Report of the thirty-second meeting of the Board, 16 – 19 May 2022

GCF/B.32/16

14 July 2022

Meeting of the Board
16 – 19 May 2022
Antigua and Barbuda
Agenda item 19

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Agenda item 1: Opening of the meeting

1. The Co-Chairs declared the thirty-second meeting of the Board (B.32) open on Monday, 16 May 2022 at 9:37 a.m. Atlantic Standard Time (AST) and extended greetings to fellow Board and alternate members.

2. On behalf of the entire Board, the Co-Chairs wished to extend their warm appreciation to the Government of Antigua and Barbuda for their acceptance to host B.32 on the beautiful island of Antigua. The Co-Chairs expressed gratitude for the hospitality and support that the Government of Antigua and Barbuda had extended to them to make the organization of the meeting possible, despite the short notice. They also stated that the cost arrangements for B.32 did not constitute a precedent for the future organization of Board meetings outside of the Republic of Korea.

3. Noting that this was the first time the Board had met in person in two years, they expressed the hope that this marked an important turning point for the world as it emerged from the coronavirus disease 2019 (COVID-19) pandemic. As such, they were sure everyone was deeply grateful.

4. However, provisions had been made to allow for virtual attendance of some participants in response to constraints, particularly due to venue limitations. Where these were relevant experts, such as representatives of an accredited entity (AE), they would be available to respond to questions that Board members might have under the relevant agenda items.

5. The Co-Chairs remind all participants of the need to observe and adhere to the code of conduct expected during the meeting, as per the GCF policies on ethics and conflicts of interest.

6. The Co-Chairs proceeded to welcome members who were new to the Board. These were:

(a) Mr. Jimmy Skenderovic, who replaced Mr. Jaime de Bourbon de Parme as Board member;

(b) Ms. Sarah Metcalf, who replaced Mr. Josceline Wheatley as Board member;

(c) Mr. Simon Stumpf, who replaced Ms. Annette Windmeisser as alternate member;

(d) Ms. Saija Vuola, who replaced Mr. Jan Wahlberg as alternate member;

(e) Mr. Tobias von Platen-Hallermund, who replaced Ms. Alyssa Di Cara as alternate member;

(f) Ms. Eleonora Mei, who replaced Mr. José Delgado as alternate member;

(g) Mr. Kevin Adams, who replaced Ms. Hillary Clifford as alternate member;

(h) Mr. Toru Sugio, who replaced Mr. Kazuo Kobayashi as alternate member; and

(i) Mr. Conor Ritchie who replaced Ms. Eliette Riera as alternate member.

7. They also extended their appreciation to the outgoing Board members for their invaluable contributions to the work of GCF.

8. The Co-Chairs wished to acknowledge members of the Board who were unable to attend the Board meeting. These were:

(a) Mr. Wael Ahmed Kamal Aboul-Magd, Board member;

(b) Ms. Yan Ren, Board member;

(c) Mr. Nauman Bashir Bhatti, Board member;

(d) Mr. Anders Nyström, alternate member;

(e) Mr. Teuea Toatu, alternate member;

(f) Mr. Hussein Alfa Nafo, alternate member; and

(g) Mr. Ahmad Rajabi, alternate member.

9. They also acknowledged the three Group of Latin American and Caribbean States (GRULAC) Board seats which remained vacant in this fourth term of Board membership. The Co-Chairs expressed the hope that they would receive nominations for these seats soon to support the global fight against climate change.

10. They also welcomed the active observers present in the Boardroom, and all representatives of observer organizations, AEs, national designated authorities and other stakeholders who were observing this meeting via webcast. The Co-Chairs continued to appreciate their dedication towards advancing the mandate of GCF.

11. Finally, on behalf of the Board, they expressed their appreciation to the Secretariat for their continued commitment in supporting the Board to carry out its decision-making function for the overall advancement of the crucial work of GCF.

Agenda item 2: Adoption of the agenda and organization of work

12. The Co-Chairs opened the agenda item and drew the attention of the Board to the provisional agenda set out in document GCF/B.32/01/Drf.02 circulated to the Board on 16 May 2022. They explained that the initial draft was amended to reflect the correct title of the Second Performance Review of the GCF.

13. In accordance with paragraph 20 of the Rules of Procedure of the Board, they invited the Board to adopt the agenda as presented in document GCF/B.32/01/Drf.02.

14. With no comments and no objections, the agenda was adopted.

15. After adoption, a Board member took the floor to thank the Government of Antigua and Barbuda for its hospitality as well as the Secretariat and the Co-Chairs for their work. The Board member intervened to highlight their concern that GRULAC was still unrepresented at the Board.

16. The Board adopted the agenda as set forth below:

1. Opening of the meeting
2. Adoption of the agenda and organization of work
3. Report of the thirty-first meeting of the Board
4. Status of GCF resources, pipeline, and portfolio performance
5. Consideration of funding proposals
6. Consideration of accreditation proposals
7. Updated workplan for 2022–2023
   (a) Strategic planning and programming matters
8. Policy consultations
   (a) Update of the simplified approval process
   (b) Review of the initial private sector facility modalities and the private sector strategy
   (c) Guidance on the approach and scope for providing support to adaptation activities

9. Matters related to accreditation: report on the analysis of the accredited entity portfolio

10. Guidance from the twenty-sixth session of the Conference of the Parties to the United Nations Framework Convention on Climate Change

11. Second performance review of the GCF

    (a) Second performance review: rapid assessment of the progress of the updated Strategic Plan

    (b) Second performance review: approach paper

12. Decisions proposed between the thirty-first and thirty-second meetings of the Board

13. Report on the activities of the Secretariat

14. Reports from Board committees, panels and groups

15. Reports on the activities of the independent units

16. Report on the activities of the Co-Chairs

17. Dates and venues of upcoming Board meetings

18. Other matters

19. Report of the meeting

20. Close of the meeting

Agenda item 3: Report of the thirty-first meeting of the Board

17. The Co-Chairs opened the agenda item and drew the attention of the Board to document GCF/B.31/15 and its limited distribution addendum Add.01 titled "Report of the thirty-first meeting of the Board, 28 – 31 March 2022".

18. On 4 May 2022, the draft report in document GCF/B.31/15/Drf.01 and its limited distribution addendum Add.01 were transmitted to the Board for a two-week review period.

19. One comment was received during the review period and subsequently addressed, and on 15 May 2022 the document was sent to the Board as document GCF/B.31/15 with a view to its adoption at B.32.

20. The Co-Chairs invited the Board to adopt the report as contained in document GCF/B.31/15 and its limited distribution addendum Add. 01.

21. There being no comments or objections, the Co-Chairs took it that the Board wished to take note of the report.

22. The Board took note of the report of the thirty-first meeting of the Board.

Agenda item 4: Status of GCF resources, pipeline, and portfolio performance

23. The following documents were issued to the Board under this agenda item:

(a) Document GCF/B.32/Inf.01 titled "Status of the GCF pipeline, including the status of Project Preparation Facility requests" and its limited distribution addenda Add.01 titled

"List of funding proposals and Project Preparation Facility requests" and Add.02 titled "List of concept notes";

(b) Document GCF/B.32/Inf.02 titled "Status of the Green Climate Fund resources"; and

(c) Document GCF/B.32/Inf.08/Rev.01 titled "Status of the GCF portfolio: approved projects and fulfilment of conditions".

24. This agenda item was not opened.

Agenda item 5: Consideration of funding proposals

25. The Co-Chairs opened the agenda item and drew the attention of the Board to document GCF/B.32/02 titled "Consideration of funding proposals", and its associated addenda Add.01–04 (general distribution) and Add.05–08 (limited distribution).

26. They thanked all those Board members who had submitted written questions to the Secretariat in a timely manner to allow for effective preparations. They also noted that a technical session had been held on 6 May 2022 to address questions raised by Board members. They thanked the Secretariat and AEs for engaging in the session.

27. With reference to the Policy on Ethics and Conflicts of Interest for the Board of the Green Climate Fund, the Co-Chairs invited any Board members and active observers who wished to declare a conflict of interest or who wished to refrain from the deliberations on any of the funding proposals to do so. There were no declarations in respect of the Policy.

28. The Co-Chairs invited the Secretariat to provide an introduction to the package of funding proposals before proceeding to consider the funding proposals one at a time. The latter would include a brief introduction by the Secretariat to the funding request for each funding proposal. Representatives from accredited entities (AEs) would be able to respond to questions when their respective funding proposals were being considered.

29. A representative of the Secretariat, Deputy Executive Director ad interim Mr. Henry Gonzalez, expressed thanks to the Co-Chairs, Board and alternate members, and the host country for their support in making an in-person meeting possible. Mr. Gonzalez presented an overview of the four funding proposals for B.32 plus an approved project seeking funding for a second tranche. The projected portfolio of GCF, should all funding proposals be approved, was also presented. The Secretariat had submitted four funding proposals to the independent Technical Advisory Panel (TAP), and all had been endorsed.

30. Mr. Gonzalez noted that this was the first time the Secretariat had submitted an approved project that was seeking a second (and final) tranche. FP103 had been endorsed by the independent TAP for its totality, and its Tranche 1 funding was approved by the Board at B.22. The AE met the conditions set by the Board for requesting Tranche 2 funding. Approval of this request by the Board would enable the AE to continue the implementation of the project's activities in Kenya and Senegal for the remainder of the project's duration as originally envisaged by the Board and the independent TAP at B.22. There was no major change to the scope of the project.

31. The representative provided an overview of the distribution by geographical region, thematic area, and financial instrument, in both nominal and grant equivalent terms. The presentation also included the expected emission reductions and the number of beneficiaries, along with the portfolio distribution across the eight results areas.

32. The Co-Chairs thanked the representative and opened the floor for general comments on the package of funding proposals.

33. Several Board members who were able to take the floor for the first time during the meeting took the opportunity to express thanks to the Government of Antigua and Barbuda for hosting the meeting, with one noting that this was the first in-person meeting since B.25 in Geneva, Switzerland. The Board member from Antigua and Barbuda welcomed everyone on behalf of the people and government. Thanks were also expressed to the Co-Chairs and to the Secretariat for preparing the meeting in such a short time.

34. During the ensuing discussion several themes emerged, including the importance of the private sector pipeline, balance between adaptation and mitigation including the value of cross-cutting projects, the need for greater direct access and stronger cooperation between international access entities (IAEs) and direct access entities (DAEs), the need for greater geographic balance, the risks of forced labour in solar supply chains, concerns about the low volume of projects coming to the Board, the lack of simplified approval process (SAP) projects, restrictions on access resulting from conditions imposed by the independent TAP, and the importance, not just of funding projects, but also of knowledge-sharing and capacity-building, project diversity, and other things. One Board member commended the Secretariat, the independent TAP and the AEs for bringing high-quality funding proposals to B.32, with one welcoming the diversity of projects covering agriculture, mobility and energy. They also welcomed cross-cutting projects, which implied a holistic approach, the fostering of synergies between mitigation and adaption, as well as innovative projects with capacity for replication in other countries.

35. Regarding the private sector, the same Board member urged the Secretariat to continue strengthening the pipeline in this regard: private sector involvement was essential to address environmental challenges. They expected to see more private sector projects at B.33 and beyond. Another Board member commended the Secretariat's efforts in respect of private sector programming, whilst a third commended the strong focus on this sector in the current batch of proposals, including on small and medium-sized enterprises, in several of the projects. With reference to paragraph 27 of the document, one Board member requested an update on the status of the development of a methodology to measure and report mobilized private finance, which had been mandated at B.24.

36. Several comments addressed questions of balance. One Board member noted that there were fewer adaptation projects than those related to mitigation. They wished to see greater efforts to ensure a better balance. Another Board member noted that Eastern Europe and Central Asia remained largely underrepresented in the GCF portfolio. They requested that this to be taken into consideration for upcoming Board meetings. This was echoed in respect of Africa by a third Board member. Whilst one Board member noted a good balance between projects from IAEs and DAEs, another Board member speaking on behalf of small island developing States expressed disappointment, not only at the low volume of projects presented at B.32, but also the limited number of projects from DAEs being considered. They expected to see more from DAEs in the future. This was echoed by another Board member, who also underlined the need for greater cooperation between IAEs and DAEs.

37. A number of Board members raised concerns about forced labour in solar supply chains, both in relation to specific funding proposals, but also as a wider concern for the Board.

38. Given reported problems of alleged forced labour in the solar panel supply chains, a Board member noted that a working group of multilateral development banks (MDBs) and development finance institutions (DFIs) had developed a roadmap with best practices, including short-and long-term measures, to address this issue. The Board member expected GCF to apply similar measures in projects with strong solar photovoltaic components throughout its entire portfolio, not only with the MDB AEs but with all IAE and DAEs.

39. The Board member asked the Secretariat to develop a coherent approach to this issue that was in line with MDBs and DFIs. This included short-term measures, such as contractual

clauses and strong due diligence in procurement, as well as longer-term measures to ensure the traceability and auditability of the supply chain.

40. This was echoed by another Board member who looked forward to seeing GCF align itself with the measures developed by the MDBs and DFIs to enhance safeguards and mitigate risks.

41. A third Board member highlighted the issue in relation to funding proposals FP184, FP185 and SAP024. They continued to emphasize the importance of clean solar supply chains in all GCF projects as well as broader development projects. Achieving a clean solar supply chain required enhanced due diligence during the procurement process. This involved clear eligibility requirements, contractual clauses, and strict penalties and close monitoring of social risks as part of the safeguards processes. The Board member urged GCF to take a cautious approach when assessing risks. This required asking clients to take credible steps to examine their supply chains and introduce mitigant measures. Clients and suppliers needed to map out their supply chains and subsidiaries as far back as possible to generate confidence in any assurances that they received. They joined other colleagues in noting the importance of GCF continuing to coordinate with MDBs and other AEs on this critical issue. It was essential have a unified approach across the development finance and climate finance architecture.

42. A further Board member emphasized that in relation to solar-related projects, GCF should follow the principle of professionalism and political neutrality, in line with its environmental and social safeguards (ESS) policies and make evidence-based decisions rather than political decisions.

43. A Board member raised a query regarding the reporting of result areas' allocation. They noted that the Board was considering two funding proposals that were highly relevant for ecosystems and ecosystem services but that only five per cent was allocated to that result area. They asked for clarification on the methodology used, particularly when compared to what other bilateral agencies were using. If the main goal of a project was mitigation, then the calculation should be 100 per cent of the amount under that thematic theme, but if there were positive effects in terms of biodiversity, those would be calculated as 40 per cent.[1] The two funding proposals had direct impacts on ecosystems and ecosystem services. They wondered why the number was so low and opined that this underestimated what GCF was actually doing.

44. Another Board member wished to know why no SAP projects had been presented since July 2021. Furthermore, they expressed concern that conditions imposed by the independent TAP were limiting access to GCF by developing countries. They opined that the Board needed to minimize the number of conditions placed on project approvals.

45. The Co-Chairs invited an active observer for civil society organizations (CSOs) to take the floor.

46. The active observer expressed thanks to the Government of Antigua and Barbuda for hosting the meeting. However, they expressed their disappointment at the exclusion of the vast majority of observers. While understanding the challenges and constraints of safely holding a Board meeting in person during this ongoing pandemic, they were disappointed that, in choosing a location, little consideration seemed to have been given to whether there would be enough space for observers from civil society, indigenous peoples, and local communities to participate, as had been the case in many in-person Board meetings over the years.

47. CSOs were concerned to see yet another Board meeting where the majority of projects being considered were for mitigation rather than adaptation. They noted that the pipeline

[1] Secretariat note: This references the Development Assistance Committee methodology of the Organisation for Economic Co-operation and Development.

information document (see document GCF/B.32/Inf.01) demonstrated a continued imbalance between adaptation and mitigation in both funding proposals and concept notes.

48. Similarly, CSOs wished to again express concern that the vast majority of funding, if approved, would be channelled through IAEs rather than through DAEs. While applauding and looking forward to engaging in the efforts of the Board and Secretariat to help address this imbalance through approved strategies and approaches for accreditation, they noted that it was simply not enough to accredit DAEs. They encouraged the Secretariat to continue its efforts to provide capacity-building and support to enable DAEs to bring forward project and programme proposals, including through robust stakeholder engagement in proposal origination and preparation. The measure of success must be the quality of projects and programmes, not the overall amount programmed per meeting. The latter could have the unintended consequence of misguidedly emphasizing large projects and programmes often implemented by IAEs with the corresponding accountability and transparency deficits.

49. While appreciating the inclusion of quantitative information in both nominal and grant equivalent terms, CSOs were concerned that, when calculating grant equivalency, equity was factored as having relatively little weight. With the professed intention of significantly increasing both equity and guarantee proposals in the future, with minimal impact on grant equivalency calculations of either, a focus on a grant equivalent balance of mitigation and adaptation would hide the fact that mitigation and private sector adaptation approaches would use up an ever-larger portion of finite GCF funding. This would leave fewer available funds for publicly funded adaptation proposals relying on grants, including full-cost grant financing. This was concerning, as funding core public adaptation measures needed to remain a bedrock of the GCF proposal pipeline and approval process.

50. Finally, CSOs were pleased to see the consideration of the approval of the second tranche of funding for FP103 in this group of proposals. Approvals in tranches was good practice and promoted adaptive management. They encouraged the Board to consider employing this approach, especially with projects and programmes that took place across multiple countries (including when there was the intention to expand to other countries) and in large programmes that not only had a large number of countries, but also unknown activities and locations at the time of Board approval. Considering a second or third tranche of funding enabled the Board to have a useful check and potential corrective approach on the projects and programmes it was approving. The case of FP103's second tranche proposal demonstrated the relative ease with which up-to-date project information and necessary modifications could be presented.

51. The active observer observed that, additionally, the Board should take advantage of this opportunity to also consider how the project had responded to improved policies such as those related to gender, environmental and social safeguards, and public participation. In this case, as the project was making updates to its logical framework, so too should any new approval of funds include adaptive updates to its gender action plan as well as acknowledgements of any planned improvements in its inclusiveness through improved stakeholder engagement and meaningful participation of local communities.

52. The Co-Chairs thanked the active observer and invited the representative of the Secretariat to take the floor.

53. The Secretariat representative provided the following responses:

54. With regard to an increase in private sector projects, this was the direction the Secretariat was pursuing. The consideration of the private sector strategy was an important element to enable the Secretariat to extend its work with the private sector, and this would provide a clear signal to partners on how GCF wanted to prioritize private sector proposals with DAEs and in adaptation as well as increased engagement with the local private sector in

developing countries. Mr. Gonzalez noted that there was a good pipeline of projects for B.33 and B.34.

55. Regarding clean supply chains, the Secretariat was in contact with the MDB/DFI working group and other working groups that were considering this matter. The timing of this work was helpful as the Secretariat could use this and other inputs in the development of GCF's new ESS standards. This process was currently underway. The Secretariat applied the International Finance Corporation Performance Standards as its interim ESS standards and would continue to enhance the approach going forward. The representative mentioned that the Secretariat looked forward to receiving the outcomes of the working group.

56. Turning to result areas' allocations, Mr. Gonzalez noted that for each proposal it was the AEs that decided the percentage and volume of funding for the result areas.

57. With regard to the low volume of proposals, the Secretariat had been working close to its maximum commitment authority but was expecting to see increases in funding for B.33 and B.34. The Secretariat's ability to submit proposals to the Board was limited by the level of commitment authority as this fluctuated. For B.33, it was hoped to have funding proposals worth USD 500 million, if all were approved by the independent TAP. For B.34, the working assumption was still in the range of USD 700 million to USD 1.2 billion.

58. Regarding the lack of SAP projects since July 2021, Mr. Gonzalez said that this was the core reason why the SAP policy currently under review by the Board was so important. If approved, this would allow the Secretariat to process more SAP projects and projects from DAEs.

59. Regarding comments from the active observer for CSOs, Mr. Gonzalez stated that the Secretariat strove to keep a 50:50 balance between mitigation and adaptation. Overall, adaptation was at 49 per cent in nominal terms and 52 per cent in grant equivalent terms. Adaptation remained important and the adaptation paper, which was part of the series of consultations, would help to ensure a greater focus on this area.

60. Regarding new instruments, the Secretariat's goal was to be as catalytic as possible and use a whole suite of financial instruments to be able to crowd in private sector capital without distorting the market. The Secretariat was hoping to continue to play that catalytic role in a responsible and transparent way and was engaging both DAEs and IAEs.

61. With respect to the methodology to measure and report mobilized private finance, the Secretariat had created an internal working group and had started working on the Organisation for Economic Co-operation and Development (OECD) methodology, which addressed the attribution of co-financing or direct mobilization. A first draft had been prepared. The main challenge, which was being worked on, was on tracking indirect mobilization. Given that the private sector proposals were increasingly using GCF resources as equity, until the issue of indirect mobilization was resolved, GCF would be missing a big opportunity to track true mobilization at the project level. The Secretariat had had exchanges with OECD and other DFIs and impact investors on their methodology for indirect mobilization. In some cases, there were projects where the direct leverage ratio was 1:4 but indirect leverage could be up to 1:50, especially in the private sector. The Secretariat would report to the Board once this work was finalized. This was expected to be in the second half of the year.

62. Finally, in respect of comments on the tranche ESS assessment for FP103 and whether this had been undertaken, according to decision B.BM-2021/18, the Board decided that the revised Environmental and Social Policy would apply for all projects after B.32. Consequently, it did not apply to the tranche as this was being presented at B.32.

63. The Co-Chairs thanked the representative of the Secretariat. They indicated that the Board would now proceed to consider individual funding proposals.

Funding proposal 184 titled "Vanuatu community-based climate resilience project (VCCRP)" by Save the Children Australia

64. The Co-Chairs opened FP184, as contained in document GCF/B.32/02/Add.01 and Add.08 (limited distribution) titled "Consideration of funding proposals - Addendum I Funding proposal package for FP184".

65. They informed the Board that the representative of the AE supporting the project (Save the Children Australia) was present in the virtual Boardroom in case of questions.

66. A representative of the Secretariat introduced the funding proposal. Vanuatu was one of the most vulnerable countries in the world to climate change and disaster risks. The proposed project aimed to support highly vulnerable rural communities across 29 area councils in Vanuatu to increase their resilience to these observed climate change impacts by implementing targeted adaptation actions.

67. The Co-Chairs thanked the representative of the Secretariat and drew the attention of the Board to the draft decision contained in annex I to document GCF/B.32/02.

68. They invited the Board to approve the project for the requested funding amount and opened the floor for comments.

69. Board members expressed support for this adaptation project in a small island developing State (SIDS), with one observing that GCF had been created to help finance this kind of climate project in SIDS and least developed countries (LDCs). Several highlighted the vulnerability to climate change of Vanuatu. One emphasised the importance of GCF's role in regions such as the Pacific, given that undertaking projects in SIDS was neither inexpensive nor straightforward. They welcomed ambitious adaptation projects such as this which were locally-led and had great potential to benefit many people who were vulnerable to climate shocks. The fact that the project's action plan addressed the root causes of adaptation gaps and was Vanuatu's first GCF project was commended by others.

70. Speaking on behalf of SIDS, a Board member stated that about 80 per cent of the population of Vanuatu depended on subsistence agriculture, and 60 per cent of households were engaged in coastal fisheries. This project provided a unique opportunity to support communities highly vulnerable to climate change. They requested that the condition recommended by the independent Technical Advisory Panel (TAP) (that an operations and maintenance (O&M) plan be developed as a condition to first disbursement under the funded activity agreement (FAA)) be moved to second disbursement. The condition as currently proposed would be very onerous on the AE and the Government of Vanuatu. Developing an accurately costed O&M manual required knowing the specific assets that would need to be maintained. Moving this to the second disbursement would provide the opportunity for the project to be established and assets procured. It would allow access to climate finance based on logical reasoning. They also requested that this type of condition should be avoided for future funding proposals.

71. These remarks regarding the condition were echoed by other Board members. Based on the experience of implementing GCF projects in LDC countries, one urged the Board to reconsider the imposition of conditions like these linked to the disbursement of funds. Whilst valuing the advice from the independent TAP, it was also important to look at the challenges faced by developing countries, including the practicalities on the ground. The need for the Board to show flexibility to enable Vanuatu to initiate its first GCF project was also highlighted by another Board member. Getting a first project off the ground had been very difficult for some countries, and therefore it was important for Board members to show flexibility. Noting that some Board members representing SIDS and LDCs considered that making the first disbursement conditional was both unfair and onerous, a Board member said that they were

willing to consider this and to take account of what had been done in the past. This latter point was echoed by another Board member who recalled a similar discussion in relation to a project in Thailand. They noted that the Board had discretion to waive such a condition where there was credible information that this would create hardship for the country concerned in achieving the climate results which GCF wished to see. Another Board member said they were open to consider the proposal from SIDS while at the same time they fully supported the role of the independent TAP in recommending conditions for GCF projects.

72. A Board member stated that Japan was very supportive of the project and was ready to provide assistance to vulnerable countries. As the Japan International Cooperation Agency (JICA) was already implementing projects in Vanuatu, they requested that the Secretariat collaborate with JICA to ensure synergies and avoid duplication of work.

73. The inclusive nature of the project was highlighted by one Board member. They were pleased to see that women and people with disabilities were considered in the assessment. However, they cautioned that it was important not to limit the understanding of vulnerable communities and populations. The multilevel approach adopted by the project was commended by another Board member.

74. The Co-Chairs invited an active observer for civil society organizations (CSOs) to take the floor.

75. The active observer said that CSOs welcomed the funding proposal. They considered it a key example of how proposals submitted to the GCF should include specific actions that were grounded in the reality and needs of the countries, especially of the local communities that were the most affected by climate change and that followed core principles of human-rights centred and locally-led adaptation. They applauded the fact that the participation of civil society and local communities was a basic element in the implementation of the activities of this project, especially because the consultation processes included local stakeholders throughout the development of the concept note and funding proposal. They further appreciated the environmental, social, economic, and gender-sensitive co-benefits identified, in addition to the main benefits provided in the climate rationale. They also commended the effort of the project proponent to integrate this proposal with other parallel climate initiatives being implemented that were being funded by GCF and the Global Environmental Facility. Although it was stipulated in the proposal and CSOs had seen good practices related to participation in project development, it was critical that, in implementation, actions must be taken to generate a higher level of empowerment of women, youth and people with disabilities and ensure their continued participation in the decision-making structure of this project.

76. The Co-Chairs thanked the active observer and asked if the Board was able to be flexible in changing the timing of the condition recommended by the independent TAP to the second disbursement.

77. Seeing no further comments and no objections, the Board approved the funding proposal for the amount requested with the adjustment that the condition would now be contingent on the second disbursement under the FAA.

Funding proposal 185 titled "Climate Change: The New Evolutionary Challenge for the Galapagos" by Corporación Andina de Fomento

78. The Co-Chairs opened FP185, as contained in document GCF/B.32/02/Add.02 and its limited distribution addendum Add.08 titled "Consideration of funding proposals - Addendum II Funding proposal package for FP185".

79. They informed the Board that the representative of the accredited entity (AE) supporting the project (Corporación Andina de Fomento (CAF)) was present in the virtual Boardroom in case of questions.

80. A representative of the Secretariat introduced the funding proposal. Climate change negatively impacted the Galapagos Islands' marine and terrestrial ecosystems, inhabitants, their livelihoods, and economic activities such as agriculture, fisheries, and tourism. Furthermore, electricity generation in the Galapagos was highly dependent on imported fossil fuels, and its electricity grids were inefficient. Distributed renewable energy generation was uncommon. The agricultural sector had been heavily impacted by droughts, and key marine and terrestrial ecosystems were also at risk because of invasive species that were more resilient to climate variability and humidity changes. Fisheries had also been impacted by declining catch composition. To address these challenges, this programme aimed to contribute to a transformation towards a self-sustained island system. This programme would invest in decentralized power supply and energy efficiency in the island, measures to improve farmers' livelihoods through the rehabilitation of ecosystems, as well as measures to improve the local food value chains. The programme would also establish climate-informed ecotourism certification schemes in the educational curricula, thereby strengthening engagement among local citizens and tourists as well as mainstreaming climate change in regulatory frameworks and planning instruments.

81. The Co-Chairs thanked the representative of the Secretariat and drew the attention of the Board to the draft decision contained in annex I to document GCF/B.32/02.

82. They invited the Board to approve the project for the requested funding amount and opened the floor for comments.

83. Several Board members took the floor to welcome and support the project.

84. The first Board member noted that it was a good approach which represented integrative development and climate change. They wished to make two points. The first was that with almost 15 megawatts of photovoltaic solar power, it was important that measures promised by GCF in relation to ensuring there was no forced labour in solar panel supply chains were followed in this type of investment. They emphasised that this was not about creating a new standard, but rather implementing the existing International Finance Corporation (IFC) Performance Standards, which GCF had decided to adhere to. Secondly, Ecuador was a middle-income country with significant oil exports amounting to around USD 20 billion in 2020. With high oil prices, this produced a substantial amount of additional revenue for the government and companies involved. The Board had still not discussed and approved a concessionality policy to provide more guidance on the appropriate degree of concessionality for such projects.

85. A second Board member said that the project provided a great opportunity to protect a unique ecosystem and align the Galapagos with a low-carbon and resilient development path. Noting with satisfaction that the project included one regional bank and one national development bank among its stakeholders, and that the national development bank, Corporación Financiera Nacional B.P., was due to be absorbed in 2023 by a new public bank, they wished to have assurance that this would not negatively impact the implementation of the project in any way. They asked that the Secretariat provide clarification on this.

86. A final Board member echoed the importance of the questions raised above. They also wished to highlight that this was a good example of the important role of the independent Technical Advisory Panel (TAP) in endorsing or not endorsing funding proposals as well as in providing constructive recommendations. These could help to improve a proposal, such as in this case, in terms of its potential to be replicated in other climate vulnerable islands.

87. During the discussion on the funding proposal package, another Board member said that CAF played a comprehensive role as an accredited entity and executing entity. They welcomed

cross-cutting projects such as this one, as it implied a holistic approach fostering synergies between mitigation and adaptation. The Galapagos Islands were highly vulnerable to climate change, and nearly 80 per cent of its economy depended directly or indirectly on tourism. Therefore, the project was an opportunity to link climate action, sustainability tourism and nature conservation in a unique marine and terrestrial ecosystem.

88. The Co-Chairs invited an active observer for civil society organizations (CSOs) to take the floor.

89. The active observer said that CSOs welcomed the programme but suggested that several aspects could have been addressed more effectively.

90. The programme included the construction of a solar power plant that could have been a project in its own right due to the magnitude of its potential impacts. This component was the sole reason why the entire programme was given category A and not B with regard to social and environmental risks. The criteria that motivated the decision to opt for a project of this type were, according to the responses obtained during the technical session, potential impact, feasibility level, and potential paradigm shift. There was no clarity as to if and how social and environmental criteria to minimize impacts were taken into account to evaluate different alternatives to the selected scale of solar power generation. Opting for a massive energy project with these characteristics, instead of, perhaps, a less invasive approach, such as through several smaller distributed renewable projects with fewer local impacts and with more communal participation, seemed far from ideal.

91. During the technical session, active observers had also asked about the fact that activities focused on improving the transport systems of the islands' urban centres were not considered, when they could have been very well suited for components 2 and 3 of the programme. The AE's response only made reference to the assessment made during the structuring of the project in relation to integrating electric cars and boats, but this initiative was not approved. CSOs wondered why the project did not include activities to make transport systems more sustainable (i.e. much more than just electric cars, for example, building more infrastructure for pedestrians and cyclists, better public transport systems, etc.).

92. According to the proposal, one of the mitigation actions would come from the shift from extensive to intensive livestock production. As had been documented globally, even though intensive livestock farming used less space, it was significantly more detrimental to the environment, even without considering animal welfare.

93. Finally, it was important to note that the gender action plan could aspire to greater commitment to overcome the gender inequalities explored in the gender assessment. There was no reason to provide training on gender issues to any less than 100 per cent of project implementation staff, and CSOs were disappointed with the lack of clarity regarding what it meant to increase access to credit or empowerment without defining specific percentages.

94. The Co-Chairs thanked the active observer and invited a representative of the AE to take the floor.

95. Regarding IFC performance standards, the representative stated that CAF, as an AE and as a regional development bank in Latin America and the Caribbean, had its standards accredited by both GCF and different international funding agencies for climate change projects. All CAF safeguards had been accredited under the GCF environmental and social management framework. CAF had analysed the standards of GCF, CAF and the executing entities, namely Food and Agriculture Organization of the United Nations and the World Wildlife Fund, and found that these standards were compatible. The representative said that CAF could manage, and had been managing, with the IFC performance standards and did not see this as an issue.

96. Regarding petroleum revenues, the Government of Ecuador had been working on its policies in this area. During the last year, all the diesel and fossil fuel companies had increased their prices because the government was trying not to subsidize its own fossil fuels. The intention of the government was to change the energy matrix.

97. The Co-Chairs thanked the representative.

98. With that clarification, the Co-Chairs asked if the Board was ready to approve funding proposal FP185 for the funding amount request.

99. Seeing no further comments and no objections, funding proposal FP185 was approved for the amount of funding requested.

Funding proposal 186 titled "India E-Mobility Financing Program" by Macquarie Alternative Assets Management Limited

100. The Co-Chairs opened FP186, as contained in document GCF/B.32/02/Add.05.

101. They informed the Board that the representative of the accredited entity (AE) supporting the project (Macquarie Alternative Assets Management Limited (MAAML)) was present in the virtual Boardroom in case of questions.

102. A representative of the Secretariat introduced the funding proposal.

(a) FP186 was the first funding proposal submitted by MAAML to GCF;

(b) The electric mobility (e-mobility) sector in India was at a nascent stage, and despite the ambitious plans that had been drawn up by the government for the sector, there were significant investment barriers driven by uncertainty over long-term performance economics and residual value risks. Further, high costs of capital, both equity and debt, short tenors and low loan-to-value ratios further limited financing options for vehicle owners, operators and charging stations;

(c) The barriers impeded at-scale adoption of electric vehicles and further constrained India in meeting its climate objectives, as articulated in the nationally determined contributions and recent pledges made at the twenty-sixth session of the Conference of the Parties;

(d) The programme addressed barriers to the adoption of e-mobility by the private sector by mobilizing significant amounts of private/commercial institutional capital;

(e) The programme consisted of (i) setting up an equity pooling vehicle in the form of a limited partnership to leverage GCF capital and crowd in commercial equity capital; and (ii) establishing a dedicated and exclusive e-mobility financing platform to provide bespoke financing solutions;

(f) The programme would be managed by MAAML, the world's largest infrastructure asset manager;

(g) The total size of the programme was USD 1.5 billion (GCF junior equity contribution of USD 200 million plus USD 205 million in senior equity from commercial equity co-investors and USD 1.1 billion from debt investors), leading to a co-financing ratio of 1:6.5 at the programme level; and

(h) The programme was expected to reduce 9.5 million tonnes of carbon dioxide equivalent over the assets' lifetimes and generate other co-benefits such as reduction in tailpipe emissions and job creation at the platform level.

103. The Co-Chairs thanked the Secretariat representative and drew the attention of the Board to the draft decision in annex I to document GCF/B.32/02. They opened the floor for comments.

104. A Board member said that, though they wished to support this ambitious private sector project, they were not in a position to do so until further clarification was provided on how the USD 205 million in equity would be mobilized from private investors. Some private sector projects, such as FP152, had demonstrated that attaining such a leverage effect was easier said than done. The Board member also noted that, while USD 200 million in equity had been requested from GCF, the AE, a large and well-known asset manager, had not committed a single dollar. It was therefore unclear how such large resources would be mobilized from private investors.

105. A second Board member said they were ready to support the project's approval, noting that the comprehensive project proposal was the first solely dedicated to the private sector transport programme in the e-mobility sector. They highlighted that the success of the project depended on several factors, such as long-term policy support, country ownership and effective engagement of stakeholders. It would be necessary to implement best practices in the management of risks and impacts as well as in recycling, scrapping and supply chain issues. The promotion of grid decarbonization efforts was also an important issue.

106. The Co-Chairs invited an active observer for civil society organizations (CSOs) to take the floor.

107. The CSOs welcomed that GCF was seeking to invest in the electrification of public transport in India, and that this programme had potential to reduce air pollution and greenhouse gas (GHG) emissions and empower marginalized populations if implemented in a gender-responsive way. However, they had some concerns regarding the proposal that were endemic to such large-scale private sector equity fund approaches.

108. It was difficult to evaluate the potential impact of this financing platform because there was very little public information about the subproject pipeline. The opportunity screening and due diligence process that was described gave far greater weight to the financial soundness of potential counterparties than to GHG emission reductions and environmental and social factors.

109. The CSOs wished to see some conditions included that would ensure greater transparency and accountability, especially for GHG results and social impacts achieved. This should include the disclosure of subprojects (including location, scale, and environmental and social safeguard documentation) on both the GCF and MAAML websites at least 30 days before approval. Minimum public reporting requirements at subproject level should also be set for the annual performance reports (APRs) and midterm and final evaluations, including the local/regional distribution of subprojects, their scale, emission reductions, and gender-disaggregated figures on job creation as well as on public e-mobility access and use.

110. As had been noted by many Board members in the technical questions, the active observer said that a lot of the potential climate impact rested on assumptions about grid decarbonization. Given that subprojects would probably make power purchase agreements to stabilize costs, the programme would be strengthened by minimum decarbonization commitments or targets on renewable energy for sourcing for the charging infrastructure. This should be codified in the funded activity agreement (FAA).

111. As the expected impacts were anticipated to outlast the programme's implementation period, the CSOs were concerned that the exit strategy (in the public documentation) only mentioned financial concerns and did not address the lasting climate, environmental and social impacts. In particular, although the disposal of battery waste was identified as a risk in the environmental and social management system, there seemed to be no provision made for what

would happen in practice, since disposal/recycling would happen after MAAML's involvement had ended.

112. The CSOs had some concerns about the very complex financial structuring of the programme, which they felt would make it more difficult to ensure transparency, liability and accountability for related investment decisions. Thus, it was important that information disclosure was as proactive as possible.

113. Finally, the active observer said that CSOs were disappointed that stakeholder engagement to date had extended only to governmental and business entities, and wished to see civil society groups, women's networks and local communities included in consultations in advance of subprojects.

114. The Co-Chairs thanked the active observer and invited the representative of the Secretariat to respond to comments.

115. On financing, the representative explained that GCF contributions to the project would be made in stages. The initial commitment from GCF was limited to only USD 50 million. It was expected that the AE would be able to raise additional equity capital and unlock the remaining commitment of GCF. The initial USD 50 million from GCF was to ensure that the programme hit the ground running and the AE would be able to hire a professional team and start setting up the platform and other operations, which would make bringing in commitments downstream and additional finance much easier. The initial commitment would also attract risk-averse pockets of capital from institutional investors such as pension funds that may not want to commit capital at the very early stages. The issues of supply chain would be addressed through GCF's usual environmental and social safeguards practices. On grid decarbonization, the project was working in tandem with the Government of India's decarbonization plans. Additionally, the possibility of renewable-based charging for the charging infrastructure was being explored. Finally, subproject disclosures would be done in accordance with the GCF ESS Policy and Information Disclosure Policy.

116. The Co-Chairs invited the active observer for private sector organizations to take the floor.

117. The private sector welcomed the funding proposal, noting that the AE had had to overcome significant challenges in developing it. The project was exactly the sort of innovative, scalable project in the transport sector that the Private Sector Facility document was calling for. It was an innovative business model, but its financial structuring was not particularly complicated. It was relatively standard for this kind of project. This was something GCF would have to become used to in order to have more large-scale private sector participation. By targeting electric vehicles and business-to-business fleets, this project had the ability to move the dial. Currently, only three per cent of road transport vehicles were electric. MAAML as an AE was a very significant player in the market. It could bring peer-to-peer learning that would be helpful in a later discussion on how to enhance private sector participation. The active observer supported civil society's comments in relation to transparency and stakeholder engagement. The private sector should take such matters incredibly seriously if it wished to be a serious partner with GCF.

118. The Co-Chairs asked the Board if it was ready to approve the funding proposal.

119. The Board member who had questions regarding the financing of the project said their concerns had not been addressed and they wished to discuss this proposal further with the Secretariat.

120. The Co-Chairs asked the Board member if they were objecting to the approval of FP186 and, if so, what the basis was for their objection.

121. The Board member clarified that they were objecting to the approval of the project and would like to discuss the possibility of requesting a commitment letter from another investor as a condition to the signing of the FAA. This condition would address the Board member's concerns.

122. The Co-Chairs invited a representative of the AE to take the floor.

123. The AE representative explained that only up to USD 50 million of the first tranche of the capital was at risk. The AE had agreed to a pari-passu investment from non-GCF sources for further capital beyond USD 50 million. Based on the conversations the AE had had in the market, there was very high interest from investors but, given the uncertainty around the technology of electric vehicles as well as mass adoption, they wished to see the organization up and running and initial progress made before a substantial commitment could be made by these commercial investors. That was why the AE was requesting an initial tranche of USD 50 million from GCF before it could bring in additional money.

124. As for the AE not committing capital, MAAML was in the process of raising a global transition fund, which would amount to up to USD 2 billion. The AE had had several rounds of discussion with the investment committee of the above-mentioned fund. That fund would be one of the sources of co-financing that the AE was looking to bring to the table, subject to this fund agreeing to the conditions and attractiveness of this proposition. In addition, the AE would also seek to raise financing from the large investor pool and relationships it had in the market. The AE felt very confident that it would be able to mobilize USD 205 million of commercial capital, which was why it had requested a two-tranche payment from GCF.

125. The Co-Chairs asked the objecting Board member if this explanation addressed their concerns.

126. The Board member said it did not. They were aware the disbursement would be in tranches and that the AE was confident it could mobilize resources from private investors. Nonetheless, the Board member still wished to speak with the Secretariat that evening to obtain further clarifications.

127. Another Board member acknowledged the efforts that had gone into the funding proposal and its importance to developing countries like India that were trying to transition to more sustainable forms of energy. The Board member believed the project was a catalytic intervention that would trigger action beyond the GCF portfolio. It also had very high potential for scalability because of its commercial nature. With this in mind, the Board member asked if the concerns of the previous Board member could be addressed during the project's implementation. If that was the case, they should not be holding back the project's approval, especially since it had already been thoroughly reviewed by the Secretariat and the independent Technical Advisory Panel.

128. A further Board member supported the approval of the project and said that, instead of speaking to the Secretariat outside the Boardroom, they should take advantage of the fact that all the relevant stakeholders were present in person, or virtually, and therefore the discussions should take place in the Boardroom; everybody would benefit from hearing each other's views.

129. The Co-Chairs asked the objecting Board member to provide their proposed condition so that it could be projected on the Boardroom screen for all to see.

130. The objecting Board member said they did not have the text in writing and explained that they wished to secure the provision of private investment as a condition to the signing of the FAA. GCF would be providing a first instalment of USD 50 million without any guarantee the project would take off. Given this uncertainty, the Board member wished to secure the pipeline of private investments as a condition.

131. A Board member asked for the indulgence of the previous Board member in having the project approved. In addition to having been reviewed by the Secretariat and the independent TAP, the funding proposal had also been shared with Board members ahead of the time. Therefore, conditions should have been requested in advance.

132. The Co-Chairs acknowledged that the objecting Board member wished to secure the pipeline of private sector investments. They asked the Secretariat if it had any input in this regard.

133. The Secretariat representative explained that the USD 50 million from GCF would be only four per cent of the total project cost of USD 1.4 billion. GCF would be acting as an anchor investor in this project and, as such, its willingness to take higher risk would enable risk-averse capital to make the investment. This small percentage from GCF would encourage investors and build the confidence of more risk-averse capital to come in. That was how the project had been designed.

134. The Secretariat representative drew the attention of the Board to a portion of the Target Initial Equity Capital Commitment section on page 14 of the funding proposal package, which said: "Given the 'market making' nature of the program, GCF will invest a minimum of USD 50 million on the FAA effective date (First Close)." They stated that beyond the first close, the GCF commitment would be effective if co-financing was made available.

135. The Co-Chairs asked the objecting Board member if they would be able to join consensus given this clarification.

136. The objecting Board member said they were upholding their objection and reiterated their wish to discuss further with the Secretariat. They would not be changing their position until then and did not wish to take up more of the Board's time with this matter.

137. A Board member agreed with comments that the project would be a catalytic investment and its financial structure was quite standard for this type of project. Nevertheless, the Board member also considered the objecting Board member's concerns valid. The Board would indeed have to become more comfortable with such innovative private sector projects, and it was worth learning more about finer details of the project to facilitate this and assure the Board that the AE was not getting too good a deal.

138. As the Board had many other important issues to discuss, another Board member suggested that the discussion on FP186 be suspended so that other items could be considered while the objecting Board member discussed with the AE and the Secretariat.

139. Under the general discussion on the consideration of funding proposals, the same Board member said they welcomed innovative projects such as FP186. They were pleased to note the Secretariat's assessment that the proposal had potential for replication to address similar needs in other countries. They were also pleased to note the possibility that more asset managers could see the benefit of working with GCF and becoming AEs on the back of the success of FP186.

140. The active observer for PSOs emphasized that projects were about risk. There was a reason there were no electric vehicles in India; it was risky and people did not want to invest in it. If GCF was not willing to provide USD 50 million to leverage this sort of investment, it was not surprising that the private sector was not engaging fully. This project had taken over a year to develop and had been through many stages of review. It indeed had a complicated financial model, but the active observer thought this was what GCF wished the private sector to do. They suggested that maybe the AE could be invited to respond directly to the argument that it was getting a deal which was overly attractive. The active observer doubted this was the case as it was such a risky investment environment.

141. A further Board member said discussing funding proposals was at the heart of what the Board should be doing, so it would not be a waste of time even if there were other matters waiting to be considered. The Board member did not support putting this on hold in order for others to have discussions outside the Boardroom. The Board should continue this conversation in front of all stakeholders.

142. The Board member who suggested suspending consideration of the item clarified that they were supportive of the project but wished to provide a pragmatic and constructive way forward as there were other items that were as important and required the Board's attention.

143. A second Board member supported this suggestion to suspend consideration of FP186 for the time being.

144. The Co-Chairs reminded the Board that there would be a meeting after the day's session where they could discuss this matter. For transparency, it was important that all views and conditions were discussed before all Board members. The Co-Chairs discouraged the introduction of conditions outside the full Board as this only created problems for the Board down the line.

145. The Co-Chairs suspended the consideration of the funding proposal.

Part 2

146. The Co-Chairs reopened consideration of the item on the third day of the meeting.

147. They recalled that the funding proposal was first considered on the first day of the meeting but had not been approved. Interested Board members, advisers, representatives of the AE and members of the Secretariat had met on the evening of day one to discuss the concerns that had been raised by the objecting Board member in relation to FP186.

148. Based on those discussions, and with the agreement of the AE and the Board members present in the informal technical session, the following way forward was proposed for the Board's consideration:

(1) No condition would be attached by the Board to the approval of FP186;

(2) Instead, the Secretariat, with the agreement of the AE, would undertake to include a provision in the FAA to ensure that no GCF proceeds would be disbursed to the AE until the AE had provided to the GCF Secretariat, in a form and substance satisfactory to the GCF Secretariat, a firm letter of intent from a potential investor in which the potential investor confirmed that it was considering investing in the senior equity of the Singapore-pooling vehicle; and

(3) This undertaking from the Secretariat, and the AE's agreement to include the relevant provisions in the FAA, would be recorded in the report of B.32.

149. With this way forward, the Co-Chairs invited the Board to approve the project for the requested funding amount.

150. There being no comments or objections, FP186 was approved for the funding amount requested.

Simplified funding proposal 024 titled "Pakistan Distributed Solar Project" by JS Bank Limited

151. The Co-Chairs opened SAP024, as contained in document GCF/B.32/02/Add.06 titled "Consideration of funding proposals - Addendum IV Funding proposal package for SAP024."

152. They informed the Board that the representative of the accredited entity (AE) supporting the project (JS Bank) was present in the virtual Boardroom in case of questions.

153. A representative of the Secretariat introduced the funding proposal.

154. The Pakistan Distributed Solar Project would provide custom financing solutions for distributed solar photovoltaic (PV) products to residential, small and medium-sized enterprise (SME) and agricultural customers of the commercial bank. The project would also provide technical assistance to strengthen the capacities of the AE, solar PV vendors and other key stakeholders, raise awareness of climate change risks and support Pakistan's net-metering scheme. The main component of the proposal was the design and structuring of a pro-rata risk sharing guarantee and the deployment of loans to residential, SME and agricultural customers. Under component 2, the grant from GCF would improve the attractiveness of renewable energy through a large-scale awareness-raising campaign and carry out capacity-building activities for key project stakeholders. Activities funded by this project would help to reduce 848,700 tonnes of carbon dioxide equivalent over their lifetime. The project would contribute to the mitigation goals of Pakistan and facilitate future development of distributed solar market in the country.

155. GCF would be providing up to USD 9.0 million of guarantees and USD 1.0 million in grants. The total size of the programme was up to USD 54.0 million, consisting of a GCF contribution of maximum USD 10.0 million and an additional USD 44.0 million in senior loans mobilized from the AE, making for a minimum total programme size of USD 45 million including grants.

156. The Co-Chairs thanked the representative of the Secretariat and drew the attention of the Board to the draft decision contained in annex I to document GCF/B.32/02.

157. They invited the Board to approve the project for the requested funding amount and opened the floor for comments.

158. Three Board members took the floor to express approval for the project with one noting that they did so because the simplified approval process (SAP) would strengthen access to renewable energy and the energy needs and services of the people of Pakistan, whilst another stated that it represented a crucial step forward in ensuring that concessional finance for renewable energy systems reached consumers without barriers resulting from other requirements.

159. The latter Board member observed that, while the majority of questions they had raised before the Board meeting had been satisfactorily answered, they still wished to have further information as to whether all the solar generating units would be allowed to feed into the grid. They also emphasized that there must be no forced labour throughout the solar supply chain.

160. Noting that the concessional credit line for renewables from the State Bank of Pakistan was due to end in June 2022, the third Board member wished to know the implications of this in terms of project timing and implementation.

161. There being no comments or objections, SAP024 was approved for the funding amount requested.

162. Following the decision, a Board member informed the Co-Chairs that an active observer for civil society organizations (CSOs) had been requesting the floor. It was essential that the Co-Chairs permitted the Board's active observers to make comments before the Board was invited to adopt decisions.

163. The Co-Chairs apologized for the oversight and invited the active observer to take the floor.

164. The active observer said that civil society welcomed the project, which sought to facilitate the just transition of developing countries from fossil fuel dependence towards

renewable energy. While they commended the intent of the funding proposal and supported it to a limited extent, CSOs had several concerns on some of the project details.

165. Firstly, the renewable energy financing scheme offered by the State Bank of Pakistan, which the project was heavily reliant on, was scheduled to end in June 2022. In the AE's written response, they stated that they did not have confirmation whether this financing scheme would be renewed. CSOs hoped that there would be conditions that would guarantee the six per cent interest rate even without the State Bank of Pakistan's renewable energy financing scheme.

166. Civil society had conducted consultations with farmer and peasant groups as well as grassroots movements in Pakistan about this proposal. The AE, in its written response, mentioned that the six per cent interest rate was already highly concessional given current credit prices in the market. However, while CSOs did not question the concessionality of the six per cent interest rate, which was a reasonable and feasible rate in terms of financial viability to afford renewable energy to more citizens of Pakistan, they hoped that the AE would consider lowering these interest rates, especially in view of the rising demand for solar PV loans and the expected electricity tariff increase, as mentioned by the AE in its written response. If the AE truly prioritized affording climate action to the targeted peoples and communities, it should lower the six per cent interest rate when demand for solar PV loans increased.

167. Additionally, the lack of technical expertise and a secondary market, including certification and standardization in solar PVs, posed a great risk to whether this project would take off, and furthermore, be sustainable. The independent Technical Advisory Panel (TAP) pointed out the reputational risks to the AE and even GCF should disputes arise between solar PV vendors and customers due to poor equipment performance and/or lack of vendors' competence in supplying, installing and/or servicing parts, etc. This highlighted the point made by the independent TAP on the lack of consumer rights and safeguards; this should be guaranteed in the conditions included for approving this project.

168. Lastly, CSOs believed that it was a lost opportunity that this project did not strive to make gender equality, empowerment and gender balance a norm in the solar PV/renewable energy sector in Pakistan. Its gender action plan failed to take into consideration the findings in the gender assessment or realities on the ground, such as women's low participation in formal employment; social, cultural and religious barriers affecting women; low country ranking in gender parity; non-equal access to justice; women's limited ownership of land and lack of access to finance; and limited inheritance rights for women.

169. The active observer said that they hoped that the Board took account of the CSOs' concerns and proposed conditions for the project.

Request for Tranche 2 for FP103 titled "Promotion of Climate-Friendly Cooking: Kenya and Senegal" by the Deutsche Gesellschaft für Internationale Zusammenarbeit GmbH

170. The Co-Chairs drew the attention of the Board to document GCF/B.32/03 titled "Status of approved funding proposals: Request for Tranche 2 for FP103 - Promotion of Climate-Friendly Cooking: Kenya and Senegal" as contained in annex III to document GCF/B.32/03.

171. They informed the Board that the representative of the accredited entity (AE) supporting the project (Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ)) was present in the virtual Boardroom in case of questions.

172. A representative of the Secretariat introduced the funding proposal. The Secretariat noted that FP103 had been approved in decision B.22/07. At B.22, the Board decision had approved partial funding as Tranche 1, representing costs and implementation of years one and two of the five year programme, and allowed the AE to submit a request for Tranche 2 funding for remaining years (i.e. three to five). The Tranche 2 funding requested was for EUR 21.851

million. The Secretariat confirmed that the AE had fulfilled the conditions set by the Board in its approval of FP103. It recommended that the Board approve the AE's request so that the AE could continue the orderly implementation of the project in both countries.

173. The Co-Chairs thanked the representative of the Secretariat and drew the attention of the Board to the draft decision contained in annex I to document GCF/B.32/03. They invited the Board to approve the Tranche 2 proposal for FP103.

174. They opened the floor for comments.

175. The invited an active observer for civil society organizations (CSOs) to take the floor.

176. The active observer said they were pleased to see this request for a second tranche of FP103, the first such request for a second tranche of funding that they had noted. While generally heartened by the possibilities of such a tranching approach and favourable towards this project, which they had welcomed at B.22, a review of this request raised larger questions about project implementation. It also raised questions about taking advantage of opportunities for achieving the sustainable, transformative climate action that was GCF's ultimate goal, not simply the provision of funding.

177. They recognized that this request brought an increased level of scrutiny for this particular project, but they welcomed the additional information on project implementation, especially as the Secretariat would not publicly release the most recent annual performance reports (APRs) for many months. This request thus contained more information than available in the 2020 APR, released in August 2021, though it noted that both APRs were satisfactory.

178. A key element of this request was the update of the project's logical framework to include targets in years three to five, which were not yet established in the initial tranche. While the request repeatedly recognized the influence of COVID-19 on project implementation – a fact that was considered in the update to the logical framework – CSOs could not help but note the incoherence in the general assessment that the original environmental and social impact assessment, environmental and social management plan, gender assessment, and gender action plan already addressed the full five-year project and thus did not need updating. Given the changes wrought by COVID-19, which clearly had a gender-related impact, it behoved the Board, at the very least, to recommend an updated statement to these assessments, given the changing context.

179. Moreover, whenever a logical framework's targets were updated, a gender action plan's targets should also be, given an expectation that the gender action plan was connected to the overall project framework. Indeed, in this request the information revealed that only 16 per cent of the producers participating in the sensitization workshop were women-led or women-owned, 29 per cent of the producers selected were women-led or women-owned, 45 per cent of the last-mile entrepreneurs identified were women, and 38 per cent of those receiving training were women. From the 2020 APR reporting on the gender action plan, the following was stated: "Generally, the project will focus on the promotion of equal opportunities for men and women." Since this data seems to indicate that that goal had not yet been achieved, this would be an excellent opportunity for adaptively managing and committing to targets with the same orientation to detail as in the logical framework.

180. The Co-Chairs thanked the active observer.

181. They invited the Board to approve the tranche 2 proposal for the requested funding amount for funding proposal FP103.

182. Seeing no objections or further comments, it was so approved.

183. The Board took note of document GCF/B.32/02 and its addenda Add.01–04 (general distribution) and Add.05–08 (limited distribution) titled "Consideration of funding proposals".

184. The Board adopted the following decision:

DECISION B.32/01

The Board, having considered document GCF/B.32/02 titled "Consideration of funding proposals":

(a) *<u>Takes note</u> of the following funding proposals:*

(i) *Funding proposal 184 titled "Vanuatu community-based climate resilience project (VCCRP)" by Save the Children Australia, as contained in document GCF/B.32/02/Add.01 and 08;*

(ii) *Funding proposal 185 titled "Climate Change: The New Evolutionary Challenge for the Galapagos" by Corporación Andina de Fomento, as contained in document GCF/B.32/02/Add.02 and 08;*

(iii) *Funding proposal 186 titled "India E-Mobility Financing Program" by Macquarie Alternative Assets Management Limited, as contained in document GCF/B.32/02/Add.05; and*

(iv) *Simplified funding proposal 024 titled "Pakistan Distributed Solar Project" by JS Bank Limited, as contained in document GCF/B.32/02/Add.06;*

(b) *<u>Approves</u> funding proposal 184 for the amount of USD 26,182,878, submitted by Save the Children Australia, subject to the conditions set out in annex I and in the respective term sheet set out in document GCF/B.32/02/Add.08;*

(c) *<u>Also approves</u> funding proposal 185 for the amount of USD 65,271,299, submitted by Corporación Andina de Fomento, subject to the conditions set out in annex I and in the respective term sheet set out in document GCF/B.32/02/Add.08;*

(d) *<u>Further approves</u> funding proposal 186 for the amount of USD 200,000,000 submitted by Macquarie Alternative Assets Management Limited, subject to the conditions set out in annex I and in the respective term sheet set out in document GCF/B.32/02/Add.05;*

(e) *<u>Approves</u> simplified funding proposal 024 for the amount of USD 10,000,000, submitted by JS Bank Limited, subject to the conditions set out in annex I and in the respective term sheet set out in document GCF/B.32/02/Add.06;*

(f) *<u>Reaffirms</u> that pursuant to annex IV to decision B.17/09, the Executive Director or his designee is authorized to negotiate and enter into legal agreements on behalf of the GCF with accredited entities and other parties involved in respect of funding proposals approved by the Board, taking into account any condition approved by the Board in this decision and in the decision accrediting the relevant accredited entity; and*

(g) *<u>Authorizes</u> the Secretariat to disburse fees for each funded project/programme approved by the Board as per the disbursement schedule to be agreed in the funded activity agreement in accordance with the policy on fees and the general principles and indicative list of eligible costs covered under GCF fees and project management costs adopted by the Board pursuant to decision B.19/09.*

185. The Board took note of limited distribution document GCF/B.32/03 titled "Status of approved funding proposals: Request for Tranche 2 for FP103 - Promotion of Climate-Friendly Cooking: Kenya and Senegal".

186. The Board adopted the following decision:

DECISION B.32/02

The Board, having considered document GCF/B.32/03 titled "Status of approved funding proposals: Request for Tranche 2 for FP103 - Promotion of Climate-Friendly Cooking: Kenya and Senegal":

(a) *<u>Recalls</u> decision B.22/07, paragraph (h), pursuant to which the Board decided that the Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) GmbH may seek further approval of the Board of commitment of further funding in an amount when aggregated with amounts previously approved by the Board, no greater than EUR 38,360,000, subject to the conditions set by the Board in annex III to that decision;*

(b) *<u>Takes note</u> of the Tranche 2 Proposal in respect of funding proposal 103 titled "Promotion of Climate-Friendly Cooking: Kenya and Senegal", by the Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) GmbH, as contained in annex III to document GCF/B.32/03;*

(c) *<u>Approves</u> the Tranche 2 Proposal in respect of funding proposal 103 for the amount of EUR 21,851,000, submitted by the Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) GmbH;*

(d) *<u>Authorizes</u> the Secretariat to negotiate the necessary amendments to the funded activity agreement for funding proposal 103 to give effect to the approval of the Tranche 2 Proposal in paragraph (c) above; and*

(e) *<u>Also authorizes</u> the Secretariat to disburse fees in respect of Tranche 2 of funding proposal 103 approved by the Board as per the disbursement schedule to be agreed in the amendments to the funded activity agreement in accordance with the policy on fees and the general principles and indicative list of eligible costs covered under GCF fees and project management costs adopted by the Board pursuant to decision B.19/09.*

Agenda item 6: Consideration of accreditation proposals

187. The Co-Chairs opened the agenda item and drew the attention of the Board to document GCF/B.32/04 and its limited distribution addenda Add.02, Add.03, Add.04 and Add.05 titled "Consideration of accreditation proposals" and its addendum GCF/B.32/04/Add.01 titled "Status of the fulfilment of accreditation conditions".

188. With reference to the Policy on Ethics and Conflicts of Interests for the Board of the Green Climate Fund, they invited any Board members who wished to declare a conflict of interest in relation to deliberations on any particular entity, or to refrain from these deliberations, to do so. No declarations were made in relation to the Policy.

189. The Co-Chairs invited a representative of the Secretariat to introduce the item.

190. The representative, Ms. Stephanie Kwan, Head, Accreditation and Entity Relations, provided an update on the status of accreditation, including:

(a) The status of accreditation, including accreditation master agreement (AMA) effectiveness as at 30 April 2022;

(b) 113 accredited entities (AEs), 77 of which had effective AMAs and an additional 9 pending fulfilment of conditions precedent to make their AMA effective.

(c) The re-accreditation pipeline for 2022:

(i) An expectation of 20 AEs to submit their re-accreditation applications in 2022 and an increase to an average of 30 AEs for re-accreditation in following years;

(ii) The GCF's capacity – including the Secretariat, the Accreditation Panel (AP) and the Board – to process re-accreditation, upgrades and accreditation proposals was an average of 15 entities per year;

(iii) The Secretariat would continue to prioritize re-accreditation applications to minimize the risk of accreditation lapses in 2022; and

(iv) There continued to be challenges and gaps between accreditation terms, given that AEs were required to submit the re-accreditation application six months prior to the end of their initial accreditation term and the next term only started upon AMA effectiveness for the said term. This timeframe covered application submission, GCF review, Board approval and negotiations, and effectiveness of AMAs;

(d) The upgrade pipeline as at 30 April 2022: Seven ongoing applications for accreditation upgrades from AEs;

(e) The accreditation pipeline as at 30 April 2022, comprising 138 entities:

(i) While the Secretariat was prioritizing re-accreditation applications to manage the workload, it also continued to review applications for new partners in Stage I, where possible;

(ii) The Secretariat progressed new applicants from Stage I review by the Secretariat to Stage II review by the Accreditation Panel if the entity aligned with the Strategic Plan for the GCF 2020–2023 and had completed the accreditation application; and

(iii) The majority of entities being progressed to Stage II were direct access entities (DAEs) or private sector entities; and

(f) Improving the operationalization of the accreditation and re-accreditation review process;

(i) Digital Accreditation Platform (DAP): More modules (e.g. upgrades, accreditation conditions and data management) expected to be launched in 2022;

(ii) Providing trainings and workshops to AEs on the re-accreditation process; and

(iii) Providing guidance to national designated authorities (NDAs) to identify potential DAEs and partner AEs for programming.

191. The Co-Chairs thanked the representative for the introduction and noted that 2022 was a very busy year for the Secretariat's accreditation team.

192. They invited the vice-chair of the AP, Mr. Yogesh Vyas, to make brief remarks.

193. Mr. Yogesh Vyas thanked the Co-Chairs and provided an overview of the two entities which were seeking re-accreditation. These were the Korea Development Bank (KDB) and Conservation International Foundation (CI):

(a) KDB was a national DAE while CI was an international access entity, both of which operated globally, were aligned with the Paris Agreement objectives and had a wide network of partners;

(b) Both were applying for medium-size projects and project management. In addition, CI was applying for grant award mechanisms and KDB was applying for on-lending/blending for loans, equity and guarantees;

(c) Both were seeking accreditation for the maximum environmental and social category B/intermediation 2;

(d) The review of re-accreditation applications occupied the majority of the AP's work, which impacted the ability of the AP to recommend more new applicants for accreditation;

(e) The AP had capacity constraints, as it was understaffed, and looked forward to the appointment of a new AP member; and

(f) The AP used the DAP to improve efficiency and would follow the streamlined approached approved in the adoption of the updates to the accreditation framework, which would help improve the efficiency of the accreditation process.

194. The vice-chair expressed appreciation to the support received from the Secretariat and thanked Board members, advisors and active observers for their comments and questions.

195. The Co-Chairs thanked the vice-chair and drew the attention of the Board to the draft decision in annex I to document GCF/B.32/04. They stated that, as was usual practice, they would consider the applications one by one. They invited the Board to consider the re-accreditation of applicant RAPL044 and invited the representative of the Secretariat to provide a brief introduction.

Re-accreditation proposal for RAPL044, the Korea Development Bank (KDB)

196. The representative informed the Board that they were providing an introduction on behalf of the Accreditation Panel.

197. Re-accreditation applicant RAPL044, the Korea Development Bank (KDB), based in the Republic of Korea, was seeking re-accreditation for the same accreditation scope as shown on the Boardroom screen.

198. The Co-Chairs invited the Board to approve paragraph (b) in the draft decision in respect of the re-accreditation application of RAPL044, as contained in annex III to document GCF/B.32/04.

199. They opened the floor for comments.

200. A number of Board members expressed support for the re-accreditation of KDB with a large number supporting an amendment to the decision text to reflect KDB's commitment to net-zero carbon targets. Other Board members stated their objections to this amendment.

201. The first Board member to suggest an amendment to the decision text noted that KDB seemed to be very committed to achieving net-zero emissions by 2050 in line with the Korean Government's policy and had stopped financing coal projects. Since it was first accredited, it had adopted a net-zero carbon programming policy (and its credit balance for fossil fuel power generation had declined substantially). It was important to note that it had the capacity to leverage private sector finance. They suggested that the Board include KDB's net-zero targets in the decision text in a similar way to the approach the Board had adopted with decisions concerning the re-accreditation of the Development Bank of Southern Africa (DBSA). The proposed amendment text would be: "The Board takes notes of the KDB's efforts to reach the 2050 carbon neutrality goal, including through its climate finance framework, and underlines its relevance for the Bank's re-accreditation at the Green Climate Fund". They noted that this wording was similar to that used for DBSA and they understood that this was acceptable to the Government of Korea and KDB.

202. A second Board member, who supported this textual suggestion and which they noted was also consistent with the re-accreditation of DBSA, encouraged KDB to make its relevant strategies publicly available. More broadly, the Board was yet to discuss and agree on guidance

for assessing how entities should make progress towards aligning their portfolios with the goals of the Paris Agreement in the context of the accreditation strategy. Ensuring that GCF partners were aligned with the Paris Agreement was an important element in the updated Strategic Plan. They noted in the document that KDB had a very carbon-intensive portfolio. However, there had been progress in its overall portfolio of activities, beyond those funded by GCF, in terms of an evolution towards low-emission development pathways.

203. Recalling that at previous Board meetings they had repeatedly emphasised the role that GCF could play in helping to shift global financial flows, a Board member observed that one way of doing this was through the GCF business model. This involved working with AEs and supporting them towards a green transition and more ambitious climate goals through the accreditation process. They were pleased to see that the AE was committed to a green transition, had a target of carbon neutrality by 2050 and would not finance any additional coal-fired power plants. Furthermore, it was important for the Board to be stringent in its decisions. They also commended the Accreditation Panel for the documentation provided at B.32, which reported on the baseline of AE's portfolio and highlighted the portfolio shifting that was taking place. This was a model of how they wished to see future reporting to the Board.

204. Given the concerns of other stakeholders, another Board member supported the amendment to the decision text which had been proposed.

205. A further Board member emphasized that GCF was not just a fund but a climate change fund. In the same way that GCF could not provide financial resources to a government for a funding proposal for forest protection, when at the same time the policies of that government exacerbated deforestation, GCF could not provide funding to AEs that continued to finance fossil fuel investments. Separately, they expressed concern at the way civil society active observers were regarded. The Board should not just "note" their concerns but address them. They should be treated by the Board as partners. They had sent a letter to the Board, and this should be responded to by the Board. They asked the Secretariat to assist with this. Finally, they asked the Secretariat to provide an assessment of DAE investments and whether they were responding to government requests.

206. A Board member expressed satisfaction that KDB could enhance private sector participation as it could leverage private sector funding. It also had a clear target of carbon neutrality by 2050 in line with the policy of the Government of the Republic of Korea. The Board member further noted its net-zero carbon programme. It was for these reasons that the Board should highlight and acknowledge KDB's achievements and commitments. They, therefore, supported the proposed amendment to the decision text.

207. Expressing support for the proposed amendment, a Board member stated that the Board was not only saluting the commitment of KDB towards achieving net zero but sending a clear signal that re-accreditation to GCF was not an automatic process. It clearly indicated that GCF had a strong ambition to play a transformative role.

208. One of the Board members who supported the re-accreditation of KDB but objected to the additional text stated that decisions on accreditation and re-accreditation must be in accordance with existing GCF policies; additional elements or conditions could not be imposed outside the agreed framework, in particular, any interpretation which undermined the objectives of the Paris Agreement and its associated Articles.

209. The Co-Chairs stated that it was their understanding that the proposed text was not a condition and therefore did not contradict what had just been said by the preceding Board member.

210. A second Board member opined that the text now displayed went beyond the Paris Agreement. It was important for the Board to respect existing policies. The language currently proposed was new and they expressed surprise that such an amendment to the text had been

suggested. Whilst they were pleased to see the progressive efforts by KDB to address climate change, the new text should be deleted.

211. A third Board member echoed comments by the previous two Board members. They emphasized that it was important for the Board to appreciate the difficulties faced by developing countries and the realities on the ground. The bigger picture was particularly relevant, namely the number and size of projects submitted by national direct access entities. They requested colleagues to reconsider this request.

212. The Co-Chair reiterated that this was not a condition but a note.

213. A further Board member expressed support for remarks made by developing country colleagues. GCF should follow the provisions and principles of the United Nations Framework Convention on Climate Change (UNFCCC) and the Paris Agreement, especially the principles of equity and common but differentiated responsibilities under the Convention. It should take account of national conditions in line with the country's nationally determined contributions and within the policy of promoting poverty eradication, sustainable development and food security. GCF should follow the country ownership and country-driven approach, GCF policies and its Rules of Procedure and avoid imposing any additional conditions on AEs. KDB was 100 per cent government-owned and run and was aligned with the government's goal of carbon neutrality. It had also established its deadlines regarding coal financing to stop new projects in this regard; all this information had been uploaded to its website.

214. Hearing the concerns by other Board members about progress made by KDB during its first accreditation term in shifting its investments towards greener investments, which was a critical element in the GCF's re-accreditation approach, a Board member noted that the re-accreditation proposal from the AE contained helpful information on the KDB's portfolio. This had shifted dramatically, in relative terms, away from fossil-intensive activities, and greenhouse gas emissions had been reduced in absolute terms. They looked forward to continuing to work with the KDB during its next accreditation period and supported the inclusion of the additional text. They recalled other examples where the Board had acknowledged progress made by an AE, including DBSA.

215. A Board member who noted the statement that had been added requested that part of the proposed new text be discussed further, namely "underlines its relevance for the Bank's re-accreditation at the Green Climate Fund." This was new language which was not included in the DBSA re-accreditation. If this was to be used as a new policy for re-accreditation, this should be considered separately by the Board.

216. Noting that there was no agreement at this stage, the Co-Chairs proposed to suspend the item for further consultations instead of taking any further interventions.

217. Whilst supporting the Co-Chairs' proposal to hold further consultations, a Board member stated that the language which had been introduced must be deleted. They had never seen language to this effect in any other climate change agreement or multilateral agreement.

218. The Co-Chairs confirmed that the Board would now revert to consideration of the original draft decision text whilst further consultations took place.

219. They recognized that the active observer for civil society organizations (CSOs) wished to make an intervention and explained they would be invited to do so once the consultation process had been concluded.

220. The Co-Chairs suspended consideration of the re-accreditation of applicant RAPL044.

221. They reopened the consideration of the re-accreditation of applicant RAPL044 on the third day of the meeting.

222. They informed the Board that there had been consultations with several Board members, and following this, they would introduce a revised decision text. The Co-Chairs read out loud new paragraph (b) as follows:

> *Also takes note* of the efforts of KDB to advance the purpose of the GCF, including through KDB's climate finance framework and related statements in the context of the United Nations Framework Convention on Climate Change and the Paris Agreement.

223. Former paragraph (b) now became (c) and former paragraph (c) became (d). No other changes had been made to the decision text.

224. They invited the Board to approve the re-accreditation application of RAPL044.

225. Seeing no further requests for the floor, the re-accreditation application of RAPL044 was so approved.

226. The Co-Chairs invited the active observer for to take the floor.

227. The active observer stated that it would have been preferable to have had the opportunity to provide the views of CSOs alongside Board members who were given the chance to share their thoughts prior to the decision-making process which had been taking place on the sidelines of the meeting since the initial discussion and also prior to the approval of this decision. The voices of the vulnerable – indigenous peoples, local communities, civil society – who were affected by the Board's decisions should be front and centre of the discussion and listened to with intent and urgency.

228. The insufficiency or lack of a rigorous and comprehensive baseline assessment, including fossil fuel engagement track records since KDB's accreditation to the GCF, was heavily reflected in KDB's re-accreditation application documents. CSOs urged the Board to reconsider the said application based on the following:

(a) The KDB still had no standalone climate policy concretizing its promise to end overseas coal financing, as proclaimed by President Moon Jae-in during the Climate Leaders' Summit last April 2021. In its application for re-accreditation, KDB claimed that it was going to align its financial portfolio with the Paris Agreement. However, it continued to support dirty energy projects globally. CSOs urged the Board to reconsider approving KDB's application until the Bank had developed a clear climate policy that was committed to ending any involvement in dirty energy.

(b) Since its accreditation in 2017, KDB had supported a total of USD 3.97 billion worth of fossil fuel projects globally (Oil Change International, 2017). As the Republic of Korea's third largest financier of fossil fuels, KDB had supported major domestic and international coal projects, such as the Samcheok and Jawa 9 & 10 power projects, which were mired in scandal, including allegations of financial negligence and use of public funds to prop up the ailing Doosan Heavy. Many of these projects were strongly opposed by peoples and communities due to their environmental and ecological risks. CSOs were concerned that the Secretariat and the Accreditation Panel missed this important information and feared that KDB's possible re-accreditation would compromise the financial integrity of GCF.

(c) The KDB had also underperformed as a GCF partner as it had not had any funding proposal approved by the Board in its entire five-year accreditation term. Its attempt to submit FP088, a biomass energy programme in the South Pacific, was opposed by CSOs and scientists on the basis of flawed carbon budget calculations. Such suboptimal performance in delivering climate projects was unacceptable. It was hard to believe that KDB did not have the capacity to develop effective climate projects when it was able to mobilize, finance and manage billions of United States dollars' worth of fossil fuel projects for years.

(d) Lastly, hundreds of CSOs had signed a letter addressed to the Board demanding that it not re-accredit KDB unless it (i) had a just, actionable and democratic climate policy that was truly Paris Agreement-aligned; and (ii) was committed to end all fossil fuel financing. They urged the Board to take action and deny its re-accreditation until KDB aligned its portfolio and actions with the goals and mandate of GCF.

229. The Co-Chairs thanked the active observer and apologized for not having been able to give them the floor earlier.

Re-accreditation proposal for RAPL016, the Conservation International Foundation

230. On the first day when the agenda item was originally opened and after the consideration of applicant RAPL044 was suspended, the Co-Chairs invited the Board to consider the re-accreditation of applicant RAPL016 and asked the representative of the Secretariat to provide a brief introduction.

231. The representative informed the Board that re-accreditation applicant RAPL016, the Conservation International Foundation, was seeking re-accreditation for the same accreditation scope during its first term of accreditation as shown on the Boardroom screen and recommended by the Accreditation Panel.

232. The Co-Chairs invited the Board to approve paragraph (c) in the draft decision in respect of the re-accreditation application of RAPL016, Conservation International Foundation, based in the United States of America, as contained in annex IV to document GCF/B.32/04, and opened the floor for comments.

233. Seeing no requests for the floor, they invited the Board to approve the re-accreditation application of RAPL016.

234. It was so approved.

235. The Board took note of document GCF/B.32/04 and its limited distribution addenda Add.02, Add.03, Add.04 and Add.05 titled "Consideration of accreditation proposals" and its addendum GCF/B.32/04/Add.01 titled "Status of the fulfilment of accreditation conditions".

