GREEN CLIMATE FUND

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GCF First Replenishment (GCF-1): Replenishment Summary Report

Summary

The Replenishment Summary Report presents a summary of the GCF-1 replenishment process and sets out its outcomes, including the Pledging Table for GCF-1, recommendations of contributors to the GCF Board and an updated Policies for Contributions. The Report was agreed by contributors at the GCF-1 Pledging Conference on October 24-25, 2019 in Paris, France and is being transmitted to the GCF Board for its consideration and endorsement as part of the outcomes of the GCF-1 replenishment process.

Note: All figures from the Initial Resource Mobilization (IRM) period referenced in this Report, including IRM reference points in recommended actions, are indicative point in time figures and will be recalculated as at 31 December 2019 as relevant for future reporting.

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I. Introduction

1.1 A crucial replenishment to deliver the UNFCCC & Paris Agreement goals

1. The Green Climate Fund (GCF) was created to contribute to the achievement of the ultimate objective (Article 2) of the United Nations Framework Convention on Climate Change (UNFCCC). To that aim, the GCF has been entrusted to play a key role in channelling new, additional, adequate and predictable financial resources to developing countries, and catalysing climate finance, to make a significant and ambitious contribution to combat climate change.

2. Responding to the urgency of the climate challenge and the enormous investment opportunity it represents, the Fund's mission is to work with developing countries to promote paradigm shift toward low-emission and climate-resilient development pathways.

3. The GCF was established as an operating entity of the Financial Mechanism of the UNFCCC and also serves the Paris Agreement as a key instrument accelerating its implementation. Making a critical contribution in mobilizing climate finance and built to channel a significant share of new multilateral funding for adaptation, the GCF aims for balanced allocation of adaptation and mitigation funding while being guided by the UNFCCC's principles and provisions.

4. The Fund plays a crucial role supporting developing countries in their efforts to execute Nationally Determined Contributions (NDCs), contributing towards the Paris Agreement goals of limiting global warming to well below 2.0 degrees Celsius and pursuing efforts toward 1.5˚C, executing national adaptation planning to raise adaptive capacity and build resilience against the adverse effects of climate change and making financial flows consistent with a pathway towards low greenhouse gas emissions and climate resilient development.

5. Distinctively designed with a country-driven approach, unique flexibility in its funding modalities, an ability to take on risk for climate impact and a highly collaborative business model, the Fund creates a "double dividend": acting as both a catalytic financing instrument with potential to shift planning and investment from "brown" to "green", and as an empowering instrument supporting developing countries to realize and raise ambition under the UNFCCC and Paris Agreement. Its focus across a wide range of results areas and geographies also allows GCF to drive synergies between mitigation, adaptation and sustainable development benefits.

6. Serving as a bridge-builder in the climate finance landscape, the GCF carries the potential for an impact far beyond the monetary value of the sums channelled through it. It aims to build novel alliances for transformative change and align finance with climate compatible development.

7. Since the start of full investment operations in 2015, the GCF has already supported 126 developing countries in building readiness to implement climate finance and committed USD 5.21 billion for 111 projects in 99 countries. A total of 65 projects valued at USD 2.82 billion in GCF funding – expected to rise to 76 projects by year-end – are under implementation and helping developing countries to transform their climate ambitions into action. The Fund expects to commit the balance of available IRM resources by the end of 2019.

8. With over USD 30 billion of project ideas in the pipeline and a rapidly growing need for climate mitigation and adaptation funding, the GCF Board decided at its 21st meeting in October 2018 to launch the Fund's first replenishment process.

9. The GCF's 2020-2023 replenishment (GCF-1) is an important element of the financial commitments needed to deliver the UNFCCC and its Paris Agreement. This first replenishment

is part of a long-term vision for the GCF, building it up to become a major global instrument for channelling public climate finance to mobilize the larger shifts in global financial flows required to achieve the Paris Agreement goals.

10. The replenishment aims to secure sufficient funding for the GCF for the coming four years, 2020-2023. The process has been structured around two consultation meetings – in Oslo, Norway, 4-5 April 2019 and Ottawa, Canada, 29-30 August 2019 – and a Pledging Conference on 24-25 October 2019, hosted in Paris, France. The Board appointed Mr Johannes F. Linn as the global facilitator to guide the replenishment process towards a successful outcome.

11. This Replenishment Summary Report presents an overview of the documents, inputs and consultations executed as part of the GCF's first replenishment process. These include the Report on the implementation of the initial Strategic Plan of the GCF: 2015– 2018 (GCF/B.22/Inf.13), on the First Forward-Looking Performance Review of the GCF carried out by the GCF's Independent Evaluation Unit (GCF/B.23/20) and the Secretariat's management response, and on the paper on Strategic Programming for the GCF First Replenishment (GCF/B.23/Inf.09), as well as the consideration of these documents by the GCF Board and the replenishment process.

12. The Report also presents recommendations of contributors to the Board regarding the ambition for results and the strategy and policies for programming in GCF-1. These recommendations point overall to the criticality of a GCF-1 focus on greater impact, scale, quality and efficiency. Contributors stated that they intend these recommendations to enable ambition for GCF-1, in terms of ambition for impact-oriented results and the actions needed to achieve those results, underpinned by new contributions demonstrating support for GCF-1 strategic programming.

13. The final version of this Report, including contributors' recommendations and pledging table, will be presented for consideration and endorsement by the GCF Board at its twenty-fourth meeting (B.24), 12-14 November 2019. As explained by the Co-Chairs of the Board during the Ottawa consultation meeting, the Board will take up the substance of recommendations in its consideration of a 2020-23 Strategic Plan, at B.24 and B.25. It may also take up recommendations under items on the Board's ongoing workplan. This process will provide a way for the Board to unify its planning with the recommendations of the replenishment process, into one strategy for GCF-1. Representatives of the Board in the replenishment process highlighted it is critical for this process to respect the roles and decision-making functions of the Board under the GCF's Governing Instrument.

14. The Report is structured in the following parts.

(a) **Section II** summarizes in brief what the GCF has achieved during its first four years of full investment operations and the lessons learned from the Fund's start-up phase;

(b) **Section III** describes the urgent challenges the world faces in order to reach the UNFCCC and Paris Agreement goals and outlines how the GCF can help meet them through its unique vision, business model and comparative advantages. This section summarises the Fund's theory of change and strategic programming vision for GCF-1, based on "Pursuit of Impact";

(c) **Sections IV-V** set out contributors' recommendations for the consideration and endorsement of the GCF Board. These are based on actions to enhance the GCF's business model, operational modalities and resourcing to effectively, efficiently and impactfully programme contributions to GCF-1;

(d) **Section VI** summarizes discussions related to resourcing and financial planning for GCF-1;

(e) **Annex I** sets out contributors' pledges for GCF-1;

(f) **Annex II** provides the financial status of the Fund and reference exchange rates for GCF-1;

(g) **Annex III** sets out contributors' recommendations to the Board;

(h) **Annex IV** sets out the Updated Policies for Contributions for GCF-1 as agreed among participants during the second replenishment consultation meeting.

II. The GCF's Performance to Date and Lessons Learned

2.1 A rapid start answering the call for climate finance

15. Since the start of its investment operations in 2015, the GCF has moved fast to execute its mission and is delivering early results. It also knows where it needs to improve. It is a learning organization, ready to adjust to increase its impact and effectiveness.

16. Following a rapid institutional start-up phase, the GCF's Initial Resource Mobilization (IRM) in 2014 quickly raised USD 10.3 billion in pledges. Of this, USD 8.2 billion were confirmed through unconditional contribution arrangements and, after accounting for variations in exchanges rates, USD 7.2 billion have been available for commitment during the IRM period.

17. Over the past four and a half years, projects with a GCF contribution of USD 5.21 billion have been approved, to finance 111 climate projects in 99 countries. This represents 72 per cent of its available pledged funding as of 30 September 2019. In addition, the GCF has committed almost USD 183 million for readiness, funding 272 readiness grants for 126 countries. By the end of 2019, the balance of existing resources from the IRM are expected to be committed for operations and programming.

18. The total value of the GCF portfolio, including co-financing, is USD 18.7 billion, enabling GCF to leverage its resources and by extension its impact. The USD 2.2 billion of GCF funding invested through the GCF's Private Sector Facility (PSF) has generated USD 7.1 billion of the current total portfolio value and will mobilize greater multiples of wider private investment.

19. GCF's projects funded to date are anticipated to avoid 1.5 billion tons of CO_2 equivalents and will increase resilience in the face of climate related consequences for over 310 million people in developing countries.

20. The Fund has pursued balance between mitigation and adaptation funding, with so far 28% of funding going to 33 mitigation projects, 32% to 28 cross-cutting projects and 41% to 50 adaptation projects (in grant equivalent terms). Almost 75% of adaptation funding has been directed to particularly vulnerable countries, that is small islands developing states (SIDS), least developed countries (LDCs) and African states.

21. The GCF's portfolio under implementation has rapidly grown from 1 project in 2016 to a total of 65 projects as of 30 September 2019, valued at USD 2.82 billion in GCF funding and supporting 72 countries to turn their climate ambitions into action. By the end of 2019, the number of projects under implementation is expected to rise to 76, or around 68% of the GCF's current portfolio.

22. Over the IRM period, GCF has also made substantial efforts and committed substantial funding to enhance developing countries' institutional readiness, programming capacity and prioritizing pipeline development. By directing support to 126 countries through its Readiness and Preparatory Support Programme (Readiness Programme), Project Preparation Facility (PPF), structured dialogues, technical guidance, and country and entity engagement, GCF has

helped to build country and direct access entities' institutional capabilities to engage with GCF and undertake climate-informed investment programming and adaptation planning.

23. Today, GCF is a fully operational, professionally staffed institution that is capable of programming climate change investments at scale. It has built a global network of 147 national designated authorities (NDAs) and 88 project partners, including 51 direct access entities. GCF has consolidated its institutional capabilities with a Secretariat staff of 218 (with expectations of reaching a full staff count of 250 by end 2019), fully functioning independent evaluation and integrity units and a redress mechanism, and a policy base establishing best practices for safeguarding, indigenous peoples and gender sensitivity, financial and risk management and addressing prohibited practices.

2.2 Learning from experience to realize the GCF's full catalytic potential

24. During 2019, the GCF reviewed its IRM performance and conducted a dialogue on future strategic directions with its Board and stakeholders.

25. The Forward-Looking Performance Review of the GCF's first four years of operation, prepared by the GCF's Independent Evaluation Unit, along with consultations on the Report on the implementation of the initial Strategic Plan and Strategic programming for the GCF replenishment, provide rich material for the GCF's continuous learning and evolution.

26. The Fund gathered views on these documents during its 22nd and 23rd Board meetings, at the first and second consultation meetings of the GCF replenishment process in Oslo, Norway in April 2019 and Ottawa, Canada in August 2019, and invited submissions from Board members, participants in the replenishment process and its wider stakeholder network. The Board is to conclude its consideration of the Forward-Looking Performance Review and management response at its 24th meeting.

27. The message from consultations to date is clear: while the GCF can be proud of the significant strides made over its initial years, to match the pace of the climate challenge the Fund must aim for more ambitious impact. It must take a more strategic approach to programming based on a clear vision for delivering paradigm shift. It must answer the areas of greatest need and untapped opportunity aligned with the Fund's comparative advantages, through a strengthened focus on adaptation, direct access and a better use of its range of financial instruments for more efficient use of scarce resources and effective engagement with the private sector. And it must respond with more agility and speed to developing countries' needs to achieve a transformation in planning and investments.

28. This is indeed the direction the Fund will pursue in the coming years.

29. The findings of the GCF's first Forward-looking Performance Review drove four overarching recommendations:

(a) develop a strategic plan that focuses the GCF on being a global thought leader and a climate policy influencer, and one that establishes its unique role commensurate with innovation, climate impact and paradigm shift;

(b) strengthen criteria, business processes and implementation structures that are likely to better address differentiated developing country needs and capacities, with a focus on direct access entities;

(c) re-emphasize adaptation while recognizing (and leveraging) the role of new actors in mitigation (and their special needs), and strengthen the role of the private sector in an overall symbiotic ecosystem of financial instruments and modalities; and

(d) clarify and re-examine the separation of supervision and management in the GCF and consider delegating authority to emphasize agency, responsibility and urgency in delivering on developing country climate needs

30. These recommendations broadly align with areas of the Fund's strategy, business model and operating modalities identified as meriting action through the Secretariat's reviews and consultations to date. These specifically pointed to the need to adjust or evolve in a number of directions: clearer policies and more transparent processes related to project selection and approval; reformed accreditation modalities to improve access to the Fund and to unlock the potential of requests for proposals; more effective modalities to deliver catalytic private sector engagement, including for adaptation; and further streamlining and expediting access through the simplified approval process.

31. In short, the GCF needs to make it easier to access its financing; fulfil its potential to be catalytic by innovating and embracing risk to drive paradigm shift; differentiate itself from other financing institutions by focusing more on adaptation and direct access; increase the leverage of its funding through working with private sector projects for increased impact; and speed up processes and decision-making through greater process clarity and transparency, policy rationalization and appropriate delegation. The GCF also needs to elaborate and enhance its guidance on climate rationale for funding proposals and implement an integrated result and resource management framework that allows for improved and transparent measurement and reporting of how all funded activities contribute to the overall GCF-1 ambition, UNFCCC and Paris Agreement goals.

32. The Fund's Board and Secretariat management have acknowledged the findings of the first performance review. At its 23rd meeting, the Board considered a series of proposals to evolve the Fund in line with the directions described above. It took decisions on procedures for decision-making when all efforts to forge consensus have been exhausted, took further steps to complete the Fund's foundational policy suite and in-principle agreed to develop a project-specific assessment approach as a complementary access modality to accreditation. Wider aspects of the above reform agenda, including a review of the accreditation framework, investment framework and private sector facility modalities are expected to be addressed as part of the Board's 2019 and 2020 work plan.

33. The cumulative lessons of the IRM period, the findings of the first Performance Review, the directions set forth in the Strategic Programming Paper and the pathbreaking Board decisions at B.23 form the foundation for further refinements to the GCF's programming vision, business model, operating modalities, policies and processes to be reflected in the Fund's 2020-2023 strategic plan, being developed by the GCF Board and Secretariat over the coming months.

34. They have helped the GCF identify opportunities to better fulfil its potential in terms of country-ownership, climate impact, innovation, leverage of its funding, and accessibility to its modalities and by acting with an acute sense of urgency and greater transparency to its stakeholders.

35. Key principles, directions and actions derived from these lessons and efforts are reflected in the following sections of this Report discussing programming and operational directions for GCF-1.

III. Driving a Paradigm Shift to Counter Climate Change

3.1 The urgent climate investment challenge and opportunity

36. The mission of the GCF is urgent, and the programming response for GCF-1 must match this.

37. The latest science, including the IPCC Special Report on the impacts of global warming of 1.5˚C, shows that the world is marching inexorably towards a warmer climate due to a century of human action that has led to increasing levels of CO_2 in the atmosphere with associated changes to weather, sea levels, rainfall patterns and food production. These changes will – if not mitigated and adapted to – lead to extreme hardships for humanity and the ecosystems humans depend on for survival. The consequences will disproportionally be felt by developing countries – particularly vulnerable countries, people and communities.

38. The 2018 New Climate Economy report projects that in the next 10-15 years around USD 90 trillion will be invested in infrastructure in the world's urban, land use and energy systems, making this the world's use-it-or-lose-it moment for climate action. The IPCC reports that realizing a transformation towards 1.5^0C – the higher ambition of the Paris Agreement – would require a major shift in investment patterns and financial systems, urgent upscaling of multilevel and cross-sectoral mitigation and adaptation action and major strengthening of institutional capabilities.

39. Yet, the benefits are far greater than the costs. Recent studies estimate that strong action to combat climate change would deliver a net global economic return of $26 trillion by 2030 (Global Commission on the Economy and Climate, 2018). In other words, it is not about the level of expenditures – it is about redirecting investments to make them consistent with a pathway towards low greenhouse gas emissions and climate resilient development. And about climate action that is integrated with development and investment outcomes.

40. The changes to be made go beyond allocation of money. To become equipped to deal with climate change, a paradigm shift must take place. Countries must integrate climate impact and risk comprehensively into national planning, seeking low-emission-, climate-resilient outcomes for national infrastructure, environmental and economic planning, national budgets, financial incentives and regulations. And investments must switch from "brown to green", shifting global finance flows toward climate-compatible assets, markets and services.

3.2 GCF's unique role in empowering action and raising ambition

41. Developing countries have – through their NDCs, national adaptation plans (NAPs) and other climate strategies – put forward wide-ranging plans to pursue climate action as part of the global effort under the UNFCCC and Paris Agreement. A tremendous effort is underway in many developing countries to build these commitments into concrete investment plans that will deliver the new generation of low-emissions, climate-resilient institutions, infrastructure, businesses, communities, technologies, policies and practices.

