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GCF REGIONAL DIALOGUE

with EASTERN EUROPE & CENTRAL ASIA

Skopje, Republic of North Macedonia
18–22 March 2024





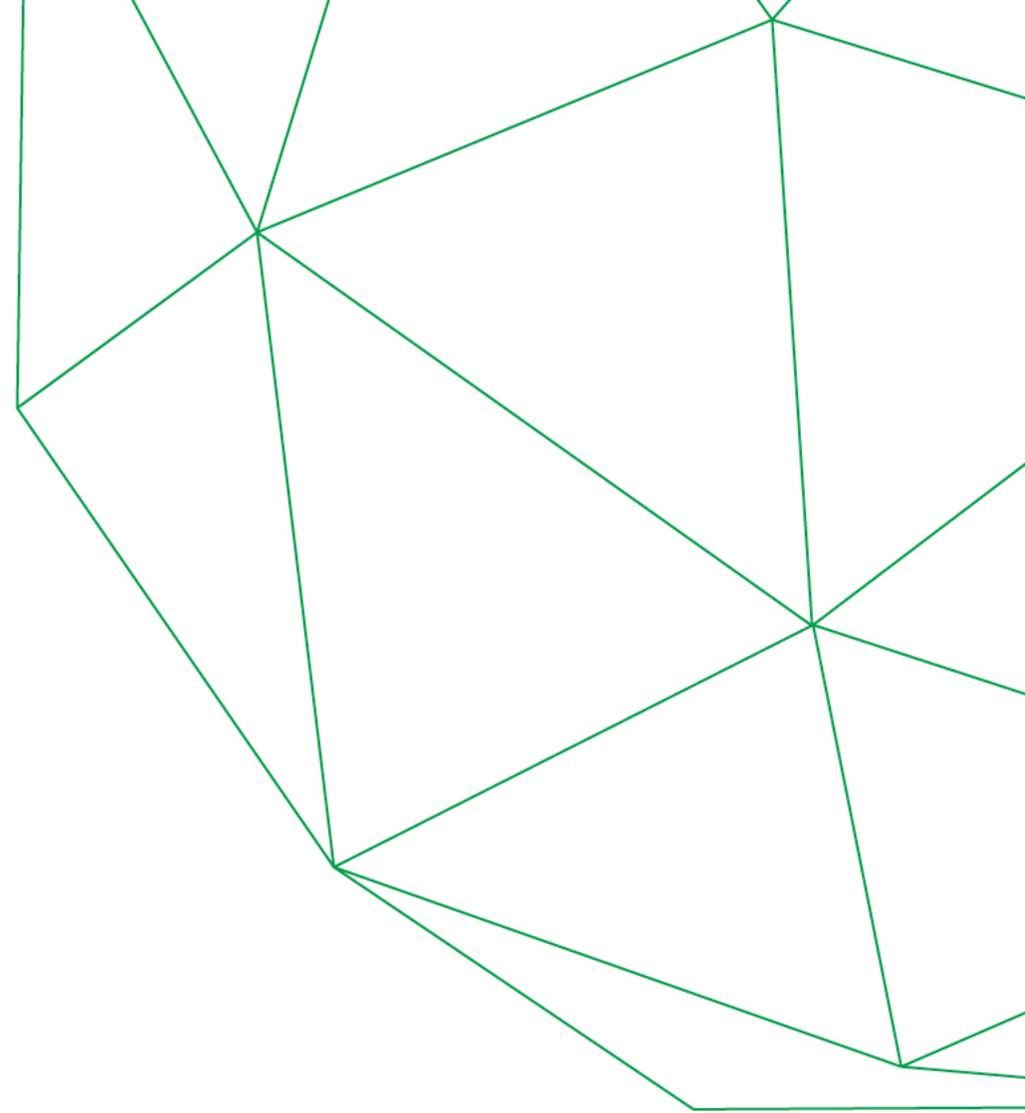
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ADAPTIVE MANAGEMENT: Lessons from Implementation of Funded activities in Eastern Europe and Central Asia

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Skopje, Republic of North Macedonia
18–22 March 2024



What we will cover during this session

- ✓ Share understanding of the current portfolio under implementation in Eastern Europe and Central Asia, including key challenges faced by Accredited Entities.
- ✓ Provide guidance on the GCF's Adaptive Management process for Accredited Entities when implementing GCF investments.
- ✓ Exchange best practices and experiences, including lessons learned from implementation of GCF investments in ECCA.