236. The Board adopted the following decision:

DECISION B.32/03

The Board, having considered document GCF/B.32/04 titled "Consideration of accreditation proposals":

(a) <u>Takes note</u> with appreciation of the assessments conducted by the Secretariat and the Accreditation Panel contained within the relevant annexes for the following applicants for re-accreditation:

(i) Applicant R044 (RAPL044) is the Korea Development Bank (KDB), based in the Republic of Korea, as contained in annex II to this document; and

(ii) Applicant R016 (RAPL016) is the Conservation International Foundation (CI), based in the United States of America, as contained in annex III to this document;

pursuant to paragraph 45 of the Governing Instrument for the GCF, subject to, and in accordance with, the assessments by the Accreditation Panel contained in the relevant annexes for each of the applicants, and subject to the completion of Stage III of the *accreditation by having an effective amendment to the original accreditation master agreement, in accordance with decision B.24/13;*

(b) *Also takes note of the efforts of KDB to advance the purpose of the GCF, including through KDB's climate finance framework and related statements in the context of the United Nations Framework Convention on Climate Change and the Paris Agreement;*

(c) *Approves the re-accreditation of applicant R044 (RAPL044), the Korea Development Bank (KDB), based in the Republic of Korea, as contained in annex II to this document; and*

(d) *Also approves the re-accreditation of applicant R016 (RAPL016), the Conservation International Foundation (CI), based in the United States of America, as contained in annex III to this document.*

Agenda item 7: Updated workplan for 2022–2023

(a) Strategic planning and programming matters

237. The Co-Chairs opened the agenda sub-item and drew the attention of the Board to document GCF/B.32/09 titled "Co-Chairs' note on strategic planning and programming matters".

238. They provided an introduction which included decisions already taken regarding the timing of the second performance review (SPR), the second replenishment process and the updating of the Strategic Plan, along with several questions to guide the Board's discussion. These covered interlinkages, the replenishment process, the nature and timing of the updated Strategic Plan and the mandate to prepare decisions and documents. These had been detailed in a Co-Chairs' note and were shown on the Boardroom screen.

239. They proposed to take comments from Board members and then to come back with proposals for a decision during the meeting.

240. Board members thanked the Co-Chairs for the document.

241. They expressed a range of views, both in relation to the sequencing and timing of the various elements as well as broader questions on the inclusiveness of the processes, the roles of the Board and other stakeholders, the global economic and political factors which would form the context for the second replenishment, the lessons learned from the first replenishment period of the GCF (GCF-1), GCF's donor base, and other matters.

242. Several Board members expressed support for the overall timeline presented by the Co-Chairs and underlined the importance of adhering to it. This included the timing of the launch of the replenishment process, the Independent Evaluation Unit (IEU) second performance review and management response, the Secretariat's policy framework review and the updating of the Strategic Plan. One wished to see the second replenishment setting a standard for future GCF replenishment cycles. They recalled that there had been a very tight schedule ahead of GCF-1. This had meant that there had not been the opportunity for a deeper discussion on programming and their views had not been effectively reflected in the Strategic Plan for the GCF 2020–2023.

243. Another Board member, who stated that they had been both a Board member and potential contributor during the first replenishment, advised colleagues to bear in mind the budget cycles of potential contributor countries when determining the timing of various processes. In their case, their budget process for 2024 commenced in January 2023. This meant

that they needed most of the information about the GCF's second replenishment by the end of 2022. Underlining the important role of the Conference of the Parties (COP), they stated that the GCF pledging conference should take place before the twenty-eighth session of the COP (6–17 November 2023). Others also said the pledging conference should take place in the fourth quarter of 2023. One stated that it could not be postponed until the end of 2023 as the GCF's Trustee would need time to prepare for the new period, and would not have information on pledges from contributors.

244. On the timing of the launch of the second replenishment, some suggested that should happen at B.32 whilst others recommended B.33 at the latest.

245. Regarding the timeline for an update of the Strategic Plan, a number of Board members underlined the importance of completing the Strategic Plan for the GCF 2024–2027 by the third quarter of 2023. One Board member stated that if the Board decided to undertake a review of the 2020–2023 Strategic Plan, it should be completed before the end of GCF-1 (i.e. the end of 2023), with another echoing this timescale. Those Board members who wished to see the Strategic Plan updated by the third quarter of 2023 emphasized the critical importance of having this update completed, with one underlining that this meant adoption of the 2024–2027 Strategic Plan before the pledging conference, which would take place in the fourth quarter of 2023. A Board member stated that for Finland and Switzerland, it was very important that the new strategic orientation and programming, including the results framework and policy recommendations, be finalized and adopted before any pledging conference. This was a prerequisite to enable their two countries to participate in the GCF replenishment.

246. Many Board members noted the important role that the SPR, which was due to be finalized by the end of 2022, would play in feeding into the review of the 2020–2023 Strategic Plan. Two suggested that these processes could be undertaken in parallel. One noted their support for the proposed timescale with the SPR summary report to be delivered at B.34 and the SPR final report and the Secretariat management response at B.35. Three Board members recommended that the review of the 2020–2023 Strategic Plan should start during the third quarter of 2022, with a first draft no later than B.34 in October 2022 and adopted by B.36. One Board member observed that the review of the 2020–2023 Strategic Plan should analyse its implementation and draw lessons from it.

247. A Board member representing the African Group of Board members made several detailed remarks regarding the sequencing of the various elements. They stated that it would be necessary to mandate the Co-Chairs at B.32 to propose a decision on the replenishment process for consultation and approval not later than July 2022. In launching the replenishment process, the decision should include the lessons learned from the GCF-1 replenishment. It must address the role of the Board and the GCF's agreed inputs. Regarding the Board's consideration of the SPR, the IEU would deliver three outputs at the first meeting of the Board in 2022. One was the management action plan for the SPR strategic report and the rapid assessment report of the progress on the 2020–2023 Strategic Plan. Secondly, The IEU would present the SPR report summary, with evidence, findings and recommendations, at the last meeting of the Board in 2022 (B.34). Thirdly, the 2020–2023 Strategic Plan clearly stated that the SPR would inform the Board's consideration of a further update to the Strategic Plan.

248. On the overall timeline and with reference to decision B.24/04, a Board member requested an update on the status of the GCF policy framework review. The decision stipulated that the policy review should be based on the experience of the Secretariat in policy implementation and the identification of which policies required updating within the Board's workplan.

249. The Board member representing the African Group of Board members made several further remarks. In launching the guidance for the development of the review of and possible update to the Strategic Plan, given the agreed timelines, it would be important for the Board to

agree the following: (a) the 2020–2023 Strategic Plan review and update would be undertaken by the Secretariat under the authority and guidance of the Co-Chairs; (b) a decision to request the Secretariat to present for Board approval a comprehensive consultation programme to seek the views of GCF stakeholders for six months from June to December 2022; (c) the results of this would be presented to the Board to support Board consideration of the review and update of the Strategic Plan and the SPR; and (d) the Board should agree the timeframes for sequencing the replenishment process, the strategic programming exercise and the SPR at B.32.

250. A Board member emphasized that, while it was the mandate of the Secretariat to prepare a draft of the 2024–2027 Strategic Plan, there should be ample opportunity for Board discussion on priorities to inform the Secretariat's further development of the draft. They would welcome the Secretariat's advice on when such consultations could take place.

251. Turning from timelines to the goal of the GCF's second replenishment, a Board member underlined that strong political leadership would be essential, especially as some countries would still be emerging from the COVID-19 pandemic, while inflation and economic recession would provide the context. Despite the difficult global economic and political circumstances, they highlighted the importance of structuring the GCF processes to generate the maximum momentum to ensure a successful second replenishment. Another Board member echoed the need for substantial political support because it was necessary to mobilize large financial contributions. For this reason, the Board would need to be united to ensure GCF had solid resources for the next four-year period. For another Board member, the success of the second replenishment was strongly linked to the results achieved by GCF under the GCF-1 programming period.

252. In this regard, two Board members opined that the 2024–2027 Strategic Plan would constitute GCF's offer to potential contributors. Others observed that it would set out the vision and priorities for GCF, with one noting that the Board had a responsibility to provide guidance to all stakeholders and the Secretariat in a timely manner. They opined that an update to the current 2020–2023 Strategic Plan was interlinked with the replenishment process as it would set out how GCF resources would be used. It was emphasized that the 2024–2027 Strategic Plan would both inform and make the case for an ambitious second replenishment. One Board member also stated that it would clarify how GCF catalysed climate finance in the context of the new global climate finance architecture. Noting that the SPR would inform the 2024–2027 Strategic Plan, the Board member underlined the value of a stock-taking exercise to identify areas where they were yet to see progress to support an ambitious 2024–2027 Strategic Plan. This would enable the Board to clarify the priorities for the 2024–2027 Strategic Plan. In their view, this would include how to implement the full range of GCF instruments and policies in three main areas: (i) the engagement of the private sector; (ii) the business case for innovative climate finance instruments; and (iii) GCF partnerships.

253. A Board member stated that the 2024–2027 Strategic Plan should reflect key lessons learned and recommendations from the SPR, especially regarding results in terms of accreditation, impact measurement, the private sector and governance. As several processes were interlinked, these should happen in an iterative manner, drawing on SPR interim products such as IEU Synthesis report and SPR summary report. Given the short timelines, the development of the 2024–2027 Strategic Plan could not wait until the final SPR was completed in 2023. Other important strategic documents were the private sector and accreditation strategies and the Multilateral Organisation Performance Assessment Network (MOPAN) evaluation. The MOPAN evaluation would provide an independent review of GCF. If this process had not been launched by the end of GCF-1, GCF-2 contributors should be able to reserve the right, through the standard contribution agreement, to evaluate their new contributions individually or collectively through MOPAN.

254. A Board member who had been involved in the latest Global Environmental Facility (GEF) replenishment exercise said that they wished to see a clear vision of where GCF should be during the implementation of the 2024–2027 Strategic Plan, which required working closely with the Secretariat. This should include a key role for the private sector as the driving force. This should start with the adoption of the private sector strategy at the current meeting. Noting that the current 2020–2023 Strategic Plan was largely valid with many elements not yet implemented, a Board member did not see a need for a major overhaul, while accepting it would be useful to update it.

255. Several Board members underlined the importance of drawing on lessons learned from GCF-1 in the replenishment process. One Board member stated that they had been both a Board member and a potential contributor during the first replenishment process. It was their view that the Board had never properly discussed lessons learned from that process, and these could be important in developing the 2024–2027 Strategic Plan.

256. Many Board members posited that the most successful replenishment processes were inclusive and open. One Board member cited their recent experience in the latest GEF replenishment exercise as an example of this. Inclusive replenishments allowed for the voices of developing countries, including African States, least developed countries and small island developing States, civil society, the private sector, indigenous peoples, and others to contribute to the process and its conclusions. The value of the approach adopted during the GEF replenishment was highlighted by another Board member. A third Board member said that the process should be open and not only limited to donors, but should welcome the active participation of recipient countries, civil society, the private sector, and other stakeholders. A fourth Board member underlined the importance of striving for a balance between the Board's involvement, while not excluding potential donors from developing and developed countries. To help deliver climate action, all countries need to be invited into the replenishment process. They noted that pledges would be influenced by both the climate crisis and by what strategies would be employed to address this crisis. These strategies must be evidence-based and shared across the Board. A fifth Board member wished to emphasize that potential contributors without their own Board seat should be given the opportunity to express their views directly during the replenishment process.

257. Echoing the same theme, a further Board member opined that while GCF had quite a large group of contributors, it was important to expand the GCF donor base to further strengthen GCF activities; inclusiveness and transparency were critical to this. In terms of lessons from GCF-1, they stressed the importance of reflecting on the interlinkages between the contributor-led processes and Board-led processes. Whilst it was Japan's preference for a contributor-led process, a view echoed by another Board member, they could support the proposal under which substantive matters related to replenishment would be discussed by the Board.

258. On the latter point, several Board member underlined the importance of ownership of the process by the Board. For one, the question was how to design a process where the Board had sufficient oversight of policy programming direction, such as through the updated Strategic Plan, while ensuring that other views could be provided to ensure everyone felt that they had ownership. There should be a shared understanding of what was possible in terms of integrating guidance from the COP, as well as innovations seen in several GCF projects. These included FP181 by Pegasus Capital Advisors and FP186 by Macquarie Alternative Assets Management Limited.

259. Picking up the reference to the role of the COP, a Board member expressed concern that contributors would potentially be giving guidance to the GCF, when this was clearly the role of the UNFCCC. They opined that the UNFCCC was the equivalent of the United Nations General Assembly for GCF.

260. The Co-Chairs invited the Executive Director to take the floor to respond to questions raised.

261. The Executive Director clarified that the policy review was ready and could be submitted at B.33.

262. Regarding the question of consultations and having been part of several replenishment processes on behalf of trust fund managers, the Executive Director said that consultations were critical. These needed to be both in-depth and have political leadership. If the Board wished to have a first draft of the 2024–2027 Strategic Plan by B.34, alongside the SPR summary report – which would already have benefited from a first round of consultations – to enable the Board to give further guidance on the development of the 2024–2027 Strategic Plan, this could be provided. A major programming meeting could be organized during the second or third quarters of 2022, as well as during a private sector conference in September 2022.

263. The Co-Chairs thanked the Executive Director and the Board members for the comments. They confirmed that they would come back to the Board with further proposals during the meeting.

264. The agenda item was suspended.

265. The Co-Chairs reopened the item on the third day of the Board meeting.

266. They stated that a revised draft decision had been circulated to Board members that morning. They clarified that a text had been issued the previous evening but had since been updated. They requested that the Secretariat present this on the Boardroom screen.

267. The Co-Chairs stated that the only change was to paragraph (c). After the words "observer organizations", they proposed the addition of "and parties to the UNFCCC and the Paris Agreement".

268. They asked the Board if they could approve the draft decision.

269. Seeing no comments or objections, it was so approved.

270. Following the approval, three Board members took the floor. The first Board member thanked the Co-Chairs and their teams for their work on the text and expressed satisfaction that the Board had approved the decision on strategic programming, including clear sequencing. They noted that, as mentioned in paragraph (g), the adoption of the 2024–2027 Strategic Plan must happen at B.36. The process should be inclusive to achieve a solid, balanced, and ambitious 2024–2027 Strategic Plan that reflects the collective views of interested Parties. Inclusiveness also meant prospective contributors as well as existing contributors in multi-country seats such as theirs, which did not have a Board or alternate member. GCF could not expect to mobilize prospective donors if they were not part of discussions on strategic programming. The planned replenishment meetings needed to be substantial, and the information from these must flow from there to the Board and from the Board's strategic processes to these replenishment meetings. It was common practice in replenishment processes such as those for multilateral development banks, the Climate Investment Funds (CIF) or GEF that prospective donors were full participants to the process. At GCF, the participation of prospective donors was not as direct. It was therefore good that such contributors had the opportunity to engage and be consulted as specified under paragraph (c) and to make submissions under paragraph (d) as well as in the planned replenishment meetings.

271. A second Board member echoed support for these remarks, noting that this was how they understood the word "stakeholder".

272. The remarks by the first Board member were supported by a third Board member.

273. The Co-Chairs thanked the Board members and confirmed that they had taken account of the request from Board members. It was for this reason that paragraph (c) had been amended.

274. The Board took note of document GCF/B.32/09 titled “Co-Chairs’ note on strategic planning and programming matters”.

275. The Board adopted the following decision:

DECISION B.32/04

The Board, having considered document GCF/B.32/09 titled “Co-Chairs’ note on strategic planning and programming matters”:

(a) Recalls decision B.24/02, decision B.24/04, by which the Board endorsed the policy cycle for 2020–2023, and decision B.27/06, by which the Board adopted the updated Strategic Plan for 2020–2023;

(b) Requests the Secretariat to present the findings of the Secretariat-led review of the GCF policy frameworks at the thirty-third meeting of the Board, as per paragraph 38 of the updated Strategic Plan for 2020–2023;

(c) Decides to conduct an open, inclusive, transparent consultation process engaging Board members and alternate Board members, national designated authorities, accredited entities, active observers, observer organizations and parties to the United Nations Framework Convention on Climate Change and the Paris Agreement, members of GCF panels and groups including the Indigenous Peoples Advisory Group, and other stakeholders to inform the review and update of the Strategic Plan;

(d) Requests the Secretariat to facilitate the open, inclusive, transparent consultation process through, inter alia:

(i) Calls for submissions;

(ii) Engagement with national designated authorities and accredited entities on programming needs and opportunities; and

(iii) Producing summaries of inputs and publishing inputs on the GCF website;

(e) Also requests the Secretariat, under the guidance of the Co-Chairs, to present to the Board the review of the updated Strategic Plan at the thirty-fourth meeting of the Board and a zero draft of the updated Strategic Plan for its consideration at the thirty-fourth meeting of the Board, taking into account the summary findings of the second performance review, the findings of the policy review and inputs received through the consultation process described in paragraph (c) above;

(f) Decides to have an informal day at the thirty-third and thirty-fourth meetings of the Board to exchange views on the GCF strategic vision, objectives and priorities for the coming replenishment cycle, taking into account evolving priorities including guidance of the Conference of the Parties to the United Nations Framework Convention on Climate Change, the Conference of the Parties serving as the meeting of the Parties to the Paris Agreement, and relevant reports from the Independent Evaluation Unit, and to assess opportunities for GCF strategic programming in the second replenishment period; and requests the Secretariat to incorporate the views into the revised updated Strategic Plan referred to in paragraph (e);

(g) Decides to conclude its consideration of the update of the GCF strategic plan no later than the thirty-sixth meeting of the Board;

(h) Confirms that, as part of the strategic programming exercise, it will consider the evidence and findings of the second performance review, delivered in accordance with the 2022 Independent

Evaluation Unit workplan and the schedule noted by paragraph (f) of decision B.BM-2021/11; and

(i) Requests the Co-Chairs to prepare a draft decision for the consideration of the Board at its thirty-third meeting in order to launch the replenishment process, and that the process will be conducted in an open, transparent, and inclusive manner.

Agenda item 8: Policy consultations

(a) Update of the simplified approval process

276. The Co-Chairs opened the agenda sub item and drew the attention of the Board to document B.32/05 titled "Update of the simplified approval process" and its addenda.

277. They informed the Board that the object of the session today was not to decide on the three policy issues but to introduce the work undertaken by the Co-Chairs over the past three weeks since publication of the document. The Co-Chairs had led consultations and identified the issues to be worked on. They had circulated their proposal titled "Co-Chairs' report on SAP consultations"). They intended to briefly highlight their bridging proposals on several of these followed by those issues where they considered that further discussion was necessary. There were initially over 10 outstanding issues. For several of these, the Co-Chairs proposed compromises. They summarized the issues and their proposals as presented on the Boardroom screen as follows:

(a) Simplification

278. The measures that had been identified in the document represented the best efforts of the Secretariat to identify simplified approval process (SAP) simplification measures without making more fundamental specific changes in policy requirements. The Secretariat was committed to making continuous efforts to identify and implement opportunities to further simplify. Regarding the question of concept notes, the Co-Chairs proposed to make them optional for SAP projects.

(b) Risk category for simplified approval process projects

279. The Co-Chairs noted that there appeared to be a consensus to define activities under the SAP as no-risk projects.

(c) Simplified approval process implementation strategy

280. The Co-Chairs recognized the importance of the issue and suggested that it needed to be further considered as part of a broader strategic and programming discussion that would be started later in meeting.

(d) Key performance indicators

281. The proposal of the Co-Chairs was to request the Secretariat, going forward, to consider new, granular and ambitious key performance indicators (KPIs) for SAP, including for the post-approval stage, as part of the Secretariat work programme for 2023.

(e) Readiness and Preparatory Support Programme

282. The Co-Chairs did not propose a SAP-specific capacity-building programme, so this could be deleted from the document. Instead, it was their view that the issue could be considered in the broader context of the Readiness Programme.

(f) Direct access entities

283. The proposal from the Co-Chairs was to include text in the decision that would acknowledge the SAP's contribution to implementing the guidance from the Conference of the Parties to the United Nations Framework Convention on Climate Change (UNFCCC) (see UNFCCC decision 10/CP.22, paragraph 6), which requested the Board to facilitate an increase in the amount of direct access proposals in the pipeline.

284. The Co-Chairs then turned to the three outstanding issues where they had not yet been able to find compromise. These were:

(1) Project size for simplified approval process projects

285. The Co-Chairs had concluded that there was a need to have further discussion, taking account of the Governing Instrument for the GCF and the current status of the pipeline. They noted that whilst the difference between USD 20 million and USD 50 million might not seem that significant, within the project size categorization for both the regular proposal approval process (PAP) and SAP, there was already a "small" category for up to USD 50 million.

(2) Decisions without a Board meeting

286. As there was no consensus on this, the Co-Chairs concluded that there was a need for further discussion.

(3) Presumptive existence of climate rationale

287. The Co-Chairs acknowledged the importance of the issue and noted that it extended beyond the SAP. They therefore suggested to have further discussions.

288. In conclusion, the Co-Chairs reminded the Board that the intention was not to take decisions on these today. Regarding the issues where they had proposed compromises, they wished to confirm if there really was consensus. Secondly, they looked forward to hearing views on the three outstanding issues.

289. The Co-Chairs opened the floor for comments.

General comments

290. Board members thanked the Secretariat for its hard work on the paper and the Co-Chairs for the inclusive consultation processes and for clearly setting out the remaining issues. In addition to addressing the matters raised in the presentation by the Co-Chairs, several Board members expressed a desire to conclude the update to the SAP during the meeting. This was high priority and long overdue. One Board member emphasized that the update had been discussed at length and that Antigua and Barbuda was the perfect place for the adoption of the updated SAP. Those Board members representing least developed countries (LDCs) and small island developing States (SIDS) underlined the importance of this policy for their constituencies. Others stressed the importance of improving access for developing countries to GCF resources and noted the importance of the SAP mechanism in this regard. One noted that their government was active in the task force on access to climate finance, and an updated SAP was part of this wider effort to enhance access overall.

291. A Board member wished to express particular thanks to the Secretariat for its efficiency in responding to questions raised and, speaking on behalf of LDCs, commended the Secretariat for the substantial improvements to the policy paper. They thanked fellow Board members who had supported their initiative in recent years to improve the SAP. It was clear from the statistics that SAP was not being widely used as it was too complex and not significantly simpler than the regular PAP. Whilst there could have been further simplifications, they now saw an opportunity for the SAP to be truly simplified.

292. For another Board member, an analysis of the time taken for the 23[2] SAP approvals revealed wide ranging timescales from 200 days to over 1,500 days for projects in the pipeline. (Two SAP projects had taken over 800 days and another two had taken over 700 days.) In one case, a project took more than 12 months from submission of the funding proposal. The Board member said they were not satisfied with level of simplification. They said that this was very important for the countries they represented with very limited capacity to submit funding proposals. Furthermore, they wished to know why there had been no SAP projects presented to the Board for the last five meetings. Whilst recognizing that there had been improvements, another Board member stated that it had not gone far enough in terms of simplifying the process. A further Board member said they had supported the updated SAP to simplify, facilitate and accelerate the process from application to approval and first disbursement. The SAP had demonstrated its capacity to prioritize adaptation projects in the most vulnerable countries. This trajectory needed to be strengthened to implement the Strategic Plan. Another Board member looked forward to seeing how the Secretariat and the independent Technical Advisory Panel (TAP) would work together on the SAP process.

293. The Co-Chairs urged Board members to focus their interventions on the three outstanding issues. These and any comments on the other issues are reflected below.

Project size for simplified approval process projects

294. On project size, there were a range of views with some Board members indicating that the cap could be increased to USD 20 million, others suggesting USD 20–25 million or USD 20–30 million, whilst others supported an increase to USD 50 million. Some were flexible on the various options proposed in the document. One emphasized that what was important was not so much the amount than that it was raised from the current cap of USD 10 million. Another Board member stated that if there was consensus to increase the risk category, they would insist that the cap remained at USD 10 million. However, a Board member stated that if it was decided to increase the cap, it must not lead to an increased demand for information during the review process. They opined that expanding the cap would not resolve all access issues if information requirements and review processes were not simplified and streamlined. Many direct access entities (DAEs) were only accredited for micro and category C, and therefore expanding the ceiling would not necessarily result in more DAE projects. One Board member recommended further consideration during the meeting of the implications of increasing the GCF funding cap vis-à-vis the goal of achieving simplification of SAP, as inevitably this may mean trade-offs. Another highlighted that doubling to USD 20 million would already be an ambitious step and would be very significant for some countries. However, if there remained limits on the activities which could be undertaken, then the projects may not have a substantial impact. A Board member stated that it was critically important to continue with risk-free projects to maintain (i) the provision in the Governing Instrument for small scale activities; and (ii) no cap activities in the SAP proposal. Increasing the cap from USD 10 million to USD 25 million would still imply an overall cap on the size of grant for GCF projects. It would be appropriate for the

[2] Secretariat note: This total excludes the SAP project approved at B.32 (SAP024). An active observer for private sector organizations, in paragraph 323, references 24 SAP approvals.

SAP to be used for projects up to USD 50 million, as well as for micro and small-scale activities, in order for the SAP to be accessible and targeted to accredited DAEs.

Decisions without a Board meeting

295. A number of Board members expressed support for SAP approvals to be taken on a no-objection basis to speed up the process, given that the Board only met three times a year (i.e. 12 days under normal circumstances), which caused substantial delays to the approval process. One also indicated that they wished to see this decision-making mode used much more widely going forward for a wide range of matters. A Board member said that it would further speed up the process for smaller and lower-risk projects and would also save time at Board meetings. Furthermore, it would distribute the workload more evenly throughout the year. However, two Board members who supported this approach insisted that this should only happen if the Board's active observers were able to comment on the projects and there was full transparency. One stated that the due diligence of the Board was ensured because if any written objection to the approval of a SAP project between meetings had not been lifted, the proposal would be deferred to the next Board meeting. Another Board member wished to see decisions without a Board meeting initially being used for projects up to the current cap of USD 10 million and for category C activities. This could be expanded once everyone was comfortable with using that approach. This would be a sign of the growing maturity of the Secretariat and the Board. However, they observed that this would only work in speeding up the process if there was a willingness among Board members to make this work. A Board member representing LDCs stated that they were flexible on whether the decision without a Board meeting modality was used or a formal Board meeting. Whilst recognizing that there was no consensus on this, two Board members expressed their support for the delegation of approval of SAP projects, up to a specified ceiling, to the Executive Director.

296. A Board member stated their opposition to using decisions without a Board meeting for SAP approvals as this would disadvantage developing countries. Multiple discussions had taken place during the last two years of the COVID-19 pandemic, and developing country Board members had lived through those challenges. Another Board member said they could not support including SAP project approvals as part of the Board's decision-making procedures as per paragraphs 41 and 42 of the Rules of Procedure of the Board. A further Board member requested that the Rules of Procedure be followed in respect of SAP projects, which should be submitted to regular Board meetings.

Presumptive existence of climate rationale

297. Several Board members indicated that they wished for climate rationale to be considered under the climate rationale policy paper, which should be adopted as a priority, with two indicating that they were, in principle, not in favour of a presumption under SAP or for aligning feasibility studies with such a presumption. The focus should be on reducing bureaucracy and not at the cost of scientific rigour. For one Board member, it made no sense to agree on a presumption of climate rationale until a climate rationale policy had been adopted. Another noted that there was an ongoing policy process to discuss climate rationale, including ways to establish climate rationale when solid climate data was not available. This should be addressed in that context. It was important that there was climate rationale for all GCF projects, including small ones. A further Board member echoed this view, noting that a unique feature of GCF was the need for a clear climate rationale. However, it should not be burdensome and should reflect the requirements of the SAP. This would be discussed further at B.33. Another Board member indicated their openness to discuss the question of presumption, but also wished it to be included in the climate rationale policy paper.

298. Regarding the other issues the following comments were made:

Simplification

299. Several Board members emphasized that the main focus should be on simplification measures, particularly those focusing on documentation. One noted that it was their view that questions of eligibility were really outside the scope of the SAP simplification for which they had long pushed. However, they were willing to be flexible, particularly in relation to decisions taken between meetings, and hoped others would do likewise. However, two stated that the application of policies and standards should remain uniform across all GCF projects/programmes. One noted that the Secretariat had made all of the simplifications possible with the current GCF business model. At the same time, they encouraged the Secretariat to think more broadly about simplification and what future changes to the model might be made. Opining that the current update did not significantly simplify the process, a Board member was supportive of approving the updated SAP at the current meeting and considering further updates in two to three years' time. They believed that, notwithstanding its defects, the updated policy would support many DAEs. Given that the current SAP had failed to meet its mandate, another Board member expressed a willingness to consider all proposals which fundamentally simplified the process, including streamlining documents, engaging the DAEs, increasing transparency and other proposals. This meant that documentation must be truly simplified and information requirements, particularly in respect of climate rationale and the proposal review process, would not be unnecessarily burdensome, and would be clearly communicated and consistently applied. Information requested through the review process must only be what was absolutely essential.

300. A Board member stated that they wished to see the Secretariat develop a map of the GCF business model to identify areas which could be simplified to ensure that the SAP modality was truly simplified. Based on the GCF business model mapping, the Board would consider and adjust the business model within the next two years.

301. A Board member expressed support for keeping concept notes mandatory whilst simplifying the templates, opining that concept notes were helpful in determining eligibility. However, they were open to making them voluntary. Another underlined the importance of simplifying documents, and in this regard, they supported making concept notes voluntary.

302. Two Board members expressed support for proposals in the document to fast-track SAP projects. One said that they were open to other ways to simplify SAP and the documentation. Given GCF's goals in respect of paradigm shift, this could include developing a set of SAP guidance templates for climate impact areas and identifying certain small-scale activities with a proven record of implementation that were ready to be scaled up or replicated in coordination with other climate funds, including entities under the UNFCCC. They were also willing discuss other proposals, including concept notes, KPIs, capacity-building, project development programmes and the development of different and tailored investment criteria.

Risk category for simplified approval process projects

303. Several Board members indicated that they did not support any change from the current risk category (category C), with two noting that expanding to a higher risk category would prevent further simplification. One said that expanding eligibility should only be done in a way that truly simplified access. They added that category B projects required lengthier and more complex preparation and review as the Board needed to maintain strong oversight over environmental and social risks. In this update, the focus should be on further simplification. However, another said they could support increasing the risk category to category B. Another Board member recalled that they had already proposed a phased approach to considering a higher risk category once the simplifications in the current update had been implemented and reviewed. A Board member stated that under 'Part II: Eligibility Criteria' of the document, there

needed to be the inclusion of the non-exhaustive list of eligible activities from the current SAP policy (decision B.18/06) into this policy.

Simplified approval process implementation strategy

304. A Board member suggested addressing the SAP implementation strategy under the broader strategic programming activities and to have a target to increase the percentage of SAP projects within the overall GCF portfolio from 5–7 per cent to at least 20–25 per cent.

Key performance indicators

305. Several Board members addressed the question of KPIs. One expressed their flexibility to discuss KPIs whilst another wished for the Board to provide direction to the Secretariat in terms of KPIs in its annual work programme. A Board member sought clarification on this latter point and how this would be reflected in the decision text. If this was the intention, they indicated their support.

306. Speaking on behalf of SIDS, a Board member stated that with reference to 'Part V: Review and Evaluation' in the document, they wished to see the Secretariat draft new and more ambitious KPIs, and these should show that the Secretariat intended to address them within the work programme for a given year for customary Board negotiation and approval. All references to 'and when feasible' as a qualifier to the KPI developments should be included as a qualifier in the policy and decision text. The focus areas of the KPIs must include:

(1) Single instance interdivisional Secretariat review;

(2) Faster interdivisional Secretariat review;

(3) SAP funding proposals with funded activity agreement (FAA) execution at the Board meeting;

(4) Total number of SAPs approved per year; and

(5) Total volume of SAPs approved.

307. With reference to 'Part IV: Approval process and Post-approval Stage':

(a) The Board member proposed that FAA execution should happen at Board meetings (or within seven days). This should be inserted in the policy document as a norm under the SAP modality (i.e. at least 90 per cent of all SAP funding proposals each year); and secondly

(b) They requested the Secretariat to develop a template for subsidiary agreements between accredited entities and executing entities.

308. In relation to workload and programming targets, another Board member stated that this would involve significant resources in terms of both the Secretariat and the independent TAP. If there were a high number of SAPs, there would inevitably be trade-offs.

309. Two Board members stated that they welcomed the simplifying/streamlining of post-approval processes. One opined that the current document was lacking in respect of how to simplify/streamline post approval processes such as in relation to FAAs.

Readiness and Preparatory Support Programme

310. Two Board members expressed agreement with using the Readiness and Preparatory Support Programme (and the revised Readiness Programme in 2023) as a means of technical assistance and support, with one noting that this was a good way to help DAEs to submit a

greater number of SAP projects for Board consideration. One wished to have further clarification on how this would work in practice.

Direct access entities

311. A Board member expressed the hope that, since the existing SAP had attracted a higher number of DAE and adaptation projects, the current update would further strengthen this.

312. The Co-Chairs invited an active observer for civil society organizations (CSOs) to take the floor.

313. The active observer said that CSOs were excited to finalize this overdue work on the update of the SAP, bearing in mind the purpose of the SAP was to provide a streamlined pathway for low-risk projects, primarily led by DAEs. The decision taken at B.32 should reflect the priority of ensuring that this process better served these projects without unnecessarily expanding the scale of projects the SAP encompassed.

314. The observer stated that it was important that the Secretariat developed a SAP capacity-building and project development programme. Having the dedicated time and resources associated with a specific programme was necessary to ensure tailored attention to SAP projects and to support the progression of the backlog of 102 proposals and concept notes in the SAP pipeline.

315. CSOs welcomed retaining the SAP solely for risk category C proposals, as category B projects could bring considerably greater risks and therefore commensurately more documentation requirements. As such, they were not appropriate for the SAP. They also welcomed that concept notes remained optional.

316. The funding limit for SAPs should not be increased, although CSOs were willing to consider limited circumstances that prioritized scaling up successful activities and enhancing the role of DAEs. Raising the funding limit posed the risk of displacing smaller projects in the pipeline, and even greater risks might arise if the risk category was to be expanded as well.

317. The active observer stated that the Board should not adopt a between-Board meeting procedure for SAPs. No-objection decisions posed risks that were not outweighed by the potential, but limited, efficiencies in the SAP approval to be achieved. While appreciating the improvements since the last draft in specifying that all comments, submissions and responses to questions would be shared promptly with all Board and alternate members and the active observers, creating a no-objection process between Board meetings would inherently involve less scrutiny of projects. CSO networks demanded the greatest levels of disclosure, transparency, and consideration possible when it came to projects directly affecting communities. The passivity of this procedure also created risks that critical comments by observers were overlooked in emails while the timeline for objections expired.

318. CSOs were open to a principle of presumptive climate rationale, which seemed to be in keeping with the purpose of streamlining the SAP documentation. However, they acknowledged it would not be appropriate to consider this if there was to be an expansion of the funding cap. CSOs also generally supported efforts in this direction which were based on Intergovernmental Panel on Climate Change findings that adaptation and development were often closely entwined; separating these created a burden for DAEs. They were also appreciative of the explicit recognition of the local and traditional knowledge of communities who best understood their needs. Such an approach required a level of trust, as Board members acknowledged. It was important to ensure that adaptation proposals served their intended purpose while honouring the fundamental principle that communities should determine their needs, and that the process of project prioritization should be country-driven.

319. The active observer said it was also important to note that the development of SAP programming guidance and templates to fast-track the preparation of SAP proposals would not achieve their full effect without consultation with civil society, indigenous peoples, and local communities in the preparation of these materials.

320. Ultimately, it was not appropriate to improve the SAP by expanding the scale of potential SAP projects, which would undermine the SAP and provide international access entities (IAEs) with more opportunities to bypass the regular funding proposal process. However, it was possible to improve the SAP by providing substantial, targeted support to DAEs and streamlining documentation requirements.

321. CSOs requested that a clear time frame for review be included in the decision text to ensure a reassessment of the SAP two years from the current changes.

322. The Co-Chairs thanked the active observer for CSOs and invited the active observer for private sector organizations (PSOs) to take the floor.

323. The active observer said that the private sector strongly recommended that the SAP be updated at B.32 as the sector was underrepresented in the 24 approved SAP funding proposals. This underrepresentation of the private sector within this crucial modality limited innovative and impactful projects to the detriment of the goals of GCF and key constituents such as LDCs and SIDS.

324. The desire of the private sector to work with GCF was incontrovertible as evidenced by the overwhelming response to the Mobilizing Funds at Scale Request for Proposal. However, for this partnership to deliver for the vulnerable communities being ravaged by climate change, the process of GCF must be fit-for-purpose. In relation to utilization of SAP by the private sector, the active observer said that "the juice has to be worth the squeeze". At the moment, with timelines exceeding 300 days, that was not the case. In this vein, they wholeheartedly supported the updating of the SAP as a constructive step that could be taken at B.32 in order to attract more private sector funding proposals, particularly from DAEs.

325. Specifically, regarding the update of the SAP, they wished to contribute the perspective of the private sector on the following three points:

(a) Firstly, PSOs supported increasing the financial ceiling of GCF funding to projects/programmes under the SAP to USD 25 million. This pragmatic and sensible approach would go a long way to the SAP delivering on its goal of encouraging small-scale activities. They recognized that the increase of the cap required a trade-off between the full suite of checks and balances versus the benefits of delivering small-scale activities in a timely and cost-efficient manner. They believed this balancing could still be undertaken with an increase to Category B. The proposed increase in the cap could only enhance the pipeline of potential projects in LDCs and SIDS;

(b) They strongly supported the recommendation that the Board adopt the 21-day period for the no-objection approval process for SAP funding proposals. This procedure would provide the timeliness crucial to smaller projects (and their stakeholders). If the Board wished for DAEs to be undertaking these types of projects, it needed to make sure they could be delivered in the timeframe required. It took a lot of resources to go through some of the project approval processes, and these were resources small IAEs did not have and certainly many DAEs did not have. The procedure would provide them the timeliness they needed while also ensuring the fiduciary standards of the GCF were applied and reviewed; and

(c) The private sector welcomed the reflective and pragmatic nature of the proposed SAP update. For example, the recommendations that GCF rounds of comments be minimized and templates be simplified were genuinely helpful for the day-to-day work of AEs and could be applied more broadly to the proposal approval process as well.

326. The Co-Chairs thanked the active observer for PSOs and Board members for their comments.

327. Before suspending the item, the Co-Chairs noted the following summary points. The first was that there appeared to be a strong commitment to concluding this matter at B.32. This should be borne in mind when it was time to make final compromises. Regarding the Co-Chairs' proposal, they noted good support, even if it was not unanimous. Whilst there was still no obvious solution to the three outstanding issues, the Co-Chairs would undertake further work on this and bring back their conclusions later in the meeting.

328. The Co-Chairs suspended the item.

329. The Co-Chairs reopened the item on day three of the meeting and informed Board members that they now had a revised draft decision. The only change was in paragraph (e), where the ceiling for SAP funding had been increased to USD 25 million. They asked the Board members if they wished to adopt the revised decision.

330. Several members requested the floor to make further remarks.

331. Whilst stating that they did not object to the decision, a Board member expressed their disappointment at the decision and the removal of the paragraph on Board decisions without a Board meeting. This could have reduced approval time by 150 days, given the time period between the last meeting of the year and the first of the following year. There had been no substantive discussion on why those who objected were doing so. Furthermore, their benchmark for the updated SAP was that there would be a significant difference between the SAP and the PAP. It was hard to see how the updated SAP was living up to this benchmark. Whilst recognizing that there was a strong will from colleagues representing SIDS and LDC constituencies to have the decision approved, it did not represent the level of ambition they had hoped for. Their priority had always been to make access to finance simpler for developing countries, especially LDCs and SIDS. This had not been achieved with the policy paper presented.

332. A second Board member said that they wished to align themselves with these remarks but supported the decision presented.

333. A third Board member expressed disappointment at the removal of the paragraph related to Board decisions without a Board meeting but stated that they were not objecting to the decision presented.

334. A Board member who said they were speaking on behalf of SIDS made the following remarks.

335. They wished to register their disappointment that the process had not been further simplified. It was their view that a reengineering of the GCF business model for this entire policy framework was still necessary at the Secretariat level. They believed that a policy mapping exercise was important to form the basis of a truly simplified SAP in the future.

336. The Board member wished to highlight that the principle of a presumptive existence of climate rationale for adaptation included a presumption that there was "the unequivocal evidence". They had noted that the text had been amended and now read "the existence of unequivocal evidence…" when it should read: "the unequivocal evidence and the science from the Intergovernmental Panel on Climate Change, and local and traditional knowledge".

337. Finally, the Board member stated that they understood that the SAP programming guidance would not impose any additional requirements or burdens on the AE, national designated authority, and/or the host country. They hoped that this would form the basis for

reviewing SAP projects but would not be mandatory such that it would delay the approval of these projects.

338. Another Board member expressed support for the remarks by the Board member representing the SIDS constituency. They recognized that the policy had both advantages and disadvantages and noted that it was never easy to agree on such matters. Regarding Board decisions without a Board meeting, they said that this could be discussed further and noted that the review of the updated SAP down the line would provide an opportunity for the Board to review it. This experience would reveal the uptake by countries, which in turn would indicate the extent to which they felt it had been simplified sufficiently to make it attractive. They expressed thanks to all those colleagues who had supported the update to the SAP. They also requested that the Secretariat and independent TAP be mindful in giving preference to LDC and SIDS projects and not to be excessively rigorous in their implementation of the policy. Having had bilateral discussions with the independent TAP, it was their understanding that there was broad agreement between the Secretariat, the independent TAP and national designated authorities to ensure the process was truly simplified.

339. A final Board member wished to echo the comments of the Board member representing SIDS about the importance of continually looking for further simplification of the process and looking at reengineering the GCF business model for further simplification. Their seat would continue pushing for improved access and would work with other Board members towards this end.

340. The Co-Chairs asked the Board if they wished to adopt the draft decision as presented.

341. Seeing no objections or further comments, the decision was so adopted.

342. The Board took note of document GCF/B.32/05 and its addenda Add.01, Add.02 and Add.03 titled "Update of the simplified approval process".

343. The Board adopted the following decision:

DECISION B.32/05

The Board, having considered document GCF/B.32/05 titled "Update of the simplified approval process", and with reference to decision B.18/06, which mandated the review of the simplified approval process Pilot Scheme:

(a) Approves the update of the simplified approval process as set out in annex IV;

(b) Requests the Secretariat in close consultation with the independent Technical Advisory Panel and considering the rolling review procedure outlined in decision B.28/03, to simplify the process and reduce the information required for the review of the simplified approval process proposals in a manner that takes into account their smaller size and minimal or no adverse environmental and/or social risks and/or impacts;

(c) Also requests the Secretariat to include, starting from the 2023 work programme, granular and progressively ambitious key performance indicators for the simplified approval process (including for the post-approval stage) taking into account, among other things, the recommendations provided in the Independent Assessment of the Simplified Approval Process Pilot Scheme (GCF/B.30/07) and the Secretariat's management response thereto (GCF/B.30/07/Add.01);

(d) Further requests the Secretariat to ensure the continued provision of readiness support for simplified approval process funding proposal preparation and access as part of the current readiness and preparatory support programme and for more comprehensive simplified

approval process support to be addressed in the 2023 update to the readiness and preparatory support programme;

(e) *Confirms that the scale of simplified approval process projects will be increased to a total GCF contribution of USD 25 million per funding proposal as per paragraph 4(a) of annex IV;*

(f) *Also confirms that the scope of activities under the simplified approval process projects remains with no to minimal adverse environmental and/or social risks and/or impacts, as per paragraph 4(b) of annex IV;*

(g) *Further confirms that the simplified approval process strategy will be addressed as part of the Board's 2022–2023 strategic programming activities;*

(h) *Agrees to review the update of the simplified approval process policy as part of the overall policy cycle for the next programming period;*

(i) *Confirms that matters related to a principle for the presumed existence of climate rationale for the review of adaptation funding proposals under the simplified approval process, based on the existence of unequivocal evidence and science from the Intergovernmental Panel on Climate Change, and local and traditional knowledge will be taken up, and integrated into, the "Steps to enhance climate rationale" paper to be considered in an upcoming meeting of the Board; and*

(j) *Requests the Secretariat to continue to identify areas for further simplifications within the GCF processes, to inform the review of the simplified approval process and its implementation as noted in paragraph (h) above.*

Agenda item 8(b): Review of the initial private sector facility modalities and the private sector strategy

344. The Co-Chairs opened the agenda item and drew the attention of the Board to document GCF/B.32/06 titled "Review of the initial private sector facility modalities and the private sector strategy", which had been circulated by the Secretariat on 25 April 2022. Following its publication, the Co-Chairs had led a Board-level consultation on the matter, after which they circulated a note outlining the issues they believed required further Board deliberation.

345. Following further discussions between the Co-Chairs and the Secretariat, the document was revised and circulated on 15 May 2022. This revision contained the draft decision and annexes containing the private sector strategy and outreach plan. The background information had been removed but it remained in the Board document published earlier. The Co-Chairs confirmed that no substantive changes had been made to the document; it had merely been restructured. A few changes had been made to the draft decision to reflect a procedural paragraph regarding the Independent Evaluation of the Green Climate Fund's Approach to the Private Sector by the Independent Evaluation Unit (IEU) and to include some text adopting the private sector strategy contained in the annex.

346. The following were the issues the Co-Chairs believed required further deliberation:

(a) Risk appetite of GCF, including financial returns on private sector projects;

(b) Link with the accreditation strategy, including on local private sector involvement;

(c) Prioritization of projects, including for micro, small and medium-sized enterprises (MSMEs);

(d) Country ownership of private sector projects;

(e) Financial instruments including equity, guarantees, de-risking and local currency lending;

(f) Private Sector Advisory Group (PSAG);

(g) Readiness;

(h) Private sector request for proposals for small island developing States (SIDS); and

(i) Simplification.

347. The Co-Chairs opened the floor for comments.

348. Many Board members welcomed the document and thanked the Secretariat and the Co-Chairs for their work. Extensive comments were provided by several Board members on the private sector strategy, while some also touched on the topics of barriers to private climate finance flow, accreditation, the private sector portfolio, PSAG and Private Sector Facility (PSF) resources and expertise.

349. While a few agreed with the four-pronged approach indicated in the document as well as the six focus areas for the private sector pipeline listed in the decision text, many Board members stressed that what was lacking were concrete steps to implement the goals laid out in the strategy. To address this, they recommended the addition of an implementation/work plan and timeline indicating when certain steps would be taken and targets should be achieved.

350. Noting the gaps in the current strategy, particularly on concrete implementation measures, a number of Board members said they were still open to considering its approval at the current meeting as it was a matter of high priority. One Board member said it would pose a reputational risk to GCF if the Board did not adopt the private sector strategy at the current meeting, given that it had been discussing the strategy for such a long time. On the other hand, a Board member believed more work was needed on the strategy before it could be adopted. Adopting the strategy as it was meant GCF would just continue business as usual, and this was not the point of having a strategy.

351. Several Board members provided suggestions on concrete information that should be included in the strategy. One Board member noted that there was no clear definition of a private sector actor, and details on the strategy's core goals were lacking. A second Board member said it was not clear what model GCF would be using in working with the private sector. A third Board member added that the strategy should have indicated more concrete measures to address barriers in mobilizing private sector funds. A fourth Board member said the strategy should at least explain how and with what resources GCF intended to implement the strategy and operationalize the PSF. The Board member also expected information on the institutional setup to be established to support the private sector, such as reconstituting the PSAG as well as increasing and training PSF staff. A fifth Board member opined that it was not clear what the concrete changes would be in terms of private sector access, implementation and programming focus of the PSF. A sixth Board member supported many of the aspirations laid out in the document but noted that it did not explain how it would achieve the plans indicated, such as the greater use of guarantees.

352. In addition to concrete information requested above, several Board members said more consideration and focus should be given to a number of subjects to enhance the private sector strategy.

353. For example, listed in the document were a number of barriers to private sector investment for climate action. A Board member asked to what extent GCF could actually address these barriers, especially since several of them did not seem to be within GCF's purview. Two Board members said it was important for GCF to be targeted and to clearly determine which of these barriers it aimed to address.

354. A Board member noted that only 11 of the 39 projects categorized as private sector were private sector in the usual sense. Out of these 11, only 5 were from accredited entities (AEs) which could be considered classic private sector actors. The Board member believed more capital could be deployed globally if GCF considered other entity types. Though developing financial entities was important, the focus of the document should be on commercial entities, as GCF had the potential to scale up commercial capital. Commercial capital was less likely to be deployed without GCF interventions.

355. A further Board member stated that developing a conducive investment environment should also be built into the funding proposals, not just through Readiness support. FP185 was a good example of this. Furthermore, the document should identify the comparative advantages of GCF with regard to private sector involvement in order to make GCF support complementary to the activities of other climate funds and large financial institutions. (For example, a comparative advantage of GCF was its growing network of direct access entities (DAEs).) The Board member pointed to de-risking as an area where GCF did not have extensive experience, suggesting that new partnerships could be made in such areas.

356. A Board member added that GCF had more comparative advantages that could contribute to private sector partnerships, such as climate focus, its work with governments, and the fact that GCF had the resources to de-risk and use grants for technical assistance and Readiness activities, among other things. The Board member highlighted that both GCF and the private sector could not predict or know everything, and this should be accounted for in the strategy. For instance, there could be hitherto unexplored ways to accelerate climate and disaster risk insurance or ways for GCF to provide seed capital for incubators and accelerators in a sustained and predictable manner. The strategy should allow for opportunities to experiment.

357. A further Board member believed the private sector strategy should look more deeply into solutions around adaptation and vulnerability and provide a clear list of opportunities in various types of adaptation projects. The integration of adaptation elements would add value to projects and justify a higher level of concessionality. The Board member also noted that the analysis in the document focused more on financial aspects; they would have wished to see a strong analysis in the context of climate change as well.

358. Some Board members posed other questions they felt should be given more thought: What more could GCF do to support the shift in global financing goals and work with long-term investors such as pension funds? How would these investors be brought in as partners and what would those partnerships look like? How would GCF ensure the use of innovative instruments? How could insurance be made more affordable, especially for the most vulnerable countries?

359. In relation to private sector partnerships and accreditation, a Board member said that the main challenge in this regard was attracting private sector interest in working with GCF. To do this, GCF would need to reduce risk or enhance returns. The project-specific assessment approach (PSAA) was a key step in attracting private sector investment, and GCF should continue enhancing its ability to respond to private sector needs in terms of efficiency and processing times. In many cases, investment opportunities could not wait too long before implementation. GCF would also have to enhance its risk appetite to attract more opportunities.

360. The Board member added that the demonstration and development of business models should be a priority. As there was an emphasis on domestic resource mobilization, this meant working with the local private sector, and not just the international sector. The Board member said the public sector should also provide the right support to the private sector. For example, GCF could assist governments in getting their tariffs right, which would provide the correct market signals for the private sector.

361. Stressing that the accreditation process was the greatest barrier to private sector engagement with GCF, a Board member wished to see detailed explanations of how accreditation barriers for private actors would be addressed and how the PSAA would be beneficial to the private sector, especially in least developed countries (LDCs). Lastly, mapping efforts should focus on potential DAEs in LDCs and SIDS.

362. As for the GCF private sector portfolio, a Board member expressed concern about the delays in some PSF projects. They wished to see more active support and engagement from the Secretariat in this regard. A second Board member said it was important to increase the volume of private sector programming before the end of the first replenishment period of the GCF (GCF-1). To do so, it was imperative to deploy a variety of financial tools, including equity and guarantees, effectively. Priority should be given to financing micro and small enterprises in SIDS and LDCs and increasing the number of private sector DAEs and adaptation projects.

363. As for adaptation, the Board member wished to see more concrete plans for mobilizing private financing in this area. Such plans could be connected to the document on adaptation that the Board would be discussing under another agenda item.

364. A Board member underlined that a large part of the private sector portfolio was for renewable energy. They questioned the additionality of GCF in this sector, noting that overall global investments in renewable energy had gone down and it was unlikely GCF projects would be able to change this. Also noting the large share of renewable energy in the private sector portfolio, a second Board member pointed to recently approved private sector projects on ecosystems and said they wished to see more of these developed.

365. Regarding the reconstitution of PSAG, a number of Board members said its advice and support to the Board would be useful, especially as GCF intended to bring in more private sector partners. A Board member recommended the inclusion of a representative from LDCs or SIDS in PSAG, while another said the timeline for reconstituting PSAG should be clear.

366. On behalf of the African Group of Board members, a Board member thanked the Secretariat for the document and wished for the report of the meeting to reflect that the African Group found pre-Board consultations, especially with Board members from developing countries, unsatisfactory.

367. Consultations were important in bridging consensus and facilitating work for the Board to reach a decision. The consultations should meet the requirements set out in decision B.23/03, and they were of the view that these requirements had not been met. They encouraged the Co-Chairs to implement the mandates they had been given to continue to enhance pre-Board consultations in an open, inclusive and transparent manner, recalling that all members should be consulted on draft decisions and documents.

368. As for the document, they welcomed the revised structure of the document but believed it needed more work. It was important that the private sector strategy clarify the value added that PSF and PSAA provided. Furthermore, they were concerned that the document did not address the recommendations in the IEU evaluation of GCF's approach to the private sector. Noting that about 82 per cent of private sector entities were large or medium-sized and mostly international entities, paragraph (c) of the draft decision should include the prioritization of local private sector actors and a limit on the number of international private sector entities to address this gap.

369. The Board member noted that the length of the project cycle and processes of the PSF were disincentives for national designated authorities (NDAs). The IEU evaluation also found that GCF did not put a strong emphasis on promoting the participation of MSMEs in GCF activities in LDCs, SIDS and African States. In addition, the evaluation noted that, while several private sector DAEs had been accredited, almost no funding was flowing through them. As a

result, the PSF was not delivering on its mandate to promote the participation of local private sector actors and financial intermediaries.

370. The African Group of Board members had stressed the need to address these challenges through the private sector strategy, but it did not deliver in this regard. They therefore suggested the inclusion of several new paragraphs in the decision text to ensure a more strategically aligned document. These suggested additions were:

(a) Confirmation in the decision that GCF was a high-risk fund that aimed to catalyse investment in adaptation and mitigation projects rather than only high-leverage funds that aimed to maximize the quantity of co-investment;

(b) Confirmation in the decision text that the private sector portfolio would support higher risk projects that involved early-stage technologies or business models that were not necessarily commercially viable even if that meant funding projects primarily through grants or highly concessional terms that were potentially loss-making;

(c) Confirmation in the decision text that the Board agreed to increase GCF risk appetite to experiment with financial instruments and business models that could help advance the just transitions, including the social dimension of such transition;

(d) A more coherent approach across the policy landscape for the private sector, particularly accreditation (the African Group was open to seeking views from the Co-Chairs on how this decision could align with the agreed co-elements of the accreditation strategy);

(e) More pronounced decision language that reflected the Board's view on the importance of the local private sector, particularly MSMEs. In this regard, the Board would confirm its strategic priority to channel finance through MSMEs for decentralized adaptation and mitigation actions, in support of countries' nationally determined contributions (NDCs) and national adaptation plans (NAPs) and voluntary adaptation planning processes;

(f) Stronger operational language to mandate the Secretariat to be informed by the country-driven approach directed and prioritized in the national adaptation planning process. In relation to the proposed paragraph on prioritization, the African Group was of the view that the prioritization reflected did not support country ownership and country-driven approaches. If pursued, it would have the perverse impact of leaving countries behind rather than ensuring no one was left behind. The African Board members called for its deletion. They proposed the insertion of "NDA" in the sentence to confirm that it was the sovereign decision of NDAs to use their Readiness and Preparatory Support allocation for their own determined efforts. This was not a function to be given to the Secretariat;

(g) On the PSAG, they did not concur with the narrative that PSAG had been an effective or well-represented body, nor did they agree that it had played an important advisory role for the Board. They questioned whether the Board needed a Board-level advisory body, but they were open to having this discussion under the review of committees, panels and groups; and

(h) The draft private sector strategy should have provisions that considered countries' national circumstances and the different levels of maturity and capacity of their private sector and supported their engagement with GCF.

371. After thanking the Secretariat, the Board member from the United States of America said that delivering greater finance together with the private sector was key to ensuring GCF would be able to deliver on its mandate and was a top priority for the United States.

372. Recalling that the updated Strategic Plan called for enhancing the role of the private sector in GCF operations by supporting adequate enabling environments, deploying blended finance to test innovative business models and promoting the use of climate data to inform private sector decision-making, the Board member said they wished to see robust efforts from GCF to deliver on all these goals. Achieving this would not be simple and would require sustained efforts and actions from the Secretariat and the Board on areas that were fundamental to current GCF processes and structures.

373. The Board member emphasized that the PSF would not thrive if it did not have the environment to do so. GCF would need to continue improving its accreditation processes, including considering an accreditation strategy as soon as possible. The strategy would need to assess (i) gaps in private sector entities; (ii) sectors that were not engaging; and (iii) whether private sector AEs had projects with GCF, and if not, why. The strategy would also need to consider how GCF could partner with the private sector, taking into account new models of cooperation and partnership. Improvements in the efficiency of funding proposal processes should continue, and this entailed ensuring the Secretariat had adequate staffing and the right skill set to manage the growing pipeline of GCF and respond to partners in a timely manner. The Board member stressed that enhancing the efficiency of the Secretariat would better fit the business model the private sector required. Many of the decisions entailed in creating such an environment were up to the Board.

374. Regarding the private sector strategy, the Board member supported the idea of promoting greater engagement between governments and the private sector through the Readiness Programme to enhance the private sector's contribution towards developing and implementing NDCs, NAPs and long-term climate strategies. The Board member looked forward to future updates on progress made in this area.

375. Secondly, they wished to see GCF take a more proactive role in helping spur innovation from the private sector and would welcome increased attention towards operationalizing this and exploring what role GCF could play, given its capabilities. The Board member highlighted the importance of considering how GCF could promote greater private sector participation in adaptation and resilience, noting that most of the private sector funding proposals thus far focused on mitigation. Though this was understandable given that revenue streams were more easily defined in sectors related to mitigation, it was essential to consider how to catalyse more investment in adaptation.

376. Thirdly, de-risking market-creating investments to crowd in private finance was a key issue in using GCF's limited public resources to catalyse greater investment. The Board member would welcome the prioritization of funding proposals that would be able to do this as it would help reduce risks private sector actors could face in scaling up innovative climate solutions in new markets. The Board member also wished to see more funding proposals that could better utilize the financial toolkit of GCF. Noting that the majority of GCF projects had requested loans and grants, they wished to see more funding proposals using other instruments such as equities and guarantees. The Board member asked the Secretariat to make further efforts in this regard, including ensuring the PSF had the relevant experts to help originate and develop proposals involving equities and guarantees.

377. The Board member welcomed the reconstitution of PSAG as it would help the Secretariat operationalize the private sector strategy as well as provide input to the Board on request. To deliver on the promise of the strategy, the Board member stressed that it was important for the PSF to have sufficient resources and staff with the right expertise. The Board member therefore encouraged the Secretariat to explore ways to increase on-the-ground presence through remote working arrangements, which could help improve hiring potential. Overall, the Board member was supportive of the direction of strategy and would also wish to see concrete information on its implementation.

378. Finally, the Board member believed consultations on this policy had been carried out in accordance with GCF norms and procedures. They had been inclusive and robust and had allowed for good discussions in advance of the meeting. The Board member appreciated the efforts of the Secretariat and the Co-Chairs in setting up such discussions.

379. The Co-Chairs invited an active observer for civil society organizations (CSOs) to take the floor.

380. The CSOs had a number of concerns regarding the paper, in particular concerning annex I, subparagraphs (c)(v) and (c)(vi), which they wished to see deleted.

381. In relation to paragraph (c)(vi), they recalled that funding "at scale" was not referenced in decision B.27/06, and concerns had been raised about the "disproportionate focus" on such programmes at B.27. GCF should target transformational potential – developing local markets and ensuring replicability – rather than large-scale programmes run almost exclusively through international accredited entities, often with little evidence of country-drivenness.

382. Relatedly, the proposed private sector strategy should be revised to abandon its disproportionate emphasis on "leverage ratios'' and "co-financing" through blended finance approaches. As had been noted by the IEU, it was important to distinguish between catalysing "transformative adaptation and mitigation" and seeking "only a high-leverage fund that aims to maximize the quantity of co-investment".

383. Paragraph (c)(v) requested the Secretariat to encourage "increased access to equity, guarantees and insurance products". The CSOs were particularly concerned about the focus on equity funds, given the current lack of transparency and accountability surrounding such proposals, which was compounded by their complex financial arrangements that often passed through secrecy jurisdictions.

384. They wished to see new rules to address this, including:

(a) Minimum transparency standards on project pipeline development and eligibility criteria for subprojects, and public disclosure of the estimated allocations of financing on a sectoral and per-country basis in advance of programme approval;

(b) A fully developed and appraised pipeline of subprojects before approval in the case of high-risk programmes (category I-1), with the Board given an option to reject specific subprojects;

(c) Disclosure of subprojects (including location, scale, and environmental and social safeguard documentation) on both the GCF website and that of the AE in advance of their approval, following the same time limits as project disclosures (at least 120 days for category A, 30 days for category B); and

(d) Specific guidance to ensure full compliance with GCF mandates, safeguards and principles, including assurances that climate and other impacts were sustained after the period when GCF's own equity participation had ended. This was particularly relevant in light of the Board's adoption of the PSAA. The ongoing development of the GCF environmental and social safeguards should see the inclusion of a stand-alone standard on financial intermediation.

385. The CSOs also had concerns about paragraph (c)(v), which encouraged the Secretariat to "urgently advance" the use of insurance and "other innovative instruments". Any decision to use new instruments should be evaluated through a revision to the GCF policy on financial instruments, affording an opportunity for proper scrutiny. In particular, they were concerned that some of the instruments mentioned in the paper altered the purpose of GCF so that it would behave more like an investment bank than a fund, pursuing its own investment interest through the development of "co-investment platforms".

386. It was welcomed that annex I, paragraph (c), proposed increased engagement with local actors and MSMEs. However, GCF currently lacked a common definition of MSMEs and had sometimes used very high value thresholds for what it counted under this label (such as in programme FP149). To improve targeting, GCF should identify consistent criteria for defining MSMEs, including guidelines to improve the inclusion of micro-scale businesses.

387. There were also some significant gaps in the private sector strategy as proposed. The document made only one mention of the GCF policies related to indigenous peoples and gender and did not elaborate on how these could be enacted in relation to private sector activities. It was also largely silent on how to engage a wide range of stakeholders in recipient countries, including from local communities and CSOs.

388. The CSOs would welcome further consideration of how to improve transparency and accountability as part of the private sector strategy, which should include (but not be limited to) a commitment to mandatory publishing of annual performance reports (APRs) for all private sector activities, covering all years of project and programme implementation and including specific information on subprojects with minimum redaction. Private sector activities should more closely follow the Information Disclosure Policy's "presumption to disclose".

389. The Co-Chairs invited the active observer for private sector organizations (PSOs) to take the floor.

390. The active observer affirmed the question posed earlier by a Board member on what was meant by "private sector". The private sector was not a homogenous whole. Not every international AE was a large financial institution – in fact, there were several small IAEs primarily based in developing countries – and, conversely, some DAEs were in fact large financial institutions. This heterogenous nature of the private sector should be factored into considerations of the SAP, private sector strategy and guidance on supporting adaptation activities.

391. Turning to the private sector strategy, the PSOs welcomed and supported the four-pronged approach proposed and wished to respond to each of them in turn.

392. Firstly, they strongly supported further efforts by GCF to promote a conducive investment environment. Long-term investment road maps and green strategies were crucial to providing a direction of travel that could unlock innovation from the private sector. However, a genuinely conducive investment environment must be built on the delivery of results. The private sector was focused on getting things done and, as a Board member had noted, on assessing the risks/rewards of doing so. Accordingly, GCF private sector engagement should focus on removing the barriers that were currently preventing essential adaptation and mitigation projects from reaching financial close. The PSOs strongly supported the development of regional presence to further the engagement between GCF and national/subnational entities.

393. Secondly, they welcomed and supported GCF's intention to accelerate innovation in business models, financial instruments, and climate technologies. However, in order to do this, GCF, particularly the PSF, would need to not only be "right sized" but also "right staffed". PSF recruitment should focus on staff who had experience working in the private sector, including a familiarity with decision-making in a commercial context. This would result in more effective dialogue about innovation and instrument selection and, accordingly, improve the quality and timeliness of projects/programmes within the GCF approval process. It should be noted that notwithstanding the drive to financial innovation and equity instruments, projects in many LDCs and SIDs would nevertheless continue to require more traditional financial products such as concessional senior debt.

394. Thirdly, the PSOs were very pleased to see the role of de-risking highlighted as one of the four prongs. They could all agree that adaptation and mitigation projects were not happening at the scale and breadth required to achieve the collective goals of the NDCs under

the Paris Agreement. This was primarily due to market perceptions of risk, and the pricing of such risk into financial products. Accordingly, de-risking was really the key task for the private sector modalities of GCF. It was what was needed to get the bulk of private capital off the sidelines and co-investing in impactful climate initiatives. The first loss tranche of FP186 was a very good example of this dynamic in action.

395. Finally, they recognized the crucial need for strengthening domestic and regional financial institutions to scale up private climate finance. This could take a number of mutually supporting and probably relatively minor tasks:

(a) The re-formation of an energized PSAG and ensuring it had a genuine place at the table in these conversations;

(b) GCF increasing its capacity-building efforts with NDAs, with a broad focus beyond the Readiness Programme;

(c) Enabling AEs to jointly submit funding proposals, particularly where there were complementary accreditations. That would result in a stronger and more impactful project. Such joint applications would also involve peer-to-peer learning that would also increase the capacity of DAEs; and

(d) Ensuring the continuation of the GCF Private Investment for Climate for 2022. The PSOs looked forward to it and requested GCF to ensure ample support for stakeholders from LDCs and SIDS to attend the event.

396. The Co-Chairs thanked the Board members and the active observers for their comments and acknowledged the importance of fast-tracking progress on this document. The Co-Chairs would continue to engage, with a view to finalizing the private sector strategy at the current meeting.

397. The agenda sub-item was suspended.

Part 2

398. The Co-Chairs re-opened the agenda sub-item on the third day of the meeting and informed the Board that, following further consultations, the Board had before it a revised draft decision, which had been circulated earlier that day.

399. The Co-Chairs requested the Secretariat to display the revised draft decision on the Boardroom screen. They invited the Board to adopt the draft decision and opened the floor for comments.

400. Recalling that many Board members had asked for a concrete set of actions in the form of an implementation plan and timeline, a Board member highlighted that there was no reference to this in the decision text. Though a paragraph in the decision spoke about requesting the Secretariat to report back to the Board at B.34 on the operationalization and implementation of the strategy, reporting back was not the same as concretely outlining the steps that should be taken. The Board member reiterated that they wished for a concrete set of actions that would be taken within the remainder of GCF-1, including a timeline that would allow the Board to keep track of the implementation of the strategy.

401. The Co-Chairs explained that, rather than putting a strict implementation plan in place, there should be room to learn-by-doing, with the understanding that the Board would discuss the results of the implementation on a regular basis.

402. A further Board member said they had wished for a more ambitious strategy that reflected the heterogenous nature of the private sector, particularly small and medium-sized actors, and still hoped to see this ambition down the road. They were also concerned about the operationalization of the strategy but understood that, in working with the private sector, there

was a necessity to put something forward first and then build instruments from there. They had to start somewhere but it was also important to keep the missing pieces of the policy in mind. A second Board member agreed that there should be a focus on MSMEs in SIDS and LDCs and that there was still a need for concrete plans.

403. A third Board member noted that the revised decision still did not respond to the barriers to private climate finance listed in the strategy. On financial instruments, it was important to consider the reality on the ground in developing countries as various instruments highlighted by the strategy may not be in line with the countries' priorities. For example, only three per cent of green bonds in 2020 were from developing countries. The Board member also wished to see concrete measures, targets, means of involving and strengthening the private sector, and details on how GCF would enable the private sector to ensure that support went to vulnerable communities. In addition, these concrete measures should be streamlined into country programmes. The Board member highlighted the disparity in financing between regions. According to a recent Intergovernmental Panel on Climate Change report, Mediterranean countries were also at high climate risk. Measures should be taken to increase levels of observation in this regard. Finally, the Board member reminded the Board that it should not approve the strategy just for the sake of having one.

404. The Co-Chairs invited the Secretariat to respond to the comments.

405. A representative from the Secretariat thanked the Board members for their support and comments and said their input would be reflected in the report to the Board on the operationalization and implementation of the strategy. The Secretariat would remain open to further comments on this matter.

406. The Executive Director explained that the strategy was a framework, and that the implementation plan was a living document that would be updated regularly. Once a framework was in place, an implementation plan could be developed. The Secretariat would be seeking input from Board members, private sector actors, and programming countries over the next several months, and would provide a report on the operationalization and implementation of the strategy to the Board by B.34 that reflected the views of a wide range of stakeholders. Regarding green bonds, the Secretariat was preparing a document that would explain how green bond issuance from developing countries could be increased.

407. A Board member said that though many of the elements they wished to see were not in the current document, they were comfortable with the approach of the Secretariat to provide a report on the operationalization and implementation of the strategy at B.34 so that it could have the time to consult further on various topics that would feed into the plan.

408. Two Board members proposed some changes to the decision text that related to requesting a timetable for the implementation and further strengthening of the focus on the domestic private sector in developing countries.

409. The Co-Chairs suspended the agenda sub-item to discuss and make revisions to the decision text per the Board members' recommendations.

410. The Co-Chairs reopened the sub-item a short while later and presented the revised draft decision to the Board. After a few additional changes to the text, the Co-Chairs asked the Board if it was ready to adopt the decision.

411. With no objections and no further comments, the decision was adopted.

412. A Board member warmly welcomed the approval of the strategy and encouraged the Secretariat to move forward quickly on the mandate they had been given and deliver on the promise encapsulated in the strategy. Noting that GCF had a broader range of instruments than many other climate funds, the Board member believed GCF could have a huge impact across the private sector spectrum. Moving quickly and ensuring the PSF had the resources they needed

would be key to delivering on this strategy. This would be partly the job of the Secretariat, and partly that of the Board. The Board member encouraged the Board to ensure that the PSF had what it needed to succeed, one of which was an accreditation strategy.

413. The Board took note of document GCF/B.32/06 titled "Review of the initial private sector facility modalities and the private sector strategy".

414. The Board adopted the following decision:

DECISION B.32/06

The Board, having considered document GCF/B.32/06 titled "Review of the initial private sector facility modalities and the private sector strategy":

(a) *<u>Takes note</u> of the findings and recommendations in the Independent Evaluation of the GCF's Approach to the Private Sector undertaken by the Independent Evaluation Unit, the Secretariat's management response, and the Board's consideration of these pursuant to decision B.30/11;*

(b) *<u>Requests</u> the Independent Evaluation Unit to present a management action report to the Board no later than one year following the adoption of this decision in line with the Evaluation Policy of GCF;*

(c) *<u>Recognizes</u> that meeting the parameters and guidelines for the allocation of resources during the GCF first replenishment programming period, as agreed under decision B.27/06, paragraph (i), requires a significant increase over 2022 and 2023 in Private Sector Facility programming overall, and in particular an increase in direct access and in adaptation programming through the Private Sector Facility;*

(d) *<u>Adopts</u> the private sector strategy as set out in annex V, which builds on the updated Strategic Plan for the GCF 2020–2023 and its strategic priority of catalysing private sector finance at scale;*

(e) *<u>Requests</u> the Secretariat to engage with national designated authorities and accredited entities to urgently promote the participation of private sector actors in developing countries, including small and medium-sized enterprises and local financial intermediaries, and to enable private sector involvement in least developed countries and small island developing States;*

(f) *<u>Takes note</u> of the proposed non-exhaustive list of priority areas for GCF private sector programming:*

(i) *Submission by direct access entities;*

(ii) *Focus on adaptation;*

(iii) *Engagement of local private sector actors, including micro, small and medium-sized enterprises;*

(iv) *Support for climate technology incubators and accelerators in developing countries;*

(v) *Utilization of the diverse financial instruments of GCF, including exploring options to facilitate increased access to equity, guarantees and insurance products, and design and deployment of other innovative instruments; and*

(vi) *Demonstration of significant potential to catalyse private sector finance at scale;*

(g) *<u>Reconfirms</u> GCF's overall risk appetite statement that in order to realize significant impact and promote paradigm shift to meet the Fund's strategic objectives, the Fund is willing to*

accept considerable uncertainties around investment risks in return for impact potential,[3] *which in the context of the private sector strategy means the Fund will promote enhanced support to the domestic private sector in developing countries, including through direct access entities, by providing early-stage financing to new, pre-commercially viable technologies or business models and climate initiatives, and deploy first-loss anchor investments as well as support financial innovations to catalyse investments in adaptation and mitigation projects;*

(h) *Requests the Secretariat to encourage and facilitate the use of the Readiness and Preparatory Support Programme and Project Preparation Facility to support country-driven private sector engagement, through the national designated authorities, enhancing the role of the private sector in implementing nationally determined contributions, national adaptation plans and long-term climate strategies, and to accelerate the development of the private sector pipeline;*

(i) *Welcomes the private sector outreach plan, as contained in annex VI, noting that this is a living document that will be operationalized to promote the implementation of the private sector strategy in conjunction with delivery of the Secretariat's annual work programmes;*

(j) *Takes note that the Secretariat, in implementing the private sector outreach plan, will engage with leading experts in and representatives of the private sector on a period and structured basis to advise the Private Sector Facility on global trends and opportunities for GCF in catalysing private sector financial flows for mitigation and adaptation in developing countries, and on enhancing GCF private sector engagement and programming; and*

(k) *Requests the Secretariat to report to the Board at its thirty-fourth meeting on the operationalization and implementation of the strategy, including a set of actions and accompanying timetable, and annually thereafter on progress in implementing the strategy and outreach plan.*

Agenda item 8(c): Guidance on the approach and scope for providing support to adaptation activities

415. The Co-Chairs opened the agenda sub-item and drew the attention of the Board to document GCF/B.32/07 titled "Guidance on the approach and scope for providing support to adaptation activities". Recalling that there had been a consultation on this item ahead of the current Board meeting, the Co-Chairs said they wished to solicit further input from the Board.

416. The Co-Chairs opened the floor for comments.

417. Many Board members thanked the Secretariat for its work and for quickly updating the document since the previous Board meeting. There was a strong call to accelerate programming and mobilize financing for adaptation as a matter of urgency. Some Board members pointed to the concrete examples of climate change impacts in Antigua and Barbuda, which underscored the critical need to increase the resilience of developing countries through adaptation projects. A few Board members also referred to the Sixth Assessment Report (AR6) of the Intergovernmental Panel on Climate Change (IPCC), which highlighted the need for systemic approaches to adaptation, including regional and sector-specific policies and strategies. A Board member stressed that the costs of adaptation in developing countries were expected to reach USD 140–300 billion by 2030. In relation to this, some Board members recalled the agreement

[3] *Risk appetite statement as adopted by the Board in annex VI to decision B.17/11.*

at the 2021 United Nations Climate Change Conference to increase adaptation finance to USD 40 billion by 2025. The Board member from Norway said that the Government of Norway had announced that it intended to triple its support to adaptation, and this was a key priority.

418. In terms of increasing adaptation programming and mobilizing financing, a Board member said GCF should focus on mobilizing funds and approving projects based on the needs of developing countries. Support measures should be specific and bring more tangible results. A second Board member recalled that most GCF adaptation projects tended to be small in size and implemented on a pilot basis. The key challenge was to move from this incremental approach to a transformational one. A third Board member suggested that to better distinguish climate adaptation projects from development projects, there should be a clear definition of elements to support the screening of adaptation activities. A fourth Board member said it was not clear how GCF support to adaptation could be further enhanced. The document should explain why adaptation funding proposals were not being submitted in the numbers required to meet the first replenishment period of the GCF (GCF-1) programming goals. They also wished to know what the barriers were to implementing policies and initiatives described in the adaptation paper and in the management response to the Independent Evaluation Unit (IEU) evaluation of the adaptation portfolio.

419. In terms of adaptation projects, a Board member wished to see more projects like FP180 and FP181, particularly those that focused on nature-based solutions, technology, and climate disaster insurance, among other things. Another Board member said that GCF should scale up promising GCF pilot projects and consider the application of other financial instruments.

420. On partnering with the private sector, a further Board member believed systemic partnering with the private sector on adaptation would make GCF complementary to other climate funds working on adaptation. Though they welcomed strong cooperation with other funds, the Board member stressed the importance of monitoring and reporting on these activities to determine whether GCF was reaching expected results and successfully scaling up impactful adaptation projects of other funds.

421. As for the draft decision under this agenda item, some Board members hoped to see the decision adopted at the current meeting as a matter of urgency, while others felt the guidance should be improved before a decision could be made. A Board member who wished to see the decision adopted emphasized that the guidance had been in development for five years and diligently captured the views Board members had provided during that time. Once adopted, the Secretariat could start familiarizing stakeholders with it immediately.

422. Several Board members were pleased with the theoretical direction set out in the guidance, particularly the four-pronged approach to supporting transformational adaptation and catalysing adaptation finance at scale. However, many Board members believed that some elements needed further clarification and that the guidance should add concrete implementation details and account for what had changed since the guidance had been mandated at B.17.