42. To succeed, these countries need capacity, expertise and resources to find the right solutions and rapidly accelerate the pace of change. As the dedicated financing instrument of the global climate architecture, the GCF provides this assistance, empowering developing countries to translate plans to action and raise ambition in line with the Paris Agreement.

43. The public finance channelled through the GCF has a critical role to play. The total financing needed to implement developing countries' NDCs and adaptation plans is estimated to be in the trillions. To date, the total funding requests presented to the GCF number over USD 30 billion in project ideas at varying stages of development, from concepts in country programmes to mature funding proposals. The GCF seeks to invest each public dollar where it is needed, to drive the institution and policy-building, innovation, de-risking and knowledge transfer that can

catalytically shift much wider investment behind new, climate- compatible investment, economic and social opportunities.

44. The programming vision for GCF-1 seeks to strengthen the focus and urgency of the Fund in responding to these challenges and opportunities, by building on the GCF's comparative advantages:

45. **GCF is country driven**. With equal voice given to developed and developing countries in Fund governance, the GCF embodies the joint global effort behind the UNFCCC and Paris Agreement. The GCF's Readiness Programme, support for direct access and national adaptation planning, PPF and technical assistance are distinctive tools designed to place countries in the drivers' seat in shaping the finance and assistance they need, based on their national climate plans and priorities. This lays the foundation for country-driven transformation of programming and investments.

46. **GCF is flexible.** The Fund provides unique flexibility in how it can deploy its financial instruments to support developing countries' paradigm shift toward low-emission, climate-resilient development. Project funding can take the form of grants, equity, loans or guarantees depending on what developing countries' need to spur innovation and upscaling.

47. **GCF is willing to take risk.** As a fund created to drive change, the GCF is designed to take more risks than other major public and private investors and accept some failures in the interests of demonstrating innovative solutions and delivering climate impact. Risk-financing is designed to unlock projects that would not have happened without GCF financing, as well as to mobilize conventional sources of finance to multiply the impact of the Fund's resources.

48. **GCF is collaborative.** By being the hub of a broad partner network, GCF is positioned to play a unique role as a bridge-builder, with the ability to forge novel partnerships between government, public, commercial and philanthropic institutions to reinvent blended finance. GCF is also positioned to help developing countries navigate a complex climate-financing landscape and act as a convenor of expertise, knowledge and management capacity. Finally, GCF can enhance the climate focus and operation of partners themselves, promoting the uptake of best practice environmental, social and gender standards and acting as a catalyst for climate-informed decision-making and institutions.

49. **GCF balances mitigation and adaptation**. GCF aims to drive more finance into adaptation and resilience, including prioritizing funding for the particularly vulnerable. By working to balance allocation of funding, the GCF is positioned to create synergies through interventions that optimize adaptation, mitigation and development benefits. Proving new innovative adaptation business models, building the scale of adaptation responses underpinned with a clear climate rationale, and attracting greater private sector investment are challenges the Fund is uniquely prepared to take on.

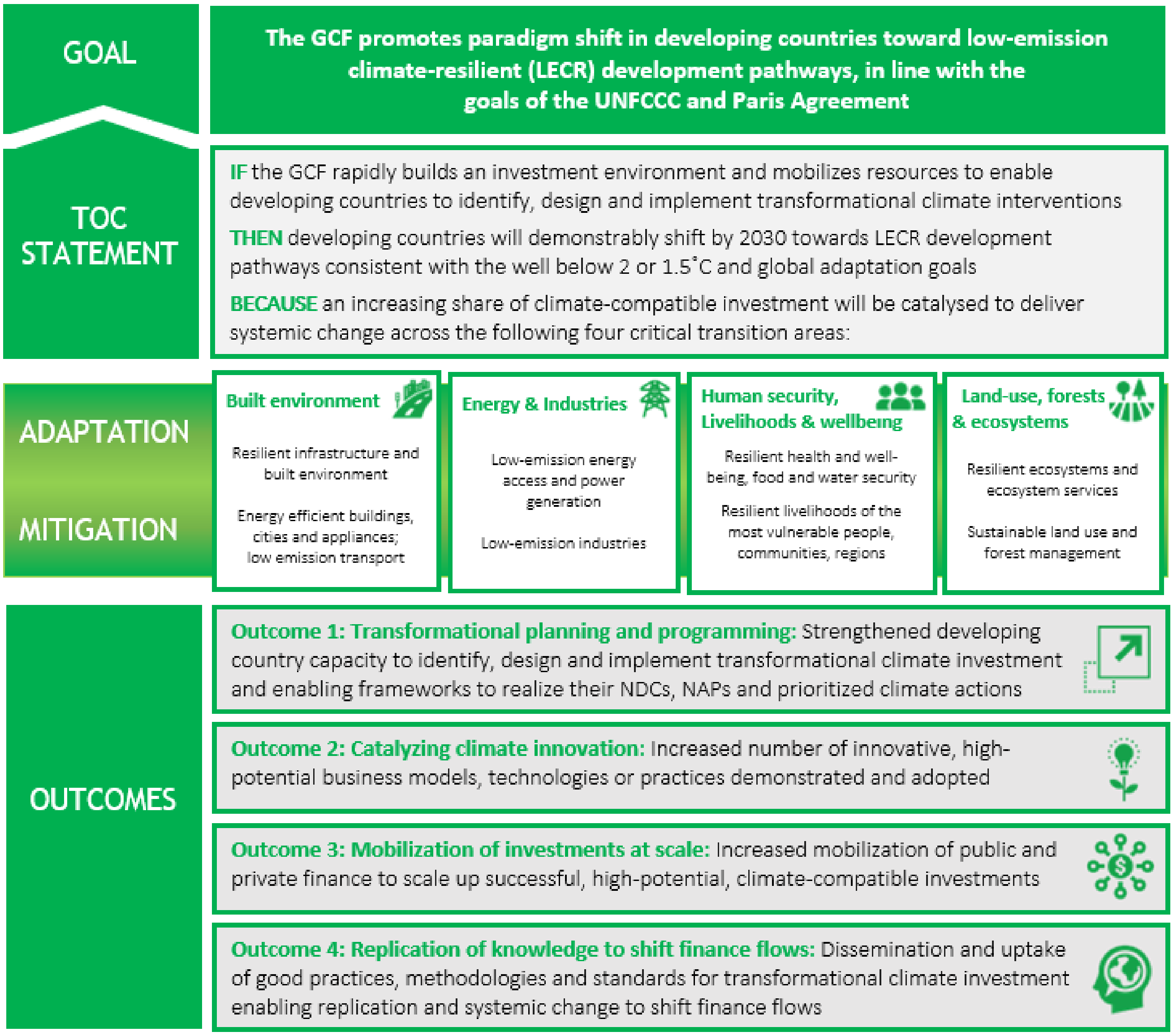
50. While these five qualities – country-ownership, flexibility, risk appetite, wide collaboration, and a balanced focus on mitigation and adaptation – set GCF apart, they also make the Fund complementary to other financing mechanisms. Within the broader climate finance landscape, GCF's comparative advantages position it to serve as an **"accelerator and amplifier"**: bringing to scale successful innovations of other climate-relevant funds geared towards paradigm shift, such as the Adaptation Fund and the Global Environment Facility; blending finance with multilateral development banks and development financing institutions to build the financial sustainability of climate investments; and de-risking to mobilize private investment in climate-projects and create new bankable asset classes. As the Fund evolves sectoral guidance for GCF-1, it will enhance complementarity to other climate funds and financiers and will partner to draw on the experience of others and avoiding duplication of effort.

3.3 Pursuit of Impact Programming for GCF-1

51. The urgency of global challenges ahead underscores the need for innovation and for scale.

52. In answering the call for urgent action, the Fund has sought to clarify its initial mitigation and adaptation logic models through developing a consolidated theory of change. This helps explain how GCF seeks to work with developing countries to drive a rapid paradigm shift toward a low-emission, climate-resilient future, in line with the objectives of the UNFCCC and the Paris Agreement goals. The theory of change builds on GCF's comparative advantages and transformational outlook, to focus on four key target outcomes:

Theory of Change



53. As laid out in the Strategic Programming Paper considered by the Board, the GCF drew up three working scenarios for its evolution over coming years to deliver higher ambition and impact: a baseline "Continuing Business" scenario; an "Upper Frontier" scenario focused on maximizing quantifiable results consistent with a below 2 degree global pathway; and a "Pursuit

of Impact" scenario, that embodies ambition but broadens the perspective on the Fund's impact potential to more fully realize the Fund's potential for driving paradigm shift.

54. The weight of support was for GCF to pursue the "Pursuit of Impact" scenario. This implies broadening how GCF's impact is measured beyond its basic mitigation and adaptation metrics: CO2 emissions averted and people positively affected by adaptation efforts. It measures the Fund's performance also by looking at its effectiveness in enabling developing countries to identify, design and implement innovative, bold and transformational climate interventions aligned with their needs, NDCs, NAPs and other national climate strategies to urgently scale up climate response. This is what sets GCF apart from other climate finance institutions.

55. Under a "Pursuit of Impact" scenario the GCF aims to work in a more focused way with developing countries and entities to accelerate their capacity for transformational programming and implementation, to innovate and then de-risk pipelines of investments that create value chains for systemic change and expand climate-compatible investment knowledge on a global scale. In doing so, GCF also aims to demonstrate the global commitment to supporting developing country efforts, and thereby play a strong, supportive role in helping developing countries increase their ambitions in the run-up to COP26 in 2020. Through these two outcomes, the Fund aims to deliver a double dividend.

3.4 Programming for results, in response to country needs

56. GCF's strategic programming approach – oriented to the four key outcomes in the theory of change – is intended to be applied across the Fund's cross-cutting mitigation and adaptation results areas. As shown in the graphic above, programming will target four overarching economic transitions toward low-emissions, climate resilient development – in the built environment; energy and industry; human security, wellbeing and livelihoods; and land use, forests and ecosystems – based on the eight results areas under Decision B.07/04. This approach recognizes the potential for GCF programming to build critical synergies between mitigation, adaptation and development, realizing outcomes that have both climate impact and development relevancy and that produce co-benefits.

57. The programming ambition of GCF-1 is to deliver enhanced and improved mitigation and adaptation results for each GCF dollar invested, compared to the IRM, alongside a sharper focus on measuring the Fund's broader paradigm shift impact. As described in Section VI, during the replenishment process the Secretariat carried out an initial, illustrative modelling exercise based on a bottom-up financial model and set of illustrative GCF-1 programming settings. This indicated that the GCF could deliver impact of up to 855Mt CO_2 per billion invested in mitigation (compared to 512 Mt for the IRM) and 160 million beneficiaries per billion invested in adaptation (compared to 150 million for the IRM), based on programming that maintains similar-to-IRM allocations for mitigation and adaptation, with more targeted focus on sectoral opportunities, increased co-financing and greater use of risk-mitigation instruments. As the assumptions are critical to these estimates, further work will need to be done to refine the model and results potential estimates in light of the final programming and operational directions for GCF-1.

58. Specifically, the Fund is undertaking further work on sectoral impact potential, based on the initial analysis included in the Strategic Programming Paper, consultation with countries and accredited entities at the August Global Programming Conference, and ongoing work to develop detailed sector guidance. Under each result area, this work aims to identify high-impact programming opportunities that are aligned with developing country needs and priorities. These are areas where the Fund can work with countries and entities on the transformational, innovative and catalytic investments that must happen in the next 10 years if the world is to

remain on track in tackling climate change. Based on an understanding of country and financial market conditions, where public financial support to unlock private investment is lacking, and complementarity to other funds, these are also areas where catalytic financing is needed and the potential for GCF to value-add is high.

59. In the built environment, the GCF can help countries urgently realize the long-term net benefits of investing in infrastructure that is resilient to climate-related risks, hazards and disasters. GCF can help countries identify portfolios of critical infrastructure, then work with infrastructure financing partners on model projects or programmes for building, or rebuilding, with resilience. This is particularly important for SIDS, LDCs and African states facing frequent climate-related disasters. This shift to investment in climate-resilient infrastructure should be consistent with the existing agreements, namely G20 Principles for Quality Infrastructure Investment and Sendai Framework for Disaster Risk Reduction 2015-2030. The Fund can also bring greater attention to the nexus between infrastructure and health, by supporting green and resilient health facilities.

60. Recognizing that over 60% of the global population is expected to reside in cities by 2050, the GCF can innovate to avoid carbon-intensive path dependency in both megacities and rapidly emerging secondary cities. It can deliver this by supporting development and implementation of integrated green cities action plans and dedicated blended finance facilities, unlocking financing for local governments and leveraging private investment into low-emissions, climate resilient urban development. In the growing transportation sector, the GCF can help countries build the capacity to conduct holistic mobility planning for low-emission transport. This can be coupled with regulatory and investment support to identify, pilot and scale up sustainable urban mobility solutions following the 'Avoid-Shift-Improve' model.

61. For energy and industries, the GCF's IRM portfolio was heavily weighted toward investments in renewables, reflecting the paradigm shift required globally in this sector and countries' NDCs. Aware of the rapid pace of change in renewable energy markets, for GCF-1 the Fund can re-focus its on-grid investments toward helping countries de-risk private sector finance in solar, wind and geothermal energy at scale. The Fund can also explore options to enhance transmission and distribution as well as storage to allow developing countries to increasingly leverage renewable energy sources to meet their energy needs.

62. In parallel, GCF can work with partners in the energy access arena to promote development of sustainable business models for off-grid energy supply, and prioritize investments that deploy renewable energy for adaptation. GCF can advance transformative clean cooking initiatives by deploying financing to strengthen supply chains and uptake for devices and fuels. These initiatives can bring a particular focus on women entrepreneurs as the key managers of decentralized energy products and services. Anticipating the rapid increase in demand for air conditioning as the world warms, the GCF can also help accelerate global energy efficient cooling initiatives. It can drive innovation in residential cooling through supporting countries with standards, labelling and technology uptake at scale.

63. In the area of human security, livelihoods and wellbeing, GCF-1 programming will maintain a core focus on enhancing comprehensive climate risk management, strengthening the adaptive capacities of the most vulnerable people and communities and building resilient and sustainable livelihoods, taking particular account of gender equality and social inclusion dimensions. As a fundamental building block for climate risk management, reduction and preparedness measures across all sectors, GCF can work with countries to support integrated impact-based multi-hazard climate information and early warning services. This includes supporting innovation of revenue-generating applications for climate information, climate risk financing and insurance instruments and services to help protect livelihoods.

64. Given the critical importance of agriculture to livelihoods, food security and income, GCF will continue to prioritize support for climate-resilient smallholder agriculture in line with countries' identified priorities. It can introduce a focus on sustainability and scalability through supporting business models and value chains for more resilient crops and farming techniques, risk transfer through insurance, and building coalitions for systemic or programmatic approaches that scale-up successes. GCF can also promote a synergistic approach to tackling the water-energy-food nexus, through supporting integrated water resource management and using instruments to de-risk investment in water resource management and water service provision.

65. The GCF will also support the essential transition towards sustainable management of land, forests, ecosystems and oceans. GCF recognizes that nature-based solutions provide critical and highly cost-effective adaptive solutions, with additional benefits of sequestering carbon and enhancing livelihoods. In particular, the GCF can help countries realize the opportunities available through integrated coastal zone management and coral reef protection, large-scale land restoration such as the establishment of green corridors, and peatland conservation and management. This work will be done in complement to the GEF and others, aiming to build synergies with the climate dimension of oceans and biodiversity.

66. A further priority focus for countries is the sustainable management of forest landscapes. In this area GCF can support four strategic interventions: deforestation-free commodity supply chains; forest restoration and reforestation; sustainable forest management; and forest conservation. GCF has potential to support both the scaling up of REDD+; and test financial structures that catalyse private sector investment through both markets for forest emission reductions and sustainable supply chains.

67. Across each of these programming areas, the Fund will further assess the potential for and commit to cooperation and complementarity with other climate funds and financiers, as well as the potential to catalyse sustained private sector investment. Further detail on sectoral approaches will developed as part of forthcoming sectoral guidance, the 2020-23 Strategic Plan and its integrated results and resources framework.

3.5 Optimizing performance to unlock greater ambition

68. The GCF-1 programming approach is based on the Fund taking a series of actions that respond to the lessons of its IRM phase to optimize the Fund's strategic orientation, business model, operating modalities and results and resource framework to deliver its programming vision.

69. The Fund's fundamentals will remain constant. It will continue to be country-driven. It will also continue to uphold the features of its Governing Instrument that make it unique, the UNFCCC's principles and provisions, and will respond to guidance from the UNFCCC and Paris Agreement. The Fund will continue to operate in a manner that is transparent, accountable, guided by efficiency and effectiveness and a gender-sensitive approach.