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EECA PORTFOLIO (FUNDED ACTIVITIES)



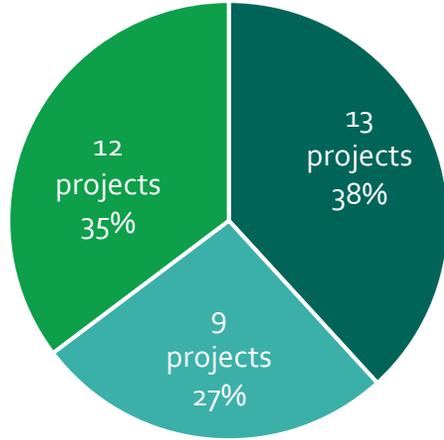
EECA (Eastern Europe and Central Asia)

34 projects
\$7.1B financing
(\$1.5B of GCF + \$5.6B of Co-financing)
14 countries

As of 18 March 2024

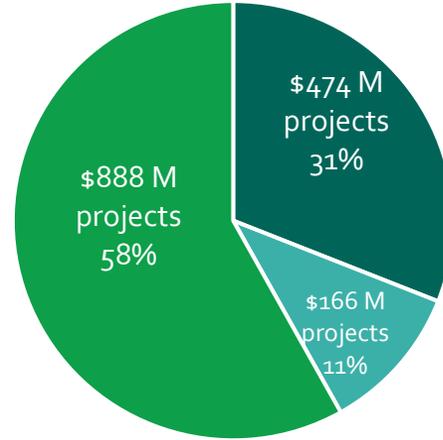
EECA PORTFOLIO BREAKDOWN

of approved projects per theme



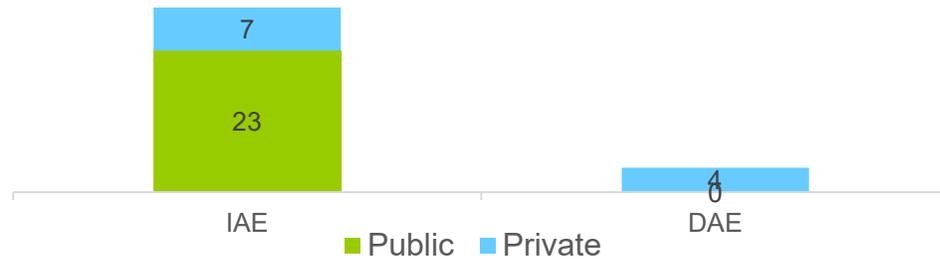
■ Mitigation ■ Adaptation ■ Cross-cutting

GCF approved amount per theme



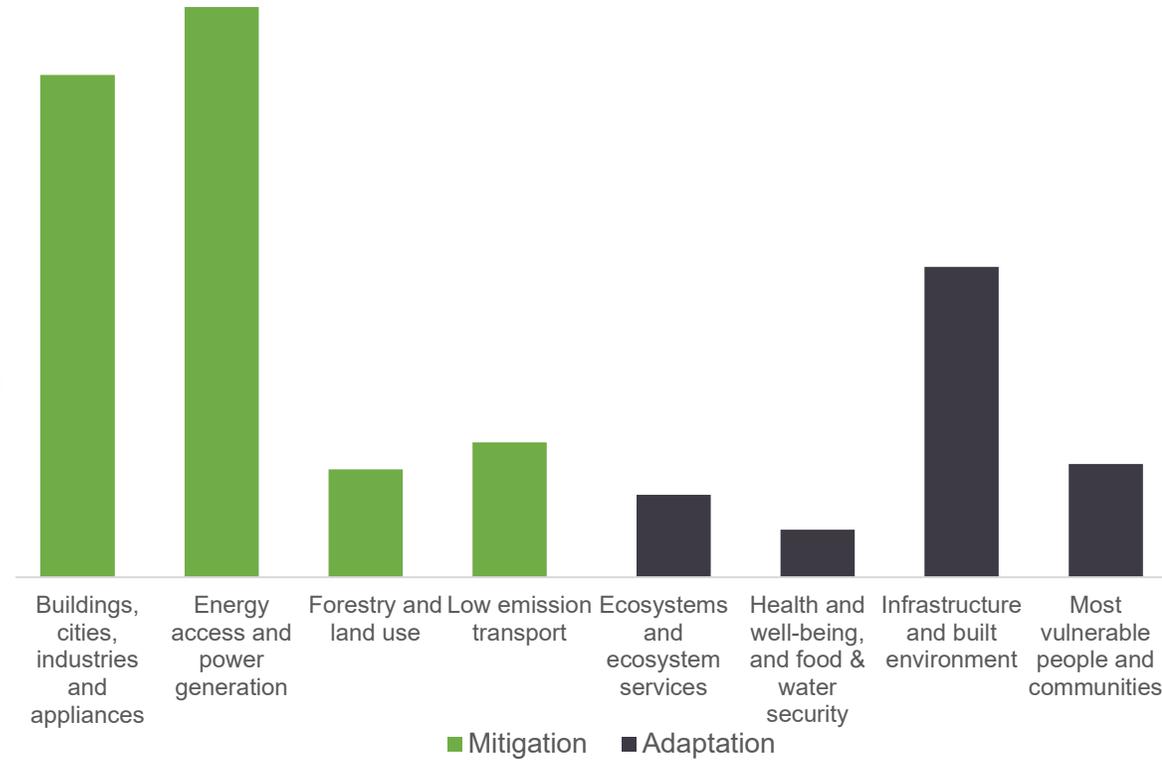
■ Mitigation ■ Adaptation ■ Cross-cutting

