The Green Climate Fund Regional Dialogue with Latin America

Montevideo, Uruguay | 24-26 July 2023

GREEN CLIMATE FUND

Contents

INTRODUCTION

The Green Climate Fund (GCF) Regional Dialogue with Latin America was held from 24-26 July 2023 in Montevideo, Uruguay. The event aimed to accelerate climate action in the region by bringing together key stakeholders and decision-makers to foster collaboration, peer learning and accelerate paradigm shifting low-carbon and climate resilient impactful initiatives.

It was attended by more than 120 participants, comprising representatives of GCF National Designated Authorities (NDAs) of 18 governments in the Latin America region, representatives of 12 Direct Access Entities, representatives of International Accredited Entities active in the region, Readiness delivery partners, and other partner organisations, including civil society.

OPENING REMARKS

GCF’s Executive Director ad interim underscored the Latin American region's susceptibility to the global climate change crisis and highlighted the imperative for swift and coordinated financing at scale. The GCF's commitment in its updated Strategic Plan for 2024-2027 was to remain a pivotal partner for Latin America in pioneering projects that involved cooperation among governments, the private sector, civil society, and local communities. The Executive Director a.i. emphasised that the Regional Dialogue for Latin America would serve as a platform for knowledge exchange and partnership enhancement.

Uruguay’s NDA and the Minister of Environment showcased significant progress in the country supported by GCF’s country programme, readiness support, and accreditation. Achievements included establishing a national framework to combat climate change, aligning projects with NAP and NDC goals, and actively engaging the private sector. Uruguay's efforts in adaptation, resilience building, green energy, and biodiversity conservation were lauded, alongside their commitment to CO2 neutrality in the second NDC. Furthermore, they emphasized the necessity of external resources to bolster climate resilience and introduced their innovative Sovereign Sustainability-Linked Bond framework, harmonizing finance with climate and conservation policies.

DAY 1 SESSIONS

SESSION 1 GCF-2 PRIORITIES SUMMARY

Day 1 considered GCF-2 priorities reflecting on the Independent Evaluation Unit’s performance review of the GCF-1 and its recommendations, as well as the GCF’s updated Strategic Plan for 2024-2027 and its relationship to increased NDC ambition. The road to a successful GCF-2 replenishment was also discussed and an update on the state of play in the Latin American region was provided. Participants considered the challenges and opportunities for enhancing country ownership and the use of the GCF Readiness Programme for NDC and NAP implementation financing.

Session 1 focused on GCF priorities for the 2024-2027 cycle. The Independent Evaluation Unit of the GCF presented a performance review of the GCF-1 cycle (2020-2023) with lessons offering a comprehensive perspective on GCF effectiveness. The review provided several key recommendations: firstly, addressing disparities in strategic vision, highlighting the trade-off between prioritizing developing countries for legitimacy and maintaining efficiency; secondly, expediting policy development; thirdly, defining the GCF's role more clearly at the country level; and lastly, focusing on governance and management responsibilities and functions. Furthermore, the GCF must also reaffirm its strategic positioning to ensure alignment between ambition and available resources.

The session also covered replenishment for the GCF-2 cycle. The objective of the replenishment was to secure enough resources for the huge demands expected under GCF-2. Based on preliminary announcements, there were increased pledges from several countries, including Austria, Germany, Monaco, and Canada. The replenishment process would culminate in a pledging conference to be held in October 2023 in Germany.

The session explored GCF-2 priorities. GCF had undergone significant evolution over eight years, transitioning towards a business model based on co-investment and optimizing policies and processes for GCF-2 (2024-2027). The GCF-1 cycle focused on co-financing, and on policy development. This emphasis was evolving towards a co-investment model, with GCF as a catalyzer of country programming, leaning towards an optimization of policies and processes during GCF-2. The next four years would also require bold decisions and the taking of risks to test innovative solutions to attract co-investors for solutions at a necessary scale.

The 4 main priorities for GCF-2 were: (I) Readiness: Enhanced support on climate programming and direct access; (ii) Mitigation and adaptation: supporting paradigm-shift across sectors; (iii) Adaptation: addressing urgent needs for the particularly vulnerable; and (iv) Private sector: promoting innovation and catalyzing green finance. From these four priorities flowed eleven target result areas, including those related to increasing the number of DAEs with approved GCF funding proposals and targets specific to the private sector and national and regional financial institutions.