70. But the Fund must also evolve to become an action leader. Some efforts to enhance impact will demand improvements to the way the GCF operates within existing policies and modalities, strengthening operational guidance on how to follow up and measure paradigm shift and climate impact, as well as other environmental, social and economic co-benefits of supported interventions. Some rely on new or updated strategies and policies. Yet others will demand innovation and a culture-change; embracing risk, taking on a thought-leadership role, and energizing a widening network of partners.

71. As set out in the Strategic Programming Paper, as the GCF moves forward its evolution can be guided by seven strategic programming principles which reflect its distinctive character and uphold the overall guiding principles set out in the Fund's Governing Instrument and under the UNFCCC: Keeping countries at the centre; Investing in institutional transformation; Supporting science-based, systems thinking; Orienting funding to needs and impact; Risk-taking to catalyse innovation and scale; Supporting those particularly vulnerable to the adverse effects of climate change; and Leveraging knowledge and partnerships for climate impact.

72. To put the strategic programming vision into action, the GCF is developing a Fund-level strategic plan for 2020-23 that will set out a comprehensive action agenda for the first replenishment period. This work is progressing under the GCF Board and will be finalized in view of the final outcomes of the replenishment process.

73. The remainder of this Report sets out recommendations of contributors to the Board of the GCF, for the Board's consideration as part of the replenishment outcomes. It highlights key proposed actions relating to strategic programming, the GCFs business model and operating modalities, that draw from the above lessons, as well as from consultations conducted as part of the replenishment process. These recommendations are presented in sections on enhancing the Fund's business model (Section IV) and optimizing performance and operational modalities (Section V) and are also summarized, with expected timing and proposed monitoring arrangements, in **Annex 3**. Section VI closes the report with an overview of matters relating to resourcing GCF-1 to deliver results.

IV. Enhancing the GCF Business Model

4.1 Setting measurable goals to orient the business model and resourcing

74. To align with the recommendations of the first Performance Review and more clearly define the Fund's strategic direction based on its comparative advantages, the Fund's 2020-23 strategy could incorporate a set of measurable goals for GCF-1.

75. Portfolio resource allocation parameters agreed by the Board under Decision B.06/06 set the benchmark during the initial phase of the Fund. Subject to a new decision of the Board, these require the GCF to continue to strive for a 50:50 balance in funding for mitigation and adaptation over time; aim for a floor of 50% adaptation funding for particularly vulnerable countries (LDCs, SIDS and African states); seek geographic balance; maximise engagement with the private sector including through a significant allocation to the private sector facility; and sufficiently resource readiness. Decision B.06/06 decided that all allocation parameters should be determined in grant equivalents (GE).

76. In practice, the GCF met each of these goals in the IRM, allocating 54% to adaptation : 46% to mitigation in GE terms (37% : 63% nominal), around 70% of adaptation funding (GE and nominal) to particularly vulnerable countries, and around 20% GE (40% nominal) through the private sector facility.

77. The Strategic Programming Paper and IEU's Forward Looking Performance Review indicated where there may be potential to enhance portfolio goals for GCF-1 to place a sharper focus on the distinct comparative advantages of the GCF and potential for paradigm shift as defined above, including for translating countries' climate plans into investment programmes, spurring innovation to scale up adaptation funding, deploying more direct access projects, diversifying instruments to mobilize more from the private sector, and establishing GCF as a global thought leader and a climate policy influencer.

78. Contributors discussed these proposals and expressed diverse views on the merits of goals overall, as well as particular goals, as tools to guide programming and results. After discussion, contributors recommended that the GCF pursue increased impact so that the level of GCF-1 portfolio mitigation and adaptation results exceed IRM average anticipated results. Contributors also recommended that GCF-1 set the ambition that the level of allocations – such as adaptation funding allocated to particularly vulnerable countries, allocation through the private sector facility and through direct access entities – should meet or exceed actual IRM levels, establishing a positive direction of travel. Contributors considered that resource allocations should continue to be determined in grant equivalents.

79. Contributors were also supportive of a GCF-1 focus on spurring innovation in adaptation financing, diversifying instruments and setting a goal for mobilized finance, discussed further below.

Recommended actions

- Set the ambition for the level of GCF-1 mitigation and adaptation results to exceed average IRM anticipated results (i.e 512 Mt emissions reduced/avoided for each billion invested in mitigation and 150 million people with increased resilience for each billion invested in adaptation).
- Set the ambition for the:

  (a) adaptation allocation to particularly vulnerable countries to meet or exceed actual IRM levels (69 % grant equivalent),

  (b) allocation through the private sector facility to meet or exceed actual IRM levels (21 % grant equivalent); and

  (c) the allocation to direct access entities to meet or exceed actual IRM levels (15 % nominal).

4.2 Accelerating country-driven planning and programming to originate transformational projects

80. The GCF is by its fundamentals a partnerships institution, working for, through and with its partners to deliver climate results. Developing countries are the GCF's core partners, whose priorities guide programming directions. The GCF's wider partnership networks, with accredited entities, delivery partners, CSOs, PSOs and a variety of technical partners have evolved to respond to developing countries' needs, working with GCF to deliver programming, expert advice and knowledge management.

81. The GCF's success depends at its core on empowering developing countries partners to undertake transformational planning and programming to guide GCF investments. This means not only increasing the funding available for new investments, but as importantly, building the institutional know-how and enabling environments for countries to translate their NDCs, NAPs and other national strategies into bankable country-driven investment pipelines that reflect national priorities for action.

82. The overall aim is to increase the number of countries that originate pipelines for GCF financing through an informed bottom-up approach, which identifies projects in line with long-term Paris-Agreement aligned mitigation and adaptation strategies (building on NDCs, NAPs and other national strategies), channels resources towards those populations most in need and targets the greatest potential for transformational impact.

83. The second phase of the GCF's readiness programme, approved by the Board in 2019, is being oriented to support these outcomes. As the largest capacity building program of its kind, readiness grants offer developing countries uniquely flexible and predictable funding to bridge critical capacity gaps toward planning and programming for transformational projects.

84. It is expected that the focus of readiness will shift increasingly beyond the basic building blocks of strengthening National Designated Authorities, toward activities such as supporting 2050 low carbon/climate adaptation strategies; preparing country programmes that highlight how to structure and mobilize potential sources of finance to support the transformational initiatives identified in these strategies; strengthening Direct Access entities' capacity to channel climate finance; and empowering country governments to engage with the private sector and civil society early in the planning process. The replenishment is also expected to secure funding to cover GCF's commitment to support the development of developing countries' NAPs or national adaptation planning processes.

85. As more country programmes mature and more NAPs move toward the implementation stage, the Project Preparation Facility (PPF) will also play an increasingly strategic role in turning promising project concepts into bankable investments. The PPF will give strong project ideas the chance of moving from the drawing board to investment, targeting concepts from Direct Access entities and those which bring innovative and untested approaches.

86. The first replenishment is intended to secure funding for GCF to set an adequate and predictable four-year base-funding allocation for both the readiness programme and PPF, in addition to funding its growing investment pipeline. Depending on the final replenishment amount and programming strategy, such an allocation may reach up to USD 500 million for readiness and USD 100 million for PPF. Operational guidelines, procedures, and results and knowledge management arrangements will be updated to reinforce the sharpened impact-orientation of the two critical support programmes.

87. During GCF-1, country programmes will become an increasingly important tool to articulate developing countries' investment needs and priorities for the GCF and connect national objectives for the deployment of readiness, PPF and project funding. Well-designed country programmes – supported by readiness – will serve as the basis for structured programming dialogue between countries, the GCF and accredited entities on how to the address areas of critical climate needs identified in countries long-term low greenhouse gas emission and development strategies through transformational investments. This dialogue should aid proactive prioritization of project pipelines, ensuring limited resources are directed to the most impactful investments.

88. Contributors underscored the importance of proactive prioritization of projects for funding informed by potential for climate impact, paradigm shift, countries needs and capacities. To sharpen the role of country programming in shaping an impactful country-driven pipeline, the GCF can evolve to take a more active role in guiding programming. The Secretariat is already working to develop sectoral programming guidance, based on the latest science and wide-ranging knowledge and expertise of stakeholders, that will help guide countries toward interventions that GCF has identified as having high impact potential in view of country needs, market conditions and GCF's comparative advantage. This could include sectoral and cross-sectoral approaches. The Secretariat will also facilitate dialogue between countries and AEs to support the development of promising project ideas and strengthen the use of climate and risk information to design well-targeted, transformational investment solutions. More robust incentives can be created by clearly linking country programming to prioritized review and selection in the GCF project approval process.

Recommended actions

- Set predictable four-year funding allocations of up to USD 500 million for readiness and USD 100 million for PPF, to implement the reoriented second phase of readiness and scaled-up PPF support.
- Deploy readiness to support developing countries in the development of long-term low carbon, carbon neutral and resilient development strategies.
- Develop sectoral guidance, applying the wide-ranging knowledge and expertise of stakeholders, as the basis for structured GCF programming dialogue with countries and entities
- Update the project approval process to strengthen the role of country programmes and programming dialogue in proactive prioritization of highly transformational and innovative projects for review and selection.
- Aim at maximizing country ownership at both central and local government levels, also including civil society and private sector stakeholder buy-in.

4.3 Galvanizing access to GCF resources

89. The GCF's accredited entity (AE) partners are key to developing countries' access to GCF resources, as well to impact. For GCF-1, the Fund can galvanize and fine-tune its approach to ensure it is working with the right AEs to deliver its mission, and that AEs are equipped with the information and tools they need to work efficiently and effectively with the Fund, countries and relevant stakeholders.

90. Galvanizing the Fund's AE partnerships involves three-pronged actions: first, adopting a more strategic and result-oriented approach to accreditation that targets the investment and programming capabilities developing countries need; second, improving and strengthening the efficiency of the accreditation process in order to substantially shorten overall timelines to be accredited and to speed up access through new GCF long-term AE partners, especially Direct Access entities and private sector partners; and third, instituting complementary access modalities so countries can pursue, on an ad hoc and limited basis, shorter-term access partnerships on truly innovative investment proposals. These actions can build on the Board's ongoing review of the Fund's Accreditation Framework.

91. An accreditation strategy (also covering re-accreditation) should be developed and implemented based on an examination of the capabilities and performance of the Fund's broad AE network against the capabilities needed to deliver the climate investment needs of developing countries. This strategy should bring a sharper focus in accreditation and re-accreditation to AEs' value-addition to GCF programming and mission, address the specific need of private sector partners, shape the future profile of the AE network and should also consider the expected overall size of the AE network. It could be designed to ensure that all countries can access AEs to effectively support their priorities and that the right incentives are in place to for AEs to design projects and deploy instruments matched to country-driven opportunities for programming. The strategy should be informed by an independent review of the capabilities and performance of existing AEs, including a cost-effectiveness analysis based on the current number of AEs, average size of funding envelope per project as well as necessary staff resources.

92. As the GCF will continue to rely on accreditation as the main access modality, improving the efficiency and effectiveness of the accreditation process is a top priority. The Fund can

identify measures to streamline the accreditation process and make it more transparent and navigable to applicants, clarifying expectations at each stage. This will inform a clear statement of the Fund's annual capacity to accredit new entities, including average timeframes for each stage of accreditation.

93. The Fund will also continue to deliver both pre- and post-accreditation support, particularly for Direct Access Entities. This will equip entities to program effectively with the Fund, apply best practice standards and policies and successfully implement innovative climate interventions. The GCF can focus particularly on strengthening the capabilities and share of funding channelled by Direct Access entities, supported by readiness and PPF and by encouraging co-operation arrangements with other AEs.

94. Following the GCF Board's in-principle approval of a Project-Specific Assessment Approach (PSAA) at B.23, the Secretariat will take steps to implement this new access modality. PSAA will allow non-accredited partners to access Fund resources on a non-recurring basis, expanding the Fund's ability to deliver innovative and transformational project concepts.

Recommended actions

- Adopt an accreditation strategy, also covering re-accreditation, that focuses on AEs value-addition to GCF programming and climate impact, clarifies the expected profile and size of the AE network and matches capabilities with country needs.
- Undertake an independent review of the capabilities and performance of existing AEs, including a cost-effectiveness analysis, to inform the delivery of the accreditation strategy.
- Streamline the accreditation process while increasing its efficiency and effectiveness and clarify the Fund's estimated annual capacity to accredit new entities, especially Direct Access entities and private sector partners, along with average timeframes for processing.
- Operationalize the Project Specific Assessment Approach.
- Extend support to Direct Access entities to strengthen their capability to channel GCF resources, increase funding channeled through direct access and promote co-operative arrangements with international AEs and private sector partners to build capacity.

4.4 Delivering innovative and scalable investments

95. The Fund's proposed programming approach for GCF-1 is based on making each dollar of public funding deliver maximum impact for developing country recipients. It aims to do this by using GCF investments to innovate, field-test and scale-up new practices, business models and technologies that have the potential to become ripe for attracting wider climate and conventional finance.

96. To capitalize on its comparative advantages, the GCF must demonstrate through its investments how its risk appetite differs from other climate investors. This means increasing the instances in which GCF takes calculated risks – such as first loss positions or participation in a higher risk tranche – to demonstrate the viability of potentially paradigm shifting climate outcomes. The Fund will be prepared for some cases of failure in the interest of delivering transformational change. An updated strategic plan and risk appetite statement could capture this intent, with the Fund's risk management tools enhanced to enable educated risk taking.

97. The Fund will continue to deploy its financial instruments in the way best fitted to delivering impact. This could involve maintaining a relatively stable share of grant funding but

shifting from concessional lending toward an increased use of risk mitigation instruments such as equity and guarantees. Consistent with Section IV of the Fund's Governing Instrument, under this approach grants and concessional lending would still be the most regularly used instruments, but steadily growing the share of equity and guarantees would allow the Fund to mobilize finance from the private sector at higher multiples, delivering more funding and impact for developing countries. The Fund could also explore deploying instruments such as results-based payments, insurance and local currency financing where these can address financing barriers for countries. Building a more diversified portfolio will require the GCF to take a more active role in working with countries and AEs on innovative investment structuring and forging novel investment partnerships.

98. Building pathways toward shifts in wider finance flows remains a particular challenge when it comes to adaptation. During GCF-1, the Fund can focus especially on identifying and investing in opportunities for spurring innovation in adaptation and resilience financing in order to reach the countries, people and communities most in need. This includes investing to scale up successful pilots of other funds, supporting innovation of new business models for adaptation and resilience, supporting multi-country or regional adaptation projects seeking scalability, and examining how innovative risk financing might also be used to activate private financing in areas such as insurance, agriculture and infrastructure. The GCF can also seek to use its unique position to build synergies and optimize mitigation, adaptation and development co-benefits through smart project design, as well as strengthen synergies with the climate dimension of biodiversity and oceans.

99. The GCF can continue to leverage two major programming approaches: country-driven pipeline programming (based on country programming as described above) and strategic requests for proposals (RfPs). Having learnt important lessons about challenges to the successful deployment of RfPs during the IRM, the Fund proposes to review all ongoing RfPs and consider a shortlist of concepts for new RfPs, based on the most promising opportunities for innovation and scale identified in sectoral guidance and country programmes, and building access considerations into RfP design. This review can determine overall funding-allocations for RfPs during GCF-1.

100. Alongside RfPs, the programmatic approach holds significant potential as a means for the GCF to work with partners and build coalitions to drive investments at scale. At the Global Programming Conference, SIDS and LDCs in particular expressed strong interest in using programmatic approaches to realize economies of scale and more predictable financing. Further work under the Board to flesh out GCF's programmatic approach would help realise this potential for scale.

101. As part of its digitalisation journey, the Fund can also pilot a third origination modality. It is collaborating on a new climate investment platform (CIP) to enable project proponents to identify project analogues worldwide, assess their structuring and reach out to possible project co-financiers, including GCF. The CIP will be designed to become a public good opened to all climate finance actors.

Recommended actions

- Diversify toward increased deployment of risk-mitigation instruments (guarantees and equity) while maintaining the share of grant funding, clarifying the Fund's risk appetite and risk management tools to support this.
- Explore new applications for results-based payments and review potential additional instruments (policy loans, insurance)
- Pursue innovative financing for adaptation and resilience to build the scale of the adaptation response with measurable impact while maintaining focus on the most vulnerable and strengthening the nexus with the climate-centred dimension of oceans and biodiversity.
- Further develop GCF's strategic programming approaches, including:

  (a) a sharpened approach to country-driven pipeline development,

  (b) clarifying GCF's programmatic approach, and

  (c) reviewing ongoing RfPs and developing new RfPs to target emergent opportunities.

4.5 Realizing the potential of the private sector to mobilize funds at scale

102. Learning from the experience of the IRM period and the Forward-looking Performance Review, the GCF can adapt its private sector strategy and operations to better realize GCF's potential for engaging the private sector to mobilize funds at scale. Shifting these wider financial flows managed by the private sector is key to mobilizing the scale of resources – in the trillions – needed to realize developing countries NDCs, NAPs and other climate strategies.

