REDD-plus strategies or actions and investment plans and requested the Secretariat to develop further guidance to support efforts by national designated authorities and focal points to engage with the GCF in early phases of REDD-plus.⁸

23. The Board will consider the mobilization of private sector finance for forestry-related results areas and alternative policy approaches for the integral and sustainable management of forests at the seventeenth meeting of the Board (B.17).⁹

2.6 Gender considerations

24. Since B.15, the gender assessments and actions plans as submitted by accredited entities, are disclosed as part of the funding proposal package.

⁶ Decision B.15/07

⁷ Decision B.14/03, paragraph (b)(i).

⁸ Decision B.14/03, paragraph (b)(ii)

⁹ Decision B.14/01.

25. At the portfolio level, the Secretariat is proactively reviewing concept notes and funding proposals submitted to the GCF from a gender perspective, and ensures that gender assessments are undertaken by accredited entities as part of project appraisal, in line with the GCF Gender policy and Gender action plan.
26. During the reporting period, 89 per cent of all approved funding proposals contained a gender assessment. The Secretariat introduced innovative gender mainstreaming design features like project-level gender action plans, which has helped, as per strategies outlined in the GCF Gender policy and Gender action plan:
- (a) To identify specific gender elements that need to be included in project activities; and
 - (b) To determine how the project/programme can respond to the needs of women and men from vulnerable communities in view of the specific climate change issue to be addressed.
27. During the reporting period, 74 per cent of all approved funding proposals contained project-level gender action plans. Even though the submission of project-level gender action plans is not a mandatory requirement as per the GCF Gender policy but is rather a design tool that was introduced later, there has been a significant increase in the number of entities who have prepared (or are preparing) project-level gender action plans.
28. Gender-related activities are being integrated into the Readiness and Preparatory Support Programme with resources dedicated to the national designated authorities for the following:
- (a) Developing participatory and inclusive strategies;
 - (b) Enhancing multi-stakeholder processes especially at the grass-roots level;
 - (c) Ensuring the involvement of women-led organizations and representatives of indigenous peoples' organizations in consultations;
 - (d) Conducting gender-sensitive stakeholder consultations and analysis;
 - (e) Developing gender-responsive country programmes; and
 - (f) Development of NAP processes, including a review from the gender perspective before submission of the funding proposal for approval.
29. Gender mainstreaming features are also being incorporated in the micro-, small- and medium-sized enterprises pilot programme and the EDA Mechanism.
30. Gender-informed indicators and gender considerations have been incorporated in the templates of country programmes and entity work programmes. In this context, the Secretariat is working:
- (a) To advance gender-responsive actions; and
 - (b) To monitor progress on gender action in country programmes and work programmes of accredited entities.

III. Strengthening the GCF proactive and strategic approach to programming

31. The strategic measure of strengthening the GCF proactive and strategic approach to programming is aimed at facilitating a more programmatic approach to funding proposals. Even though significant progress has been made in the preparation of entity work programmes, the Board did not agree on the policy guidelines for a programmatic approach. This issue is expected to be further discussed by the Board at the sixteenth meeting of the Board (B.16).

3.1 Entity annual work programmes

32. At B.15, the Secretariat presented document GCF/B.15/Inf. 09 titled “Building country-driven pipelines: update on country programmes and entity work programmes”, which provided an overview and an initial list of country programmes and entity work programmes that present their funding priorities and are aligned with intended nationally determined contributions and other national strategies and plans. Of 42 accredited entities, 32 had submitted their entity work programme briefs.

33. The structured dialogues, during which accredited entities discussed their proposed projects and programmes with national governments, have resulted in regional road maps and an indicative pipeline of projects and concept notes amounting to a total of USD 2.5 billion.

34. Following the Board’s decision on support for national adaptation plans, accredited entities can submit proposals for the formulation of multi-country NAPs and/or other adaptation planning processes.¹⁰

3.2 Market survey and gaps

35. Consultations were carried out with members of the Board and other stakeholders in order to identify the roles and opportunities for all relevant stakeholders involved in GCF processes as part of the preparation of country ownership guidelines.¹¹ The draft guidelines will be discussed by the Board at B.16.

36. The Secretariat is planning to conduct a market survey in order to identify existing gaps in country needs and support in early 2017.

37. The Secretariat continues to work with countries and entities on the development of their country and entity work programmes. The latest information on this is presented in the addendum to this document.

IV. Enhancing accessibility and predictability

38. In 2016, the Board adopted a number of strategic decisions that provide countries with clarity on the accessibility of GCF financial resources and the areas in which the GCF can support countries’ strategies and plans.

4.1 Programming

39. At its thirteenth meeting, the Board adopted a decision on the Paris Agreement and agreed that current modalities enable support for the preparation and implementation of the nationally determined contributions and adaptation-related elements of the Paris Agreement.¹²

40. Through decision B.14/02, the Board acknowledged that current modalities enable support for technology development and transfer, including for facilitating access to environmentally sound technologies.

41. The Board has initiated work on supporting collaborative research and development in developing countries, and in the context of complementarity and coherence with climate finance

¹⁰ Decision B.13/09, paragraph (g).

¹¹ GCF/B.15/06.

¹² Decision B.13/10.

delivery channels¹³ and the Secretariat will present a paper on this matter for consideration by the Board at B.17.

42. The Board's decisions on NAPs and support for national strategies for REDD-plus enabled countries to request readiness support for the preparation of those national strategies and policies.¹⁴

4.2 Survey of stakeholders

43. During 2016, the Co-Chairs organized meetings with accredited entities and civil society organizations and private sector organizations at the margins of meetings of the Board. During those consultations, the Co-Chairs sought views and inputs from accredited entities, civil society and the private sector on the key operational matters of the GCF and possible barriers to engagement.