SESSION 2 REGIONAL STATE OF PLAY SUMMARY

The GCF Regional Manager for Latin America offered an overview of the region's state of play with regards to accreditation, readiness, approved project portfolio and project pipeline. Notably, four country programmes had been endorsed, and four were in advanced planning stages. Two entity work programmes (EWPs) had also been endorsed, with two more in development, promising to bridge gaps between needs and means. Advanced readiness programmes, largely facilitated by delivery partners, benefited all countries in the region and were expected to continue expanding. Almost all countries in the region had approved funding proposals and in GCF-2 there will be a focus on encouraging single-country projects/programmes in those countries that did not have any. The dominant sectors were energy, forest/land use, and food security, primarily by international accredited entities.

The NDA from the Dominican Republic stressed the urgency of addressing sea-level rise, emphasizing the need for sustainable financing aligned with social, environmental, and governance factors, calling for international collaboration and public-private sector cooperation. The country's climate actions primarily relied on public spending, signaling a need to explore the potential of public green banks to leverage more funds. GCF could be a major financing source in the water sector, which was a priority area for future focus. Aligning the tourism sector with the blue economy, nature-based solutions, disaster risk reduction, and other opportunities were also identified.

The representative from CAF emphasized the need to strengthen efficiency and to expedite resource mobilization, learning from lessons derived from GCF project access and implementation. Cross-cutting considerations, particularly alignment with biodiversity goals, were identified as essential, along with increased investment in early warning systems. CAF aimed to empower NDAs and utilize diverse financial instruments to enable better access to climate funds and they emphasized the role of development banks in resource mobilization. The focus for GCF-2 included integration with biodiversity goals, scaling up projects, aligning disaster risk reduction with adaptation, and addressing investment challenges in the agriculture sector.

The Q&A session touched on the balance between regionalism and localism, emphasizing that both were GCF priorities. GCF's evolution presented challenges and opportunities, with development banks adapting to institutional requirements. Lastly, GCF was exploring solutions for complex development issues requiring substantial funding beyond multilateral climate financing which it was hoped would become a business model for the Fund.

SESSION 3 ENHANCING COUNTRY OWNERSHIP SUMMARY

Session 3 featured panelists from the NDA of Colombia and the NDA of Peru. The discussion centered on the challenges and strategies associated with promoting country-ownership within the GCF. GCF utilized several measures, such as the no objection procedure and country programmes, to guide countries in enhancing their ownership of climate initiatives. However, there were ongoing challenges, including the need for increased involvement of the private sector, civil society, and other stakeholders in these efforts. Furthermore, participants highlighted the need for improvements in the no-objection procedure to allow greater engagement of NDAs at the concept note stage of projects.

Both Colombia and Peru had implemented mechanisms aimed at strengthening their institutional strategies for addressing climate change. In Colombia, a collegiate body had been established, which played a crucial role in supporting NDA decision-making and ensuring alignment with national priorities. Similarly, Peru had put in place a legal framework that governed the issuance of no-objection letters, with deadlines tied to stakeholder feedback, similar to Colombia's procedure. It was emphasized that early involvement of the GCF and NDAs in the drafting of concept notes was a way to ensure country-driven proposals. However, challenges persisted, including difficulties in monitoring funded activities during the implementation stage and the lengthy accreditation process. To address these issues, accredited entities needed to be aware of countries' internal legal frameworks and established mechanisms for the issuance of no-objection letters.

SESSION 4 READINESS FOR NDC AND NAP IMPLEMENTATION FINANCING PLENARY SUMMARY

This session focused on the use of Readiness for NDC and NAP implementation financing.

The Independent Evaluation Unit noted that the core focus of the Readiness and Preparatory Support Programme was on technical assistance to strengthen processes and enable partners to access climate finance and GCF. Furthermore, the Readiness programme had undergone significant operational improvements based on Independent Evaluation Unit recommendations, providing better guidance on NDA and NAP investment frameworks, as well as a clearly defined timeline from conception to implementation.