of approved projects by AE type



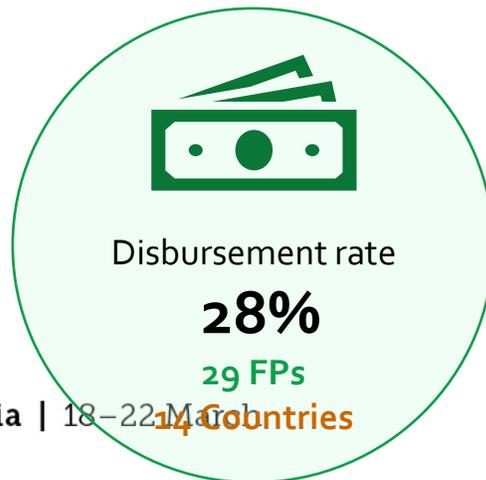
■ Public ■ Private

Breakdown by result area (USD)



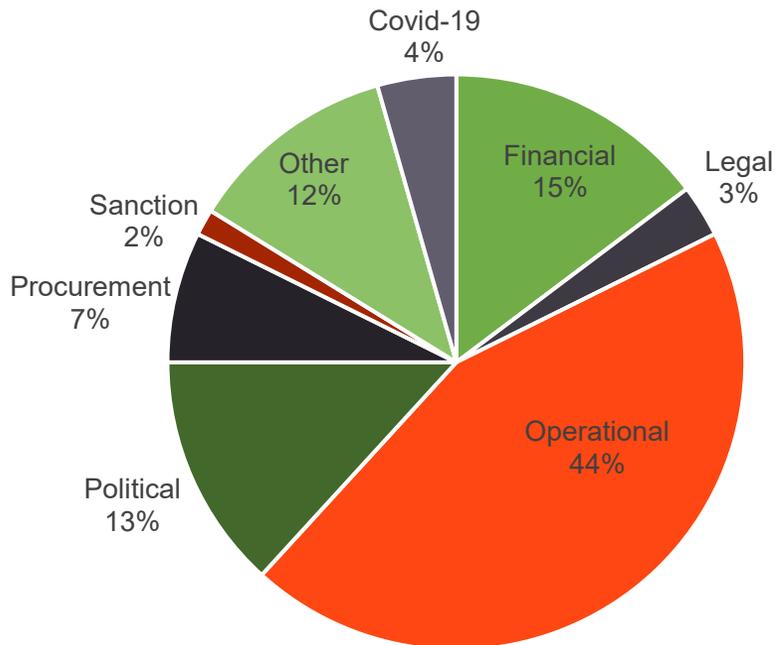
■ Mitigation ■ Adaptation

EECA PORTFOLIO TRENDS AND KEY STATISTICS



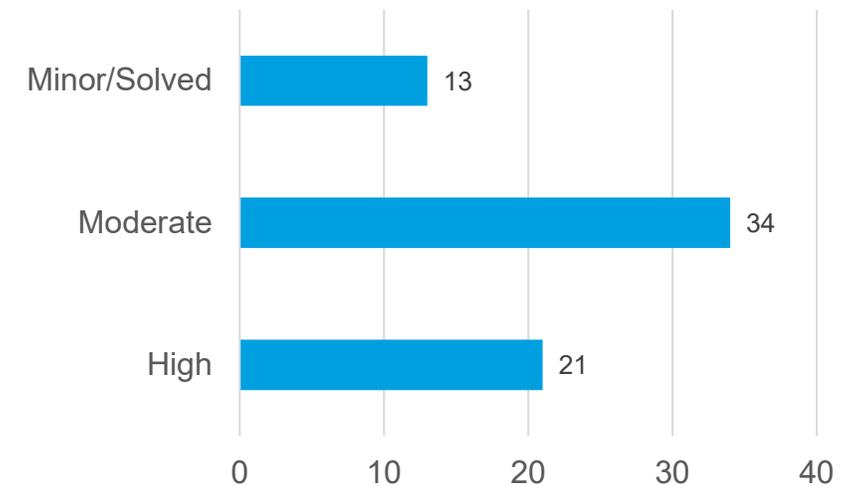
IMPLEMENTATION CHALLENGES REPORTED IN CALENDAR YEAR 2022

Challenges reported by type during project implementation



Scope of analysis is limited to 26 projects from 11 AEs that have submitted their APRs for CY2022

Challenges reported by impact level during project implementation



Portfolio challenges in 2022 in EECA

Operational

- Supply chain problems (e.g. lack of construction materials)
- Natural disasters – impact of storms on infrastructure and resources
- Capacity at national implementing partners and need for additional TA
- Macro-economic environment impacting the pipeline of projects / sub-loans.
- High turnover of staff
- Lack of familiarity with GCF requirements in the disbursement process

Financial

- Co-financing not fully materializing or delayed (fundraising issues/restricted fiscal space/non-enforceable commitments).
- Cost under estimation at design
- Cost escalation

Portfolio challenges in 2022 in EECA

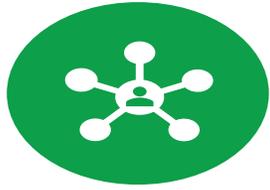
Political

- Escalating conflict / geopolitical uncertainty
- Administrative uncertainties / fiscal challenges.
- Coordination with government partners / turnover of staff
- Government approvals of co-financing delayed as part parliament process.
- Delay of granting of concessions (e.g. delayed auctions / new regulatory frameworks).

Other

- Tight implementation schedules/ grant duration.