423. A Board member emphasized that the document should be pragmatic and keep in mind stakeholders who needed concrete guidance. The guidance should specify its objective and target audience, as it was not clear. It should also include more information on the role of GCF in promoting locally-led adaptation through direct access entities (DAEs) as well as how GCF could support adaptation through nature-based solutions or ecosystem-based adaptation approaches. Nature-based solutions were a critical approach as they brought several co-benefits, such as biodiversity net gains. Finally, the document should inform the adaptation strategy and Strategic Plan for the GCF 2024–2027, but should not be deferred until the 2024–2027 Strategic Plan. As for the decision text, the Board member believed it should better reflect the intention to harness the Private Sector Facility, the Readiness and Preparatory Support Programme and the Project Preparation Facility, as well as the principles-based climate rationale paper outcomes

(see document GCF/B.30/04). It was their view that the adaptation guidance and the climate rationale paper belonged together. Some other Board members opined that they should be separate.

424. Stressing the heavy impacts of climate change to Africa, a Board member reiterated the crucial role of adaptation and suggested that the guidance could be improved further to respond to the decision B.17/10, paragraph (c), mandate to develop clear guidance on the approach and scope for providing support to adaptation activities. Specifically, it could elaborate further on developing high quality adaptation proposals and assessing the short and long-term risks, needs and costs of implementing nationally determined contributions (NDCs) or national adaptation plans (NAPs). There was no guidance provided on addressing the challenges related to the scope of proposals and their climate specificity. The Board member therefore proposed that the Co-Chairs consider a more appropriate process to address this mandate.

425. The Board member was also concerned about the lack of response to the IEU evaluation. The guidance should provide solutions to clarify GCF support for adaptation in the context of the issues that had given rise to the mandate; consolidate GCF's unique position in adaptation finance, including the mandate to finance projects at scale with a high risk appetite; promote efficiency by facilitating greater coordination in adaptation efforts with national designated authorities (NDAs), accredited entities (AEs) and local stakeholders at national and regional levels; develop a set of best practices from stakeholders; promote single and multi-country programmes; streamline the process for project approvals and changes while ensuring appropriate due diligence; recognize the regional aspect of adaptation challenges and solutions; reinforce the potential of regional AEs; and diversify financial instruments in adaptation projects.

426. The Board member also wished to propose an action plan with four steps, as follows:

(1) The decision should mandate the Secretariat, under the guidance of the Co-Chairs, to develop a long-term adaptation strategy and action plan for the period 2022–2030;

(2) The Secretariat should be invited to undertake a strategic mapping exercise to understand the full range of GCF's strategic approach to adaptation planning using, as a starting point, the provision for 50:50 balance and the GCF-1 resource allocation programming parameters. As a part of this step, a GCF-wide approach to adaptation and programming support should be undertaken. It should also be noted that the Conference of the Parties (COP) guidance to GCF (decision 1/CP.21, para. 46) requested GCF to expedite support for the subsequent implementation of policies and programmes identified by them;

(3) An assessment of adaptation priorities submitted by developing countries as part of their NDCs' adaptation communication should be conducted. This would also require a performance assessment of the Readiness and Preparatory Support Programme for adaptation and NAPs to be concluded by B.33 with a view to presenting remedial actions to streamline the NAP approval process, increase disbursement and assess the uptake of GCF investment emerging from the NAP prioritization process; and

(4) When assessing the gap analysis of the current portfolio, the Board should also address how to accredit more adaptation-based institutions. It would be prudent to issue a specific adaptation accreditation process as a matter of urgency.

427. A second Board member stated that the importance of adaptation for all GCF stakeholders was not reflected in how this item had progressed. It had not been opened during the recent meetings where it had been placed on the agenda, so the Board member was pleased to finally have the opportunity to discuss it. Regarding the guidance, the Board member

observed that the document barely touched on gender. They expected a full consideration of the gender dimension throughout the document, which should be corrected accordingly. The document was also rather vague and did not provide a systemic approach to reaching the most vulnerable groups. The Board member suggested a dedicated chapter on this topic.

428. A third Board member asked why a section related to the private sector in adaptation had been removed from section IV of the document. The deleted section had contained useful elements regarding the role of the Private Sector Facility (PSF) and had been in the version the Board member had received in August 2021. The Board member suggested that guidance for partnerships GCF could build throughout the adaptation finance landscape could be improved. In addition, a reference to the updated Strategic Plan regarding working with partners to move investment into low-emission and climate-resilient pathways should be included. This concept was in the previous version, but not well-elaborated in the current version.

429. The Board member said that, though adaptation was critical to least developed countries (LDCs), they could not support the approval of the guidance as presented. For the policy to be helpful, it should be informed by a thorough analysis of the existing modalities and barriers.

430. In addition to providing guidance on developing quality adaptation projects and solutions to bring more adaptation funding proposals to the Board, a Board member stated that the document should also reflect several important facts. For instance, adaptation projects took far longer than mitigation projects to progress, and 40 per cent of adaptation projects were withdrawn during the review process. While there was a strong emphasis on mobilizing private sector finance for adaptation, in reality there was very limited private sector involvement in adaptation projects.

431. A Board member said they expected this guidance to provide all the information needed to help and encourage entities to originate and implement adaptation projects. Noting that the paper had been mandated years ago, the Board member suggested that it should address emerging areas in adaptation, including loss and damage and disaster risk financing. The link between adaptation activities and the general development agenda (including the Sustainable Development Goals) should also be explored further, as co-benefits from this synergy were important. The Board member requested the Secretariat to include this analysis in the strategic programming for GCF-2.

432. Another Board member said they believed the role of this guidance was to provide a strategic perspective from the Board on how GCF's approach and scope for adaptation support should continue to be enhanced. The Board member was encouraged by the four-pronged approach and believed this would create an ambitious forward-leaning direction for GCF and further establish GCF as a leader in the adaptation space. Given the impending update to the Strategic Plan, the Board member said they should learn from 2020–2023 Strategic Plan and carefully consider the links between the 2024–2027 Strategic Plan and the guidance for adaptation. There were many good ideas in the guidance that could be expanded in the 2024–2027 Strategic Plan, the private sector strategy and other relevant documents.

433. A Board member was pleased that the climate rationale paper[4] (document GCF/B.30/04) provided comprehensive and clear guidance to AEs, the Secretariat and the independent Technical Advisory Panel (TAP) on how the concept of climate rationale enabled GCF to implement its mandate in line with the existing investment framework and support highly impactful adaptation projects. It was critical that the paper recognized the different circumstances and capabilities of AEs and provided a high degree of flexibility for deploying the best available science without sacrificing GCF's high standards. Furthermore, the Board member

[4] Secretariat note: The paper titled "Steps to enhance the climate rationale of GCF-supported activities" has not yet been considered by the Board.

asserted that rather than combining the two papers on adaptation and climate rationale, which responded to two distinct mandates, it was in the interest of GCF to adopt the climate rationale paper as a matter of urgency and address related concerns as soon as possible. Following additional consultations on some strategic elements, the adaptation paper could then be taken up as strategic guidance to the Board.

434. Based on the comments provided, a final Board member noted that, on one hand, there seemed to be value in adopting a decision that characterized the adaptation guidance as a living document that required continuous review. On the other hand, it would also be beneficial to continue discussions on this document as well as the climate rationale paper. The Board member was interested to hear more views as there seemed to be value in both options.

435. The Co-Chairs invited the active observer for private sector organizations (PSOs) to take the floor.

436. The active observer said that the guidance was both welcomed and overdue. Given projects like FP181 (Catalytic Capital for First Private Investment Fund for Adaptation Technologies in Developing Countries), FP078 (Acumen Resilient Agriculture Fund (ARAF)) and FP180 (Global Fund for Coral Reefs Investment Window), they had seen that private sector cooperation with GCF to deliver adaptation projects was possible, but they needed to do much more together. In view of this, PSOs were pleased to see the role of the private sector highlighted in paragraphs 50 and 51 of the guidance document. They noted and supported the emphasis on country ownership and the role of NDCs and NAPs within that context. They also shared the concerns about the lack of gender considerations in the guidance.

437. The PSOs encouraged the Secretariat to increase its level of engagement in building capacity within NDAs. NDAs were crucial to the development of any adaptation funding proposal. Assistance in raising internal awareness on the policies and practices of GCF would serve to enhance informed decision-making, creating a greater pipeline of adaptation projects.

438. In addition, they were very pleased to see the role of de-risking highlighted as one of the four prongs. De-risking was a key strategy by which the GCF could enable the private sector to drive the scaling up of adaptation financing. Finally, GCF should have processes and resourcing that encouraged a greater level of private sector engagement.

439. The Co-Chairs invited an active observer for civil society organizations (CSOs) to take the floor.

440. The CSOs welcomed the intent of the guidance on strengthening country-driven, climate-risk informed planning for adaptation, with support from the Readiness Programme. This should follow a human rights-centred, gender-responsive, and people-centred approach but, disappointingly, this was not a focus of the guidance.

441. They had strong concerns about increasing adaptation programming through the PSF and focusing on the mobilization of private sector finance and the "financial engineering" approach. This approach seemed to give priority to direct and mobilized private sector finance over the engagement of people and promoting the resiliency of social systems that supported them. More importantly, it seemed to equate transformational adaptation (a concept taken from the IPCC AR6 report) with scaled-up adaptation finance through private finance mobilization. This was misguided.

442. In the cited IPCC report, transformational adaptation was clearly linked to "transparent, informed and inclusive decision-making and evaluation, including a role for Indigenous knowledge and local knowledge", which necessitated a deliberate shift from primarily technological adaptation strategies to those that (i) incorporated behavioural and institutional changes; and (ii) included considerations of equity and environmental justice. Instead of incorporating this proven and holistic approach, the proposed guidance had a strong emphasis

on technological approaches, as well as "new" or "innovative" financial instruments, with a focus on equity, guarantees and insurance.

443. The guidance did not address what approach GCF would take to ensure that project decision-making and evaluation were transparent, informed and inclusive. This was especially concerning given the emphasis on private sector finance using these "innovative" approaches and technologies. Of particular concern was the increasing use of equity funds, given the current lack of transparency, accountability and inclusive decision-making linked to such proposals. For example, the Global Subnational Climate Fund, which had been approved as a mitigation programme, was twice referenced as an example of how to scale up private sector adaptation and include SIDS and LDCs. However, the 42 no-objection letters, half from LDCs and SIDS, did not offer clarity on how many of these countries would receive any financing. The independent TAP had warned that the programme "could not be assessed against all six investment criteria", so the CSOs considered it a poor model to follow.

444. The document did not provide any guidance to stakeholders, especially AEs, on how GCF conceived the role of public concessional finance in adaptation. It was noticeably silent on the continued role of providing public grant financing. This included full-cost grant financing (in line with paragraph 35 of the Governing Instrument for the GCF), as was required for adaptation measures focused on providing public goods, especially locally led and implemented ones, where private sector involvement, even with de-risking, would not be profitable and could support mal-adaptation.

445. For this to really serve as guidance, GCF should address when it considered a project or programme to be more appropriately financed with the public sector or private sector, as well as other less concessional financial instruments. This should be informed by, among other things, considerations of equity, environmental justice, and human rights, including the rights of indigenous peoples and women, thus putting a focus on people and the required transformation of social behaviour and systems instead of on technology and infrastructure.

446. The section on climate information data and modelling requirements – linked to the guidance on climate rationale still under development – was concerning, as it did not sufficiently acknowledge the potential lack of historical or peer-reviewed data or climate modelling for locally-owned/led adaptation approaches. The experiences, needs and knowledge of local communities and indigenous peoples should be the starting point for such interventions. Readiness activities should engage subnational actors, including women and indigenous peoples, who could provide credible insight into adaptation priorities and knowledge. The approach of GCF to the inclusion of this indigenous and local knowledge in all the modalities to support adaptation activities, especially the development of funding proposals, should be clarified in detail; not doing so was a missed opportunity.

447. The Co-Chairs thanked the Board members and the active observers for their comprehensive comments as well as the Secretariat for its significant contributions. While the Co-Chairs understood the frustration about not making progress on this item more quickly, they explained that it was also extremely complex to combine all views in one document. The Co-Chairs informed the Board that they would be reflecting on all input provided and come back with a way forward on this critical issue.

448. The agenda sub-item was suspended.

Part 2

449. The Co-Chairs re-opened the agenda sub-item on the final day of the meeting and informed the Board that they would be consulting further with the Board on this item. The agenda sub-item was closed.

450. The Board took note of document GCF/B.32/07 titled "Guidance on the approach and scope for providing support to adaptation activities".

451. No decision was taken under this agenda sub-item.

Agenda item 9: Matters related to accreditation: report on the analysis of the accredited entity portfolio

452. The Co-Chairs opened the agenda item and drew the attention of the Board to document GCF/B.32/08 titled "Matters related to accreditation: report on the analysis of the accredited entity portfolio".

453. They invited the Board to take note of the document and its annex and asked the Secretariat to provide an introduction.

454. A representative of the Secretariat provided an overview of the Board decision at B.31, which mandated the Secretariat to present an analysis of the current accredited entity (AE) portfolio. The Secretariat explained the approach to the analysis, which included three parts: a look at the GCF business model and accreditation framework through which entities become AE partners; an analysis of the AE portfolio as at 30 April 2022; the initial findings and recommendations, and further analysis to be presented at B.33.

455. The Co-Chairs thanked the representative and opened the floor for comments.

456. Board members expressed appreciation to the Secretariat for the in-depth analysis of the strengths and gaps in the portfolio of AEs, which had been completed in the very short time since B.31. One requested that the next iteration be rather more analytical than descriptive and a transfer of the background information to annexes. This would make it more readable. Another welcomed the return of such stock-taking reports, which had been provided in earlier Board meetings.

457. Several noted that the report provided useful information to inform the preparation of an accreditation strategy. In relation to adopting a more strategic approach to accreditation, other themes were the coverage and capabilities of AEs (particularly direct access entities (DAEs)) needed by GCF to effectively deliver its objectives and related issues such as Secretariat capacities; why so few AEs had submitted projects and what could be done to address this; the need to further streamline the accreditation process in addition to those elements covered by the updated accreditation framework and the need for additional analysis on timelines for accreditation; the importance of implementing the updated accreditation framework on time; which sectors were not well represented by AEs, which in turn impacted the type of funding proposals reaching the Board; the gaps in use of certain financial instruments among DAEs; the large number of DAEs which had not yet seen their first funding proposal approved; the importance of factoring in "portfolio shifting" when considering AEs for re-accreditation, for which further analysis was required; the need to clarify the strategic role of the project-specific assessment approach (PSAA) within the accreditation strategy and to evaluate potential partnerships under the PSAA; the importance of responding to the recommendations of the Independent Evaluation Unit (IEU) synthesis report; the accreditation scope for AEs in least developed countries (LDCs); the value of the diversity of the current GCF AE network; the need for the Board to provide a clear programming strategy, which would drive the AE attributes needed to meet GCF strategic objectives; and the need to sharpen the criteria for net-zero emissions, which should be considered as part of the Strategic Plan for the GCF 2024–2027 and the accreditation strategy.

458. A Board member observed that the numbers shown on the Boardroom screen spoke for themselves, but they were inclined to draw different conclusions from those seemingly drawn

by the Secretariat. They opined that it was not about whether the accreditation model should aim to achieve institutional capacity-building. Whilst this was important, as it should achieve transformation, the presentation highlighted questions about the cost-effectiveness of the model, which should be an important element in an upcoming strategy. If AEs had to go through the full accreditation process but only received funding every five years, this raised questions about the number of AEs the Secretariat could work with. This had cost implications, both for the AEs and the Secretariat. The numbers also underlined the need to prioritize incoming accreditation proposals. On this basis, the Board member expressed support for the proposed criteria for prioritizing these proposals. It was also important to focus on how to strengthen capacity-building, especially for DAEs. Twinning arrangements had been considered in the past and could possibly be considered further in an upcoming strategy. Finally, it was important to assess how many of the current stock of AEs had projects in the pipeline. This should be a criterion for future re-accreditation.

459. Another Board member who supported the adoption of the decision in annex I noted the conclusions they had drawn from the report. These included, firstly, that additional improvements or simplifications were needed to the accreditation process over and above those covered by the updated accreditation framework. The constant pipeline of 140 entities pointed to a substantial backlog; increasing the Secretariat capacity would not be enough. It would not be desirable to double or triple the current level of 15 approvals per year. The report revealed that GCF's current 113 AEs would only access funding for one project/programme for an average of USD 50 million per five-year accreditation term. It was noted that if this was an average AE-to-project ratio, this implied that some AEs had no projects during their five-year term. The choice of AEs needed to become more selective and strategic, as had been agreed on previous occasions, and more aligned with GCF objectives and result areas. Potential AEs' track records and capacities to implement projects in the results areas and their ability to handle GCF financial instruments were currently not assessed and should be considered. This would the reduce the number of qualified candidates and AE applications. The Board member supported "exclusion criteria" to increase self-selectivity and reduce the number of applications, thus reducing the backlog and the workload.

460. The above comments on financial instruments were echoed by a further Board member who noted the clear gap in DAEs' ability to employ impactful financial instruments, such as equity and guarantees. This signalled the type of AEs which should be added to the GCF network. They also noted the gaps in sectors that were relevant to GCF' work such as transport in the current AE network and how this linked to the lack of transport funding proposals reaching the Board. As the report had indicated, it was critical that the Board not only noted the apparent gaps, but also subsequently provided strategic programming guidance on how the AE portfolio must evolve. Regarding Secretariat capacity to handle the growing number of AEs and re-accreditation, they urged the Board to ensure that the Secretariat had the appropriate staffing levels and expertise and to consider this in future considerations of the Secretariat capacity and budgeting. In relation to the importance of the portfolio-shifting of AEs, they would have welcomed further analysis in the report, noting that this should be a central element in considering AEs for re-accreditation. In the future, the importance of providing clear information about AEs during their accreditation term would be very useful in informing the Board's work; they would welcome some reflection of this in the accreditation strategy. They expressed support for the decision to take note of the report and looked forward to taking up this work as the Board turned its attention to the accreditation strategy in the coming months.

461. With reference to the development of an accreditation strategy, another Board member opined that there was clearly considerable further work to be undertaken before GCF had a fit-for-purpose strategy. This strategy would have a crucial role to play in ensuring the future integrity of accreditation and the effectiveness of partner entities that GCF chose to work with. The IEU synthesis study highlighted that many questions remained unanswered, including how

to attract the right partners, how to make the accreditation process more efficient, and how to ensure that the Secretariat had sufficient resources to manage a growing number of partnerships. They emphasized a broader issue related to accreditation concerning the time path to achieve net zero emissions by 2050. A smooth path was preferable to a step change. Global emissions had to be reduced very rapidly to meet Paris Agreement objectives. GCF needed to sharpen the criteria for net zero emissions under the second replenishment period of the GCF (GCF-2) to ensure alignment with the Paris Agreement. This was a policy matter to be factored into the development of the GCF 2024–2027 Strategic Plan and the discussions around developing the accreditation strategy.

462. A second Board member echoed the previous remarks about alignment with the Paris Agreement and suggested that, in developing the accreditation strategy, the strategic role of the PSAA should also be considered. In this regard, the analysis should also consider the anticipated partnerships under the PSAA.

463. Two Board members expressed disappointment that there were only 48 AEs out of 113 which had approved projects or programmes. One urged the Board to identify the challenges faced by AEs in project development and implementation so that more AEs could be fully utilized. Concurrently, the time taken to accredit entities should be reduced so that more entities could be accredited to access GCF resources. Furthermore, the Secretariat should ensure the effective implementation of the updated accreditation framework starting in April 2023.

464. A further Board member requested clarification of the phrase “GCF programming aligned entities”, noting the importance, as had been highlighted in previous Board meetings, of avoiding the introduction of innovative terms.

465. The Co-Chairs invited the active observer for civil society organizations (CSOs) to take the floor.

466. The active observer thanked the Secretariat for the overview and analysis of the AE portfolio, which showed that, while there were some regional and capacity differences, overall the GCF already had a very diverse set of partners. However, it was the view of CSOs that these were not being fully utilized. This was evident from the fact that only 77 of 113 AEs were ready to implement projects as a result of having fully executed accreditation master agreements (AMAs). Furthermore, only 48 of these had projects and programmes under implementation. It was especially concerning that a large number (45) of accredited DAEs, which had been put forward by their country’s national designated authorities (NDAs) and were thus the implementing partner of choice for a fund guided by country ownership, had yet to see their first funding proposal approved.

467. Instead of appropriately focusing on what was needed to utilize the existing partner network better and improve their programming prowess, such as closing accreditation conditions and finalizing AMAs, the analysis seemed to suggest that many of the accredited partners were not the right ones for GCF as they were not capable of large-scale, high-risk financial intermediation projects and programmes. Instead, the analysis stated that the solution was a targeted recruiting effort with a focus on recruiting private sector entities, in particular, those that are capable of (i) complex financial structuring (such as in equities, guarantees, bonds and insurance); and (ii) specifically for adaptation, utilizing the PSAA.

468. CSOs had serious concerns with such an approach, which put the PSAA at its centre while paying lip service to the accredited DAEs that should be the focus of GCF programming. It undermined the mandate of the GCF to act as a fund centred around country ownership and, first and foremost, the prioritization of DAEs with a focus on direct project management and concessional finance. Instead, this direction shifted the GCF towards acting and thinking like an investment bank focused on financialization, where the preferred partners were public and

commercial banks and commercial investment and insurance companies. It also undermined the concept of accreditation as a long-term partnership that contributed to institutional capacity-building and overall climate finance readiness, particularly of institutions in LDCs, small island developing States and African States, through engagement with a lasting impact beyond the financial transaction.

469. That was part of the paradigm shift that the GCF was mandated to support and that CSOs wished to see reflected in a document that should be in alignment with the DAE Action Plan. Accreditation was one of the most powerful tools that the GCF had to realize its country ownership mandate and to fully bring about the paradigm-shift it sought. The GCF should not forget this as it embarked on developing an accreditation strategy because that would only result in a missed opportunity.

470. The Co-Chairs thanked the active observer for CSOs.

471. A Board member wished to highlight concerns regarding the small number of DAEs in LDCs. They asked the Secretariat to clarify to what extent it had taken account of the findings of the IEU. For the future it would be helpful if these were highlighted by the Secretariat. They also requested information on what actions had been taken on matters which were repeatedly raised by the LDCs regarding DAEs. Whilst numbers were increasing, most were accredited for the microfinancing level. They wondered what guidance was being provided by the Secretariat to prospective DAEs to apply for a higher level of accreditation status. The Board member said that the feedback they received was that the Secretariat advised DAEs to apply for the micro activity contribution size and not for small or medium. Whilst LDCs were happy to be able to apply for the micro level, they were concerned that their repeated statements were not being followed up.

472. A Board member stated that the success of GCF and the Board was directly linked to the extent to which GCF could acquire high quality AEs. Without them, GCF's work would be in vain. Given this, maximum effort must be directed to ensure that this was achieved. Where AEs were inactive, a communication process must be put in place. This would then reduce the possibility of losing those that were not active. As only 48 AEs had projects, they recalled the IEU synthesis report and the discussion to create a matrix so that actions recommended could be monitored at the next meeting. They wished to acknowledge the lack of capacity of the staff in terms of the AE: project ratio. It would be useful to hear from the Secretariat the timeline for accreditation. This would enable the Board to understand the barriers and to identify steps to overcome these.

473. Echoing others, a Board member wished to note the clear links between which entities were accredited by GCF and what was funded. As such, the accreditation strategy should take account of the GCF's strategic objectives to ensure the right portfolio and this would include expertise in adaptation, financial instruments, regional coverage and the right support for DAEs and private sector entities. They asked the Secretariat to clarify the timeline for the development of the accreditation strategy.

474. The Co-Chairs invited the representative of the Secretariat to take the floor.

475. The representative thanked the Board members for their questions and comments. The Secretariat would continue its in-depth analysis of the AE portfolio for presentation at B.33. This had not been possible for B.32, given the short timeframe between B.31 and the current meeting.

476. Regarding the question about the meaning of alignment of AEs with GCF, under its business model, GCF relied on AEs to implement GCF programming. The quality of the programming and the implementation thereof depended on the AEs' capacity and the GCF's guidance on potential programming directions and areas sought. The closer the two, both by having strong signals and the right types of the AEs with various attributes aligned with the GCF programming directions, the better it is in terms of enabling GCF to achieve its objectives.

477. GCF was uniquely positioned through its fit-for-purpose approach on accreditation in that it did not require AEs to meet every GCF fiduciary or environmental and social standard; rather AEs only needed to be accredited against the relevant criteria required for their intended activities with GCF. For example, entities that did not seek to manage projects did not need to be accredited for those criteria. Similarly, those that would not on-lend and/or blend did not need to be accredited against those criteria.

478. With the fit-for-purpose approach of accreditation, GCF managed to achieve a wide network of AEs with various combinations of attributes. Therefore, it was a matter of how to maximize the AE network to achieve GCF programming targets as well as the developing countries' programming directions.

479. Regarding the question on the Secretariat's response to the comments by the IEU synthesis report, the Secretariat had responded to the IEU evaluation, including through comments in this initial analysis. Many of the findings were linked to the need for GCF to have a more strategic approach to accreditation: the need for speed and efficiency in the processes and the ability to operationalize these in terms of the capacity of the Secretariat.

480. The representative highlighted that, in addition to the Secretariat's role in the accreditation process, the Accreditation Panel was an important and key part with responsibilities to assess whether the entities met the GCF standards throughout the accreditation process. In addition, the Board members were the ultimate decision-makers in determining which entities were approved as GCF partners.

481. Regarding the broader IEU findings, the accreditation strategy was one of the IEU's evaluation recommendations. This was under development and was expected to be presented to the Board at B.33.

482. Regarding the improvement of the streamlining and the efficiency of accreditation process, the Board adopted the updates to the updated accreditation framework at B.31, which was scheduled to take effect from 1 April 2023. The updated accreditation framework would remove the duplication in the accreditation reviews across the various stages in the accreditation process. The Secretariat was working with the Accreditation Panel to prepare for the implementation of the updated accreditation framework.

483. Regarding the question on timeframe of the accreditation process, it took an average of 24.6 months to accredit the current 113 AEs. This timeframe included the entire accreditation process, starting from application submission until the Board's approval. It included multiple rounds of reviews by the Secretariat and the Accreditation Panel, as well as time taken by the entities to respond to the review comments. It also included the Board's consideration of the recommended accreditation application by the Accreditation Panel, where, in some cases, it could take several Board meetings to approve the entity's accreditation application.

484. The Secretariat expected that the updated accreditation framework and the streamlining measures contained therein would improve the efficiency of the process. However, the updated accreditation framework was not the only element, and GCF needed the accreditation strategy to provide guidance and direction on the types of AEs and their programming direction with the GCF.

485. Regarding the question on the accreditation strategy timeline, the Board, under item 12 "Matters related to accreditation" at B.31, adopted a decision, which "requests the Secretariat, under the guidance of the Co-Chairs, to prepare the accreditation strategy in an open, inclusive and transparent manner in accordance with the relevant provisions of decision B.23/03, including engaging in consultations with the Board, accredited entities, observers and national designated authorities, for consideration by the Board no later than its thirty-third meeting."

486. The Secretariat had shared with Co-Chairs an action plan for the development of the accreditation strategy and would provide details with the Board at a later stage.

487. The Co-Chairs thanked the representative and the Board members for their comments.

488. They took it that the Board wished to take note of the document.

489. Hearing no further comments, the document was so noted.

490. The Board took note of document GCF/B.32/08 titled "Matters related to accreditation: report on the analysis of the accredited entity portfolio".

491. The Board adopted the following decision:

DECISION B.32/07

The Board, having considered document GCF/B.32/08 titled "Matters related to accreditation: report on the analysis of the accredited entity portfolio":

Takes note of the analysis of the accredited entity portfolio as at 31 March 2022 presented by the Secretariat in annex VII to this document

Agenda item 10: Guidance from the twenty-sixth session of the Conference of the Parties to the United Nations Framework Convention on Climate Change

492. The Co-Chairs opened the agenda item and drew the attention of the Board to document GCF/B.32/10 titled "Guidance from the twenty-sixth session of the Conference of the Parties". They invited the Board to adopt the draft decision in annex I to the document.

493. A Board member opined that there appeared to be a mismatch between the table in annex II to the document and the elements which had been extracted from the table for inclusion in the draft decision. The suggested either to just reference the table in the draft decision or highlight those items that were new to ensure a more systematic approach.

494. Regarding gender, the Conference of the Parties (COP) to the United Nations Framework Convention on Climate Change (UNFCCC) "encourages the Board to continue the integration of gender considerations into its activities, including through its gender policy and by promoting gender balance across the structures of the Fund." They found that the response in the table was insufficient, namely to: "continue to integrate gender considerations into activities of the Fund in line with the Updated Gender Policy and Gender Action Plan 2020–2023". This omitted any reference to promoting gender balance across the structures of GCF and the clear gap relating to gender balance in Board committees. This needed amending.

495. The Co-Chairs clarified that the draft decision reflected those elements from the table where there was a clear mandate from the COP for the Board to provide a response. It was for this reason that these elements were included in the decision so that the Board could adopt each of them. The Co-Chair hoped that with that explanation the Board could adopt the decision.

496. Another Board member thanked the Secretariat for its work on responding to the guidance from the COP and the Conference of the Parties serving as the meeting of the Parties to the Paris Agreement. They welcomed these efforts and were pleased to see the Board's workplan was well aligned with much of the guidance. They supported renewed efforts from the Board to close remaining policy gaps as a matter of urgency. Progress had been seen at the recent meeting in the updated Accreditation Framework, and hopefully further progress would be made at the current meeting. There was a need to continue work on other remaining policies

and guidelines, such as those covering climate rationale, concessionality, programmatic approaches, the accreditation strategy, as well as administrative policy items that were critical to the operation of GCF such as salary structure and human resources guidelines. They also welcomed the Secretariat's continuing work to respond to COP guidance by continuing to explore diversifying its selection of financial instruments for addressing climate risk, including parametric insurance for climatic events. Paragraph (d) in the draft decision seemed to invert COP guidance on this point. They requested the Secretariat and/or Co-Chairs to clarify the intent, as it was important not to paraphrase COP guidance. They also looked forward to discussing Secretariat work on financing for forests at the next meeting. In annex II, they stated that there was a mismatch in how the item on privileges and immunities (item 12) had been translated into proposed action by the Board. If discussed by the Board in the future, there were a number of pieces of information to consider and therefore the table should not single out particular documents. They requested the deletion of point 1 in the associated box in the table under item 12.

497. The Co-Chairs explained that it was their understanding that in respect of paragraph (d) in the draft decision, the COP had asked the Board to prepare a paper, and therefore paragraph (d) requested the Secretariat to present an information paper for consideration by the Board at B.34 addressing climate risk, including parametric insurance for climatic events.

498. With these clarifications they asked if Board members were ready to adopt the decision.

499. The Board member requested further time to consult, and the agenda item was briefly suspended.

500. In a further response to the two Board members who had intervened, the Co-Chair stated that the decision had been structured based on the guidance from the COP to which the Board was now responding. The Co-Chairs would provide further time for the Board members to consult.

501. The Co-Chair requested that the draft decision be shown on the Boardroom screen.

502. The Board member who had referenced the text in paragraph (d) suggested an amendment to more accurately reflect COP guidance per paragraph 11, that is: after the words "Board for" insert "diversifying its selection of financial instruments for addressing climate risk, including parametric insurance for climatic events" and delete the rest of the paragraph.

503. Noting that this was consistent with COP guidance, the Co-Chairs asked the Board if, with this amendment, it could now adopt the decision.

504. Seeing no further comments or objections, it was so adopted.

505. The Co-Chairs invited the active observer for civil society organizations (CSOs) to take the floor.

506. The active observer welcomed the improvements in the draft decision from the previous version at B.31, most notably the Board's decision to further clarify the role of data and information from the Intergovernmental Panel on Climate Change and traditional, local, and indigenous knowledge and practices, among other things, in concept notes, Project Preparation Facility applications, and funding proposals. This should also be integrated into the guidance on climate rationale and any other guidance given to the independent Technical Advisory Panel (TAP).

507. As the civil society, indigenous peoples, and local communities observer network had raised repeatedly, including at the last Board meeting with regard to FP182, it was essential to obtain free prior and informed consent from indigenous peoples. This was not only a matter of respecting their rights and complying with the GCF's Indigenous Peoples Policy, but as a way to

create better projects that were co-designed and able to benefit from the knowledge of indigenous peoples in climate solutions.

508. This had also been acknowledged in the Independent Evaluation Unit's Report of the Synthesis Study of the second performance review. This had raised serious concerns about the GCF's lack of compliance with its Indigenous Peoples Policy through its failure to (i) define how local and indigenous peoples' knowledge should be integrated in projects or programmes or be incentivized and given weight in independent TAP assessments; and (ii) ensure indigenous peoples' participation in GCF activities.

509. One clear way for the Secretariat to demonstrate greater commitment to ensuring engagement and participation of indigenous peoples and local communities would be to provide more information about the project pipeline and upcoming proposals (including names and locations of potential projects and associated accredited entities (AEs)) in a transparent and accessible manner, in line with the Information Appeals Panel recommendation and proactive Information Disclosure Policy. It should do this while working more closely with the newly-constituted Indigenous Peoples Advisory Group (IPAG). There was no better way to incorporate traditional, local and indigenous knowledge and practices than to engage with communities from project origination and preparation and through implementation and monitoring.

510. The Indigenous Peoples Policy was not just about safeguarding indigenous peoples' rights in climate action, it was also about strengthening the overall directions of the GCF and its projects through incorporating the perspectives and knowledge of indigenous peoples via mutual respective exchanges based on free, prior and informed consent.

511. Additionally, CSOs were pleased to see that the Board indicated it would consider options in the accreditation strategy for improving local non-governmental organizations and private sector organizations' access to GCF.

512. They encouraged the Board to go beyond merely putting these words on paper and take concrete steps and seriously consider how it would address these issues as well as the numerous policy gaps that had continually been mentioned by Board members. These included how to enhance adaptation activities, achieve balance between mitigation and adaptation, as well as strengthen the integration of gender considerations into its activities. In addition, it should articulate how GCF could use its unique position, including through accreditation, to increase its efforts to promote paradigm shift and to contribute the shifting of overall financial flows towards lower greenhouse gas emissions and climate-resilient development with the urgency required to keep global temperature rise below 1.5 ^{o}C.

513. The Co-Chair thanked the active observer and closed the agenda item.

514. The Board took note of document GCF/B.32/10 titled "Guidance from the twenty-sixth session of the Conference of the Parties".

515. The Board adopted the following decision:

DECISION B.32/08

The Board, having considered document GCF/B.32/10 titled "Guidance from the twenty-sixth session of the Conference of the Parties":

(a) *<u>Takes note</u> of this report, including the actions to be undertaken by the Board and Secretariat in 2022 in response to guidance received from the Parties during the twenty-sixth session of the Conference of the Parties, as contained in annex VIII;*

(b) *<u>Requests</u> the Co-Chairs, with the support of the Secretariat, to include an overview of progress on the updated four-year workplan of the Board in the eleventh report of the*

Green Climate Fund to the Conference of the Parties to the United Nations Framework Convention on Climate Change;

(c) *Agrees to clarify the use of data and information from, inter alia, the Intergovernmental Panel on Climate Change, and traditional, local and indigenous knowledge and practices in the assessment of concept notes, project preparation funding applications and funding proposals; and to provide this clarification, with the support of the Secretariat, in the consideration of relevant policies as part of its workplan;*

(d) *Requests the Secretariat to present by the thirty-fourth meeting of the Board an information paper for the consideration of the Board for diversifying its selection of financial instruments for addressing climate risk, including parametric insurance for climatic events; and*

(e) *Also requests the Secretariat to prepare by the thirty-third meeting of the Board an information paper outlining the current approach on financing for forests and alternative approaches.*

Agenda item 11: Second performance review of the GCF

(a) Second performance review: rapid assessment of the progress of the updated Strategic Plan

(b) Second performance review: approach paper

516. The Co-Chairs opened the agenda item and its two sub-items and drew the attention of the Board to documents GCF/B.32/Inf.11 titled "Rapid Assessment of the progress of the Green Climate Fund's Updated Strategic Plan: An IEU deliverable contributing to the Second Performance Review of the Green Climate Fund"; and document GCF/B.32/Inf.12 titled "Approach Paper of the Second Performance Review of the Green Climate Fund".

517. They invited representatives of the Independent Evaluation Unit (IEU) to make brief presentations.

518. The Head of the IEU ad interim, Mr. Andreas Reumann, provided an introduction to document GCF/B.32/Inf.11, following which Mr. Archi Rastogi, IEU Evaluation Advisor, introduced document GCF/B.32/Inf.12.

519. The Head of the IEU provided an overview of the purpose, objectives and scope of the rapid assessment of the progress of the updated Strategic Plan and summarized the IEU's key findings under three areas: (1) design and management of the implementation of the Strategic Plan; (2) policy enablers for the effective delivery of the Strategic Plan; and (3) progress and projections for the delivery of the Strategic Plan. Mr. Reumann concluded by highlighting points for further analysis in the second performance review (SPR) in the areas of design and management, policy environment and delivery.

520. The IEU Evaluation Advisor, Mr. Archi Rastogi, introduced the background, purpose, objectives and scope of the approach paper of the SPR. Mr. Rastogi also presented the paper's key areas and approach; key methods and data collection strategies; and limitations.

521. The Co-Chairs thanked the IEU representatives and informed the Board that these documents were presented to the Board for information.

522. They opened the floor for comments.

523. Board members expressed thanks to the IEU representatives for their presentations and for the papers, which provided much valuable information, both in relation to the Strategic Plan and the SPR. The fact that the IEU was understaffed was also noted, while at the same time, the team was delivering useful findings and recommendations. The IEU was encouraged to continue with its important work. One Board member wished to record thanks to the IEU for taking time to meet them and clarify issues they had raised. Another strongly welcomed the work of the IEU and the critical role they played in supporting the Board's work. They were pleased to hear that the IEU's work was utilization-focused with trusted evidence, informed policies and high impact. They commended the IEU for its three slogans, which were also very appropriate to the work of the Board. A further Board member said that the documents represented fair assessments and that some of the recommendations were quite actionable while also acknowledging the challenges.

524. Many of the Board members who took the floor spoke on both Rapid Assessment of the progress of the Green Climate Fund's Updated Strategic Plan: An IEU deliverable contributing to the Second Performance Review of the Green Climate Fund and the Approach Paper of the Second Performance Review of the Green Climate Fund. For clarity, these are separated as set out below.

Approach Paper of the Second Performance Review

525. Several Board members thanked the IEU for the Approach Paper. Noting that it was thorough and reflected best practice, one Board member also appreciated the 'utilization-focused approach' and that the SPR's underlying goal was to inform the update of the strategic plan. They understood this to mean that the interim products before the final report would be useful in terms of preparing for replenishment. However, they also recognized the limitations outlined by the IEU in relation to the SPR, which were both regrettable and understandable. They appreciated the mitigation measures proposed by the IEU team. Another Board member emphasized that, notwithstanding the IEU's tight workplan, it was essential that the IEU kept to its proposed timeline, with the review to be concluded and circulated to the Board by January 2023 as this would be a critical input for Strategic Plan for the GCF 2024–2027. They looked forward to seeing the emerging findings from the SPR during the fourth quarter, particularly those relating to the performance of the GCF's implementation of the USP and the lessons learned to strengthen strategic planning for the second replenishment period of the GCF (GCF-2). It would be important to discuss these findings at B.34 to further inform the development of the 2024–2027 Strategic Plan. The importance of adhering to the timeline was echoed by two other Board members, one of whom said that they expected the final SPR at B.35, as scheduled, together with the Management Response by the Secretariat; together these would inform the 2024–2027 Strategic Plan. Besides providing key insights on how the updated Strategic Plan had been implemented in GCF-1, the SPR could also help identify various strategic pathways for GCF-2 to inform the Board's discussion.

526. One of these Board members also noted that the IEU's Report of the Synthesis Study for the SPR provided important findings that should be addressed. There was a need for an accreditation strategy and a need to continue to improve the efficiency of the accreditation process. Furthermore, improvements to the efficiency of the proposal development and submission process and the project appraisal, approval and post approval process were required, while ensuring robust environment and social safeguards. They also noted two other areas highlighted by the IEU. Firstly, how to better track the outcomes and results of the Readiness and Preparatory Support Programme and the Project Preparation Facility (PPF) to ensure that these programmes helped to improve the capacity of and support direct access entities (DAEs). Secondly, regarding complementarity and coherence, they wished to highlight the IEU's finding that GCF had significant convening power but was unable to maximize the

potential of this position. The Board member wished to see continuing efforts by GCF to actively engage with other multilateral climate funds.

527. Another Board member emphasized their interest in results. They wished to have a clear assessment of the extent to which GCF had been able to support developing countries to limit or reduce their greenhouse emissions and adapt to the impact of climate change. They also welcomed the inclusion of the specific key area on institutional architecture and performance, as they considered that this would provide very valuable lessons for GCF-2.

528. Turning to transparency, the Board member expressed satisfaction that the SPR would address this issue and hoped that this would be undertaken in a broad manner. Observing that it appeared that the SPR would only assess the transparency of the Board and the Secretariat, they opined that it was very important to assess the degree of transparency of AEs, particularly related to project procurement information. They expected clear recommendations on this issue.

529. A further Board member said that the SPR Approach Paper and Report of the Synthesis Study were good steps towards the SPR, noting that the Approach Paper identified gaps in effectiveness and results achieved during GCF-1. They looked forward to seeing the findings of the SPR on the GCF's activities, particularly relating to loss and damage.

530. The importance of results for their seat was also highlighted by another Board member. They clarified that this particularly related to project results that could be independently verified. They also emphasised the need for aggregate results and were pleased to see this aggregation of self-reported results in the annual performance reports as one of the examples of indicative data analysis.

531. A Board member welcomed the fact that governance-related issues were included, noting that these were missing from the previous performance review. They wished to see that the upcoming SPR included a comparison with other organizations to see how the GCF was performing in terms of effectiveness in decision-making and other governance-related issues.

532. Regarding policy gaps, they noted that the IEU highlighted that only 10 per cent of the identified policy gaps had been closed within this replenishment period. They wished to know to what extent these policy gaps explained the fact that GCF had not been able to meet its targets for GCF-1.

Rapid Assessment of the progress of the Strategic Plan

533. Several Board members thanked the IEU for the useful Rapid Assessment, including the identification of current shortcomings, partly as a result of the lack of quantification of a number of results areas and, as some had noted, the reality that the 2020–2023 Strategic Plan was inevitably a compromise at the end of a very protracted process.

534. On the latter point, a Board member recalled that they had abstained from approving the 2020–2023 Strategic Plan because they thought it was not ambitious enough as it did not provide the necessary tools to be able to prioritize incoming funding proposals and accreditation proposals. These needed to be addressed in the updated 2024–2027 Strategic Plan.

535. This point was echoed by another Board member who recalled that the Strategic Plan had been largely "workshopped". Board members had sat together to develop an updated Strategic Plan which was satisfactory to everyone. This was an incredibly difficult task as there was a lack of agreement on what the strategy should look like; the existing updated Strategic Plan reflected input from all the Board members. On the question of compromise, many Board members were unhappy with that compromise and the document also reflected this. It was

unfair to be measured on that basis because it was necessary to take into account what was realistic at the time.

536. The first Board member expressed concern that many of the key indicators that were identified in the current updated Strategic Plan were not yet pointing in the right direction. The amount of financing allocated to adaptation had decreased, including the amount that had been allocated to small island developing States, least developed countries and African countries. Allocation to private sector projects where the target was 20 per cent had also decreased from 16.5 per cent to 15 per cent. The amount of mobilized co-financing had decreased from three and a half to three dollars for every dollar invested, as had the cost-effectiveness of mitigation action. None of this was surprising.

537. The Board member welcomed the findings regarding the strategic areas that were not currently covered by the updated Strategic Plan. The private sector strategy adopted earlier during the meeting should help to address one of the six areas. The ongoing accreditation strategy was another of the six areas identified.

538. It was very concerning to see that many goals and targets expressed in the current updated Strategic Plan were expressed in a way that made it very difficult and, in some cases, impossible to assess. Hence, that provided a clear direction to the Secretariat on what improvements needed to be made in the updated Strategic Plan and underscored the need for an updated Strategic Plan.

539. In terms of closing the policy gaps, the second Board member thanked other Board members who had come together and made significant policy decisions at the meeting. They were very pleased that the Board had now sent a good signal to the private sector, which was long overdue. Furthermore, the project-specific assessment approach had been adopted at the previous Board meeting.

540. They then turned to three points from the presentation, the first of which was that GCF was a small actor, and as such it could only provide less than one per cent of global needs. This also had implications for the risk or innovation appetite of GCF and also the extent to which GCF could address the challenges identified in the report. This begged the question as to whether GCF was aiming too high or too wide. It suggested that it may be necessary to further prioritize what was being done because GCF was only providing one per cent of the resources required.

541. Secondly on coherence and complementarity, GCF needed to work with partners because the GCF was only a small actor. Strengthening partnerships with others such as the multilateral development banks, specialized agencies, the United Nations, the private sector, civil society and countries themselves was key to scaling up of GCF actions.

542. Finally, relating to GCF's portfolio, it was difficult to identify impacts and results. The Board member wished to encourage the IEU to put emphasis on this because many Board members wished to see the specific results and impacts of GCF. They requested the IEU to provide this information, including hard facts, to the extent possible. This would be extremely useful to enlighten the discussions it would be necessary to have with their political masters as GCF moved towards the second replenishment.

543. A further Board member noted that the IEU was not able to assess two of the seven thematic areas. They were aware that the strategic objectives were either not expressed in quantitative terms or did not provide enough clarity. However, this meant that the Board was missing approximately thirty percent of an assessment of the progress against the updated Strategic Plan objectives. These issues clearly underscored the need to improve the design and implementation management in the next updated Strategic Plan alongside the creation of a logical pathway from output through outcome to the long-term goals. The need to set out clear indicators in the 2024–2027 Strategic Plan was also underlined by another Board member.

544. While noting the advice on areas such as geographic balance, in general progress on strategic thematic areas was disappointing. The Board member also expressed concerns about the policy environment. They recalled earlier interventions during the meeting, where they had stated that the closing the policy gaps was a matter of urgency. The Board had agreed that policies were essential for the GCF's effective functioning, its good reputation and to provide much needed certainty for the applications. The Board needed to be more responsive and agile in its decision-making. They hoped that the productive decision-making atmosphere in the current Board meeting would be carried forward into future Board meetings.

545. Finally, in relation to the next updated Strategic Plan, they opined that the Board needed to consider how to increase access to GCF by local non-governmental actors and better integrate gender considerations in climate change programmes and initiatives.

546. On policy gaps, a Board member observed that progress made since the Rapid Assessment was completed was inevitably not reflected. Whilst it referred to only achieving 2 out of 18 outstanding policies, this was now 5 out of 18. However, there was a long way to go. The assessment report was very informative and underlined that the Board still had much to complete during GCF-1.

547. The Board member proceeded to make a number of other observations.

548. It had been helpful to learn about those strategic areas that were currently not sufficiently covered. It was necessary to look more closely at loss and damage, coherence and complementarity, accreditation, adaptation and stakeholder engagement.

549. Similarly, it had been useful and relevant to explore the gaps in the updated Strategic Plan in terms of having a logical pathway, such as a theory of change and a coherent framework for measurement, reporting and verification. They opined that these were very important elements that needed to be considered when considering the 2024–2027 Strategic Plan process.

550. Finally, they wished to highlight some of the elements that would be important to look at in terms of support for developing countries and the translation of national climate strategies into investment strategies and project pipelines, and the mobilization of private sector projects through the GCF contributions. Furthermore, it was important to consider risk management and GCF risk appetite within the upcoming update of the Strategic Plan.

551. The value of this Rapid Assessment of the updated Strategic Plan by the IEU was echoed by a further Board member, especially in indicating areas for improvement. They noted that mitigation constituted a greater proportion of the activities until the end of 2023. This indicated the need for the Board to increase efforts on adaptation, which was a priority for developing countries. To accelerate the adaptation activities, they opined that there was a need to make institutional improvements which also improved financial and technical assistance in order to provide timely support to countries that were particularly vulnerable to climate change.

552. Turning to accreditation, at the current pace, the median number of days needed for accreditation for DAEs may reach 2,190 days by the end of 2023, which indicated insufficient flexibility. They hoped that the updated accreditation process would lead to a significant reduction in the time required for accreditation. Noting the rapid nature of this assessment, which was obviously subject to change going forward, they looked forward to more details in the final report of the SPR.

553. Another Board member echoed earlier comments on GCF's results reporting, which had been highlighted in the Report of the Synthesis Study of the second performance review. They hoped that remedial actions had been taken and that the Board could count on credible accounting of aggregate results before the second replenishment. As far as possible, the SPR analysis should be based on the intended results of the integrated results management framework with ex post information. The challenges related to the results-based management,

monitoring, evaluation and reporting, and could also be discussed under the institutional architecture.

554. In terms of specific requests to the IEU, a Board member said it would be helpful if the IEU could develop a tracking dashboard where the Board could monitor the status of recommendations made. They also emphasised the important role the IEU could play in streamlining processes to address the challenges faced by developing countries.

555. A second Board member wished to understand why their region was so underfinanced in GCF-1. At the same time, they noted that GCF was a significant fund for the countries they represented, which had a very low percentage (less than one per cent) of annual public financing going to the ministries responsible for the environment and climate. As such they wished to be able to monitor not only the evolution of GCF but also the evolution of the countries eligible for GCF funding. Turning to accreditation, they wished to echo an earlier Board member who had highlighted the role of accreditation. For countries that they represented with insufficient human resources to make the best use of the opportunities provided by GCF through different financial instruments offered, agencies were their reliable partners to access GCF funding. It was essential for agencies to focus on the sustainability of projects. If they did not, then the countries in the region represented by the Board member would see projects which did not produce concrete results. That was why they requested that the AEs always cooperate with local delivery partners and make use of the local expertise to the maximum extent possible, as well as work with academia and think tanks to increase human capacities which were scarce in their countries.

556. The Co-Chairs invited an active observer for civil society organizations (CSOs) to take the floor.

557. The active observer made the follows remarks.

Rapid Assessment of the progress of the updated Strategic Plan

558. CSOs agreed with some of the IEU's findings on the rapid assessment of the updated Strategic Plan, though they noted with concern that not all of the strategic objectives had measurement indicators as they were missing for 9 of the 27 action areas. They also agreed with the urgency of closing crucial policy gaps that were material to the proper implementation of the Strategic Plan. They specifically emphasised the need to revisit the policy on observer participation. This would address the initial finding of the rapid assessment that there were no clear policies that mapped out how the GCF could effectively engage and promote the participation of its stakeholders, particularly for vulnerable groups.

559. However CSOs were concerned that the assessment tried to "quantify" the evaluation of the implementation of the updated Strategic Plan and by doing so, it risked not addressing other concerns. In relation to this, CSOs wished to underline the following points.

560. The IEU should be acknowledging the fact that the USP was a highly negotiated, hard-fought political consensus which led to built-in vagaries in setting goals. This should be factored in in the assessment and would likely persist for the USP-2 update.

561. Measuring how the GCF was fulfilling needs of developing countries based on the United Nations Framework Convention on Climate Change's Standing Committee on Finance needs assessment should be examined further to include, for instance, the country programmes submitted to the GCF and other reports, such as on support for adaptation finance.

562. While the document reported a trend in increasing funding through DAEs, it was silent about whether funds were reaching the local level. It would be important to look at how many funds were really being accessed by and channelled to subnational entities, including women and indigenous peoples.

563. The COP had requested improvements in how the GCF engaged non-governmental and private sector stakeholders (see decision 7/CP.21, para. 19, and decision 7/CP.20, para. 17). While the GCF had several policies setting parameters for engagement, the document was also silent in terms of assessing if these engagements were done effectively.

Approach Paper of the Second Performance Review

564. The SPR was a critical prerequisite for GCF-2. CSOs therefore welcomed the detailed approach paper provided by the IEU for the SPR. They noted with appreciation the intent to do an in-depth and cross-cutting analysis of gender equality and social inclusion, including the methodology of engaging a wide range of stakeholders, such as CSOs, women and indigenous peoples, in the process through targeted interviews and surveys in the proposed 12 country case studies. In particular, CSOs welcomed a closer review of governance issues around representation, voice and observer participation. Benchmarking against other large funds would reveal that the GCF could significantly improve in this respect.

565. Evaluating and assessing the performance and impact of the GCF was critically important. As such, CSOs supported the SPR by the IEU as part of an overall architecture of monitoring and evaluation that should include participatory monitoring by intended beneficiaries throughout implementation, alongside the monitoring being done by AEs and the Secretariat, among others.

566. Lastly, they wished to offer the rich experience and expertise of the CSO network in terms of providing its own research, knowledge and supporting literature for the in-depth analysis performed for the SPR.

567. The Co-Chairs thanked the active observer and Board members for their comments and invited the Head of the IEU ad interim, Mr. Andreas Reumann, to take the floor.

568. Mr. Reumann thanked Board members for their rich comments and provided the following responses.

569. Regarding policy areas and the assessment done by the IEU, the cut-off date for the report was B.30. Hence, the IEU was unable to include other policies that were discussed at B.31 and B.32. The team recognized that multiple policy items had been approved subsequently and these had not been included.

570. The IEU also recognized that the utilization approach was key for this evaluation. They hoped to provide strong evidence and findings that would inform Board members and help with the updating of the current strategic plan for the second replenishment period.

571. Mr. Reumann wished to underscore, as stated in the report, that the IEU recognized the updated Strategic Plan was a highly "workshopped document" and had been negotiated for many months.

572. They recognized that some of the shortcomings listed in the report may stem from these negotiations, and at the same time also underscored that it would be important to think about the design of the updated strategic plan. The updating of the Strategic Plan should also include measurable targets to better understand progress made in terms of GCF delivery.

573. With regard to questions on the level of mitigation and adaptation targets that GCF had reached or was likely to reach at the end of the GCF-1 period, the IEU recognized that this question of prioritization and the aiming for "too high and too wide" was something that they wished to address more fully in the SPR.

574. The Head of the IEU ad interim underscored that this rapid assessment had only been a desk review, hence it lacked the richness of a complete evaluation, which would usually be able to delve more deeply into some of these considerations.

575. The IEU also recognized that there was an incredible overlap between the assessment of the updated Strategic Plan and the Synthesis Study regarding complementarity and coherence. The IEU emphasized in both documents that complementarity and coherence was a key aspect for the GCF, both now and for the future, and that it was key to consider this during the evaluation.

576. As mentioned by multiple parties, it was important to recognize the "nascency" of the portfolio while at the same time ensuring that there was a focus on results. The IEU highlighted that it remained difficult to find credible data due to the nascency of the profile, but the team had identified several measures to discuss with AEs in order to better understand what results were being seen on the ground.

577. Other methods, such as country missions in more than 12 countries, would also help the IEU to consider in greater depth what had been achieved on the ground in terms of funding and how that had translated into results.

578. On institutional architecture and transparency, the IEU agreed that the design and management was important and should be looked at in terms of the updating of the Strategic Plan.

579. Regarding benchmarking, they hoped that this would help to clarify in what way and to what extent GCF was performing in the policy landscape.

580. On the timeline, the IEU was set to deliver the remaining deliverables on the SPR on time and they would collaborate with the Secretariat for early feedback on their findings.

581. Regarding national strategies and country programmes, this was a key question which would be addressed by the SPR. This had also been assessed during country missions that had been completed.

582. The IEU also took note of comments on the importance of using local expertise and on assessing the extent to which indigenous peoples and gender considerations had been considered in GCF projects; stakeholder engagement remained a key aspect for the IEU's assessment in relation to the SPR.

583. The Co-Chairs thanked the Head of the IEU ad interim and asked the Board if it was ready to note the documents.

584. Seeing no requests for the floor, the Co-Chairs stated that the documents were so noted.

585. The Board took note of document GCF/B.32/Inf.11 titled "Rapid Assessment of the progress of the Green Climate Fund's Updated Strategic Plan: An IEU deliverable contributing to the Second Performance Review of the Green Climate Fund".

586. The Board took note of document GCF/B.32/Inf.12 titled "Approach Paper of the Second Performance Review of the Green Climate Fund".

587. No decisions were taken under these agenda sub-items.

Agenda item 12: Decisions proposed between the thirty-first and thirty-second meetings of the Board

588. The Co-Chairs opened the agenda item and drew the attention of the Board to document GCF/B.32/Inf.03/Rev.01 titled "Board decisions proposed between the thirty-first and thirty-second meetings of the Board".

589. They informed the Board that one decision had been circulated to the Board for approval without a Board meeting and had been adopted. This was:

(a) B.BM-2022/04 titled “Performance evaluation and performance-related pay for Board-appointed officials”.

590. They noted that in accordance with paragraph 44 of the Rules of Procedure of the Board, this decision approved between meetings would be recorded in the report of B.32.

591. They invited the Board to take note of document GCF/B.32/Inf.03/Rev.01 and the decision proposed and approved between meetings.

592. The decision was so noted.

593. The Board took note of document GCF/B.32/Inf.03/Rev.01 titled “Board decisions proposed between the thirty-first and thirty-second meetings of the Board”.

594. No decision was taken under this agenda item.

Agenda item 13: Report on the activities of the Secretariat

595. The Co-Chairs opened the agenda item and drew the Board’s attention to document GCF/B.32/Inf.10/Rev.01 titled “Report on the activities of the Secretariat”, its limited distribution addendum GCF/B.32/Inf.10/Add.01 titled “Status of accreditation master agreements and funded activity agreements” and addendum Add.02 titled “Report on the execution of the 2022 administrative budget of GCF”.

596. They invited the Executive Director, Mr. Yannick Glemarec, to provide an introduction.

597. After thanking the Government of Antigua and Barbuda for hosting the meeting, the Executive Director provided an overview of the Secretariat’s progress towards the six results areas indicated in the Secretariat’s 2022 work programme, covering the period from 1 January to 31 March 2022.

598. The following were highlighted by the Executive Director:

(a) Quality at pipeline entry was key to access. The Secretariat was making rapid progress in developing appraisal guidance and tools to help partners understand how proposals would be assessed;

(b) The review of the risk management framework was on track and would be completed by the end 2022;

(c) The ability to meet 2022 funding proposal targets depended on exchange rates and the mobilization of additional resources:

    (i) Noting structural exposure to foreign exchange risk, the Secretariat would be submitting a proposal to increase the foreign exchange commitment risk buffer by USD 150 million at B.33. Funds available for B.34 funding proposal commitments would depend on an increase to this risk buffer. Because of currency exposure, hedging foreign exchange risk made sense. The proposal was being reviewed by the Risk Management Committee and the Budget Committee. A hedging strategy could be submitted to the Board in second half of 2022; and

    (ii) Regarding the financial plan, a commitment authority of USD 2,290 million for 2022 was still expected. If all B.32 projects were to be approved, GCF would have USD 59 million of unallocated commitment authority. Some contributors had agreed to advance contributions, which would allow for a larger work programme at B.33. Around USD 470 million in funding proposals had been submitted to the independent Technical Advisory Panel (TAP) for B.33. Should all these be approved by the Board, about USD 760 million would be left for B.34.

The Secretariat would immediately programme a larger amount for B.34 should additional financial resources be mobilized;

(d) The fill ratio was another target that was yet to be achieved:

(i) The fill ratio had dropped from 90 to 75 per cent as a result of headcount increases. The target was to reach 90 per cent by the end of 2022;

(ii) GCF faced strong recruitment headwinds due to the small size of the organization, which limited career mobility, as well as its location and outdated salary scale. Another major challenge, especially for mid-career level staff, was that their families did not have many education and employment opportunities;

(iii) The Secretariat had taken steps to address some of the constraints:

(1) Increased outreach to increase the talent pool: More applications increased the number of suitable candidates. The increase in the talent pool was expected to continue owing to GCF being more established and recognized in the industry; and

(2) Streamlined recruitment process: Average time-to-fill ratio was reduced from 221 days to 171 days; and

(iv) Recruitment status: 31 letters of appointment had been issued. Meeting the fill ratio target would depend on how many of these would be accepted. It was possible to reach 90 per cent fill ratio by the end of 2022.

599. The Co-Chairs thanked the Executive Director for the presentation and informed the Board that the Executive Director would continue to be available to answer questions even after the agenda item was closed. They opened the floor for comments or questions.

Comments

600. A number of Board members thanked the Secretariat for its hard work and support to the Board. A Board member noted that the Republic of Korea was easing out of pandemic restrictions, so they expected work conditions for the Secretariat to improve. A second Board member was pleased that the Secretariat had been able to resume field visits and hoped this would enable deeper information gathering and provide additional insights to the Board.

601. Regarding commitment authority, a Board member was pleased that some contributors had been able to fast-track their instalments and hoped this would result in increased programming. The Board member was also pleased with the progress on sector guides, which would be useful to all and enhance quality of project proposals at entry. Regarding recruitment, the Board member asked what the turnover rate was and whether it had been stable or increasing. The Board member also wished to know about other reasons for leaving GCF in addition to issues around career prospects and salary scale.

602. The Board member informed the Secretariat that they were unable to access the Board portal using their work computer, so information would have to continue to be circulated via email as well. In relation to this, the Board member noted that an annex of the Secretariat's report highlighted the resource implications of the Secretariat responding to all requests for information from Board members. Though the Board could certainly reach out to the Secretariat, it had to be mindful of this implication.

603. A second Board member said that based on the report, the Secretariat seemed to be moving in the right direction in terms of organizational development. It was impressive that such progress had been made during a pandemic. Furthermore, they were pleased to see focus on enhancing portfolio management, which was crucial as more and more projects were being

implemented. In addition to ensuring quality at entry, sector guides would also be useful for bilateral programmes and to see how GCF was progressing in various results areas.

604. Regarding the implementation of the integrated results management framework (IRMF), the Board member recalled that the IRMF would start applying to projects presented at B.32. The Board member wished to know what the initial experiences and lessons learned were in applying the IRMF. They also asked what the status and next steps were in addressing the gaps in portfolio measurement.

605. Finally, the Board member reminded the Board about the Multilateral Organisation Performance Assessment Network (MOPAN) assessment, which was an efficient way to review GCF. This assessment was critical for the Board member, especially as GCF moved towards replenishment negotiations. The Board member wished to hear Board members' thoughts on moving forward with this assessment.

606. On the salary scale, a Board member recalled that at B.30, the Board had requested the Secretariat to present revised salary guidelines at B.31, which did not happen. The Board member therefore wished for an update on this matter and asked if the document could be presented at the next Board meeting.

607. A Board member said that the African Group of Board members were concerned that the timeline from project proposal review to disbursement could take up to 17 months; this affected project implementation and had to be addressed. They were also concerned about the increasing accreditation and re-accreditation pipeline and the timeline for presenting these proposals to the Board. They requested the Secretariat to present more accreditation proposals to the Board for approval and sought the support of the Board in enabling more direct access entities (DAEs) from developing countries, particularly Africa, to be accredited.

608. The Board member noted that the target for signed accreditation master agreements (AMAs) for 2021 had not been achieved. The 2022 first quarter target for signed DAE AMAs had not been met either. The African Group of Board members was of the view that the Secretariat should report to the Board on key performance indicators (KPIs) relating to activities in the GCF work plan. They were also concerned that GCF adaptation portfolio implementation was still lagging behind, and limited disbursement for adaptation had been made in the first quarter of 2022.

609. A final Board member supported the 2022 work programme of the Secretariat, especially its endeavours to align with the updated Strategic Plan. They welcomed the ongoing work to ensure quality at pipeline entry, including tools such as the Climate Guidance tool, Economic and Financial Analysis Handbook, and the Simplified Approval Process Toolkit. The Board member was pleased to note the preparation of the new project-specific assessment approach window and all initiatives to enhance the functioning of the Readiness and Preparatory Support Programme. They also encouraged the Secretariat to continue convening consultation processes and technical sessions to support progress on policy items.

610. The Board member noted the lower volume of funding proposal commitment due to a small decline in the projected commitment authority for 2022 caused by the foreign exchange market trend. The Board member, who was part of the Budget Committee, said they would be reviewing the amount to be set aside for the foreign exchange commitment risk buffer for solvency risk of GCF after the Risk Management Committee had reviewed it. They noted that the solvency risk resulted from not having a hedging policy. The Board member therefore looked forward to reviewing the proposal from the Secretariat on the hedging policy on promissory notes as soon as it was available.

611. The Co-Chairs invited an active observer for civil society organizations (CSOs) to take the floor.

612. The CSOs appreciated the Secretariat's report and wished to take the opportunity to not only comment on the various elements of the Secretariat's activities, but also urge much better information-sharing so that they would not have to use this report as a mechanism of discovery. Earlier and continuous engagement with civil society, indigenous peoples, and local communities on various Secretariat activities concerned, particularly with project development, implementation, and outreach, was in the service of achieving more effective operations and more transformative climate outcomes.

613. They were pleased to see that the Secretariat had established an origination taskforce to work within the Readiness Programme to support the development of high-quality new projects, which should prioritize engaging with DAEs. The CSOs wished to reiterate the underutilized role of civil society, indigenous peoples, and local communities in contributing to project origination. If the GCF were to serve communities, it must work with communities. This taskforce must counter the tendency towards international access entity-driven projects and programmes, noting that the latter were often wholly unconnected to the potential communities they would serve because their subprojects had not been defined or, if they had been, where they would be physically located. The GCF must recognize the value of scaling up and replicating locally-led solutions, particularly those that were centred on human rights, gender equality, and indigenous peoples, and this taskforce provided an opportunity to do so. Indeed, if GCF was to improve outcomes, ways of working must be improved. The GCF observer network of civil society, indigenous peoples, and local communities would be happy to consult directly with the taskforce or contribute as a taskforce member. The CSOs also urged the taskforce to work directly with the Indigenous Peoples Advisory Group.

614. Secondly, active observers appreciated that the Secretariat felt it had almost completed a suite of tools to support origination and preparation, such as a concept note checklist, but any new tools would not be truly complete or comprehensive without the opportunity for input from civil society, indigenous peoples, and local communities. Civil society welcomed the opportunity to provide specific, targeted feedback to strengthen these tools, such as commenting on the ways stakeholder engagement had been framed.

615. Active observers noted with interest the Secretariat's travel on programmatic missions (including field visits), which was linked to other travel commitments. They would appreciate being alerted to these missions in the future in order to facilitate meetings with local stakeholders and would appreciate the opportunity to support the Secretariat's and accredited entities' (AEs') outreach to help ensure their partners on the ground were engaged.

616. While the CSOs appreciated the Secretariat's onboarding efforts with new Board members, alternates, and advisors, they wished that their observer network had been engaged in such efforts to provide clear and comprehensive information about the role of observers generally and of the observer network specifically. In their conversations with Board members, for example, the CSOs had discovered some did not know about the active role the network of observers played in GCF in-person meetings. A better orientation process could have contributed to more far-sighted decision-making, such as consideration of the space for observers before deciding on a venue. The CSOs would continue to reach out to Board members bilaterally to discuss the value this network provided, but this oversight was a missed opportunity for the Secretariat to demonstrate that it listened to and valued observer participation.

617. Finally, the KPIs as usual showed that the Secretariat's work on country programmes continued, and the CSOs once again regretted that there seemed to be no systematic inclusion of civil society, indigenous peoples, and local communities across this process. They remained unaware even of which country programmes were under discussion.

618. The Co-Chairs thanked the Board members and the active observer for their comments and questions and invited the Executive Director to respond.

Secretariat responses

619. On turnover rate, the Executive Director explained that it was important for an organization to determine its natural turnover rate to guide its recruitment, onboarding, and staff development efforts. Based on the size, mandate, and location of GCF, the Secretariat adopted a natural turnover rate in the range of 10 to 20 per cent for planning purposes in 2019. This expected natural turnover rate would be reassessed again in the future. In 2019, the turnover rate was 9 per cent; in 2020, 17 per cent; and in 2021, 7 per cent. The relatively high turnover rate in 2020 was because some staff returned to their home countries and did not come back. For 2022, a rate of 15 to 18 per cent was expected because the rate was low in 2021.

620. Through exit interviews, the Secretariat had determined that one of the main reasons for leaving GCF was family. The families of GCF staff faced limited employment opportunities and education facilities. Another reason for leaving was to secure a higher position in another organization. The Executive Director considered this second reason a positive for GCF as it meant its organizational development could move staff to the next stages of their careers, making GCF a high-value employer. A third, more negative factor, related to heavy workload, highlighting the need to rapidly increase staff count.

621. Regarding requests for information from Board members, the Executive Director clarified that this should not be a cause for concern as the associated work implications were not too onerous. On the contrary, the Secretariat welcomed these exchanges as they added value and insights to ongoing work.

622. As for having the MOPAN review, it would ultimately be the decision of the Board. The Co-Chairs could decide to include it in a forthcoming agenda. The Executive Director recalled that the MOPAN assessment was a desk review that drew heavily on information available in the organization’s website. As the Secretariat had already uploaded about 80 per cent of relevant GCF information and processes on the website, this should facilitate a reviews such as this.

623. To respond to the questions regarding IRMF, the Executive Director invited the Director of Portfolio Management, Ms. Lilian Macharia, to take the floor.

624. Ms. Macharia was pleased to report that good progress had been made and all funding proposals presented at B.32 were compliant with the IRMF. This was accomplished by providing initial guidance on the development of funding proposals using the IRMF and testing this on a sample of AEs to ensure good representation and feedback. Webinars with those AEs were also conducted to account for further feedback and respond to questions. AEs that had not yet started their funding proposals were well-apprised of what was expected against the IRMF. For AEs already developing funding proposals, while there was no Results Handbook yet, dedicated GCF staff were assigned to work very closely with them to help them through the process.

625. Ms. Macharia was pleased to note that the Results Handbook was ready to be presented to the Board for adoption. It had been uploaded to the GCF website for comments from AEs and feedback had been positive so far. As for initial lessons, the Secretariat learned that it should further clarify how some parameters and impacts in the revised guidance should be measured; working closely with AEs had produced positive results overall and hopefully this would remain the case going forward.

626. The Executive Director took the floor to respond to the remaining questions and comments.

627. Regarding salary scale, the Secretariat had intended to submit the revised salary scale at B.31 but had not been able to do so as the Budget Committee had not yet been constituted at the time. Now that it was, the Secretariat was updating the document to incorporate the issue of

rental subsidy. The Executive Director explained that incoming GCF staff would be asked for a deposit that could cost more than a year's salary. This often meant staff would have to incur substantial debt to work with GCF. The revision would address this deposit issue as it particularly affected candidates from developing countries.

628. On reducing time between project approval and first disbursement, the Executive Director said this had been a main focus for the Secretariat over the past three years. Funded activity agreement (FAAs) were increasingly being signed soon after project approval when it used to take a year on average to do so. Much progress had been made in reducing time between project approval and FAA execution; the Secretariat was now working on reducing time between FAA effectiveness and first disbursement. The Executive Director recognized that disbursements were what made a difference, so the Secretariat fully shared the objective of reducing time needed for these processes.

629. As for accreditation and re-accreditation, the Executive Director indicated that, as these would be addressed under specific agenda items during the meeting, he would not comment at this stage.

630. Regarding AMAs, they were lagging on targets as the Executive Director did not have the authority to sign AMAs. This authority was with the Risk Management Committee, which had not been constituted until recently. There were four AMAs awaiting signatures.

631. The hedging policy was also waiting to be considered by the Risk Management Committee and the Budget Committee. The Executive Director suggested that the two committees and the Secretariat have a discussion that week to make progress on this issue quickly. The Secretariat would be proposing to hedge only the promissory note for now; a more ambitious strategy could be considered at a later time.

632. On adaptation, funding allocation to adaptation and mitigation was currently at 49:51 in grant equivalent terms. The Secretariat had developed a tentative portfolio to reach 50:50 by the twenty-seventh session of the Conference of the Parties to the United Nations Framework Convention on Climate Change (COP 27) in November 2022, but the achievement of this would unfortunately depend entirely on how much money could be programmed. If USD 1.2 billion could be programmed at B.34, the 50:50 balance between adaptation and mitigation could be reached. The Executive Director explained that the targets of the first replenishment period of the GCF (GCF-1) were cumulative, capturing projects since the establishment of GCF; it would therefore take a lot of financial resources to move the dial by 1 per cent.

633. As for country engagement, now that many countries were gradually easing out of pandemic restrictions, it would be much easier for the Secretariat to engage with them. For example, a regional dialogue with the Caribbean would be taking place immediately after B.32. The Secretariat expected to utilize both in-person and virtual modalities for country engagement moving forward.

634. Responding to civil society, the Executive Director agreed that focusing on Readiness as an instrument for participatory origination was a unique opportunity the Secretariat must seize. Acknowledging that the issue of engagement with civil society at the very start of project origination had been raised a number of times already, the Executive Director invited the civil society representatives to have a discussion with the Secretariat to come up with some steps that could be implemented as soon as possible towards addressing these concerns.

635. The Co-Chairs thanked the Executive Director and invited the Board to take note of the report on the activities of the Secretariat.

636. The Board took note of document GCF/B.32/Inf.10/Rev.01 titled "Report on the activities of the Secretariat", its limited distribution addendum GCF/B.32/Inf.10/Add.01 titled "Status of accreditation master agreements and funded activity agreements" and its addendum

GCF/B.32/Inf.10/Add.02 titled “Report on the execution of the 2022 administrative budget of GCF”.

637. No decision was taken under this agenda item.

Agenda item 14: Reports from Board committees, panels and groups

638. Document GCF/B.32/Inf.09/Rev.01 and its addendum Add.01 titled “Reports from committees, panels and groups of the Board of the Green Climate Fund” were issued to the Board for consideration under this agenda item.

639. This agenda item was not opened.

Agenda item 15: Reports on the activities of the independent units

640. The Co-Chairs opened the agenda item and drew the attention of the Board to the following documents:

(a) GCF/B.32/Inf.04 titled “Report on the activities of the Independent Redress Mechanism”;

(b) GCF/B.32/Inf.04/Add.01 titled “Report on the activities of the Independent Redress Mechanism - Addendum” transmitted to the Board on a limited distribution basis;

(c) GCF/B.32/Inf.05 titled “Report on the activities of the Independent Evaluation Unit”;

(d) GCF/B.32/Inf.06 titled “Report on the activities of the Information Appeals Panel”; and

(e) GCF/B.32/Inf.07 titled “Report on the activities of the Independent Integrity Unit”.

641. The Co-Chairs informed the Board that these documents were presented to the Board for information and that the heads of the independent units would be invited to introduce their respective items.

642. They invited the Head of the Independent Evaluation Unit (IEU) ad interim, Mr. Andreas Reumann, to take the floor.

643. The Head of the IEU ad interim, expressed a warm welcome to the Board members and alternate members and advisors. The IEU team looked forward to supporting the Board during 2022 and beyond.

644. Mr. Reumann provided a summary of the IEU activity report covering the period from 1 January to 31 March 2022. The IEU’s key outputs and achievements were summarized under the IEU’ four pillars used for reporting, namely: (i) Evaluations and reviews; (ii) Learning, advisory and capacity strengthening; (iii) Uptake communications and partnerships; and (iv) Building the IEU.

645. Furthermore, Mr. Reumann updated the Board on its work in developing GCF evaluation standards in line with decision B.BM-2021/07.

646. Finally, a summary of IEU expenditure against budget as at 28 February 2022 was provided. It was noted that this was slightly over USD 2 million (i.e. around 31 per cent).

647. The Co-Chairs thanked the Head of the IEU ad interim for the presentation and opened the floor for comments.

648. Board members thanked the IEU for its work, which was greatly appreciated, with one noting that they looked forward to the IEU’ timely and robust contribution on the second performance review (SPR) to enable the Board to build the GCF of tomorrow during the the

second replenishment period of the GCF (GCF-2) period. A Board member asked if the ongoing staffing issues would impact the IEU workplan and also requested further information on proposals to strengthen the Unit. This question was echoed by another Board member. Opining that in the past the Board had not acted sufficiently on the findings and recommendations of IEU evaluations, a Board member representing the African Group of Board members wished to see this addressed going forward. They looked forward to working with fellow Board members on how to ensure these were reflected in GCF policies.

649. The Co-Chairs thanked the Board members and invited Mr. Reumann to take the floor.

650. Mr. Reumann thanked Board members for their questions and was pleased to learn that the work of the IEU was appreciated by the Board.

651. Regarding timing, the IEU was on track on all deliverables in respect of the SPR and the Independent Evaluation of the Relevance and Effectiveness of the GCF's Investments in the African States. No delays were anticipated.

652. In terms of recruitment, progress had been made since the figures presented in the activity report in February 2022 were compiled. To tackle recruitment delays, recruitment had been pooled as there had been opportunities to hire multiple evaluation specialists through one single recruitment process, and the same has been done for other recruitments. This had helped to reach an adequate staffing capacity in a shorter time. The IEU had also received help from the Secretariat's Office of Human Resources to mitigate and counteract any delays. They had provided an HR Business Partner, who was now, to a larger extent, responsible for the IEU's hiring processes. This had greatly helped compared to previous years.