103. At the outset, this will involve clarifying the strategic priorities for engagement with the private sector – which range from MSMEs to financial institutions and institutional investors – through a dedicated private sector strategy. This can identify, across the Fund's results areas, where there is significant potential for an increased private sector role in climate investment, including diversifying from strong renewables engagement to build leverage in other sectors, particularly for adaptation.

104. The strategy can aim to address key barriers to private investment in climate action and be built on three pillars: mitigating risk for climate impact, supporting climate-oriented financial systems and acting as a market maker for climate transformation. A particular programming focus will be testing models for increased private sector investment in adaptation and resilience. Another will be working through novel public-private partnerships on structuring investments that mobilize private finance in new sectors and geographies, including through de-risking to support innovative business models or attract institutional sources of capital. The private sector strategy should build on existing operations and the Fund's variety of instruments, while being aligned to other Fund processes especially the accreditation strategy, directed at speeding up involvement of private actors. Overall, contributors considered that these efforts should aim to increase private co-finance mobilized by GCF materially beyond IRM levels, measured under agreed methodologies.

105. To achieve these strategic priorities, it will be essential for the Fund to pursue a staged development of modalities to help address current access and operational barriers to more impactful GCF-private sector engagement. A focused accreditation strategy, readiness support for private sector engagement and supportive enabling environments, and building the capabilities of private sector Direct Access entities are a critical starting point. Implementation

of PSAA, as described under Section 4.3, will also be a key step to expand the scope for private sector entities to engage with GCF on innovative investment proposals submitted under RfPs, such on mobilizing funds at scale. Over time, this experience could be built on to trial a direct investment approach as per paragraph 41 of the Governing Instrument, for example to expand scope for GCF to engage in equity investments. Co-investment approaches also offer potential for institutional investors to engage with GCF and add multiple the funding directed to GCF projects.

Recommended actions

- Implement a private sector strategy that addresses key barriers and opportunities for mobilizing private sector investment in climate action at scale and implements a staged approach to developing new modalities for the PSF to improve private sector access and engagement, including consideration of local currency lending and support for early stage incubation.
- Set the ambition to increase private sector co-finance mobilized by GCF to well above IRM levels (IRM levels 1:3 private sector co-finance)[1].

4.6 Working globally as a thought-leader in climate finance to drive wider systemic shifts in finance flows

106. In its mission to drive systemic change towards a low emission climate-resilient future, GCF can, as it accumulates programming and implementation experience, also build over the longer term a global thought-leadership role. This would involve leveraging GCF's knowledge and the knowledge of its wide partnership network to synthesize learning and enable replication of proven interventions that can, at scale, shift financial flows in line with the Paris Agreement goal.

107. This would entail substantial investments over time in the Fund's knowledge management capabilities and evaluation capacity, which will allow lessons to be extracted and disseminated from the Fund's full range of investment activities, internal operations and work on complementarity and coherence. The Fund can also convene or join knowledge partnerships to contribute to wider efforts to generate green financial systems, including engaging with standard-setting bodies. As a first step, the Secretariat will prepare a comprehensive knowledge management strategy to guide this work.

108. It will also activate the Fund's partnerships, outreach and communications functions toward promoting knowledge collaborations and showcasing GCF thought leadership.

109. The Fund will continue to collaborate closely with its network of AEs to ensure the uptake of best-practice gender, indigenous peoples and safeguarding standards, and the mainstreaming of climate considerations more broadly across AE's operations and portfolio baselines. This is a further means through which the GCF can drive institutional transformation. The Fund will also continue to strengthen engagement with civil society across its operations.

110. The GCF will maintain a lead position in driving complementarity and coherence between climate funds, acting as a broker to help countries navigate the range of opportunities in the climate finance landscape. As part of this effort, it will work with other Funds to better define relative roles and comparative advantages – identifying where there are opportunities for scaling up, parallel deployment of instruments, or complementary programming across sectors.

Recommended actions

- Prepare and execute a comprehensive knowledge management strategy and system, including forging collaboration on the dissemination of knowledge products and norms for climate-compatible financing.

V. Optimizing performance and operating modalities

5.1 Increasing predictability and simplifying access

111. Over the past four years, the GCF has built a unique operating model that has been shown to add value in the climate finance landscape. But the urgency of climate change – and feedback from stakeholders – demand that the Fund be able to respond with greater speed and urgency.

112. For GCF-1, a key priority is to speed up delivery and reduce engagement costs by improving the efficiency, effectiveness and transparency of allocation and implementation processes.

113. A basic element of this effort is undertaking annual business planning to enable the full and predictable allocation of the Fund's resources, based on a 2020-23 strategic plan. This can guide country and AE expectations on the number and volume of projects to be programmed annually.

114. The Secretariat will also implement the results of a concerted effort during 2019 to comprehensively map programming, project review, implementation and policy processes. This includes development of a funding proposal manual, sectoral guidance, refinement of investment tools such as the investment criteria scorecard and project success rating tool, and development of operations and policy manuals. These efforts are being done with a view to more clearly define Fund processes and review criteria and capture every opportunity under current policy settings to streamline, reduce duplication and improve consistency of due diligence and decision-making.

115. This exercise aims to facilitate a clearer and more predictable application of the Fund's investment and other funding review criteria in providing feedback to accredited entities and countries and preparing projects for Board approval. It also aims to speed up post-approval processes through regularizing the conclusion of legal implementation arrangements, including through increasing use of templates, earlier preparation of project agreements and reduction of conditions, as the Fund's policy settings stabilize. In totality, this work by the Secretariat, in parallel with proposed efforts to support upstream origination of transformational country-owned funding proposals and lift quality at approval, is expected to help to clarify and speed up the process from project concept to implementation and disbursement and lift quality and impact.

116. In addition to these efforts by the Secretariat, contributors expect additional measures could be taken to enhance the Fund's Investment Framework to allow for more strategic pipeline management and competitive project selection. These included more explicitly linking ambition, impact, countries vulnerabilities and needs with investment and performance criteria across the Fund's investment and results management frameworks, better defining the paradigm shift criteria, completing outstanding investment and funding proposal policies, including the need to finalize further guidance on enhancing funding proposals climate rationale

and enhancing the Fund's approach to concessionality to take into account project type and country needs and capacities.

117. To capture its ambition to substantially shorten overall timelines to access Fund resources and move proposals from application to disbursement, the GCF can introduce and implement service-standards for its key processes – accreditation, readiness, PPF and project funding.

118. The GCF will also strive to fulfil its commitment to transparency by rapidly becoming a digital organization. The introduction of a web-based tracking system will give the Fund's partners real-time access to the status of proposals, improving transparency and accountability. Translation of key documents into major languages such as French, Spanish and Arabic will also aid access.

119. Full efficiency and effectiveness gains will however only be realized though more comprehensive review of the Fund's policies and internal control framework. The 2020-23 strategic plan is expected to include a four-year strategic policy agenda. This should focus early in the replenishment on filling remaining policy gaps and then move toward more regular and methodical review of policy frameworks. It could also build on the findings of the Fund's Performance Review, to critically assess gaps and duplications in the Fund's set of policies, as well as ensure policy impacts are assessed and costs/benefits rightly balanced.

120. Also in line with the recommendations of the Performance Review, the GCF aims to re-examine and clarify roles and responsibilities and delegations of authority as part of an update to the Fund's internal control framework. This should include consideration of delegating appropriate authority to the Secretariat, to reflect the maturation of the GCF's organizational development and support efforts to improve speed and responsiveness for developing countries. Contributors also expect further steps to improve efficiency could be taken through developing procedures for decisions between meetings through written procedure to enhance the operations of a non-resident Board, and also through development of a two-stage project approval process.

121. Securing wider privileges and immunities for the Fund would also speed up implementation processes by aiding a shift away from the current compliance-oriented model as well as enabling adaptative management on issues arising in implementation.

122. A key litmus test for simplification and speed is the Simplified Approvals Process (SAP). While experience shows the SAP is reducing project lead times, the review and approval processes required of the Secretariat, ITAP and Board remain similar to regular funding proposals. This will constrain ambitions to substantially scale up SAP, pending revisions to see the SAP better live up to its name in terms of both simplifying underlying requirements and the approval process.

Recommended actions

- Sharpen GCF's Investment Criteria by completing investment policies, developing objective and comparable indicators to assess impact and paradigm shift and allow for more competitive project selection, and elaborating guidance on full and incremental costs and concessionality to take account of project type, countries vulnerabilities, needs and capacities.
- Strengthen policies to enhance climate impact and paradigm-shift of supported interventions, including finalizing guidance on enhancing climate rationale in funding proposals.
- Develop a Fund programming manual, operational manual and policy manual to clarify and streamline internal operational processes and set service standards to enhance speed of access.
- Enhance transparency by making the GCF a digital organization with real-time web-based tracking of proposal status.
- Develop a four-year strategic policy agenda including impact and complementarity assessments.
- Update the Fund's internal control framework to re-examine and clarify roles and responsibilities in the GCF and delegations of authority over operational management to improve effectiveness, responsiveness and efficiency.
- Elaborate decision-making processes to include further development of decisions between meetings by written procedure
- Develop a two-stage approval process
- Pursue options to secure an increased number of comprehensive privileges and immunities agreements with countries.
- Further simplify SAP review, approval and implementation.

5.2 Strengthening portfolio and results management

123. A comprehensive results and resources management framework is needed to allow the GCF to track performance for GCF-1 across its value-chain – readiness, PPF, project funding and administrative operations. Such a system is the backbone to enable tracking progress and measure impacts of the GCFs portfolio and activities. The Fund will dedicate effort to strengthening portfolio and results management of the maturing portfolio of funded activities under implementation.

124. The GCF's initial results management framework is currently being reviewed by the Board. An updated framework should have an eye to measuring how all dimensions of GCF operations and investments contribute to the Fund's overall goals – promoting paradigm shift in developing countries and contribution to successful implementation of the objective of the UNFCCC and Paris Agreement goals – as well as GCF's specific goals for GCF-1. Developing a framework to measure paradigm shift will require new thinking and will be an evolutionary learning process for the Fund.

125. Given the GCF is an operating entity of the financial mechanism of the UNFCCC also serving the Paris Agreement, the results framework should be designed to track progress

towards meeting the Paris Agreement goals and implementing as well as improving NDCs and NAPs. This will also be in line with the modalities and procedures adopted by the COP and the CMA with regards to inputs to the ambition cycle and the global stocktake that will commence in 2023 and every 5 years thereafter. It should also examine ways to track other development co-benefits in regard to relevant SDGs, including on oceans and biodiversity. An updated suite of indicators, methodologies, measurement, reporting and verification (MRV) and monitoring and evaluation (M&E) practices should be developed to ensure that all investments can be monitored for results in this global context, incorporating gender responsive and social inclusion measures and indicators. The aim will be to move from measurement of expected results to measurement of actual impact-oriented results as the portfolio matures, with annual reporting of results. A brief introduction to the results and resources framework was provided to participants as part of the documents circulated during the replenishment process, to be further developed by the GCF Board as part of the Strategic Plan.

126. At the funded activity level, designing for results must be a focus from day one of any project and continue until the post-project evaluation of impact. GCF can strengthen guidance on project level MRV to promote credible evaluation of results. It will provide support where countries and AEs need this to effectively track GCF-related impact-indicators, purposefully evaluate results and capture knowledge. The Fund will also implement internal accounting standards and web-based systems to track results and maintain the highest degree of transparency in reporting performance.

127. The Fund can also capture its ambition to ensure GCF resources are being deployed on the ground by having 90% of the total GCF portfolio under implementation by 2023. Contributors expressed their expectation that the Fund will become more precise in its definition of portfolio under implementation, including by setting targets for disbursements. The Fund will commit in parallel a concerted strengthening of its portfolio management function, including aligning appropriate resources to more programmatic and ecosystem-based work. This will ensure the Fund is well-equipped to manage an increasing portfolio under implementation, in sync with the pace of replenishment programming. The Fund will follow an adaptive approach to portfolio management, that accommodates changing conditions, reflects GCF risk appetite and provides ongoing support for implementation capacity, particularly among direct access entities. Portfolio management will be linked to the Fund's knowledge system, generating cycles for absorbing, capturing and disseminating lessons from funded activities. This will establish a learning chain linking results design, implementation, results management and evaluations.

Recommended actions

- Implement an updated results management framework and integrated results and resources management framework, that allows measurement and reporting of how all funded activities and operations contribute to overall, GCF-1 and Paris Agreement goals, including additional indicators to measure paradigm shift, mitigation and adaptation impact, as well as co-benefits in regards to relevant SDGs, including oceans and biodiversity, and gender responsiveness and social inclusion; details envisaged impact of financing by sectoral results areas; and moves from measuring expected to actual results as the portfolio matures
- Adopt an operational target to have 90% of the total GCF portfolio under implementation by 2023 with an adaptive portfolio management approach that feeds into the Fund's knowledge system, and clarify the status of implementation by also setting disbursement-related targets.

5.3 Sensitivity to impacted people and communities

128. The Fund will keep at the forefront of its GCF-1 programming and operations a sensitivity to the impact on the peoples and communities affected by climate change, especially the particularly vulnerable and those that are disproportionally affected by climate change because of gender, income, geography or other factors. Contributors in particular emphasised the importance of the GCF maintaining focus on impact at the local and community level.

129. Since its inception, the GCF has endeavoured to operate based on best practices and with sensitivity to the human rights and climate justice dimension of climate investment. It has adopted policies on gender, indigenous peoples and environmental and social safeguards, and is striving to advance best practices for incorporating environmental and social concerns in its programming and operations through the application of adopted policies and standards, through its due diligence, gender mainstreaming, promoting stakeholder consultation and development of guidance.

130. The Fund will continue to strengthen its approaches to environmental and social management that are tailored to the risks and impacts of its operations and programming. The Fund will implement its policies and standards in ways that not only include safeguarding measures of "do no harm" but also improve the environmental and social outcomes and generate co-benefits to the environment and the communities, including those particularly vulnerable. It will work in collaboration with NDAs and AEs to build capacity, where needed, for the implementation and monitoring of these policies and standards.

131. The GCF should continue applying a gender-responsive approach across internal and external activities, building equally women and men's resilience to climate change and addressing and mitigating any potential project or programme risks for women and men associated with adaptation and mitigation activities financed by the GCF. Recognizing that in most cases greater vulnerability falls on women and that women often have practical knowledge that can enhance the efficiency of climate actions, the GCF will address this by working towards ensuring project proposals have gender assessments and action plans to mitigate and actively address gender vulnerabilities. Contributors recommended that in line with best practices adopted in the UNFCCC and the Global Environment Facility as the other operating entity of the UNFCCC's financial mechanism, the GCF seek to strengthen gender-responsiveness and mainstreaming as well as social inclusion capacities among its staff and work with its partners and stakeholders, including local stakeholders, to strengthen gender responsiveness and mainstreaming and social inclusion with a more systematic approach to programming. The Fund can also utilize lessons learned so far in terms of integrating gender considerations throughout its support for readiness and funded projects.

132. The GCF will continue to support broad participation by stakeholders, including civil society, local authorities, private sector organizations, indigenous peoples and others in country-driven processes to plan, program and implement GCF projects and programmes. This will help facilitate access to information and ensure needs and concerns are put into local context. Modalities such as the Enhanced Direct Access approach will also continue to be available as channels for communities to directly access GCF funding for climate action, particularly for community-based adaptation. The GCF will also strive to incorporate lessons from the experience of successful community-based programmes of other Funds into its programming and operations.

Recommended actions

- Adopt an updated Gender Policy and Action Plan, applying a gender responsive approach.
- Strengthen gender-mainstreaming and social inclusion capacities among GCF staff and work with partners and stakeholders to strengthen gender mainstreaming and social inclusion with a more systematic approach to programming, bringing it in line with international best practices.
- Complete the development of the GCF's ESS and ensure swift implementation in consultation with GCF stakeholders

5.4 Managing the Fund's financial and human resources and safeguarding contributions

133. The GCF's annual work programmes and budgets for GCF-1 will be fully aligned with available resources and the 2020-23 strategic plan. This would aim to see the Fund programme 50% of available resources by the midpoint and 95% by the end of GCF-1. Management of resources will be tracked as part of an integrated results and resources management framework.

134. As detailed further in Section VI, an increase in the number of adaptation, Direct Access and SAP projects in GCF-1 programming, as well as diversifying toward greater use of risk mitigation instruments, would increase the overall number of projects to be managed by the Fund as well as the Secretariat effort required to support more complex project types. The increased workload generated by this evolving programming mix will be in addition to a growing portfolio under implementation. The Secretariat expects that it will be able to achieve substantial efficiency gains to absorb some of this higher programming and implementation workload, with workload beyond this requiring a combination of expanded staff headcount and associated budget, and deeper rationalization of policies and processes.