Additionally, the proposed revised Readiness strategy aimed at providing a greater focus on the activities needed to translate countries' priorities at a strategic level and to implement their NAP and NDAs[1]. Furthermore, a new methodology had been tested in Jamaica presenting a tailored approach to help countries to formulate a pipeline of climate project concepts tackling climate and sustainable development challenges from a systemic perspective. The methodology was not mandatory but an additional tool available for Readiness. It involved 3 steps, namely (1) prioritizing focus areas including identifying the hot spots; (2) Identifying local stakeholders and (3); deploying participatory work with local stakeholders to fine-tune the project concepts.

Finally, there was a presentation from the NDA of Ecuador where an update on the status of Readiness financing from 2017 to 2022 was provided which highlighted the valuable information and data acquired through readiness initiatives. Thanks to these Readiness grants, Ecuador had developed the capacity to articulate climate rationale, particularly focusing on resilience in agriculture, water, food security, and health sectors, and was now equipped to build a coherent project pipeline. The emphasis was on establishing a portfolio that addressed both mitigation and adaptation, with the goal of leveraging funds for future projects by utilizing the groundwork established through Readiness efforts.

SESSION 5 READINESS FOR NDC AND NAP IMPLEMENTATION FINANCING PARALLEL SESSIONS SUMMARY

This session involved three separate working groups with the aim of discussing the following specific topics: Working Group 1: Readiness Programming and Prioritization, Working Group 2: Readiness for Enabling Environments and Working Group 3: Readiness for the Origination of Investment Projects.

On Readiness Programming and Prioritization, participants exchanged views on the different approaches for the identification and prioritization of proposals seeking Readiness support that were followed by countries in Latin America, and practices to identify and engage with prospective delivery partners during Readiness programming. One of the takeaways from the discussion was the importance of NDAs having clear priorities, which allowed for identification of proposals aligned with national priorities which would then form the basis for choice of a delivery partner. This also involved developing a country plan for Readiness that included various sectors and regions/sub-regions, rather than only Ministries requesting resources.

On Readiness for Enabling Environments, participants exchanged views on the type of activities that the Readiness Programme supported to build enabling environments, and on building partnerships for the development of enabling environments. One of the lessons learned from this working group was the importance of including the relevant stakeholders from an early stage to build strong partnerships that went beyond the readiness grant.

On Readiness for the Origination of Investment Projects, participants exchanged views on the different approaches for the identification and prioritization of climate investments seeking Readiness support that were followed by countries in Latin America, and the scope and activities related to project assessment and design that were pursued with Readiness support in countries in Latin America. One of the conclusions from this working group was that Readiness must be used to close gaps, such as capacity gaps, according to institutional priorities. Another of the takeaways was the need to ensure an active role for the NDA, and that establishing priorities should be in line with country strategies and policies; the establishment of links with local and regional needs were key to ensuring this.

DAY 2 SESSIONS

SESSION 6 ACCREDITATION AS A PROGRAMMING TOOL SUMMARY

The first part of day 2 was dedicated to accreditation and its relationship to programming while the rest of the day considered project development. Participants explored how to develop GCF-aligned, high-quality projects with a focus both on public and private sector priorities.

In session 6, GCF presented accreditation as a programming tool, emphasizing that countries could build on synergies between the accreditation of entities and country programmes. Furthermore, there were presentations by Fundación Avina and the NDA of Mexico. Fundación Avina recommended to start the re-accreditation process at least 12 months before the expiration of current accreditation, and that entities should keep track of changes to GCF requirements continuously and update internal policies and procedures accordingly. On the other hand, the NDA of Mexico explained that the government was seeking the accreditation of national development banks to support the implementation of its country programme, as banks were expected to operate as accredited entities in line with their institutional mandates.

There were questions by several participants from NDAs and AEs. Mexico's NDA shared the country's experience of aligning entities with its country programme. They mentioned that the NDC and the national climate change commission guided this alignment and emphasized competitive advantages for national and international entities; it was clarified that entities must be nominated by NDAs; it was noted that stalled accreditation processes could be restarted but with a potential need for application updates; English was the official language for accreditation processes, but no official translations were needed, and document summaries were accepted; the Board was prioritizing re-accreditation of entities at the moment; project-specific accreditation did not exclude institutional accreditation; and, the Latin America Regional Desk placed a special emphasis on supporting countries and DADs that had not yet approved funding proposals.