653. In terms of the work plan, the IEU was currently looking at a flexible system of deploying staff members to address the workload. The SPR and evaluation work was being prioritized, which inevitably meant delays to some other activities. An example of this was that the IEU had a mandate to build evaluation capacity for direct access entities and accredited entities. While the IEU wished to commence this work, this was not possible with only 15 staff members out of 25 staff positions. Furthermore, some delays were anticipated in the execution of capacity-building efforts. However, they hoped to be able to mitigate this with consultants hired on an ad hoc basis. Several rosters of consultants had been created, and the Unit was aiming to utilize some of its partnerships to help in its capacity-building efforts.

654. Turning to the question on IEU recommendations and the reflection of those recommendations in GCF policies, the IEU stood ready to help the Board consider certain dimensions of policy discussions. If needed, the IEU was happy to present IEU evaluation evidence and the findings and recommendations of the IEU's past evaluations at any point in time.

655. The Co-Chairs thanked the Head of the IEU ad interim and invited the Board to take note of the report.

656. Seeing no further requests for the floor, it was so noted.

657. The Co-Chairs invited the Head of the Independent Integrity Unit (IIU) to take the floor.

658. The Head of the IIU, Mr. Ibrahim Pam, welcomed new Board and alternate members and presented the activity report of the IIU for the reporting period 24 February to 15 April 2022, which included an overview of the role of the IIU.

659. The IIU had transitioned to a proactive, preventative function working effectively within the monitoring and accountability framework of GCF and collaborating with the Secretariat and under the guidance of the Ethics and Audit Committee. It provided highly skilled, innovative interventions that sought to safeguard GCF resources. The IIU's conceptual approach was to mitigate integrity risks before they become violations requiring reactive response. The IIU had

positioned GCF as the global leader in climate finance integrity. Mr. Pam referred Board members to recent reports by Transparency International, where it commended GCF's strong governance, accountability and transparency.

660. Mr. Pam then summarized case statistics, which represented a downward trend and highlighted several recent achievements, including work on strategy development and capacity-building, stakeholder relations, collaboration with the Secretariat on proactive integrity reviews, and communications.

661. The IIU welcomed the opportunity to interact with everyone attending the Board meeting and provide any information, support or guidance required.

662. The Co-Chairs thanked the Head of the IIU and opened the floor for comments.

663. There being none, the Co-Chairs stated that the report was duly noted.

664. The Co-Chairs informed the Board that for the report of the of the Independent Appeals Panel (IAP), they would refer the Board to the written report, noting that the Head of the Independent Redress Mechanism (IRM) was also chair of the IAP.

665. Turning to the report of the IRM, the Co-Chairs informed the Board that Mr. Lalanath de Silva, as Head of the IRM, was joining the meeting remotely but that the report would be presented by Mr. Paco Gimenez-Salinas, the IRM Compliance and Dispute Resolution Specialist, who was present in the Boardroom.

666. After recalling the five key functions of the IRM, Mr. Paco Gimenez-Salinas presented the activity report, which detailed the work of the complaints function during the reporting period 5 March to 21 April 2022. While there had been no new complaints in the reporting period, the IRM was handling two: one in relation to FP001 (Peru) and the other FP146 (Nicaragua). As part of its work in relation to FP146, the IRM was undertaking a compliance review investigation with a planned mission to Nicaragua while also assisting parties to address issues via a parallel dialogue and mediation process. With regard to FP001, the IRM continued to monitor agreements reached by the Secretariat. Mr. Gimenez-Salinas also provided a summary of other IRM work during the reporting period.

667. The IRM's expenditure was also summarized with actual expenditure to 22 March 2022 at 14 per cent.

668. The Co-Chairs thanked Mr. Paco Gimenez-Salinas and stated that the Board would move into executive session for further discussion of the IRM report.

669. On conclusion of the executive session, the Co-Chairs asked the Board if they wished to take note of the IRM report.

670. Seeing no requests for the floor, it was duly noted.

671. The Board took note of documents GCF/B.32/Inf.04 and its limited distribution addendum Add.01 titled "Report on the activities of the Independent Redress Mechanism", GCF/B.32/Inf.05 titled "Report on the activities of the Independent Evaluation Unit", GCF/B.32/Inf.06 titled "Report on the activities of the Information Appeals Panel", and GCF/B.32/Inf.07 titled "Report on the activities of the Independent Integrity Unit".

672. No decision was taken under this agenda item.

Agenda item 16: Report on the activities of the Co-Chairs

673. The Co-Chairs opened the agenda item and drew the attention of the Board to document GCF/B.32/11 titled "Guidelines for the operation of Board committees: Co-Chair's Proposal"; document GCF/B.32/12 titled "Next steps in the event that a Board member is unable to join

consensus regarding the outcome of the balloting procedure"; and document GCF/B.32/13 titled "Draft Co-Chairs' proposals on the guidelines to determine in which cases decisions without a Board meeting may be requested".

674. They explained that these three matters were presented for the Board's consideration and approval under this agenda item. All three had been considered by the Board at previous Board meetings.

Next steps in the event that a Board member is unable to join consensus regarding the outcome of the balloting procedure

675. The Co-Chairs drew the attention of the Board to document GCF/B.32/12 titled "Next steps in the event that a Board member is unable to join consensus regarding the outcome of the balloting procedure".

676. They requested the Secretariat to display the draft decision contained in annex I to document GCF/B.32/12 on the Boardroom screen. The Co-Chairs invited the Board to adopt the draft decision and opened the floor for comments.

677. There being no comments or objections, the decision was adopted.

678. The Board took note of document GCF/B.32/12 titled "Next steps in the event that a Board member is unable to join consensus regarding the outcome of the balloting procedure".

679. The Board adopted the following decision:

DECISION B.32/10

The Board, having considered document GCF/B.32/12 titled "Next steps in the event that a Board member is unable to join consensus regarding the outcome of the balloting procedure":

(a) Recalls decision B.23/03, paragraph (d);

(b) Decides that in the event that at least one Board member expresses the view that they are unable to join the consensus regarding the outcome of the procedure for confidential balloting ("Balloting Procedure") set out in section VI of the Procedures for adopting decisions in the event that all efforts at reaching consensus have been exhausted adopted pursuant to decision B.23/03 ("Decision-Making Procedures"):

(i) The Co-Chairs will first further consult with the Board member(s) who has expressed the view that they are unable to join consensus regarding the outcome of the Balloting Procedure;

(ii) If after such consultations, the Board member(s) continues to express the view that they are unable to join the consensus, the Board member(s) may make use of the options set out in section II, paragraphs 7(b)—(e) of the Decision-Making Procedures in order to allow the relevant decision to be adopted; and

(iii) If the Board member(s) does not wish to make use of any such option, section V of the Decision-Making Procedures shall apply mutatis mutandis to the decision appointing the relevant Board-appointed official; and

(c) Requests the Co-Chairs to update annex I to decision B.23/03 to reflect paragraph (b) above.

Guidelines for the operation of Board committees

680. The Co-Chairs drew the attention of the Board to document GCF/B.32/11 titled "Guidelines for the operation of Board committees: Co-Chairs' Proposal".

681. They reminded the Board that this document had been discussed at the previous Board meeting (B.31). The Co-Chairs had consulted further since then and were presenting the same B.31 version of the text to the Board.

682. They requested the Secretariat to display the draft decision contained in annex I to document GCF/B.32/11 on the Boardroom screen and invited the Board to adopt the draft decision and opened the floor for comments.

683. Many Board members thanked the Secretariat and the Co-Chairs for the document presented. Several highlighted the critical role of the guidelines in effective and efficient committee work and enabling the Board to deliver on its mandate. A Board member emphasized that this was a long-standing issue that had seen extensive consultations; thus, they expected the Board to be able to agree on it at the current meeting.

684. Several Board members could not support the guidelines as presented and provided specific amendments to address their concerns. A few cautioned that if the proposal was accepted as it was, they would only be repeating recent mistakes in relation to committees. Specific suggestions provided were as follows:

Paragraph 8 of annex II to document GCF/B.32/11[5]

685. Several Board members requested that "as appropriate" be removed from this paragraph. A Board member said gender considerations were always appropriate, while another highlighted that language used should precisely reflect language in the Governing Instrument for the GCF. "As appropriate" was not in the Governing Instrument.

Paragraph 15 of annex II to document GCF/B.32/11[6]

686. A Board member said the version of this paragraph in the B.28 draft[7] was much clearer and should be reinserted. It was clearer in terms of striving for regional balance and ensuring that both constituencies were able to chair the committee. It would also allow the constituency to finish its term as committee chair. Several Board members supported this suggestion.

687. An alternate Board member, who was serving as a Board member in the absence of their principal, highlighted that even though paragraph 15 spoke about the chair being unable to carry out her or his functions, it did not say anything about what should happen if the chair was merely absent from a committee meeting. For example, they could not deputize for their Board member – who was the chair of a committee – in committee meetings as the Board decision on the appointment of committee members specifically named the Board member, not their seat. This gap should be addressed so that committees could still function smoothly in the absence of the chair.

[5] Paragraph 8 of annex II to document GCF/B.32/11 states that "Committee members will be appointed by the Board, with due consideration given to gender balance, as appropriate, in line with paragraph 11 of the Governing Instrument."

[6] Paragraph 15 of annex II to document GCF/B.32/11 states that "If the Chair is not able to carry out her or his functions or ceases to be a committee member before their term is complete, a new Chair will be elected by the Committee, for the remainder of the term."

[7] Paragraph 17 of annex II to document GCF/B.28/14 states that "If the Chair is not able to carry out her or his functions, or ceases to be a committee member before their term is complete, a new Chair will be elected by the Committee, from amongst the committee members and from the same constituency for the remainder of the term."

688. There also seemed to be an assumption in the guidelines that the chair would always be present at committee meetings but, in practice, the committee could still convene a meeting without the chair as long as quorum was achieved. Specifically, paragraph 23[8] did not indicate that the presence of the chair was required at meetings, but it stated that the chair would verify quorum at the beginning of the meeting. This did not account for what should happen in the absence of the chair. It would be very impractical for committees to elect a new chair every time their chair was absent. This should be addressed in the guidelines.

Paragraph 22 of annex II to document GCF/B.32/11[9]

689. Several Board members were concerned that the paragraph did not indicate a way forward should a committee be unable to reach consensus as it could have major consequences. A Board member pointed to the Budget Committee as an example. It played a critical role in approving funding for GCF staff as well as funding and accreditation proposals. The Board should have a way forward in the event that the Budget Committee was unable to fulfil these important duties. The Board member suggested adding that the Board would take a decision on how to proceed, taking into account the urgency of the matter and its relevance to the good functioning of GCF.

690. Noting the need for more specific guidance in the event a committee was unable to find consensus, a Board member suggested that one year be given to committees to consider any item, after which the item should automatically return to the agenda of the next Board meeting.

691. A second Board member supported this suggestion. Stressing that the committees were designed to accelerate and facilitate the work of the Board, a third Board member said the Board should take action as soon as possible if committees were unable to perform their duties.

Paragraph 27 of annex II to document GCF/B.32/11[10]

692. A Board member said the guidelines set out in this paragraph seemed too strict. Some flexibility should be given such as allowing absent members to participate in committee meetings through written comments or perhaps modifying the paragraph to allow three consecutive absences.

Secretariat focal point

693. Several Board members emphasized the important role of the Secretariat focal point in committee work. They requested that paragraphs regarding this role that had been deleted from the current version of the guidelines be reinserted.

694. A Board member said it was important for the Secretariat focal point to have the ability to convene a meeting if directed to do so by the committee chair or by the Co-Chairs. This was a key element in prior drafts and should be reinserted.

695. Another Board member emphasized that the current version seemed to almost entirely cancel the role of the Secretariat focal point and they could not support this. The committees

[8] Paragraph 23 of annex II to document GCF/B.32/11 states that "A two-thirds majority of committee members must be present at a committee meeting to constitute a quorum. Committee can take decisions, including to elect a new Chair provided there is quorum. The existence of a quorum will be verified by the committee Chair at the beginning of the meeting."

[9] Paragraph 22 of annex II to document GCF/B.32/11 states that "In the event that the Committee is unable to reach consensus, the Committee Chair shall report this to the next meeting of the Board."

[10] Paragraph 27 of annex II to document GCF/B.32/11 states that "A committee member who is unable to participate in committee meetings, including virtual meetings, more than two times consecutively and was not represented by their Board member or Alternate Board member (depending on the status of the corresponding Committee members) will cease to be a Committee member."

needed the support and expertise of the Secretariat. Previous versions of the guidelines better highlighted the Board's trust in the expertise of the Secretariat.

Participation of active observers

696. A Board member underscored the importance of the participation of all stakeholders, including active observers, in committee work. As the Rules of Procedure of the Board spoke about transparency and participation, this approach should also be taken in committee work and reflected in the committee guidelines.

697. A second Board member welcomed that the updated guidelines stated that transparency would be improved by making information available on the GCF website. To enhance active observer participation in committee meetings, the Board member requested the deletion of paragraph 28 from the current guidelines.[11] Though also welcoming of the participation of stakeholders, a further Board member said there should be caution when it related to confidential matters such as human resource issues.

Reinserting deleted paragraphs

698. Various Board members pointed to paragraphs in previous versions of the guidelines that had been removed from the current version and requested that these be put back. These were:

(a) Paragraphs 9 and 11 of annex II to document GCF/B.29/09/Rev.01;[12,13,14]

   (i) Several Board members requested the reinsertion of these paragraphs. Some explained that they ensured regional and gender balance in committees, proper turnover, and efficiency of committee work. One of these Board members said that they nevertheless understood the importance of maintaining the prerogative of constituencies in selecting their committee members; and

   (ii) Another said that they could accept the deletion of paragraphs 11 and 31,[15] but not the other paragraphs as there would be little value in the updated guidelines without those. A further Board member wished to discuss the possibility of extending the chair's term to two years;

(b) Paragraph 18 of annex II to document GCF/B.31/11;[16]

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[11] Paragraph 28 of annex II to document GCF/B.32/11 states that "Committee meetings will be closed to active observers unless otherwise specified in the terms of reference of the committee."

[12] Paragraph 9 of annex II to document GCF/B.29/09/Rev.01 states that "Committee members will serve on no more than one standing committee at a time."

[13] Paragraph 11 of annex II to document GCF/B.29/09/Rev.01 states that "Committee members will serve for one term and may serve for one additional consecutive term for purposes of continuity."

[14] The same paragraphs are contained in both documents GCF/B.29/09/Rev.01 and GCF/B.31/11 but they are presented in red strikethrough text in the latter document.

[15] Paragraph 31 of annex II to document GCF/B.31/11 states that "Prior to each Committee meeting, Committee members may request that his/her Board member or Alternate Board member (depending on the status of the corresponding Committee members) act in their stead at the next meeting. This change would need to be notified by the Committee member to the Committee Chair in written form, prior to the opening of the Committee meeting. This change should only be permitted in limited circumstances."

[16] Paragraph 18 of annex II to document GCF/B.31/11 states that "If the Committee Chair will be absent or unable to fulfil their duties, the Committee Chair shall inform the Secretariat Focal Point promptly. The Secretariat committee Focal Point may also reach to the Committee Chair to confirm if the Focal Point can preside over a committee meeting. The Secretariat Committee Focal Point shall inform the Co-Chairs of the situation to address the matter with their constituencies."

(i) A Board member said that paragraph 18 of the previous version provided clarity on how to conduct meetings and should therefore be reinserted;

(c) Paragraph 27 of annex II to document GCF/B.29/09/Rev.01;[17] and

(i) Two Board members wished to see this paragraph reinserted as having regular meetings was essential to the proper functioning of committees; and

(d) Paragraphs 40 and 42 of annex II to document GCF/B.29/09/Rev.01;[18,19]

(i) A Board member wished to reinsert these paragraphs as circulating committee reports to the Board on a rolling basis would enhance transparency. Second, the Secretariat had a key role in providing administrative and operational support to Board committees.

699. A number of Board members who had provided specific comments above said they would also be circulating their comments in written form.

Other comments

700. After thanking the Co-Chairs for allowing discussion on this important matter, a Board member informed new Board members that the guidelines had been discussed quite extensively during the previous Board term. The previous Board felt it should not make decisions for the new Board on how to operate so it was important for the new Board to adopt these guidelines during its first term; otherwise, it would risk repeating issues encountered by the previous Board.

701. The Board member fully aligned with the specific suggestions above from various Board members, emphasizing that it was important to address shortcomings in committee operations. For example, there had been instances when Board documents had been stuck with committees for long periods of time, sometimes several years, and this should be addressed by the updated guidelines. Another was what should be done in the event a committee was unable to elect a chair. During the last Board term, this had happened to the Accreditation Committee and the Ethics and Audit Committee. With this in mind, the Board member agreed with the proposal to extend the chair's term from 12 months to 18 months. The Board member drew attention to the fact that some developing country Board members only served in the Board for one year, so there should be a way to ensure smooth transition in the chairing of committees after the Board members' terms ended.

702. A further Board member said that, though these guidelines were very important, the African Group of Board members felt the document had been circulated late and did not allow them enough time to provide substantive comments. As there were only 8 representatives

[17] Paragraph 27 of annex II to document GCF/B.29/09/Rev.01 states that "Committees will convene their meetings as determined by the Committee led by the committee Chair with the support of the Secretariat. Meetings shall be held regularly, at least once between each Board meetings. Efforts will be made to hold additional meetings at the time of full Board meetings, including by teleconference, as appropriate. Notification of meetings to members shall done electronically and primarily through the Secretariat in consultation with the Chair of the Committee."

[18] Paragraph 40 of annex II to document GCF/B.29/09/Rev.01 states that "The focal point, supporting the Chair, will be responsible for providing Committee members with proposed meeting dates and times at least 3 weeks prior to the Committee meeting and distribute documents to be discussed at least 5 business days prior to the Committee meeting. The Executive Director or the focal point will be consulted on proposed meeting agendas and may propose items to be included in meeting agendas."

[19] Paragraph 42 of annex II to document GCF/B.29/09/Rev.01 states that "The focal point will be responsible for producing written reports of committee meetings. Report of committee proceedings will be approved by committee members within five working days after the committee meetings, on a no-objection basis. Report of committee proceedings will include, at a minimum: list of participants, agenda of the meeting, meeting minutes including the resolutions reached before the meeting, and the date of next meeting. These reports will be disclosed to the Board on a rolling basis, and as an attachment to the report of Committee, panels and groups to the Board."

[Board and alternate members] out of a total of 24 at the Board meeting in Antigua and Barbuda, they expected a process to allow all views to be discussed in detail.

703. The Co-Chairs clarified that the document presented was the same text that had been discussed at B.31. They included this item in the agenda again to solicit further suggestions from the Board.

704. Also agreeing with the specific recommendations provided by previous Board members, a Board member asked what the Board could do to ensure equal participation of women as chairs and co-chairs of committees.

705. Another Board member wished to clarify what the Co-Chairs intended to do to find a way forward on the guidelines. Though the document was crucial to Board and committee work and many valid concerns had been raised by other Board members, the Board member was not sure what approach the Co-Chairs would be taking to find a solution.

706. The Co-Chairs explained that they were not in a rush to conclude the item as it was more important to hear all views and find agreement on the way committees work, given that they were a crucial part of the governance of GCF. After hearing all comments, the Co-Chairs would reflect on them and find a way to progress in an inclusive and proactive way.

707. Regarding serving in more than one committee, a Board member said this should be left to the constituencies and interested Board members to decide rather than having a set rule that one could not serve in multiple committees. Some Board members may not wish to serve in committees at all due to the associated workload. Furthermore, the Board member pointed to the practical issues various Board members had raised and said that the guidelines should not be too strict in allowing someone else from the same constituency to represent the absent committee member. Given the critical importance of the work of committees, they should also have the flexibility to meet outside of Board meeting periods.

708. The Co-Chairs thanked the Board members for their pragmatic recommendations and said they felt that pragmatic solutions would pave the way forward on committee guidelines.

709. Two other Board members agreed with this pragmatic approach of the Co-Chairs. One of them said solutions should also be based on experience.

710. The other Board member drew attention to the role of committees – as stated in paragraphs 30[20] and 31[21] of the Rules of Procedure of the Board – and said that although the Board was working within these rules, it was not possible to close all existing loopholes. Not every single action could be legalized so the Board should be pragmatic and make compromises for this long overdue work to progress. Lastly, the Board member emphasized that terms should be used consistently in the document. Some examples of the terms in question were ‘ad hoc committees’, ‘standing committees’ and ‘subcommittees’.

711. The Co-Chairs invited an active observer for civil society organizations (CSOs) to take the floor.

712. The CSOs welcomed the update of the guidelines given the increasing role Board committees played in undertaking substantive work of the Board. However, they had two primary concerns:

[20] Paragraph 30 of the Rules of Procedure of the Board states that “The Board may establish such committees from among its members and/or alternate members, and such panels as may be required for the conduct of its business.”

[21] Paragraph 31 of the Rules of Procedure of the Board states that “Committees shall assist the Board in its decision-making, and shall exercise any delegated authority under the overall authority and direction of the Board, which may revoke such delegated authority under the same procedures in place for the original delegation of authority. Except for standing committees, all committees established ad hoc should have a clearly defined timeline and end date, related to the execution of its functions and should be subject to review at regular intervals.”

713. First, "giving due consideration to gender-balance, as appropriate" did not adequately address the concerns raised at B.31 and B.32 by various Board members. Gender balance should always be given due consideration and thus the qualifier "as appropriate" should be deleted from paragraph 8. Further, the guidelines should refrain from using gender-specific terms like chairmanship and instead use the more inclusive "chair" or "chairpersonship".

714. Secondly, the CSOs continued to object to the categorical exclusion of the participation of active observers in Board committee proceedings unless stipulated in the respective committee's terms of reference as proposed in paragraph 28. This was an unnecessary exclusion and one that would persist (even if attitudes towards inclusion changed) for a prolonged period of time as terms of reference only had to be reviewed every four years.

715. Instead of this categorical exclusion, the committee chair – in consultation with and on a no-objection basis by committee members – should have the discretion to allow for the participation of active observers on a case-by-case basis, similar to what was proposed for members of the independent units and other stakeholders in paragraph 26. The CSOs urged the Board not to squander opportunities for the expertise of their network to contribute to its work.

716. The Co-Chairs thanked the Board members and the active observer for their contributions. Though many could agree that the guidelines had some shortcomings, there were also constraints in finding common solutions to them at the moment. Fine-tuning was definitely needed in order for committees to function well. The Co-Chairs said there were two possible options for the next step.

717. One option was to take advantage of being together in person for the first time in two years and constitute a small group of Board members to work out the main issues in the guidelines. However, this would require a balanced group of four to six Board members to work on the sidelines of the Board meeting. The second option was for the Co-Chairs to take the lead on this item and come back to the Board at a later time with a way forward. The Co-Chairs asked the Board members for their thoughts on these options.

718. While a number of Board members said they would be willing to be part of the small group should it be constituted, a few said they would prefer if the Co-Chairs took the lead on this item especially since there did not seem to be enough Board members to maintain quorum should this small group leave the Boardroom.

719. After brief consultations between the Co-Chairs, they informed the Board that quorum would indeed be lost if a small group was constituted on the margins of the meeting. The Co-Chairs would therefore be considering all the comments provided and come back to the Board with a way forward at the current meeting or next meeting.

720. The agenda sub-item was suspended.

Part 2

721. The Co-Chairs reopened the agenda sub-item on the final day of the meeting and informed the Board that a revised decision text had just been circulated. The Co-Chairs would be suspending the item for a short while to give the Board time to consider the revised text.

722. The Co-Chairs reopened the agenda sub-item later that day and recalled that the Board had considered the guidelines for the operation of Board committees on the second day of the meeting. Following consultations with Board members, the Co-Chairs were proposing the addition of one paragraph to the decision text.

723. They requested the Secretariat to display the revised draft decision on the Boardroom screen and read the added paragraph as follows:

(c) *Decides* to consider the review of committees, panels and groups, mandated pursuant to decision B.25/03, paragraph (c) at the thirty-third meeting of the Board and to consider necessary amendments to the guidelines referred to in paragraph (a) above based on the outcome of this review.

724. The Co-Chairs invited the Board to adopt the draft decision and opened the floor for comments.

725. A Board member said they could accept the guidelines but were objecting to the addition of paragraph (c) to the draft decision.

726. Recognizing the emerging consensus on the document despite its shortcomings, a further Board member said they were not objecting to the approval but wished for their concerns to be recorded in the report of the meeting. The Board member understood that the Co-Chairs were not willing to engage in a discussion to change any of the paragraphs in the guidelines, and this was unsatisfactory. The benchmark for the guidelines should be to address the challenges and shortcomings they as Board members had faced in various committees. The guidelines presented were a small step in that direction and, on that basis, the Board member would not object.

727. Many issues raised during the current Board meeting remained unaddressed. For instance, the Board member had informally suggested the inclusion of a paragraph that would ask for a review or self-assessment of Board members, which was quite usual for boards of major organizations. Such a self-assessment could be in the form of an easy questionnaire for committee members to take after a year and through which they could take stock and share experiences of what had worked and not worked in relation to committee work. The Secretariat could then compile those comments in a document and present it to the Board as an information document. Afterwards, the Board could decide whether any action was needed in relation to the guidelines. The Board member highlighted that many policy items, such as the project-specific assessment approach (PSAA), had a built-in mechanism to have an automatic review and allow the Board to make necessary adjustments. The Board member felt that having such a mechanism should be a given.

728. It was unfortunate that they were unable to have such a discussion at the current meeting and were being asked to simply adopt or not adopt the decision. This did not address the many concerns regarding the guidelines. Nonetheless, the Board member recognized the will of fellow Board members to conclude the discussion on the document as they had been working on it for so many years. However, they were once again left with the least common denominator in terms of the contents of the guidelines.

729. The Board member reiterated that they were not objecting to the decision presented by the Co-Chairs, but were not in favour of the suggestion to remove paragraph (c).

730. The Co-Chairs asked the Board member who did not agree with the addition of paragraph (c) if they could adopt the decision as presented by the Co-Chairs, noting that the Board could choose to undertake the review of committees, panels and groups even if paragraph (c) was not included in the decision. However, it was important to reflect the substance of the discussions they were having on the guidelines in the decision text.

731. The Board member responded that they had always worked in the spirit of compromise and solutions. They could agree to the decision text if the end of paragraph (c) –"and to consider necessary amendments to the guidelines referred to in paragraph (a) above based on the outcome of this review" – was deleted. Also, as there did not seem to be sufficient time before B.33 to conduct such a review, the Board member suggested changing the timing indicated in paragraph (c) from "thirty-third meeting of the Board" to thirty-fourth or thirty-fifth.

732. The decision was revised as follows:

(c) *Decides* to consider the review of committees, panels and groups, mandated pursuant to decision B.25/03, paragraph (c) at the thirty-fourth meeting of the Board.

733. The Co-Chairs invited the Board to adopt this revised draft decision.

734. A Board member said they were not objecting but wished to have their statement recorded in the meeting report. They were concerned that paragraph 10 of the guidelines did not address the event in which a committee was unable to select a chair. They were a member of a committee last year that was not able to select a chair for months and these kinds of situations should be avoided in future.

735. With no objections and no more comments, the decision was adopted.

736. A Board member congratulated the Co-Chairs on their achievement on this longstanding issue and appreciated their consideration of the importance of gender and observers in this regard. The Board member highlighted that the approved guidelines necessitated the review of the terms of reference of some committees.

737. The Board took note of document GCF/B.32/11 titled “Guidelines for the operation of Board committees: Co-Chair’s Proposal”.

738. The Board adopted the following decision:

DECISION B.32/09

The Board, having considered the document GCF/B.32/11 titled “Guidelines for the operation of Board committees: Co-Chairs’ proposal”:

(a) Adopts the General guidelines for the operation of Board committees, as set out in annex IX to this document;

(b) Amends the terms of reference of standing committees of the Board to reflect these guidelines, as appropriate; and

(c) Decides to consider the review of committees, panels and groups, mandated pursuant to decision B.25/03, paragraph (c), at the thirty-fourth meeting of the Board.

Guidelines to determine in which cases decisions without a Board meeting may be requested

739. The Co-Chairs drew the attention of the Board to document GCF/B.32/13 titled “Draft Co-Chairs’ proposals on the guidelines to determine in which cases decisions without a Board meeting may be requested”.

740. They requested the Secretariat to display the draft decision contained in annex I to document GCF/B.32/13 on the Boardroom screen. The Co-Chairs invited the Board to adopt the draft decision and opened the floor for comments.

741. A Board member noted that, compared to the previous draft, the current version did not have the requirement to promptly circulate comments from active observers to all Board members and alternates. This had been deleted from paragraph 14 of the document and should be reinserted. They did not understand why this had been removed as Board members would benefit from prompt circulation of comments from active observers. Two other Board members echoed this comment.

742. Another Board member noted that the current version's list of items to be considered in between Board meetings was incomplete. The previous version had additional categories such as policy items for which consensus had been close but had not been reached during a Board meeting. The Board member wished to see categories in the previous version of the document reinserted. Second, the current version stated that decisions in between Board meetings would be shared with active observers for information only. These should be shared not only for information, but for active observers' views and submissions as well.

743. A second Board member agreed with the previous comment, adding that it was very important for comments from both Board members and active observers to be shared immediately with the Board and this should be explicitly stated in the guidelines. The Board member also believed the increased use of decisions between Board meetings would lead to more efficient Board decision-making and could improve the decision-making process in general.

744. The Co-Chairs invited an active observer for CSOs to take the floor.

745. The CSOs appreciated the renewed effort to agree on the guidelines as it was critical to have clear guidelines for situations in which a decision between meetings was necessary. It was all the more critical to adopt these guidelines – and to get them right – including with respect to information-sharing and participation of active observers. It was also critical to have these guidelines in place before adopting decisions, like that on the simplified approval process, that explicitly called for decisions to be made between meetings.

746. However, the CSOs had a few concerns. First, they were concerned that the proposed decision expanded when there could be decisions between meetings beyond "extraordinary" situations or very limited circumstances (as had been the practice under the Rules of Procedure of the Board) to allowing for decisions between meetings to include any decision "pursuant to a Board decision or Board approved policy which expressly envisages that a specific matter may be issued for a decision without a Board meeting". This open-ended mandate presented a slippery slope to having more and more decisions between meetings, which decreased overall transparency and ability for stakeholder voices to be considered.

747. Additionally, more clarity was needed on what would happen when the Co-Chairs issued a revised decision or an amendment to a decision due to consultations with an objecting Board member. Would a new document be circulated, including to active observers? Would the timeline for the decision be extended to a new no-objection period?

748. The CSOs noted with great concern, as had been echoed by some Board members, that unlike the prior document on this topic, which had been issued at B.28, this proposed draft no longer explicitly stated that the Secretariat would share any comments from observers on proposed decisions between meetings promptly with the Board. It was not enough that decisions, other than those that were limited distribution, would be shared with active observers when they were shared with the Board. Merely sharing decisions with active observers did not enable their network to provide comments as they were able to do when decisions were being considered during a Board meeting.

749. In addition, as they had not been given a contact list for Board members, it was very challenging to provide feedback or raise concerns they may have. There should be a way for active observers to provide comments to the Board directly on proposed decisions between meetings – especially as, in some cases, the no-objection period was as short as seven days – as that would be the most efficient and prompt mechanism to ensure they were shared with the Board, and provisions for that should be included in this decision.

750. Lastly, the CSOs were also concerned that, for "limited distribution documents", active observers would not even receive a notification that a decision in-between meetings was being considered based on a limited distribution document until after the decision had been taken.

Limited distribution did not mean observers had no input on the general topic, nor insight into the potential decision even in the absence of seeing actual text.

751. One Board member said the updated document had incorporated many of their comments and concerns regarding the previous version. Though they would be happy to discuss the document itself, they did not agree with comments that the list of items that could be approved without a Board meeting should be increased.

752. A final Board member reminded the Board that paragraphs 41 to 44 of the Rules of Procedure of the Board indicated that decisions without a Board meeting could occur on an extraordinary basis. The Board member wished to hear more views from other members with this in mind.

753. The Co-Chairs acknowledged that, though there had been many substantive comments, there was no consensus on this matter. They would be working together to come back with a way forward at the current meeting if possible. With that, the Co-Chairs closed the session.

Part 2

754. The Co-Chairs reopened the agenda sub-item on the final day of the meeting and recalled that the Board had considered this matter on the second day of the meeting. As there had been no consensus on possible amendments, the Co-Chairs were presenting the same guidelines to the Board for consideration and adoption. The Co-Chairs believed, in good faith, that this version was their best effort to find consensus.

755. With this said, the Co-Chairs invited the Board to adopt the draft decision and asked the Board if there were any objections.

756. A Board member said they were not objecting but wished to make a statement. It was unfortunate that the Board was approving documents simply for the sake of approving them because it had been discussing the same documents for many years and was not making progress. This document only partly addressed the issues it was meant to address. Nonetheless, the Board member recognized a positive aspect, which was that the document clarified what an objection meant and how it should be dealt with. This was necessary and, on that basis, the Board member was willing to join the emerging consensus around the document.

757. On the other hand, the Board member wished to state on record that this document failed to even make a step in the right direction to increase the possibility for the Board to take decisions in between Board meetings. They had all seen the proposed Board meeting dates for 2023. The Board would be meeting for only 12 days out of 365 days. This meant the Board was not in the position, except on exceptional basis, to take decisions during 353 days in 2023. GCF had celebrated its tenth anniversary in 2021, but the Board member did not see the maturity GCF had gained reflected in the governance and decision-making of the Board. The Board should find a way to take more decisions between Board meetings and to do so in an inclusive and transparent matter.

758. The Board member recognized that a key reason discussions on the between Board meeting guidelines started back in B.18 or B.19 was that the Rules of Procedure were not very clear about what decisions could be made between Board meetings. For example, the Rules of Procedure stated that time-sensitive decisions could be circulated. However, it was not clear what time-sensitive meant. Would a policy document that had been discussed for four years but had not approved be considered time-sensitive? Were funding proposals considered time-sensitive? The Rules of Procedure did not say. In the past, several objections had been received on decisions between Board meetings as some Board members did not agree with the judgement made by Co-Chairs that the document circulated for decision between meetings was

indeed time-sensitive. This was why the guidelines were important. It should define what time-sensitive meant and the scope of decisions that could be taken between Board meetings.

759. Though the Board member was willing to join consensus, they again wished to state for the record that the current guidelines fell short in addressing the issues that had been identified by the Board on this subject.

760. The Co-Chairs said that some of the elements noted by the Board member were the ones they could not find consensus on in their attempts to make amendments to the guidelines.

761. Another Board member said they were not objecting but also wished to make a statement. The Board member first thanked the Co-Chairs for their efforts to find consensus on this document, which would help provide further clarity on the Board's decision-making processes. The Board member noted that they had sought some changes to the text to clarify the role of active observers in the between Board meetings process to ensure that their comments would be taken into account in the same way as at Board meetings, where the Board would receive comments from observers before taking a decision. The changes the Board member had sought were not in the guidelines presented. Given that, the Board member wished to clarify that it was their understanding that paragraph 43 of the Rules of Procedure – which stated that "the Secretariat shall circulate all written comments"– already provided for comments of active observers to be circulated in the context of a decision taken between Board meetings. The Board member stressed that this should be done prior to a decision being concluded so that all views could be taken into account. The Board member reiterated that they were not objecting to the decision but wished to state their understanding of what the Rules of Procedure indicated regarding this issue.

762. With no objections and no more comments, the decision was adopted.

763. The Board took note of document GCF/B.32/13 titled "Draft Co-Chairs' proposals on the guidelines to determine in which cases decisions without a Board meeting may be requested".

764. The Board adopted the following decision:

DECISION B.32/11

The Board, having considered document GCF/B.32/13 titled "Draft Co-Chairs' proposals on the guidelines to determine in which cases decisions without a Board meeting may be requested":

(a) <u>Adopts</u> the guidelines to determine in which cases decisions without a Board meeting may be requested as set out in annex X; and

(b) <u>Also adopts</u> the guidance in respect of the implementation of paragraph 43 of the Rules of Procedure of the Board and in respect of other related matters as set out in annex XI.

Agenda item 17: Dates and venues of upcoming Board meetings

765. The Co-Chairs opened the agenda item on the third day of the meeting. They drew the attention of the Board to document GCF/B.32/14 titled "Dates and venues of upcoming Board meetings", noting that some Board members had raised concerns about the B.33 dates in June. The Co-Chairs asked the Secretariat to display the draft decision in annex I to the document on the Boardroom screen and opened the floor for comments.

766. The Board had two rounds of substantive discussion on the third and fourth days of the meeting regarding the dates and venues of future meetings, particularly B.33. While some Board

members sought flexibility in moving B.33 to July 2022 to allow more time for visa and travel arrangements, other Board members emphasized the importance of predictability in GCF work, not only to the Board and the Secretariat but also to GCF stakeholders.

767. Board members who wished to see greater flexibility drew attention to the practical challenges of applying for visas while also having to travel for back-to-back meetings and global events in June. Given these difficulties, it was likely that a number of them would not be able to attend B.33 if it were to take place in June. As it was of utmost importance for them to be able to contribute to GCF, some Board members suggested moving B.33 to July. A few also noted that the current B.34 dates were too close to an International Monetary Fund meeting they would be attending.

768. Several Board members emphasized that the 2022 Board meeting dates had been known to the Board since 2021; they had been extensively discussed and approved at B.31. While some flexibility could be given, it was not fair to move the B.33 meeting dates, given that it was only around 40 days away. The cost of moving B.33 was high for Board members, the Secretariat, active observers, accredited entities, other GCF stakeholders and even the families of those who had already planned their vacations around the agreed Board meeting dates. This would cost them financially but also in terms of having to change the timing of work plans and outputs.

769. A Board member highlighted that it was common practice in multilateral organizations to agree on meeting dates at least a year in advance. When Board members were willing to adjust the dates at short notice to accommodate other commitments, it seemed as if they did not respect GCF as much as other organizations. It looked as if the Board was willing to adjust its schedule based on others' priorities. It was also inefficient to discuss the dates and venues at every meeting so they should not be discussed again after approval. In relation to this, another Board member said that paragraph 17[22] of the Rules of Procedure of the Board should be amended to make this process more efficient. The Board should not have to reconfirm meeting dates repeatedly after approving them, as this did not provide predictability. If dates needed to be changed, the Board could adopt a new decision to replace the old one.

770. Some of the Board members seeking to move B.33 to July clarified that they wished to honour the Board's agreement but, because this topic of dates and venues was opened by the Co-Chairs, they thought the dates had not been finalized and could therefore still be changed. They acknowledged that the 2022 Board meeting dates had been approved at B.31 and wished to clarify the purpose of discussing these dates again at the current meeting if they could not be amended. Referring to paragraph 17 of the Rules of Procedure,[1] a Board member asked if this meant the Board could modify already approved dates or should simply endorse them. A second Board member said the Board should not agree on dates so far in advance if some Board members were unwilling to be flexible, even in the face of practical reasons to reconsider approved dates. A third Board member objected to amending the Rules of Procedure while a fourth said the Board was not in the position to discuss amending the Rules of Procedure at the current meeting.

771. The Co-Chairs clarified that the Board could change the dates of the next meeting at every Board meeting. At the same time, they reminded the Board that, as they were all transitioning to in-person meetings, predictability was even more important as travel and logistical considerations required more time and preparation. They also recalled that the second replenishment of GCF would be launched in July. This was important to bear in mind when deciding on the B.33 dates.

[22] Paragraph 17 of the Rules of Procedure of the Board states that "At each meeting, the Board will confirm the date and duration of the following meeting."

772. A number of Board members suggested that holding B.33 as a fully virtual or a hybrid (both virtual and in-person) meeting might be a good compromise. As a hybrid meeting, Board members who could not attend in person could still contribute virtually, as was the case for B.31. On the other hand, a Board member recalled that the Board had decided to hold virtual meetings only under extraordinary circumstances. Some Board members also underscored the difficulties of virtual meetings, especially for developing countries.

773. The Co-Chairs stressed the importance of having predictability, especially for B.33, and urged the Board to approve the draft decision as a matter of urgency. Noting that there was no consensus, they suspended the agenda item.

774. The Co-Chairs reopened the agenda item towards the end of the last day of the meeting and presented a revised decision text that moved the B.33 dates from 27–30 June 2022 to 17–20 July 2022.

775. The Co-Chairs invited the Board to approve the decision.

776. With no comments and no objections, the decision was approved.

777. The Board took note of document GCF/B.32/14 titled "Dates and venues of upcoming meetings of the Board".

778. The Board adopted the following decision:

DECISION B.32/12

The Board, having considered document GCF/B.32/14, titled "Dates and venues of upcoming meetings of the Board":

(a) *<u>Decides and confirms</u> that the thirty-third meeting of the Board will take place from Sunday, 17 July to Wednesday, 20 July 2022 as an in-person meeting in the Republic of Korea;*

(b) *<u>Also decides</u> that the thirty-fourth meeting of the Board will take place from Monday, 17 October to Thursday, 20 October 2022, as an in-person meeting in the Republic of Korea;*

(c) *<u>Further decides</u> that the thirty-fifth meeting of the Board will take place from Monday, 13 March to Thursday, 16 March 2023;*

(d) *<u>Decides</u> that the thirty-sixth meeting of the Board will take place from Monday, 10 July to Thursday, 13 July 2023;*

(e) *<u>Also decides</u> that the thirty-seventh meeting of the Board will take place from Monday, 23 October to Thursday, 26 October 2023; and*

(f) *<u>Requests</u> the Co-Chairs to continue to monitor the impact of the coronavirus disease 2019 (COVID-19) pandemic on the operations of GCF, and to report to the Board appropriately.*

Agenda item 18: Other matters

779. The Co-Chairs informed the Board that no matters had been added under this agenda item during the adoption of the B.32 agenda on the first day of the meeting.

780. This agenda item was not opened.

Agenda item 19: Report of the meeting

781. The Co-Chairs informed the Board that, in accordance with paragraph 13 of the Rules of Procedure of the Board, a report containing the decisions adopted by the Board at B.32 would be circulated to the Board soon after the conclusion of the meeting.

782. The decisions as adopted and their corresponding annexes are included in this document.

Agenda item 20: Close of the meeting

783. Before the Co-Chairs closed the meeting, the Board member from the United States of America conveyed that B.32 would be their last Board meeting and a colleague from the United States Department of the Treasury would be stepping in to represent their seat. The Board member was grateful for the work the Board had done together in the four years they had served on the Board. Despite the many difficult discussions the Board had had, the Board member was impressed with what they had accomplished together to advance the mission of GCF. The Board member also expressed heartfelt thanks to the Secretariat for its hard work. The Board member had had the chance to work closely with many of the staff over their time on the Board and was amazed by their dedication. The Board member wished them all the best.

784. Those in the Boardroom bid the Board member farewell with a round of applause.

785. The Co-Chairs thanked the Government of Antigua and Barbuda for hosting the Board meeting and making it both fruitful and enjoyable. They were also thankful to the Board member from Antigua and Barbuda and their team, which had been instrumental in facilitating meeting preparations. The Co-Chairs also thanked the Secretariat for its hard work and for organizing a conducive meeting environment in such a short amount of time. Finally, the Co-Chairs thanked all the Board members for their collaborative spirit and hoped this spirit would continue in subsequent meetings so they could make progress on the many tasks ahead. The Co-Chairs thanked all the participants and closed the meeting.

786. The meeting was closed on Thursday, 19 May 2022 at 1:06 p.m. AST.

Annex I: List of proposed conditions and recommendations

1. The approval of the funding proposals approved by the Board pursuant to decision B.32/01 shall be conditional upon the satisfaction of the conditions set out in tables 1 and 2.

Table 1: General conditions applicable to all funding proposals

FP number	Conditions
All proposals	(a) Signature of the funded activity agreement ("FAA") in a form and substance satisfactory to the GCF Secretariat within 180 days from the date of Board approval, or the date the accredited entity has provided a certificate or legal opinion set out in paragraph (ii) below, or the date of effectiveness of the accreditation master agreement ("AMA") entered into with the relevant accredited entity, whichever is later. Satisfaction of the following conditions prior to the signing of the FAA: (i) Completion of the legal due diligence to the GCF Secretariat's satisfaction; and (ii) Submission of a certificate or a legal opinion in a form and substance that is satisfactory to the GCF Secretariat, within 120 days after Board approval, or the date of effectiveness of the AMA entered into with the relevant accredited entity, whichever is later, confirming that the accredited entity has obtained all final internal approvals needed by it and has the capacity and authority to implement the proposed project/programme.

Table 2: Conditions specific to individual funding proposals

FP number	Conditions
FP184 (SCA Vanuatu)	*independent TAP conditions, as modified by the Board* Condition precedent to second disbursement by GCF under the FAA: (a) Prior to the second disbursement of GCF Proceeds for the Funded Activity, the accredited entity shall finalize and submit to the Fund a costed Operations and Maintenance (O&M) Plan for the project, in a form and substance satisfactory to the GCF Secretariat.
FP185 (CAF Ecuador)	*None*
FP186 (MAAML India)	*None*
SAP024 (JS Bank Pakistan)	*independent TAP conditions* Condition precedent to the execution of the FAA: (a) Delivery by the AE to the GCF, in a form and substance satisfactory to the GCF Secretariat, of a plan containing enhanced risk mitigation measures to address risk factors 4 and 5 set out in annex 7 to the

	funding proposal, and referred to in paragraphs 18 and 42 of the Independent Technical Advisory Panel's assessment of SAP024, to ensure that any losses incurred by a borrower under the programme which are directly caused by a vendor's lack of competence in supplying, installing or servicing the relevant equipment, poor performance of the equipment supplied by such vendor, or as a result of any damage to the borrower's property following any enforcement of security by the AE, are compensated to the borrower by the relevant vendor or the AE ("Enhanced Risk Mitigation Plan"). <u>Covenant for inclusion in the FAA:</u> (a) The Accredited Entity shall maintain and implement, at all times during the implementation of the programme, the Enhanced Risk Mitigation Plan.

2. In addition, it is recommended that, for all approved funding proposals, disbursements by the GCF should be made only after the GCF has obtained satisfactory protection against litigation and expropriation in the country where the project/programme will be implemented, or has been provided with appropriate privileges and immunities in that country.

3. It is also recommended that the accredited entity implements the following recommendations during the implementation of the relevant project or programme.

Table 3: Project-specific recommendations

FP number	Recommendations
FP184 (SCA Vanuatu)	*None*
FP185 (CAF Ecuador)	*None*
FP186 (MAAML India)	*None*
SAP024 (JS Bank Pakistan)	*None*

Annex II: Re-accreditation assessment of Korea Development Bank (KDB) for the second accreditation term

I. Introduction

1. The Korea Development Bank (KDB) is a national entity headquartered in the Republic of Korea (Korea). KDB has a mandate to contribute to the development and promotion of industries, expansion of social infrastructure development, stabilization of financial markets and facilitation of sustainable growth. One of the pillars of the long-term strategy that KDB has identified is to align finance with the Paris Agreement for low-carbon and climate resilient pathways. Leveraging its strong partnership with world-leading financiers and a country presence in both developed and emerging countries (reflecting its mandate to operate globally), KDB strives to align its business operations with developing countries' priorities for financing low-emission and climate resilient development. KDB has a track record in promoting sustainable economic development through project finance, green, social and sustainable bonds. KDB's activities include construction of solar power generation facilities and railroads, renewable energy production facilities, clean transportation, and renewable energy projects.

2. KDB was accredited by the Board on 15 December 2016 in decision B.15/09, paragraph (d), for the following parameters, as recommended by the Accreditation Panel (AP), under the fit-for-purpose approach of the GCF:

(a) **Access modality:** direct access, national. The national designated authority (NDA) or focal point nomination from the Republic of Korea remains in effect for the re-accreditation application;

(b) **Track:** normal track;

(c) **Maximum size of an individual project or activity within a programme**: medium[1]

(d) **Fiduciary functions**:[2]

 (i) Basic fiduciary standards;

 (ii) Specialized fiduciary standard for project management;

 (iii) Specialized fiduciary standard for on-lending and/or blending (for loans, equity and guarantees);

(e) **Maximum environmental and social risk category:** medium risk (category B/intermediation 2 (I-2));[3] and

(f) **Indicative results areas for intended projects/programmes with GCF**:

 (i) Energy generation and access;

[1] As per annex I to decision B.08/02 (annex I to document GCF/B.08/45), "medium" is defined as "maximum total projected costs at the time of application, irrespective of the portion that is funded by the GCF, of above USD 50 million and up to and including USD 250 million for an individual project or an activity within a programme."

[2] Decision B.07/02.

[3] As per annex I to decision B.07/02, category B is defined as "Activities with potential mild adverse environmental and/or social risks and/or impacts that are few in number, generally site-specific, largely reversible, and readily addressed through mitigation measures," and intermediation 2 is defined as "When an intermediary's existing or proposed portfolio includes, or is expected to include, substantial financial exposure to activities with potential limited adverse environmental or social risks and/or impacts that are few in number, generally-site specific, largely reversible, and readily addressed through mitigation measures; or includes a very limited number of activities with potential significant adverse environmental and/or social risks and/or impacts that are diverse, irreversible, or unprecedented."

(ii) Transport;

(iii) Buildings, cities, industries and appliances;

(iv) Infrastructure and built environment;

(v) Ecosystems and ecosystem services; and

(vi) Public, private and cross-cutting types of projects/programmes.

3. KDB signed its accreditation master agreement (AMA) with GCF on 6 April 2017, which became effective on 8 May 2017. With the AMA coming into effect, the AE's first accreditation term is from 8 May 2017 to 7 May 2022. The AE submitted its application for re-accreditation to GCF via the digital accreditation platform on 15 October 2021. Accreditation fees were not applicable since the AE is seeking re-accreditation for the same accreditation scope that it was previously accredited for; thus, the stage I institutional assessment and completeness check commenced upon submission of the re-accreditation application. Stage I was completed on 7 February 2022 and the applicant was progressed to the stage II (step 1) accreditation review by the AP, which has been concluded with the publication of this assessment.

4. The AE has applied for the same accreditation scope that it was previously accredited for, while updating the indicative result areas for projects/programmes it intends to submit to GCF, to the following:

(a) **Indicative results areas for intended projects/programmes with GCF:**

(i) Energy generation and access;

(ii) Transport;

(iii) Buildings, cities, industries and appliances;

(iv) Forests and land use;

(v) Health and well-being, and food and water security;

(vi) Infrastructure and built environment;

(vii) Ecosystems and ecosystem services; and

(viii) Public, private and cross-cutting types of projects/programmes.

II. Stage I institutional assessment and completeness check

5. The AE applied for accreditation and was assessed by the Secretariat during stage I under the normal track re-accreditation process in accordance with GCF policies and standards to the extent applicable to accreditation below:

(a) "Updated Strategic Plan for the Green Climate Fund: 2020–2023" (decision B.27/06);

(b) "Matters related to the accreditation framework" regarding the re-accreditation process (decisions B.24/13 and B.26/01);

(c) "Guiding Framework and Procedures for Accrediting National, Regional and International Implementing Entities and Intermediaries, Including the Fund's Fiduciary Principles and Standards and Environmental and Social Safeguards" (decision B.07/02);

(d) "Guidelines for the Operationalization of the Fit-for-purpose Accreditation Approach" (decision B.08/02);

(e) "Policy on Prohibited Practices" (decision B.22/19);

(f) "Anti-Money Laundering and Countering the Financing of Terrorism Policy" (AML/CFT Policy) (decision B.18/10);

(g) "Policy on the Protection of Whistleblowers and Witnesses" (decision B.BM-2018/21);

(h) "Revised Environmental and Social Policy" (decision B.BM-2021/18);

(i) "Comprehensive Information Disclosure Policy of the Fund" (decision B.12/35) regarding the disclosure of environmental and social (E&S) information; and

(j) "Updated Gender Policy and Gender Action Plan 2020–2023" (decision B.24/12).

2.1 Legal status, registration, permits and licences

6. The AE provided documents on its establishment and licences to operate, where relevant, as a part of the application. The AE confirmed that there had been no change in its legal status or licences to operate since the original accreditation application.

7. As indicated in paragraph 3 above, the AE and GCF entered into the AMA for the AE's first accreditation term from 8 May 2017 (date of AMA effectiveness) to 7 May 2022. With the deadline for the AE to submit its re-accreditation application and a change in Board meeting dates, the accreditation term will expire after this assessment and recommendation is presented to the Board for consideration, and the consideration by the Board during its thirty-second meeting. As the AE has sought re-accreditation prior to the end of its first accreditation term, it shall remain designated as an AE during the period between its first and, if re-accredited and having a signed and effective amended and restated AMA, second accreditation terms.

8. Once re-accredited, the AE's AMA would need to be amended and restated to account for the re-accreditation decision and any conditions of re-accreditation based on the AP's assessment of the AE against the GCF standards and policies listed in paragraph 22 below, as well as to reflect the GCF policies and standards adopted by the Board that have become effective since the agreement between GCF and the AE of the AMA for its first accreditation term.

9. The AE confirmed at the time of publication of this recommendation that it is willing to engage with GCF on amending and restating the AMA to account for new GCF policies that have become effective after the agreement between GCF and the AE of the AMA for the first accreditation term and that it will provide the necessary resources to review the draft amended and restated AMA.

2.2 Accredited entity performance in contributing to GCF programming results

2.2.1. Approved GCF projects under implementation and national designated authority participatory monitoring

10. KDB does not currently have a portfolio of approved projects with GCF.

2.2.2. Officially submitted entity work programme, concept notes, funding proposals and Project Preparation Facility requests

11. **Entity work programme**: KDB, being accredited via the direct access entity modality, plays a unique role as a national development institution with a mandate from the national government to operate internationally. KDB's business model does not foresee implementation

of GCF projects/programmes within its country of nomination and therefore is not reflected in the country's national programming process with GCF. KDB programming with GCF targets countries in the regions that are recipients of development support from the Republic of Korea and therefore strives to align with relevant national and regional priorities. KDB submitted a draft entity work programme on 30 July 2021 with one indicative project in the pipeline for GCF-1; this project, the "Cambodian Climate Financing Facility" (formerly "Green Financing Institution in Cambodia"). aims to provide the required green financing to catalyse development of a green economy in Cambodia. The draft entity work plan is yet to be finalized and hence has not yet been presented to the Secretariat's Climate Investment Committee.

12. **Concept notes/funding proposals:** KDB has three concept notes in the pipeline, with a total amount of USD 308 million in GCF funding. The first concept note is for a programme "Supporting Innovative Mechanisms for Industrial Energy Efficiency Financing in Indonesia with Lessons for Replication in other ASEAN Member States" (USD 135 million in GCF funding) which may be presented for Board consideration at B.34, subject to the AE's re-accreditation and signature of an amended and restated AMA for a second accreditation term beforehand. This programme aims to support increasing access to finance and the uptake of energy efficiency in the energy-intensive industrial sector across the ASEAN Member States; initiating pilot climate actions in Indonesia and subsequently its neighbours throughout South-East Asia; and is aligned with the country national climate priorities.

13. The second concept note is on the "Collaborative R&DB [Research and Development Business] Programme for Promoting the Innovation of Climate Technopreneurship" programme (USD 113 million in GCF funding) which may be presented for Board consideration at B.34, subject to the AE's re-accreditation and signature of an amended and restated AMA for a second accreditation term beforehand. This programme aims to promote innovative technology solutions and empower local ecosystems for climate technopreneurship through a R&DB platform and USD 200 million investment fund. The Project Preparation Facility (PPF) support approval for this concept note was announced at COP26 to demonstrate the joint efforts of GCF and KDB in climate innovation and technology. The PPF support was provided to prepare the feasibility studies as well as the environmental, social and gender studies and management and action plans. The preparatory studies have been conducted on two tracks at both national and regional level under KDB supervision.

14. The third concept note, received on 13 January 2022, is for the "Cambodian Climate Financing Facility" programme (USD 60 million in GCF funding), a dedicated national climate finance vehicle to contribute to Cambodia's low-emission and climate resilient pathways. It is specifically designed to leverage much needed public and private sector funding to accelerate Cambodia's NDC implementation and post COVID-19 pandemic green economic recovery. Although not directly featured in the Cambodia country programme with GCF that was prepared in 2020, the concept note is in line with national climate priorities identified by the above country programme.

2.2.3. Risk flags incurred by the projects, accredited entity or country during the previous accreditation term

15. Specifically with regard to integrity risk related to the GCF AML/CFT Policy and Policy on Prohibited Practices, the Secretariat is not aware of any relevant risk flags during the current accreditation term. Furthermore, the Secretariat also consulted with the Independent Integrity Unit regarding knowledge of any integrity risks.

2.3 Accredited entity-level reporting on continuing to meet GCF accreditation standards

16. In line with the AMA clause 15.02(c)(i) and 5.03(b)(iv), KDB has submitted the required AE-level reports throughout its 5-year accreditation term within the deadlines stipulated in the AMA. These include annual self-assessments for calendar years 2017 and 2018 followed by a midterm accreditation review that included the self-assessment for calendar year 2019, and another self-assessment for calendar year 2020. KDB's re-accreditation application includes the self-assessment for calendar year 2021.

17. In the annual self-assessments, KDB did not report any changes in the areas related to fiduciary standards and gender requirements against which KDB was assessed for its original accreditation except for a change in its organizational structure in 2020 that was reported as having led to positive outcomes in its capabilities to identify and manage environmental and social (ES) risks.

18. As detailed in document GCF/B.27/03/Add.02, the AP and Secretariat reviewed the midterm review report covering calendar year 2019 and found that the AE continued to meet the relevant GCF accreditation standards and obligations as an AE per its AMA with GCF in the context of its accreditation scope.

2.4 Overall portfolio of activities of the accredited entity beyond those funded by GCF

19. As per the Updated Strategic Plan (USP) for the GCF: 2020–2023,[4] the re-accreditation process,[5] and the monitoring and accountability framework,[6] the Secretariat and the AP are requested to provide an assessment of the extent to which the overall portfolio of activities of the AE beyond those funded by GCF has evolved during the accreditation period, in order to advance the goal of GCF to promote the paradigm shift towards low-emission and climate-resilient development pathways in the context of sustainable development.

20. KDB has announced strong commitments to financing and investing in green transformation towards a low-carbon economy and industrial structure adjustment. In particular, aligning finance with the Paris Agreement is identified by KDB as a critical pillar of its long-term strategy to restore the growth momentum as being faced with uncertainties in the post COVID-19 pandemic era. KDB strategically concentrates its resources bank-wide for climate alignment, environmental, social and governance (ESG) integration, and just transition. KBD plans to increase its share of finance dedicated to green and climate investments, including investments in associated green areas and environmental service areas, up to over 30 per cent by 2025 and beyond.

21. All KDB projects under scope of the Equator Principles (EPs) have climate change vulnerability assessment. Since joining the Task Force on Climate-Related Financial Disclosure (TCFD), KDB has streamlined the internal system to disclose the share of projects with climate change relevance. According to internal KDB requirements, all projects with expected greenhouse gas (GHG) emission levels exceeding 100,000 tonnes of CO2 equivalent annually, undergo a climate change risk assessment which includes consideration of relevant climate

[4] Decision B.27/06 and annex VI thereto.
[5] Decision B.24/13 and annex XXVI thereto.
[6] Decision B.11/10 and annex I thereto.

transition risks as defined by the TCFD, and an analysis evaluating alternatives that are less GHG intensive.

22. The AE provided the following information with regard to the seven guiding questions established in the baseline methodology:

(a) Guiding question 1. Has the entity established policies or commitments in the short, medium, or long term regarding investment in climate projects?

(i) The AE's short and medium-to-long term policies and commitments regarding carbon-intensive exposure are as follows:

(ii) **(Coal Sector)** Along with Carbon Neutrality 2050, the Korean government published the very recent 9th National Basic Plan for Electricity Supply that excludes construction of new coal power plants with strategies to lower the share of coal in electricity mix to achieve the goals of carbon neutrality by 2050. The Korean government also announced its immediate action to stop state-backed overseas coal finance through public financial institutions. As a leading policy financial institution of Korea, KDB has been supporting such governmental endeavours by strictly implementing 'Guidelines for Lending and Investments in the Coal Sector' which includes prohibition of financing new overseas coal projects – both construction and equipment support.

(iii) **(Other Carbon-Intensive Sectors)** KDB has managed five (5) carbon-intensive industrial sectors (power, steel, chemicals, oil-refining, and cement) in terms of exposure management and the bank's climate risk (scope 3) management, which have contributed to the government's objectives of 2050 Carbon Neutrality. In addition, as for a just transition of such hard-to-decarbonize-sectors, KDB has newly introduced special financial products that target technologies – e.g., hydrogen reduction process (HyREX), bio-based chemicals processing, floating offshore windfarm, CCUS – at stages before commercialization for the sake of the industries' carbon neutrality.

(iv) KDB Climate Investment:

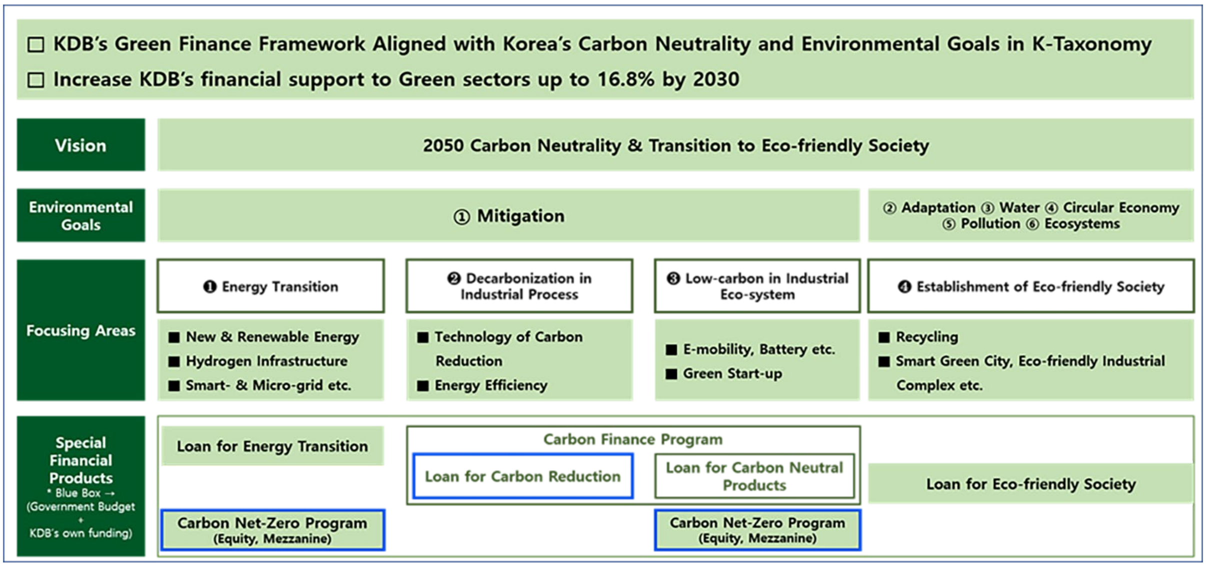
(v) **(Short-term target)** The AE continues to increase its climate portfolio with the aim to increase it in 2022 by more than 15 per cent over 2021.

(vi) **(Medium to long-term target)** The AE is aggressively ramping up its climate actions in line with the Korean government policy of "Net Zero by 2050"[7] and the AE aims to devote around 17 per cent out of total funds (approximately 13 trillion South Korean won (KRW), circa. 10,5 billion USD) into a green climate portfolio by 2030 to be able to contribute to the country's goal of reaching net zero emissions by 2050.

(vii) The AE has been expanding support for climate projects by providing low interest, long-term funds through specialized financial products for climate projects, such as the "Carbon Finance Programme" and "Net Zero Programme" which can be viewed in the AE's Climate Finance Framework (Summary) as shown below in Figure 1.

[7] See https://cleanenergynews.ihsmarkit.com/research-analysis/south-korea-passes-bill-to-mandate-carbon-neutrality-by-2050.html and https://www.spglobal.com/platts/en/market-insights/latest-news/energy-transition/101921-south-korea-finalizes-2050-carbon-neutrality-roadmaps.

Figure 1. KDB Climate Finance Framework (Summary)



(b) Guiding question 2. Does the entity receive resources from third parties for the financing of climate projects?

(i) KDB recently received KRW 130 billion (circa.105 milion USD) in equity to support promising domestic small and medium enterprises (SMEs) for projects in low-carbon industry, from the Climate Response Fund established by the Republic of Korea. These funds would be dedicated to support the country's low carbon industry transition and high-risk renewable energy projects such as hydrogen power, offshore wind power, among others. This can be found in the press release.[8]

(ii) The AE has supported climate projects through the issuance of a Green and Sustainability Bond. Of KDB's mid- to long-term funds raised in 2021, 27.1 per cent was raised through the Green and Sustainability Bond framework, and KDB (Standard & Poor's rating AA is a renowned global bond issuer with established benchmarks (Figures 2 and 3).

Figure 2. KDB's Commitment to Sustainability

1. KDB' Commitments			
• Support Sustainable and quality economic growth • Enhance sustainability of public and private sector operations • Engage in innovative investment and support adaptation measures			
2. Regular Green, Social, and Sustainability Bond Issuances by KDB			
Bonds	**Issue Year**	**Issue Size**	**Use of Proceeds**
Green Bond	**2021**	**KRW 300bn**	Project for construction of Solar power generation facilities; and rail-roads

[8] Available at https://www.moef.go.kr/nw/nes/detailNesDtaView.do?searchBbsId1=MOSFBBS_000000000028&searchNttId1=MOSF_000000000058326&menuNo=4010100 (in Korean).

Green Bond	**2021**	**USD 300mn**	Projects related to the manufacture of rechargeable batteries, renewable energy production facilities
Green Bond	**2021**	**USD 700mn**	Renewable energy Projects(solar power, wind power) and Clean transportation projects(rechargeable batteries)
Social Bond	**2020**	**USD 500mn**	COVID-19 Pandemic Support (SMEs & SOHOs)
Green Bond	**2020**	**KRW 200bn**	Projects for construction of solar power generation facilities; and rail-roads
Social Bond	**2020**	**KRW 1000bn**	COVID-19 Pandemic Support (SMEs & SOHOs)
Social Bond	**2019**	**KRW 400bn**	Job creation
Green Bond	**2019**	**EUR 500mn**	Renewable energy Projects such as solar power, wind power
Sustainability Bond	**2019**	**KRW 400bn**	Job creation; adaptation measure
Social Bond	**2018**	**KRW 400bn**	Job creation
Green Bond	**2018**	**KRW 400bn**	Project for construction of solar power generation facilities; and rail-roads
Green Bond	**2017**	**EUR 300mn**	Renewable energy projects such as solar power; wind power
3. International Participation for Sustainability			
2007	United Nations Global Compact	(iii) Signed in 2007, KDB has been publishing annual report encompassing KDB's achievement in sustainability and social responsibility activities	(iv) 2007
2014	IDFC(International Development Finance Club)	Through the legacy KoFC, KDB is a founding member of International Development	2014

		Finance Club("IDFC") established in 2014	
2016. 12.	GCF	Since December 2016, KDB has been an accredited entity elected by the Green Climate Fund(GCF) to carry out the GCF-funded projects.	2016. 12.

Figure 3. KDB Sustainable Bond Framework

KDB Sustainable Bond Framework

- In 2017, KDB established the KDB Green Bond Framework setting out procedures for green financing such as Use of Proceeds, Process for Project Evaluation & Section, Management of Proceeds and Reporting of Use of Proceeds.
- In 2019 KDB replaced the 2017 Framework with KDB Sustainable Bond Framework to encompass financing areas for both green projects and social projects. This 2019 Framework is aligned with 1) Green Bond Principles 2) Social Bond Principles and 3) Sustainability Bond Guidelines introduced by international Capital Market Association (ICMA)
- A Second-party Opinion by Sustainalytics on the 2019 Sustainable Bond Framework was obtained in 2019 and is available on KDB's official internet website.

Green Eligible Categories	
Renewable Energy	-Development, Construction of or production transmission of energy from renewable resources
Clean Transportation	-Low-carbon transportation including electric or hydrogen-powered cars, etc. -Marine Vessels which use clean fuels
Energy Efficiency	-Energy storage systems, smart grids, appliances and products in new and refurbished buildings
Pollution Prevention And Control	-Facilities and technologies for preserving or restoring natural landscape, preventing soil contamination or air pollution

Sustainable Water Management and wastewater management	-Development and/or purchase of sustainable infrastructure for wastewater treatment, technology for recovering hydro-ecological environments -Development and/or construction of facilities for preventing water pollution
Employment Generation	Loans to SMEs with ≤ 300 employees failing water : -Outperforming job-creating companies certified by the central or local governments -Environment-expanding companies receiving tax benefits
Social Enterprise	-Social enterprises defined in the article 2.1 or "social Enterprise Promotion Act" -Preliminary social enterprises5 certified by the head of local government or head of an administration department of central government

(c) Guiding question 3. Does the AE calculate and reduce its greenhouse gas emissions at the corporate level?

(i) KDB is designated as an institution subject to "GHG & Energy Management System for Public Institutions" and its GHG emissions corresponding to scope 1 and scope 2 are calculated and disclosed on the National Gas Management System site and presented in table 1 below for the period 2018–2020.

Table 1. KDB GHG emissions (scope 1 and 2, tCO_2eq)

Year	Category	Scope1	Scope2	Sub-total	Gross total	Increase or decrease (%)
2018	Building	517.503	9,880.36	10,397.86	10,629.68	-
	Transportation	231.82	-	231.82		
2019	Building	467.292	8,591.21	9,058.50	9,300.49	▼12.49
	Transportation	241.985	-	241.99		
2020	Building	338.905	7,745.14	8,084.05	8,334.70	▼ 10.39
	Transportation	250,659	-	250.66		

(ii) At the corporate level, KDB takes various and specific measures to reduce its GHG emissions, such as providing more electric charging stations to encourage purchase of electric cars, and building energy efficiency, and use of renewable energy for daily banking operations, among other facilities. KDB is determined to participate in the Korean Renewable 100 Percent (K-RE100) initiative and has established its own Electric Vehicles 100 Percent (EV100) roadmap and plans to achieve EV100 by 2024 and RE100 by 2040. Recently, KDB has initiated an external independent advisory process for improvement of its GHG emission management system; with the consultation ongoing, the final report is yet to be released.

(d) Guiding question 4. Does the AE evaluate the climate risks of its portfolio?

(i) The AE's E&S framework demands climate change risk assessment for all category A and B projects, in accordance with the EPs. For all projects with expected GHG emission levels exceeding 100,000 tons of CO_2eq annually, KDB requires a climate change risk assessment which includes consideration of relevant climate transition risks, and an analysis to evaluate alternatives that are less GHG intensive. The AE submitted evidence of its track record on climate change risk assessment in an environmental impact assessment (EIA) for its project to construct and operate a hydropower dam for renewable energy.

(ii) The AE is also promoting the financial disclosure that indicates climate risk and factors in stages according to the recommendations of Task Force on Climate-related Financial Disclosures (TCFD), and an advanced climate risk assessment system is being established accordingly. The long-term plan and drafts for TCFD reporting are currently being conducted by external advisors (the final report is not published yet but will be made available to GCF and the public on completion).

(e) Guiding question 5. What are the main sectors of activity of the AE?

(i) The AE is highly committed to supporting the green and climate sectors in line with the Korean national strategy of "Transition to a Sustainable Economy" prepared by the Korean Government such as by expanding investment in climate projects or businesses; issuing green bonds; and playing a role as a market creator for certified emission reduction. As a result, the climate portfolio of KDB was worth above KRW 12 trillion as of the end of 2021, which accounts for 14.7 per cent of total funds, an increase of KRW 3.5 trillion compared to 2020. In the case of carbon-intensive sectors such as coal, there are few new exposures other than the disbursement under financial agreements already signed, since the AE's aforementioned internal guideline including suspension of support for new coal-fired plant projects has been established and implemented only recently.

(ii) The AE has classified its assets of KRW 251.8 trillion (as of 2020, approximately USD 250 billion) into 37 sectors, contextually customized on the basis of the Korean Standards Industry Classification which was developed from the International Standard Industrial Classification adopted by the United Nations.

(iii) According to this classification, the top 10 sectors of KDB's portfolio include construction, water transportation, automotive, shipbuilding, equipment, food and beverage, and machinery, all of which are sectors where KDB intends to develop GCF climate response projects.

(f) Guiding question 6. Is the AE investing in mitigation projects/operations?

Carbon intensive investment:

(i) (Power generation projects) The AE, as a development financial institution supporting growth of the Korean national economy, has also contributed greatly to expansion of the national electricity supply. The credit balance for fossil fuel-led (coal, gas) power generation accounted for more than 60 per cent of total power generation credit balance in 2017, but as a result of the AE's efforts for climate finance after GCF accreditation, it decreased to 24 per cent by the end of

2021 and renewable energy accounted for 76 per cent (see figure 4 and table 2 below)

Figure 4. KDB portfolio in power generation project

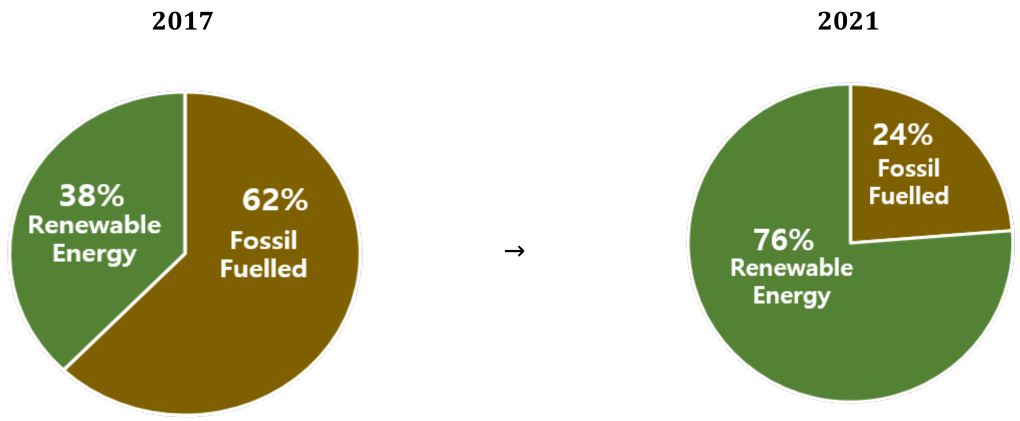
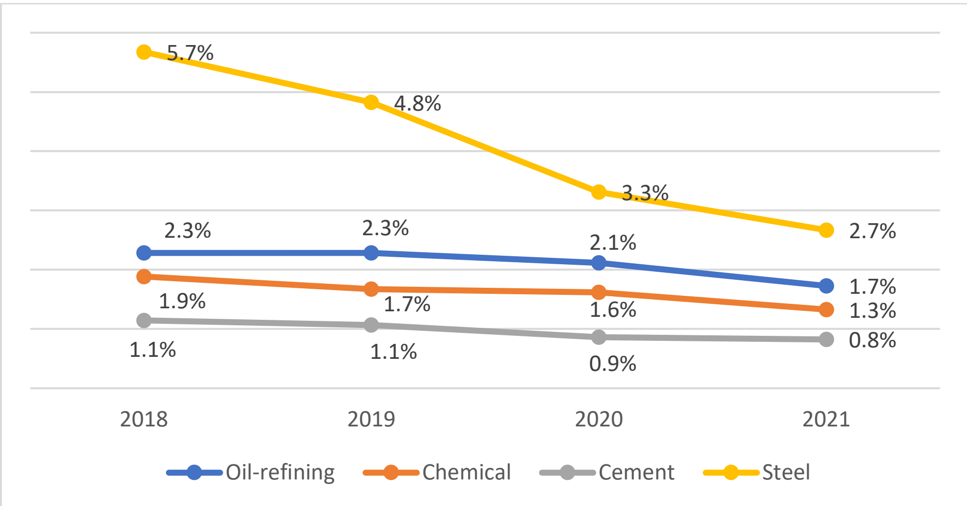


Table 2. KDB credit balance in power generation projects

	Fossil Fuel (Coal+Liquified Natural Gas)	**Renewable Energy**
Dec. 2017	62.2%	37.8%
Dec. 2018	51.3%	48.7%
Dec. 2019	34.3%	65.7%
Dec. 2020	24.8%	75.2%
Dec. 2021	23.8%	76.2%

(ii) Since GCF accreditation KDB has also made efforts to reduce support for the carbon intensive sector. Its portfolio for the carbon intensive sector, including oil-refining, chemical, cement and steel, has continued to decrease (figure 5).

Figure 5. Trends in KDB carbon-intensive sector portfolio



Investment in mitigation projects:

(iii) (Overseas) KDB has been investing in overseas mitigation projects. The list of overseas renewable project financing businesses (from time of accreditation to 2021) is submitted as evidence of its continuing commitment towards reduction of GHG emissions. The total size of KDB's overseas renewable energy portfolio is approximately USD 55.7 billion indicating KDB's commitment to transition to renewable energy investment.

(iv) (Domestic) KDB has established customized financial products to reduce domestic GHG emissions in Korea and is supporting various mitigation projects with these products which have low interest rate, long-term maturities. In 2021, KDB made investments in the mitigation projects through these products to the amount of about USD 6.1 billion.