135. It will also be critical for the Fund, as part of the Board's review of the structure and operations of the independent Technical Advisory Panel (iTAP), to have an eye to ensuring that an increasing number of project reviews can be efficiently managed. This may be achieved through measures such as moving to virtual assessments and simplifying the review process for SAP proposals, to facilitate an increase in the overall number of projects that can be reviewed and reducing review times. Approval processes may also be simplified or delegated to ensure funding reaches countries in a timely manner.

136. Since its inception, the GCF has made every effort to assure stakeholders that the Fund's finances are managed in line with best practice in financial and risk management. The Fund has adopted the Committee for Sponsoring Organizations of the Treadway Commission (COSO) framework as the internal control framework, as well as the Institute of Internal Auditors International Professional Practices (IPPF). The Fund also has a comprehensive risk management framework and set of integrity and prohibited practices policies in effect. The Fund is working with its Trustee on cash investment and asset allocation strategies and the Board will consider options to manage foreign exchange risk.

137. In light of the expected currency share for contributions to GCF-1, contributors considered the replacement of USD with SDRs as the base currency for accounting purposes and to provide a common denominator for expressing the overall size of the replenishment. The USD value of the aggregate replenishment could continue to be used as the main reference point for communicating the replenishment volume publicly.

138. The Secretariat will continue to consolidate its professional capabilities, based on a human resources strategy oriented to attract, retain and grow staff and an ICT strategy to promote smart automation of Fund processes. While the main focus will remain on building solid systems for management of GCF operations from headquarters, the Fund will evaluate options for growing a targeted regional presence at the right time, based on pilots and the proven experience of others.

Recommended actions

- Adopt operational targets to program 50% of available resources by the midpoint of GCF- 1 and 95% by the end of the first replenishment period.
- Review and enhance as required Secretariat and ITAP capabilities in line with the GCF-1 programming directions and resourcing outcome.

VI. Resourcing the Fund to Deliver

6.1 Setting GCF on a trajectory to help realize the ambitions of the UNFCCC and Paris Agreement

139. The GCF's strategic programming vision for GCF-1 aims high: seeking more ambitious impact, reach and speed to match the urgency of climate change, and positioning the Fund to make a significant and ambitious contribution toward the objective of the UNFCCC and Paris Agreement goals.

140. This vision represents a firm step toward consolidating the Fund's role as the centre of gravity for climate finance over the coming decade, with an ability to create value well beyond the quantum of resources contributed directly. It is set to do this by driving institutional transformation, innovation, mobilization and knowledge, and ultimately spurring systemic shifts in finance toward low-emissions, climate-resilient development pathways.

141. To deliver on this vision, GCF seeks a successful and ambitious GCF-1 replenishment that will secure sufficient funding for the GCF for the coming four years, 2020-23. As part of the replenishment process, and against the background of the expectation for enhanced impact, scale, quality and efficiency of GCF, participants discussed matters relating to funding scenarios and financial planning for GCF-1, and over the course of the process a number of contributors signalled their intent to double their contributions in domestic currency terms from IRM levels. Contributors also welcomed the Secretariat continuing resource mobilization efforts after the Pledging Conference to bring additional contributors and contributions into the replenishment process. The approval of the Policies for Contributions from philanthropic foundations and other alternative sources will be an essential tool in this regard.

142. The success of the GCF replenishment will serve as a critical signal to the UNFCCC and Paris process, underpinning confidence in building a cycle of increasing ambition. The first replenishment, seen in this longer-term context, can put the Fund on a trajectory to play an increasingly significant role in channelling and mobilizing climate finance. Over the period up to 2030, reflows and investment mobilized by the Fund will see the GCF to contribute to this goal at an increasing multiple of contributed resources.

6.2 Resourcing GCF-1 to deliver results

143. The recommendations in this Report present an ambitious programming strategy for GCF-1, in terms of both ambition for increased results, impact and ambition for action and reform to deliver those results. As part of the replenishment process, initial consideration was given to how the GCF can be effectively resourced for delivery of results. This looked both at how new resources for GCF-1 can be expected to deliver increased impact per GCF dollar invested, and also at the operational resourcing required for the Fund to effectively and effectively deliver targeted impacts.

144. As a preliminary step prior to conclusion of GCF-1 strategic plan and integrated results and resources framework, the Secretariat developed a bottom-up financial model that used a series of programming assumptions to portray illustrative resource allocation and results potential for GCF-1. This provided a tool for the replenishment process to explore illustrative results on the Fund's core metrics – tonnes of CO_2 reduced or avoided, and beneficiaries of increased resilience to climate change – while explicitly acknowledging that modelled outcomes showed likely trends rather than precise quantifications. This exercise emphasised that the Fund would seek to further refine its results estimates once the quantum of the replenishment was known, through further experience and testing of assumptions, as well as through development of new tools to measure the important paradigm shifting dimension of GCF's impact.

145. The illustrative modelling results were presented at the second replenishment consultation meeting, and scenarios further refined in light of participants comments at that meeting. The model illustrated GCF's potential to deliver significantly improved results compared to the IRM, based on achieving higher average co-financing ratios, deploying greater use of risk mitigation instruments, and some improved targeting of sectoral programming efforts with countries and accredited entities. As shown in **Table 1** below under the "Illustrative scenario", deploying the above approaches while maintaining the same overall allocation balance between mitigation and adaptation as the IRM could see the GCF deliver reductions of up to 855Mt CO_2 for each billion dollars invested in mitigation, and reach up to 160 million beneficiaries for each billion dollars invested in adaptation. Further modifying the allocations of funding directed by thematic area, by access modality, by instrument or by sector was shown to shift these results.

Table 1: Illustration of Possible Resource Allocations and Impacts for GCF-1 (USD Million)

GCF-1(2020-2023)	IRM	Illustrative GCF-1 Scenario
Resource Allocations*		
Readiness & Preparatory Support	312	480
Project Preparation Facility	40	85
Projects and Programmes		
Approved GCF Funding Amount ($)	5,208	9,180
Number of Approved Projects	*111*	*220-280*
Impacts		
Mitigation impact (tCO2 per GCF funding (billion USD))	512Mt	855 Mt
Adaptation impact (beneficiaries per GCF funding (billion USD))	150 million	160 million
Co-financing ratio	2.6	3.8
Mitigation total estimated impact (Gt)	1.5	4.9
Adaptation total estimated impact (beneficiaries)	310 million	545 million
Assumed funding (billion USD)	5.2	9.2

**IRM resource allocations based on actuals. Illustrative Scenario based on indicative full programming of the IRM pledged amount of USD 10.3 billion, noting this builds in growth of around 50% over IRM actuals.*

146. The illustrative results in Table 1 also show that a GCF replenishment of USD 10.3 billion could mobilize up to USD 50 billion for climate investment in developing countries if a co-financing ratio of 1:4 is realized, in line with programming efforts to mobilize private finance at scale.

147. GCF's ambitious programming vision for pursuit of impact is based on the Fund being more than a financial pass-through entity. Under the theory of change and action agenda presented in preceding sections, the Fund aims to serve as a convenor, capacity builder, expert adviser, knowledge hub and thought leader, as well as a catalytic financier for developing countries. This value proposition – of realising ambitious impact and value-add – is based on the Fund remaining a lean organization that concertedly pursues efficiency improvement, while growing its programming and implementation capabilities to match the ambition of its strategic vision.

148. Successfully delivering the holistic programming vision and improved results potential for GCF-1 accordingly depends on adequate resourcing for the GCF's Readiness programme, PPF and administrative budget. Predictable core funding for readiness of up to USD 480 million and for PPF of up to USD 85 million would support countries' and entities' origination of impactful, innovative and catalytic projects pipelines, underpinning improved portfolio results. Both programmes would incorporate a sharpened focus on impact as discussed in preceding sections.

149. In developing projected administrative budget and staffing estimates for GCF-1, the Secretariat took heed of contributors call for greater efficiency and built projections on the assumption that the implementation of the ongoing GCF portfolio (with an assumed portfolio implementation rate of 90%), as well as new programming on an IRM equivalent basis (i.e. no refinement of programming directions or relative increase in the number of new projects) could

be absorbed through aggressively seeking a 50% increase in operational efficiency. This is shown as the "Base Case" in Table 2 below.

150. This efficiency increase would be delivered through implementing a range of the actions described in Section V, including but not limited to process and role mapping and clarification, setting service standards, increased digitization, improved project quality at entry through clearer programming guidance and increasing coverage of privileges and immunities. Economies of scale would also be created as central corporate functions are shared across a larger portfolio. This recognizes – but does not assume – that deeper gains in efficiency may be possible through action to update relevant aspects of the Fund's policy frameworks: for example, materially further simplifying funding approval processes, or delegating authority in appropriate instances.

151. Significantly, Table 1 shows that under the Illustrative Scenario the scale of GCF funding proposal programming, as well as the overall size of the portfolio, is expected to increase materially compared to the IRM, to around 55-70 new projects per year, or 220-280 new projects over the GCF-1 period. This would be driven by both an increased overall scale of programming, as well as proposed programming directions to support increased channelling of funding through direct access entities and innovative adaptation financing. The proposed value-addition of improved impact through more targeted sectoral programming and the increased use of risk mitigation instruments such as equity structures, including for adaptation, would also call on relatively greater Secretariat resourcing and staff time to implement. It is assumed that increased SAP programming could be delivered through efficiency gains and further simplification of SAP processes, rather than the much heavier staffing and budgetary increases that would be required on the status quo.

152. This value proposition translates into measured increases in the GCF's administrative budget and staffing requirements, as shown for the "Illustrative Scenario" in **Table 2** below.

Table 2: Illustration of Administrative Budget

Scenarios	Total Admin Budget for GCF-1
Base Case Scenario	$372 million (Total 250 staff)
Illustrative Scenario	$390 – 398 million (Total 290 – 300 staff)

153. This projections exercise recognizes that the GCF staff-to-project ratio is not readily comparable with other Funds, given the GCF's unique value-added role in supporting institution-building, providing expert advice for climate programming, seeking novel and paradigm shifting investments and serving as a knowledge hub for climate finance. The Secretariat will undertake more comprehensive data collection and analysis on efficiency performance through GCF-1, to ensure the Fund has a firm baseline for monitoring improvements and calculating further efficiency potential.

Annex I: Pledging Table

First Replenishment of the Green Climate Fund

Summary Pledge Table (in millions)

Oct 24-25, 2019 Paris, France

Contributing Participant	Notes	Pledge Currency	First Replenishment [b]									GCF-1 Total [b] (millions)	
			Nominal Pledge in Pledging Currency (millions)					Nominal Pledge (millions)		Credits [a] (millions)			
			Grant	Capital	Loan	Loan Cushion	Total Pledge	SDR	USD	SDR	USD	SDR	USD
Austria		EUR	30.00	-	-	-	30.00	24.37	33.79	1.45	2.01	25.82	35.80
Belgium	c d	EUR	40.00	-	-	-	40.00	32.50	45.05	1.18	1.64	33.68	46.69
Canada		CAD	168.00	-	110.00	22.00	300.00	162.68	225.53	2.65	3.67	165.33	229.20
Denmark	c	DKK	800.00	-	-	-	800.00	87.06	120.69	3.82	5.29	90.88	125.99
Finland	c	EUR	100.00	-	-	-	100.00	81.24	112.62	2.95	4.09	84.19	116.72
France	c	EUR	1,176.00	-	310.00	62.00	1,548.00	1,257.57	1,743.38	36.56	50.69	1,294.13	1,794.07
Germany		EUR	1,500.00	-	-	-	1,500.00	1,218.57	1,689.32	0.31	0.43	1,218.89	1,689.75

First Replenishment of the Green Climate Fund

Summary Pledge Table (in millions)

Oct 24-25, 2019 Paris, France

Contributing Participant	Notes	Pledge Currency	First Replenishment [b]									GCF-1 Total [b] (millions)	
			Nominal Pledge in Pledging Currency (millions)					Nominal Pledge (millions)		Credits [a] (millions)			
			Grant	Capital	Loan	Loan Cushion	Total Pledge	SDR	USD	SDR	USD	SDR	USD
Hungary		HUF	200.00	-	-	-	200.00	0.51	0.70	0.03	0.04	0.54	0.74
Iceland		USD	2.00	-	-	-	2.00	1.44	2.00	0.04	0.06	1.48	2.06
Ireland		EUR	4.00	-	-	-	4.00	3.25	4.50	0.19	0.27	3.44	4.77
Italy		EUR	300.00	-	-	-	300.00	243.71	337.86	8.86	12.28	252.57	350.15
Japan	c	JPY	164,870.06	-	-	-	164,870.06	1,082.01	1,500.00	-	-	1,082.01	1,500.00
Liechtenstein		CHF	0.05	-	-	-	0.05	0.04	0.05	0.00	0.00	0.04	0.05
Luxembourg		EUR	40.00	-	-	-	40.00	32.50	45.05	1.18	1.64	33.68	46.69
Monaco	c	EUR	3.75	-	-	-	3.75	3.05	4.22	0.12	0.17	3.17	4.40

First Replenishment of the Green Climate Fund

Summary Pledge Table (in millions)

Oct 24-25, 2019 Paris, France

Contributing Participant	Notes	Pledge Currency	First Replenishment [b]									GCF-1 Total [b] (millions)	
			Nominal Pledge in Pledging Currency (millions)					Nominal Pledge (millions)		Credits [a] (millions)			
			Grant	Capital	Loan	Loan Cushion	Total Pledge	SDR	USD	SDR	USD	SDR	USD
Netherlands	c	EUR	120.00	-	-	-	120.00	97.49	135.15	4.29	5.95	101.78	141.10
New Zealand		NZD	15.00	-	-	-	15.00	7.25	10.05	0.43	0.60	7.68	10.65
Norway	c	NOK	3,600.00	-	-	-	3,600.00	301.15	417.48	11.72	16.25	312.87	433.74
Poland		USD	3.00	-	-	-	3.00	2.16	3.00	0.13	0.18	2.29	3.18
Portugal		EUR	1.00	-	-	-	1.00	0.81	1.13	0.03	0.04	0.84	1.17
Republic of Korea		USD	200.00	-	-	-	200.00	144.27	200.00	-	-	144.27	200.00
Slovak Republic		EUR	2.00	-	-	-	2.00	1.62	2.25	0.06	0.08	1.68	2.33
Slovenia		EUR	1.00	-	-	-	1.00	0.81	1.13	0.05	0.07	0.86	1.19

First Replenishment of the Green Climate Fund

Summary Pledge Table (in millions)

Oct 24-25, 2019 Paris, France

Contributing Participant	Notes	Pledge Currency	First Replenishment [b]									GCF-1 Total [b] (millions)	
			Nominal Pledge in Pledging Currency (millions)					Nominal Pledge (millions)		Credits [a] (millions)			
			Grant	Capital	Loan	Loan Cushion	Total Pledge	SDR	USD	SDR	USD	SDR	USD
Spain		EUR	150.00	-	-	-	150.00	121.86	168.93	5.45	7.55	127.31	176.49
Sweden		SEK	8,000.00	-	-	-	8,000.00	614.98	852.55	-	-	614.98	852.55
Switzerland	c	USD	150.00	-	-	-	150.00	108.20	150.00	3.93	5.45	112.13	155.45
United Kingdom		GBP	1,440.00	-	-	-	1,440.00	1,335.83	1,851.88	-	-	1,335.83	1,851.88
Total								**6,966.92**	**9,658.31**	**85.45**	**118.47**	**7,052.38**	**9,776.78**

Notes:

[a] As per the Policies for Contributions (PfC) para 25, a notional credit has been applied to the pledges made by Contributors who have indicated to make payments in advance of the standard schedule.

[b] USD and SDR equivalent amounts represent values calculated using Reference Exchange Rates agreed by Contributors in the PfC

[c] Subject to Parliamentary and Government approval.

[d] Belgium aims to double its contribution in line with the Belgian parliamentary resolution adopted on 24 Oct 2019.