SESSION 7 PROJECT DEVELOPMENT: GCF-ALIGNED AND HIGH-QUALITY PROJECTS PLENARY SUMMARY

The session provided a comprehensive overview of GCF's strategies and processes for developing high-quality projects for the public and private sectors. GCF had prepared sectoral guides for various sectors, offering a clear roadmap for transformation and priority areas. Emphasizing the need for innovation and additionality to ensure projects were catalytic, there was a specific focus on establishing the climate-centricity of investments in the private sector, along with ensuring project soundness.

The session also discussed updates to the Simplified Approval Process (SAP), aligning it with the updated policy approved by the Board at B.32. It highlighted forthcoming tools and streamlining efforts to further simplify the SAP, making it more accessible and relevant to NDAs and Accredited Entities. The importance of adhering to GCF's Environmental and Social Policy, including specific provisions on sexual exploitation, abuse, and harassment safeguarding, as well as the Indigenous Peoples Policy, was emphasized and discussed.

SESSION 8 PROJECT DEVELOPMENT: GCF-ALIGNED AND HIGH-QUALITY PROJECTS PARALLEL SESSIONS SUMMARY

The objective of session 8 was to strengthen the capacities of participants to develop innovative climate change projects. The first part was divided into 3 parallel sessions and the second part into 2 parallel sessions, allowing participants to focus on the issues that were more challenging for them when developing projects to bring forward to the GCF. Thus, participants were able to dive deep into Climate Rationale, Innovation/Additionality, Environmental and Social Safeguards, Financial Instruments, and Scalability.

The chosen topics were the result of a pre-event survey where participants were able to flag the most challenging items when developing concept notes or funding proposals.

In the Climate Rationale session, the GCF's portfolio composition, with loans as the predominant instrument, was highlighted. Case studies showcased the utilization of various financial instruments, including blended loans and performance-based financing, emphasizing the importance of aligning chosen instruments with entity capabilities.

The Innovation and Additionality session underscored the significance of innovation and additionality in project concept notes. It recommended using tools and data sources to support these aspects, stressing the need for local capacity building and clear communication between the GCF and project developers to enhance the quality of concept notes and expedite the approval process.

In the Environmental and Social Safeguards session, participants emphasized the early integration of gender considerations, staff training, and effective communication. They highlighted the importance of transversal assessments that encompassed gender and social inclusion, along with strong engagement with implementing entities and countries.

The Financial Instruments session examined GCF's financial instrument portfolio, with loans, grants, equity, and results-based payments as key components. Case studies illustrated their versatility and highlighted the potential for co-financing opportunities. The need for close collaboration with financial institutions during project development was emphasized.

Lastly, the Scalability session defined scalability in the GCF context and emphasized its assessment through tools like the Innovation and Additionality Tool and Investment Criteria Scorecard. The session stressed the importance of sharing knowledge and mainstreaming climate change into national and sectoral policies and plans.

DAY 3 SESSIONS

SESSION 9 SUPPORTING CLIMATE-ALIGNED FINANCIAL SYSTEM DEVELOPMENT–PLENARY SUMMARY

Day 3 focused on how the Readiness Programme supported climate-aligned financial systems and effective engagement with financial sector actors. Insights from the implementation of Readiness grants and funded activities in the region illuminated the challenges and opportunities during implementation. The importance of adaptive management to maximise impact and enhance the effectiveness of climate projects in the region was emphasized.

During session 9, a representative from Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) discussed the concept of climate-aligned financial system development, defining climate compatible financial system development as the process of recalibrating the functions and processes of the financial system so that it supported and managed climate change-related risks and promoted low-emission, resilient development. GIZ outlined six key action areas to achieve this goal, including setting a political agenda, improving data standards, enhancing risk management, providing market support, leading by example, and capacity development. Key takeaways included the need for clear and long-term policy signals, improved climate change information, skill development, and instruments to discourage non-green investments.