(g) Guiding question 7. Is the AE investing in adaptation projects/operations?

(i) (Overseas) KDB has been investing in overseas projects with adaptation and/or cross-cutting impacts as per the GCF criteria. For instance, as of the last year, KDB invested USD 3,316 million in water or waste management projects.

(ii) (Domestic) KDB has also established customized financial products for projects with adaptation impacts in Korea. In 2021, applying these products KDB investment in domestic adaptation projects amounted to about USD 1.8 billion.

23. The AP consider that the evidence provided for the first accreditation term demonstrates the continuous positive trend of developing climate change mitigation and adaptation and cross-cutting activities. Both the strategy and the trend of activities are aligned with the GCF mandate and objectives.

III. Stage II re-accreditation review assessment

24. The AE applied under the normal track accreditation process. Its application has been assessed by the AP during stage II (step 1) against the standards of GCF in accordance with the re-accreditation requirements to the extent applicable to accreditation identified in paragraph 5 above.

25. As part of this assessment, the AP consulted the AE's website and third-party websites to complement the information provided in the application.

3.1 Fiduciary standards

3.1.1. Basic fiduciary standards: key administrative and financial capacities

26. KDB did not have any conditions with regard to the basic fiduciary standards on key administrative and financial capacities recommended by the AP for the first accreditation term.

27. Established in 1954 as a public bank of the Republic of Korea, KDB has many years of experience managing projects that have contributed to national development. With its track record in public businesses, KDB is now also financing global infrastructure projects in developing countries. In addition, KDB is an active issuer of bonds and arranger of joint financing with domestic and international financial institutions. As a government-controlled entity, KDB is strongly regulated and supervised by the Korean authorities. The Korea Development Bank Act (KDB Act) defines the entity´s governance structure and operations. According to the current organization chart, KDB consists of 9 divisions, 9 centres and 60 departments, including a Strategy·Green Finance Planning Division. In addition, the AE has a

board of directors consisting of the Chief Executive Officer (CEO), the Chief Operating Officer and five independent members. Several sub-committees support the Board, including risk management and compensation committees. There is no audit or ethics committee and these functions are well handled by other teams, as described later in this recommendation.

28. KDB has provided its short (annual plans), medium (2019–23 mid-term management plan) and long-term strategic plans (KDB vision for 2040). The general management plan for 2020–2021 includes green financing and incorporates the partnership with GCF. The key goals include leading the transition to a low-carbon economy in the Republic of Korea and reinforcing a foundation for sustainable financing. To this end, KDB set goals for supplying green finance in 2020–2021 and these goals were applied to all business departments such as corporate finance, SMEs and project finance to align business activities with the organization's mission. KDB has a well-managed process for setting objectives with comprehensive evaluation and indicators to measure the defined objectives. Interim progress on objectives and indicators is checked quarterly, semi-annually and annually. The team charged with establishing and monitoring the standards and indicators that assess progress on objectives reports regularly to the CEO as well as to the departments responsible for meeting each objective, with corrective actions as necessary. The CEO is regularly informed of the results of this process. KDB provided internal documents demonstrating that organization-wide objectives provide clear guidance on what KDB expects to achieve.

29. KDB has in place a clear and complete set of financial statements that report periodically on assets, liabilities and cash flow, as well as financial performance, changes in reserves and fund balances and description of the accounting policies. The annual reports and supporting documents of KDB and its subsidiaries' consolidated financial statements for 2019 and 2020 are prepared according to Korean International Financial Reporting Standards (K-IFRS). The IFRS standards adopted in Korea are those issued by the International Accounting Standards Board without modifications.[9] They are the required standards for Korean listed companies and financial institutions which includes KDB.

30. KDB has explained how the normal functions of an audit and an ethics committee are addressed even though specific audit and ethics committees are not part of KDB's organizational structure. KDB has a Standing Auditor who participates in general audit work and reports directly to the board of directors. The terms of reference and work scope of the Standing Auditor have been provided. This Auditor is appointed by the Financial Service Commission, a government agency, which ensures independence from the bank's internal organization, pursuant to the KDB Act. This Auditor also participates in most audit business and has the authority to review and approve internal and external audit work. The Procedure for Enforcement of Audit and Inspection Policy describes the roles and responsibilities of the Chief Audit Officer. KDB's Audit and Inspection Policy and its Procedure of Internal Audit demonstrate that the internal audit function is independent from the management and other departments being audited, with each branch and department having a designated audit manager and chief audit manager. Two samples of annual internal audit reports were provided. There is also an annual assessment on the internal audit and an example report has been provided. The internal audit reports are registered in the public audit information system.

31. Regarding external audit, KDB is subject to audit by the Board of Audit and Inspection of Korea, which is a government agency. An independent external auditor is designated every five years, following the Act on External Audit of Stock Companies and the bank-related accounting standards established by the Financial Services Commission in the Articles of Incorporation of KDB. Therefore, the external financial audit function ensures an independent review of financial

[9] As provided in https://www.ifrs.org/use-around-the-world/use-of-ifrs-standards-by-jurisdiction/view-jurisdiction/south-korea/.

statements and internal controls, as defined by the International Federation of Accountants. The Audited Financial Statements for 2019 and 2020 indicate KDB's financial capacities and track record in financial management.

32. KDB has an organic risk management system that encompasses all levels of the organization, from the front desk to the Risk Management Committee, which is the highest decision-making organ managing the various risks associated with the business. Changes in the external and internal environment, including the introduction of Basel III, have made risk management all the more important. Thus, KDB has exerted continued efforts to further strengthen its risk management capability with a view to fulfil its policy finance mandate. All risk information extracted from financial management sectors is measured, managed, and reported through an internal information system. Various risk reports, including credit, market and operating risk, were provided. In addition, KDB establishes and coordinates a risk management policy and makes major risk management decisions such as determining total risk limits that KDB can withstand and approving capital adequacy assessment in accordance with its policies on risk management.

33. The AE has a strong internal control framework which covers the control environment, risk assessment, internal control activities, financial control procedures, monitoring and procedures for information-sharing. The internal control framework of KDB ensures internal control activities of KDB have reliability, integrity and punctuality of financial and managerial information. To demonstrate this, KDB provided its Internal Control Policy with other documents on policies and regulations on financial reporting, including Policy on Internal Control over Financial Reporting, Regulation on Risk Management Committee, Regulation on Division of Works, and Regulation on Compliance.

34. Regarding procurement, KDB has provided details on the nature and types of its procurements, including internal and external guidelines to monitor any complaint or issue arising from the procurement process. KDB is overseen and monitored by the Korean National Contract Dispute Arrangement Committee. Complaints related to GCF-funded projects would be eligible for review and mediation by this committee. Bidders for GCF-funded projects or programmes would also be protected from complaints or issues that may arise from the procurement process under KDB's internal and external policy and regulations. In addition, KDB is planning to develop and maintain a register of procurement complaints especially for GCF-funded projects.

35. The AP finds that the AE's policies, procedures and capacity, supported by evidence of its track record, fully meet the GCF basic fiduciary standards on key administrative and financial capacities.

3.1.2. Basic fiduciary standards: transparency and accountability

36. KDB did not have any conditions with regards to the basic fiduciary standards on transparency and accountability recommended by the AP for the first accreditation term.

37. KDB's Code of Conduct documents its code of ethics and applies equally to employees and consultants. The overall approach is to enhance consumer rights and spread a culture of integrity both within and outside of KDB by strengthening its ethical management principles. The Code of Conduct details the various malpractices which may occur and demonstrates KDB's management policies to promote an organizational culture that is conducive to fairness, accountability and transparency across all business activities.

38. KDB's Chief Compliance Officer oversees the Code of Conduct and prepares annual compliance monitoring reports. Examples from the past two years demonstrate the ethical management work of KDB. Formal complaints under the Code of Conduct are received by an

online system which is also used to address and prevent conflicts of interest. Three samples of these reports have been provided to demonstrate track record in ethics and conflict management. Regarding systems and regulations for how executives and employees must comply to protect investors in performing their businesses, KDB applies its Guideline on Prevention of Conflicts of Interest in Financial Investment Business to manage such potential conflicts of interest between bank and investor.

39. KDB is subject to the Korean Act on the Prevention of Corruption and the Establishment and Management of the Anti-Corruption and Civil Rights Commission which is aligned with the GCF Policy on Prohibited Practices. The provisions of this act apply to all those working directly or indirectly with KDB, including direct employees, consultants, independent experts and all individuals contracted or functionally related to KDB. All employees are required to sign a pledge to comply with all KDB's codes of conduct and ethics. These policies and procedures on ethics, supported by track record, are deemed adequate for the organization's size and nature of business.

40. Whistle-blower protections are detailed in specific guidelines which use articles about the protection of whistle-blowers and witnesses to illustrate the process of reporting suspected wrongdoings with the channels and tools available. These guidelines can be accessed through KDB's official website10 KDB is also operating an Integrity Ombudsman System to enhance procedural transparency and integrity through inspection by external institutions on wrongdoing. KDB provided inspection reports to evidence its track record.

41. The approach to anti-money-laundering and combatting the financing of terrorism (AML-CFT) is covered in specific policies and regulations. AML-CFT guidelines include mechanisms to trace and monitor electronic transfers and wiring of funds. Examples of "know-your-customer" (KYC) investigations and related due diligence demonstrate track record in this area. The data summarizes the KYC due diligence on a total of 107 customers.

42. The applicant´s investigations function is headed by the Chief Compliance Officer who is obligated to report to the chairman and the board of directors. The procedures for processing and handling cases are stipulated in detail in KDB's Procedures for Compliance Monitoring. Details are recorded through compliance monitoring checklists and compliance monitoring activity reports. Complaints are handled pursuant to a KDB regulation regarding disciplinary measures following the outcome of an investigation. The overall procedures are aligned with the GCF AML-CFT Policy and the GCF Policy on Prohibited Practices, including KYC procedures for due diligence on external parties.

43. The AP finds that the AE's policies, procedures and capacity, supported by evidence of its track record, fully meet the basic fiduciary standards on transparency and accountability, and to the extent applicable to accreditation, the GCF Policy on Prohibited Practices, the GCF Policy on the Protection of Whistle-blowers and Witnesses, and the GCF AML-CFT Policy.

3.1.3. Specialized fiduciary standard for project management

44. KDB did not have any conditions with regard to the specialized fiduciary standard for project management recommended by the AP for the first accreditation term.

45. Regarding project management, KDB has demonstrated how it comprehensively examines the credit and feasibility of the target business and project, including assessing the validity of the technology being applied in the project. The feasibility study is divided into preparation work, including base data preparation and appraisal and business and project investigation. KDB has a strong track record of capability and experience in the identification

[10] See www.kdb.co.kr.

and design of projects for various long-term financing facilities in different industries. For overseas project finance, KDB provided its Guidelines for Project Finance and Syndication as well as recent presentations and credit approval applications for two projects with supporting materials.

46. KDB operates an internal recruiting system for sectors that require expertise, such as shipping finance, mergers and acquisitions, private equity, international bond issuance and syndications, or special skills, including foreign languages. Applications from staff members who want to work in each sector are evaluated and selection is based on factors such as language, mutual evaluation, job competency, organizational contribution and work suitability for each individual. Accordingly, KDB can maintain its competitiveness in the market and continue to build on the track record of selected employees, especially in the investment sector. To support this, KDB is operating an in-depth internal project finance master training course which takes a total of two years to complete. This enables KDB to maintain its project finance capability and the expertise of staff who complete this course.

47. KDB annually conducts performance evaluations on the appropriateness, efficiency, sustainability, and socioeconomic effects of its projects. KDB's periodic monitoring and reporting is carried out by either an external technical advisor (typically for large syndication projects), or by a specialized internal department, such as KDB’s internal Industry and Technology Research Centre. KDB has developed a loan monitoring system to detect project-at-risk situations during follow-up processes. Individual projects or borrowers are classified as normal, observation, precautionary or early alert through this loan monitoring system, with timely response measures assigned to each status in accordance with the KDB guidelines on follow-up management.

48. Supporting documents demonstrate KDB's credit review system and system for efficient and transparent appraisal process and credit review and approval. KDB also indicated that multiple consultative bodies, including its Credit Review Committee and other division-specific committees are involved to increase transparency in the decision-making process.

49. The AP finds that the AE’s policies, procedures and capacity, supported by evidence of its track record, fully meet the specialized fiduciary standard for project management.

3.1.4. Specialized fiduciary standard for grant award and/or funding allocation mechanisms

50. The AE did not apply for re-accreditation for this standard at this time.

3.1.5. Specialized fiduciary standard for on-lending and/or blending for loans, equity and guarantees

51. At the time of KDB’s first accreditation, the AP identified gaps with respect to the AE’s track record related to disclosing information on its equity exit strategy, including information regarding the intended purchases of the equity participation upon the AE’s exit. The AP recommended conditions of accreditation (which was approved by the Board for the AE’s first accreditation term) that require (a) the AE to disclose information regarding its equity exit strategy, including information regarding the intended purchases of the equity participation upon the AE’s divestment, and (b) equity investments through funds provided by third parties, such as the AE’s subsidiaries or private equity funds, shall not be accepted. The AP recommended that the Secretariat ensure these conditions be met by the AE for every GCF funding proposal in which the AE seeks to provide equity funds.

52. In the course of the re-accreditation review, noting the gap upon which the original conditions were recommended, KDB was requested to explain to the AP its current approach to exit strategies. KDB's activities including equity investments are governed by Korea's Financial Investment Services and Capital Markets Act. In response to the AP's request, KDB provided its Guidelines for Investment. These guidelines were updated on 27 December 2021. The guidelines address key factors in formulating an exit strategy, such as: post-investment regular performance checks including progress towards exit; specific procedures for listed and unlisted stocks; timing of exit; use of external valuations; and internal approval process for exits. In addition, KDB provided examples of three exits, two via initial public offerings and one through exercising a tag-along option. Having analyzed this additional information and demonstration of track record to address the gap identified during the original accreditation assessment, the AP finds the two aforementioned conditions are no longer necessary as the gap has been remedied, and thus recommends removing both conditions of accreditation.

53. As a 100 per cent state-owned bank, KDB is licensed by the Korean Government for all of its lending and other business areas as stipulated in the KDB Act that governs the constitution and operations of KDB. The operations manual that drives the organization's business processes and practices is consistent with the KDB Act. This manual describes KDB's overall approach to on-lending (for loans, guarantees and equity) and explains its systems and internal decision-making procedures.

54. KDB's track record of overseas business in the past three years is detailed in the 2020, 2019 and 2018 annual reports. One of the examples provided is the construction of a hydro-electric plant in Nepal, involving project finance from international organizations such as the International Finance Corporation , Asian Development Bank, Asian Infrastructure Investment Bank, and the Commonwealth Development Corporation of the United KingdomCDC. KDB has international credit ratings of AA (Standard & Poor's), AA (Fitch), and Aa2 (Moody's). The full credit rating reports have been provided.

55. KDB has demonstrated its systematic approach to due diligence as well as to its review and appraisal process and post-closing oversight. The various documents that govern this due diligence are: the Regulation on Corporate Loans; the Regulation on Investment; the Regulation on Guarantees; the Credit Guidelines; and the Credit Review and Approval Guidelines. Two examples of due diligence reports have been provided. KDB have a comprehensive Credit Portfolio Management (CPM) system to prevent concentration of risk in particular sectors as well as detailed procedures for risk management approval limits. The 2021 annual credit portfolio limit report and a report on the operations of CPM have been provided.

56. As a public institution, KDB follows the public right-to-know and public participation in government administration in accordance with Korea's Official Information Disclosure Act. KDB also pursues transparency of government administration by specifying necessary matters regarding public request for information possessed by institutions and the disclosure obligation of public institutions. KDB established and abide by its Guidelines for Integrated Disclosure Operation of Public Institutions and its Bank Operation Guidelines. In accordance with the aforementioned regulations, KDB is implementing a system that discloses management and business information on projects that have a large impact on institutions or the national economy.

57. KDB establishes investment management goals every year and guidelines for credit products to achieve those goals. The credit products include all business areas such as loans, guarantees and equity. Key variables such as maturity and interest rate are used to manage the portfolio for all areas by setting the limits and goals for each credit product. The 2021 Credit Product Operation Plan has been provided to demonstrate how objectives are set and tracked. Also provided were the portfolio management reports for 2020 and 2019.

58. KDB's business operations include support activities such as confirmations, accounting, market-to-fair value reconciliation and customer information management, each governed by related rules and market practices and performed by the relevant department. These support functions ensure the funds provided by KDB are channelled transparently and utilized effectively. In addition, the department or person in charge of each operation is required to submit audit data to external and internal auditors, enabling transparent and sound financial transactions, records and accounting in accordance with international accounting standards. KDB has demonstrated its capacity to manage financial risk through its internal policy and regulations that drive its risk management system.

59. The AP finds that the AE's policies, procedures and capacity, supported by evidence of its track record, fully meet the specialized fiduciary standard for on-lending and blending for loans, equity and guarantees.

3.2 Environmental and social safeguards

60. KDB did not have any conditions with regards to the GCF interim environmental and social safeguards (ESS) standards recommended by the AP for the first accreditation term with a maximum accreditation scope of a maximum E&S risk category B/intermediation 2.

3.2.1. Environmental and social policy

61. The AE's Environmental and Social Framework (E&S Framework) adopted in 2015 in its initial accreditation with GCF continues to be in force. The E&S Framework is aligned with the GCF interim environmental and social safeguards (ESS) standards and builds on the AE's experience in implementing its international projects based on the performance standards of the International Finance Corporation (IFC) and Environmental, Health, and Safety Guidelines of the World Bank group. The E&S Framework is designed to guide the AE's borrowers in fulfilling their national/international environmental and social obligations; enhance non-discrimination, transparency, stakeholder participation, accountability and governance; and improve the sustainable development outcomes of projects/programmes.

62. The E&S Framework is also consistent with the principles of the GCF Indigenous Peoples Policy and the IFC Performance Standard 7 including the principle of Free and Prior Informed Consent commitment, requiring the AE's clients to give due consideration for projects with potentially significant adverse impacts on projects affecting indigenous people. The AE has also provided evidence of its track record on addressing issues concerning indigenous peoples in one of its international projects.

63. The AE is a signatory of the EPs,[11] and has established operational policies and guidelines which set out the objectives, standards, and procedures for managing the E&S risks of projects/transactions in line with the EPs. The AE adheres to host country laws, regulations and E&S permitting requirements on E&S matters in its international projects/programmes.

64. The AE's Senior Deputy General Manager and Senior Manager of the Environmental, Social and Governance (ESG) New Deal Planning Department where the AE's E&S team is located are responsible for ensuring KDB compliance to the E&S Framework. The AE's E&S risk management practice involves coordination across relevant departments, especially E&S team, front office, credit review division, and senior management, each with varying roles and responsibilities. The E&S Framework identifies the roles and responsibilities of different units

[11] See https://equator-principles.com/.

of the organization in implementing the policy at various phases of the project cycle. The E&S Framework has been communicated to all KDB departments through workshops and lectures.

65. The AP finds that the AE's environmental and social management system, comprising the E&S Framework and supported by evidence of its track record, fully meets the GCF Revised Environmental and Social Policy[12] to the extent applicable to accreditation and GCF interim ESS standards[13] for maximum E&S risk category B/I-2 projects/programmes with respect to performance standards 1–8.

3.2.2. Identification of environmental and social risks and impacts

66. The E&S Framework describes the AE's institutional process to identify E&S risks and impacts including the categorization process. The E&S risk identification and categorization is conducted by the AE's E&S team, independent from project implementation departments, with technical support from specialists in technology evaluation. department All projects/programmes are classified into one of the following three categories A, B or C, (as for the three-tier E&S risk categories used in the GCF ESS) according to the relevance of their potential negative environmental and social impacts. The AE has also developed a screening checklist for determining E&S categories based on due consideration of (a) the type, location, sensitivity and scale of the project; (b) the nature and magnitude of the potential environmental and social risks and impacts; and (c) including direct, indirect, cumulative and induced impacts in the project's area of influence. The project/programme E&S category provides a basis for the required level of E&S assessment, which may range from a full-scale assessment to specialized sectoral studies. For example, E&S risk category A and B projects/programmes are required to develop and maintain an Environmental and Social Management System (ESMS) and demonstrate effective stakeholder engagement.

67. The AE submits annually a report to the EP Board on the results of the AE's E&S due diligence process and experience. The report includes information on transactions which have been subject to the E&S due diligence process, broken down by E&S risk category (A, B, C), sector (power, infrastructure, etc.), and region (Americas, Europe, Middle East and Africa, and Asia-Pacific). The AE provided a sample of the reports it has submitted to the EP Board for the past several years. The AE also provided evidence on implementation of its E&S risks and impacts procedure which includes a sample of E&S screening and categorization documents in line with performance standards 1-8 for projects/programmes in various parts of the world where the AE is the lead arranger.

68. The AP finds that the AE's system of identification of E&S risks and impacts, supported by evidence of its track record, fully meets the GCF Revised Environmental and Social Policy to the extent applicable to accreditation and GCF interim ESS standards for maximum E&S risk category B/I-2 projects/programmes with respect to performance standards 1–8.

3.2.3. Environmental and social management programme

69. The E&S Framework describes the AE's procedure for E&S mitigation and management. The AE's annual reports to the EP Board also include the description of the process of E&S due diligence throughout the AE's operation. The AE's E&S due diligence process starts with E&S risk categorization of projects/programmes based on the significance of their potential E&S risks and impacts. The higher risk projects/programmes financed by the AE are required to develop and maintain an ESMS, which should include components such as an environmental and social management plan (ESMP), environmental and social action plan (ESAP), resettlement

[12] Decision B.BM-2021/18.
[13] Decision B.07/02 and annex III thereto.

action plan, and stakeholder engagement plan. The AE provided a sample of Common Terms Agreement made with lenders, which shows the AE's general practice of managing and monitoring compliance on E&S risks and impacts post credit approval.

70. For financing to or through financial intermediaries, the AE conducts due diligence to assess the potential environmental and social impacts and risks associated with the existing and likely future portfolio of the financial intermediary, and its commitment to and capacity in social and environmental management.

71. The AE's Executive Director leading the "Strategy and Green Finance Planning Division" ensures the effectiveness of the AE's ESMS at the institutional level. The AE's E&S appraisal reports of high-risk projects (category A) or large-scale projects are also reported to the Executive Director prior to credit approval. Results of E&S due diligence (including project category, review of major risks and appropriateness of relevant management plan, incorporation of covenants linked to E&S compliance) are also periodically reported to the Executive Director.

72. As evidence on external audit of its ESMS the AE provided a copy of the report prepared by Sustainalytics,[14] a certified body specializing in Sustainable Bond Frameworks, which reviewed the AE's ESMS and submitted an opinion that it is appropriate for Sustainable Bond Framework Certification.

73. The AE provided a sample of environmental and social impact reports for its international projects/programmes for its loans, guarantees and equity structures as evidence on its track record of managing E&S risk and impact mitigation measures and actions stemming from the E&S risk and impact identification process. The AE also provided a sample ESMP, ESAP, project appraisal reports, and a sample of Common Terms Agreement with E&S compliance conditions and terms. The AE also provided a sample of the AE's financial intermediary Term Sheet with E&S Covenant, which show its E&S compliance commitment of executing entities for financial intermediaries.

74. The AP finds that the AE's E&S management programme, supported by evidence of its track record, fully meets the GCF Revised Environmental and Social Policy to the extent applicable to accreditation and GCF interim ESS standards for maximum E&S risk category B/I-2 projects/programmes with respect to performance standards 1–8.

3.2.4. Monitoring and review

75. The AE's monitoring and evaluation (M&E) policy was adopted in 2015. The M&E policy introduces a two-tiered approach that involves independent evaluation to assess the development effectiveness and long-term results of the AE's operations, policies and procedures. The M&E policy is supported by a set of guidelines and a manual, which indicates the AE's commitment to align its M&E practices with that of more established international development institutions.

76. The E&S Framework also describes the AE's process on E&S monitoring and evaluation. Through its due diligence and monitoring efforts the AE ensures that the projects/programmes financed by it are implemented in accordance with the requirements of its M&E policy. For all E&S risk category A, and as appropriate category B, projects, the AE requires its executing entity to appoint an independent environmental and social consultant or to retain qualified and experienced external experts to verify the monitoring information it shares with the AE. Such duties and responsibilities are prescribed in a loan agreement at the project/programme level.

[14] Sustainalytics: https://www.kdb.co.kr/wcmscontents/pdf/Second_Party_Opinion_by_Sustainalytics_2019.pdf.

77. The AE provided evidence on its track record in E&S monitoring of international projects including a sample of quarterly E&S monitoring reports and independent evaluation reports on the implementation of E&S risk and impact mitigation measures based on its E&S Framework.

78. The AP finds that the AE's system of E&S related monitoring and review, supported by evidence of its track record, fully meets the GCF Revised Environmental and Social Policy to the extent applicable to accreditation and GCF interim ESS standards for maximum E&S risk category B/I-2 projects/programmes with respect to performance standards 1–8.

3.2.5. External communications, consultations, information disclosure and grievance redress mechanism at the institutional level

79. The AE's public communications channel consists of three components: (a) a complaints and financial consumer protection system; (b) an information disclosure system; and (c) project-specific E&S information. The AE's integrated external communications channel allows stakeholders to file all types of project-related complaints, including those related to E&S issues. Such complaints or queries made via the contact information provided under the Helpdesk category on KDB website (www.kdb.co.kr) are registered by AE's Consumer Protection Department and then channeled to the relevant department for follow-up and response. The AE tracks the complaints it receives and reports them in its annual reports to the management. For all E&S risk category A and, as appropriate, category B projects, the AE requires the client to establish a grievance mechanism as a part of the ESMS to receive and facilitate resolution of concerns and grievances about the project's environmental and social performance.

80. The AE has established and operates the Customer Protection Department as its independent grievance redress mechanism (IGRM) at the institutional level, equipped with policy, procedure and guidelines. As a state-owned bank of the Republic of Korea, the KDB independent grievance redress mechanism aims to maintain an enhanced level of financial consumer safeguard measures in compliance with the Financial Consumer Protection Act15 which has been enacted in order to enhance the rights of financial consumers and strengthen overall public confidence in the financial industry. An English summary of KDB's Independent Grievance Redress Mechanism (IGRM) for Financial Consumer Protection can be found at (www.kdb.co.kr) under category Helpdesk.

81. The AE adopted a new Public Communications Policy in 2015, which requires information disclosure of E&S documents of projects. The AE requires its borrowers to ensure that sufficient information about the potential risks and impacts of the project is made available in a timely manner, in an accessible place, and in a form and language understandable to project-affected people and other stakeholders, so they can provide meaningful input into project design and mitigation measures. Under the newly adopted guidance for GCF-funded projects, the AE will follow the disclosure guidelines for E&S information as required by the GCF information disclosure policy for E&S risk category B/I-2.

82. The AE has demonstrated its experience with project-level grievance mechanisms and the public disclosure and consultation in its internationally financed projects in line with its E&S standards.

83. The AP finds that the AE's system of external communications, consultations, information disclosure and grievance redress mechanism, supported by evidence of its track record, fully meets the GCF Revised Environmental and Social Policy to the extent applicable to accreditation, GCF interim ESS standards and GCF Information Disclosure Policy regarding E&S

[15] The Financial Consumer Protection Act is available at: https://elaw.klri.re.kr/kor_service/lawView.do?hseq=54646&lang=ENG.

information disclosure requirements for maximum E&S risk category B/I-2 projects/programmes with respect to performance standards 1–8.

3.2.6. Organizational capacity and competency

84. To institutionalize the E&S Framework, the AE has developed a road map to strengthen its in-house E&S capacity. leading to set up an E&S policy team under its strategy and planning division with a dedicated E&S specialist. The E&S policy team is responsible for overseeing sustainability performance in the organization and building capacity regarding E&S and gender. The AE has established an independent team under the ESG-New Deal Planning Department with institutional green reforms under the Korean Government's announcement on Green New Deal Policy and Paris-aligned Transition through Organizational Structure Change with E&S focus.

85. AE's E&S team, composed of five persons at present, is part of the ESG department in charge of green and climate finance planning and strategy. The E&S team manages E&S policy; offers guidance to teams in project financing and corporate financing, among others; reviews E&S documents submitted as a pre-requisite for credit approval with E&S risk categorization; carries out all relevant activities, including reporting and information disclosure as a signatory of the EPs; and enhances internal E&S capacity-building activities such as annual training provision and production of manuals with frequently asked questions. The E&S team will annually monitor E&S compliance of investment teams, report directly to senior management, produce an annual E&S report, and publish it on the KDB website enabling transparent assessment of projects under E&S review by KDB with risk categorization. The ESG department also includes a gender specialist for compliance with the GCF gender policy. E&S risk management is implemented with joint collaboration of the Front Office, E&S Team, and Credit Review Division. and Senior Management.

86. The applicant has conducted workshops to improve awareness among executives and senior managers of the new E&S standards and has required its E&S staff to participate in safeguards training courses provided by international organizations. The AE has continued its efforts to enhance the capacities of its employees working on transactions, primarily by means of: (a) staff training sessions by the AE's E&S specialists on the standards and procedures for E&S risk management as stipulated in its internal manual; (b) expert seminars on emerging good practices of the financial industry in managing E&S risks supported by relevant case studies; and (c) e-learning modules developed by the Equator Principles Association covering key aspects of EP implementation.

87. The AP finds that the AE's organizational capacity and competency to implement the environmental and social management system, supported by evidence of its track record, fully meets the GCF Revised Environmental and Social Policy to the extent applicable to accreditation and GCF interim ESS standards for maximum E&S risk category B/I-2 projects/programmes with respect to performance standards 1–8.

3.3 Gender

88. KDB has fulfilled and closed conditions with regard to gender recommended by the AP and approved by the Board in its decision to accredit the AE for the first accreditation term.16

[16] Refer to document GCF/B.18/09.

89. As a state-owned bank the AE strictly complies with the Korean Government's Framework Act on Gender Equality[17] which aims to promote gender equality in all areas of politics, economy, and society. The national framework act provides the foundation for the AE's system of promoting gender equality and women's empowerment at an institutional level. Under this umbrella act of the Korean Government, the AE has fully mainstreamed the principles of gender equality and women's empowerment through internal policies, procedures, guidelines, and strategies reflected in the pillar internal policies related to recruitment and hiring (employment), promotion and salary, welfare schemes including maternity protection and child-care, and human rights of female employees.

90. The AE has also established its own institutional-level Gender Equality Policy and Action Plan approved by its senior management, with recognition of the importance in global finance of gender and climate change issues. The AE assesses compliance with the Gender Equality Policy in the activity cycles of its projects/programmes from identification to completion and evaluation. The policy strictly prevents gender-caused discrimination in all activities throughout project/programme implementation, and is aligned with international standards, including the principles of the GCF updated Gender Policy. The policy also describes the process for addressing sexual harassment and violation of women's rights. The AE's Grievance Counselling Office for sexual harassment initially counsels and investigates sexual harassment complaints while mediation is conducted by the Grievance Committee to seek a solution depending upon the severity of the complaint. The policy specifies the criteria for gender mainstreaming that the AE's borrowers must comply with to implement projects/programmes.

91. The AE has also formulated the Guidance for GCF-Funded Projects that clearly stipulates the duties and responsibilities of effective gender mainstreaming across projects/programmes with which the AE's employees and borrowers must comply.

92. The AE has also produced the Gender Manual and Toolkit for the Promotion of Gender Equality to support its employees to carry out a more structured approach for promoting gender equality and women's empowerment in designing, implementing, monitoring and evaluating climate change mitigation and adaptation transactions. The manual offers practical operational guidance on how to mainstream gender throughout the business cycle from preparation, implementation and closure to ex-post management and includes a gender glossary. The AE's project cycle comprises four phases: (a) preparation; (b) implementation; (c) closure; and (d) monitoring and maintenance. The AE has institutionalized ten specific gender-responsive procedures in the project cycle, in line with the GCF updated Gender Policy: (a) gender trend analysis; (b) preliminary gender sensitivity and capacity evaluation (based on the OECD Gender Marker);[18] (c) solution design; (d) gender action plan; (e) implementation; (f) interim monitoring and evaluation; (g) grievance redress; (h) data collection; (i) final evaluation; and (j) ex-post progress check.

93. The AE's borrowers, in line with the Gender Equality Policy and Action Plan, are responsible for gender-responsive project identification, implementation and monitoring, completion and evaluation of projects /programmes, as well as technical support and capacity-building related to gender at the projects/programmes level.

94. The AE provided its organizational structure with a gender focus in which its gender and E&S specialists are situated in the ESG department for cooperative synergy and facilitate daily business routines. The ESG department closely collaborates with other departments including: Personnel Department to ensure employment without gender discrimination and manage sexual harassment issues; Compliance Department for legislative monitoring; General Affairs

[17] See https://elaw.klri.re.kr/eng_mobile/viewer.do?hseq=35143&type=part&key=38.
[18] https://www.oecd.org/dac/gender-development/dac-gender-equality-marker.htm.

Department for procurement priority on women-owned SMEs; and Project Finance Division to promote gender-mainstreaming in overseas renewable transactions. The AE provided the curriculum vitae of its internal gender experts and of an external gender consultant.

95. As evidence of its track record on effective implementation of its Gender Equality Policy, the AE provided several gender and E&S assessment reports that integrate a gender perspective to demonstrate the mainstreaming of gender considerations throughout climate change transactions. The AE has conducted several gender-related capacity-building programmes and activities that have been carried out institution wide.

96. The AP finds that the AE's gender policy, procedures, capacities and competencies, supported by evidence of its track record, fully meet the updated GCF Gender Policy to the extent applicable to accreditation.

IV. Conclusions and recommendation

4.1 Conclusions

97. Following its assessment, the Secretariat concludes the following in relation to the application with respect to the potential to continue in the role of an AE and to support the mandate and objectives of GCF: the AE can continue to contribute to GCF in implementing its updated Strategic Plan for 2020–2023 with respect to:

(a) Alignment of the AE's GCF portfolio with the climate-related national priorities of the countries where the AE operates;

(b) Contribution to the adaptation and mitigation balance in the GCF portfolio since the AE has the ability to include adaptation components in its activities;

(c) Supporting diversity in GCF results areas such as energy generation and access; buildings, cities, industries and appliances; forests and land use; ecosystem and ecosystem services; and livelihoods of people and communities;

(d) Enhancing private sector participation as the AE can leverage private sector funding to finance dedicated climate finance vehicles and to invest in industrial energy efficiency by promoting innovative technology solutions and empowering local ecosystems for climate technopreneurship through R&DB platforms;

(e) Diversification of the use of financial instruments, particularly as a Direct Access Entity being able to use equity, guarantees and loans; and

(f) Mobilizing climate finance at scale since the AE is seeking to undertake medium and large-size project/programme activities.

98. Following its assessment, the AP concludes the following in relation to the application with respect to the AE's ability to meet the GCF accreditation standards and GCF policies relevant for re-accreditation:

(a) The AE meets the requirements of the GCF basic fiduciary standards, and to the extent applicable to accreditation, the GCF Policy on the Protection of Whistle-blowers and Witnesses, the GCF Policy on Prohibited Practices, the GCF AML/CFT Policy and the specialized fiduciary standard for project management and specialized fiduciary standard for on-lending and blending for loans, equity and guarantees;

(b) The AE meets the GCF Revised Environmental and Social Policy to the extent applicable to accreditation, GCF interim ESS standards and the GCF Information Disclosure Policy on disclosure of E&S information in relation to the medium E&S risk (Category B/I2); and

(c) The AE has demonstrated that it has a policy, procedures and competencies in order to implement its gender policy, which is found to be consistent with the GCF Updated Gender Policy to the extent applicable to accreditation, and has demonstrated that it has experience in gender consideration in the context of climate change.

4.2 Recommendation on re-accreditation

99. The AP recommends, for consideration by the Board, KDB for re-accreditation for its second term as follows:

(a) **Accreditation type:**

(i) Maximum size of an individual project or activity within a programme: medium[19] (including micro and small);

(ii) **Fiduciary functions:**

(1) Basic fiduciary standards;

(2) Specialized fiduciary standard for project management; and

(3) Specialized fiduciary standard for on-lending and/or blending (for loans, equity and guarantees); and

(iii) **Maximum environmental and social risk category:** medium risk category B/I-2 (including lower risk category C/I-3[20]); and

(b) **Conditions:** none. The conditions contained in paragraph 62(b)(ii) of annex VI to decision B.15/09 shall be removed and do not apply starting from the second term of accreditation.

100. The AE has been informed of the recommendation for accreditation, including the accreditation type, as identified in paragraph 99 above, and agrees to the recommendation.

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[19] As per annex I to decision B.08/02 (annex I to document GCF/B.08/45), "medium" is defined as "maximum total projected costs at the time of application, irrespective of the portion that is funded by the GCF, of above USD 50 million and up to and including USD 250 million for an individual project or an activity within a programme."

[20] As per the revised Environmental and Social Policy adopted in decision B.BM-2021/18 , category C is defined as "Activities with minimal or no adverse environmental and/or social risks and/or impacts", and intermediation 3 is defined as "When an intermediary's existing or proposed portfolio includes financial exposure to activities that predominantly have minimal or negligible adverse environmental and/or social impacts."

Annex III: Re-accreditation assessment of Conservation International (CI) for the second accreditation term

I. Introduction

1. Conservation International Foundation (CI) is a non-profit organization that operates internationally in over 30 countries across six continents with more than 2,000 partners in order to empower societies to responsibly and sustainably care for nature for the well-being of humanity. It has built strong relationships with communities, governments, academia, foundations, civil society organizations and the private sector in order to deliver innovative nature-based solutions for climate change mitigation and adaptation. In developing countries, it partners with host country government institutions, research and academic institutions, as well as indigenous peoples' organizations. Globally, CI's partnerships include alliances with other environmental organizations to promote policies that support the conservation and restoration of nature in forums like the United Nations Framework Convention on Climate Change and the Convention on Biological Diversity, and at the level of the European Union and the federal government of the United States of America. CI also has numerous collaborations with corporations to improve business practices and drive investment into conservation. Key activities include reducing deforestation, improving agricultural practices, protecting natural ecosystems to serve as carbon sinks, and developing standards for effective mitigation and adaptation activities.

2. CI was accredited by the Board on 9 July 2015 in decision B.10/06, paragraph (c), for the following parameters, as recommended by the Accreditation Panel (AP), under the fit-for-purpose approach of GCF:

(a) **Access modality:** international access;

(b) **Track:** fast-track under the Global Environment Facility (GEF);

(c) **Maximum size of an individual project or activity within a programme:** medium;[1]

(d) **Fiduciary functions**:[2]

  (i) Basic fiduciary standards;

  (ii) Specialized fiduciary standard for project management; and

  (iii) Specialized fiduciary standards for grant award and/or funding allocation mechanisms; and

(e) **Maximum environmental and social risk category:** minimal to no risk (Category C/intermediation 3 (I-3));[3] and

(f) **Indicative results areas for intended projects/programmes with GCF:**

  (i) Buildings, cities, industries and appliances;

  (ii) Energy generation and access;

[1] As per annex I to decision B.08/02 (annex I to document GCF/B.08/45), "medium" is defined as "maximum total projected costs at the time of application, irrespective of the portion that is funded by the GCF, of above USD 50 million and up to and including USD 250 million for an individual project or an activity within a programme."
[2] Decision B.07/02.
[3] As per annex I to decision B.07/02, category C is defined as "Activities with minimal or no adverse environmental and/or social risks and/or impacts" and intermediation 3 is defined as "When an intermediary's existing or proposed portfolio includes financial exposure to activities that predominantly have minimal or negligible adverse environmental and/or social impacts."

(iii) Livelihoods of people and communities;

(iv) Forests and land use;

(v) Ecosystems and ecosystem services; and

(vi) Public, private, and cross-cutting types of projects/programmes.

3. CI applied for an upgrade in its accreditation scope, which was approved in decision B.15/09, paragraph (f), for the following parameters:

(a) **Maximum environmental and social risk category:** medium risk (Category B/ intermediation 2 (I-2)).[4]

4. CI signed its accreditation master agreement (AMA) with GCF on 13 July 2017, which became effective on 17 August 2017. With the AMA having become effective, the AE's first accreditation term is from 17 August 2017 to 16 August 2022. The accredited entity (AE) submitted its application for re-accreditation to GCF via the digital accreditation platform on 25 November 2021. Accreditation fees were not applicable since the AE is seeking re-accreditation for the same accreditation scope that it was previously accredited for; thus, the stage I institutional assessment and completeness check commenced upon submission of the re-accreditation application. Stage I was completed on 8 February 2022 and the applicant was progressed to the stage II (step 1) accreditation review by the AP, which has been concluded with the publication of this assessment.

5. The AE has applied for the same accreditation scope that it was previously accredited for, while updating the indicative results areas for intended projects/programmes it seeks to submit to GCF to the following:

(a) **Indicative results areas for intended projects/programmes with GCF:**

(i) Livelihoods of people and communities;

(ii) Health and well-being, and food and water security;

(iii) Forests and land use;

(iv) Ecosystems and ecosystem services; and

(v) Public, private, and cross-cutting types of projects/programmes.

II. Stage I institutional assessment and completeness check

6. The AE was eligible for, and applied under, the fast-track re-accreditation process as a GEF entity. Its application has been assessed by the Secretariat during stage I in accordance with the requirements and gaps identified in decision B.08/03, and in accordance with the GCF policies and standards below to the extent applicable to accreditation below:

(a) "Updated Strategic Plan for the Green Climate Fund: 2020–2023" (decision B.27/06);

[4] As per annex I to decision B.07/02 (annex I to document GCF/B.07/11), category B is defined as "Activities with potential mild adverse environmental and/or social risks and/or impacts that are few in number, generally site-specific, largely reversible, and readily addressed through mitigation measures" and intermediation 2 is defined as "When an intermediary's existing or proposed portfolio includes, or is expected to include, substantial financial exposure to activities with potential limited adverse environmental or social risks and/or impacts that are few in number, generally-site specific, largely reversible, and readily addressed through mitigation measures; or includes a very limited number of activities with potential significant adverse environmental and/or social risks and/or impacts that are diverse, irreversible, or unprecedented."

(b) "Matters related to the accreditation framework" and "Consideration of accreditation proposals, including consideration of the re-accreditation deadline" regarding the re-accreditation process (decisions B.24/13, para. (a), and B.26/01, para. (h), respectively);

(c) "Guiding Framework and Procedures for Accrediting National, Regional and International Implementing Entities and Intermediaries, Including the Fund's Fiduciary Principles and Standards and Environmental and Social Safeguards" (decision B.07/02);

(d) "Guidelines for the Operationalization of the Fit-for-purpose Accreditation Approach" (decision B.08/02);

(e) "Policy on Prohibited Practices" (decision B.22/19);

(f) "Anti-Money Laundering and Countering the Financing of Terrorism Policy" (AML/CFT Policy) (decision B.18/10);

(g) "Policy on the Protection of Whistleblowers and Witnesses" (decision B.BM-2018/21);

(h) "Revised Environmental and Social Policy" (decision B.BM-2021/18);

(i) "Comprehensive Information Disclosure Policy of the Fund" (decision B.12/35) regarding the disclosure of environmental and social (E&S) information; and

(j) "Updated Gender Policy and Gender Action Plan 2020–2023" (decision B.24/12).

2.1 Legal status, registration, permits and licences

7. The AE provided documents on its establishment and licences to operate, where relevant, as a part of the application. The AE confirmed that there had been no change in its legal status or licences to operate since the original accreditation application.

8. As indicated in paragraph 4 above, the AE and GCF entered into the AMA for the AE's first term from 17 August 2017 (date of AMA effectiveness) to 16 August 2022.

9. Once re-accredited, the AE's AMA would need to be amended and restated to account for the re-accreditation decision and any conditions of re-accreditation based on the AP's assessment of the AE against the relevant GCF standards and policies listed in paragraph 41 below, as well as to reflect the GCF policies and standards adopted by the Board that have become effective since the agreement between the GCF and the AE of the AMA for its first accreditation term.

10. The AE confirmed at the time of publication of this recommendation that it is willing to engage with GCF on amending and restating the AMA to account for new GCF policies that have become effective after the agreement between the GCF and AE of the AMA for the first accreditation term and that it will put in the necessary resources to review the draft amended and restated AMA.

2.2 Accredited entity performance in contributing to GCF programming results

2.2.1. Approved GCF projects under implementation and national designated authority participatory monitoring

11. CI's portfolio includes two approved funded activities in two African countries (Botswana and Madagascar) with GCF financing of USD 55.2 million in grants and co-financing of USD 61.6 million also in grants. These are funding proposal 26 (FP026) titled "Sustainable

Landscapes in Eastern Madagascar (SLEM)", which was approved as a private sector project at the fourteenth meeting of the Board (B.14) in October 2016, and funding proposal 158 (FP158) titled "Ecosystem-Based Adaptation and Mitigation in Botswana's Communal Rangelands", which is a public sector project approved at B.28 in March 2021.

12. FP026 has been under implementation since 2018 and is in its fourth year of a five-year implementation period. The SLEM project is cross-cutting, seeking to reach 87,500 beneficiaries and avoid 5 million tonnes of carbon dioxide equivalent (tCO2eq). The project's business model is to initially address smallholder farmers' vulnerability through non-profit activities that will prepare them to eventually access private sector investment, providing a pathway out of extreme vulnerability and dependency. This approach is aimed at overcoming the barriers to private sector investment.

13. The FP026 project, when approved by the Board, was to be implemented by two AEs – CI and the European Investment Bank (EIB) – as the project was jointly developed by the two. However, EIB withdrew from the joint project before it started implementation of the components for which it was the AE. EIB's activities under FP026 were to be focused on the joint project's private sector activities through the oversight of the executing entity (EE) Mirova Natural Capital's (formerly Althelia) of the management of a USD 50.5 million for-profit investment fund. Profits from the Investment Fund had the possibility (with GCF approval) of being invested into climate activities in the country through the CI-supported Climate Change Trust Fund (CCTF), enabling continued investment in landscape-level adaptation and mitigation activities. As stated in the CI and EIB joint funding proposal, the project's overall objective was "Sustainable landscape measures are used to enhance the climate change resiliency of smallholder farmers, improve ecosystem resiliency, improve access to low-emission energy sources and reduce emissions from deforestation". EIB's withdrawal from the joint project has reduced the number of direct beneficiaries from 562,000 to 87,500 and resulted in reduced mitigation benefits since activities related to low-emission energy production will not take place. Project objectives included the mobilization of large-scale private sector finance to address the needs of Madagascar to adapt to the impacts of climate change as well as reduce national greenhouse gas (GHG) emissions. The joint project was also to test a potential model for public-sector finance to enable private sector participation in a least developed country to support low-carbon growth, green climate bonds and climate resilience. These objectives will no longer be achieved by FP026 with the withdrawal of EIB.

14. FP158 was approved in March 2021 and recently came into implementation after becoming effective on 01 December 2021 and received first disbursement of USD 1.9 million on 03 February 2022The project is cross-cutting, seeking to reach 247,000 direct beneficiaries and aiming for a reduction of 21.5 million tCO2eq(4.7M tCO2e during implementation).. The project objective is to restore vegetation in communal grazing lands that are particularly impacted by climate change.

15. **Overall performance:** The key performance assessment of CI's portfolio performance is based on the only project under effective implementation (SLEM, FP026) since the other one (FP158) is at the operational set-up and project launch stage.

16. The implementation of FP026 is generally satisfactory and has progressed despite the withdrawal of EIB and the impact of the COVID-19 pandemic. Overall, the key performance parameters of CI, based on FP026 implementation, are average in terms of the results delivery, disbursement rates and execution rate, and above average in terms of timely reporting for all reporting obligations when compared with other AEs. As of 31 December 2021, USD 8.6 million had been disbursed, which represents 46.5 per cent of approved GCF funds for SLEM only (FP026) (which is the only CI project that had received disbursement). Out of this, the project had spent USD 6.14 million from GCF and USD 0.77 million from CI co-financing.

17. SLEM is in its fourth year of implementation. Regarding the results of FP026 during this period, the project has reduced emissions from deforestation by 7,788,379 of of tCO2eq trained and provided information to more than 100,000 individuals about the threats of climate change; provided training and agricultural inputs to over 60,000 individuals, who can now practisce improved, climate-resilient agricultural techniques; produced more than 600,000 seedlings through the project-supported nurseries; and restored more than 1,800 hectares within protected forest areas. In the first three quarters of 2021, the project's drone patrols in remote areas identified 52 deforestation zones and led to confessions of 17 deforesters when confronted with photo and video evidence. Also, 96 members of project-supported farming collectives in Tolongoina produced and sold 10,000 kilograms of green vanilla to an export company. The project has supported the development of many women's farmers associations, and more than 40 per cent of those trained and supported by the project to improve agricultural practices are women. Over the course of project implementation, the project has patrolled more than 400,000 hectares through support to community and local enforcement agency cooperative patrols, leading to over 200 arrests.

18. **Reporting timeliness and quality:** Overall, CI has been timely in the submission of the key reports for FP026 and also in seeking guidance and clarifications as they relate to reporting obligations and other project management issues. With regard to the quality and timeliness of annual performance reports (APRs), overall CI has been providing its APRs per the terms and conditions as included under the AMA and the FAA. The overall quality of reporting is above average with detailed reporting and clarity of information in the submitted documents. The 2020 and 2021 APRs provides detailed information on implementation progress as well as the financial reporting. With regard to communication, the focal points are responsive and proactive in reaching out to the Secretariat, and the turnaround time is very efficient.

19. **CI as a delivery partner for the GCF Readiness and Preparatory Support Programme (Readiness Programme):** In addition to its role as an AE, CI is a delivery partner for the Readiness Programme. Under its Readiness portfolio, CI has two Project Preparation Facility (PPF) projects: ECU-PPF-009 for a proposal titled "Transformative public and private partnerships for climate change adaptation and mitigation through the protection of mangroves and wetlands along Ecuador's coast" and BWA-PPF-017 for a proposal titled "Ecosystem and livelihoods resiliency: climate change risk reduction through ecosystem-based adaptation in Botswana's communal grazing lands", both of which are managed by the United Nations Office for Project Services (UNOPS). For ECU-PPF-009, the objective is to build resilience and adaptive capacity coordinated across the coastal sectors most vulnerable to climate change, particularly including coastal communities and the fisheries/shrimp sector. The objective of BWA-PPF-017 is to support the submission of a full funding proposal 12 months after the PPF funding was made available. For ECU-PPF-009, the objective is to build resilience and adaptive capacity coordinated across the coastal sectors most vulnerable to climate change, particularly including coastal communities and the fisheries/shrimp sector. The two approved grants are valued at USD 642,488, of which USD 542,386 has been disbursed.

20. **Project performance:** As of 31 December 2021, the two PPF grants under the Readiness portfolio had been completed and closed. The implementation of the two grants was generally satisfactory, although the portfolio had been characterized by time extensions with both grants having received two no-cost extensions each, including a COVID-19 pandemic blanket extension granted by GCF as an adaptive management strategy due to the pandemic. Overall, both projects had been extended for an average of 12 months – double their original duration. However, the associated funding proposal, one of the deliverables of ECU-PPF-009, is under review by the Ecuador's Ministry of Environment, Water and Ecological Transition and is thus pending submission to the Secretariat. With regard to BWA-PPF-017, the associated

funding proposal has been submitted to the Secretariat and was subsequently approved by the Board at B.28.

21. **Reporting timeliness and quality:** Overall, reporting by the AE has always been on time. CI submitted two interim progress reports as well as completion reports, and the reports were submitted before the due dates. The quality of reporting under the Readiness portfolio is very satisfactory. Supporting documentation is always provided in a clear and efficient manner, while the turnaround time for additional clarifications as requested by UNOPS is short. With regard to communication, the focal points for the two grants are responsive and easily reachable. Similar to the funded activities, CI is very fast in responding to questions or concerns raised.

2.2.2. Entity work programme, concept notes, funding proposals and Project Preparation Facility requests

22. **Entity work programme (EWP):** The AE submitted a draft EWP for the first replenishment period of the GCF (GCF-1) on 8 May 2020. The EWP was taken through multiple rounds of interdivisional review by the Secretariat and iterations by the AE before it was endorsed by CIC-1 on 26 November 2020, with recommendations on the partnership and overall pipeline to be considered at the midway point of GCF-1 and on the specific project ideas PIs to be considered when developing those into concept notes and funding proposals.

23. The AE's comparative advantage is its continuous presence in nearly 30 countries of operation and strong expertise in policy and science, which result in innovative nature-based solutions to address climate change. CI's experience and expertise overlap with GCF results areas such as forestry and land use; most vulnerable people and communities; health and well-being; food and water security; and ecosystems and ecosystem services. CI also leverages its partnerships with communities, governments, civil society groups, private sector organizations, and donors around the world to achieve transformational change, including in proposals the AE develops for GCF financing. Although CI's accreditation scope is focused on the specialized fiduciary standard for project management and the specialized fiduciary standard for grant award and/or funding allocation mechanisms, the AE seeks innovative ways to use the available financial instruments and, where possible, leverage the instruments to enable and catalyse private sector investment and design sustainable value chains.

24. The EWP endorsed by CIC-1 contained four multi-country project ideas covering countries in Africa, Asia and Latin America and one single country project idea for Indonesia, with the total request from GCF estimated at USD 233 million, while the co-financing sources and figures were yet to be confirmed. Since then, CI's pipeline has changed, and CI resubmitted its revised EWP in March 2022 addressing recommendations of the CIC-1 and reflecting the latest status of the pipeline, which shows that some of the project ideas endorsed for further development in the earlier version of the EWP have been moved to the GCF-2 pipeline or were withdrawn altogether. During the remainder of the GCF-1 period, the AE will focus on advancing the officially submitted concept notes and funding proposals. The Secretariat intends to present the revised EWP to CIC-1 for information.

25. **Concept notes/funding proposals**: As of 31 December 2021, the pipeline submitted by the AE consists of five public sector concept notes. Of these, three cover multiple countries in Latin America and the Pacific, and the remaining two are single-country proposals for Indonesia and Peru and one project idea note for the Philippines for a total financing value of USD 436.6 million (seeking GCF funding of USD 267.245 million). Additionally, CI's pipeline contains one private sector funding proposal that has been inactive since 2019. For two of the public sector proposals, CI has requested PPF grant resources to develop the associated concept notes into full funding proposals to be submitted in 2022–2023, with one already approved.

26. The submitted pipeline demonstrates significant potential to contribute to GCF programming targets and climate objectives at the national level in targeted countries, and to a number of GCF thematic areas, in particular ecosystems and ecosystem services, and forests and land use. Some of the concept notes have been in the GCF pipeline for more than a year waiting for the AE to resubmit the concept notes and/or to reconfirm that the proposals are still priorities for the countries and should therefore continue to be considered as active proposals in the GCF pipeline. Although all of the submitted concept notes request GCF financing in the form of grants given CI's accreditation scope, the transformational impact of the GCF resources is an area which will benefit from further development at concept note stage. It should be noted that while the Secretariat discussed with CI the potential for an upgrade in its accreditation scope for the specialized fiduciary standard for on-lending and/or blending for loans given its ownership of Conservation International Ventures, the AE has opted to not yet pursue this option due to its internal considerations of structuring such engagement.

2.2.3. Risk flags incurred by the projects, accredited entity or country during the previous accreditation term

27. **ESS, gender and Indigenous People (IP) risks.** One of the AE projects has been receiving reports related to illegal activities by outside parties in the project area; the AE has indicated that it is working with national authorities to mitigate these problems and support enforcement efforts.

28. **Operational risks:** The FP026 project has experienced the following operational risks:

(a) The FP026 project, when approved by the Board, was to be implemented by two AEs – CI and EIB – as the funding proposal was jointly developed by the two. In June 2020, EIB formally communicated to GCF that it was withdrawing as from its role as the co-AE for the project. Despite the withdrawal of EIB from FP026, the implementation of CI's part of the approved funded activity has continued, and CI has confirmed that it will still be able to achieve the targets and indicators of the funded activity under CI management in accordance with the terms of and its obligations under the CI FAA;

(b) Regarding the establishment of the Climate Change Trust Fund (CCTF), which is a key component of the project, in December 2021, CI informed the Secretariat of recent developments that might likely lead to changes to and the redesigning of project activities and other adjustments to the project's workplan. The CCTF is contingent on several Board-related conditions;

(c) Also, the COVID-19 pandemic has seriously impacted CI operations in Madagascar, which seriously hindered travels, project activities, and in-person events for all projects. These restrictions prevented the EE (CI Madagascar) from visiting the project-targeted vulnerable communities in remote areas of Madagascar, and poor telecommunications infrastructure in Madagascar prevented the implementation of a variety of planned project activities, including a household survey of beneficiaries; and

(d) Given the delays in project implementation and budget execution, CI had informed the Secretariat of the possibility of requesting a no-cost extension of the project duration to enable the project to achieve its project planned outcomes. This, however, will be subject to recommendations from the interim evaluation currently ongoing.

29. Specifically with regard to integrity risk related to the GCF AML/CFT Policy and the Policy on Prohibited Practices, the Secretariat is not aware of any risk flags pertaining to the AE during the current accreditation term. Furthermore, the Secretariat also consulted with the IIU regarding integrity risk within IIU's knowledge, and IIU has confirmed that it does not have any reservations with this re-accreditation proposal being presented for Board consideration.

2.3 International access entity contribution to building the capacity of direct access entities

30. In line with the AMA clause 15.02(c)(ii), the AE has reported, on an annual basis between 2017 and 2020, on various types of support it has provided to the GCF direct access entities (DAEs) as well as potential local, national and regional-level entities for accreditation. The reports submitted by CI show that the AE has provided support to two entities in Africa. It engaged one as an EE in its project over multiple years, thus building the entity's track record while providing technical support to the other. CI has also entered into discussions to engage two DAEs in the Pacific and one DAE in Latin America to serve as EEs in its proposals for the respective regions submitted to the GCF. These are significant opportunities for exchanges of information to build institutional policies and capacities of the involved DAEs.

31. CI indicated in its re-accreditation application received on 25 November 2021 that it has initiated similar discussions with two other DAEs. It is recommended that CI further diversify the entities considered for execution of its GCF funding proposals, thus building capacity and receiving support from local technical experts in the countries. This could also serve to mitigate any potential implementation risk.

2.4 Accredited entity-level reporting on continuing to meet GCF accreditation standards

32. In line with the AMA clause 15.02(c)(i) and 5.03(b)(iv), CI has submitted the required AE-level reports throughout its five-year accreditation term within the deadlines stipulated in the AMA. These include annual self-assessments for calendar years 2017 and 2018, followed by a midterm accreditation review that included the self-assessment for calendar year 2019, and another self-assessment for calendar year 2020. CI's re-accreditation application includes the self-assessment for calendar year 2021.

33. In the annual self-assessments, CI reported changes to a number of areas related to fiduciary standards, ESS and gender requirements against which CI was assessed for its original accreditation, all of which CI reported as having positive impacts on the AE's capabilities to continue to serve in its role as an AE. The AE has maintained its accreditation to the GEF throughout its first accreditation term.

34. As detailed in document GCF/B.27/03/Add.02, the AP and Secretariat reviewed the midterm review report covering calendar year 2019 and found that the AE continued to meet the relevant GCF accreditation standards and obligations as an AE per its AMA with GCF in the context of its accreditation scope.

2.5 Overall portfolio of activities of the accredited entity beyond those funded by GCF

35. As per the Strategic Plan for the GCF 2020–2023, the re-accreditation process and the monitoring and accountability framework, the Secretariat and the AP are requested to provide an assessment of the extent to which the overall portfolio of activities of the AE, beyond those funded by GCF, has evolved during the accreditation period in order to advance the goal of GCF to promote a paradigm shift towards low-emission and climate-resilient development pathways in the context of sustainable development.

36. The AE provided the following information in its re-accreditation application with regard to guiding questions established in the GCF methodology for establishing a baseline of GHG emissions and climate resilience for the portfolio of AEs:

(a) Guiding question 1. Has the entity established policies or commitments in the short, medium or long-term regarding investment in climate change projects?

(i) Stabilizing the climate by protecting and restoring nature is one of the three main institutional priorities CI focuses on. In 2015, CI developed a strategy for aligning its work on nature-based solutions to climate change. Over four years, this strategy evolved into an institutional set of ambitious quantitative goals focusing on key pathways to scaling natural climate solutions. This then led to a revised climate change strategy for 2019–2025 that promotes the approach 'Nature for Climate' as one of the four guiding stars that orient all of CI's work;

(ii) The CI climate strategy includes quantitative goals: by 2025, CI aims to secure 20 gigatonnes of carbon in carbon-dense ecosystems, achieve two gigatonnes of avoided CO_2 emissions through reduced deforestation, and enable one gigatonne of CO_2 sequestration through restoration activities. By 2025, CI also aims to directly support at least 3 million people from climate-vulnerable communities to adapt to the impacts of climate change through nature-based approaches that protect, manage and restore the nature that they and future generations depend on. Progress toward the strategy goals is regularly reported to the Board and serves as the basis for the development and tracking of annual key performance indicators;

(iii) At the activity level, the work focuses on protecting forests that absorb and store climate-warming carbon by working with businesses and governments to account for their impacts on forests; enabling private investment in forest protection initiatives; and helping local and indigenous communities protect forests on their lands; and

(iv) CI's 2019 climate strategy also includes a target to support several countries to accelerate the adoption of nature-based solutions to climate change and the incorporation of these approaches into their NDCs. Other work at CI to support developing countries in achieving their climate objectives includes the implementation of GEF projects in seven African countries to strengthen the capacity of institutions to implement the transparency requirements of the Paris Agreement, funded by the Capacity-building Initiative for Transparency (CBIT);

(b) Guiding question 2. Does the entity receive resources from third parties for the financing of climate projects?

(i) Yes, CI receives resources from third parties for the financing of climate projects, including multilateral institutions, national governments, private companies and individuals. CI active projects with a primary focus of "Nature for Climate" totaled approximately USD $ 327 million in obligated revenue from January 2018-September 2021;

(c) Guiding question 3. Does the AE calculate and reduce its institutional-level GHG emissions?

(i) CI has not comprehensively calculated its GHGs at the corporate level in the past. CI has for many years estimated and offset GHG emissions associated with corporate business travel and headquarter energy use. In addition, an initiative is currently underway to assist the organization to become "climate positive", demonstrating a leading climate change commitment and serving as an example in CI's engagement with companies, governments and others. A two-phase process is proposed to develop this roadmap, which includes first conducting a comprehensive GHG inventory for the institution and then developing a climate target and roadmap for achieving the target. This work is expected to be completed by mid-2022, with the implementation of the roadmap in the second half of the year;

(d) Guiding question 4. Does the entity evaluate the climate risks of its portfolio?

(i) CI introduced a new ESS standard (ESS 10) that focused on climate change and related disasters in November 2020, and this was applied to new projects after November 2020. ESS 10 entails screening projects for climate change risks. Where risks have been identified as moderate to high, this requires a more detailed climate change vulnerability assessment (CCVA);

(ii) To date, CI has completed 12 climate risk screenings at the GEF Project Identification Form (PIF) stage, of which two required a CCVA. These CCVAs are to be completed during the implementation phase of the project, when the specific sites have been identified; this includes the Mediterranean Marine Protected Area (MPA) project. However, prior to the introduction of ESS 10, a CCVA was completed for the FP 158 Ecosystem-Based Adaptation and Mitigation in Botswana's Communal Rangelands GCF project, and the methodology applied follows international best practices as outlined by the Intergovernmental Panel on Climate Change Fourth Assessment Report, which examined the primary components of current/projected exposure, sensitivity, potential direct impacts and adaptive capacity;

(iii) CI also provided a sample case of a project where it applied a climate risk classification: the "Build back a blue and stronger Mediterranean"," project, in Mediterranean coastal and marine areas in Albania, Algeria, Lebanon, Morocco, Tunisia and Montenegro. The climate risk of the aforementioned project is medium to substantial based on the observed changes in temperature and precipitation, and the projected changes in temperature, acidification and rising sea levels;

(e) Guiding question 5. What are the main sectors of activity of the entity?

(i) CI defines its work by its four key priorities: Nature for Climate, Sustainable Landscapes and Seascapes, Ocean Conservation at Scale, and Innovation in Science and Finance. For the period January 2018–September 2021, CI had 980 total active projects, of which 32% had a Nature for Climate primary focus and 68 % with another of the four priorities as a primary focus.

(f) Guiding question 6. Is the entity investing in mitigation projects/operations?

(i) The volume of CI mitigation projects/operations increased during CI's first accreditation period and this resulted in the consistent growth of CI's mitigation impact, both in terms of emissions avoidance as well as carbon removals through in nature-based mitigation solutions, such as projects on reducing agricultural drivers of deforestation, restoration of landscapes, and blue carbon. The AE provided data from its country program on-the-ground implementation sites showing a 575% growth in CO2eq emissions avoided from 2019 to 2021 and a 25% increase in carbon removals from sequestration, from the year 2019 to the year 2021.

(ii) In terms of indirect contribution to mitigation projects/operations, CI also promotes investments in mitigation through engagement with subnational, national, and global policy processes and platforms to ensure nature-based mitigation solutions are incorporated to their full potential. For example, CI is supporting more than 20+ countries to incorporate or accelerate the implementation of natural climate solutions in national policies and raise the ambition of NDCs. CI also contributes to mitigation through the development of innovative scientific research, including national-level analyses of potentials for natural climate solution pathways and the establishment of the scientific concept and global mapping of irrecoverable carbon reserves. In addition, CI has a partnership with the Canada Pension Plan Investment Fund to drive investments in nature-based solutions within the voluntary carbon market. The initial portfolio of projects has the potential to avoid 4 million tCO_2 annually, with plans to scale the partnership further by bringing in additional investors.

(g) Guiding question 7. Is the entity investing in adaptation projects/operations?

(i) The majority of current CI adaptation projects aim to improve climate-resilient livelihoods (around two-thirds), especially of vulnerable groups such as smallholder farmers and rural or coastal populations, followed by improving food security, disaster risk reduction and water security (~10 % each). Around 1.2 million people directly benefited from ongoing CI adaptation projects. CI projects targeted many different ecosystems, including rangelands, agricultural landscapes and coastal areas (around 25 % each), followed by forests and wetlands (~10 % each);

(ii) The number of CI adaptation projects has been increasing during CI's accreditation period, especially for multi-year and larger projects. This is also reflected in the number of completed projects, although it is not increasing as much because many projects that started after 2017 are not yet completed. Currently, there are 40 active adaptation projects in CI´s portfolio and another 21 were already completed;

(iii) CI's adaptation projects follow the approach known as nature-based solutions to climate change (International Union for Conservation of Nature (IUCN), 2020) or ecosystem-based adaptation (Convention on Biological Diversity, 2009). This approach refers to the protection, sustainable management or restoration of nature to help reduce people's vulnerabilities to climate change as part of an overall adaptation strategy;

(iv) In addition to implementing nature-based interventions, CI projects also support other enabling activities for nature-based adaptation, such as strengthening climate change adaptation-related policies, capacities, financial mechanisms, knowledge and technologies. For policy engagement, CI is working to mainstream ecosystem-based adaptation solutions into local, subnational, and national land-use planning and policies (e.g. adaptation in nationally determined contributions (NDCs) and national adaptation plans in several countries, in different continents. CI scientists are also making important contributions to the knowledge and science base of adaptation: more than 17 scientific papers related to adaptation have been published in peer-reviewed literature, including the journals Science and Nature, since 2018. CI science work also includes the production of several maps and vulnerability assessments that help design projects and inform decision-making at local level. For adaptation finance, CI is developing innovative financial mechanisms that support climate adaptation, including work with insurance companies (Restoration Insurance Service Company model), climate-friendly businesses (Liberia and Madagascar) and climate-resilient supply chains (e.g. coffee, cacao, tuna).

37. CI confirms that it has not and does not currently implement or execute fossil fuel projects such as coal-fired power, gas-fired power plants, coal mining, etc. CI does not have plans for a potential future fossil fuel portfolio.

38. CI has been a pioneer in defining, promoting and implementing ecosystem-based approaches to adaptation since 2006. The past five years have seen the entity grow in stature and gradually become a reference for financing and implementing nature-based solutions to both mitigation and adaptation.

39. The AP considers that the evidence provided for the first accreditation term demonstrates the continuous positive trend of developing climate change adaptation, mitigation and cross-cutting activities. Both the strategy and the trend of activities are aligned with the GCF mandate and objectives.

40. Moving forward, CI's goals are to ensure that nature-based solutions deliver a share of global mitigation efforts commensurate with their potential (30%+) and are maximized where ecosystems are important for vulnerable populations to adapt to the impacts of climate change.

III. Stage II re-accreditation review assessment

41. The AE is eligible for, and applied under, the fast-track accreditation process as a GEF entity. Its application was assessed by the AP during stage II (step 1) against the accreditation standards of the GCF and gaps identified in decisions B.08/03, and in accordance with the re-accreditation requirements to the extent applicable to accreditation identified in paragraph 6 above. Partnership with the GEF currently relies on a process of self-assessments by partner agencies, once per replenishment, to confirm that the agencies maintain the competence and minimum standards required by the GEF Council.

42. In 2020 the GEF Council initiated the process for an independent third-party review of compliance with GEF Minimum Fiduciary Standards in close coordination with GEF's management, corporate policy units, regional bureaux and country offices.

43. These self-assessments are undertaken by the agencies and reviewed by a third-party expert(s) independent of the GEF Secretariat, providing additional comfort to the Council. As a result of this process, if an agency were to be found to be non-compliant or partially compliant with a policy standard or set of standards, it would prepare a time-bound action plan to remedy identified deficiencies and submit it to the Council for approval.

44. The self-assessment covered two broad criteria:(i) Project/Activity Processes and Oversight, including project appraisal, procurement processes, monitoring, project completion and financial closure, procedures to make project results publicly available, and the evaluation function; and (ii) Governance Framework, including external financial audit, financial management and control frameworks, oversight of EEs, financial disclosure/conflict of interest, code of ethics/conduct, internal audit, investigation function, hotline and whistleblower protection, and AML/CFT.

45. The independent review was completed in December 2020 and CI's self-assessment was independently reviewed; CI was found to be compliant with all GEF minimum fiduciary standards. CI therefore remains an accredited GEF agency, and CI programmes and projects remain eligible for submission and approval in the GEF work programmes. The Financial

Procedure Agreement between CI and the GEF remains in full force and CI continues to implement GEF-supported projects.

46. As part of this assessment, the AP consulted the AE's website and third-party websites to complement the information provided in the application.

3.1 Fiduciary standards

3.1.1 Basic fiduciary standards: key administrative and financial capacities

47. CI did not have any conditions with regard to the basic fiduciary standards on key administrative and financial capacities recommended by the AP for the first accreditation term and the upgrade in accreditation scope during said term.

48. As per paragraph 41 above, the GCF basic fiduciary standards concerning key administrative and financial capacities are considered to have been met by way of fast-track re-accreditation.

49. Regarding CI's policy framework, insofar as various fiduciary policies were reviewed as part of this assessment, the AE's policies covering GCF fiduciary standards are approved at either the CI Board or Senior Leadership level in accordance with CI's bylaws and Board Approval Matrix. The Board and Senior Management team, under their respective mandates, approve the following policies related to ethics, illegal conduct and reporting, and conflicts of interest; therefore the Code of Ethics, the Anti-Trafficking in Persons Policy, Prevention of Sexual Exploitation, Sexual Abuse and Sexual Harassment Policy, Anti-Bribery and Anti-Corruption Policy, the Anti-Fraud Policy and Guidelines for Investigations and the Anti-Money Laundering/Countering Terrorism-Financing Policy. The AE confirmed a new cycle of policy/procedure reviews commencing in September 2022.

50. The AE publishes full policy documents on its intranet for staff awareness and use, and several key policies are made available on the AE's external-facing website, namely the Anti-Trafficking in Persons Policy and the Prevention of Sexual Exploitation, Sexual Abuse and Sexual Harassment Policy.

51. Generally, summary policy extracts are developed for external audiences; however, as some policies apply to contractors, consultants and relevant associated parties, publishing on the external website will increase transparency and awareness.

52. The AP noted, in its April 2021 review of the AE's annual self-assessment that changes in its procurement standards, guidelines and systems, and that instead of the AE's internal business unit (the CI-GCF Agency) maintaining a separate procurement policy for GCF project/programme procurement, the AE transitioned its GCF project/programme procurement to its institutional procurement policy during the accreditation term. Preceding this transition, the AE improved the alignment of its institutional procurement policy with global industry best practice and with GCF fiduciary standards on procurement. Notable improvements were made in the areas of confidentiality of bidding information, inclusion of a clear dispute resolution process and inclusion of a sustainability statement. In addition, further guidelines were included on sole source procurement, integrity and fairness standards, and information-sharing during procurement processes and feedback.

53. As per paragraph 41 above, the basic fiduciary standards on key administrative and financial capacities continue to be met by way of fast-track re-accreditation.

3.1.2 Basic fiduciary standards: transparency and accountability

54. CI did not have any conditions with regard to basic fiduciary standards on transparency and accountability recommended by the AP for the first accreditation term and the upgrade in accreditation scope during said term.

55. As per paragraph 41 above, the GCF basic fiduciary standards concerning transparency and accountability have been met by way of fast-track re-accreditation, with the exception of re-accreditation application items 4.2.3: policies on prohibited practices and the protection of whistleblowers and witnesses; 4.2.4: investigation function; and 4.2.5: AML and CFT policies.

56. Regarding policies on prohibited practices and the protection of whistleblowers and witnesses, at the time of its 2021 annual self-assessment, the AE shared its updated whistleblower policy. The policy elaborates on the protection of whistleblowers from retaliation and is read in conjunction with the Anti-Fraud Policy and Guidelines for Investigations summarized under the Reporting Illegal or Unethical Conduct Statement on the AE's external website. The full policy is available to staff via CI's intranet. The AE demonstrated that policies are cascaded to consultants, contractors and other relevant associated parties, including EEs, and shared examples of templates for contracts with subrecipients and training materials used for subrecipients. A comprehensive training on prohibited practices focusing on GCF (and GEF) policies and definitions was shared as well as a beta version of a new e-training. Training uptake is reviewed and monitored at the institutional, project and EE staff levels.

57. With respect to the AE's track record in policy implementation regarding suspected ethics violations, misconduct and any kind of malpractice or prohibited practice, the AE's Anti-Fraud Policy and Guidelines for Investigations offers several reporting avenues. CI's Ethics Hotline (www.ci.ethicspoint.com), which is also available via the AE's GCF-specific web page, can be accessed at any time from anywhere CI works, in several local languages, and can be used in a way that retains anonymity. In addition, reporting can be carried out via post or email to ethics@conservation.org or to the Senior Director of Risk Management and Compliance in the General Counsel's Office (GCO).

58. In addition, the AE confirmed that ethics-related reports made via other avenues are consolidated using Ethics Point and its tracking tool, shared a more recent Ethics Hotline report (January–June 2021) summarizing reports and trends, and offered the most recent report for the second half of 2021 once finalized.

59. The AE provided assurances on its capability and competency in implementing policy and procedural measures to protect whistleblowers and witnesses and shared a case example from the accreditation period.

60. With regard to preventing and handling malpractice-related sexual exploitation, abuse and harassment, the AE has, in recent years, prioritized strengthening its policies, procedures and processes in its Prevention of Sexual Exploitation, Sexual Abuse and Sexual Harassment Policy and Anti-Harassment Policy, including rolling out bespoke trainings to ensure maximum awareness, such as its March 2021 communique "Commitment to Child Protection and Prevention of Sexual Exploitation, Abuse and Harassment"(aimed at staff and delivery partners).

61. In addition, advisory mechanisms have been introduced to support staff and the AP noted CI management's tone from the top and commitment to continually improve the workplace environment. While CI has historically had low number of discrimination and harassment reports, CI management has confirmed significant further reduction in this reporting category in its EthicsPoint reporting, demonstrating the impact of CI's initiatives in this area.

62. Regarding its investigation function, the AE's policies pertaining to prohibited practices include investigation terms of reference under its Anti-Fraud Policy and Guidelines for

Investigations. The AP concluded that a transparent, independent and objective investigation function to manage allegations of fraud and corruption exists. In relation to publishing its full Anti-fraud Policy and Guidelines for Investigations on the CI public website, the AE confirmed that its policy documents are generally written with its internal staff audience in mind, despite policies also applying to contractors, consultants and grantees. The AE publishes summaries on its website, whereas GCF fiduciary standards for investigation procedures set out requirements for (i) publicly available terms of reference, outlining the purpose, authority and accountability of the investigation function; and (ii) published guidelines for processing and managing cases during and after the investigation process. For this reason, the AP has recorded a remark regarding the publishing of full investigation guidelines and process documents.

63. During the review of CI's annual self-assessment for calendar year 2020, the AP concluded that the guidelines for investigation indicate independence in the roles played by the Senior Director of Risk Management and Compliance under (i) the GCO; and (ii) the reporting lines to both management and to the Board's Audit and Risk Management Committee.

64. The reporting process between the senior leadership team and the Audit and Risk Management Committee of the Board achieves independent oversight of the investigation function as envisaged in CI's bylaws and Committee Charter.