Annex II: Financial Status of the Fund

Summary – Inception through September 30, 2019 (in USD equivalent)

		Total
Cumulative Resources		
Resources received		
Grant Contributions		*5,326,205,832*
Cash	*3,865,674,244*	
Promissory Notes	*1,460,531,589*	
Capital Contributions		*1,275,926,917*
Cash	*575,299,542*	
Promissory Notes	*700,627,375*	
Loan Contributions		*393,741,924*
Cash	*393,741,924*	
Promissory Notes	*-*	
Investment Income earned		*204,934,529*
Investment Income from AEs		*1,002,696*
Reflows		*4,694,681*
Total Resources Received (A)		***7,206,506,578***

Cumulative Funding Decisions	
Projects and Programs	*5,389,797,135*
Readiness Program	*312,500,000*
Project Preparation Facility	*41,500,000*
Administrative Expenses	
Approved Administrative budget[a/]	*410,823,975*
Total Funding Decisions Net of Cancellations (B)	***6,154,621,110***
Forex Commitment Risk buffer[c/] (C)	*100,000,000*
Total Resources Net of Funding Decisions Including Risk buffer (A)-(B)-(C)	***951,885,468***

Funds Available	
Funds Held in Trust with no restrictions	***6,192,251,303***
Consisting of:	
a. Cash and Investments [b/]	*4,031,092,340*
b. Promissory Notes	*2,161,158,964*

**Non-USD balances have been revalued into equivalent USD based on 30 September 2019 currency exchange rates. Due to rounding, figures presented may not add up to total/s provided.*

[a/] Refer to Annex IV for the details of Administrative Budget Funding Decisions of the Green Climate Fund Trust Fund Financial Report as of 30 September 2019.

[b/] Currency Composition: EUR 223.2 million and USD 3.8 billion. Per GCF instruction, the Trustee maintains Euro loan contribution proceeds in Euros.

[c/] Set aside risk buffer amount as per Board decision B.22/20.

Reference exchange rates for GCF-1

The Reference Rate for the First Replenishment Period: For the sole purpose of providing a uniform approach to express individual and total pledges for GCF-1, a common currency SDR is used. Also, the USD is referred to as an additional reference rate to communicate the outcome of the replenishment. The table below provides a set of reference exchange rates using the average over the time period of six-months from 1 February to 31 July 2019, as agreed at the first consultation meeting in Oslo, Norway.

Reference Exchange Rates for the GCF			
Reference Period: February 1, 2019 to July 31, 2019 [a]			
Currency	Currency Name	Currency vs. SDR	Currency vs. USD
AED	United Arab Emirates Dirham	5.09209	3.67312
AFN	Afghani	108.35433	78.16553
ALL	Albanian Lek	151.97402	109.62426
AMD	Armenian Dram	668.87282	482.47081
AOA	Angolan Kwanza	451.88717	325.99285
ARS	Argentine Peso	58.67920	42.33339
AUD	Australian Dollar	1.97129	1.42203
AZN	New Azerbaijanian Manat	2.35203	1.69661
BAM	Convertible Mark	2.40747	1.73664
BBD	Barbados Dollar	2.77535	2.00198
BDT	Bangladeshi Taka	116.83955	84.28138
BGN	Bulgarian Lev	2.40755	1.73670
BHD	Bahrain Dinar	0.52264	0.37700
BIF	Burundi Franc	2529.24550	1824.48280
BND	Brunei Dollar	1.88535	1.36000
BOB	Bolivian Boliviano	9.58133	6.91138
BRL	Brazilian Real	5.33785	3.85058
BSD	Bahamian Dollar	1.38631	1.00000
BTN	Bhutanese Ngultrums	96.60030	69.68037
BWP	Botswana Pula	14.79746	10.67422
BYN	Belarusian Ruble	2.90803	2.09758
BZD	Belize Dollar	2.79349	2.01505
CAD	Canadian Dollar	1.84406	1.33020
CDF	Franc Congolais	2283.83384	1647.42035
CHF	Swiss Franc	1.38581	0.99964
CLF	Chilean Unidades de Formento	0.03410	0.03410
CLP	Chilean Peso	938.62191	677.11067
CNY	Chinese Yuan	9.42749	6.80064
COP	Colombian Peso	4431.52921	3196.87387
CRC	Costa Rican Colone	824.19026	594.49099
CVE	Cape Verde Escudo	136.48353	98.45274
CZK	Czech Koruna	31.59124	22.78853
DJF	Djibouti Franc	246.79842	178.02510
DKK	Danish Kroner	9.18886	6.62843
DOP	Dominican Peso	70.25865	50.68052
DZD	Algerian Dinar	165.25509	119.20614
EGP	Egyptian Pound	23.69695	17.09260
ERN	Eritrean Nakfa	20.94038	15.10492

ETB	Ethiopian Birr	39.76206	28.68250
EUR	Euro	1.23092	0.88793
FJD	Fiji Dollar	2.96363	2.13782
GBP	Pounds Sterling	1.07792	0.77759
GEL	Georgian Lari	3.79641	2.73869
GHS	New Ghanaian Cedi	7.33052	5.28783
GMD	Gambian Dalasi	69.90387	50.42453
GNF	Guinean Franc	12667.59682	9137.65932
GTQ	Guatemalan Quetzale	10.65940	7.68898
GYD	Guyana Dollar	289.86315	209.08970
HKD	Hong Kong Dollar	10.86574	7.83786
HNL	Honduran Lempira	33.89627	24.45072
HRK	Croatian Kuna	9.12619	6.58321
HTG	Haitian Gourde	121.40438	87.58603
HUF	Hungarian Forint	395.66829	285.42724
IDR	Indonesian Rupiah	19641.20352	14168.14030
ILS	Israeli New Sheqalim	4.98376	3.59493
INR	Indian Rupee	96.61977	69.69439
IQD	Iraqui Dinar	1654.08570	1193.15481
IRR	Iranian Rial	58223.96104	41999.16002
ISK	Iceland Kronur	169.31458	122.13873
JMD	Jamaican Dollar	182.20388	131.43813
JOD	Jordan Dinar	0.98267	0.70884
JPY	Japanese Yen	152.37717	109.91337
KES	Kenya Shilling	140.42739	101.29807
KGS	Kyrgyzstan Som	96.74599	69.78663
KHR	Cambodian Riel	5609.83073	4046.65801
KMF	Comorian Franc	605.57338	436.83343
KRW	Korean Won	1602.48141	1156.01245
KWD	Kuwaiti Dinar	0.42146	0.30402
KZT	Kazakhstan Tenge	527.36241	380.41263
LAK	Lao Kip	12006.32227	8660.78958
LBP	Lebanese Pound	2093.44729	1510.08810
LKR	Sri Lanka Rupee	244.97453	176.70705
LRD	Liberian Dollar	247.19889	178.35190
LSL	Lesotho Maloti	19.73685	14.23748
LYD	Libyan Dinar	1.93165	1.39339
MAD	Moroccan Dirham	13.32439	9.61151
MDL	Moldovan Leu	24.46506	17.64852
MGA	Malagasy Ariary	5015.13155	3617.77286
MKD	Macedonian Denar	75.71000	54.61365
MMK	Myanmar Kyat	2110.46810	1522.36277
MNT	Mongolian Tugrik	3668.70049	2646.41180
MRU	Mauritanan Ouguiya	51.02081	36.80391
MUR	Mauritian Rupee	48.69325	35.12599
MVR	Maldive Rufiyaa	21.43239	15.46000
MWK	Malawi Kwacha	1031.44184	744.04411
MXN	Mexican Peso	26.54614	19.14880
MXV	Mexican Unidad de Inversion	4.23837	3.05729
MYR	Malaysian Ringgit	5.71373	4.12164
MZN	New Mozambique Metical	87.00062	62.75641

NAD	Namibia Dollar	19.73682	14.23745
NGN	Nigerian Naira	500.35690	360.92545
NIO	Nicaraguan Cordobas Oro	45.62786	32.91326
NOK	Norwegian Kroner	11.95395	8.62309
NPR	Nepalese Rupee	154.58797	111.50840
NZD	New Zealand Dollar	2.06924	1.49270
OMR	Rials Omani	0.53373	0.38500
PAB	Panamanian Balboa	1.38631	1.00000
PEN	Peruvian Soles Nuevo	4.59408	3.31390
PGK	Papua New Guinea Kina	4.68153	3.37699
PHP	Philippine Peso	72.02779	51.95588
PKR	Pakistan Rupee	203.51943	146.82367
PLN	Polish Zloty	5.27675	3.80639
PYG	Paraguayan Guaranie	8555.53784	6171.55396
QAR	Qatar Riyal	5.04766	3.64107
RON	New Romanian Lei	5.84207	4.21420
RSD	New Serbian Dinar	145.18722	104.73118
RUB	Russian Ruble	89.60674	64.63552
RWF	Rwanda Franc	1256.07608	906.06990
SAR	Saudi Arabian Riyal	5.19912	3.75033
SBD	Solomon Islands Dollar	11.10725	8.01211
SCR	Seychelles Rupee	18.96443	13.67980
SDG	Sudanese Pound	64.13374	46.25861
SEK	Swedish Kronor	13.00805	9.38364
SGD	Singapore Dollar	1.88533	1.35999
SLL	Sierra Leonean Leone	12428.86605	8965.79383
SOS	Somali Shilling	801.98108	578.49949
SRD	Surinam Dollar	10.36244	7.47482
SSP	South Sudanese Pound	217.61023	156.97437
STN	Sao Tome and Principe Dobra	30.24640	30.24640
SYP	Syrian Pound	714.36577	515.29923
SZL	Swaziland Emalangeni	19.73695	14.23755
THB	Thai Baht	43.58567	31.43986
TJS	Tajikistan Somoni	13.07903	9.43440
TMT	New Turkmenistan Manat	4.84516	3.49500
TND	Tunisian Dinar	4.13274	2.98101
TOP	Tongan Pa'anga	3.12424	2.25367
TRY	New Turkish Lira	7.87389	5.68036
TTD	Trinidad and Tobago Dollar	9.39446	6.77657
TWD	Taiwanese Dollar	43.00678	31.02309
TZS	Tanzania Shilling	3206.87424	2313.19264
UAH	Ukraine Hrivnya	36.77613	26.52677
UGX	Ugandan Shilling	5155.27926	3718.75762
USD	United States Dollar	1.38631	1.00000
UYU	Peso Uruguayo	47.42676	34.21337
UZS	Uzbekistan Sum	11734.44075	8464.67408
VES	Bolívar Soberano	6911.93932	4990.42836
VND	Vietnamese Dong	32242.80766	23258.11485
VUV	Vanuatu Vatu	157.89484	113.89829
WST	Western Samoa Tala	3.62208	2.61280
XAF	C.F.A Francs BEAC	807.43123	582.44462

XCD	East Carribean Dollars	3.75683	2.70994
SDR	Special Drawing Rights	1.00000	0.72135
XOF	C.F.A. Francs BCEAO	807.43123	582.44462
XPF	CFP Franc	186.32408	134.39948
YER	Yemen Rials	346.14816	249.68974
ZAR	South African Rand	19.73682	14.23745
ZMW	New Zambian Kwacha	17.40258	12.55463
ZWL	Redenominated Zimbabwe Dollar	207946.77288	207946.77288

[a] The time period for establishing the reference exchange rates for use in the GCF replenishment was adopted by Contributing Participants at the April 2019 Replenishment Meeting.

Annex III: Summary of Contributors' Recommendations

1. The below table sets out contributors' recommendations on key actions to be taken during GCF-1 to strengthen the Fund's strategic orientation, business model, operational modalities and performance, and results and resources management to support ambitious and effective programming of GCF-1 contributions.

2. Implementation arrangements and timings have been identified consistent with ongoing Board mandates, indicating where action should be taken by the GCF Secretariat and where proposals should be developed for consideration by the GCF Board, consistent with the decision-making functions outlined in the GCF Governing Instrument.

3. The Secretariat will monitor implementation of actions and report on this as part of periodic reporting to the Board. It will also undertake a mid-term review of overall progress toward implementation of recommended actions to inform the GCF second replenishment process.

4. IRM figures referenced in the recommended actions are indicative point in time figures and will be recalculated as at 31 December 2019 for the purposes of future reporting.

Recommended actions	**Possible implementation arrangements**	**Timing**
1. Strategic programming directions		
1.1 Contributors recommend that the GCF adopt a Strategic Plan covering 2020-23	Secretariat proposes draft for Board consideration as mandated under Decision B.22/06	B.25, March 2020
1.2 Contributors recommend that the GCF set the ambition for the level of GCF-1 mitigation and adaptation results to exceed average IRM anticipated results (i.e. 512 Mt emissions reduced/ avoided for each billion invested in mitigation and 150 million people with increased resilience for each billion invested in adaptation) *Note: G*oals will supplement existing portfolio resource allocation parameters under Decision B.06/06.	Incorporate in the proposed draft 2020-23 Strategic Plan	B.25, March 2020
1.3 Contributors recommend that the GCF set the ambition for: (a) the adaptation allocation to particularly vulnerable countries to meet or exceed actual IRM levels (69% grant equivalent), (b) allocations through the private sector facility to meet or exceed actual IRM levels (21% grant equivalent); and (c) the allocation to direct access entities to meet or exceed actual IRM levels (15% nominal)	Incorporate in the proposed draft 2020-23 Strategic Plan	B.25, March 2020

Recommended actions	**Possible implementation arrangements**	**Timing**
1.4 Contributors recommend that the GCF pursue innovative financing for adaptation and resilience to build the scale of the adaptation response with measurable impact while maintaining focus on the most vulnerable and strengthening the nexus with the climate-centred dimension of oceans and biodiversity.	Incorporate in the proposed draft 2020-23 Strategic Plan	B.25, March 2020
1.5 Contributors recommend that the GCF set the ambition to increase private sector co-finance mobilized by GCF to well above IRM levels (IRM level 1:3 private sector co-finance) *Note: Refer to footnote 1 on page 17 regarding definition of co-finance.*	Incorporate in the proposed draft 2020-23 Strategic Plan	B.25, March 2020
1.6 Contributors recommend that the GCF develop sectoral guidance, applying the wide-ranging knowledge and expertise of stakeholders, as the basis for structured GCF programming dialogue with countries and entities	Secretariat develops sectoral guidance in consultation with countries and AEs	By Q1 2020
2. Business model		
2.1 Contributors recommend that the GCF adopt an accreditation strategy, also covering re-accreditation, that focuses on AE value-addition to GCF programming and climate impact, clarifies the expected profile and size of the AE network and matches capabilities with country needs	Secretariat works with Accreditation Committee to propose headline elements of accreditation strategy for Board consideration as part of the proposed draft 2020-23 Strategic Plan	B.25, March 2020
2.2 Contributors recommend that the GCF undertake an independent review of the capabilities and performance of existing AEs, including a cost-effectiveness analysis, to inform the delivery of the accreditation strategy	Board considers requesting an independent review as part of the Accreditation Framework review and update mandated under Decisions B.18/04 and B.22/16. Implementation of the accreditation strategy is calibrated against the findings of the review.	By first half 2020
2.3 Contributors recommend that the GCF streamline the accreditation process while increasing its efficiency and effectiveness and clarify the Fund's estimated annual capacity to accredit new entities, especially Direct Access entities and private sector partners, along with average timeframes for processing	Board considers proposals for streamlining as part of the Accreditation Framework Review and update mandated under Decisions B.18/04 and B.22/16 Secretariat analyzes and develops operational estimates for the number of entities that can be accredited annually and	By first half 2020 After Accreditation Review and at latest by Q4 2020

Recommended actions	Possible implementation arrangements	Timing
	average processing time	
2.4 Contributors recommend that the GCF operationalize the Project Specific Assessment Approach (PSAA)	Secretariat develops proposal for operationalization of PSAA for Board approval, following Decision B.23/11, and for subsequent Secretariat implementation	Board by Q1 2020 Implementation starts by Q4 2020
2.5 Contributors recommend that the GCF extend support to Direct Access entities to strengthen their capability to channel GCF resources, increase funding channeled through direct access and promote co-operative arrangements with international AEs and private sector partners to build capacity	Secretariat can execute, subject to budget and staffing	Evaluate as part of mid-term review
2.6 Contributors recommend that the GCF set predictable four-year funding allocations of up to USD 500 million for readiness and USD 100 million for PPF, to implement the reoriented second phase of the readiness programme and scaled-up PPF support	Secretariat proposes resource allocations for Board consideration as part of the 2020-23 Strategic Plan, taking account of budget carried over from 2019	B.25, March 2020
2.7 Contributors recommend that the GCF deploys readiness to support developing countries in the development of long-term low carbon, carbon neutral and resilient development strategies	Secretariat can execute, subject to budget and staffing	Execute on ongoing basis through readiness and evaluate as part of mid-term review
2.8 Contributors recommend that the GCF aim at maximizing country ownership at both central and local government levels, also including civil society and private sector stakeholder buy-in	Secretariat can execute, subject to budget and staffing, through Readiness implementation, private sector strategy and country engagement	Execute on ongoing basis and evaluate as part of mid-term review
2.9 Contributors recommend that the GCF implement a private sector strategy that addresses key barriers and opportunities for mobilizing private sector investment in climate action at scale and implements a staged approach to developing new modalities for the PSF to improve private sector access and engagement, including consideration of local currency lending and support for early stage incubation	Secretariat proposes headline elements of strategy for Board consideration as part of the draft 2020-23 Strategic Plan, and proposes new modalities for Board consideration informed by implementation of actions on diversifying instruments and PSAA	B.25, March 2020 New modalities in stages 2021-22