A GCF Private Sector Facility representative explained how GCF could support climate-aligned financial system development. They outlined Readiness steps that included identifying national priorities, building green finance knowledge and capacity of stakeholders, establishing green finance regulations and guidelines, promoting knowledge sharing, developing green financial products, institutions and markets, and monitoring evaluating and adapting. Examples of successful Readiness grants, such as green bond listings in Jamaica and alignment with the Paris Agreement in Costa Rica, were shared. The Blue Green Bank project was also highlighted as an effective GCF initiative.

A representative of Argentina’s NDA presented the country's International Climate Finance Strategy, aligning with the Paris Agreement. Argentina utilized its Climate Change Adaptation and Mitigation Plan to guide climate finance needs, with a portfolio of USD 29.88 million for 223 projects as of December 2022.

Finally, the NDA of Panama discussed leveraging Readiness support for mobilizing climate finance. Panama developed a green taxonomy with readiness support and mapped climate change hotspots. The country aimed to align its financial sector with these efforts. Panama's success in developing the green taxonomy was praised, and the need for peer-to-peer knowledge sharing among countries in the LAC region was emphasized. In conclusion, the presentations highlighted the importance of tailoring support to diverse efforts by countries and entities in building climate-aligned financial systems. Readiness support was deemed essential in assisting countries in this endeavour, and the need for ongoing support from GCF, both in terms of readiness and regular funding, was emphasized as countries and entities worked towards aligning their financial priorities with climate goals.

SESSION 10 SUPPORTING CLIMATE-ALIGNED FINANCIAL SYSTEM DEVELOPMENT–PARALLEL SESSIONS SUMMARY

Following plenary session 9, participants were asked to divide into two working groups: 1) Effective engagement with financial sector actors, central banks, financial institutions and 2) Green Taxonomy/Green Bonds. Case studies from Chile, Nicaragua and Uruguay were presented in the working groups to set the scene and stimulate discussions. The participants that joined the first working group exchanged experiences and learning from peers on effective strategies for engaging with financial sector actors, central banks, and financial institutions. Participants discussed the role that different instruments such as national financing strategies, sustainable finance roadmaps and cross sectoral working groups on sustainable finance could play. The second working group exchanged views on the opportunities that green taxonomies and green bond issuances could bring in driving climate compatible financial system development. Participants also discussed key challenges for developing taxonomies and for scaling up green bond issuances and identifying how technical cooperation could help to overcome these.

One of the key takeaways included the need to integrate climate change in the operations of all financial institutions rather than depending on concessional conditions. Another of the conclusions was that there was a need to change climate language to ensure increasing buy-in. For partnerships, participants agreed that unions and banking associations at the national level could also be gateways to the adoption of climate criteria.

SESSION 11 ADAPTIVE MANAGEMENT: LESSONS FROM IMPLEMENTATION OF READINESS GRANTS/PPF IN LATIN AMERICA SUMMARY

During the session on adaptive management for Readiness and the Project Preparation Facility, insights were shared regarding the execution of Readiness grants in Latin America, amounting to USD 99 million with 125 approvals, including 11 multi-country/regional grants. Implementation distribution by entities revealed international accredited entities at 42 per cent, direct access entities at 22 per cent, non-accredited delivery partners at 33 per cent, and NDAs at 3 per cent. Notably, there had been an average extension of 11 months for approved grants. Challenges emerged at various stages, from design to implementation, including realistic schedules, budget alignment, and mitigating duplication efforts. Adaptive management options such as no-cost extensions, logframe revisions, budget allocations, and cancellations were explored. Amendments for extraordinary circumstances were emphasized, subject to submission within specified deadlines.

In the Q&A and comments section, queries were raised regarding the measurement of Readiness grants impacts, and GCF expressed its intention to assess impacts based on recent system updates. Suggestions included aligning delivery partners' procedures with GCF's and establishing a roster of experts specializing in accreditation support. Improving GCF's responsiveness to requests from delivery partners was also advised.

SESSION 12 ADAPTIVE MANAGEMENT: LESSONS FROM IMPLEMENTATION OF FUNDED ACTIVITIES IN LATIN AMERICA SUMMARY

The adaptive management session primarily focused on elucidating various aspects of change and restructuring requests within the GCF portfolio of funded activities. Participants were provided with comprehensive insights into the procedural aspects concerning these requests. Furthermore, participants were briefed on the overarching operational framework of the Division of Portfolio Management.