65. The AE shared a selection of its Board Audit and Risk Management Committee agendas demonstrating the inclusion of the standing agenda item of 'Ongoing Compliance and Litigation Matters', during which verbal updates are provided. In addition, half-yearly dashboard reports from the Ethics Hotline are shared with all staff, along with Ethics Hotline updates. The AP noted good practice whereby summary reports on Ethics Hotline activity and the resolution of cases is shared periodically with all staff.

66. The AE shared redacted examples of an internal and an external investigation report indicating actions taken and exemplifying the track record of its investigation function and reporting process.

67. Regarding AML/CFT and 'know-your-customer' (KYC) policies, procedures and processes in its original accreditation application, the AP opined that the AE fully met the requirements of the basic fiduciary standards related to anti-terrorist financing and AML. It noted that the AE's policies were based on the United States of America's Patriot Act and Executive Order 13224 Policy, and that the AE had demonstrated the use of tools that support the enforcement of the policies.

68. The AE confirmed the subsequent approval of the new version of its Anti-Money Laundering/Counter-Terrorism Financing Policy that was shared during its 2021 annual self-assessment. The revised policy incorporates modifications to further align itself with global best practices and expands the policy's scope in its principles and guidance regarding AML/CFT requirements and risks in addressing, inter alia, the prevention of misuse of CI funds for money laundering or the financing of terrorism; compliance with applicable AML/CFT legislation and donor obligations; prevention of any relations or undertaking any transaction that may relate to or may facilitate money laundering or financing of terrorism; exercising adequate due diligence on funding recipients and donors; and engaging in continued review of this AML/CFT Policy and implementing procedures as new threats emerge and international standards evolve to prevent and detect money laundering and financing of terrorism.

69. The AE's recent re-accreditation period track record was evidenced by examples of KYC checks, specifically a prescriptive, robust security screening process using a security screening request form and CSI Watchdog Elite software, for all sub-recipients and service providers. The form is supported by a guidance note for grantees that indicates the checks to be performed by CI. Internal procedures/workflows and examples were shared by the AE to document the

process followed. Furthermore, the AE indicated that it had not detected any suspicious transactions during the accreditation period.

70. As per paragraph 41 above, the basic fiduciary standards on transparency and accountability are considered to have been met by way of fast-track re-accreditation. The AP also finds that the AE's policies, procedures and capacity, supported by evidence of its track record, fully meet the GCF Policy on Prohibited Practices,[5] the GCF Policy on the Protection of Whistleblowers and Witnesses,[6] and the GCF AML/CFT Policy.[7]

3.1.3 Specialized fiduciary standard for project management

71. CI did not have any conditions with regard to the specialized fiduciary standard for project management recommended by the AP for the first accreditation term and for the upgrade in accreditation scope during said term.

72. As per paragraph 41 above, the specialized fiduciary standards for project management are considered to have been met by way of fast-track re-accreditation.

73. The AP noted satisfactory performance ratings by the GCF Secretariat, and timely reporting, consultation and collaboration by the AE in relation to GCF project reporting and project management issues. The AP noted that at the time of consideration of the AE's re-accreditation application, an interim evaluation of FP026 is ongoing.

74. With respect to FP026, project documentation shared by the AE included financial and technical site visit reports that demonstrate a sound track record in project management. The CI-GEF Agency and CI-GCF Agency business units enable robust project management, which augurs well for projects currently in the pipeline.

75. Specifically concerning FP026, the AP noted the change of direction and withdrawal of EIB, and that the satisfactory performance under the circumstances is commensurate with the AE's processes and capabilities. As FP158 gains momentum, the AP will review the AE's track record in the midterm review for accreditation during the next term if re-accredited. More importantly, the AE is well positioned with project management capabilities to oversee EEs if and when pipeline concept notes with grant award components are approved for funding.

76. As per paragraph 41 above, the specialized fiduciary standards for project management continue to be met by way of fast-track re-accreditation.

3.1.4 Specialized fiduciary standard for grant award and/or funding allocation mechanisms

77. CI did not have any conditions with regard to the specialized fiduciary standard for grant award and/or funding allocation mechanisms recommended by the AP for the first accreditation term and the upgrade in accreditation scope during said term.

78. Regarding competitive grant awards, the AE's two GCF-funded FP026 and FP158 do not involve grant awards; therefore the AE has not demonstrated a specific track record with GCF funding in this specialized fiduciary area. CI's portfolio does however have significant competitive grant award mechanisms, not least the Critical Ecosystem Partnership Fund (CEPF).8 CI serves as the secretariat for the CEPF, whereby the MOU between CI, the GEF and the World Bank articulates CI's responsibility for identifying, preparing, appraising, selecting

[5] Decision B.22/19 and annex XIV thereto.
[6] Decision B.21/25 and annex II thereto.
[7] Decision B.18/10 and annex XIV thereto.
[8] CEPF is a joint initiative of CI, Agence Française de Développement, the European Union, GEF, the Government of Japan and the World Bank and incorporates GCF funding to the tune of USD 38 million via the GCF AE Agence Française de Développement and other bilateral and multilateral donors. CEPF has issued USD 277 million worth of grants to over 2,500 civil society organizations since its inception in 2000.

and supervising approved projects and activities in accordance with the CEPF Operations Manual.

79. CI's GCF sub-recipient selection process within its grants and contracts award phase procedure requires its EEs to establish competitive granting processes when grantees are not identified through stakeholder engagements during the funding proposal stage. Otherwise, EEs must provide the CI-GCF Agency with a grantee justification form to provide a clear rationale for why a competitive process was not used. This process positions CI well for future GCF-funded competitive grant award/allocation mechanisms.

80. CI's track record with non-GCF funding is further demonstrated by the CI-GEF Agency partnering with IUCN on the GEF-funded Inclusive Conservation Initiative,[9] which implemented a grant award mechanism via an Expression of Interest (EOI) process launched globally to select indigenous organizations; 10 organizations were selected from an application pool of over 400 EOIs.

81. Regarding public disclosure of project and beneficiary information, the CI-GCF Agency project website[10] provides up-to-date, basic information to stakeholders and the public on GCF funding, including projects under implementation, PPFs and concept notes. While current GCF projects (FP026 and FP158) are managed directly by CI and stakeholders and do not involve competitive grant award mechanisms, the website information is limited to project headlines, the original funding proposal and environmental and social management plans (ESMPs).

82. The AE indicated that generally its knowledge management processes are based on publishing terminal evaluations unless donors require disclosure of project and beneficiary information during the project cycle. Links to the GCF website for project summary documents are also provided by the AE on its project web pages.

83. Regarding disclosure of grant award results, the CEPF website, administered by CI in its secretariat role, provides comprehensive information on CEPF grantees and their projects, CEPF management processes including procedures, cascaded policies and templates, the grant application process and information on projects. An example of a call for proposals within the CEPF[11] demonstrates good practice in disclosing information on the selection and award process.

84. The AE has maintained its capacity to implement GCF-funded grant awards and has the competency to publish additional detailed information on the results of competitive grant award processes.

85. Regarding the transparent use of financial resources, the AE's grants and contracts procedures generally incorporate donor-specific compliance requirements and include pre-award financial and technical risk assessments of sub-recipients and, during the award, monitoring of implementation. Suspension and termination clauses are included, as are closeout processes.

86. In this regard, the AE shared spreadsheet templates for conducting capacity assessments on EEs and on sub-recipients with grants valued at greater than USD 1 million. The templates feature prescriptive due diligence and checks on structure, funding, financial management (controls and budgeting), audit, procurement, project management, sub-granting and human resources and safeguarding. Completed capacity assessments, including time-bound actions, for current non-GCF funded projects were shared, as were field monitoring/support

[9] https://www.inclusiveconservationinitiative.org.
[10] https://www.conservation.org/gcf/projects.
[11] Call for Letters of Inquiry: Caribbean Islands Biodiversity Hotspot – Small and Large Grants (Dominican Republic and Jamaica).

visit reports by programmatic (technical) staff and financial (grant management) staff for FP026.

87. The AE shared an example of a completed financial risk assessment for GCF and GEF-funded projects and confirmed that no grants to sub-recipients had been suspended or terminated to date. The AE's systems, procedures, templates and capacity for the transparent allocation of financial resources, due diligence and monitoring are consistent with GCF fiduciary standards.

88. Web-training materials provided to grantee staff on topics including financial risk assessments, budgeting, financial reporting, environmental and social safeguards, prohibited practices and procurement were shared, further demonstrating good practice in the transparent allocation and monitoring of financial resources.

89. The procedures, tools and evidence of track record shared by the AE demonstrate a compliance-oriented monitoring framework that, at the same time, provides training, support and mentoring to grantees and their staff. The same framework can be applicable to GCF-funded projects with grant awards in the future.

90. The AE indicated that it significantly increased its funding from bi/multilateral donors between financial years 2020 and 2021 (inclusive of CEPF funding) and demonstrated its good standing with donors through the accreditation period.

91. As described in paragraph 41, CI's self-assessment, validated by the GEF's independent third-party expert, confirmed CI's compliance with the GEF minimum fiduciary standards. It was noted that in several areas under project/activity processes and oversight criteria (i.e. project appraisal and evaluation function) and under governance framework criteria (i.e. oversight of executing entities), the AE's compliance was specific to GEF projects and not to institutional compliance.

92. In addition, the AE shared an assessment of its performance in implementing one of two PPF grants administered by UNOPS with a given rating of 4.93 out of a maximum of 5.

93. The AP finds that the AE's policies, procedures and capacity, supported by evidence of its track record, fully meet the specialized fiduciary standard for grant award and funding allocation mechanisms.

3.1.5 Specialized fiduciary standard for on-lending and/or blending (for loans, equity and/or guarantees)

94. The AE did not apply for accreditation for this standard at this time.

3.2 Environmental and social safeguards

95. CI did not have any conditions with regard to the GCF interim ESS recommended by the AP for the first accreditation term with the accreditation scope of a maximum E&S risk category C/intermediation 3, nor for the upgrade for a maximum E&S risk category B/intermediation 2.

3.2.1 Environmental and social policy

96. CI has updated its Environmental and Social Management Framework (ESMF), approved by senior management on 16 November 2020. The objectives of the ESMF are to: (i) strengthen the quality of programming by ensuring a principled approach; (ii) avoid adverse impacts to people and the environment; (iii) minimize, mitigate and manage adverse impacts where avoidance is not possible; (iv) strengthen CI and partner capacities for managing social and

environmental risks; and (v) ensure full and effective stakeholder engagement, including a mechanism to respond to complaints from project-affected people.

97. The ESMF consists of four distinct policies: Policy 1: Environmental and Social Safeguards; Policy 2: Gender Mainstreaming; Policy 3: Stakeholder Engagement; and Policy 4: Accountability and Grievance Mechanisms. Policy 1 incorporates the International Finance Corporation Performance Standards (PS) 1–8, adopts mitigation hierarchy as a key principle and explicitly commits to assessing cumulative and associated facilities impacts and applying a mitigation hierarchy to manage impacts.

98. Regarding PS 7 on indigenous peoples, CI adopted Standard 4, which states that CI respects indigenous peoples' individual and collective rights and the instruments that protect them, including, but not limited to, the International Labour Organization's Convention No. 169 and the United Nations Declaration on the Rights of Indigenous Peoples. CI has provided a sample of two cases where it has demonstrated its capacity to implement this standard on indigenous peoples: In Angola, the indigenous peoples' standard has been triggered, meaning that the Global Wildlife Program Angola Child Project (concerning climate resilience and biodiversity management in conservation areas) followed the free, prior and informed consent (FPIC) process and an ESMP was developed; and in Botswana, CI, along with the Government of Botswana and through stakeholder consultations, developed an indigenous peoples plan for the 'Ecosystem-Based Adaptation and Mitigation in Botswana's Communal Rangelands' project.

99. The Director of the Environmental and Social Management System at the CI-GEFGCF Agency is responsible for the implementation of the E&S policy, under the supervision of the Senior Director for GEF Policy and Portfolio Management and the Director for GCF Project Development and Implementation.

100. The current CI portfolio does not contain carbon-intensive projects. The applicant also confirmed that it has not invested in any fossil fuel portfolio since its accreditation by the GCF nor does it intend to invest in fossil fuel portfolios in the future.

101. The AP finds that the AE's environmental and social management system (ESMS), comprising the ESMF, supported by evidence of its track record, fully meets the GCF Revised Environmental and Social Policy to the extent applicable to accreditation and GCF interim ESS standards for maximum E&S risk category B/I-2 projects/programmes with respect to PS 1–8.

3.2.2 Identification of environmental and social risks and impacts

102. To ensure that all public funded projects are environmentally and socially sound and sustainable and avoid/mitigate unintentional negative impacts, CI adopted an ESS system (CI Safeguard System (CISS)) to provide CI staff and project teams with procedures to avoid (or minimize) adverse environmental and social impacts and enhance positive impacts to the maximum extent possible throughout the project cycle. CISS promotes human rights by seeking to reduce equity gaps and facilitating the enhancement of social and environmental sustainability. These commitments expand on existing safeguard policies and procedures already in place for some public funding at CI.

103. CI implements a safeguard screening process for all GEF and GCF-funded projects so as to screen projects against the risk classifications similar to IFC PS and sexual exploitation, sexual abuse and sexual harassment (SEAH) risks. By July 2022, CISS will apply to all public and private project and programme funding.

104. Five types of project activities that may result in adverse environmental and social impacts that may be associated with CI/GEF and CI/GCF projects have been pre-identified by CI: (i) protected area creation, expansion or management improvement;(ii) investment in business or livelihood development; (iii) civil works; (iv) occupational health and safety; and (v) pest

management. The CI-GEFGCF Agency may nonetheless decide to support projects that may create these types of impacts on the condition that the impacts will be limited in time and space and can therefore be effectively mitigated, and that benefits brought by the project activities surpass the costs.

105. The CI-GCF Agency also screens for SEAH risks as part of its environmental and social safeguard screening. SEAH mitigation measures are incorporated into project ESMFs and monitored throughout project execution. The AE provided ESS screening forms with relevant SEAH screening criteria highlighted, as well as an example of an environmental and social impact assessment (ESIA) and ESMP that assesses SEAH risks and risk mitigation measures.

106. Suitable evidence relating to the E&S risks and impact identification has been provided by CI, along with a list including 18 projects screened against ESS 1–10. The list consists of projects in Africa and Latin America as well as global projects; 16 out of these 18 projects were grants. Only 1 project was categorized as risk category B; all others were categorized as C. The category B project in the list is “Ecosystem-Based Adaptation and Mitigation in Botswana’s Communal Rangelands” (FP158), an 8.5-year, USD 97.7 million grant under implementation, which triggered PS 1, PS 2, PS 4, PS 6 and PS 7 during the screening process.

107. CI also provided evidence of its staff’s technical skills and competencies to perform assessment and risk management. The staff has required capacities to conduct environmental impact assessment activities and to implement/monitor the ESMP, in compliance with the criteria defined in the Environment Code.

108. The AP finds that the AE’s system of identification of E&S risks and impacts, supported by evidence of its track record, fully meets the GCF Revised Environmental and Social Policy to the extent applicable to accreditation and GCF interim ESS standards for maximum E&S risk category B/I-2 projects/programmes with respect to PS 1–8.

3.2.3 Environmental and social management programme

109. CI’s ESMF incorporates a system to manage E&S risks and impacts throughout the project cycle, including a process for conducting ESIAs with specific roles and responsibilities related to implementing the institutional process.

110. Two (2) sample reports showing a track record of managing E&S risk and impact mitigation measures and actions stemming from the E&S identification process, including experience with PS 2 to 8, were provided: one (1) for Category B project “Ecosystem-Based Adaptation and Mitigation in Botswana’s Communal Rangelands”; and one (1) for Category C project “Safeguarding biodiversity in the Galapagos Islands by enhancing biosecurity and creating the enabling environment for the restoration of Galapagos Island ecosystems” in Ecuador.

111. The CI’s GEF/GCF Project Agency has the overall responsibility for ensuring that environmental and social issues are adequately addressed within the project cycle and will be ultimately responsible for the review and supervision of the implementation of safeguards.

112. The applicant informed the AP that an external, independent audit of CI’s ESMF to review the effectiveness and performance of its ESMF will commence by the end of calendar year 2022, with results and an action plan to implement recommended changes to be reported to CI’s leadership in the first half of 2023. At the project level, a terminal evaluation report on E&S effectiveness has been provided, in relation to CBIT project Strengthening the Capacity of Institutions in Uganda to Comply with the Transparency Requirements of the Paris Agreement.

113. Documented operational procedures and practices to manage E&S risk and impact mitigation measures and actions stemming from the E&S risk identification process in a systematic way are shown in the quarterly progress reports provided.

114. Financial institutions and direct investees are required by CI to develop and maintain, in the form of an ESMS, effective environmental and social systems, procedures and capacity for assessing, managing and monitoring risks and impacts of subprojects, as well as managing overall portfolio risk in a responsible manner. CI does an initial capacity screening of its EEs during due diligence risk assessment.

115. The AP finds that the AE's E&S management programme, supported by evidence of its track record, fully meets the GCF Revised Environmental and Social Policy to the extent applicable to accreditation and GCF interim ESS standards for maximum E&S risk category B/I-2 projects/programmes with respect to PS 1–8.

3.2.4 Monitoring and review

116. A system to monitor E&S performance in projects and programmes is in place. CI provided a procedure to monitor and evaluate activities in relation to ESS and a procedure to follow-up on any E&S recommendation. Monitoring is done on a quarterly and annual basis. Supervision and training are done throughout the project design and implementation phases. Templates for project performance annual workplan and supervision checklists for safeguards were provided by the applicant.

117. Ample evidence has been provided showing the applicant's capacity to implement these procedures. Quarterly and annual project monitoring reports as well as midterm evaluation reviews and project implementation reports were provided, including one for a category B project. CI also organizes periodic supervision field missions, including interviews with communities, extensions, local government units and local project staff, to ensure that relevant risk mitigation measures are implemented. CI provided a sample technical oversight mission report with monitoring and evaluation results for the Sustainable Landscapes in Eastern Madagascar project, which contained provisions for mitigation measures and related improvements at project level.

118. The AP finds that the AE's system of E&S-related monitoring and review, supported by evidence of its track record, fully meets the GCF Revised Environmental and Social Policy to the extent applicable to accreditation and GCF interim ESS standards for maximum E&S risk category B/I-2 projects/programmes with respect to PS 1–8.

3.2.5 External communications, consultations, information disclosure and grievance redress mechanism at the institutional level

119. CI publicly discloses documents related to all CI-GEF/CI-GCF ESS standards and associated policies (as outlined in the ESMF), subject to the exclusion of proprietary, confidential and personal information, on its websites.[12] The website lists contact information where interested stakeholders can seek further information or documentation and raise their concerns or recommendations to CI-GEF/CI-GCF. The CI-GEF/GCF Project Agency will be responsible for ensuring appropriate response. In relation to projects, CI provided a report[13] on ESS safeguards relating to FP158 and pursuant to paragraph 17 of the Information Disclosure Policy of the Green Climate Fund.

120. CI adopted a specific policy on stakeholder engagement (Policy 3 of its ESMF), which requires that stakeholder engagement be included in all its supported projects/programmes and throughout their respective project/financing cycles.

121. CI has enacted a specific policy on accountability and grievance (Policy 4 of its ESMF) to provide for the receipt of and timely response to resolution of complaints from parties affected by CI-GEF/CI-GCF funded projects. Accordingly, CI requires that all projects have a form of an

[12] http://www.conservation.org/GEF or https://www.conservation.org/gcf.
[13] https://www.greenclimate.fund/sites/default/files/document/fp158-ci-botswana.pdf.

independent, transparent and effective project-level accountability and grievance mechanism. Alternatively, grievants may file a claim with the Director of Risk Management & Compliance, who is responsible for CI's Accountability and Grievance Mechanism. CI has not received any E&S grievances in the past three years.

122. Projects requiring FPIC or triggering an indigenous peoples plan also include local conflict resolution and grievance redress mechanisms (GRMs) in the respective safeguard documents, which are developed with the participation of the affected communities in culturally appropriate ways and ensure adequate representation from vulnerable or marginalized groups and sub-groups, such as women and youth.

123. SEAH complaints may be filed through the project-level grievance mechanism. In addition to the project-level grievance mechanism, stakeholders are provided with information on and access to CI's Ethics Hotline to register a complaint or grievance. Any CI staff or delivery partner who suspects, experiences, observes or becomes aware of conduct that violates CI's SEAH policy is obligated to report the possible violation immediately through CI's established grievance reporting mechanisms as outlined in CI's Conflict Resolution and Formal Complaints Policy.[14] Specific training on the SEAH policy has been rolled out in March 2021. CI's SEAH training is designed to be a "training for trainers" to be conducted annually and/or as required for project implementation.

124. At the institutional level, the GCO is CI's independent GRM. CI's Senior Director of Risk Management & Compliance under the GCO oversees the GRM at the entity level. To implement the Accountability and Grievance Mechanism, CI uses an Ethics Hotline, managed by NAVEX's EthicsPoint. The Ethics Hotline is Safe Harbor Certified through the United States Department of Commerce and is available worldwide. CI reported no E&S grievances in the past three years.

125. Regarding track record, sample evidence was provided regarding FP158 (Ecosystem-based Adaptation and Mitigation in Botswana's Communal Rangelands project) on the disclosure of the ESIA during the preparation phase, in line with GCF requirements. The 30-day requirement is stipulated in the safeguard screening analysis report to AEs/EEs.

126. The AP finds that the AE's system of external communications, consultations, information disclosure and GRM, supported by evidence of its track record, fully meets the GCF Revised Environmental and Social Policy to the extent applicable to accreditation, GCF interim ESS standards and the GCF Information Disclosure Policy regarding E&S information disclosure requirements for maximum E&S risk category B/I-2 projects/programmes with respect to PS 1–8.

3.2.6 Organizational capacity and competency

127. The AE provided its organizational chart indicating where the designated staff members responsible for making E&S risk categorization decisions (ESS and gender expertise team) are located in the organization and their reporting lines.

128. At the AE level, E&S impact is monitored by a unit responsible for the implementation of safeguards and gender at CI, under the project monitoring and delivery team. That division is overseen by a Vice-President. The CI-GEF/CI-GCF Agency is overseen by a Senior Vice President, which reports directly to the Executive Vice President of Conservation Partnerships, who then reports to the Chief Executive Officer (CEO). The ESMF director reports to the Senior Director of GCF Project Development and Oversight, who in turns reports to the Senior Vice President of the CI-GEF/CI-GCF Agency. E&S incidents are disclosed and managed by the CI-GEF/CI-GCF Agency and reported up the organizational chart. Grievances are managed by the GCO, and the CI-GEF/CI-GCF Agency is included in the process by GCO unless there is a conflict of interest in

[14] https://www.conservation.org/about/our-policies/reporting-illegal-or-unethical-conduct-statement.

the nature of the grievance. The GCO reports directly to the CEO. The Senior Director of Risk Management and Compliance, who oversees the GRM, reports directly to the GCO. In addition to the formal organizational structure, the CI Safeguards Working Group is a team of teams that strategizes, guides, advises, learns and coordinates the implementation of safeguards to measurably improve outcomes for people and nature.

129. The AE provided a list of staff responsible for environmental and social matters and further evidence that 109 staff members have received online training on the ESMF in 2021.

130. Regarding financial intermediaries, the CI-GEF/CI-GCF Agency follows the same approach supervising grantees and financial intermediaries that benefit from a GEF/GCF grant or non-grant instrument. The Director of Safeguards reviews quarterly progress and the annual project implementation reports that are submitted to the GEF for grant and non-grant instruments. Due to the pandemic, the reviews have been done remotely.

131. The AP finds that the AE's organizational capacity and competency to implement the ESMS, supported by evidence of its track record, fully meet the GCF Revised Environmental and Social Policy to the extent applicable to accreditation and GCF interim ESS standards for maximum E&S risk category B/I-2 projects/programmes with respect to PS 1–8.

3.3 Gender

132. CI did not have any conditions with regard to gender recommended by the AP for the first accreditation term.

133. The AE has adopted an overarching commitment to gender equity and a gender policy, both of which have been published on its online portal.[15] The policy aims to guide projects in having specific gender-related results such as closing gender gaps in access to and control over resources, improving participation and decision-making of women in natural resource governance, and promoting equitable socioeconomic project benefits.

134. At the project-level, a gender mainstreaming plan (GMP) is required for category A/high-risk, category B/medium-risk and category C/low-risk projects funded by CI. A GMP template was shared by the applicant. Each GMP includes a budget for implementing activities. A gender action plan[16] and a gender assessment[17] were provided by the AE for the FP158 "Strengthening the Capacity of Institutions in Rwanda to implement the Transparency Requirements of the Paris Agreement" project. The AE also indicated that each GEF and GCF project undergoes an independent evaluation that assesses and reports on the implementation of gender activities at the project level; a sample project terminal evaluation for the CBIT project in Uganda was provided. Gender and SEAH requirements are passed down to EEs via CI's subsidiary agreements.

135. At the entity level, CI is in the process of finalizing its global diversity, equity and inclusion strategic plan, which will embrace a gender action plan covering the period from 2023 to 2027. CI shared with the AP a draft version, which includes four goals and several corresponding activities and indicators aimed at enhancing the implementation of CI's gender policy at the institutional level. The gender action plan also provides for a gender-sensitive grievance mechanism.

[15] See https://www.conservation.org/priorities/gender-equality and https://www.conservation.org/docs/default-source/publication-pdfs/integrating-gender-and-social-equity-into-conservation-programming-2019.pdf?sfvrsn=6b8e5c33_2.
[16] See https://www.greenclimate.fund/document/gender-action-plan-fp158-ecosystem-based-adaptation-and-mitigation-botswana-s-communal.
[17] See https://www.greenclimate.fund/sites/default/files/document/fp158-gender-assessment.pdf.

136. CI is also forming a Global Grievance Committee to provide technical and subject matter expertise to review and support grievance resolution at the entity level. The formation of the Global Grievance Committee was presented at the CI Board of Directors Meeting in October 2021 and is expected to roll out in calendar year 2022. The Global Grievance Committee will support CI's Senior Director of Risk Management and Compliance in the review and resolution of global grievances submitted through CI's GRM. The Global Grievance Committee will have representation across the organization with subject matter experts in human resources, rights-based approaches, ESS, gender, and legal affairs, who will be called upon to join the committee to review and support grievance resolution that requires a specific subject-matter expertise. The Committee will address grievances in a gender-sensitive and gender-responsive manner.

137. Regarding the current organizational structure, the AE has two full-time dedicated Director-level staff charged with overseeing the implementation of CI's Gender Policies, whereas 16 staff have related responsibilities. The CI's Gender Working Group comprises staff trained or working on gender issues across the institution and provides a platform for learning and sharing gender knowledge.

138. Regarding track record, CI has provided evidence of various gender initiatives, particularly at the project level. However, the AE demonstrates limited experience with gender mainstreaming at the institutional level and lacks a specific institutional Gender Mainstreaming Action Plan. The CI-GEF/CI-GCF Agency is currently doing an internal review of gender across the GEF portfolio and has planned an audit of its ESMF, including the effectiveness of its gender policies, which will commence by the end of the calendar year 2022, with results reported to the CI-GEF/CI-GCF Agency in the first half of 2023. The results of this audit will be disseminated to CI senior leadership.

139. The AE provided examples highlighting linkages between gender mainstreaming and climate change impacts, including the terminal evaluation report for the project "Maintaining and Increasing Carbon Stocks in Agro-silvopastoral Systems in Rural Communities of the Selva Zoque - Sumidero Canyon Complex as a Climate Change Mitigation Strategy". This project was rated 'highly satisfactory' in terms of both gender and ESS safeguards, as it demonstrated that both women and men have benefited from this climate change project. Further evidence has been made available through the FP026 APR, which includes references to gender-sensitive participatory activities aimed at strengthening climate change resilience.

140. The AP finds that the AE's gender policy, procedures, capacities and competencies, supported by evidence of its track record, fully meet the Updated Gender Policy and Gender Action Plan 2020–2023 to the extent applicable to accreditation.

IV. Conclusions and recommendation

4.1 Conclusions

141. Following its assessment, the Secretariat concludes the following regarding the application with respect to the potential to continue in the role of an AE and to support the mandate and objectives of GCF: The AE can continue to contribute to GCF in implementing its 2020–2023 Strategic Plan with respect to:

(a) The alignment of the AE's indicative pipeline with country programming priorities of the countries of operations;

(b) Its contribution to the adaptation and mitigation balance in the GCF portfolio since the AE is able to bring adaptation and cross-cutting activities for GCF finance, and its support of diversity in GCF results areas such as; livelihoods of people and communities; forests and land use; and ecosystems and ecosystem services;

(c) Mobilizing climate finance at scale since the AE is being recommended for re-accreditation in the maximum size category Medium;

(d) Promoting financial innovations in using available financial instruments and, where possible, leveraging these instruments to enable and catalyse private sector investment and design sustainable value chains; and

(e) Addressing interests of particularly vulnerable groups.

142. Following its assessment, the AP concludes the following regarding the application with respect to the AE's ability to meet the GCF accreditation standards and GCF policies relevant for accreditation for which it is seeking re-accreditation:

(a) The AE meets the requirements of the GCF basic fiduciary standards, and to the extent applicable to accreditation, the GCF Policy on the Protection of Whistleblowers and Witnesses, the GCF Policy on Prohibited Practices, the GCF AML/CFT Policy, the specialized fiduciary standard for project management and the specialized fiduciary standard for grant award and/or funding allocation mechanisms. The AE completed an independently reviewed self-assessment process that reinforced its continued compliance with GEF minimum fiduciary standards and has enhanced its systems, policies, procedures and competencies in several areas of GCF fiduciary standards for transparency and accountability and grant award/allocation mechanisms during its first accreditation period;

(b) The AE meets the GCF Revised Environmental and Social Policy to the extent applicable to accreditation, GCF interim ESS standards and the GCF Information Disclosure Policy on disclosure of E&S information in relation to the medium E&S risk (category B/I-2); and

(c) The AE fully meets the Updated Gender Policy and Gender Action Plan 2020–2023. Furthermore, the AE has demonstrated that it has the experience and track record in in implementing its gender policy at the institutional level.

4.2 Recommendation on re-accreditation

143. The AP recommends, for consideration by the Board, CI for re-accreditation for its second term as follows:

(a) **Accreditation type:**

(i) **Maximum size of an individual project or activity within a programme:** medium (including micro and small);[18]

(ii) **Fiduciary functions:**

(1) Basic fiduciary standards;

(2) Specialized fiduciary standard for project management; and

[18] As per annex I to decision B.08/02 (annex I to document GCF/B.08/45), "medium" is defined as "maximum total projected costs at the time of application, irrespective of the portion that is funded by the GCF, of above USD 50 million and up to and including USD 250 million for an individual project or an activity within a programme."

(3) Specialized fiduciary standard for grant award and/or funding allocation mechanisms; and

(iii) **Maximum environmental and social risk category:** medium risk (category B/I-2) (including lower risk (category C/I-3)).[19]

(b) **Conditions:** none.

144. The AE has been informed of the recommendation for accreditation, including the accreditation type, as identified in paragraph 143 above, and agrees to the recommendation.

4.3 Remarks

145. The AE has already scheduled the next periodic review of its policies to commence in September 2022 and is encouraged, in its policy framework, to use consistent terminology when referring to policies, procedures and guidelines for information, awareness and transparency for individuals and entities collaborating with or seeking to collaborate with CI, and to consider publishing, in full on its external website, all key policies that apply to individuals and entities beyond its own staff.

146. The AE is encouraged to publish, in addition to currently available summary information available on its website, further details of the terms of reference outlining the purpose, authority and accountability of the investigation function, and the guidelines for processing and managing cases during and after the investigation process.

147. The AE is encouraged to provide accessible summaries of progress reports on its project-specific websites, in addition to its current practice of publishing links to GCF APRs and project videography.

148. The AE is encouraged to provide the status of implementation of its gender action plan at the entity level in the future annual self-assessments to the GCF.

[19] As per the Revised Environmental and Social Policy adopted in decision B.BM-2021/18, Category B is defined as "Activities with potential mild adverse environmental and/or social risks and/or impacts that are few in number, generally site-specific, largely reversible, and readily addressed through mitigation measures," and intermediation 2 is defined as "When an intermediary's existing or proposed portfolio includes, or is expected to include, substantial financial exposure to activities with potential limited adverse environmental or social risks and/or impacts that are few in number, generally-site specific, largely reversible, and readily addressed through mitigation measures; or includes a very limited number of activities with potential significant adverse environmental and/or social risks and/or impacts that are diverse, irreversible, or unprecedented."

Annex IV: Updated simplified approval process and activity cycle

I. Objective

1. The objective of the simplified approval process (SAP) is to operationalize paragraph 53 of the Governing Instrument for the Green Climate Fund and to reduce the time and effort needed in the preparation, review, approval and disbursement procedures of certain activities, in particular small-scale activities, that meet the SAP eligibility criteria (as defined in section II below) and to contribute to the implementation of the Updated Strategic Plan for the GCF for 2020–2023.[1] This update of the SAP policy sets out:

(a) The eligibility criteria for GCF projects/programmes to be considered for funding under the update of the SAP;

(b) The actions that will be undertaken to further simplify the preparation and the appraisal as well as the acceleration of the disbursements of SAP proposals;

(c) The project and programme activity cycle for SAP funding proposals:

(i) The indicative descriptive steps for the origination and preparatory stages of SAP proposals;

(ii) The modalities for the submission of concept notes and funding proposals under the SAP;

(iii) The modalities for the review of project/programmes under the SAP;

(iv) The modalities for the approval of projects/programmes under the SAP; and

(v) The legal arrangements for approved SAP proposals;

(d) The modality for the review and monitoring of project/programme under the SAP.

2. Unless otherwise specifically modified or provided for herein, all other relevant GCF policies and procedures apply mutatis mutandis to the SAP. The SAP will follow a simplified project and programme activity cycle (SAP activity cycle) set out in table 1.[2] The SAP activity cycle has the same stages and steps approved by the Board for the proposal approval cycle.[3]

II. Eligibility criteria of projects/programmes under the simplified approval process

3. SAP projects or programmes are expected to possess significant climate impact potential. SAP proposals are expected to be ready for scaling up and have the potential for transformation and promoting a paradigm shift to low-emission and climate-resilient development.

4. Funding proposals for projects and programmes that meet the following criteria are eligible to be processed under the SAP:

(a) Projects or programmes with a GCF contribution of up to USD 25 million; and

[1] Decision B.27/06, annex VI, paragraph 29(b).
[2] The updated project and programme cycle, annex IV of decision B.17/09, will not apply to SAP projects and programmes.
[3] Decision B.17/09.

(b) Projects or programmes whose potential adverse environmental and/or social risks and/or impacts are classified as minimal to none, as described in the GCF Revised Environmental and Social Policy.[4]

5. As agreed in Board decision B.18/06, activities under the SAP modality are project and context specific, and will be assessed on a case-by case basis, and include, among others:

(i) Capacity development, planning support, institutional development, advisory services, communication and outreach, household-level facilities and production within an already built-up area and with no additional footprint (basic post-harvest processing, rainwater harvesting, pico- to micro-scale renewable energy, retrofit renewable energy systems and energy efficiency and conservation, agroforestry and small-scale climate resilient agriculture);

(ii) Early warning and other monitoring systems, response planning support; and

(iii) In-situ rehabilitation of existing public facilities including maintenance and upgrading where waste will not be an issue, small-scale rural and urban community projects, village-level rural water supply and drainage (including smallholder farm irrigation such as drip irrigation, shallow wells, etc.), rural energy, small-scale infrastructure (including rehabilitation, maintenance and upgrading), small-scale watershed management and rehabilitation, climate resilient agriculture, habitat restoration and rehabilitation, soil and water conservation, forest management activities and agroforestry.

6. The Secretariat shall take appropriate measures to encourage and provide support to direct access entities (DAEs) to submit projects or programmes under the SAP with the aim of ensuring that submissions from such entities constitute over time at least 50% of all approved SAP proposals, consistent with the guidance from the Conference of the Parties (decision UNFCCC decision 10/CP.22, paragraph 6) which requested the Board to facilitate an increase in the amount of direct access proposals in the pipeline.

III. Origination, preparation and review

7. All relevant GCF policies and quality standards will be maintained for the SAP proposals during their preparation and review, in line with the stages highlighted in table 1 below.

8. To further simplify, accelerate and facilitate access to the SAP, especially for DAEs, the Secretariat will:

(a) **Further simplify the documentation required for presenting SAP proposals**: To reduce the time and effort needed to prepare and review SAP proposals:

(i) The Secretariat will develop a further simplified template for SAP concept notes and the submission of a SAP concept note will become an optional step. The simplified template will ensure that all elements needed for the appraisal of their relevance to GCF and eligibility for SAP are maintained while reducing the amount of non-essential information required. AEs and NDAs wishing to get a clear early read from the Secretariat regarding project eligibility for SAP can choose to submit a shorter concept note. In contrast, AEs and NDAs wishing to skip the concept note stage will submit related requirements in their funding proposal submissions;

[4] Decision B.BM-2021/18.

(ii) SAP funding proposals can be presented with only a pre-feasibility study in lieu of a full feasibility study. However, if the Secretariat deems it necessary following its review of the SAP funding proposal, it can request the AE to provide additional information to ensure an appropriate appraisal;

(iii) During the preparation of the funding proposal, resource-intensive studies such as economic and financial analyses and models should be required only when deemed necessary. Given the SAP mandate for simplified preparation requirements, if, during the review of SAP proposals, there is a need for additional non-critical information or data, provisions should be made for the related data collection or more detailed technical studies to be performed by the AE during the implementation stage; and

(iv) The Secretariat shall develop a specific simplified template for the SAP assessment findings report with the standards that both the Secretariat and the independent Technical Advisory Panel (TAP) will follow to ensure the consistency of the reviews and transparency of how SAP reviews are performed relative to the SAP requirements; and

(b) **Develop a simplified review process**: The Secretariat will develop a review checklist/tool that will streamline the review of SAP proposals. This will accelerate and facilitate the review process and simplify the preparation of such proposals while providing clarity to the AEs on the expected quantity and quality of information in SAP funding proposals, as follows:

(i) While reviewing a SAP funding proposals, the Secretariat and the independent TAP shall consider the objective of the SAP. The goal is to achieve expeditious reviews that are commensurate with the small size and minimal or no adverse environmental and/or social risks and/or impacts of SAP proposals, and to present succinct assessment findings reports. The Secretariat and the independent TAP shall review SAP funding proposals efficiently and on a rolling basis;

(ii) In accordance with decision B.10/17, the Secretariat and independent TAP reviews of SAP funding proposals will not be subject to the application of the high/medium/low scaling pilot when assessing the degree to which investment criteria have been met.

(c) **Developing SAP programming guidance:** This programming document will guide the GCF, NDAs and AEs on how to identify interventions that can (1) financing innovative approaches and implementation modalities; (2) clarify what scaling up means in the context of the SAP; (3) identify the opportunity to unlock private sector finance; and (4) promote the use of the SAP to address urgent climate change needs in developing countries, in particular in small island developing States (SIDS), least developed countries (LDCs) and African States; and

(d) **Develop guided templates to fast-track preparation and review of SAP proposals:** To reduce the time and effort needed for the preparation and review of SAP proposals, the Secretariat will:

(i) Develop a set of SAP funding proposal guided templates in the GCF impact areas widely demanded by developing countries (such as early warning systems, disaster risk reduction, resilient agriculture, access to clean energy and energy efficiency among others); and

(ii) Identify certain small-scale activities ready to be scaled up/replicated in coordination with other climate funds, including other entities of the United Nations Framework Convention on Climate Change Financial Mechanism or as suggested by the Board during the approval of GCF funding proposals.

IV. Approval process and post-approval stage

9. The approval and post-approval steps for the SAP are described in stage 6.1 of the SAP activity cycle set out in table 1 below.

10. In order to facilitate and expedite the start of project implementation, for each SAP funding proposal the Secretariat will work with the relevant AE to establish clear timelines for the fulfilment of conditions related to signing and effectiveness of the funded activity agreement and the first disbursement, and apply standardized fiduciary and operational conditions to the extent possible having regard to the specific structure or circumstances of the funding proposal. Towards this goal, SAP funding proposal packages are recommended to include certificates of internal approvals from the AEs, and the Secretariat should aim to execute FAAs at the Board meeting at which they are approved (or promptly thereafter). Standardized and fit-for-purpose post-approval templates will be developed by the Secretariat.

11. The Secretariat will develop guidance and templates for the AEs on building a results-based monitoring and reporting system, based on the GCF integrated results management framework for the purpose of simplifying the annual performance report requirements and templates and accelerating disbursements for SAP projects during the implementation stage while ensuring compliance with GCF requirements and accountability standards.

V. Review and monitoring of implementation progress of the simplified approval process

12. The Secretariat will regularly review the progress of implementation of the SAP and will report to the Board on that progress periodically through the report to the Board on the Secretariat's activities. On an annual basis, the Secretariat will present to the Board, in the context of the report of the activities of the Secretariat an update on the status of the SAP and the actions undertaken to implement the Update of the SAP policy, including the simplification of the post-approval steps.

VI. Effectiveness and transition arrangements

13. The SAP modality described in this annex shall become effective upon Board approval. It will apply to all SAP concept notes and funding proposals, including those that are in the pipeline under the SAP and which have not been approved by the Board. AEs with proposals in the regular proposal and programme cycle (PAP) pipeline that could be approved under SAP may choose to redesignate their proposals as SAP proposals in accordance with the revised and expanded eligibility criteria or maintain their proposals as they had been submitted.

14. The actions to be undertaken by the Secretariat, described in sections III and IV above, to further simplify, accelerate and facilitate the preparation, review and implementation of SAP proposals will be delivered within 12 months from the Board approval of the SAP modality, and their progress will be reported to the Board periodically through the report on the activities of the Secretariat.

Table 1: Simplified approval process project and programme activity cycle (SAP activity cycle)

KEY STAGES AND INDIVIDUAL STEPS		ACTOR(S)	RESPONSIBILITY AND TASK
I. Country, regional and/or AE programmes (preparatory stage, not mandatory)			
1.1	Submission and compilation of country programmes	National designated authority (NDA) or focal point Secretariat	1. NDAs/focal points will submit a country programme, including a national adaptation plan or voluntary adaptation plan and appropriate elements of the country's nationally determined contributions, to the Secretariat, considering how the small-scale activities eligible for the SAP could accelerate the targets they have set in their climate strategies and plans, including the possibility of SAP to scale up successful projects and programmes. 2. NDAs/focal points may request support from the Readiness and Preparatory Support Programme under the readiness activity areas outlined in decision B.22/11. 3. NDAs/focal points may inform the Secretariat of preferred AEs to implement programmes and projects under the country programme. 4. The Secretariat will compile country programmes and submit this to the Board for its information.
1.2	Submission and compilation of accredited entity work programme	AE Secretariat	1. AEs will submit annual and/or multi-annual work programmes to the Secretariat. 2. AEs will develop annual and/or multi-annual programmes in consultation with NDAs/focal points also taking into consideration how their proposed small-scale activities can benefit from SAP, including the possibility of SAP to scale up projects and programmes that have been evaluated as successful. 3. The Secretariat will compile AE work programmes to be submitted to the Board for information and discussion.
1.3	Structured dialogues	Secretariat, NDAs/focal points and AEs	In accordance with the GCF Strategic Plan and pursuant to decision B.17/09 (annex IV, stage I, step 1.3), the Secretariat will host an annual strategic dialogue at the regional level in each region. For the avoidance of doubt, this step applies to all GCF project and programme cycles.
II. Generation of SAP programme or project funding proposals (preparatory stage, not mandatory)			
2.1	Strategic approaches	NDAs, Secretariat and AEs	1. Based on the country and AE work programmes, countries will identify priorities, analyse financial needs and gaps and identify partners to design and implement SAP funding proposals. 2. The Secretariat will provide support to NDAs/focal points and DAEs to conduct the process for SAP pipeline origination through strategic approaches.

KEY STAGES AND INDIVIDUAL STEPS		ACTOR(S)	RESPONSIBILITY AND TASK
2.2	Request for proposals	Board, Secretariat	1. The Board may periodically approve RFPs to guide the development of the GCF SAP portfolio in specific areas in accordance with the GCF updated Strategic Plan. Based on the individual eligibility criteria of each RFP the Secretariat will determine if the SAP modality can be used to implement the respective RFPs.
2.3	Regular call for funding proposals	Secretariat	1. The Secretariat may publish regular calls for SAP funding proposals on the GCF website or RFPs if and as requested by the Board. 2. NDAs/focal points and AEs may submit funding proposals to the Secretariat in response to RFPs as well as the funding proposals included in country and AE work programmes.
III. Concept note (optional)			
3.1	Concept note submission	AE and NDA/focal point	1. Concept notes are not mandatory for SAP projects and programmes. The AEs and NDAs/focal points can submit concept notes using the simplified SAP concept note template to receive early feedback on the environmental and social risk screening and categorization output, so that they can be promptly informed whether the proposed project/programme is eligible for approval under the SAP modality. 2. The NDAs/focal points and/or AEs will submit the concept note to the Secretariat via the online submissions portal or other means made available to the AEs and NDAs/FP by the Secretariat. 3. In accordance with the country ownership guidelines and relevant decisions of the Board, AEs are encouraged to engage NDAs/focal points prior to the submission of concept notes.
3.2	Concept note confirmation	AE, NDA/focal point	On receipt of a concept note submission from an accredited entity, the Secretariat will seek confirmation from the national designated authority or focal point that the concept note fits under national priorities and country ownership.
3.3	Concept note pipeline	Secretariat	The Secretariat will present, prior to each Board meeting, an updated concept note pipeline of SAP proposals. The SAP pipeline will be presented with the regular pipeline report to the Board.
3.4	Feedback and recommendations on the concept note	Secretariat, NDA/focal point, AE	In consultation with the NDA/FP, the Secretariat will provide feedback and recommendations to the AE, and advises if the concept is endorsed, not endorsed with possibility of resubmission or rejected. At this stage, the Secretariat will confirm whether the project/programme described in the concept note conforms to the SAP eligibility criteria.

KEY STAGES AND INDIVIDUAL STEPS		ACTOR(S)	RESPONSIBILITY AND TASK
3.5	Project preparation and technical assistance support	AE, Secretariat	1. The PPF can support project and programme preparation requests from all AEs, especially DAEs, for projects/programmes that could be financed under SAP. 2. The NDA/focal point will submit the no-objection letter related to the PPF request through the AE. 3. AEs will submit PPF proposals based on the PPF application template. 4. The Secretariat will report to the Board, as part of the regular reporting, on the pipeline of PPF requests received, approved and under implementation under SAP. 5. The Secretariat will report to the Board, as part of the regular portfolio report, on the progression of SAP concept notes receiving PPF support. 6. SAP funding proposals developed with PPF resources should be submitted to the Board within two years of PPF approval unless sufficient justification for an extension is provided.
IV. Funding proposals			
4.1	Funding proposal pipeline	Secretariat	The Secretariat will update the information on the GCF portfolio prior to each Board meeting and publish it on the GCF website. The SAP pipeline will be presented together with the regular pipeline report to the Board.
4.2	No-objection letter	NDA/focal point	The NDA/focal point will provide a no-objection letter for each SAP funding proposal, in line with the GCF no-objection procedure in accordance with decision B.08/10.
4.3	Funding proposal submission to the Secretariat	AE, Secretariat	1. AEs will submit complete SAP funding proposals to the Secretariat via the online submissions portal or other means made available to the AEs with all the mandatory and requested annexes (including the no-objection letter) 2. The Secretariat will acknowledge the submission of the funding proposal package.
4.4	Information disclosure	AE, Secretariat	In accordance with the information disclosure policy of the GCF
V. Secretariat analysis and independent technical assessment and recommendations to the Board			
5.1	Analysis and recommendation	Secretariat	1. The Secretariat will carry out necessary and appropriate second-level due diligence review of SAP funding proposals on a rolling basis. 2. The Secretariat will assess compliance with the GCF environmental and social safeguards, Revised Environmental and Social Policy, Updated Gender Policy, Indigenous Peoples Policy, financial policies and any other policies adopted by the Board, in addition to the performance of the project or programme against activity-specific criteria.

<table>
<tr><th colspan="2">KEY STAGES AND INDIVIDUAL STEPS</th><th>ACTOR(S)</th><th>RESPONSIBILITY AND TASK</th></tr>
<tr><td>5.2</td><td>Independent assessment</td><td>Independent TAP, AEs</td><td>1. The independent TAP will conduct a technical assessment of the SAP project or programme funding proposal, against activity-specific criteria, as defined in the initial investment framework (decisions B.09/05 and B.BM-2018/09) or in any successor policy thereto, and the provisions of this updated SAP policy.
2. The independent TAP will prepare a report setting out its assessment findings and indicate whether or not it recommends the submitted SAP funding proposal for approval. The independent TAP review of SAP funding proposals will be performed on a rolling basis.
3. The Secretariat will facilitate the response from AEs to the assessment and recommendations from the independent TAP. The independent TAP assessment and the AE responses will be published on the GCF website.</td></tr>
<tr><td>5.3</td><td>Submission of the documentation to the Board</td><td>Secretariat</td><td>1. At each meeting of the Board, the Secretariat will report on the indicative pipeline of SAP concept notes and funding proposals.
2. Only those SAP funding proposals that are recommended for approval by both the Secretariat and independent TAP in their reviews will be submitted to the Board for consideration.
3. The Secretariat will submit the following funding proposal package for consideration by the Board:
(a) The completed funding proposal template as submitted by the AE;
(b) No-objection letter(s);
(c) Environmental and social report(s) disclosure (if applicable);
(d) Gender assessment and action plan;
(e) Term sheet;
(f) Other relevant annex.
(g) The Secretariat’s assessment of compliance with safeguards and policies and performance of the project or programme against activity-specific criteria and a cover note containing a</td></tr>
</table>

KEY STAGES AND INDIVIDUAL STEPS		ACTOR(S)	RESPONSIBILITY AND TASK
			summary of the second-level due diligence carried out and the recommendation by the Secretariat; (h) Independent TAP assessment; (i) Response of the AE to the independent TAP assessment; (j) List of proposed conditions resulting from the review process;
VI. Consideration and approval of funding proposals			
6.1.	Decision	Board	1. All SAP funding proposals shall be approved by the Board. 2. SAP funding proposals will be considered at Board meetings. 3. **Consideration at a Board meeting.** When a SAP funding proposal is considered at a Board meeting, the Board takes a decision to: a. Approve the funding proposal; or b. Provide an approval that is conditional on modifications to project or programme design or subject to availability of funding; or c. Reject the funding proposal.
6.2	Post-approval follow-up	Secretariat	1. Pursuant to stage 6.1 above, the Secretariat will inform the Board, the AE and the NDA/focal point of the Board's decision and the next steps in relation to any approval conditions. 2. If the SAP proposal is approved, the Secretariat will inform the Board members and alternate members, the AE, the relevant NDAs/focal points and the active observers. The Secretariat will also communicate the approval decision to the Trustee and publish the decision on the GCF website. 3. In the case of rejection by the Board, the Secretariat will inform the NDA/focal point that, in accordance with decision B.BM-2017/10, they may request reconsideration of the funding decision via the Independent Redress Mechanism.
6.3	Implementation of Board conditions	Secretariat	The Secretariat will report to the Board at each meeting on the status of implementation of any approval conditions and identify any matters that require further Board action. The SAP report on

KEY STAGES AND INDIVIDUAL STEPS		ACTOR(S)	RESPONSIBILITY AND TASK
			implementation will be presented in coordination with the regular implementation report to the Board.
VII. Legal arrangements for approved proposals			
7.1	Funded activity agreement	Secretariat, AE	1. The Secretariat will work with AEs to conclude any necessary legal arrangements between GCF and the AE. 2. Legal agreements will be signed by the GCF Executive Director and the AE. 3. The Trustee will be notified. 4. The NDA/focal point will be informed of the outcome of the funded activity agreement.
7.2	Letter of commitment	Trustee	The Trustee will provide a letter of commitment, subject to the availability of funding.
7.3	Funding proposal conditions	Secretariat, AE, Board	The Secretariat will assess the conditions attached to SAP funding proposals by the Board and, in the event any such condition is considered by the Secretariat to be inconsistent with GCF policies, the Secretariat will make a recommendation to the Board for further guidance and, pending such guidance, the relevant condition will be deemed inapplicable (decision B.16/02(l)).

Abbreviations: AE = accredited entity, DAE = direct access entity, NDA = national designated authority, PPF = Project Preparation Facility, RFP = request for proposal, SAP = simplified approval process, TAP = independent Technical Advisory Panel.

Annex V: Private Sector Strategy

1. In line with the Governing Instrument (para. 3) and decision B.04/08, which decided that the Private Sector Facility (PSF) will address barriers to private sector investment in adaptation and mitigation activities, the objective of the GCF private sector strategy is to catalyse private climate finance in a manner fully aligned with a country-driven approach to meet developing countries' needs and the objectives of the USP. This objective will advance the goals of the Paris Agreement and addresses the Independent Evaluation Unit's recommendation to position GCF as a high-risk fund that aims to catalyse investment in transformative adaptation and mitigation projects.[1]

2. Since its inception, the GCF private sector portfolio has invested USD 3,418.6 million in GCF resources and mobilized an additional USD 11,126.8 million in co-financing. A large part of the GCF's private sector portfolio in its ramp-up phase was oriented towards climate mitigation especially renewable energy projects and financed by senior debt. However, in the past 12 months, the trend towards adaptation and the use of other financial instruments is a reassuring sign towards what this strategy could help achieve.

3. GCF's early private sector experience as well as inputs from partners, including direct access entities (DAEs), demonstrates a huge appetite for climate action beyond mitigation including in home-grown innovation, resilient infrastructure, ecosystem-based approaches, and new asset classes. GCF's unique business model of country centricity and partnership model, positions it well to help increase the capacity of domestic capital markets, local financial institutions and enterprises including MSMEs to attract large-scale financing for climate mitigation and adaptation impact.

4. GCF's private sector strategy is in line with its practice of work to address the barriers for scaling up private climate finance and consistent with the USP (para. 22), the private sector strategy takes a four-pronged approach, as set out in paragraphs 6 to 18 below, with each prong specifically designed to overcome one of the four groups of barriers identified.

5. The approach is grounded in meeting priorities set out in the Governing Instrument and Board policies, notably in terms of thematic and geographic balance; prioritizing developing countries under UNFCCC that are particularly vulnerable to the adverse effects of climate change, including LDCs, SIDS and African States; paying specific attention to adaptation activities; promoting the participation of local private sector actors in developing countries, including small and medium-sized enterprises and local financial intermediaries; and unlocking private finance at scale, including from institutional investors. In line with decision B.04/08, GCF seeks efficient solutions to developing climate markets without creating market distortions or crowding out private capital. Ensuring implementation of GCF policies related to indigenous peoples, gender and environmental and social safeguards are also mainstreamed across the GCF investment approach.

6. The four prongs of the private sector strategy are discussed below.

7. **Promote a conducive investment environment for combined climate and economic growth activities**. Transparent, long-term and clear policies and regulations that internalize the positive externalities of low emissions and climate-resilient growth are required to reduce investment risk in developing countries. The first prong of GCF's private sector strategy builds on decision B.04/08 to enhance the readiness and enabling environment to drive private investment – both domestic and international capital – in climate mitigation and adaptation depending on the needs of the country.

[1] Independent Evaluation Unit. 2021. *Independent Evaluation of the Green Climate Fund's Approach to the Private Sector: Final Report.*

8. GCF is the largest international source of grant assistance to develop national capacities for climate action. Through its grant-based Readiness and Preparatory Support Programme (Readiness Programme), GCF will further support NDAs, national and subnational entities to develop long-term climate investment road maps, green investment plans and policies targeting private investments for climate action that maximize co-benefits between mitigation, adaptation and sustainable development.

9. The participation of private sector actors, particularly at the local level, is critical to achieving developing countries' national climate goals.[2] To promote engagement with the private sector, Readiness Programme proposals submitted to GCF will assist national actors involved in finance and investment, including NDAs, to develop policies and strategies such as carbon pricing, integrated climate and green finance road maps, climate risk disclosure, valuing positive externalities of climate action and development of an appropriate private sector investment strategy driven by local circumstances.

10. **Accelerate innovation for business models, financial instruments and climate technologies**. The International Energy Agency projects that half of all emission reductions needed to reach net zero by 2050 will have to come from technologies that are not yet commercially available.[3] Technological innovation is crucial to scale up adaptation in developing countries, notably those under UNFCCC that are particularly vulnerable to the adverse effects of climate change, including LDCs, SIDS and African States. According to UNFCCC, of the 70 estimated climate technology incubators and accelerators, only 25 of these are in developing countries.[4] In addition to technology innovation, there is a huge opportunity for scaling up investments in business model innovations that are home-grown and fit for purpose for developing countries.

11. Article 10 of the Paris Agreement notes the importance of accelerating innovation for the long-term global response to climate change. In this context, the COP, by decision 7/CP.21, invited the GCF Board to consider ways to provide support for facilitating access to environmentally sound technologies, and for undertaking collaborative research and development to enabling developing countries to enhance their climate action.[5] The Board by decision B.18/03 requested the Secretariat to develop terms of reference for a request for proposals (RFP) to support climate technology incubators and accelerators. However, the RFPs approved to date have not achieved their potential in the absence of a nimble and cost-effective process for private sector non-accredited entities to access GCF financing for demonstration or scale-up of a single meritorious project. With the approval of the updated accreditation framework at the thirty-first meeting of the Board (B.31) which included the launch of the new project-specific assessment approach (PSAA) in 2023, GCF's private sector strategy is well positioned to accelerate financing to private entrepreneurs in developing countries.

12. The private sector strategy will also support the development of high-quality public–private innovation ecosystems to drive climate innovation in developing countries. Such ecosystems help domestic entrepreneurs in developing countries, especially in LDCs, SIDS and African States to ideate, tailor and test novel climate technology and business models relevant to their own local circumstances by enabling connection to world-class technical expertise, data and information, and market access.[6] In line with decision B.18/03 related to the continued collaboration with the UNFCCC Technology Executive Committee, GCF also helps to foster such ecosystems by supporting developing countries in carrying out technology needs assessments and developing national climate technology frameworks. Technology needs assessments enable

[2] In line with the Governing Instrument and decision B.04/08.
[3] See https://www.iea.org/reports/net-zero-by-2050.
[4] UNFCCC. 2018. *Climate Technology Incubators and Accelerators*.
[5] UNFCCC decision 7/CP.21.
[6] Mazzucato M. 2015. *The Entrepreneurial State: Debunking Public vs. Private Sector Myths*.

developing countries to determine high-priority sectors and identify technologies for mitigation and adaptation within these sectors.

13. Greater access to early-stage risk capital is also needed to support climate technology ventures and accelerate climate innovation in developing countries. There are few early-stage and venture capital investors in developing countries, particularly for adaptation technologies, and those investors have been less likely to support climate technologies owing to their high upfront capital requirements, longer payback periods and greater uncertainty related to scale-up. GCF provides technical support and early-stage financing to pilot new technologies, business models, financial instruments and practices to assist domestic innovators in establishing a proof of concept and in developing viable enterprises for products and services in low-emission and climate-resilient development. The development phase is critical for entrepreneurs because, at this stage, they are particularly exposed as they engage personal equity and take the risks of, among other things, sunk costs and cost overrun.

14. **De-risk market-creating investments to crowd in private climate finance**. In line with the principle of country ownership and Board-approved policies, GCF's private sector strategy will increase the capacity of local financial institutions, private project developers, and enterprises including MSMEs in developing countries to attract private capital for climate action. GCF is uniquely positioned to leverage its wide range of financial instruments (grant, concessional debt, guarantees and equity) to enable the development of fit-for-purpose blended finance instruments to support flow of capital at scale to developing countries. By blending public resources with private finance, GCF investments help to reduce the high risks, both perceived and real, faced by private sector actors seeking to scale successful climate solutions in new developing markets to demonstrate their commercial viability. If successful, the blended finance structure will establish a track record and enable financiers to reassess the risks of specific classes of climate assets such as resilient infrastructure, thematic climate bonds and others, enabling their market-driven diffusion and widespread adoption.

15. GCF also continues to use blended finance to enable a more significant role for domestic MSMEs in meeting national climate action priorities. Notably, GCF promotes lines of credit, revolving funds and new insurance vehicles through domestic financial institutions for MSMEs engaged in climate action.

16. Going forward, the private sector strategy, building upon successful financing models in its current private sector portfolio will expand its adaptation portfolio by focusing on new asset classes that address the urgent and immediate needs of countries particularly vulnerable to the adverse effects of climate change, including LDCs, SIDS and African States such as climate-resilient infrastructure that combines grey and green infrastructure and cross-cutting projects. GCF will leverage its unique capital agnostic financing ability and convening power of diverse domestic and international partner networks to encourage philanthropies, corporates and other impact investors to co-invest in platforms at scale (through use of PSAA, AEs or other existing modalities) in climate adaptation in developing countries.

17. **Strengthen domestic and regional financial institutions to scale up private climate finance**. Domestic and regional financial institutions (public and commercial) play a central role in providing access to finance to scale up the adoption of climate investments with a successful track record. GCF strengthens the capacity of domestic and regional private financial institutions to catalyse private climate finance in two ways:

(a) Directly, by co-financing private sector projects and programmes. GCF invests in projects and programmes through domestic and regional private financial AEs.

(b) Indirectly, by supporting public development banks, which in turn finance the domestic and regional private financial institutions to increase their climate investment, including by extending green credit lines. There are almost 260 public development banks (including regional and national development banks) in developing countries, representing USD 5 trillion in assets, with the capacity to extend more than USD 400 billion in climate finance per year. Doubling their investment capacity or leverage effect would be enough to bridge the climate infrastructure investment gap.

18. Increasing national development banks' access to domestic, regional and international capital markets through issuing green bonds or other thematic climate bonds (such as blue bonds, transition bonds, etc.) could also be a game changer for such banks in closing the climate finance gap. However, only 58 national development banks have accessed international capital markets to capitalize their operations, and of the USD 305 billion in green bonds issued in 2020, only USD 8.9 billion (or 3 per cent) were from developing countries (excluding China). Furthermore, the total volume of green bond issuance from developing countries has been reducing in percentage terms over the past three years.[7]

19. With its partners, GCF's private sector strategy will support developing countries in issuing green bonds and green asset-backed securities and developing new financing facilities and instruments such as climate-resilient bonds. Issuing green bonds and green asset-backed securities requires a regulated market to be in place and the issuer needs to meet certain criteria for listing financial products. GCF grant assistance can be leveraged by governments to ready their stock exchanges to list bonds.

Way Forward

20. In order to implement the four-pronged strategy described above, and reflecting on the positive trends as well as areas for improvement during the IRM period, five ways forward have been identified, as set out below, to advance private sector objectives and portfolio targets set out in the USP.

21. **Enhance the private sector's contribution towards developing and implementing NDCs, NAPs and long-term climate strategies**. Experience from the Readiness Programme shows that engagement between governments and the private sector to promote the private sector's role in developing and implementing NDCs, NAPs and long-term climate strategies is limited and underleveraged. The number of proposals under the Readiness Programme that target engagement with the private sector – 80 countries under the first phase of readiness and 22 proposals under the second phase – represents a relatively lower share than other targeted readiness outcomes.

22. The private sector has noted that its engagement in realizing NDC ambitions is limited by the lack of investment plans in NDCs and NAPs. As a country's vision to transform development trajectories to limit global warming to 1.5 °C, NDCs are typically designed as policy signals for national climate priorities, rather than portfolios of bankable investment projects. While many countries have included estimates of financing needs associated with implementing their NDCs and similar strategies, only a handful have developed climate investment plans or climate financing strategies that take into consideration all available sources of finance. One of the reasons has been the lack of tools and methodologies.

23. GCF will use its Readiness Programme to promote greater engagement between governments and the private sector and increase the private sector's contribution towards achieving national climate goals. The Independent Evaluation Unit's *Independent Evaluation of the GCF's Approach to the Private Sector* also highlights the need to better integrate the private

[7] GCF and International Development Finance Club. 2020. *The Green Climate Fund and the International Development Finance Club: A strategic alliance to realize the full potential of public development banks in financing the green and climate-resilient transition.*

sector into country processes to have better collaboration on GCF programmes, a key enabling factor to promote country ownership. In particular, GCF will support developing countries, including through NDAs, in translating NDCs, NAPs and long-term climate strategies into investment plans that (i) align, combine and sequence multiple sources of international and domestic finance from the public and private sectors; (ii) address policy and regulatory gaps to improve the bankability of the NDC project pipeline; and (iii) identify financial mechanisms that do not increase sovereign debt, but catalyse private funds and increase access to long-term affordable finance.

24. In line with the principle of country ownership, the Readiness Programme and PPF will also strengthen the capacity of NDAs, focal points, DAEs and local private sector actors to better quantify climate risks and identify climate-friendly business opportunities. GCF is collaborating with two global coalitions to develop new valuation and labelling methodologies to better assess the risk-reward profile of LECR investments. The ambition of these methodologies is to accelerate the creation of new climate-friendly asset classes such as climate-resilient infrastructure and enable developing countries to attract private investment aligned with their NDCs and NAPs. The initial response from developing countries to pilot these methodologies has been extremely positive.

25. **Leverage improvements in the accreditation process, including a project-specific assessment approach and enhance GCF engagement with non-accredited entities**. To manage the trade-offs in its programming goals, GCF requires a subset of private sector AEs, particularly DAEs, to bring forward for Board consideration large-sized funding proposals in adaptation, using financial instruments with a high catalytic impact. AEs with the capacity to advance the GCF mandate related to climate technologies and innovation are also required and should also be prioritized in future GCF accreditation efforts.

26. To complement its core accreditation process, GCF has also relied on RFPs to accelerate the origination and development of transformative private sector projects. However, RFPs did not achieve their full potential owing to the lack of an expedited accreditation process for non-accredited entities and the reticence of AEs to partner with them. The PSAA modality, recently approved by the Board within the updated accreditation framework, would provide a more viable path for the private sector to work with GCF on strategic priorities such as climate innovation and catalysing adaptation finance at scale in developing countries. While a detailed implementation plan for the PSAA is still under development, the Secretariat expects to perform due diligence internally on entities that present proposals under the PSAA modality, greatly reducing the processing time for accreditation and improving access to finance for local entities which are not able to complete a full accreditation process. The Secretariat will also put in place target service standards for accreditation to improve the efficiency and partners' experience of the accreditation process.

27. During the IRM period, GCF acted primarily as a co-financier, providing second-level due diligence to projects and programmes brought forward for Board consideration. GCF is increasingly requested by developing countries and AEs to play the role of a co-investor and convenor. This role fully leverages the unique comparative advantages of GCF as a hub of climate finance with over 200 delivery partners and the capacity to deploy a unique set of grant and non-grant instruments to complement the financing modalities of its partners. This can enable GCF to catalyse finance from large institutional investors, including pensions funds, insurance companies, sovereign wealth funds and asset managers, who have expressed a strong interest in partnering with GCF but have viewed the accreditation process as a barrier.

28. To create the bandwidth it needs in order to increase GCF engagement with private sector entities, PSF will focus on private investors at the global, regional and national levels, including institutional investors, commercial banks, equity and debt funds, impact investors and

insurance companies, and engage strategically with development finance institutions only when it pertains to private sector development or as co-investors.

29. **Explore new modalities to scale up the use of guarantees and equity, enhance GCF support to close the insurance protection gap and reduce foreign exchange risks for DAEs**. Global trends highlight the potential of guarantees and equity to mobilize more capital than any other instrument as they expand developing countries' access to capital markets at a lower cost and longer maturities.[8] The initial experience of GCF with new forms of blended finance is consistent with these global trends and seems to also indicate a strong potential of these instruments to catalyse private finance at scale in adaptation, including in the LDCs, SIDS and African States, which have historically received the least amount of private investment.

30. To date, GCF has limited its investment in equity to pooled funds. In line with its mandate to support transformative change, GCF will continue to invest in pooled funds and complement that with equity to invest in new innovative financial structures to advance business models and technologies. Early-stage financial instruments or initiatives typically leverage innovation to offer new types of products or services, often with direct-to-consumer or other innovative distribution channels. Such initiatives can be a catalytic way to pilot new solutions to create a track record and increase the likelihood of creating low-emission and climate-resilient markets from large-scale investment.

31. GCF was able to rapidly build up its equity portfolio in GCF-1. However, its capacity to deploy guarantees in a commensurate manner is limited by its lack of credit rating. To address this barrier, GCF will explore options to deploy guarantees in a more efficient manner in the absence of credit rating through partnerships with green guarantee companies. This may include structuring guarantee products as a revolving fund, partly funded by an initial grant, with additional revenues from fees paid by the service user. Proceeds from the guarantee funds could be deployed to guarantee or insure a specific element of a programme (e.g. energy savings guarantee). Specific contract guarantee to power purchase agreements (PPAs)[9] and contract for differences (CfD)[10] could also be structured to transfer risk and incentivize investment from project developers who typically bear high upfront costs for capital expenditure and long lifetimes for returns on investment.[11]

32. When GCF co-finances activities involving equity and guarantees, its resources are leveraged at the project and at each individual investment level. As a learning institution, GCF will monitor the leveraging ratio from the use of guarantees and equity to confirm the catalytic impact at each individual investment level across geographies and thematic areas. Lessons learned will be used to inform future project origination and development efforts.

33. There is a large insurance protection gap in developing countries, with those who are the most vulnerable to the impacts of climate change being those who are the least able to afford insurance coverage. Increased insurance coverage could reduce losses in the poorest countries by as much as 25 per cent through a range of instruments, including parametric insurance, insurance-backed social protection and indemnity-based products.[12]

34. There is a growing demand for GCF to support projects with an insurance component. This is consistent with the guidance from COP 26 to GCF, which highlighted the importance of GCF addressing climate risk through a diversified set of financial instruments, including

[8] Organisation for Economic Co-operation and Development. 2021. *Scaling up Green, Social, Sustainability and Sustainability-linked Bond Issuance in Developing Countries*.
[9] Power purchase agreements are contracts between the purchaser or 'offtaker' and a privately owned power producer.
[10] Contract for differences is a long-term contract between, for example, an electricity generator and a low-carbon contracts company for establishing a set price for energy.
[11] Climate Finance Advisors. 2020. Review of financial terms and conditions of the GCF financial instrument
[12] See RMS – Executive Summary.

parametric insurance. Most of the GCF insurance-related work to date supports the design of insurance schemes, the provision of climate information to inform insurance products and the development of insurance markets by reducing basis risk for weather-related shocks

35. However, experience has shown that scaling up insurance for the most vulnerable is limited by the capacity to pay for insurance coverage in a sustainable manner, as well as by a limited supply of insurance providers to create a sustainable market. There are opportunities emerging. New climate insurance products, including parametric insurance (also known as event-based insurance or index-based insurance); crop insurance and energy performance insurance are increasingly demonstrating their potential to provide cover for natural disasters and enhance the resilience of the most vulnerable groups. Financial technologies ('fintech')[13] in the insurance sector is also creating a track record of delivering a range of benefits, including efficiency improvements, cost reductions, improved risk assessment and superior customer experience. Moreover, new risk financial instruments tools, such as insurance for mangroves and coral reefs to protect coastal assets, livelihoods and biodiversity, are entering the market.[14]

36. GCF will expand its existing work related to insurance under its existing modalities. For example, GCF can provide grant funding through the Readiness Programme and PPF to design and pilot new insurance products, notably weather-indexed insurance, and invest in new microinsurance companies that offer affordable products to vulnerable borrowers. As with its experience in overcoming challenges in scaling up its support to guarantees, GCF will explore opportunities to partner with insurance companies to provide insurance products in a sustainable manner and deepen the insurance markets in developing countries. As a follow-up on the USP capability review, the Secretariat will enhance its technical capabilities in this area. While insurance can be an effective risk management tool in many circumstances, high residual climate risks can make insurance premiums unaffordable for local populations. Accordingly, GCF will retain its focus on ex ante risk reduction, including through early warning systems.

37. The private sector strategy will leverage other ongoing work by GCF on local currency financing when available[15] to improve GCF support to DAEs and MSMEs and mitigate exchange risk for foreign investors. DAEs have noted that they are forced to bear the foreign exchange risk to pass the GCF concessionality downstream. However, their capital structure will not be able to sustain such exposure over the long term. Similarly, MSMEs are also negatively impacted by their exposure to foreign currency risk. In sub-Saharan Africa, for example, energy service companies finance their technology in hard currency, but receive their service payments in the local currency. If the latter depreciates, these business models are exposed to significant risks which could be mitigated by local currency funding. Local currency lending is also critical to deepen local capital markets and improve debt sustainability by contributing to debt predictability. So far, only two funding proposals have used GCF concessionality to buy a currency swap and reduce the risk exposure to the currency fluctuations. However, these hedges were possible because the countries have relatively liquid and developed capital markets, but would not be feasible in frontier markets, with less liquid and less developed capital markets.

38. Terms and conditions could be more explicit in defining and detailing the potential trade-off between concessionality and the cost of hedging, with the possibility for the AE to transfer a portion of the concessionality received to cover the costs of hedging or to buy a currency swap. Usually, the more developed the capital markets, the greater the liquidity, the number of swaps counterparties and tenors and hence the higher the hedging arrangements options and the lower the costs of hedging (which may imply that a lower concessionality may

[13] 'Fintech' is defined as the use of technology and innovation to improve activities in finance.
[14] UNDP. 2021. UNDP insurance and risk financing facility. Available at https://irff.undp.org/sites/default/files/2021-12/irff-brochure-updated-nov-12.pdf
[15] Under development by GCF's Office of Risk Management and Compliance under the Board's Investment Committee.

be needed). On the other hand, the less developed the capital markets, the higher the likelihood that some products are not available, or too risky, and therefore more expensive (which may justify a higher level of concessionality). This is a situation that needs to be addressed on a case-by-case basis and on the merits of the project, for example by seeing whether the borrower is in need of liquidity at a lower cost or to protect repayments against currency fluctuations. [16]

39. As the GCF private sector portfolio continues to shift from concessional debt towards more high-impact financial instruments and modalities, risk management becomes increasingly important. GCF will build on its existing robust risk management system and further strengthen its risk management capacity. GCF has a comparative advantage in terms of risk management as it provides two levels of due diligence: a primary level of due diligence and appraisal carried out by NDAs and AEs and a secondary level of due diligence and appraisal carried out by the Secretariat.[17]

40. **Develop innovative financial instruments that catalyse developing countries' access to private climate finance without increasing their debt burden**. The impact of the coronavirus disease 2019 (COVID-19) pandemic has been particularly devastating for developing countries and is exacerbating the challenges of closing the climate finance gap. Efforts to revive economies and address the impact of the pandemic have led to a sharp increase in sovereign debt estimated at 23.6 per cent in emerging economies and 14.6 per cent in low-income countries.[18] Among the poorest countries, the proportion of those in or at high risk of debt distress climbed to 55 per cent in January 2021 from 50 per cent in 2019.[19] Those countries most affected have neither deep domestic financial markets nor excess savings to overcome these challenges. As credit ratings fall, interest rates climb. This increases the cost of new debt, further burdening fiscal budgets and undermining their capacity to finance climate action. Closing the climate financing gap to ensure a climate-resilient recovery from the pandemic in developing countries will require using public resources to catalyse private finance, notably with financial instruments that will not increase their debt burden.

41. The COVID-19 pandemic has resulted in a significant increase in the number of GCF projects requiring adaptative management. In particular, projects have experienced challenges in meeting co-financing requirements due to the lack of access to finance. Expenditure rates have also decreased as projects have reported slowdowns in implementation activities due to travel restrictions and lockdowns, supply chain bottlenecks and liquidity constraints.

42. GCF will build on its existing work to support developing countries that wish to leverage non-conventional debt instruments to catalyse private climate finance. Through its Readiness Programme, GCF is assisting several countries in exploring the potential of national climate finance vehicles, such as green banks or trust funds

43. **Develop and implement a private outreach plan to advance the implementation of the private sector strategy**. Continued implementation of the GCF private sector strategy and roll-out of new programming and financing modalities will require greater engagement with both national GCF partners and the private sector. In line with paragraph 23(f) of the USP, the Secretariat has developed a private sector outreach plan, which is set out in annex II for consideration by the Board. The outreach plan outlines a four-pronged approach to building strong partnerships with the private sector:

[16] As footnote 35 above.
[17] Further details of the GCF approach to portfolio risk management may be found at https://www.greenclimate.fund/sites/default/files/document/gcf-b17-12.pdf.
[18] See https://www.imf.org/external/datamapper/G_XWDG_G01_GDP_PT@FM/ADVEC/FM_EMG/FM_LIDC.
[19] World Bank Low-Income Country Debt Sustainability Framework database.

(a) Engage with developing countries, including NDAs and ministries responsible for finance and investment, to enhance their understanding of the GCF private sector strategy and its value to the national investment priorities;

(b) Engage domestic private sector actors including commercial banks, local financial institutions, capital market players, and enterprises to increase their participation in GCF-financed activities and as a potential engagement in PSAA;

(c) Engage with a broader network of international and domestic private sector entities to scale up private climate finance for developing countries;

(d) Participate in global and regional leadership initiatives and networks to share GCF knowledge and experience and to learn from others; and

(e) Leverage GCF convening power to promote innovative partnerships between developing countries and the private sector.