Recommended actions	Possible implementation arrangements	Timing
2.10 Contributors recommend that the GCF diversify toward increased deployment of risk-mitigation instruments (equity & guarantees) while maintaining the share of grant funding, clarifying the Fund's risk appetite and associated risk management tools to support this.	Secretariat can work with AEs on diversification of instruments, subject to budget and staffing Secretariat can work with Risk Management Committee to update Risk Appetite Statement following adoption of 2020-23 Strategic Plan	Evaluate as part of mid-term review By B.26, June 2020
2.11 Contributors recommend that the GCF explore new applications for results-based payments and review potential additional instruments (policy loans, insurance)	Secretariat can work with AEs on new applications of instruments, subject to budget and staffing	Evaluate as part of mid-term review By B.26, June 2020
2.12 Contributors recommend that the GCF further develop its strategic programming approaches, including (a) a sharpened approach to country-driven pipeline development, (b) clarifying GCF's programmatic approach, and (c) reviewing ongoing RfPs and developing new RfPs to target emergent opportunities. *Note:* Previously approved and unallocated RfPs envelopes remain open until the review is completed.	Secretariat presents RfP review and proposals in tandem with Strategic Plan. Funding allocations and timings of RfP to be decided by the Board taking account of replenishment outcome and progress on PSAA. Clarification of programmatic approach as part of Board workplan.	RfP Review by B.25, March 2020 & funding allocations by end 2020 Programmatic approach by Q2 2020
2.13 Contributors recommend that the GCF update the project approval process to strengthen the role of country programmes and programming dialogue in proactive prioritization of highly transformational and innovative projects for review and selection	Secretariat can execute in applying the project approval process and in conjunction with updating the Fund operations manual per action 3.7, as more country programmes are submitted	Execute on ongoing basis and evaluate as part of mid-term review
2.14 Contributors recommend that the GCF prepare and execute a comprehensive knowledge management strategy and system, including forging collaboration on the dissemination of knowledge products and norms for climate-compatible financing.	Secretariat develops and implements KM strategy and system in collaboration with partners and stakeholders	Strategy by end 2019 System by June 2020 and ongoing
3. Operating modalities and performance		

Recommended actions	Possible implementation arrangements	Timing
3.1 Contributors recommend that the GCF adopt operational targets to programme 50% of available resources by the midpoint of GCF-1 and 95% by the end of the first replenishment period	Secretariat includes operational targets in proposed draft 2020-23 Strategic Plan	B.25, March 2020
3.2 Contributors recommend that the GCF adopt an operational target to have 90% of the total GCF portfolio under implementation by 2023 with an adaptive portfolio management approach that feeds into the Fund's knowledge system, and clarify the status of implementation by also setting disbursement related targets.	Secretariat includes operational targets in proposed draft 2020-23 Strategic Plan and executes, subject to budget and staffing	B.25, March 2020 and ongoing
3.3 Contributors recommend that the GCF review and enhance as required Secretariat and ITAP capabilities in line with the GCF-1 programming directions and resourcing outcome	Secretariat reviews capabilities as input to finalizing the 2020-23 Strategic Plan and IRRF. Board finalizes review of ITAP following Decision B.19/08	B.25, March 2020
3.4 Contributors recommend that the GCF develop a four-year strategic policy agenda including impact and complementarity assessments	Board considers forward policy agenda in developing its 2020-23 work plan. Secretariat executes a more structured approach to policy development & consultation	B.24 Policy review by end 2022
3.5 Contributors recommend that the GCF sharpen its investment criteria by completing investment policies, developing objective and comparable indicators to assess impact and paradigm-shift and allow for more competitive project selection, and elaborating guidance on full and incremental cost and concessionality to take account of project type, countries vulnerabilities, needs and capacities.	Secretariat develops proposals for Board consideration as part of review and completion of the GCF initial Investment Framework	By 2020
3.6 Contributors recommend that the GCF strengthen policies to enhance climate impact and paradigm-shift of supported interventions, including finalizing guidance on enhancing climate rationale in funding proposals.	Secretariat develops proposals for Board consideration as part of review and completion of the GCF initial Investment Framework. Guidance elaborated as part of sector guidance	By 2020
3.7 Contributors recommend that the GCF develop a Fund programming manual, operational manual and policy manual to clarify and streamline internal operational processes and set service standards to enhance speed of access	Secretariat can execute, subject to budget and staffing	Ongoing, standards by June 2020

Recommended actions	Possible implementation arrangements	Timing
3.8 Contributors recommend that the GCF enhance transparency by making the Fund a digital organization with real-time web-based tracking of proposal status	Secretariat can execute, subject to budget and staffing	Initial systems by end 2020 and ongoing
3.9 Contributors recommend that the GCF further simplify SAP review, approval and implementation	Secretariat develops a proposal for Board consideration as part of the SAP pilot review	By B.26, June 2020
3.10 Contributors recommend that the GCF update the Fund's internal control framework to re-examine and clarify roles and responsibilities in the GCF and delegations of authority over operational management to improve effectiveness, responsiveness and efficiency	Secretariat develops proposal for Board consideration in 2020	By end 2020
3.11 Contributors recommend that the GCF elaborate decision-making processes to include further development of decisions between meetings by written procedure	Secretariat develops proposal for Board consideration	By first half 2021
3.12 Contributors recommend that the GCF develop a two-stage approval process	Secretariat develops a proposal for Board consideration after efforts to improve current project approval process have been implemented with lessons learned	By 2022
3.13 Contributors recommend that the GCF pursue options to secure an increased number of comprehensive privileges and immunities agreements with countries	Board considers Co-Chairs proposal on Ps & Is, while Secretariat works on securing further Ps & Is agreements pursuant to COP guidance	B.24, November 2019 and ongoing
3.14 Contributors recommend that the GCF adopt an updated Gender Policy and Action Plan, applying a gender responsive approach	Secretariat develops a proposal for Board consideration	By 2020
3.15 Contributors recommend that the GCF strengthen gender-mainstreaming and social inclusion capacities among its staff and work with partners and stakeholders to strengthen gender mainstreaming and social inclusion with a more systematic approach to programming, bringing it in line with international best practices	Incorporate in proposed draft 2020-23 Strategic Plan and Secretariat can execute, subject to budget and staffing	B.25, March 2020 Evaluate as part of mid-term review
3.16 Contributors recommend that the GCF complete the development of the GCF's ESS and ensure swift implementation in consultation with GCF stakeholders	Secretariat develops a proposal for Board consideration	By 2021 and implementation ongoing

Recommended actions	Possible implementation arrangements	Timing
4. Results and resources management		
4.1 Contributors recommend that the GCF implement an updated results management framework and integrated results and resources framework, that allows measurement and reporting of how all funded activities and operations contribute to overall and GCF-1 and Paris Agreement goals, including additional indicators to measure paradigm shift, mitigation and adaptation impact, as well as co-benefits in regards to relevant SDGs, including oceans and biodiversity, and gender responsiveness and social inclusion; details envisaged impact of financing by sectoral results areas; and moves from measuring expected to actual results as the portfolio matures.	Secretariat develops proposal for Board consideration as part of its review of the initial results management framework Secretariat develops IRRF for Board consideration as part of proposed draft 2020-23 Strategic Plan	B.25, March 2020
4.2 Contributors recommend that the GCF conduct a mid-term review of progress on the recommended actions	Secretariat can undertake mid-term review to inform first meeting of the GCF's second replenishment process	By Q2 2022

Annex IV: Updated Policies for Contributions

Policy for contributions to the Green Climate Fund for the first replenishment[1]

I. Resource mobilization approach for the first replenishment

1. This Policy for Contributions will apply to the first replenishment period ("GCF- 1") of the Green Climate Fund (the "GCF" or the "Fund") with a view to continuing to apply to future replenishments.

2. Without prejudice to the foregoing, the first replenishment process will be subject to the following:

(a) **Pledging process and end-date for replenishment pledging**: Contributors will be invited to pledge contributions at a formal first replenishment pledging conference (24 – 25 October 2019). Based on Board decision B.05/04, the GCF will nevertheless maintain flexibility to receive additional contributions from both existing and new contributors on an ongoing basis;

(b) **Minimum contribution**: There will be no minimum contribution threshold for Parties to the United Nations Framework Convention on Climate Change (the "Convention") and Non-Parties to the Convention (e.g. other sovereign entities, regional governments, states and cities) to participate in the replenishment consultation process and to make pledges and contributions. This matter will be re-visited during the consultation processes instituted for future replenishments;

(c) **Replenishment period**: The GCF`s replenishment process will secure financing for the 4-year-period beginning on 1 January 2020 and ending on 31 December 2023[2];

(d) **Effectiveness**: The GCF's commitment authority for the first replenishment period will become effective when 25 per cent of the total amount[3] pledged at the pledging conference is confirmed by fully executed contribution agreements/ arrangements[4].

(e) **Trigger for the first replenishment process:** The GCF will initiate the next replenishment 30 months after the commencement of the replenishment period in order to allow sufficient time for the preparation and consideration of such reports and/or evaluations as may be necessary.

(f) **Carry-over of funds**:

Resources carried over from the initial resource mobilization (IRM) period/one replenishment period to the following replenishment period will consist of the following:

(i) Amounts contributed in cash or promissory notes not committed by the end of the IRM/relevant replenishment period;

[1] This draft Policy for Contributions may be further revised following the discussions to take place at the second consultation meeting in Ottawa, Canada and the Secretariat wide review prior to its submission to the Board at B.24.
[2] Decision B.23/07
[3] Based on the reference exchange rate agreed for the pledging conference
[4] "Fully executed contribution agreement/arrangement" refers to unqualified and unconditioned contribution agreement/arrangement with fixed payment or deposit schedule and signed by all parties.

(ii) Any investment income, reflows and other funds from financial instruments not committed by the end of the IRM/relevant replenishment period; and

(iii) Unpaid cash or promissory notes per fully executed contribution agreements/arrangements.

In addition, unconfirmed pledges from the IRM period will be recorded for the IRM period. As they are confirmed by fully executed contribution agreements/arrangements and paid and/or deposited, they will be recognized as part of the commitment authority. GCF-1 contributors expect that all pledges are implemented by fully executed contribution agreements/arrangements, paid and deposited.

II. Sources of funds

3. The Governing Instrument for the Green Climate Fund (the "Governing Instrument") states that "the Fund will receive financial inputs from developed country Parties to the United Nations Framework Convention on Climate Change", and "may also receive financial inputs from other sources, public and private, including alternative sources".[5]

4. The GCF, therefore, may also receive contributions from the following sources:

(a) Non-Parties to the Convention;

(b) Public and private entities; and

(c) Philanthropic foundations, among others.

5. Contributions from Parties to the Convention and Non-Parties to the Convention, such as other sovereign entities, regional governments, states and cities, will be accepted on the basis of pledges received by the GCF in accordance with this Policy for Contributions.

6. Contributions from public and private entities, philanthropic foundations and alternative sources, may be accepted on the basis of pledges received by the GCF in accordance with the relevant policies approved by the Board[6].

7. Additionally, sources of funds may include, but are not limited to:

(a) Investment income earned on the balance of the Green Climate Fund Trust Fund (the "Trust Fund");[7] and

(b) Reflows from outgoing loans and other financial products, including interest and principal repayments, net of repayments to loan contributors.

III. Types of contributions

8. In accordance with decision B.05/04 (d), the GCF will receive the following types of contributions:

(a) Grants from public and private sources;

[5] Governing Instrument, paragraphs 29 and 30.
[6] The policies for contributions from public and private entities, philanthropic foundations and other alternative sources should be submitted by the Secretariat to the Board for its consideration and further decision by the Board as part of its work plan in 2020.
[7] This includes investment income earned on balances transferred by the Fund to implementing entities and intermediaries (if applicable).

(b) Paid-in capital[8] contributions from public sources; and

(c) Concessional loans from public sources.

Table 1: Contribution types and uses

Contribution Type	Definition	Illustrative Uses by the Fund
Grant	• Funds provided in cash or by promissory note • No repayment obligation • Cash and promissory notes are assets of the GCF	• Any financial instruments approved by the Board, (e.g. grants, concessional loans, equity, guarantees) • Administrative budgets, Accredited Entities (AE) fees (i.e. fees that AE may be entitled to receive for project implementation or other services to be performed by AE)
Loan	• Funds provided in cash • Obligation of the Fund to repay the contributor, with or without interest • Cash drawdowns are assets of the GCF, creating a corresponding liability of the GCF	• Loans on terms less concessional than the loan contributions
Capital[9]	• Funds provided in cash or by promissory note • Capital contributor may receive a potential return of its contribution, in whole or in part of pro rata share upon wind-up of the Fund, depending on the availability of such funds at the time • Capital contributions are assets of the GCF, creating a corresponding liability of the Fund	• Financial instruments which generate reflows regardless of the concessionality level (e.g. concessional loans, guarantees generating fee income). Thus, capital contributions may not be used to finance grants unless the specific terms of the capital contribution so allow.

9. **Tracking of contribution types and their uses:** Tracking of different types of incoming contributions and their uses by the GCF in accordance with its relevant contribution policies will be performed by the Secretariat under the Financial Risk Management Framework (FRMF) to avoid cross-subsidisation between grant and loan contributors. Additional guidance will be drawn from the Risk Management Framework (RMF) and internal guidelines, as appropriate. The FMRF is planned for review in 2020, taking into account the RMF and any other GCF policies.

10. **Tracking of capital contributions:** Capital contributions would be tracked and reported to the relevant contributors and to the Board, as needed.

[8] The term "paid-in capital" used in previous Board decisions and GCF documentation does not denote capital (or equity of the GCF) that may be used as collateral or otherwise to leverage borrowing by the GCF (e.g. as in the case of a financial institution or multilateral development bank) but rather refers to "capital" as defined in Table 1.
[9] As referred to as "paid-in capital" in previous Board decisions and GCF documentation.

11. **Tracking of loan contributions:** As part of the implementation of the FMRF[10] by the Secretariat, a system for tracking loan contributions reflects that:

(a) Loan contributions will be tracked separately from grants and capital contributions; and

(b) All loan contributions will be co-mingled, and grant amounts in respect of the cushion provided by the loan contributors will be used/shared on a pro rata basis among all loan contributors.

IV. Conditions applicable to all types of contributions

12. **Legal arrangements for contributions:** Contributions to the GCF would be facilitated through contribution agreements/ arrangements signed by the contributors, the GCF and the Trustee (as the entity holding the contributed funds in trust), which is the existing mechanism for receiving contributions to the Trust Fund.

13. **Size of contributions:** The GCF may accept pledges and contributions of any size from Parties to the Convention and Non-Parties to the Convention.[11] There will be no maximum limit applicable on the contributions that the GCF may receive, provided, however, that contributions are made within the limits set out for capital (paragraph 22), and loan contributions (paragraphs 30 and 32(a)).

14. **Currency:** It is recommended that all contributions be made in major freely convertible currencies. In accordance with prior Board decisions, including the FMRF and RMF, the Secretariat will consider taking appropriate measures to manage currency risk related to the receipt, use and any repayment obligations related to contributions to the GCF. Further details on the management of foreign exchange risk are provided in paragraph 41 below.

15. **Requirement to provide grants**: All contributors would be required to provide a grant contribution. Contributions in the form of loans or capital will be accompanied by a minimum grant contribution to the GCF in respect of the administrative costs and expenses of the GCF (collectively referred to as "administrative budget"),[12] and AE fees associated with the implementation and use of the loan or capital contribution, since they may not be used for such non-reimbursable uses. Further details on providing grants are provided in paragraphs 17 and 25 below. The grant contribution required in respect of administrative budgets would be counted as part of the contributor`s overall contribution to the GCF.

16. **Timing**: The GCF will accept contribution payments pursuant to the contribution agreements/arrangements. Although there will be no fixed instalment schedule during the replenishment period, contributors are strongly encouraged to fulfil their payments and deposits, as early as possible, and at least one year prior to the end of the respective replenishment period, to build up sufficient funding levels available for predictable funding decisions/commitments and programming by the Board.

[10] Or any subsequent updates or revisions to the FRMF.

[11] Conditions, including minimum size, related to contributions from non-Parties and other sources contemplated in the Governing Instrument, will be considered by the Board for decisions independently.

[12] Including Interim Trustee and other functions.

V. Conditions for grant and capital[13] contributions

17. **Grants:** A contribution made in the form of a grant may be used for any financial instruments (e.g. grants, concessional loans, equity, guarantees), administrative budgets, and AE fees.

18. **Maximizing the grant element:** In consideration of the requirements of the FRMF[14] and the limitations on the GCF's use of capital contributions, further described in paragraph 19 below, grant contributions must significantly exceed the amounts contributed in the form of loans and capital.

19. **Capital:** A contribution made in the form of capital may be used for financial instruments which generate reflows regardless of the concessionality level (e.g. concessional loans, guarantees generating fee income). Capital contributions may not be used to finance grants[15] or administrative budget, unless the specific terms of the capital contributions allow for such use.