44. In addition, prior to the organization of readiness workshops, the Secretariat carried out surveys among NDAs, FPs, accredited entities and other stakeholders in order to collect their views on what would be their topics of interest with regard to engagement with the GCF.

4.3 Clarity on the process of the GCF

45. A readiness guidebook, which provides detailed information on: the Readiness and Preparatory Support Programme, the procedures for submission of readiness proposals and the review process has been developed by the Secretariat and posted on the GCF website.

46. In addition, the Secretariat is currently preparing information for external stakeholders on engagement with the GCF and a step by step guidebook that explains clearly the processes and procedures of the GCF.

4.4 Review and simplify approval process

47. The Board has considered matters related to the review of the initial proposal approval process and simplified proposal approval process at B.15, however no decision has been taken and both matters will be discussed by the Board at B.16.

48. Finally, a draft decision on minimum benchmarks is scheduled to be considered by the Board in 2017.

V. Maximizing the engagement with the private sector

49. To date, a number of projects and programmes from the private sector have been approved by the Board. Even though the Private Sector Advisory Group (PSAG) has not held any in-person meetings in 2016, the PSAG held its first meeting of 2017 plans to present a number of recommendations to the Board in 2017.

¹³ Decision B.14/02.

¹⁴ Decision B.13/09 and decision B.14/03

5.1 Barriers to crowd-in and maximize the engagement of the private sector

50. The Secretariat is currently finalizing its survey of private sector actors and the analysis of barriers to crowding-in the private sector, which will be presented to the PSAG, and subsequently to the Board for its consideration. As a result, a private sector outreach plan shall be developed.

5.2 Private Sector Advisory Group

51. The PSAG organized its first meeting of 2017 in Cape Town, South Africa, on 20 to 23 February. During the meeting, members of PSAG will consider a number of policy matters that were mandated to it by the Board.

52. In addition, following the guidance from the Conference of the Parties and the Board's decision at B.15,¹⁵ PSAG will be involved in providing recommendations on modalities for involvement of private sector in small island developing States, the least developed countries and adaptation finance.

VI. Building adequate institutional capacities

53. Progress has been made in building the institutional capacities of the GCF. Following Board approval of a total of Secretariat staff of 140, efforts have been made to recruit competent professionals to join the GCF.

6.1 Staffing of the Secretariat

54. A total of over 53 new positions have been filled in the Secretariat, including in areas of risk, project management, country relations, accreditation and others.

55. Further work is ongoing to recruit the remaining vacant positions at the Secretariat, with the expectation that those positions will be filled by mid-2017.

6.2 Independent Accountability Units

56. The Board had appointed three Heads of Independent Accountability Units. The Head of the Independent Redress Mechanism and the Head of the Independent Integrity Unit joined the Secretariat at the end of 2016, and the Head of Independent Evaluation Unit joined in early 2017.

57. Furthermore, the Board has adopted the work programmes and budgets of the Independent Redress Mechanism and the Independent Integrity Unit.

58. The revised ToR of the Independent Redress Mechanism will be presented for the Board's consideration at B.16.

59. These milestones set the stage for the three independent accountability units to be fully operational.

¹⁵ Decision B.15/03.

6.3 Efficiency of Board processes

60. The Board scheduled to consider matters related to the increase in efficiency of the Board processes in 2016. Through decisions B.12/11 and B.12/12, the Board requested the Co-Chairs to consult on these matters and report back to the Board. At B.15, document GCF/B.15/05 titled “Implementation of the 2016 work plan: status of Co-Chairs’ consultations” contained the latest information on the status of the Co-Chairs’ consultations. Furthermore, the Board made progress with regard to the delegation of authority, with funding decisions on the approval of PPF proposals and NAP proposals being delegated to the Secretariat.

61. The draft work plan of the Board for 2017 scheduled the consideration of the ToRs for the review of committees, panels and groups of the Board. The adoption of such ToRs would kick-start the review of the committees, panels and groups. The Board approved the ToRs for the review of the effectiveness of the independent Technical Advisory Panel. The final report on the results of the review is scheduled for consideration by the Board at B.17.¹⁶

6.4 Permanent Trustee

62. The Board has concluded the review of the Interim Trustee and has agreed on the steps for the selection of Permanent Trustee. The Board is to consider detailed terms of reference and a plan for the competitive procedure for the selection of a Permanent Trustee at B.16.¹⁷

6.5 Gender considerations

63. Knowledge-sharing seminars on gender considerations were organized for Secretariat staff.

64. In partnership with the United Nations Entity for Gender Equality and the Empowerment of Women, a capacity development workshop was conducted for NDAs/FPs/delivery partners at the margins of the Readiness Week in April 2016.

65. In partnership with United Nations Entity for Gender Equality and the Empowerment of Women, the Secretariat has developed the first ever training manual on gender and climate change. The manual is currently being finalized and is expected to be published shortly on the GCF website.

VII. Recommended action by the Board

66. The Board is requested to take note of the information presented in this document. The Board is also requested to reconsider the need for a regular update on the implementation of the strategic plan at each Board meeting, and it is suggested that the mandate contained in decision B.12/20 be amended to reflect this. This would allow for a broader and more comprehensive overview of the progress achieved. To this end, the Board may wish to adopt the draft decision proposed in annex I below.

¹⁶ Decision B.15/06.

¹⁷ Decision B.15/08.



Annex I: Draft decision by the Board

The Board, having reviewed document GCF/B.16/04 “Implementation of the Strategic Plan of the Fund: Annual report”:

- (a) Takes note of the information provided in the document; and
 - (b) Amends decision B.12/20 paragraph (d) to replace “at each Board meeting” with the word “annually”;
-