Annex VI: Private Sector Outreach Plan

I. Objective of the private sector outreach plan

1. GCF is a partnership institution, supporting over 148 developing countries in promoting a paradigm shift towards low-emission and climate-resilient pathways. In line with its core principle of country ownership and its business model, GCF works through national designated authorities (NDAs) and focal points, as well as with its network of over 200 accredited entities (AEs) and delivery partners. GCF also engages with a diverse range of other institutions, networks and coalitions to contribute towards achieving the goals of the Paris Agreement.

2. Implementation of the GCF private sector strategy requires continued close engagement with its key stakeholders and partners. In line with paragraph 23(f) of the updated Strategic Plan, the Secretariat has developed a private sector outreach plan in order to guide the efforts of GCF to build strong partnerships that will advance the implementation of its private sector strategy.

3. The GCF private sector outreach plan, including its partnership approach and implementation modalities, is outlined below.

II. Private sector outreach and partnership approach

4. GCF takes a four-pronged approach to engaging and building strong partnerships with the private sector, as set out below.

5. **Engage with developing countries, notably NDAs, to enhance their understanding of the GCF private sector strategy and outreach with the private sector**. In line with its principle of country ownership, all GCF outreach efforts are anchored in its strategic engagement with NDAs and focal points, which is increasing taking place through its structured dialogues with all regions (Asia-Pacific, Latin America and the Caribbean, Eastern Europe and Central Asia), the least developed countries (LDCs), small island developing States (SIDS) and African States. These structured dialogues bring together participants from developing countries, including government, private sector, AEs, civil society organizations and development partners. They provide an opportunity for GCF to share its private sector strategy and highlight the potential of the private sector to contribute to the implementation of countries' nationally determined contributions and national adaptation plans. It also provides an opportunity to discuss how implementation of the strategy can be tailored to meet the needs of each specific region. In addition, GCF's targeted dialogues with NDAs, focal points and direct access entities can be used to support these efforts, including sharing knowledge and good practices between developing countries.

6. The GCF Readiness and Preparatory Support Programme is available for developing countries to promote greater engagement between governments and the private sector. This may include conducting national-level mappings of private sector actors (domestic and international) to identify the most relevant partners to support the achievement of countries' nationally determined contribution and national adaptation plan goals, as well as formulating and executing private sector engagement plans.

7. **Engage with a broader network of private sector entities to scale up private climate finance for developing countries**. In line with its business model, GCF needs a portfolio of private sector partners that can support the development and implementation of country-driven, private sector projects to meet its programming goals as articulated in the updated Strategic Plan. Following the approval of the updated accreditation framework, a

mapping exercise will be undertaken by the Secretariat that would, among other things, identify the most suitable private sector partners to meet the GCF programming objectives, notably in terms of adaptation and catalysing private finance for LDCs and SIDS. This will enable GCF to diversify its AE network and increase its engagement with institutional investors (including insurance companies and pension funds), commercial banks, equity and debt funds, and institutions that can service micro, small and medium-sized enterprises and impact investors.

8. Particular attention will be given to engaging with developing country institutions and leveraging the Readiness and Preparatory Support Programme to increase the share of private sector direct access entities. The mapping will provide an overview of the landscape of potential private sector partners and articulate the specific barriers that different private sector partners face in terms of their engagement with GCF. This will allow GCF to complement and leverage the knowledge and capabilities of various private sector actors and tailor its engagement to address such barriers. GCF will capture lessons learned through this engagement with its private sector partners and projects in order to contribute to the global policy dialogue on catalysing private finance for developing countries.

9. GCF will continue to build partnership coalitions with non-accredited entities, notably through its efforts to scale up the development of co-investment platforms (to be implemented through accredited entities and other existing funding modalities). The Secretariat will be able to leverage its private sector mapping to connect AEs with investors in this regard.

10. **GCF engagement in key global leadership initiatives and networks to share its knowledge and experience and to learn from others**. As a new and evolving organization, promoting the visibility of GCF and its unique role in catalysing private investments is critical to increasing the understanding of private sector investors around the opportunities of investing in climate action in developing countries.

11. At the same time, GCF is a small organization and therefore must be strategic in terms of its engagement with global and regional initiatives and networks. To prioritize its engagement, GCF will be guided by the four prongs of its private sector strategy; it will engage in initiatives and networks that advance their implementation and where it can make a substantive contribution based on its implementation experience. GCF will assess the results from its engagement in such initiatives and networks to ensure that its participation remains effective and efficient.

12. GCF will also continue to leverage its collaboration with the climate funds, including the Global Environment Facility, the Adaptation Fund and the Climate Investment Funds to build on its lessons learned and advance implementation of its private sector strategy.

13. GCF Secretariat will also engage with leading experts in and representatives of the private sector in a structured and periodic basis to advise the Private Sector Facility (PSF) on global trends and opportunities for the GCF to catalyse private sector financial flows for mitigation and adaptation in developing countries, and on enhancing GCF's private sector engagement and programming.

14. The PSF will seek advice on an as-needed basis from the leading experts, as stated above, for developing a robust pipeline of private sector proposals, both in quality and quantity, enhancing the use of innovative financial instruments such as equity and guarantees, improving processes to efficiently move projects from concept to approval and implementation, aligned with the Private Sector Strategy and for adaptation activities at national, regional and international levels.

15. **Leverage GCF convening power to promote innovative partnerships between developing countries and the private sector**. As the hub of climate finance with a large and diverse set of partners, GCF has a unique convening power to bring different actors together,

enabling it to match investors with AEs to sponsor projects and programmes that achieve greater scale.

16. GCF will also continue to build on its role as a convenor and knowledge sharer through its annual flagship Private Investment for Climate (GPIC) Conference. Bringing together global and local leaders and experts from the private and public sectors, GPIC provides a unique opportunity to showcase innovative climate investments to share experiences and promote partnerships to scale up private climate finance in developing countries. Since its inception in 2018, GPIC has positioned GCF as leader of private climate finance for developing countries. To each of its virtual editions of 2020 and 2021, it attracted more than 2,000 participants representing a mix of institutional investors, specialized climate firms, project developers and high-level country representatives.

17. The Secretariat will leverage GPIC to promote engagement on key priority areas for GCF, in particular promoting private sector investment in adaptation and in LDCs and SIDS. It will also explore the possibility of organizing regional GPICs to promote greater engagement between private sector actors at the regional and local levels.

III. Implementation of the private sector outreach plan

18. To support the implementation of the private sector outreach action plan, the Secretariat will continue to develop a suite of communication material to create awareness among private sector actors of the GCF mandate and how it engages with the private sector and to provide specific project examples and impact stories, with results and lessons learned. This will enhance the GCF profile as well as the private sector's understanding of GCF, which in turn increases the quality and quantity of collaboration opportunities.

19. GCF will also amplify its outreach efforts through global champions who can reach out through their networks to communicate on the efforts of GCF to catalyse private finance at scale.

20. An annual outreach plan will be developed with specific engagement plans for key initiatives and partnerships to promote the implementation of the strategy.

21. As a knowledge organization, lessons learned from the GCF's implementation of its private sector outreach plan will be captured on an annual basis to continuously improve the effectiveness of its outreach efforts.

Annex VII: Analysis of the accredited entity portfolio as at 31 March 2022

1. GCF is fundamentally a partnerships institution, working for, through and with partners to deliver climate results. In the GCF business model, accredited entities (AEs) are a central avenue for developing countries to access GCF resources and thereby enable the delivery of the transformational impact that GCF was established to promote and deliver. With GCF in a secondary due diligence position, and without in-country presence, the Fund's reliance upon AEs to develop and effectively implement programming using GCF resources is acute.

2. The current GCF network of 113 AEs is diverse and includes ministries and government agencies, non-governmental organizations, United Nations specialized agencies, national and multilateral development banks, commercial and investment banks, equity funds and foundations. The breadth of the AE network includes partners that could work with a variety of project/programme sizes, range of financial instruments, different environmental and social risk levels, and various sectors. Even with the diverse set of AEs there are still a number of programming gaps, including catalysing private sector programming on adaptation – notably through innovative financial instruments – and low uptake of requests for proposal (RFPs) issued by GCF (such as those for the pilot phase for enhancing direct access,[1] the pilot programme to support micro, small, and medium-sized enterprises (MSMEs),[2] and the pilot programme to mobilize funds at scale in order to address adaptation and mitigation (MFS)).[3] The low uptake for RFPs led to the postponement of the RFP for Incubators and Accelerators, despite repeated requests from the Conference of the Parties to the United Nations Framework Convention on Climate Change (UNFCCC) to conclude work mandated on this matter.

3. In decision B.31/06, paragraph (n), the Board requested the Secretariat, pursuant to the updated Strategic Plan of the GCF (USP) for 2020–2023, to present an analysis of the AE portfolio and to identify strengths and gaps in coverage and capabilities no later than the thirty-second meeting of the Board (B.32). The document prepared by the Secretariat first provides information on the accreditation framework through which entities are assessed to become GCF AEs. The analysis details the strengths and gaps in AE coverage as at 31 March 2022 during the initial resource mobilization (IRM) period and the current first replenishment period of the GCF (GCF-1). The analysis then assesses the AE portfolio through the lens of the strategic priorities of GCF as laid out in the USP. Based on this analysis, initial findings and further considerations are detailed to inform the preparation of an accreditation strategy, as requested in decision B.31/06, paragraph (p).

I. Programming for GCF-1 through partners

4. Under the fourth strategic priority of the USP on "Improving access to Fund resources", the USP sets out the general objective that "To complement the GCF programming approach… GCF will continue to build its AE network by focusing on the value-addition of AEs to delivering developing countries' programming priorities and advancing GCF strategic objectives, including keeping a strategic focus on strengthening the role of direct access entities (DAEs) in programming." The USP calls for a series of actions to implement this, including undertaking, as soon as possible, "an analysis of the current AE portfolio to identify strengths and gaps in coverage and capabilities, informed by country programming needs". This analysis is intended to help GCF focus on selection of AEs, through both accreditation and re-accreditation processes, "that are best suited to support the objectives of the GCF and match the programming and project delivery capabilities needed to implement countries programming priorities, and

[1] Decision B.10/04.
[2] Decision B.10/11.
[3] Decision B.16/03.

build capacity for improving wider investments in line with countries' climate plans and strategies and national circumstances".

5. In decision B.27/06, the Board adopted the updated Strategic Plan (USP) for the Green Climate Fund: 2020-2023. Paragraph (i) of the decision states:

> "*Further agrees* that the GCF first replenishment programming period will strive to achieve greater impact for developing countries compared with the initial resource mobilization period, while strengthening country ownership and capacity to identify, design and implement projects and programmes, and in this regard agrees the following parameters and guidelines for the allocation of resources during the GCF first replenishment period:
>
> (i) Maintaining the 50:50 balance of adaptation and mitigation funding over time while seeking to deliver portfolio-level mitigation and adaptation outcomes that exceed average initial resource mobilization outcomes;
>
> (ii) Maintaining a minimum allocation floor of fifty per cent of adaptation funding, to be provided to developing countries that are particularly vulnerable to the adverse effects of climate change, including small island developing States, least developed countries and African States, taking into account their urgent and immediate needs, while aiming to build on initial resource mobilization outcomes. The Board will aim for appropriate geographical balance;
>
> (iii) Supporting developing countries' mitigation activities that contribute to respond to the urgency of action to hold the increase in global average temperature to well below 2°C and pursue efforts to limit it to 1.5°C;
>
> (iv) Significantly increase funding channelled through direct access entities relative to the initial resource mobilization;
>
> (v) Maximize engagement with the private sector, including micro, small and medium-sized enterprises, ensuring the allocation to the Private Sector Facility exceeds 20 per cent; and
>
> (vi) Significantly increase mobilized private sector finance at the portfolio level relative to the initial resource mobilization."

6. At B.23, the Board took note of document GCF/B.23/Inf.09 titled "Strategic Programming for the Green Climate Fund First Replenishment"[4] outlining scenarios for the first replenishment of GCF guided by ambitious mitigation and adaptation scenarios based on GCF's implementation potential, taking into account the needs of developing countries.

7. More broadly, GCF, in its Governing Instrument, is mandated with promoting a paradigm shift towards low-emission and climate-resilient development pathways in the context of sustainable development. Through country programmes, recipient countries via their national designated authority (NDA) or focal point can indicate country needs and priorities in addressing climate change. In this same vein, as an operating entity of the Financial Mechanism of the UNFCCC and the Paris Agreement, GCF is mandated to support developing countries and Parties to the UNFCCC and the Paris Agreement, including supporting long-term strategies and current near-term nationally determined contributions. The need for ambitious strategies at country, regional, and global scale is clear and while GCF has an important role in supporting such activities, it cannot be done solely through GCF financing. Hence, there is a need for a robust partnership network working at different scales and capacities and with the ability to unlock and leverage additional finance, such as through AE partners.

[4] See https://www.greenclimate.fund/document/gcf-b23-23 and https://www.greenclimate.fund/document/gcf-b23-inf09.

8. The programming mandate and strategic direction of GCF, guided by the USP 2020–2023, the Governing Instrument and the UNFCCC serves as an important basis to analyse the current AE network to better understand the network's "programming and project delivery capabilities." Factors in the analysis also include the AEs' capacities reflected in their accreditation scope, as well as the actual GCF programming submitted and implemented by the AE network. Through this mapping process GCF can identify the types of skills AEs may be missing, and in so doing, highlight opportunities for GCF to focus its limited accreditation review and approval resources with a view to enabling it to deliver the full range of high-impact USP-aligned projects and programmes that are designed to meet country priorities.

1.1 Role of accredited entities and accreditation scope for programming

9. AEs are key to developing countries' access to GCF resources and delivery of impact.

(a) On an operational level, AEs are expected to:[5]

- (i) Cover the full project and programme cycle in engaging with GCF, starting from engaging with developing countries via the NDA and focal point in order to respond to and align potential projects/programmes with country priorities, strategies, approaches and needs on climate change;
- (ii) Develop and periodically update an entity work programme to deliver country-owned, high-impact proposals in a strategic manner;
- (iii) Design projects and develop funding proposals to be considered by GCF for financing;
- (iv) Where possible, undertake projects/programmes originated by other organizations (e.g. sponsorship); and
- (v) Implement, deliver, monitor and report the results of such activities;[6] and

(b) On an administrative level, including fiduciary and legal matters, AEs must:[7]

- (i) Demonstrate institutional capacities to undertake the overall management, implementation and oversight of climate change projects and programmes in line with the GCF fiduciary principles and standards, environmental and social safeguards (ESS) policies and standards and the updated Gender Policy (standards for GCF accreditation);
- (ii) Provide evidence of institutional systems, policies and procedures in terms of those standards as well as the track record, as appropriate, of implementing such institutional systems, policies and procedures for undertaking the projects and programmes;
- (iii) Demonstrate (a) their capacity to ensure that their downstream executing entities apply the same standards; and (b) their ability to monitor, report and verify that the relevant GCF standards, safeguards and policies are being upheld; and
- (iv) Possess independent legal personality and legal capacity to enter into legal agreements with GCF and undertake the relevant obligations on their own behalf, notably the accreditation master agreement (AMA) and any funded

[5] Annex to decision B.31/06, paragraph (d).
[6] Annex IV to decision B.17/09, paragraph (n).
[7] Annex to decision B.31/06, paragraph (d).

activity agreements (FAAs) resulting from approved funding proposals (or project/programme depending on financing size category).

10. GCF relies on the primary due diligence and the risk assessments performed by AEs.[8] The AEs are responsible for the overall management, implementation and supervision of activities financed by GCF and are expected to administer funds disbursed with the same degree of care as they use in the administration of their own funds. This includes management and oversight of executing entities. Executing entities are entities through which GCF financing is channelled, entities which use GCF financing for the purposes of a GCF-funded project/programme or a part thereof (such as a specific component), or entities that execute or carry out all or part of a GCF-funded project/programme. In each case, the executing entity performs its duties under the overall guidance, management or supervision of the AE. An AE may also act as an executing entity.[9]

1.1.1 Accreditation and re-accreditation processes

11. In order for entities to become an AE, they must undergo the accreditation process. The Board adopted the initial guiding framework for the accreditation process in decision B.07/02. The accreditation term for an AE is five years.[10] The accreditation term begins upon completion of the three-stage institutional accreditation process, that is, when the signed AMA entered into between GCF and an AE becomes effective.[11] An AE will need to seek re-accreditation to GCF in order to maintain its status as an AE or its status as an AE will lapse at the end of its accreditation term. The process for re-accreditation was adopted by the Board in decision B.24/13, paragraph (a), and annex XXVI to the decision.

12. The accreditation and re-accreditation processes comprise three main stages, with an entity completing all stages by having an effective AMA being considered fully accredited or re-accredited:

(a) Stage I: NDA or focal point nomination for the accreditation application (for entities applying under the direct access modality) and institutional assessment and completeness check (conducted by the Secretariat);

(b) Stage II:

    (i) Step 1: accreditation review conducted by the Accreditation Panel (AP) to assess entities against the GCF accreditation standards; then

    (ii) Step 2: decision-making by the Board; and

(c) Stage III: legal arrangements (AMA) conducted by the Secretariat, Risk Management Committee of the Board, and – in cases where AMAs have substantive deviations compared to the AMA template agreed by the Board – Board approval.[12]

13. AEs may be accredited through one of two access modalities – direct access and international access – and they may be public or private entities. AEs may also operate in different geographies depending on their own mandate and GCF access modality; geographic

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[8] Annex XXVII to decision B.12/31.

[9] Refer to clause 1.01 of the AMA template contained in annex XXVI to decision B.12/31, available at <https://www.greenclimate.fund/document/accreditation-master-agreement>.

[10] Decision B.11/10, annex I, paragraph 6, states, "The accreditation of an entity to the GCF is valid for a fixed term of five years or less, depending on the terms of accreditation, in accordance with decision B.10/07."

[11] Decision B.23/11, paragraph (a).

[12] Decision B.12/31 establishes the AMA process. The Risk Management Committee of the Board provides its no-objection consideration of the assessment provided by the Secretariat as to whether changes made to the AMA with a specific AE are determined by the Secretariat to be substantive of non-substantive changes as compared to the AMA template. AMAs that are determined by the Secretariat to have substantive changes as compared to the AMA template, and for which the Risk Management Committee agrees to such determination, are submitted to the Board for its decision-making.

regions may include Africa, Asia-Pacific, Eastern Europe and Latin America and the Caribbean, as well as the groupings of small island developing States (SIDS) and the least developed countries (LDCs).

14. AEs, as a part of their application to partner with GCF, are requested to provide information on their indicative pipelines and results areas in which they seek to engage with GCF. Although discussed by the Board in its consideration of the initial accreditation framework, the Board did not agree to require applicants to submit concept notes or funding proposals as a part of their institutional accreditation application. During the Board's consideration of the updates to the accreditation framework from 2017 to 2022, and in the updates adopted in decision B.31/06, paragraph (d), and the annex to the decision, the Board also did not agree on such a requirement. When considering the re-accreditation process, the Board deliberated on whether AEs should be required to have GCF-funded projects/programmes approved and under implementation. Such a requirement was not adopted; however, the scope of review includes review of "AE performance in contribution to GCF programming results, including reports relating to the performance of the AE over the previous five years, including whether concept notes and funding proposals were submitted, and reports on the GCF-funded activities."

15. Entities are assessed in accreditation and re-accreditation for their ability to meet the GCF accreditation standards, an assessment that is conducted by the AP during Stage II (Step 1) of both processes. The accreditation standards in 2014 began with two sets of standards and have since grown to include a further 11 new policies (including interim versions that have also been revised in the meantime);[13] with the adoption of each new standard or policy affecting accreditation, all accreditation applications must be re-opened and reviewed against the new standards that have come into effect. The list of standards and policies to the extent applicable to accreditation as at 31 March 2022 include the following:

(a) Fiduciary standards:[14]

  (i) Basic fiduciary standards on key administrative and financial capacities, and on transparency and accountability;

  (ii) Specialized fiduciary standards for (1) project management, (2) grant award and/or funding allocation mechanisms and/or (3) on-lending and/or blending (for loans, equity and/or guarantees); and

  (iii) The following policies to the extent applicable to accreditation: (1) the GCF Policy on Prohibited Practices,[15] the GCF Policy on the Protection of Whistle-

[13] "Gender policy and action plan" (decision B.09/11); "Updated Gender Policy and Action Plan 2020–2023" (decision B.24/12); "Accreditation master agreements" including, in Exhibit A of the template AMA, the General Principles on Prohibited Practices (decision B.12/31); "Policy on Prohibited Practices" (decision B.22/19); "Anti-Money Laundering and Countering the Financing of Terrorism Policy" (decision B.18/10); "Policy on the Protection of Whistleblowers and Witnesses" (decision B.BM-2018/21); "Environmental and Social Management System: Environmental and Social Policy" (decision B.19/10); and "Comprehensive information disclosure policy of the Fund" (decision B.12/35). The Board adopted decision B.23/15, paragraph (b) requesting the Accreditation Committee, in consultation with the Head of the Independent Integrity Unit, to consider the best way to integrate the Anti-Money Laundering and Countering the Finance of Terrorism Policy into the interim fiduciary standards and present to the Board a proposal for its consideration in 2019 as a matter of urgency. A proposal on this integration has yet to be presented to the Board for its consideration. In addition, the Board has adopted the "Policy on the Prevention and Protection from Sexual Exploitation, Sexual Abuse, and Sexual Harassment" (decision B.23/16) and "Board decisions without a Board meeting: Implementation matters relating to the GCF's obligations under the Policy on the Prevention and Protection from Sexual Exploitation, Sexual Abuse, and Sexual Harassment" (decision B.25/05). Further the Board adopted the Evaluation Policy (decision B.BM-2021/07).
[14] Decision B.07/02 and annex II to the decision.
[15] Decision B.22/19 and annex XIV thereto.

blowers and Witnesses,[16] and the GCF Anti-Money Laundering and Countering of the Financing of Terrorism Policy;[17]

(b) ESS:

(i) ESS standards[18] in a fit-for-purpose approach regarding environmental and social (E&S) risk categories;[19] and

(ii) The following policies to the extent applicable to accreditation: (1) Revised Environmental and Social Policy[20] and the Comprehensive Information Disclosure Policy of the Fund regarding the disclosure of E&S information;[21] and

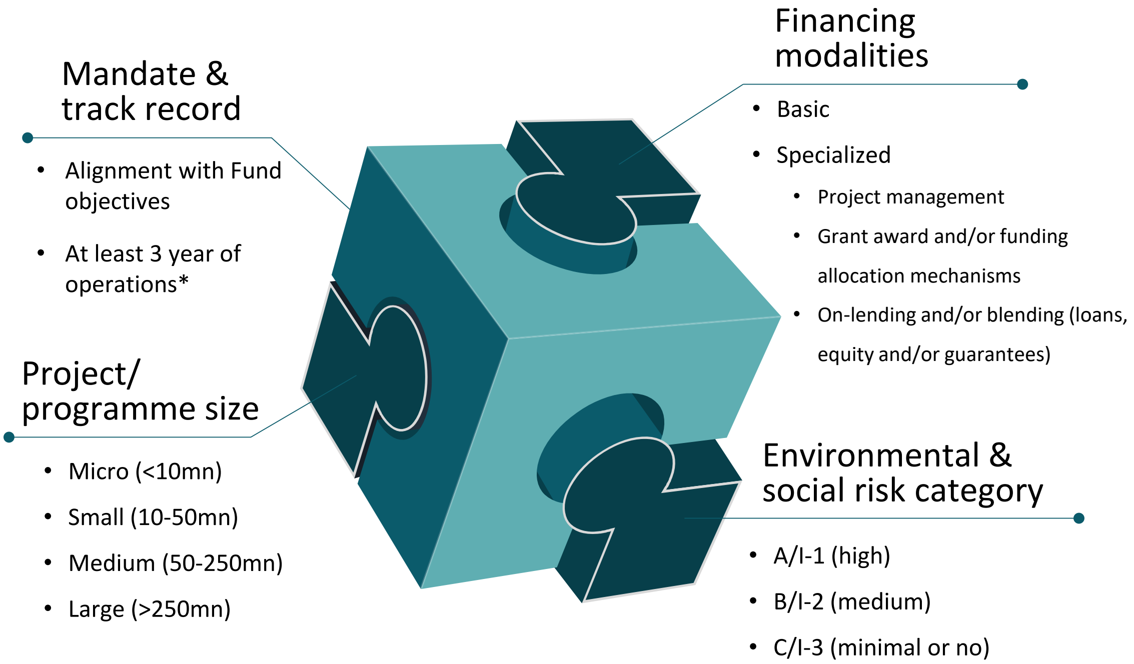
(iii) Updated Gender Policy[22] to the extent applicable to accreditation.

16. The sets of accreditation standards do not include ones for climate change expertise, nor for sectoral expertise (although information on sector experience is requested as indicated above). While climate expertise and capacity is not an explicit GCF standard, AEs lacking climate expertise and capacity may have a difficult time developing and packaging appropriate and impactful climate projects and programmes. Although not a standard, track record in climate change projects and projects in sectors reflecting the GCF results areas are sought as part of the accreditation process; such examples are reviewed by the AP in the context of the entity's ability to apply its systems, policies, procedures and capacities with respect to ESS and gender standards. It is noted that the Board considered this in the business model framework on access modalities to GCF, including on best practice standards for the assessment of entities to become GCF AEs.[23]

17. An AE's capacity to meet the GCF accreditation standards indicated in paragraph 15 above are reflected in its accreditation scope, specifically the financing size category, financing modality (e.g. managing projects, awarding grants, on-lending, providing guarantees and/or undertaking equity investments) and E&S risk category. The accreditation scope governs the maximum scope within which the AE can submit a funding proposal for a project/programme.[24]

[16] Decision B.21/25 and annex II thereto.
[17] Decision B.18/10 and annex XIV thereto.
[18] Decision B.07/02 and annex III to the decision.
[19] Decision B.08/02 and annex I to the decision.
[20] Decision B.BM-2021/18.
[21] Decision B.12/35 and annex XXIX to the decision.
[22] Decision B.24/12 and annex XXIII to the decision.
[23] Document GCF/B.05/08 considered by the Board at its fifth meeting and decision B.05/08.
[24] For example, an AE accredited for the specialized fiduciary criteria for project management and not accredited for the specialized fiduciary criteria for on-lending and/or blending (for loans) may seek GCF financing to manage a project/programme, but it may not on-lend GCF financing to executing entities or beneficiaries because it has not been accredited to do so.

Figure 1. Fit-for-purpose approach to accreditation and accreditation scope



Abbreviations: I-1 = intermediation 1; I-2 = intermediation 2; I-3 = intermediation 3; mn = million in United States Dollars.

* Lack of track record in implementing institutional systems, policies and procedures and demonstrated experience in projects/programmes instead may be addressed through conditions of accreditation required to be met prior to the development of funding proposals or during project implementation and reporting.

18. By having a modular approach to accreditation scopes instead of one set of requirements applicable to all entities regardless of the nature of the institution and its intended programming, GCF is able to have a diverse network of AE skill sets and capabilities to deliver programming. This modular approach also provides a graduated approach for AEs to build up their institutional systems and experience and upgrade their accreditation scope accordingly.

1.1.2 Providing time for accredited entities to build the capacity to meet the GCF accreditation standards

19. During the accreditation process, entities are assessed against the GCF fiduciary standards, ESS and Gender Policy on their institutional systems (e.g. policies, procedures, capacities and competencies) and their track record (e.g. experience in implementing such systems). In cases where the AE at the time of its application does not fully meet the GCF requirements, GCF provides flexibility in balancing the need for entities to meet GCF requirements in order to operate as a GCF AE, with providing the entity appropriate time to improve its institutional capacities to meet the requirements noting that improvements of such systems at corporate and institution-wide level may take time. The AP may recommend conditions for those entities as a part of its recommendation for accreditation to be considered by the Board on how to address these aspects by improving or further developing their policies, procedures and competencies, or their track record.

20. In cases where gaps have been identified at the institutional level (for example, related to lack of systems, policies, procedures and/or capacities at the institutional level to meet GCF accreditation standards), conditions have been recommended by the AP to ensure the AE is able to manage potential risks that may arise relevant to said standards. The conditions are to be met by the entity prior to a particular milestone depending on the nature, type and extent of the gap

(in terms of GCF accreditation standard). These may include, but are not limited to, conditions to be met prior to finalizing the legal agreements in Stage III of the accreditation process; prior to or a part of the submission of a funding proposal; prior to first disbursement for a GCF-approved project/programme; or monitoring requirements for a GCF-approved project/programme.

21. In cases where there is a lack of or a limited track record of applying the relevant fiduciary, ESS and gender systems, conditions have been recommended to be met at the project level within a specific time frame such as during the first year of implementation or reported on periodically through the annual performance reports. This allows AEs to build capacity through implementation of its improved systems during the partnership with GCF. Without such an option, AEs with limited or no track record would need to find another source of funding to build a track record and then return to GCF to seek accreditation once its capacity and track record have been built.

22. Of the 113 AEs accredited, 96 AEs (85 per cent) were recommended by the AP and accredited with conditions due to gaps identified in meeting GCF's fiduciary, ESS and gender standards, some of which are to improve the systems, policies, procedures or capacities of the entity in order to fully meet the GCF accreditation standards, and other conditions to assist the entity in building its track record through meeting the GCF standards vis-à-vis a GCF project/programme.[25] Out of these, 30 AEs (31 per cent) have met all conditions of their accreditation as determined by the AP, while the remaining 66 (69 per cent) have yet to fulfil all conditions, noting that some of these conditions can only be triggered at the funding proposal or project/programme level, including those that can only be met after the project/programme has completed implementation. Closure of conditions is a reflection of an AE's capacity having been strengthened through either the upgrading of institutional systems, policies, procedures, capacities and competencies, or through experience gained in implementing a project or the improved systems.

23. The AP has also recommended conditions of re-accreditation where AEs have gaps in meeting the relevant GCF fiduciary, ESS and gender standards. Of the nine AEs that have been re-accredited by the Board, seven had conditions of re-accreditation recommended by the AP. Similar to conditions placed at initial accreditation, conditions of re-accreditation are to address institutional-level gaps, and others related to lack of track record of applying such systems.

24. It should be noted that GCF is the only climate vertical fund that allows for accreditation with conditions. The flexibility to accredit with conditions has allowed GCF to support promising entities to access climate finance versus providing no opportunity to partner with them outright. On the other hand, the readiness of entities to be fully capacitated to engage in the AE role upon accreditation becomes uneven, which in turn may have impacts in their ability to programme efficiently and effectively with GCF.

1.1.3 Operationalizing accreditation and re-accreditation

25. NDAs and applicants have complained about the lack of clarity as to what type of entity should be put forward and suitability for meeting the AE role, as well as the length of time it takes for an organization to move through the process to then channel funding, and the size of the pipeline that may be channelled. There is still a level of divergence between the business models of certain types of organizations and the role of a GCF AE, such as on the extent to which AEs are expected to manage (including executing entities), supervise, monitor (as well as quality assure) and report on projects/programmes, or if they do not have such capacities, to build them in order to implement programming effectively.

[25] Includes conditions for accreditation, upgrades and re-accreditation. This number excludes former AEs that are not seeking re-accreditation to GCF.

26. Given the role and level of responsibility of an AE to programme pipelines and the high standards all AEs are expected to uphold, the institutional accreditation process – even with a fit-for-purpose and modular approach – is time-consuming and detailed. The fit-for-purpose, modular approach has allowed for a level of tailoring of the various GCF standards to the nature and, broadly, the types of activities the entity could undertake with GCF, rather than requiring a one-size-fits-all approach requiring every entity to meet all GCF standards in the same way regardless of the types of activities it will undertake. But the fit-for-purpose approach does not account for and adjust the institutional-level requirements considering the size of the pipeline with an entity; AEs that are accredited have the possibility to submit as few or as many funding proposals to GCF for consideration as they wish.

27. As at 31 March 2022, GCF has approved 192 projects and programmes totalling USD 10.2 billion in commitments with USD 7.0 billion under implementation. This equates to approximately 30 projects approved per year during GCF's 7.25 years of approving projects and programmes.[26] Should this rate of programming approval continue, all things being equal, this would mean that each of GCF's current 113 AEs would access funding for 1 project/programme for an average of USD 50 million per five-year accreditation term. This estimate would change depending on the number of AEs and GCF's future capitalization.

28. A declining AE to project ratio might provide limited incentives to some AEs to undertake the transformation efforts required at the institutional level and build the necessary capacity at the project/programme level to fully meet GCF standards and programming requirements. This could lead to uneven quality of funding proposals at pipeline entry and/or programming gaps.

29. In decision B.31/06, the Board established the implementation arrangements to be launched by April 2023 and the budget for the project-specific assessment approach (PSAA) as a new and complementary modality of accreditation for institutions to work with GCF so countries can pursue, on an ad hoc and limited basis, shorter-term access partnerships on truly innovative investment proposals. PSAA is designed to combine the assessment of an entity's capacity to develop and implement a specific funding proposal alongside the assessment of the funding proposal itself. This project-specific approach may more closely resemble the entity to project ratio as currently seen for the institutional AE network.

30. Operational experience and the various reviews of the accreditation process have shown that challenges and delays in navigating the institutional accreditation process stem not only from unclear understanding of the expectations and role of an AE, but also from inefficient duplication of tasks within the process itself. In addition, the adoption of the 11 new policies or standards affecting accreditation detailed in paragraph 15 above have meant that assessments for the entire accreditation pipeline had to be re-opened each time the new policy or standard was adopted and came into effect, contributing to the already lengthy accreditation time frames.

31. The updates to the accreditation framework adopted in decision B.31/06 and to be effective by April 2023 included measures to streamline the accreditation processes, namely by:

(a) Refining the scope of Stage I reviews to focus on the fit of the entity as an AE given the roles and responsibilities detailed in annex II to that decision, and alignment with GCF's mandate and objectives, including country programming; and

(b) Combining the review of technical aspects related to the GCF accreditation standards fully under the remit of the AP rather than including the completeness check aspect

[26] The GCF was able to start allocating its funds to projects and programmes from 21 May 2015, after its commitment authority became effective. In decision B.08/13, it is stipulated that the Fund's commitment authority will become effective when 50 per cent of contributions, confirmed by fully executed contribution agreement/arrangements, pledged by the GCF's 2014 High-Level Pledging Conference are reflected in fully executed contribution agreements received by the Secretariat.

under the Secretariat's review during Stage I and also the in-depth review by the AP in Stage II (Step 1).

32. While these framework and processes improvements will address some duplication and process inefficiencies, challenges remain. Approximately 15 AEs (including re-accrediting existing AEs, upgrading existing AEs and new entities) are being approved by the Board per year through institutional accreditation, reflecting the capacity of the Secretariat, AP and Board to administer the current institutional assessment process. Furthermore, the pipeline of new applicants has remained steady at approximately 140 entities despite entities being accredited. The need to review all accreditation applications, together with a limited capacity to review and approve accreditation applications, contributes to the continued lengthening of processing times, an issue that not only poses reputational risks but also dilutes AE review efforts and resources that may instead be focused on bringing the most suitable, GCF-programming-aligned entities. With the number of AEs seeking re-accreditation estimated to reach an average of 30 per year, the efficiency gains achieved through the updates to the accreditation framework adopted in decision B.31/06 may not prove sufficient to cope with this growing workload and re-accreditation may need to be prioritized to minimize the risk of accreditation lapses.

II. Analysis of the GCF accredited entity portfolio and its ability to achieve GCF programming

2.1 Accredited entity network

33. As at 31 March 2022, the Board has approved a network of 113 AEs, of which 77 are fully accredited by having signed and made effective their AMA with GCF and completing the accreditation process, and are eligible to submit projects or programmes for Board consideration (see annex III to this document for the list of AEs). Nine of the 77 AEs have undergone or are undergoing the re-accreditation process in order to continue their partnership with GCF for another five-year term.

34. Table 1 presents the complete AE network during the IRM period, the GCF-1 period up to 31 March 2022 broken down by access modality and entity type (i.e. national DAEs, regional DAEs and international access entities (IAEs), and public and private sector entities) for the following three groups in terms of completion of the accreditation process and ability to engage with GCF on programming (from most complete at the top of the table, to least complete at the bottom):

(a) AEs that have completed the accreditation process by having signed and effective AMAs (Stage III legal arrangements effective): these fully accredited AEs have started their five-year partnership with GCF. They can fully engage with GCF on programming, including having funding proposals approved by the Board, and entering into FAAs for approved projects/programmes. Once FAAs are effective, the projects/programmes can move into implementation with disbursement of funds from GCF to the AE;

(b) AEs that have signed the AMA, but have yet to make it effective (Stage III legal agreements signed): these AEs have not yet started their partnership with GCF. While they can in the absence of an effective AMA have their funding proposals approved by the Board,[27] the FAA and implementation of the approved project/programme cannot

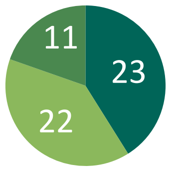
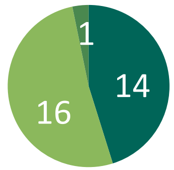
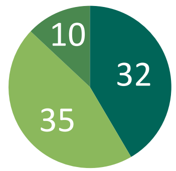
[27] Decision B.17/09, para. (d), regarding the proposal approval process requires that the Secretariat submits funding proposals to the Board for consideration from AEs with signed AMAs. AEs are required to fulfil any conditions precedent in order to make the AMA effective and thereby start the five-year accreditation term with GCF. An FAA for approved funding proposals may be signed once the AMA is made effective if not already done so by the time the funding proposal is approved.

be signed or commence until the AE has made the AMA effective and thereafter the FAA has been signed and made effective, respectively; and

(c) AEs that have been accredited by the Board in Stage II (Step 2) of the accreditation, but have yet to complete it by signing and making the AMA effective: these AEs have not yet started their partnership with GCF. Once they sign the AMA, they can have their funding proposals approved by the Board.

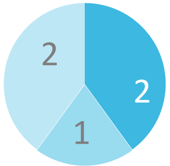
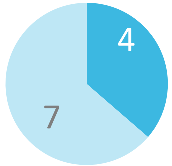
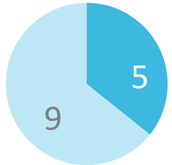
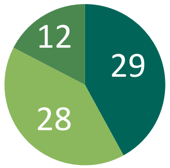
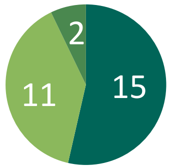
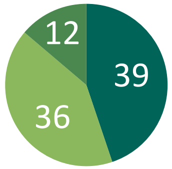
35. During the GCF-1 period, significant progress has been made to move entities to Stage III, with effective legal agreements, whereby an entity can officially access GCF funding. During the IRM period (2015–2019), a total of 95 entities were accredited with 56 reaching full AMA effectiveness status. An additional 26 entities accredited under the IRM period had their AMAs become fully effective in GCF-1, with a further 5 entities having been both accredited and achieving Stage III AMA effectiveness within GCF-1.

Table 1. Accredited entity network at 31 March 2022

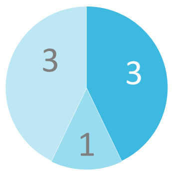
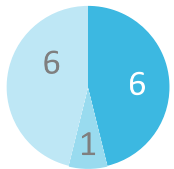
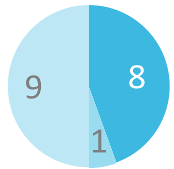
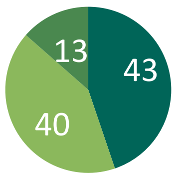
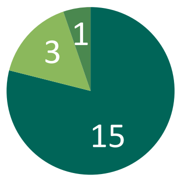
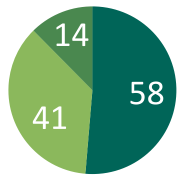
AE network and pipeline	IRM outcomes as at 31 December 2019	GCF-1 portfolio as at 31 March 2022	Total portfolio as at 31 March 2022
AE network			
Stage III Legal agreements effective,[1] AEs are able to fully engage with GCF on programming (AEs that are a subset of those accredited by the Board and that have signed the AMA)	 56 new partnerships, including 23 national DAEs for 20 countries (of which 4 are in SIDS, 4 in LDCs and 6 in Africa) and 11 regional DAEs No entities having undergone re-accreditation	 31 new partnerships, including 26 accredited during IRM. Includes 14 national DAEs for 11 new countries (of which 4 are in LDCs and 1 in Africa) and 1 regional DAE (SIDS) In addition, 1 AE re-accredited that made their AMA effective, starting their second term	 **77 fully accredited partnerships**, excluding AEs that are seeking re-accreditation to GCF during which the accreditation term has lapsed. Includes a total of 32 national DAEs for 27 countries (of which 4 are in SIDS, 7 in LDCs and 7 in Africa) and 10 regional DAEs[2] In addition, **1 AE re-accredited** that made their AMA effective, starting their second term

[1] Does not include AEs that are seeking re-accreditation to GCF during which the accreditation term has lapsed. AEs with lapsed AMAs will be able to resume their fully operationalized engagement with GCF once re-accredited and their amended AMA has been signed and made effective.

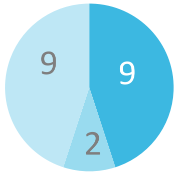
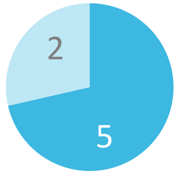
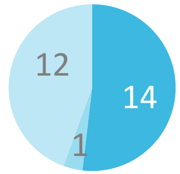
[2] Acumen Fund, Inc. was originally accredited as a regional DAE in Africa in decision B.09/07, para. (b). The AE was re-accredited for its second term in decision B.31/06, para. (f), as an IAE on 30 March 2022. The number of regional DAEs and private sector DAEs in LDCs and African States has decreased by one.

AE network and pipeline	IRM outcomes as at 31 December 2019	GCF-1 portfolio as at 31 March 2022	Total portfolio as at 31 March 2022
	 Of which 5 are private sector entities	 Of the new partnerships, 11 are private sector entities (of which 9 were accredited during IRM)	 Of which **14 are private sector entities,** excluding AEs that are seeking re-accreditation to GCF during which the accreditation term has lapsed A **further 49 AEs** can work with the private sector, **totalling 63 of the 77 fully accredited AEs that are or can work with the private sector** (ranging from creating enabling environments to lending, equity investment and guarantee activities with the private sector)
Stage III Legal agreements signed[3, 4] (AEs that are a subset of those accredited by the Board)	 69 total	 28 total, including 19 accredited during IRM	 **87 total**, excluding AEs that are seeking re-accreditation to GCF during which the accreditation term has lapsed

[3] Ibid.
[4] Decision B.17/09, para. (d), regarding the proposal approval process requires that the Secretariat submits funding proposals to the Board for consideration from AEs with signed AMAs. AEs are required to fulfill any conditions precedent in order to make the AMA effective and thereby start the 5-year accreditation term with GCF. An FAA for approved funding proposals may be signed once the AMA is made effective if not already done so by the time the funding proposal is approved.

AE network and pipeline	IRM outcomes as at 31 December 2019	GCF-1 portfolio as at 31 March 2022	Total portfolio as at 31 March 2022
	No entities having undergone re-accreditation  Of which 7 are private sector entities	In addition, 8 AEs in the process of amending their AMA with GCF to account for the Board's decision on re-accreditation  Of which 13 are private sector entities, including 9 accredited during IRM	In addition, **8 AEs in the process of amending their AMA** with GCF to account for the Board's decision on re-accreditation  Of which **18 are private sector entities**, and a **further 69 AEs** can work with the private sector
Stage II (Step 2) Entities accredited[5]	 95 total, including 43 national DAEs for 32 countries (of which 4 are in SIDS, 6 in LDCs and 10 in Africa) and 10 regional DAEs No entities having undergone re-accreditation	 19 new partnerships building on the network accredited during IRM, including 15 national DAEs (79%) and 1 regional DAE In addition, 9 AEs have been re-accredited for a second term. A further 13 AEs in the process of seeking re-accreditation	 **113 total AEs**, including **58 national DAEs for 38 countries** (of which **5 are in SIDS, 8 in LDCs and 12 in Africa**) and **10 regional DAEs** In addition, **13 AEs in the process of seeking re-accreditation**

[5] Does not include former AEs that are not seeking re-accreditation to GCF.

AE network and pipeline	IRM outcomes as at 31 December 2019	GCF-1 portfolio as at 31 March 2022	Total portfolio as at 31 March 2022
	 Of which 20 are private sector entities	 Of which 7 are private sector entities	 Of which **27 are private sector entities**, and a **further 88 AEs** can work with the private sector
Pipeline			
Pipeline (Submission, Stage I and Stage II (Step 1) Accreditation Panel review[6]	115	137	137

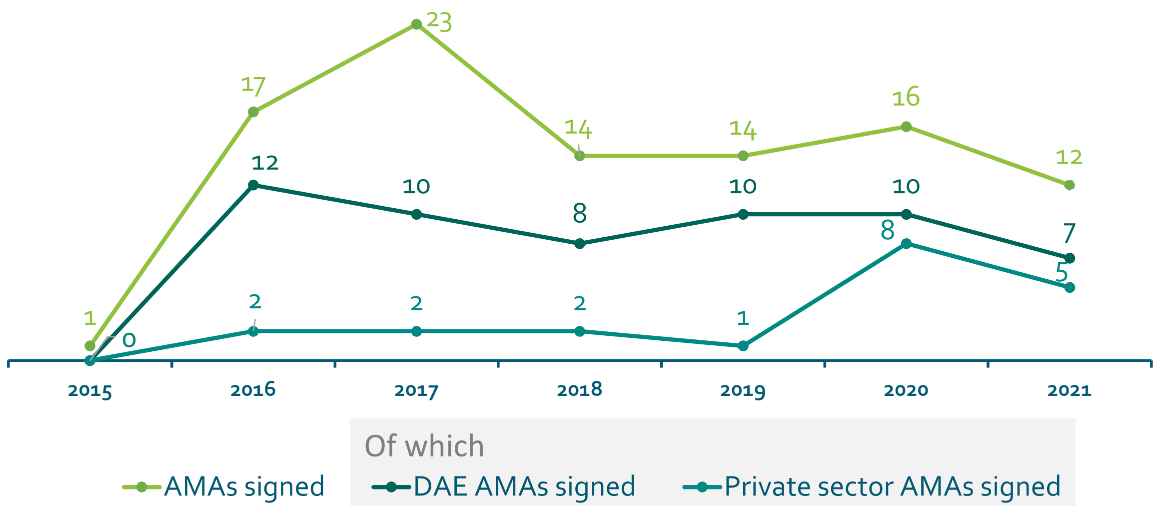
Abbreviations: AE = accredited entity; AMA = accreditation master agreement; DAE = direct access entity; GCF-1 = first replenishment period of the GCF; IAE = international access entity; IRM = initial resource mobilization; LDCs = least developed countries; SIDS = small island developing States.

DAE – national
DAE – regional
IAE
Private sector

[6] Includes entities that have submitted but have yet to start the Stage I institutional assessment and completeness pending payment of accreditation application fees. Does not include 123 entities that have access to the online accreditation system or digital accreditation platform (including active and inactive), but have yet to submit their application.

36. Figure 2 below presents a further breakdown by year of the number of AEs with signed AMAs from 2015 through 2021. As can be seen below, there has been a steady increase starting from GCF-1 in the number of private sector entities with signed AMAs, from a total of 8 in the IRM period, averaging 2 per year to an additional 13 in the first two years of GCF-1 (2020-2021).

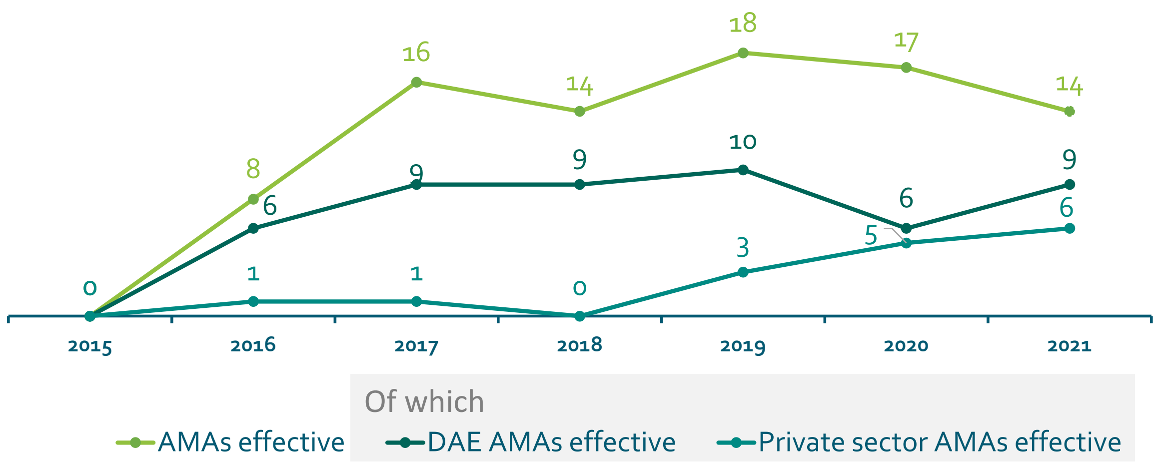
Figure 2. Number of accreditation master agreements signed with accredited entities, including direct access entities and private sector entities, from 2015 to 2021 [a]



Abbreviations: AMA = accreditation master agreement, DAE = direct access entity.

[a] Private sector AEs include both DAEs and IAEs.

Figure 3. Number of accreditation master agreements made effective to start the five-year accreditation term with accredited entities, including direct access entities and private sector entities, from 2015 to 2021



ABBREVIATIONS: AMA = ACCREDITATION MASTER AGREEMENT, DAE = DIRECT ACCESS ENTITY.

[a] Private sector AEs include both DAEs and IAEs.

37. Of the 77 entities accredited with effective AMAs across both periods (excluding AEs that are seeking re-accreditation to GCF during which the accreditation term has lapsed), 55 per cent are DAEs (including 42 per cent that are national DAEs and 13 per cent that are regional DAEs) and 45 per cent are IAEs. As shown in figure 3, under the five-year IRM time frame, only 5 private sector entities reached Stage III with effective AMAs, whereas during the initial two years of GCF-1, the private sector AE network increased by 280 per cent with 11 more private

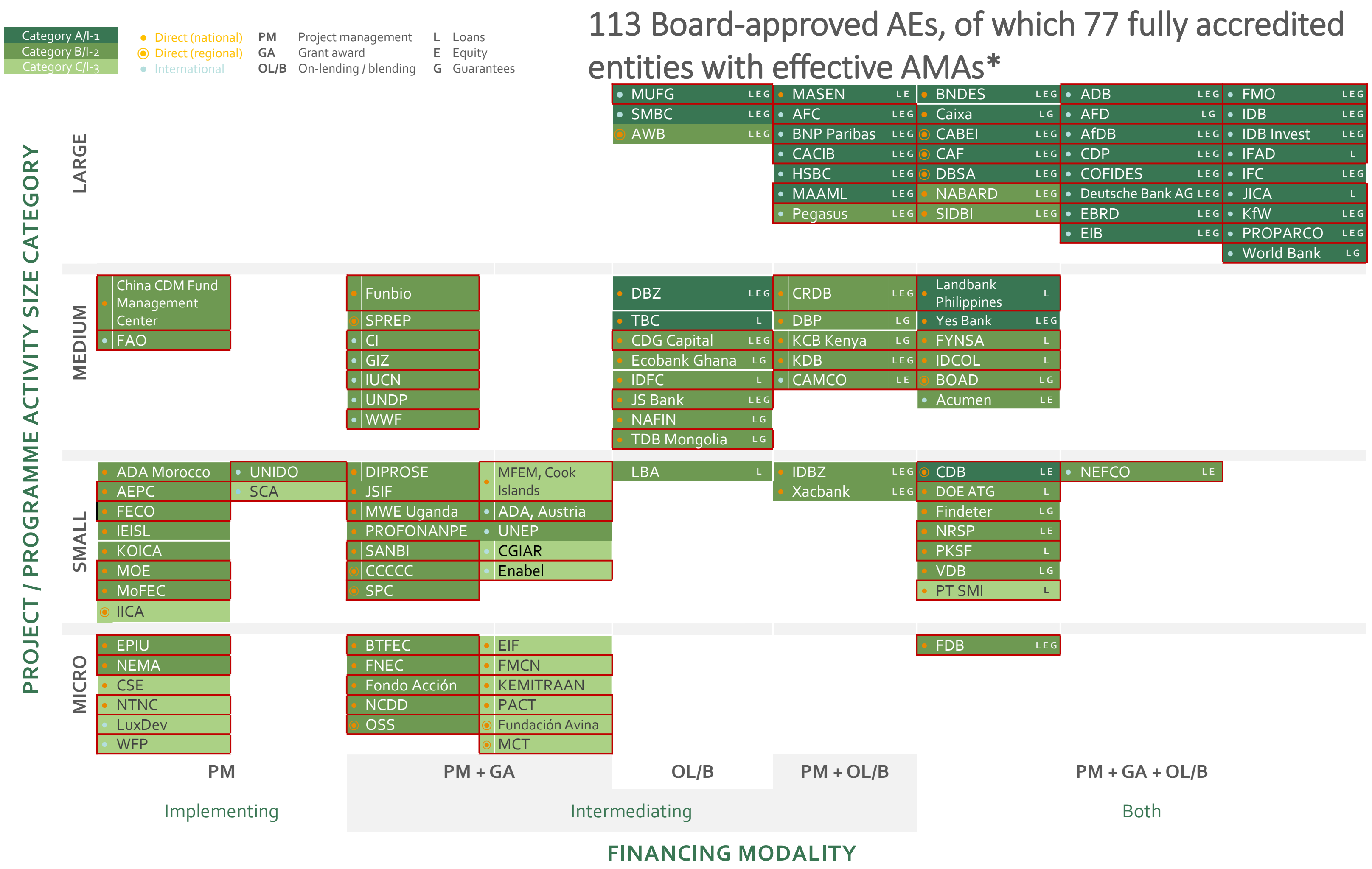
sector AEs added with effective AMAs. As at 31 March 2022, there are a total of 14 private sector AEs with effective AMAs that can fully programme with GCF (excluding AEs that are in the process of re-accreditation during which the accreditation term has lapsed), 36 per cent of which are national DAEs including local commercial and investment banks, and 64 per cent are IAEs. While only 14 AEs are private sector entities themselves, another 49 AEs have the ability to work with the private sector.

38. Figure 4 below provides a mapping of the 113 accredited AEs. The figure demonstrates that IAEs are predominantly accredited to undertake projects of larger sizes, higher E&S risks and utilizing a wide range of financial instruments. There are, however, four regional DAEs including Attijariwafa Bank and the Development Bank of Southern Africa in Africa and the Central American Bank for Economic Integration and Corporación Andina de Fomento in Latin America and the Caribbean, as well as five national DAEs in the Africa, Asia-Pacific and Latin America and the Caribbean regions (the Moroccan Agency for Sustainable Energy S. A.; the National Bank for Agriculture and Rural Development based in India and the Small Industries Development Bank of India; and Banco Nacional de Desenvolvimento Econômico e Social and Caixa Econômica Federal, both based in Brazil, respectively) that have been accredited for the largest size, a wide range of financial instruments (including grants, loans, equity and guarantees), and the highest E&S risk level.

39. As can also be seen from the figure below, the greatest concentration of DAEs (31) accredited with fully effective AMAs fall within a scope of micro and small size, minimal or no to medium E&S risk levels and grants as the primary financial instrument through either managing projects or awarding grants. There are also eight IAEs that are accredited for a similar scope of accreditation. When medium size is added to this scope, the number of DAEs with fully effective AMAs increases to 34 and IAEs to 14.

40. During the IRM period the AE network had a total of 43 national DAEs, comprising 45 per cent of the total AEs. Through GCF-1 an additional 19 national DAEs have been accredited, which has led to a greater portion of national DAEs (51 per cent). When DAE-regionals are included, the proportion of DAEs (national and regional) to all AEs totals 64 per cent. As indicated above, similar expansions were also seen for the network of private sector partners, with those reaching AMA effectiveness being nearly threefold as compared to IRM levels.

Figure 4. Range of capabilities reflected in accreditation scopes in the network of 113 accredited entities, as at 31 March 2022



* Does not include AEs that are seeking re-accreditation to GCF during which the accreditation term has lapsed. AEs with lapsed AMAs will be able to resume their fully operationalized engagement with GCF once re-accredited and their amended AMA accounting for re-accreditation has been signed and made effective.

Abbreviations: Acumen = Acumen Fund, Inc., ADA Austria = Austrian Development Agency, ADA Morocco = Agency for Agricultural Development of Morocco, ADB = Asian Development Bank, AEPC = Alternative Energy Promotion Center, AFC = Africa Finance Corporation, AFD = Agence Française de Développement, AfDB = African Development Bank, AMA = accreditation master agreement, AWB = Attijariwafa Bank, BNDES = Banco Nacional de Desenvolvimento Econômico e Social, BNP Paribas = BNP Paribas S.A., BOAD = Banque Ouest Africaine de Développement (West African Development Bank), BTFEC = Bhutan Trust Fund for Environmental Conservation, CABEI = Central American Bank for Economic Integration, CAF = Corporación Andina de Fomento, Camco = Camco Management Limited, CCCCC = Caribbean Community Climate Change Centre, CDB = Caribbean Development Bank, CDG Capital = CDG Capital S.A., CDP = Cassa Depositi e Prestiti – Societa per Azioni, CEF = Caixa Econômica Federal, China CDM Fund Management Center = China Clean Development Mechanism Fund Management Center, CI = Conservation International Foundation, COFIDES = Compañía Española de Financiación del Desarrollo S.A. S.M.E., CRDB = CRDB Bank Public Limited Company, Crédit Agricole CIB = Crédit Agricole Corporate and Investment Bank, CSE = Centre de Suivi Ecologique, DBP = Development Bank of the Philippines, DBSA = Development Bank of Southern Africa, DBZ = Development Bank of Zambia, DIPROSE (formerly UCAR) = General Directorate of Sectoral and Special Programs and Projects of the Ministry of Agriculture, Livestock and Fisheries (formerly Unidad para el Cambio Rural (Unit for Rural Change) of Argentina), Deutsche Bank AG = Deutsche Bank Aktiengesellschaft, DOE Antigua and Barbuda = Department of Environment of Antigua and Barbuda, EBRD = European Bank for Reconstruction and Development, EGH = Ecobank Ghana Limited, EIB = European Investment Bank, EIF = Environmental Investment Fund of Namibia, EPIU = Environmental Project Implementation Unit of the Ministry of Nature Protection of the Republic of Armenia, Enabel (formerly BTC-CTB) = Belgian Development Agency (formerly Belgian Technical Cooperation), FAO = Food and Agriculture Organization of the United Nations, FDB = Fiji Development Bank, FECO = Foreign Environmental Cooperation Center of the Ministry of Ecology and Environment of China (formerly Foreign Economic Cooperation Office of the Ministry of Environmental Protection of China), Findeter = Financiera De Desarrollo Territorial S.A., FMCN = Fondo Mexicano para la Conservación de la Naturaleza A.C., FMO = Nederlandse Financierings-Maatschappij voor Ontwikkelingslanden N.V., FNEC = National Fund for the Environment of Benin, Fondo Acción = Fondo para la Acción Ambiental y la Niñez, Funbio = Fundo Brasileiro para a Biodiversidade, FYNSA = Finanzas Y Negocios Servicios Financieros Limitada, GIZ = Deutsche Gesellschaft für Internationale Zusammenarbeit GmbH, HSBC = HSBC Holdings plc and its subsidiaries, IDB = Inter-American Development Bank, IDB Invest = Inter-American Investment Corporation, IDBZ = Infrastructure Development Bank of Zimbabwe, IDCOL = Infrastructure Development Company Limited, IDFC = IDFC Bank Limited, IEISL = IL&FS Environmental Infrastructure and Services Limited, IFAD = International Fund for Agricultural Development, IFC = International Finance Corporation, IICA = Inter-American Institute for Cooperation on Agriculture, IUCN = International Union for Conservation of Nature, JICA = Japan International Cooperation Agency, JS Bank = JS Bank Limited, JSC TBC Bank = Joint Stock Company TBC Bank, KCB = KCB Bank Kenya Limited, KDB = Korea Development Bank, KEMITRAAN = Kemitraan bagi Pembaraun Tata Pemerintahan, KfW = Kreditanstalt für Wiederaufbau, KOICA = Korea International Cooperation Agency, Landbank = Land Bank of the Philippines, LBA (formerly CNCAS) = La Banque Agricole (formerly Caisse Nationale de Credit Agricole du Senegal), LuxDev = Luxembourg Development Cooperation Agency, MAAML = Macquarie Alternative Assets Management Limited, MASEN = Moroccan Agency for Sustainable Energy S.A., MCT = Micronesia Conservation Trust, MFEM Cook Islands = Ministry of Finance and Economic Management of the Cook Islands, MOE (formerly MINIRENA) = Ministry of Environment of Rwanda (formerly Ministry of Natural Resources of Rwanda), MoFEC = Ministry of Finance and Economic Cooperation of Ethiopia, MWE Uganda = Ministry of Water and Environment of Uganda, MUFG Bank (formerly BTMU) = MUFG Bank, Ltd. (formerly Bank of Tokyo-Mitsubishi UFJ, Ltd.), NABARD = National Bank for Agriculture and Rural Development, NAFIN = Nacional Financiera, S.N.C., Banca de Desarrollo, NCDD = National Committee for Sub-National Democratic Development, NEFCO = Nordic Environment Finance Corporation, NEMA = National Environment Management Authority of Kenya, NRSP = National Rural Support Programme, NTNC = National Trust for Nature Conservation, OSS = Sahara and Sahel Observatory, PACT = Protected Areas Conservation Trust, PCA = Pegasus Capital Advisors, L.P., PKSF = Palli Karma-Sahayak Foundation, PROFONANPE = Peruvian Trust Fund for National Parks and Protected Areas, PROPARCO = Société de Promotion et de Participation pour la Coopération Economique, PT SMI = PT Sarana Multi Infrastruktur, SANBI = South African National Biodiversity Institute, SCA = Save the Children Australia, SIDBI = Small Industries Development Bank of India, SMBC = Sumitomo Mitsui Banking Corporation, SPC = Pacific Community, SPREP = Secretariat of the Pacific Regional Environment Programme, TDB Mongolia = Trade and Development Bank of Mongolia, UNDP = United Nations Development Programme, UNEP = United Nations Environment Programme, UNIDO = United Nations Industrial Development Organization, VDB = Vietnam Development Bank, WFP = World Food Programme, World Bank = International Bank for Reconstruction and Development and International Development Association, WWF = World Wildlife Fund, Inc., XacBank = XacBank LLC, Yes Bank = Yes Bank Limited.

41. From IRM to GCF-1, there have been several additional DAEs accredited for a maximum of medium size projects/programme activities and medium or high E&S risk levels. Over time, more countries have nominated organizations that can access a wider range and greater scale of finance from the GCF, including national commercial banks and national development banks (NDBs).

42. Overall, the AE network has expanded to allow for a much broader range of entities that can mobilize funding at scale, such as through the GCF request for proposal for MFS. AEs with the potential to access medium to large-scale projects/programmes, of medium to high E&S risk, and through various financial instruments (including loans, equity and/or guarantees), includes a total of 51 AEs. Out of these 51, 26 are DAEs and 25 are IAEs. Twenty-three are private sector entities, including both DAEs and IAEs.

43. In addition to the expansion of AEs that can mobilize funding at scale, in GCF-1, several additional DAEs with effective AMAs have been accredited for the small size category, medium to high E&S risk level, and for a wider range of financial instruments. These types of entities are particularly well suited to support MSMEs, such as through the GCF request for proposal for MSMEs; 11 DAEs are accredited within this scope.

44. All of the 11 DAEs referred to in paragraph 43 above, along with an additional 31 DAEs (for a total of 42 DAEs) have the capacity to develop and implement projects through the GCF simplified approval process (SAP). The minimal to no E&S risk and smaller size category requirements of the SAP projects/programmes makes them particularly well suited for these DAEs.

45. Finally, the AEs with the potential to respond to the GCF RFPs for the pilot phase for enhancing direct access[1] (EDA) overlaps with the SAP and MSME potential. In total, there are currently 30 DAEs with the potential to implement EDA programmes, including 24 national DAEs (of which 2 are private sector) and 6 regional DAEs.

46. The next set of tables and figures present the full suite of 113 Board-approved AEs. They include AEs that have yet to sign and make their AMA effective with GCF to conclude the accreditation process, as well as AEs that are seeking re-accreditation to GCF during which the accreditation term has lapsed. AEs with lapsed AMAs will be able to resume their fully operationalized engagement with GCF once re-accredited and their amended AMA accounting for re-accreditation has been signed and made effective.

[1] Decision B.10/04.

Table 2: Range of options by number of accredited entities out of the total 113 Board-approved accredited entities for countries to partner with by region and type of capacity (cumulative, as at 31 March 2022)[2]

Region	Fiduciary functions[a]					E&S risk category[a]			Size of an individual project or programme activity [b]	
	Project manage-ment[c]	Providing grants, including through grant award and/or funding allocation[d]	Blended finance			C/ I-3	B/ I-2	A/ I-1	Micro and small	Medium and large
			Loans	Equity	Guaran-tees					
AF	54	32	37	28	31	62	56	25	62	40
AP	62	40	40	27	30	68	59	22	68	41
EE	30	19	21	16	17	34	31	19	34	25
LAC	55	42	34	25	28	59	51	25	59	37
LDCs	56	38	33	24	25	62	54	24	62	35
SIDS	48	35	29	24	23	50	43	23	50	32

Abbreviations: AF = Africa, AP = Asia-Pacific, EE = Eastern Europe, E&S = environmental and social, LAC = Latin America and the Caribbean, LDCs = least developed countries, SIDS = small island developing States.

[a] Annex I to decision B.07/02 (annex I to document GCF/B.07/11).

[b] Annex I to decision B.08/02 (annex I to document GCF/B.08/45).

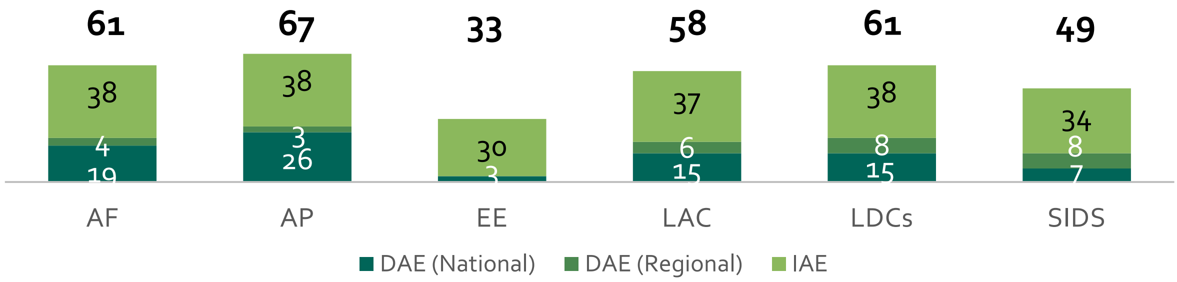
[c] The specialized fiduciary standard for project management is contained in annex II to decision B.07/02, available at <https://www.greenclimate.fund/document/initial-fiduciary-principles-and-standards-fund>. Project management underlying principles are: ability to identify, formulate and appraise projects or programmes; competency to manage or oversee the execution of approved funding proposals (including those financed through grants), including the ability to manage executing entities or project sponsors and to support project delivery and implementation; and capacity to consistently and transparently report on the progress, delivery and implementation of the approved funding proposal.

[d] The specialized fiduciary standard for grant award and/or funding allocation mechanisms is contained in annex II to decision B.07/02, available at <https://www.greenclimate.fund/document/initial-fiduciary-principles-and-standards-fund>. Specific capacities for grant award and funding allocation mechanisms of grants in the context of programmes require: transparent eligibility criteria and an evaluation process; a grant award decision and procedures; public access to information on beneficiaries and results; transparent allocation and implementation of financial resources; and a good standing with regard to multilateral funding.

47. Table 2 above indicates that countries should be able to find AEs to implement a GCF project/programme across any capacity. As shown in figure 5 below, this could mean relying mostly on IAEs and some regional DAEs or private sector DAEs for some geographies and capacities. For example, for Eastern Europe with only three DAEs – all national – the options for countries are currently limited to IAEs (90 per cent). For SIDS, almost 70 per cent of AEs with potential geographic coverage are IAEs, for Latin America and the Caribbean 64 per cent, for African States 62 per cent, for the LDCs 61 per cent and for Asia-Pacific 57 per cent.

[2] Includes AEs that are seeking re-accreditation to GCF during which the accreditation term has lapsed. AEs with lapsed AMAs will be able to resume their fully operationalized engagement with GCF once re-accredited and their amended AMA accounting for re-accreditation has been signed and made effective.

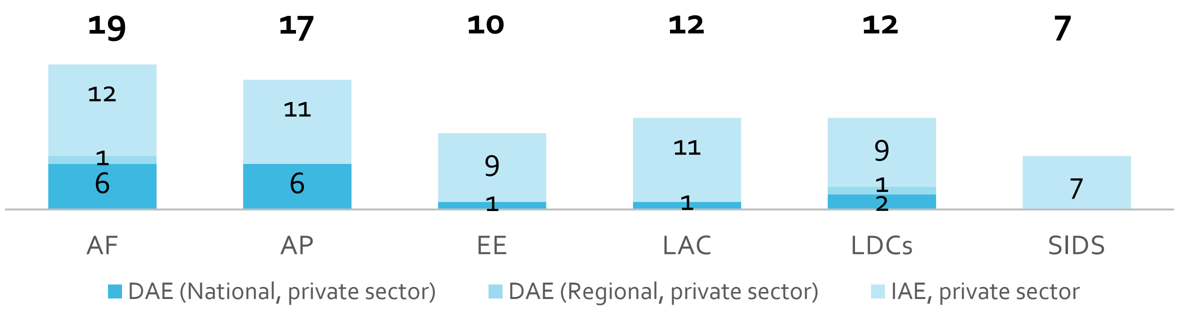
Figure 5. Number of accredited entities and their potential areas of operations, as at 31 March 2022[3]



Abbreviations: AF = Africa, AP = Asia-Pacific, DAE = direct access entity, EE = Eastern Europe, IAE = international access entity, LAC = Latin America and the Caribbean, LDCs = least developed countries, SIDS = small island developing States.

48. While the trend has been towards greater numbers of accreditation of private sector entities, out of the entire pool of AEs with fully effective AMAs only 14 entities or 18 per cent are private sector entities, with the majority being IAEs. This increases the reliance on a few private sector IAEs to catalyse private investment flows and create trade-offs between the GCF-1 programming targets related to DAEs and private sector flows. As shown in figure 6, SIDS have no national or regional private sector entities and Eastern Europe and Latin America and the Caribbean have only one each. The LDCs have two national and one regional DAE that are private sector, and the Asia-Pacific and African States regions have the most national private sector entities with six each. The decisions by the Board to prioritize from 2016 to 2018 DAEs, as well as private sector entities, have contributed to this increase in proportion, shaping the AE network to what it is today.[4] However, the pipeline even with such prioritization has primarily reflected public sector DAEs and private sector IAEs.

Figure 6. Number of private sector accredited entities and their potential areas of operations, as at 31 March 2022[5]



Abbreviations: AF = Africa, AP = Asia-Pacific, DAE = direct access entity, EE = Eastern Europe, IAE = international access entity, LAC = Latin America and the Caribbean, LDCs = least developed countries, SIDS = small island developing States.

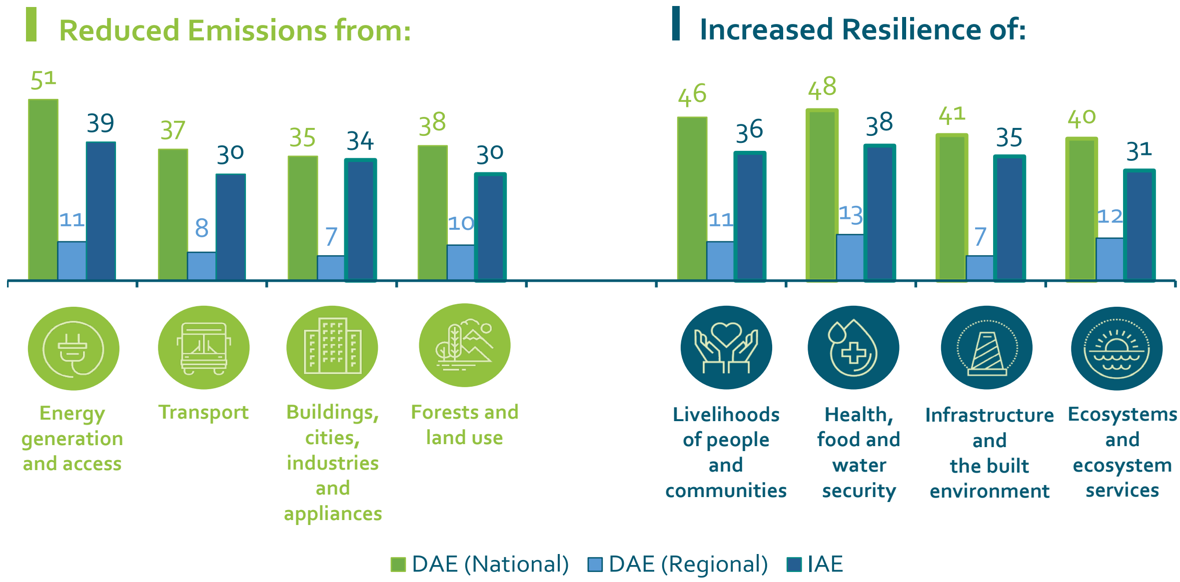
[3] The areas of potential operations are based on the AEs' mandates. The figure includes AEs that are seeking re-accreditation to GCF during which the accreditation term has lapsed. AEs with lapsed AMAs will be able to resume their fully operationalized engagement with GCF once re-accredited and their amended AMA accounting for re-accreditation has been signed and made effective.

[4] Decisions B.14/08, para. (d)(i), B.18/04, para. (c) and B.19/13, para. (c), as well as decision B.21/16, para. (a); B.23/11, para. (b) and B.24/11, para. (e).

[5] The areas of potential operations are based on the AEs' mandates. The figure includes AEs that are seeking re-accreditation to GCF during which the accreditation term has lapsed. AEs with lapsed AMAs will be able to resume their fully operationalized engagement with GCF once re-accredited and their amended AMA accounting for re-accreditation has been signed and made effective.

49. Noting there is no standard of accreditation requiring systems, capacities and track record related to GCF results areas as indicated in section 1.1.1 above, figure 7 presents the number of AEs that indicated and provided examples of their project experience in the GCF results areas, divided by national DAEs, regional DAEs and IAEs. There are both DAEs and IAEs that have experience across all of the GCF results areas, suggesting that countries have theoretical access to AEs for projects/programmes in all results areas for any fiduciary functions, project/programme size, and E&S risk level.

Figure 7. Number of accredited entities with past project experience in results areas at the time of accreditation, as at 31 March 2022[6]



ABBREVIATIONS: DAE = DIRECT ACCESS ENTITY, IAE = INTERNATIONAL ACCESS ENTITY.

50. As shown in figure 8 below, in terms of utilizing the full range of GCF's financial instruments, equity and guarantees (as compared to grants and loans) have the fewest number of entities with that capacity (43 and 50, respectively), followed by loans (65). Grants have the largest number of entities accredited for that capacity with managing project grants having the most (100) followed by the grant award mechanism (65).[7]

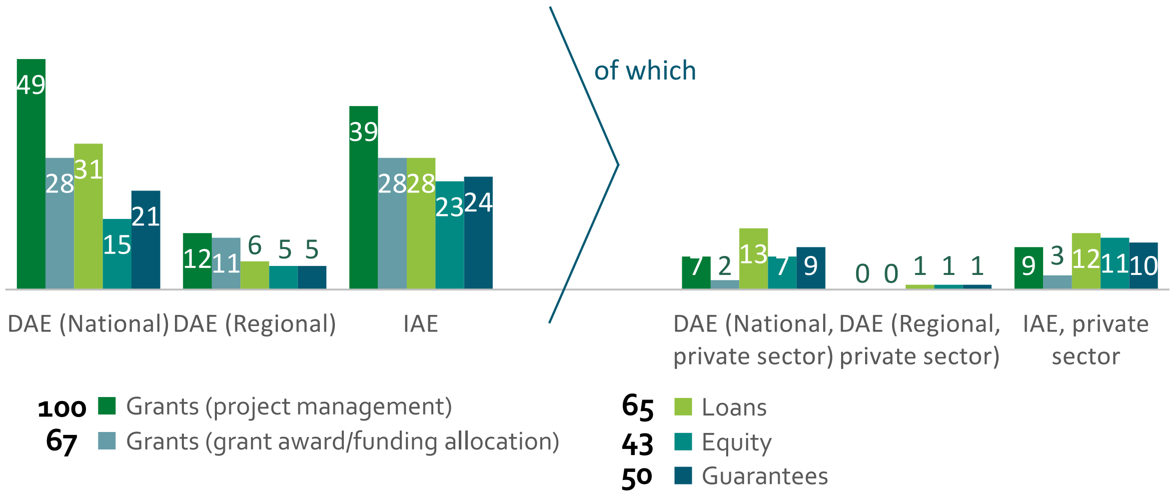
51. For the subset of private sector entities, the trend is reversed with the largest number of entities having the capacity for loans (26), followed by guarantees (20), equity (19), grants under project management (16) and awarding grants (5).