20. Both capital and grant contributors may receive the return of their pro rata share of the Trust Fund balance in the event the GCF were to wind up operations. The distinction between grant and capital contributions is that the pro-rata share of the remaining funds at the time of the termination of the GCF that would be attributable to the grant contributors would be reduced by the amount of outgoing grants made by the GCF (including administrative budgets and AE fees). The pro-rata shares of the capital contributors would not be subject to such reduction.

21. Capital contributors would be required to make a grant contribution to cover administrative budgets and AE fees, unless the specific terms of the capital contributions allow for financing of grants or administrative budgets. The amount of the additional grant contribution required should be at least 10 per cent of the amount of the pledged capital contribution. The amount may be adjusted based on an analysis of actual administrative budgets approved during the replenishment period, AE fees, and any other factors.[16]

22. It is recommended that aggregate capital contributions do not exceed 20 per cent of the total aggregated amount of pledges for the replenishment period, calculated using the reference exchange rate for the first replenishment period[17]. This may be reviewed within the context of the FRMF and upon further development of the risk appetite of the GCF.

23. In case there is a risk of breaching this limit due to foreign exchange impact or the newly pledged contribution amounts, the Board may review the situation to either allow the limit to be exceeded or to request that the situation be rectified in order to maintain the limit of 20 per cent.

24. Also, during the pledging session, individual contributors would be encouraged to limit the individual capital component of their total contribution amount. If the total amount of capital contributions is greater than the aggregate capital limit, the Board may review the

[13] Also referred to as "paid-in capital" in GCF documents.
[14] Pursuant to paragraph 2(a) of the Fund's initial financial risk framework adopted by decision B.07/05 of the Board, "[t]he Fund will in aggregate seek to maximize grant contributions, taking into account its theme-based allocation. It is foreseen that grant contributions must significantly exceed loan amounts."
[15] Capital contributions may also not be used for administrative budgets or AE fees.
[16] The figure of 10 per cent is an estimate of total costs and fees and in no way presupposes a Board decision on AE or other fees or costs of the GCF.
[17] It was agreed by the participants at the first consultation meeting held in Oslo, Norway during 4 to 5 April 2019 to adopt the six-month period from 1 February to 31 July 2019 as the time period for the calculation of the reference exchange rates.;

situation to either allow the limit to be exceeded or to request that the situation be rectified in order to maintain the limit of 20 per cent.

25. **Payment of grant and capital contributions:**

(a) **Method of payment**: Payments may be made in cash or, at the option of the contributor, and with the agreement of the GCF and the Trustee, by depositing, in a designated custody account, non-negotiable, non-interest-bearing promissory notes, to be drawn down in cash on demand;

(b) **Encashment of Promissory Notes**: For those contributors who elect to make contributions in the form of promissory notes, the encashment of promissory notes will be based on an encashment schedule agreed between the contributor and the GCF, taking into account the expected programming of the GCF and resulting cash requirements. To the extent possible, the encashment schedule will be agreed among the parties allowing encashment on specific dates. While the encashment will be based on need, the period within which the encashment take place shall not exceed nine years starting from the beginning of the relevant replenishment period. This can be reviewed again during the subsequent replenishment process; and

(c) **Encashment schedule:** For the purposes of encashment, the following indicative schedule may apply:

Table 2: Indicative encashment schedule for the first replenishment period

Calendar Year	Percent of Contribution
2020	6.7%
2021	11.7%
2022	15.6%
2023	12.3%
2024	11.9%
2025	11.9%
2026	11.3%
2027	10.4%
2028	8.2%
Total	**100.0%**

26. For those contributors that choose to accelerate their cash payment or encashment schedule compared to the original or standard schedule, a credit will be provided which will be added to the nominal pledge amount. This credit will be calculated as the difference between the present value of the standard encashment schedule and the contributor's encashment schedule. The discount rate for calculating the present value will be based on the estimated investment return on the GCF's liquidity over the term of the encashment schedule. For the purposes of the first replenishment period, the discount rate would be 1.5 per cent. The encashment schedule will in no way prejudice the operation of the GCF in terms of programmatic decisions and disbursement profile. The encashment schedule may be reviewed in the future replenishment processes based on the approved projects` projected disbursement needs.

27. The Secretariat may also agree with the relevant contributor to encash promissory notes on a basis other than that of the indicative encashment schedule as long as the revised

encashment schedule is no less favourable to the GCF than the indicative encashment schedule, in present value terms. Any credits gained from this revision may be reported.

VI. Conditions for loan contributions

28. To ensure the financial sustainability of the GCF, transparency and equal treatment of contributors, there will be no cross-subsidization between providers of grants and providers of loans.[18]

29. Loan contributions will be used to finance loans on terms less concessional than the loan contributions and will be unavailable for non-reimbursable uses, such as to provide grants, to finance the administrative budgets, and AE fees. Therefore, loan contributors would be required to provide a grant contribution to cover administrative budgets and AE fees. The amount of the additional grant contribution required should be at least 10 per cent of the amount of the pledged loan contribution. The amount may be adjusted based on analysis of actual administrative budget approved during the replenishment period, AE fees, and any other factors.[19]

30. For the first replenishment period, the GCF will continue to set the prudential debt limit (defined below) at 20 per cent, calculated using the foreign exchange rate at the end of the previous quarter or other latest foreign exchange rates as agreed. In case there is a risk of breaching the prudential debt limit due to foreign exchange impact or a newly pledged contribution amount, the Board may review the situation to either allow the limit to increase or request that the situation be rectified in order to maintain the limit of 20 per cent.

31. For the purposes of this Policy for Contributions, the prudential debt limit shall be defined as the total amount of pledges and/or contributions confirmed by fully executed contribution agreements/arrangements during the replenishment period in the form of loans as a percentage of the aggregate total amount of pledges and/or finalized contributions confirmed by fully executed contribution agreements/arrangements at any point during the relevant replenishment period.

32. The prudential debt limit will be reviewed in the subsequent replenishment process(es) within the context of the FRMF or other relevant policies upon further development of the risk appetite of the GCF:

(a) **Implementation of the prudential debt limit:** The limit will be managed on an aggregate basis. During the pledging session, individual contributors would be encouraged to limit the individual loan component of their total contribution amount. The loan contribution of individual contributor should be no higher than 40 per cent of their total contribution, unless the grant contribution from that individual contributor exceeds the grant contribution provided to the previous resource mobilization period. If the total amount of loan contributions is greater than the prudential debt limit, the Board may review the situation to either allow the limit to be exceeded or to request that the situation be rectified in order to maintain the limit of 20 per cent.

(b) A review of the implementation of the prudential debt limit will be undertaken by the Secretariat based on actual loan, grant and capital contributions paid.

(c) **Reporting of the grant equivalence of a loan contribution:** Funding received and extended by the GCF will be accounted for in grant-equivalent terms based on a

[18] Decision B.07/05, Annex XI, paragraph 2(c).

[19] The figure of 10 per cent is an estimate of total costs and fees and in no way presupposes a Board decision on AE or other fees or costs of the GCF.

standard methodology, to be developed by the GCF based on best international practices, to provide an accurate comparison of funding amounts between financial instruments.[20] To calculate grant equivalency of loan contributions, a discount rate of 2.70 per cent for loan contribution with 40 year maturity and 2.35 per cent for loan contribution with 25 year maturity will be utilized for the first replenishment period. Indicative calculations using 2.70 and 2.35 per cent discount rate are presented in Appendix II attached to this Policy for Contributors. The full-face value amount of the loan contribution shall be used for the purpose of calculating the commitment authority for GCF (see section VII), and the prudential debt limit;

(d) **Loan drawdowns:** The proceeds of the loan contributions, payable in cash, will be held in the Trust Fund. Loan contributions will be drawn down on a schedule agreed by the GCF and contributor;

(e) **Provisions for non-performing loans:** Losses from non-performing loans will be borne on a pro rata basis by contributors whose contributions were allocated to loans. Should any loan extended by an AE for a project or programme it implements be overdue, the Trust Fund may not have sufficient cash to fulfil payment obligations to the loan contributors. Based on the Board decisions on the FRMF,[21] to further avoid cross-subsidization between providers of grants and providers of loans:

   (i) The Secretariat will track loan performance and resource flows; and

   (ii) Any financial losses will be borne on a pro-rata basis by contributors whose loan, grant or capital contributions were used by the GCF to extend loans, in line with the principle of no cross-subsidization between loans, grants and capital contributions.

(f) The provisions for non-performing loans with respect to the loan contributors are as follows:

   (i) **Cash-flow monitoring and modelling by the Secretariat**: As noted above, the role of the FRMF and the Secretariat will be crucial to the management of contributions, and particularly the tracking of loan contribution cash flows; and

   (ii) **Cushion and write-down of loans:** In addition to the grant contribution amount required to cover administrative budgets and AE fees (described in paragraph 29 above), loan contributors will also provide an additional grant contribution in respect of the cushion for non-performing loans. In accordance with the prudential debt limit considerations and principle of no cross-subsidization, a portion of the total grant contributions provided by loan contributors would be in respect of a cushion for non-performing loans, to be held as part of the assets of the Trust Fund, and available for use to make payments to loan contributors in the event reflows from outgoing loans are not sufficient to cover repayments due to contributors.[22] The amount of the cushion can be refined as sufficient data on the actual performance of the GCF's portfolio is collected. Refinements will be based on a realistic (quantitative) assessment of the risks the GCF has taken and is prepared to take on (the GCF's risk appetite) and an analysis of the GCF's expected cash flows, based on default rates and other assumptions. If, despite all reasonable efforts to maintain the risk profile of the portfolio of the GCF in line with the agreed risk appetite, the cushion

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[20] Decision B.07/06, annex XIV, paragraph 2(b).
[21] Decision B.07/05.
[22] Reflows are expected to be insufficient until such time as interest payments are received on financing extended by the GCF.

proves to be inadequate, the loan contribution agreements will require that the loan contributors make additional grant contributions (and/or write-down against the payment of interest and principal repayment of loan contributions). During the early stages of implementation, it is difficult to determine the level of non-performing loans and any related impact. Accordingly, the GCF will continue to maintain a cushion of 20 per cent of the total loan amount for the loan contributor during the first replenishment. In the event there is an excess amount of cushion, as determined by the Secretariat and the loan contributors, the excess amount may be released and may be used as a grant contribution. Loan cushions will not count toward grant equivalency or individual debt limit calculations. A review of the required level of cushion will be undertaken by the Secretariat in the subsequent replenishment process.

33. **Terms of loan contributions:** The terms of loan contributions will ensure that the average level of concessionality of outgoing loans will be less than the average concessionality level of incoming loan contributions, with a sufficient margin to cover a credit risk.[23] Proposed loan contribution terms are contained in Appendix I to this Policy for Contributions.

VII. Commitment authority

34. Funding decisions[24] will be made against the total amount of available resources in the form of cash and promissory notes in the Trust Fund, calculated based on the foreign exchange rate at the end of the previous quarter or other latest foreign exchange rates as agreed, at the time of calculation.

35. Based on the tracking by the GCF, as part of the implementation of the FRMF, it is expected that there will always be sufficient commitment authority available in the Trust Fund to meet the GCF's obligations and support the funding decisions. In the unlikely event there is insufficient commitment authority, funds will be committed and transferred in the following order of priority:

(a) Payment of administrative budgets and AE fees, to be made from resources available in the Trust Fund, except for capital and loan contributions;

(b) Transfers to AEs for projects and programmes, to be made based on resources available in the Trust Fund and subject to the uses of each types of contributions; and

(c) Payment of interest and repayment of loans to the loan contributors, to be made from:

(i) Reflows received by the GCF from loans extended to AEs; and

(ii) The cushion described above, in line with the principle of avoiding cross-subsidization between grants and loans.

VIII. Liquidity risk management

36. Liquidity risk in relation to contributions represents the possibility of not having sufficient available cash in the Trust Fund to meet payment obligations of the GCF, including cash transfers for projects and programmes and debt service payments to loan contributors.

[23] Decision B.07/05. The form and process for acceptance of promissory notes will be subject to agreement by the GCF and the Trustee.

[24] Funding decisions include Board decisions on funding proposals, the readiness program, the Project Preparation Facility, accredited entity management fees, any approved set asides, the administrative budget (including for the independent units) and any other financial commitments made by the Board.

Liquidity concerns would arise, if the GCF's cash position was lower than its scheduled or unscheduled payment obligations at any point in time.

37. In accordance with the Board decision on the GCF's FMRF and RMF, mechanisms are put into place to ensure that liquidity risk in relation to contributions is closely managed and monitored by the GCF.[25] Under the mechanisms to manage this liquidity risk, the GCF will:

(a) Commit only against available cash and promissory note deposits;

(b) Closely monitor the risk of non-payment;

(c) Closely monitor and report to the Board on non-receipt of contributions on schedule; and

(d) Set aside a financial reserve from the funding available for the minimum liquidity requirements as determined by the GCF's RMF.

IX. Managing risk of non-payment of contributions

38. Related to liquidity management is the risk that:

(a) Pledges are not converted into signed agreements/arrangements to provide contributions;

(b) Instalment payments, deposits and encashments under the signed agreements/arrangements are not paid or deposited on time; and

(c) The non- encashments of promissory notes, or lack of liquidity, could affect the disbursements to the approved programmes and projects.

39. Non conversion of pledges into signed agreements, non-receipt of the payments in cash or deposit of promissory notes, or non-encashment of promissory notes will affect commitment authority of the GCF.[26]

40. Any pledges that are not converted into fully executed agreements/arrangements and non-payment of contributions will be reported regularly to the Board by the GCF as part of its reporting to the Board on the status of the resources. The Secretariat should regularly and actively engage with the relevant contributors to review and seek to address the situation, if any.

X. Foreign exchange risk management

41. Foreign exchange risk will be managed in the confines of the GCF's RMF.[27] In practice, foreign exchange risk as it relates to contributions can involve future expected encashments of promissory notes, cash payments not yet received, promissory notes not yet deposited and unencashed, and reflows needed to repay loan contributions. Foreign exchange risk can be mitigated by matching currencies of loan contributions to the currencies of the GCF's commitments to AEs. Foreign exchange risk will be monitored and considered as part of the development of any approach to mitigate the impact of foreign exchange rate volatility on contributions. Pursuant to the RMF, any hedging strategy would only be developed considering

[25] Decision B.07/05.
[26] The risk of inability to encash promissory notes is not considered here; it is deemed to be low based on the prevalence of the requirement for budget and legislative authority by the contributor prior to the deposit of promissory notes.
[27] Decisions B.17/11 and B.19/04

recommendations from the Risk Management Committee with agreement, where appropriate, from the Board.

42. For the purpose of reporting the pledges/ contributions, GCF may use multiple currencies, as part of the monitoring of foreign exchange risks.

Appendix I: Loan contribution terms

1. It is recommended that the terms of loan contributions be standardized for all contributors. Two options for loan terms may be chosen:

(a) A more concessional option (Option 1); and

(b) A less concessional option (Option 2).

2. Standardized loan terms applicable during the initial phase of the GCF's operation would facilitate risk and cash flow management by the GCF.

3. These terms will apply for the first replenishment period, and may be reviewed in the future, during the subsequent replenishment processes. They may also need to be reviewed based on the terms chosen by the Board for concessional lending by the GCF, to ensure that such terms (maturity and interest rate) of loan contributions are more concessional than the high concessional loans to the projects from the GCF, which has 0 per cent and 40 years maturity.

(a) **Loan contribution size**: The maximum size of the loan contribution acceptable to the GCF would depend on the prudential debt limit set out in paragraph 30 of this Policy for Contributors;

(b) **Maturity:** The maturity of loan contributions will be 40 years for Option 1 and 25 years for Option 2;

(c) **Grace period**: The grace period of loan contributions will be 10 years for Option 1 and 5 years for Option 2 and will apply to interest and principal repayments;

(d) **Principal repayments**: Straight-line amortizing repayment schedule after the grace period; payments every six months;

(e) **Interest rate:** Loan contributions will attract a fixed coupon rate of up to 1 per cent per annum; payments every six months (applicable to Option 1 and Option 2) after the grace period; and

(f) **Drawdown of loan proceeds**: The GCF will draw down loan funds from contributors as agreed between the GCF and contributor.

Appendix II: Calculation of grant element

Indicative grant equivalence of the Fund loan contributions

Grant equivalence under different assumptions with respect to loan terms are presented below (assuming four-year fixed drawdown period):

Maturity	Grace period	Interest rate	Discount rate	Grant equivalence
40	10	1.00% p.a.	2.70% p.a.	34.51%
40	10	0.00% p.a.	2.70% p.a.	44.01%
25	5	1.00% p.a.	2.35% p.a.	16.91%
25	5	0.00% p.a.	2.35% p.a.	24.99%