Significant emphasis was placed on differentiating between minor and major restructuring requests and elucidating the circumstances that necessitated the issuance of no-objection letters. Key takeaways were the recurring reasons behind restructuring requests encompassing aspects such as Environmental and Social Safeguards categorization, financial structuring, the adequacy of initial risk assessments, and the influence of shifting local market dynamics on anticipated climate outcomes.

Efforts were underway to establish a knowledge repository aimed at facilitating the prediction of specific types of changes. Additionally, the session underscored the pivotal role of no-objection letters in corroborating NDA support for projects after substantial modifications. In particular, it was clarified that there was no hierarchical preference between private sector and public sector restructuring requests, although private sector pressures may expedite their processing. Furthermore, concerns were expressed regarding the rigidity of agreements stemming from comments during proposal structuring and the negotiation of Funded Activity Agreements, which occasionally lead to the submission of restructuring requests.

SIDE-EVENT: CHALLENGES AND LESSONS LEARNED FROM READINESS GRANTS WITH UNOPS SUMMARY

On the third day of the Regional Dialogue, a side event was held titled ‘Challenges and lessons learned from Readiness grants with UNOPS’.

The United Nations Office for Project Services (UNOPS) was overseeing a significant proportion of the readiness grants for GCF in the Latin American region, handling everything from post-approval stages to grant closure. In this complex journey, delivery partners faced challenges implementing grants. These related to timely adherence, understanding the grant management process, and coordinating with multiple stakeholders. One major observation by UNOPS was the intricate nature of processes and policies, especially when dealing with signatures, submissions, bank details, and other financial nuances. In response, they had implemented strategies such as improved adaptive management, quarterly delivery partner engagement meetings, regional orientations, and informative FAQ sheets. For these measures to be successful, UNOPS emphasized the need for prompt responses and confirmations from delivery partners. An example of success in this realm was Fondo Accion's approach, which underscored the importance of detailed reporting, proactive communication, and effective action plans to address delays. Feedback suggested that insights could be gleaned from multi-country grants where partners had flexibility to operate in accordance with their own timescales and stressed the need for regional cost references. Lastly, concerns regarding exchange rates and associated loss measures were slated for further discussion.

BILATERALS SUMMARY

During the Regional Dialogue, bilateral meetings were organized as part of the agenda of the event. These were coordinated through a pre-event survey, where participants interested in holding a bilateral meeting were able to choose and prioritize the GCF divisions they would like to meet with, as well as the topics they wished to discuss.

During the 3-day-event, a total of 60 formal bilateral meetings took place, out of which 12 were led by the Division of Mitigation and Adaptation; 13 were led by the Accreditation Team; 16 were led by the Latin America Regional Desk; 6 were led by the Division of Private Sector Facility; 5 were led by the Division of Portfolio Management; 4 were led by the Office of Sustainability and Inclusion; and 8 were led by the Independent Evaluation Unit.

Discussions centered on providing guidance on GCF processes, providing support and information for GCF programming, including conversations about their pipeline and about ongoing projects, programmes, and Readiness grants, understanding challenges, and taking note of stakeholders’ priorities.

CLOSING REMARKS

DCP's Deputy Director closed the Dialogue thanking all participants for their active engagement throughout the 3-day event; even until the final sessions, rooms had remained full, and participants committed and engaged.

The region's clear interest in programming and advancing strong proposals was noted and the importance of the event for peer learning and feedback was highlighted.

Given the region's strong calling for regional presence of GCF, more opportunities to strengthen engagement would be sought.

CONCLUSION

The GCF Regional Dialogue with Latin America proved to be an instrumental platform for advancing climate action in the region. The commitment, expertise, peer-learning opportunities, and enthusiasm displayed by participants reaffirmed their determination to address the challenges posed by climate change collectively. Participants unanimously called for more frequent face-to-face interactions with GCF and highlighted the need for a stronger presence in the region since closer, more regular contact was a key ingredient for successful engagement as clearly demonstrated by this event.

The outcomes of the Regional Dialogue would pave the way for more engagement between Latin America and GCF and among stakeholders within the region. Participants returned to their respective countries with new knowledge, contacts, insights, and a shared vision for stronger partnerships to accelerate climate action in the region.