52. While GCF's range of financial instruments includes grants, loans, equity and guarantees, other instruments such as insurance and bonds are not yet included, the accreditation framework does not account for assessing whether entities are able to work with such instruments. However, some applicants, particularly private sector entities, have indicated as part of their accreditation application to GCF their past experience of working with these and other innovative instruments. Such innovative instruments, while minimally applied in GCF's portfolio thus far, are critical tools to support GCF in implementing its strategy and achieving its

[6] Includes AEs that are seeking re-accreditation to GCF during which the accreditation term has lapsed. AEs with lapsed AMAs will be able to resume their fully operationalized engagement with GCF once re-accredited and their amended AMA accounting for re-accreditation has been signed and made effective.
[7] Note that numbers add up to more than 113 as most AEs are accredited for capacity across multiple specialized fiduciary standards to work with a range of financial instruments and financing modalities.

programming targets to catalyse private sector investment flows and scaling up adaptation financing.[8]

Figure 8. Financial instruments that may be provided by types of accredited entities, as at 31 March 2022[9]



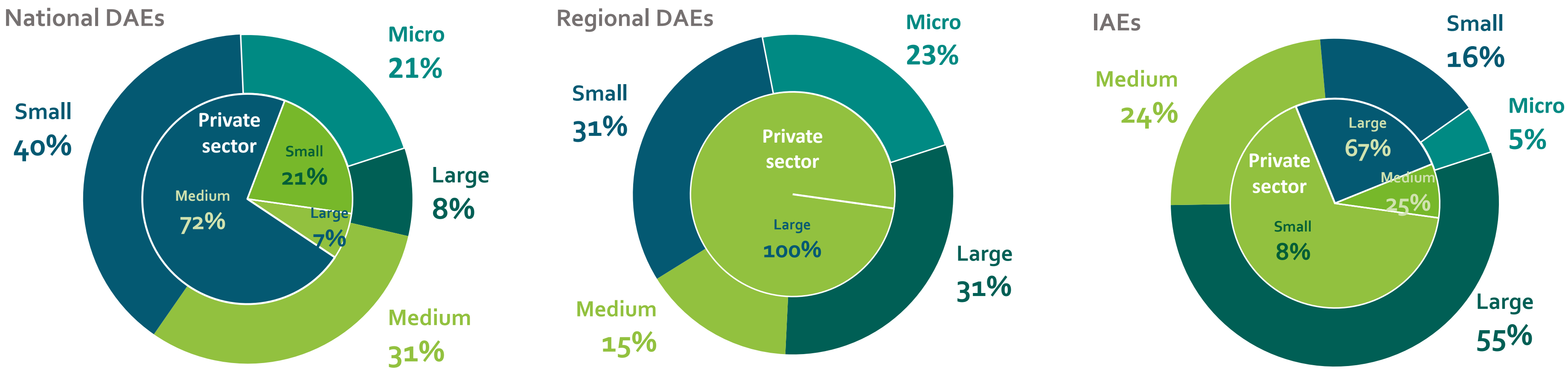
Abbreviations: DAE = direct access entity, IAE = international access entity.

[8] At B.32 the Board will be considering a review of the initial private sector facility modalities and the private sector strategy, and guidance on the approach and scope for providing support to adaptation activities.

[9] Includes AEs that are seeking re-accreditation to GCF during which the accreditation term has lapsed. AEs with lapsed AMAs will be able to resume their fully operationalized engagement with GCF once re-accredited and their amended AMA accounting for re-accreditation has been signed and made effective.

53. IAEs have the greatest concentration of entities with the capacity to undertake large projects at 55 per cent, followed by regional DAEs at 31 per cent, and national DAEs at only 8 per cent, as shown in figure 9 below. The majority of national DAEs accredited (71 per cent) are accredited for small and medium-sized projects/programme activities. Increasingly, there are more nominations by NDAs/focal points of national private sector entities and NDBs that often have a greater capacity to channel larger amounts of funding, as well as use a range of financial instruments. This is evidenced by the fact that out of the private sector national DAEs 79 per cent have the capacity to undertake medium and large projects versus 39 per cent for the entire national DAE pool.

Figure 9. Range of accredited entities by accreditation scope for the maximum project and programme activity size categories, as at 31 March 2022[1]

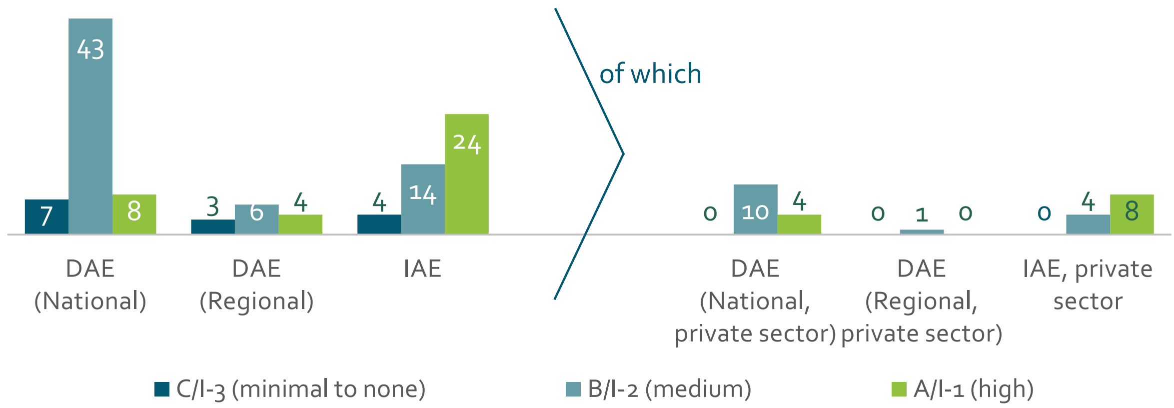


Abbreviations: DAE = direct access entity, IAE = international access entity.

[1] Includes AEs that are seeking re-accreditation to GCF during which the accreditation term has lapsed. AEs with lapsed AMAs will be able to resume their fully operationalized engagement with GCF once re-accredited and their amended AMA accounting for re-accreditation has been signed and made effective.

54. In terms of E&S risk level, 12 per cent of all AEs have only the capacity to undertake minimal to no E&S risk projects, while the majority (56 per cent) having the capacity for up to a medium E&S risk category. The remaining 32 per cent have the capacity to undertake up to high E&S risk projects and programmes. Within the subset of high E&S risk project capacity, IAEs make up 67 per cent of the entities with that accreditation scope. For high E&S risk projects there are only 12 DAEs – which are primarily NDBs and private sector DAEs – with that capacity; this is a clear gap for DAEs to be able to undertake high E&S risk projects. Across private sector entities, all 27 AEs have the capacity for undertaking medium to high E&S risk projects (see figure 10).

Figure 10. Range of accredited entities by accreditation scope for the maximum environmental and social risk level, as at 31 March 2022[1]



Abbreviations: DAE = direct access entity, IAE = international access entity.

2.2 Accredited entity network and progress against the GCF-1 portfolio and targets

55. This section presents an analysis of the strengths and gaps in coverage of the AE network's capabilities through the lens of the GCF portfolio, enabling the Fund to meet its GCF-1 portfolio targets.

56. Table 3 below shows the number of AEs that have submitted and approved funding proposals with GCF compared to the total number of AEs accredited by the Board regardless of the status of the AMA, noting that only AEs with signed AMAs may have their funding proposals submitted to the Board for consideration. The numbers of funding proposals approved, including for the breakdown by access modality, during the IRM period of five years has nearly been matched in the first two years of the GCF-1 period. From the IRM to GCF-1 periods, there was an increase in the number of new AEs submitting their first funding proposals, particularly direct access: 5 national DAEs (including 1 private sector), 2 regional DAEs and 2 IAEs (including 1 private sector). There were also 21 AEs that further expanded their portfolios with GCF through additional funding proposals having been approved during GCF-1: 2 national DAEs, 4 regional DAEs and 15 IAEs, each also including a private sector entity. There are also 14 AEs that had their funding proposals approved during IRM that do not yet have additional funding proposals submitted and approved during GCF-1: 7 national DAEs, 2 regional DAEs and 4 IAEs (including 1 private sector).

[1] Includes AEs that are seeking re-accreditation to GCF during which the accreditation term has lapsed. AEs with lapsed AMAs will be able to resume their fully operationalized engagement with GCF once re-accredited and their amended AMA accounting for re-accreditation has been signed and made effective.

Table 3: Number of accredited entities by type that have an approved funding proposal, as at 31 March 2022

Number of approved funding proposals	IRM portfolio (5-year period from 2015 to 2019, as at 31 December 2019)	GCF-1 portfolio (2.5-year period for 2020 up to 31 March 2022)	Portfolio as at 31 March 2022
Total funding proposals	121 [a]	71 [a]	192
AEs	37 of 95 (39%)	32 of 113 AEs (28%)	48 of 113 (42%)
National DAEs	11 of 43 (26%)	9 of 58 (16%)	17 of 58 (29%)
Regional DAEs	7 of 13 (54%)	5 of 13 (38%)	9 of 13 (69%)
IAEs	19 of 40 (48%)	18 of 41 (44%)	22 of 41 (54%)
Private sector AEs	National, private sector DAEs: 1 of 9 (11%) Regional, private sector DAEs: 1 of 2 (50%) IAEs, private sector: 1 of 9 (11%)	National, private sector DAEs: 1 of 15 (7%) Regional, private sector DAEs: 1 of 2 (50%) IAEs, private sector: 3 of 11 (27%)	National, private sector DAEs: 2 of 15 (13%) Regional, private sector DAEs: 1 of 2 (50%) IAEs, private sector: 4 of 11 (36%)

Abbreviations: AE = accredited entity; DAE = direct access entity; GCF-1 = first replenishment period of the GCF; IAE = international access entity; IRM = initial resource mobilization.

[a] The figure shown here reflects the total number of projects approved by the Board. To date, Board approval has lapsed for seven projects: FP029 by the Development Bank of Southern Africa as of 23 October 2017; FP006 and FP030 by the Inter-American Development Bank as of 26 September and 28 July 2018, respectively; FP054 by the Corporación Andina de Fomento as of 27 June 2019; FP065 by the International Bank for Reconstruction and Development and International Development Association as of 16 February 2020; FP038 and the equity component of FP026 by the European Investment Bank as of 13 June 2020; and FP104 by the Africa Finance Corporation as of 13 February 2021. FP026 is continuing through the grant component implemented by Conservation International Foundation.

57. The majority of funding proposals from AEs have been single-country projects. There have been some multi-country proposals within a single region, and some global programmes covering multiple regions: 18 funding proposals approved as at 31 March 2022 are multi-country programmes (6 from DAEs and 12 from IAEs), of which only 4 are global (all from IAEs). Given that national DAEs are often mandated to operate only within the country that they are based in, their accreditation scope reflects their ability to work within the same country. On the other hand, regional DAEs and IAEs with broader geographic mandates are in a position to develop multi-country and multi-region programmes. National DAEs may, however, still have a role in the programmes contributing their local expertise and on-the-ground presence.

58. In addition to the portfolio of GCF-approved projects, 93 AEs (82 per cent) of the 113 Board-approved AEs are developing or have submitted at least one project idea, concept note or funding proposal, or – in the case of relevant DAEs – are receiving project preparation technical assistance from the Secretariat to support project development. Further analysis would need to consider the status of the proposed project/programme (i.e., active and inactive), alignment of the proposal with country and GCF programming directions given that submissions include those from IRM as well as GCF-1, and quality of the proposal, among other considerations, in order to determine the extent to which AEs are delivering on programming.

59. A further nine AEs (eight DAEs and one IAE), bringing the total to 90 per cent, have discussed with the Secretariat potential projects/programmes and are in the early phases of project development although they have yet to submit a potential project/programme. The Secretariat has engaged in discussions with DAEs on whether any Project Preparation Facility or project preparation technical assistance support may be needed. As at 31 March 2022, two of the AEs (both DAEs) have effective AMAs.[2]. One AE has signed the AMA, yet to become

[2] After 31 March 2022, another AE made their AMA effective bringing this total to 3.

effective.[3] Another three AEs (two DAEs and one IAE) have reached a working level agreement on their AMA with GCF, but have yet to start their first or second term of accreditation as it is contingent upon AMA approvals pending constitution of the Risk Management Committee of the Board before the AMA can be signed and made effective to start said terms. The remaining three AEs are in the process of discussing legal arrangements with GCF.

60. Nine AEs (9 per cent) have yet to submit projects/programmes under any of the aforementioned stages of project development to GCF. This includes eight DAEs (including four private sector DAEs) and one IAE (private sector). Of these AEs, two (both DAEs) have effective AMAs with GCF. The remaining six AEs have yet to conclude legal arrangements with GCF.

61. While AEs are at various stages of programming development, the current capacity of AEs to develop quality climate funding proposals at entry – and during the course of their partnership with GCF – may need to be further analysed. Capacity requirements to meet GCF's standards at pipeline entry and subsequent project stages will also need to be assessed, along with the limited incentive provided by a low AE to project ratio. This could inform further discussion on whether climate project preparation capacity may need to be taken up further during the accreditation and re-accreditation processes, noting that while indicative programming is sought during accreditation, there is no requirement for applicants to submit concept notes or funding proposals alongside the application. Such a combined approach will be piloted under PSAA.

2.2.1 Accredited entity network and progress against GCF-1 portfolio targets

62. Table 4 below includes both programming to date against the portfolio target of a 50/50 split between mitigation and adaptation as well as a breakdown of AEs with the requisite experience across the GCF results areas.

Table 4. Accredited entity network and progress against GCF-1 portfolio targets on the 50:50 balance of adaptation and mitigation funding as at 31 March 2022 (in grant equivalent terms) [4]

GCF-1 portfolio target: 50:50 balance of adaptation and mitigation funding over time, while seeking to deliver portfolio-level mitigation and adaptation outcomes exceeding IRM outcomes		
IRM outcomes as at 31 December 2019	**GCF-1 portfolio as at 31 March 2022**	**Portfolio as at 31 March 2022**
Project portfolio: Adaptation: 55% and 164 million beneficiaries reached per USD billion invested in adaptation Mitigation: 45% and 269 $MtCO_2eq$ per USD billion invested in mitigation	**Project portfolio:** Adaptation: 42% and 149.1 million beneficiaries reached per USD billion invested in adaptation Mitigation: 58% and 348.6 $MtCO_2eq$ per USD billion invested in mitigation	**Project portfolio:** Adaptation: 49% and 158.6 million beneficiaries reached per USD billion invested in adaptation Mitigation: 51% and 317.6 $MtCO_2eq$ per USD billion invested in mitigation

[3] After 31 March 2022, this AE made their AMA effective bringing this total to zero.
[4] Decision B.27/06, para. (j): Reaffirms that allocation parameters should be determined in grant equivalents.

GCF-1 portfolio target: 50:50 balance of adaptation and mitigation funding over time, while seeking to deliver portfolio-level mitigation and adaptation outcomes exceeding IRM outcomes		
IRM outcomes as at 31 December 2019	**GCF-1 portfolio as at 31 March 2022**	**Portfolio as at 31 March 2022**
AE network: 91 AEs have experience in an adaptation results area, of which 17 are private sector entities 42 AEs have experience in an adaptation results area, and are accredited for medium or large size categories and to intermediate GCF funding through loans, equity and/or guarantees 90 AEs have experience in a mitigation results area, of which 20 are private sector entities	**AE network:** An additional 17 AEs have experience in an adaptation results area, of which 5 are private sector entities 7 AEs have experience in an adaptation results area, and are accredited for medium or large size categories and to intermediate GCF funding through loans, equity and/or guarantees An additional 19 AEs have experience in a mitigation results area, of which 7 are private sector entities	**AE network:** **108 AEs have experience in an adaptation results area, of which 22 are private sector entities** **49 AEs have experience in an adaptation results area**, and are accredited for **medium or large size categories** and to intermediate GCF funding through **loans, equity and/or guarantees** **113 AEs have experience in a mitigation results area, of which 27 are private sector entities**

Abbreviations: AE = accredited entity; GCF-1 = first replenishment period of the GCF; IRM = initial resource mobilization.

63. As of 31 March 2022, the split between adaptation and mitigation across the project portfolio is 49:51. This correlates to 159 million targeted beneficiaries per USD billion invested in adaptation and 318 $MtCO_2eq$ per USD billion invested in mitigation. A total of 108 AEs have experience with adaptation results areas, of which 22 are private sector entities. This is an increase over IRM of 19 per cent of AEs with adaptation results area experience and a 29 per cent increase in private sector entities. In terms of coverage across the GCF results areas, a total of 49 AEs currently have past project experience in one or more adaptation results areas and are able to deliver on programming at scale (through medium to large size projects and intermediation of GCF funding through loans, equity and/or guarantees). This includes 24 DAEs comprising 19 national DAEs (both public and private sector), and 5 regional DAEs. The numbers of entities with adaptation capabilities presents opportunities for the currently accredited AE network to address adaptation programming opportunities, with the subset number of AEs that can programme adaptation projects at scale using a range of financial instruments trending upward.

64. Table 5 presents data on the project portfolio as it relates to the minimum allocation floor of 50 per cent adaptation allocation for SIDS, the LDCs and African States. The portfolio has consistently maintained an above 50 per cent allocation to adaptation for the targeted regions. As of 31 March 2022, the network of AEs has also increased, including for DAEs, in the targeted regions. The number of DAEs in SIDS have increased by 15 per cent from IRM to GCF-1; similar increases have been seen for DAEs in the LDCs (35 per cent) and African States (28 per cent). The number of private sector DAEs has also increased by 40 per cent in African States and was maintained over the IRM to GCF-1 periods for those in LDCs. There are, however, no private sector DAEs in SIDS.

Table 5. Accredited entity network and progress against GCF-1 portfolio targets on the minimum adaptation allocation floor, as at 31 March 2022 (in grant equivalent terms)

GCF-1 portfolio target: Minimum allocation floor of 50% adaptation allocation for SIDS, LDCs and African States, while aiming to build on IRM outcomes		
IRM outcomes as at 31 December 2019	**GCF-1 portfolio as at 31 March 2022**	**Portfolio as at 31 March 2022**
Project portfolio: 69%	**Project portfolio:** 59%	**Project portfolio: 65%**
AE network: 13 DAEs that are based or have operations in SIDS (including 5 national DAEs and 8 regional DAEs), of which none are private sector entities 17 DAEs that are based or have operations in LDCs (including 10 national DAEs and 7 regional DAEs), of which 3 are private sector entities 18 DAEs that are based or have operations in African States (including 13 national DAEs and 5 regional DAEs), of which 5 are private sector entities	**AE network:** An additional 2 DAEs (both national) that are based or have operations in SIDS, of which neither are private sector entities An additional 5 DAEs that are based or have operations in LDCs (including 4 national DAEs and 1 regional DAE), of which 1 is a private sector entity 6 DAEs (all national) that are based or have operations in African States, of which 3 are private sector entities	**AE network:** **15 DAEs that are based or have operations in SIDS** (including 7 national DAEs and 8 regional DAEs), of which none are private sector entities **23 DAEs that are based or have operations in LDCs** (including 15 national DAEs and 8 regional DAEs), of which 3 are private sector entities **23 DAEs that are based or have operations in African States** (including 19 national DAEs and 4 regional DAEs), of which 7 are private sector entities[5]

Abbreviations: AE = accredited entity; DAE = direct access entity; GCF-1 = first replenishment period of the GCF; IAE = international access entity; IRM = initial resource mobilization; LDCs = least developed countries; SIDS = small island developing States.

65. Table 6 presents the amount of funding channelled through DAEs to support the GCF-1 portfolio target to significantly increase funding channelled through DAEs. The increase in funding has gone from 12 per cent for IRM outcomes to 23 per cent in the GCF-1 portfolio. Even more significant is the increase in the DAE network during GCF-1 to include NDBs and local financial institutions (LFIs), including private sector DAEs. There has been a 37 per cent increase in the number of DAEs that can work with loans, equity and/or guarantees, a 50 per cent increase in the number of private sector DAEs and a 32 per cent increase in the number of DAEs that are accredited for medium or large size projects/programmes.

[5] Acumen Fund, Inc. was originally accredited as a regional DAE in Africa in decision B.09/07, para. (b). The AE was re-accredited for its second term in decision B.31/06, para. (f), as an IAE. The number of regional DAEs and private sector DAEs in LDCs and African States has decreased by one.

Table 6. Accredited entity network and progress against GCF-1 portfolio targets on funding channelled through DAEs, as at 31 March 2022 (in grant equivalent terms) [6]

GCF-1 portfolio target: Significantly increase funding channelled through DAEs		
IRM outcomes as at 31 December 2019	**GCF-1 portfolio as at 31 March 2022**	**Portfolio as at 31 March 2022**
Project portfolio: 12%	**Project portfolio:** 23%	**Project portfolio: 17%**
AE network: 56 DAEs (including 43 national DAEs and 13 regional DAEs), of which 11 are private sector entities 22 DAEs (including 16 national DAEs and 6 regional DAEs), of which 8 are private sector entities, accredited for medium or large size projects/programmes 33 DAEs (including 27 national DAEs and 7 regional DAEs), of which 3 are private sector entities, accredited for micro or small size projects/programmes 19 DAEs that can on-lend 17 DAEs that can undertake equity investments 27 DAEs that can provide guarantees 17 DAEs that can award grants	**AE network:** 16 DAEs, (including 5 national DAEs and 1 regional DAEs), of which 5 are private sector entities 7 DAEs (all national DAEs), of which 4 are private sector entities, accredited for medium or large size projects/programmes 8 DAEs (including 7 national DAEs and 1 regional DAEs), of which 10 are private sector entities, accredited for micro or small size projects/programmes 11 DAEs that can on-lend 3 DAEs that can undertake equity investments 7 DAEs that can provide guarantees 2 DAEs that can award grants	**AE network:** **71 DAEs, (including 58 national DAEs and 13 regional DAEs), of which 15 are private sector entities** **29 DAEs** (including 23 national DAEs and 6 regional DAEs), of which **8 are private sector entities**, **accredited for medium or large size** projects/programmes 41 DAEs (including 7 national DAEs), of which 3 are private sector entities, accredited for micro or small size projects/programmes **37 DAEs that can on-lend** **20 DAEs that can undertake equity investments** **26 DAEs that can provide guarantees** 19 DAEs that can award grants

Abbreviations: AE = accredited entity; DAE = direct access entity; GCF-1 = first replenishment period of the GCF; IAE = international access entity; IRM = initial resource mobilization.

66. From table 7, the allocation to the Private Sector Facility (PSF) of the GCF has remained relatively stable at around 16 per cent of the project portfolio. There is, however, an upward trend towards accrediting more private sector entities with a 35 per cent increase in private sector AEs from IRM outcomes through GCF-1 and a 100 per cent increase in the number of PSF projects approved and an 83 per cent increase by volume (in grant equivalent terms). In addition to private sector entities, more entities that work with the private sector are being accredited (such as NDBs), and they are bringing private sector funding proposals.

[6] Decision B.27/06, para. (j): Reaffirms that allocation parameters should be determined in grant equivalents.

Table 7. Accredited entity network and progress against GCF-1 portfolio targets on the allocation to PSF as at 31 March 2022 (in grant equivalent terms)

GCF-1 portfolio target: Allocation to PSF exceeds 20%		
IRM outcomes as at 31 December 2019	**GCF-1 portfolio as at 31 March 2022**	**Portfolio as at 31 March 2022**
Project portfolio: 16% Including 23 funded activities for USD 1.75 billion nominal and 536.3 million GE	**Project portfolio:** 15% Including 16 funded activities for USD 1.662 billion nominal and 447.8 million GE	**Project portfolio:** 16% Including 39 funded activities for USD 3.412 billion nominal and 984.1 million GE
AE network: 20 private sector AEs, including 9 that are national DAEs and 3 regional DAEs 4 private sector AEs with 7 funded activities[7]	**AE network:** 7 private sector AEs, including 5 that are national DAEs and none are regional DAEs 6 private sector AEs with 8 funded activities[8]	**AE network:** 27 private sector AEs, including 14 that are national DAEs and 2 regional DAEs 7 private sector AEs with 15 funded activities[9]

Abbreviations: AE = accredited entity; DAE = direct access entity; GCF-1 = first replenishment period of the GCF; GE = grant equivalent terms; IRM = initial resource mobilization; LDCs = least developed countries; SIDS = small island developing States.

67. Building on the allocation to the private sector through PSF, the other related target is to significantly increase mobilized private finance at the portfolio level. During IRM, the ratio was 1:2.5 (co-financing only). This has improved during GCF-1 as at 31 March 2022 to 1:2.8 (GCF financing : co-financing). The ratio for the total portfolio as at 31 March 2022 is 1:2.7 (GCF financing : co-financing). However, the direct leveraging ratio is often multiplied by entrepreneurial equity and debt finance at the individual subproject level. For example, at B.21 the Board approved funding proposal 099, Climate Investor One (CIO), where GCF provided USD 100 million in reimbursable grants to catalyse over USD 720 million in co-financing for renewable energy projects. A case study on CIO carried out by Convergence highlighted that the GCF commitment enabled CIO to make its final close in terms of raising capital where every dollar of donor capital in the CIO structure was multiplied fourfold with commercial capital.[10]

68. The Secretariat is developing a methodology for better measuring mobilized private finance in line with the USP to galvanize private sector financing at scale, and will calculate mobilized private finance and start reporting to the Board thereafter. As the network of AEs grows with additions of private sector AEs (including DAEs and IAEs), as well as increases in the number of non-private sector AEs that can work with the private sector (such as through partnerships and in an executing entity capacity), the opportunities for mobilizing private finance should also increase. However, as reflected in the GCF project portfolio, both DAE and private sector AEs (including DAEs) are mostly engaged in mitigation projects, creating a potential trade-off between the GCF-1 programmatic targets for DAEs, adaptation and the private sector. Further analysis may be required to address this risk.

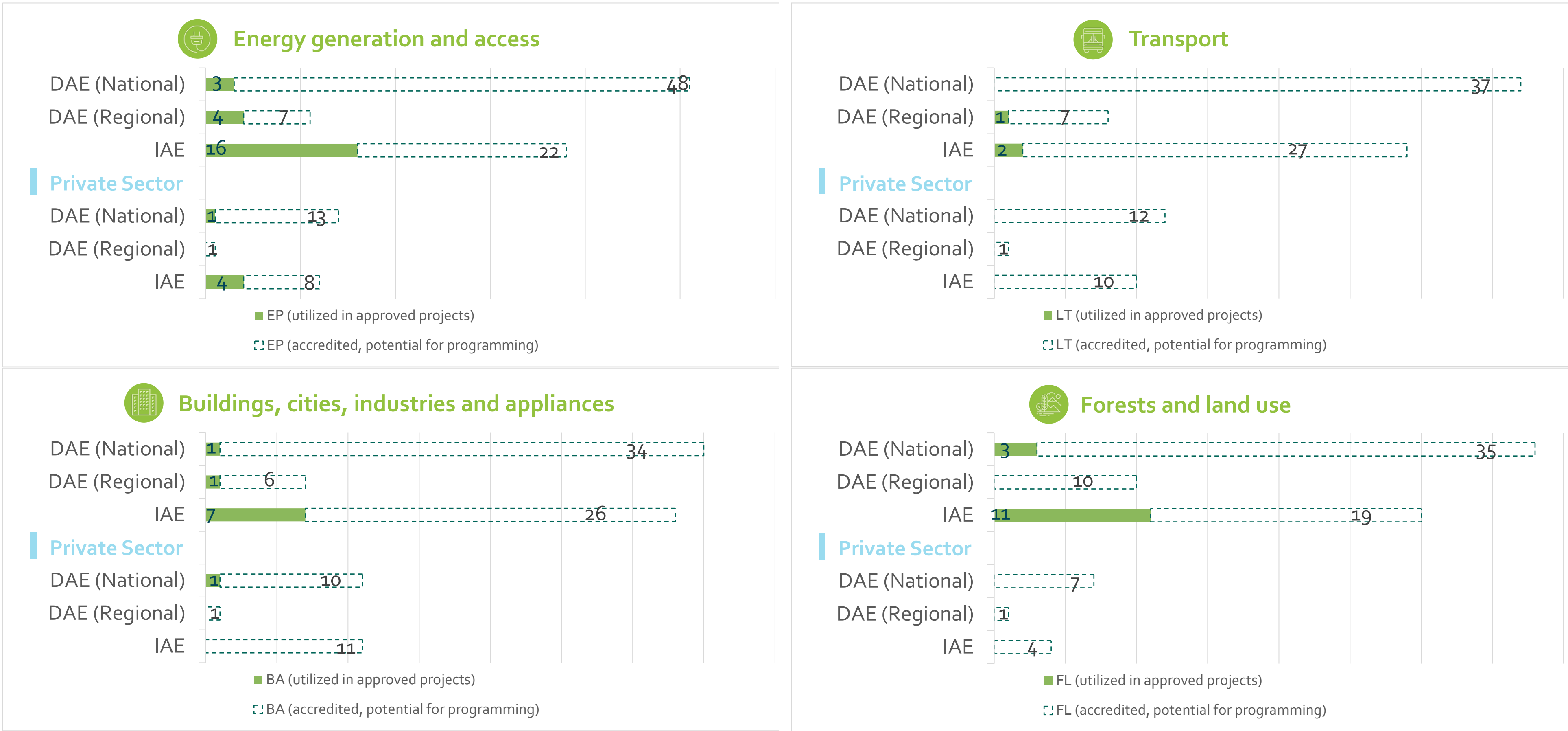
[7] Acumen FP005, FP078; XacBank FP028, FP046, SAP004; DB FP027; and MUFG FP115.
[8] Acumen FP148, CRDB FP179; NEFCO SAP013; XacBank FP153; PCA FP152, FP180, FP181; and MUFG FP128.
[9] Acumen FP005, FP078, FP148; CRDB FP179; DB FP027; NEFCO SAP013; XacBank FP028, FP046, SAP004, FP153; PCA FP152, FP180, FP181; and MUFG FP115, FP128.
[10] Convergence. 2021. *Case Study: Climate Investor One.*

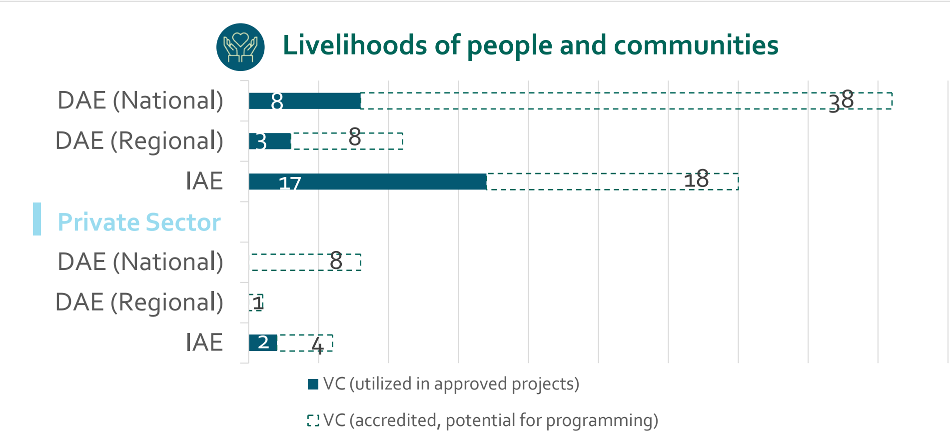
2.3 Accredited entity network coverage and project portfolio

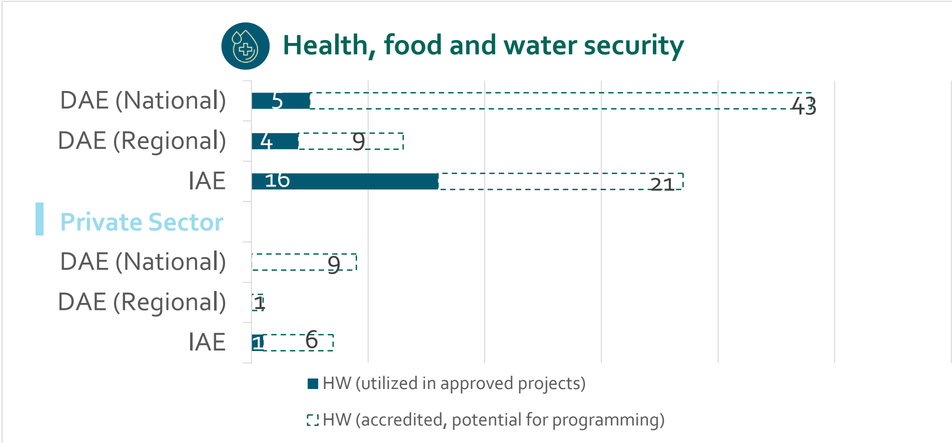
69. This section presents an analysis of the strengths and gaps in coverage of the AE network's capabilities through the lens of enabling the Fund to meet its GCF-1 portfolio targets.

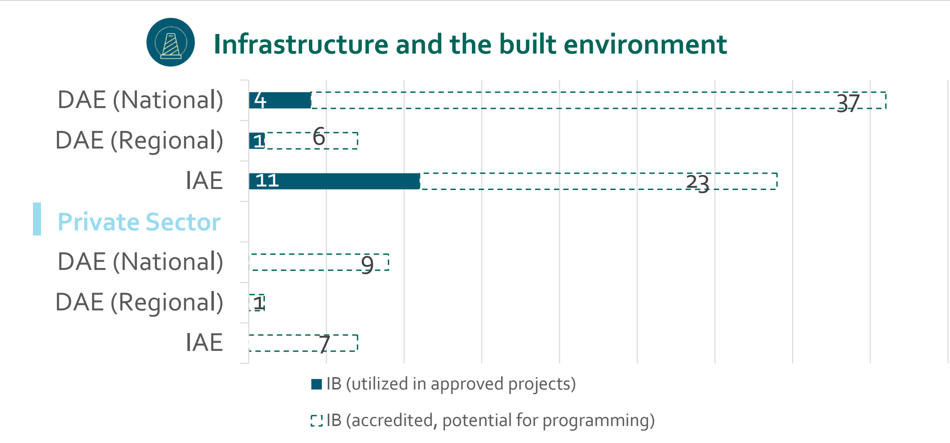
70. Figure 11 below shows the comparison between the AE network's experience in terms of past projects that cover sectors reflecting the eight GCF results areas, and the GCF portfolio. The figure details the number of AEs that have utilized their experience with the relevant results area in their approved GCF projects/programmes, the number of AEs that have an approved GCF project/programme that does not address the results area that the AE has past project experience in, and the number of AEs that have past project experience in the sectors covered by the relevant GCF results area, but has yet to submit and have a funding proposal approved for that results area.

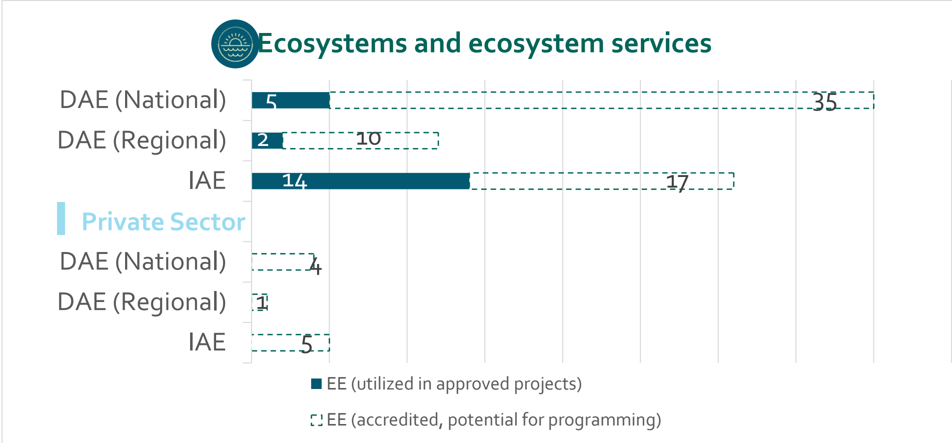
Figure 11. Comparison of accredited entities' past project experience and GCF project portfolio: coverage of GCF results areas, as at 31 March 2022











Abbreviations: BA = buildings, cities, industries and appliances, DAE = direct access entity, EE = ecosystems and ecosystem services, EP = energy generation and access, HW = health, food and water security, IAE = international access entity, IB = infrastructure and the built environment, LT = transport, VC = livelihoods of people and communities.

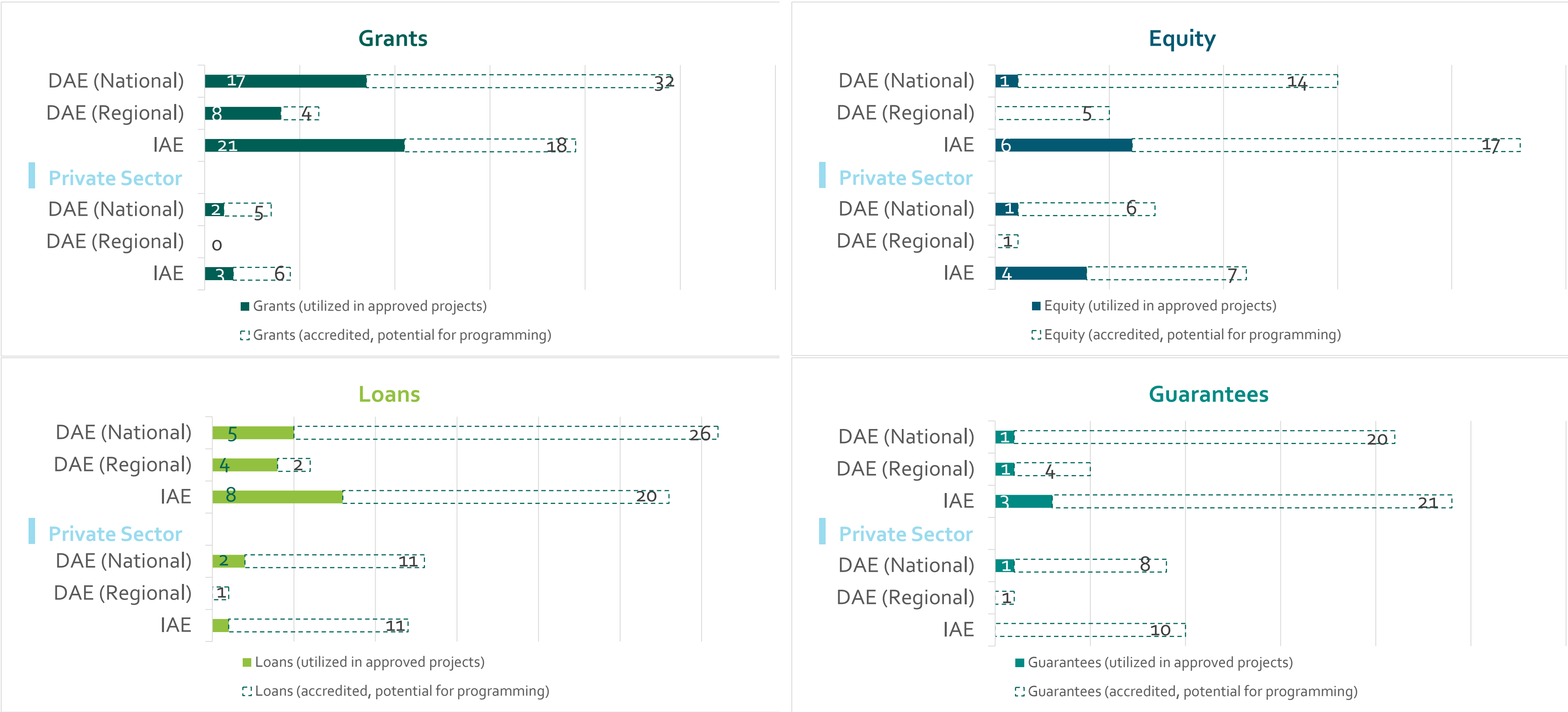
71. All results areas are reflected in the GCF project portfolio. Some results areas are triggered more often than others in funding proposals by AEs, including energy generation and access; livelihoods of people and communities; health, food and water security; infrastructure and the built environment; and ecosystems and ecosystem services. Yet, there remain programming gaps with respect to specific results areas, particularly at the more granular level when sectors and types of activities are considered.

72. In all results areas, there are opportunities to tap into the existing network of AEs that have past project experience in the relevant results areas. While the opportunities by results areas alone will not be a determining factor for a project/programme (noting that consideration of the AE's capabilities in terms of size category, financial instruments, E&S risk level, among others, are factors to be considered), the figures above demonstrate that there is an under-utilization of AEs across all access modalities, particularly national DAEs, with regard to funding proposals addressing each of the results areas.

73. There have also been more national DAEs accredited from the IRM to GCF-1 periods that can operate at scale with accreditation scopes for medium and large-size categories and for a variety of financial instruments (including loans, equity and guarantees) (particularly the NDBs and other LFIs such as commercial banks) that also have past project experience in the various results areas. Figure 12 below shows the comparison between the AE network's experience with the various GCF financial instruments. This includes the number of AEs that have utilized the relevant specialized fiduciary standard they are accredited for (i.e. project management, grant award and/or funding allocation mechanisms, and/or on-lending and blending for loans, equity and/or guarantees) in their approved projects/programmes, the number that have not utilized the various instruments in their portfolio, and those that have yet to submit and have a funding proposal approved that deploys such instruments.

74. Grants remain the primary financial instrument used across the GCF portfolio, with loans, equity and guarantees also used but to a lesser extent – particularly for the latter two. Nearly all AEs accredited to utilize grants through their accreditation for project management or awarding grants through competitive bidding mechanisms are deploying grants in their portfolios with GCF. While loans, equity and guarantees are deployed relatively less in the portfolio, figure 12 indicates that there are AEs – including national and regional DAEs and IAEs, as well as public and private sector entities – that are able to deploy the full range of GCF's financial instruments.

Figure 12. Comparison of accredited entity capacity through its accreditation scope and GCF project portfolio: coverage of GCF financial instruments, as at 31 March 2022



ABBREVIATIONS: DAE = DIRECT ACCESS ENTITY, IAE = INTERNATIONAL ACCESS ENTITY.

III. Initial findings and further considerations

75. In the process of analysing the AE portfolio as at 31 March 2022, the need for further analysis has emerged in order to inform an accreditation strategy. Due to the limited time between decision B.31/06 mandating this analysis and presentation at B.32, further analysis of the AE portfolio will be presented for B.33 to expand on the aforementioned areas of this analysis. The initial findings and further areas for consideration include:

76. **The GCF AE network has evolved to include a diverse set of partners with capabilities to programme across any of the financing sizes, financial instruments, E&S risk levels and sectors that GCF offers, *yet there are programming gaps*.** The current analysis demonstrates that the GCF AE network provides developing countries with a range of national, regional and international, public and private entities that have the theoretical capacity to deliver on any type of project/programme across the GCF results areas using a range of financial instruments covering grants, loans, equity and guarantees, of all project/programme sizes, and at any E&S risk level. However, there are opportunities to further address the GCF-1 programming targets on increasing channelling of financing through DAEs (including through the RFP for EDA, MSME and MFS), increasing adaptation financing and increasing private sector programming (including through the RFPs for MSME and MFS). Without clear direction as to the programming direction and therefore the AE attributes needed to meet GCF's strategic objectives, gaps in the project portfolio and pipeline, as well as gaps in the AE skill sets and capabilities to deliver programming, may continue with an under-utilization of the existing AE network.

77. At the same time, there is an opportunity to expand the AE network with DAEs (including private sector) that can programme adaptation projects/programmes of a medium or large size and using equity and guarantees beyond the few entities already accredited, noting that both DAE and private sector AEs (including DAEs) in the current network are mostly engaged in mitigation projects/programmes. Public development banks can play a critical role to align finance with sustainable development and foster the widespread adoption of new climate solutions in developing countries. However, only 58 NDBs in developing countries are accessing international capital markets to capitalize their operations. Developing the capacities, systems and standards of NDBs to undertake larger programming sizes and higher E&S risk projects would also strengthen their capacity to access capital markets.

78. **There are opportunities to align AEs' capacities with GCF's expectations to deliver on programming, aiming to improve the AE : project ratio and in doing so, incentivize investment to build institutional capacity.** The current GCF project portfolio of 192 projects totalling USD 10.2 billion in commitments and a total value of USD 37.3 billion is being delivered by 42 per cent of the AE network. With an average of 1 project of approximately USD 50 million per AE every five-year accreditation term based on the current programming and accreditation rates, there are limited incentives for AEs to invest in dedicated capacity to meet GCF's requirements at both the institutional and project levels. This, along with the absence of strengthened programming guidance, could lead to uneven quality of funding proposals and lack of alignment with GCF's objectives at pipeline entry and/or programming gaps. Providing programming directions and guidance could clarify which AE skill sets and capacities out of the existing diverse AE network are needed to deliver on such programming, as well as which skill sets and capacities may be further strengthened to support AEs in their programme delivery. For example, with the accreditation framework as currently structured focusing on safeguarding projects from financial, ESS and gender risks and impacts, there may be considerations as to whether climate project preparation capacity is specifically assessed during the accreditation and re-accreditation processes, noting that while indicative programming is

sought during accreditation, there is no requirement for applicants to submit concept notes or funding proposals alongside the application.

79. There are trade-offs in terms of time between using accreditation and re-accreditation to achieve institutional transformation and capacity-building, and the readiness of AEs to programme climate finance. The increase in AE capacities in the long run not only prepares them for accessing GCF but also prepares entities for accessing other sources of climate finance. Such long-term investment may require time to strengthen capacities, and this time is reflected either upfront during the accreditation process itself or once an AE is accredited leading to a longer lead-up time to funding proposal development and programming. However, with built capacity combined with clear directions on intended country-driven programming, the risk of projects not achieving their desired outcomes will be reduced and the long-term achievement of having a global network capable of programming climate finance at scale is a transformational shift.

80. In comparison with institutional accreditation, the structure of PSAA requiring a single funding proposal with the partnership application and combining the assessments of both aspects to jointly consider the entity's capacity fitted to the proposed project/programme is expected to yield a higher entity to project ratio.

81. **GCF must adapt its capacity to support the evolving AE network.** The capacity of GCF – specifically the Secretariat, the independent AP and the Board – needs to be commensurate to the challenge involved with processing more re-accreditation and accreditation applications and supporting the AEs, particularly the DAEs from inception to final evaluation of projects/programmes. It is also critical to ensure that the capacity is there to process the pipeline of AEs seeking re-accreditation, which is expected to be approximately 20 AEs in 2022 and grow to an average of 30 AEs per year seeking re-accreditation starting in 2023 and onward – against a current capacity for GCF to process 15 AEs (including re-accrediting existing AEs, upgrading existing AEs and new entities) to approval per year. Post-approval, sufficient GCF capacity is needed to complete legal arrangements in order for AEs to programme with GCF, and to on-board and support AEs throughout the partnership. While the updates to the accreditation framework adopted in decision B.31/06 have addressed the need to streamline the accreditation process and to establish a new and complementary modality for short-term, single interventions through the PSAA, they do not address the aforementioned findings on programming directions and evolving the AE network accordingly. The growing pipeline of re-accreditation and new accreditation applicants in the absence of such directions, coupled with the need to review all applications received despite limitations in capacity to process applications, only exacerbates the continued lengthening of processing times. This further creates reputational risks for GCF in being perceived as non-partner-oriented, cumbersome, and taking too long – risking GCF not being considered as the partner of choice for climate finance and action.

82. With clear programming directions (such as through strengthening programmatic guidance, systems and tools) and investment in the capacity of AE partners to meet GCF's standards at both the institutional and project levels, the AE network may be better aligned with and deliver upon GCF's evolving programming directions and priorities in order to achieve GCF's mandate and objectives.

Annex VIII: Summary of GCF core guidance received from the twenty-sixth session of the Conference of the Parties to the UNFCCC and the third session of the Conference of the Parties serving as the meeting of the Parties to the Paris Agreement and proposals on how it will be addressed by the Board and Secretariat

Table 1: Summary of GCF core guidance received from the twenty-sixth session of the Conference of the Parties to the UNFCCC and the third session of the Conference of the Parties serving as the meeting of the Parties to the Paris Agreement and proposals on how it will be addressed by the Board and Secretariat

Relevant Guidance	2022 Work Plan and proposed actions by Board / Secretariat
UNFCCC decision 6/CP.26: Report of the Green Climate Fund to the Conference of the Parties and guidance to the Green Climate Fund	
1. Welcomes the reports of the Green Climate Fund to the Conference of the Parties at its twenty-sixth session, including the list of actions taken by the Board of the Green Climate Fund (hereinafter referred to as the Board) in response to guidance received from the Conference of the Parties;	No additional action required from the Board.
2. Also welcomes the continued efforts of the Green Climate Fund to make a significant and ambitious contribution to the global effort to meet the goals set by the international community in relation to combating climate change;	No additional action required from the Board.
3. Further welcomes the progress of the Green Climate Fund in 2020–2021, including in relation to guidance provided by the Conference of the Parties: *(a) The increase in the number of funding proposals approved, which brings the total amount approved by the Board to USD 10 billion to support implementation of 190 adaptation and mitigation projects and programmes in 127 developing countries;* *(b) The increase in the number of entities accredited by the Board, which brings the total number of accredited entities to 112, of which 72 are direct access entities;* *(c) The approval of its Updated Strategic Plan for 2020–2023,2 Integrated Results Management Framework and a results tracking tool;*	No additional action required from the Board.

(d) The revision of its environmental and social policy to reaffirm its commitment to preventing sexual exploitation, sexual abuse and sexual harassment; administrative remedies and exclusions policy; and guidelines to facilitate consideration by the Board of Independent Redress Mechanism reports on requests for reconsideration, grievances and complaints; *(e) The approval of its evaluation policy;* *(f) The continued collaboration between the Green Climate Fund, the Climate Technology Centre and Network and the Technology Executive Committee;* *(g) The collaboration between the Green Climate Fund, the Adaptation Committee and the Least Developed Countries Expert Group.*	
*4. Welcomes the long-term vision on complementarity, coherence and collaboration between the Green Climate Fund and the Global Environment Facility **and requests** the Board to enhance coherence and complementarity with other climate finance delivery channels with a view to enhancing the impact and effectiveness of its work;*	1. The Secretariat to continue activities in line with decision B.13/12 and the operational framework on complementarity and coherence and the actions with respect to scaling up and joint work between the multilateral climate funds as well as on enhancing coherence and complementarity with other climate finance delivery channels and provide regular update to the Board in the report on the activities of the Secretariat
***5. Encourages** further collaboration and engagement between the Green Climate Fund, the Climate Technology Centre and Network and the Technology Executive Committee, through continued joint work, as well as collaboration on events, and taking into consideration elements related to gender mainstreaming and observer engagement;*	1. GCF Secretariat to continue engaging with CTCN and TEC in accordance with decisions B.13/11, B.14/02, and B.18/03 and previous and present guidance with view to promote technology innovation, incubation, acceleration, growth, transfer, deployment, and gender mainstreaming. The Secretariat to discuss with CTCN options of enhancing quality of readiness proposals and their linkage with technology aspects in CNs and FPs and to continue to liaise with TEC on developments of incubators and accelerators.
***6. Reiterates the request** to the Board to continue efforts to maintain the balance in the allocation of resources between adaptation and mitigation;*	1. Secretariat to continue to monitor actively the portfolio composition in view of achieving the balance between adaptation and mitigation projects.
***7. Encourages** the Board to further clarify the role of data and information from, inter alia, the Intergovernmental Panel on Climate Change, and traditional, local and indigenous knowledge and practices in the assessment of concept notes, project preparation funding applications and funding proposals;*	2. Board to clarify in a crosscutting manner the application of from, inter alia, the IPCC, and traditional, local and indigenous knowledge and practices in the assessment of concept notes, project preparation funding applications and funding proposals; and to provide this clarification, with the support of the Secretariat, in the consideration of relevant policies as part of its work plan

***8. Also encourages** the Board to strengthen country ownership and regional management by proactively engaging national designated authorities in all aspects of the project and programme cycle;*	1. The Board to update relevant policies as needed and notably, the readiness program.
***9. Takes note** of the exceptional circumstances of the coronavirus disease 2019 pandemic and its significant impact on the implementation of the Board's updated four-year workplan, recognizes the Board's efforts during that period and **encourages** the Board to continue to improve the efficiency and effectiveness of its work;*	1. The Board to continue prioritizing relevant items through its updated Board Work Plan.
***10. Takes note** of the continued efforts of the Board to provide financial resources for activities relevant to averting, minimizing and addressing loss and damage in developing country Parties consistent with the existing investment results framework and funding windows and structures of the Green Climate Fund, including through the Project Preparation Facility and the Readiness and Preparatory Support Programme;*	1. Consistent with previous guidance, continue to provide GCF support, including via PPF, Readiness Programme, and funding proposals, and provide information on support for activities relevant to averting, minimizing and addressing loss and damage reported in the eleventh report to COP, including with respect to relevant IRMF indicators. 2. Secretariat to continue to engage with WIM and ExCom in line with decision B.13/11 and previous COP guidance.
***11. Notes** the significant number of remaining policy gaps, including updating the accreditation framework including approving the project-specific assessment approach, updating the simplified approval process, approving the policy on programmatic approaches, completing policies related to the investment framework, and addressing matters related to the Private Sector Facility and strategy, as well as outstanding matters from the rules of procedure of the Board, and **urges** the Board to prioritize closing the policy gaps as a matter of urgency and to explore diversifying its selection of financial instruments for addressing climate risk including parametric insurance for climatic events;*	1. The Co-Chairs, with the support of the Secretariat, to include an overview of progress on the Updated four-year work plan of the Board in the 11th report to the UNFCCC Conference of the Parties
***12. Takes note** of the engagement of the President of the Conference of the Parties on the matter of granting privileges and immunities for the Green Climate Fund and its officials and invites the Board to continue efforts to ensure that the Fund enjoys privileges and immunities as are necessary;*	1. The Board to continue to discuss the matter, taking into account, inter alia, the previous guidance from COP25 and information provided by the Secretariat. 2. The Secretariat to continue to advance bilateral P&Is agreements and report to the Board and the COP on the progress.
***13. Urges** the Board to finalize in a timely manner its work related to the guidance and arrangements of the Conference of the Parties on financing for forests and alternative approaches as mandated by decision 7/CP.21, paragraphs 23–25;*	1. The Secretariat to prepare an information paper for outlining current approach on financing for forests and alternative approaches.

14. Encourages *the Board to continue the integration of gender considerations into its activities, including through its gender policy and by promoting gender balance across the structures of the Fund;*	The Board and the Secretariat to: 1. Continue to integrate gender considerations into activities of the Fund in line with the "Updated Gender Policy and Gender Action Plan 2020–2023".
15. Invites *the Board to consider ways of improving access to the Fund for local non-governmental and private sector organizations;*	1. The Board will consider options for improving access to the Fund for local non-governmental and private sector organizations under the Accreditation Strategy
16. Also invites *Parties to submit to the secretariat views and recommendations on elements of guidance for the Green Climate Fund via the submission portal[138] no later than 10 weeks prior to the twenty-seventh session of the Conference of the Parties (November 2022);*	No additional action required from the Board.
17. Requests *the Standing Committee on Finance to take into consideration the submissions referred to in paragraph 16 above when preparing its draft guidance for the Green Climate Fund for consideration by the Conference of the Parties at its twenty-seventh session and the Conference of the Parties serving as the meeting of the Parties to the Paris Agreement at its fourth session (November 2022);*	No additional action required from the Board.
18. Also requests *the Board of the Green Climate Fund to include in its annual report to the Conference of the Parties information on the steps it has taken to implement the guidance provided in this decision;*	1. As done in previous annual reports, the GCF Board, with the assistance of the Secretariat, will continue reporting steps taken to implement guidance provided by the COP.
19. Takes note *of decision 11/CMA.3 and* ***decides*** *to transmit to the Green Climate Fund the guidance from the Conference of the Parties serving as the meeting of the Parties to the Paris Agreement contained in paragraphs 2–8 of that decision.*	No additional action required from the Board.
Additional items from decision 11/CMA.3 Guidance to the Green Climate Fund	
5. Welcomes *the Updated Strategic Plan for the Green Climate Fund for 2020–2023, which is aimed at, inter alia, supporting the Board in guiding and enabling Green Climate Fund programming to promote paradigm shift across both high-impact areas of mitigation potential and countries' adaptation and resilience needs, including by*	1. The Board to include in its 11th report to COP information on portfolio-level results, including on support provided for activities related to a wider alignment of financial flows with countries' climate plans and strategies.

supporting a wider alignment of financial flows with countries' climate plans and strategies consistent with a pathway towards low-emission and climate-resilient development;	
***6. Requests** the Board to continue to enhance support for mitigation proposals, in line with the governing instrument and investment framework, that support countries in contributing to holding the increase in the global average temperature to well below 2 °C above pre-industrial levels and pursuing efforts to limit the temperature increase to 1.5 °C above pre-industrial levels;*	1. The Board to continue to provide support to mitigation in line with the investment framework and the GCF-1 targets, and report on amount of funding approved for mitigation proposals in its 11th report to COP.
***8. Requests** the Board to continue to enhance support for the implementation of adaptation projects and programmes, in line with the governing instrument, informed by national adaptation plans and other voluntary adaptation planning processes, and adaptation communications, including those submitted as components of nationally determined contributions, as applicable, with a view to contributing to the global goal on adaptation to enhance adaptive capacity, strengthen resilience and reduce vulnerability to climate change, and in line with the guiding principles and factors for determining terms of financial instruments.*	1. To continue to provide support to adaptation in line with the investment framework and the GCF-1 targets, and report on amount of funding approved for adaptation proposals in its 11th report to COP.

Annex IX: General guidelines for the operation of Board committees[1]

I. Objective and scope

1. The Governing Instrument of the GCF (the "Governing Instrument"), paragraph 18 (g), provides that the Board will establish subcommittees, panels and define their terms of reference, as appropriate.

2. Pursuant to paragraphs 30 and 31 of the Rules of Procedure of the Board (the "Rules of Procedure"), the Board of the Green Climate Fund establishes committees, panels and groups of the Board as may be required for the conduct of business. Committees shall assist the Board in its decision-making and shall exercise any delegated authority under the overall authority and direction of the Board, which may revoke such delegated authority under the same procedures in place for the original delegation of authority.

3. Pursuant to paragraph 1 of the Rules of Procedure, except as decided otherwise by the Board, the Rules of Procedure apply mutatis mutandis to committees and subcommittees, panels and working groups established by the Board.

4. The purpose of these guidelines is to elaborate the general guidelines to guide the conduct of business of Board committees and subcommittees.

5. These guidelines will not apply to ad hoc committees established by the Board.

II. Guidelines for the operation of Board committees

2.1 Membership

6. Committees will comprise Board members and alternate members (Committee members), in accordance with paragraph 30 of the Rules of Procedure of the Board.

7. Committees will consist of an even number of Committee members from developing countries and developed countries, with a minimum of four and a maximum of six committee members.

8. Committee members will be appointed by the Board, with due consideration given to gender balance, in line with paragraph 11 of the Governing Instrument. If a Board member or an Alternate Board member who is a committee member is replaced on the Board, that replacement will also be applicable in committees to the extent that the replacement to the Board seat is notified pursuant to paragraph 5 of the Rules of Procedure, and unless the notification provided pursuant to paragraph 6 of the Rules of Procedure specifies otherwise.

9. Committee membership term will be for three years, aligned with the term of Board membership.

10. If a committee member is unable to carry out her or his functions, or ceases to be a committee member, a new committee member will be appointed by the Board for the remainder of the original committee member's term.

[1] The Rules of Procedure of the Board apply to the operation of committees of the Board in accordance with paragraph 1 of the Rules of Procedure. In the event of any conflict between these Guidelines and the Rules of Procedure, the Rules of Procedure will prevail.

2.2 Chairing arrangements

11. Each committee will elect a Chair from amongst its members.

12. Committee Chairs will serve for a term of 18 months.

13. The Chairmanship of a Committee shall alternate between Developed and Developing country members. Due consideration should be given to gender and regional balance among Committee Chairs.

14. Committee Chairs will convene, set agendas for, and facilitate committee meetings with the support of the Secretariat and in accordance with the terms of reference of each Committee as well as additional mandates provided by the Board, and report back to the Board on behalf of the Committee.

15. If the Chair is not able to carry out her or his functions or ceases to be a committee member before their term is complete, a new Chair will be elected by the Committee, from amongst the Committee members, for the remainder of the term.

2.3 Accountability

16. Committees operate under the overall authority and direction of the Board.

17. Committees shall at each meeting report to the Board on their activities including on the status of implementation of their workplans and on Board mandates to the committees within timelines specified in the respective committees' annual workplans.

18. The Board may in its guidance to Committees delegate authority to committees, in accordance with paragraph 31 of the Rules of Procedure.

2.4 Terms of reference

19. The Board adopts terms of reference of each committee. Committees should review their Terms of reference at least every 4 years, with any updates or revisions submitted to the Board for approval, upon adoption of the four-year Board workplan at the start of a programming cycle.

20. The Board, in adopting Committee terms of reference shall specify whether the committee is a standing committee or an ad hoc committee.

21. In addition to the mandates specified in the terms of each Committee, Committees may be mandated by the Board to perform specific functions to support the Board in its decision-making.

2.5 Operating procedure

22. Committees will present their workplans to the Board at the first Board meeting of each year. The workplans shall derive from the four-year Board workplan and GCF Strategic Plan, as well as Committees' Terms of Reference and mandates given by the Board. These workplans will be updated on a rolling basis and will include timelines for the development of those items, in order to ensure that the Board can consider them in due time, as scheduled in the four-year Board workplan.

23. In the event that the Committee is unable to reach consensus on a decision, the Committee Chair shall report this to the next meeting of the Board.

24. Committees will convene their meetings as determined by the Committee led by the committee Chair with the support of the Secretariat. Meetings shall be held regularly, at least once between each Board meetings.

25. A two-thirds majority of Committee members must be present at a Committee meeting to constitute a quorum. Committee can take decisions, including to elect a new Chair provided there is quorum. The existence of a quorum will be verified by the Committee Chair at the beginning of the meeting.

26. Committee chairs will at the end of each meeting recap verbally the summary of decisions reached during the meeting to be recorded by the Secretariat and later circulated to the Committee as part of the meeting report.

27. Committee Chairs may request, in consultation with other committee members, assistance and/or advice from experts or other third parties in the performance of their functions, in accordance with the relevant rules and procedures of the Fund.

28. Unless otherwise decided by the Board or specified in the committee's terms of reference, attendance at committee meetings will be limited to committee members, up to two advisers per committee member, essential Secretariat staff and, upon invitation by the committee Chair and on a case-by-case basis, members of the Independent Units, or other stakeholders. The Committee shall where matters are of a confidential nature have the ability to restrict the category of persons above from attendance at its meeting or for that specific agenda item.

29. A committee member who is unable to participate in committee meetings more than two times consecutively will cease to be a Committee member.

2.6 Role of the Secretariat

30. The Secretariat will coordinate and support the work of committees, as needed, including drafting and submission of documents for consideration by committees, in coordination with the relevant Independent Units where appropriate.

31. The Secretariat will appoint one qualified officer per committee as Secretariat focal point for that committee.

32. The Secretariat's committee focal point will provide secretarial assistance and support to the work of the committee, attend its meetings and assist the Chair in preparing, facilitating and coordinating the committee's work and meetings. The Focal Point will be responsible for providing Committee members with proposed meeting dates and times at least 3 weeks prior to the Committee meeting and distribute documents to be discussed at least 5 business days prior to the Committee meeting. Exceptions can be allowed for urgent matters.

33. The focal point will be subject to the guidance of the relevant Committee Chair and will be responsive to the tasks assigned to her/him by the committee.

34. The focal point will be responsible for producing written reports of committee meetings to be approved by the Committee members. Report of committee proceedings will include, at a minimum: list of participants, agenda of the meeting, meeting minutes including the decisions reached before the meeting, and the date of next meeting.

III. Implementation arrangements

35. These guidelines will come into effect upon adoption by the Board.

36. The Secretariat will support the Committees to implement these guidelines in their conduct. This will include the developments of reporting templates for committee meetings and committee reports to Board meetings, the development of committee workplans aligned to the four-year Board workplan.

37. To ensure transparency, an overview of the committee structure and committee membership as well as Secretariat focal points will be made available on the GCF website and updated regularly.

IV. Monitoring and review

38. These guidelines shall be reviewed following a decision by the Board to do so. Such a decision may be prompted following related policy reviews in the Board workplan.

Annex X: Guidelines to determine in which cases decisions without a Board meeting may be requested

1. Decisions without a Board meeting may occur on an extraordinary basis when in the judgment of both Co-Chairs a decision must be taken by the Board and not postponed to the next meeting of the Board. Subject to paragraphs 41–44 of the Rule of Procedure of the Board, the Secretariat, with the approval of the Co-Chairs, may transmit a decision for approval without a Board meeting in the following cases:

(a) The appointment of Board members and/or alternate members to seats on committees, panels and groups established by the Board;

(b) The appointment of external members to seats on panels and groups established by the Board;

(c) The accreditation of observer organizations;

(d) Matters relating to the policy on restructuring and cancellation, including where a decision is required to prevent undue delay in the commencement or continuation of the implementation of the relevant funded activity;

(e) Pursuant to a Board decision which expressly envisages that a specific matter may be issued for a decision without a Board meeting; and

(f) Such other matters, on an extraordinary basis, which in the judgement of the Co-Chairs should not be postponed to the next meeting of the Board.

Annex XI: Guidance in respect of the implementation of paragraph 43 of the Rules of Procedure of the Board and other related matters

1. In accordance with paragraph 41 of the Rules of Procedure of the Board ("RoP"), the Secretariat, with the approval of the Co-Chairs, shall transmit to Board members and alternate members a proposed decision with the invitation to approve the decision on a non-objection basis, within a prescribed period (generally 21 days but in urgent cases no less than one week).

2. In accordance with paragraph 43 of the RoP, at the expiration of the period prescribed for replies, the decision will be deemed approved unless there is an objection. If an objection has been received, the Co-Chairs will work through the objection with the Board member directly. If the objecting Board member upholds his/her objection following discussion with the Co-Chairs, the proposed decision will be considered by the Board at the following meeting. The Secretariat shall circulate all written comments and objections to Board members and alternate members and notify all the Board members and alternate members of the action taken pursuant to this paragraph.

I. Identifying "objections"

3. Decisions without a Board meeting are approved on a non-objection basis. Board members have two options when responding to a proposed decision within the period prescribed for replies:

(a) To raise an objection; or

(b) To request clarification.

4. The Secretariat shall not consider as an 'objection' any communication from a Board member in connection with a proposed decision unless it is clearly marked as an 'objection'.

5. In case of a request for clarification, the Secretariat, in consultation with the Co-Chairs where applicable, shall develop and provide a response, which shall be provided to all Board and Alternate Members. However, if the request for clarification cannot be addressed to the satisfaction of the Board member before the end of the period prescribed for replies, the Board Member should clearly inform the Secretariat if said request shall be treated as an objection; otherwise, the request shall not be considered as an objection.

II. "Working through" an objection with the Board member "directly"

6. The Co-Chairs will work through the objection(s) with the relevant Board member(s). This may include, discussions with the Board member(s) to allow:

(a) The Board member(s) to elaborate their concerns with the proposed decision; and/or

(b) The Co-Chairs to clarify the purpose of the proposed decision, and, as appropriate, address any concerns, misapprehensions and/or misunderstandings.

7. The Co-Chairs may work through the objection with the Board member(s), or they may authorise the Secretariat to do so on their behalf and in accordance with their guidance.

8. After the Co-Chairs have concluded their discussions as part of working through the objections with the Board member(s) concerned, and irrespective of whether the working

through process has been concluded before or after the end of the prescribed period, the following scenarios may arise:

(a) The Board member(s) lift(s) their objection(s), in which case the proposed decision shall be deemed approved on the later of (i) the end of the period prescribed for replies, and (ii) the date on which the objection(s) is/are lifted, subject to the exceptions in paragraph 12 below in respect of objections which are lifted after the end of the period prescribed for replies;

(b) The Board member(s) uphold(s) their objection(s), in which case the proposed decision will be considered by the Board at its next meeting; or

(c) The Board member(s) suggest(s) amendment(s) to the proposed decision, in which case the Co-Chairs may decide that the suggested amendments merit discussion in a Board meeting, in which case the objection shall be deemed upheld and the proposed decision will be considered by the Board at its following meeting.

9. It shall be for the Co-Chairs, acting jointly and in good faith, to determine when an objection has been worked through and/or when no further consultations would result in the objection being lifted.

10. Decisions proposed for a decision without a Board meeting shall not be considered approved during the period in which the Co-Chairs are working through the objection with the Board member(s) concerned, even if such period extends beyond the expiry of the prescribed period.

11. The Co-Chairs will provide a written report to the Board detailing their discussions with the objecting Board member(s). The Secretariat shall circulate all written comments and objections to Board members and alternate members and notify all the Board members and alternate members of the action taken as outlined in the Co-Chairs written report.

III. Consequence of lifting an objection after the prescribed period

12. If an objection is lifted after the prescribed period has expired (and no other objections remain in place), then the relevant decision proposed for approval shall be deemed approved unless:

(a) The relevant Board member lifted the objection on the basis that a new decision which addresses or resolves the original objection will be proposed by the Co-Chairs to the Board, in accordance with paragraph 41 of the Rules of Procedure, in which case, such new decision shall be proposed promptly for approval; or

(b) The originally proposed decision, if approved on the date on which the objection is lifted, would

  (i) Adversely affect third parties in a way which it would not have done had it been approved at the end of the prescribed period for replies;

  (ii) No longer be appropriate in light of facts which have come to light, or events which have occurred, in the period between the expiration of the prescribed period for replies and the date on which the objection is lifted; or

  (iii) Reinstate or otherwise reapprove a funding approval which by such date has lapsed.

13. If any of paragraphs 12(b)(i) to 12(b)(iii) above apply, the Co-Chairs shall determine, taking into account all relevant facts and circumstances, whether a new decision should be

issued for approval without a Board meeting, or whether the matter should be addressed at the following Board meeting.

IV. Active observers and transparency

14. Decisions proposed for approval without a Board meeting shall be provided to the active observers for their information unless otherwise provided by the Board and be published on the GCF website, subject to the Information Disclosure Policy (IDP), at the same time that they are transmitted to the Board.

15. If a decision without a Board meeting is proposed by the Co-Chairs on a limited distribution basis, the provisions of the IDP shall apply.

16. The document on the matter of decisions proposed without a Board meeting for consideration at the next Board meeting will include the comments, clarifications and objections received, in accordance with the IDP.

17. In accordance with paragraph 44 of the Rules of Procedure, decisions approved in-between meetings shall be recorded in the report of the following Board meeting.

Annex XII: Decisions taken between the thirty-first and thirty-second meetings of the Board

DECISION B.BM-2022/04 on the performance evaluation and performance-related pay for Board-appointed officials.

Annex XIII: Members and alternate members of the Board of the Green Climate Fund as at 30 May 2022

Members	Alternate members	Constituency/Regional group
Mr. Tlou Emmanuel Ramaru (South Africa) Policy Analyst Department of Environmental Affairs and Tourism	Ms. Pacifica F. OGOLA (Kenya) Secretary, Climate Change Directorate Ministry of Environment and Forestry	Developing country Parties from the African States
Mr. Tanguy Guillaume Gahouma-Bakale (Gabon) Permanent Secretary National Climate Council	Mr. Hussein Alfa NAFO (Mali) Coordinator Africa Adaption Initiative	
Mr. Wael Ahmed Kamal Aboul Magd (Egypt) Ambassador Ministry of Foreign Affairs	Mr. Antwi BOASIAKO AMOAH (Ghana) Deputy director , Climate change adaptation and vulnerability Environmental Protection Agency	
Ms. Ren Yan (China) Deputy Director Ministry of Finance	Ms. Kyunghee KIM (Republic of Korea) Director General Ministry of Economy and Finance	Developing country Parties from the Asia-Pacific States
Mr. Nauman Bashir Bhatti (Pakistan) Director Ministry of Foreign Affairs	Mr. Ahmad RAJABI (Iran (Islamic Republic of)) Director Ministry of Foreign Affairs	
Mr. Albara TAWFIQ (Saudi Arabia) Policy Advisor Ministry of Energy	Ms. Paola Sherina A. ALVAREZ (Philippines) Assistant Secretary Department of Finance	
Mr. Karma Tshering (Bhutan) Chief, Policy and Planning Division Ministry of Agriculture and Forests	Ms. Isatou F CAMARA (Gambia) Deputy Director, Directorate of Development Planning Ministry of Finance	Developing country Parties from least developed country Parties
Ms. Nadia Spencer-Henry (Antigua and Barbuda) Debt Manager Ministry of Finance and Cooperate Governance	Mr. Teuea TOATU (Kiribati) Vice President & Minister for Finance and Economic Development	Developing country Parties from small island developing States

Ms. Ornela Çuçi (Albania) Deputy Minister Ministry of Tourism and Environment	Mr. Prelish LAL (Fiji) Climate Finance Officer Ministry of Economy	Developing country Parties not included in the regional groups and constituencies above
Ms. Marta Mulas Alcántara (Spain) Senior Advisor Spanish Vice-Presidency and Ministry for Economy and Digitalization	Ms. Fiona RALPH (Ireland) Head of International Climate Finance Unit Finance Ministry	Developed country Parties, Spain, Ireland, and New Zealand
Mr. Jimmy SKENDEROVIC (Luxembourg) Senior Advisor Ministry of Environment, Climate, and Sustainable Development	Mr. Tobias VON PLATEN-HALLERMUND (Denmark) Chief Advisor Department of Green Diplomacy and Climate at the Ministry of Foreign Affairs	Developed country Parties, Denmark, Luxembourg, and Netherlands
Mr. Jean-Christophe Donnellier (France) Inspector General French Treasury	Mr. Stéphane Cieniewski (France) Senior Advisor on Environment and Climate Directorate General of the Treasury	Developed country Parties, France
Ms. Ursula FUENTES (Germany) Head of Unit for Financing International Climate Action and Environmental Protection, Multilateral Development Banks Foreign Affairs Office	Mr. Simon STUMPF (Germany) Senior Policy Officer Federal Ministry for Economic Cooperation and Development	Developed country Parties, Germany
Mr. KITAMURA Toshihiro (Japan) Deputy Director-General/Deputy Assistant Minister, International Cooperation Bureau Ministry of Foreign Affairs	Mr. SUGIO Toru (Japan) Senior Negotiator for Climate Change, Climate Change Division Ministry of Finance	Developed country Parties, Japan
Mr. Hans Olav Ibrekk (Norway) Policy Director of Section for Energy and Climate Ministry of Foreign Affairs	Ms. Anne Evjen (Norway) Senior Advisor Ministry of Climate and Environment	Developed country Parties, Norway and Iceland
Mr. Tom Bui (Canada) Director of Environment Global Affairs Canada	Ms. Katrijn Coppens (Belgium) Secretary of Embassy Directorate for Climate and Environment Federal Public Service Foreign Affairs, Trade and Development	Developed country Parties, Canada and Belgium

	Cooperation	
Ms. Gisella Berardi (Italy) Senior Advisor for Global Public Goods Ministry of Economy and Finance	Mr. José Delgado (Austria) Senior Climate Policy Advisor Federal Ministry of Finance	Developed country Parties, Italy, Austria, and Portugal
Mr. Stefan DENZLER (Switzerland) Deputy Head of Multilateral Cooperation State Secretary for Economic Affairs	Ms. Saija VUOLA (Finland) Ministerial Adviser Ministry of the Environment of Finland	Developed country Parties, Finland, Hungary, and Switzerland
Mr. Lars Roth (Sweden) Deputy Director, Division for Climate, Energy and Environment Ministry of Foreign Affairs	Mr. Anders Nyström (Sweden) Director Ministry of Foreign Affairs	Developed country Parties, Sweden
Ms. Sarah METCALF (United Kingdom) Head of Climate Finance and International Systems Dept at the UK Foreign, Commonwealth and Development Office (FCDO) Department for International Development	Mr. Conor RITCHIE (United Kingdom) Head of Climate Multilaterals Department for Business, Energy and Industrial Strategy	Developed country Parties, United Kingdom
Mr. Mathew Haarsager (United States) Deputy Assistant Secretary for MDB Operations and Policy Department of the Treasury	Mr. Kevin M. ADAMS (United States) Foreign Affairs Officer in the Department of State's Office of Global Change	Developed country Parties, United States
Nominations pending	Nominations pending	Developing country Parties from the Latin American and the Caribbean States