- Interdependence of activities (single delays trigger sequential delays.
- Increases in ESS risk.
- Procurement: delays in procurement / contracting processes and difficulty in securing suitable consultants. Impacted by sanctions.

Lessons learned from implementation



Constant and proactive GCF- AE engagement on implementation matters is critical for timely resolution of issues and timely disbursements.



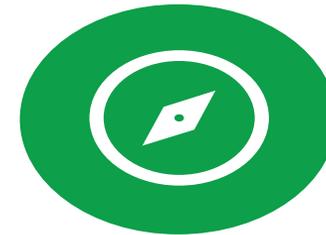
Long times between approval and first disbursement negatively impact outcomes.



Quality of submitted APRs drive effective engagement with the GCF



Effective communication between AEs and NDAs is a necessity for successful stakeholder management



Provision of Secretariat's **guidance** to AEs relating to conditions and covenants critical for realistic implementation planning and to mitigate delays

Adaptative management measures



Making changes to projects



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GCF approach to project changes

- GCF has a high risk appetite and project and programmes have long implementation periods.
- Changes are expected: as result of as changes in the operating environment and as new information that adjusts the underlying assumptions of the project.
- GCF considers adaptive management an important component of project lifecycle to achieve objectives and outcomes.



What is considered a change?

- Policy on Restructuring and Cancellation ([PRC](#)) is the key document to consider upon facing a change in an FA under implementation.
 - ✓ Restructuring: **any** modification to a Funded Activity after the execution of the FAA.
 - ✓ Waiver: (i) a relinquishment of a condition set forth in the Approval Decision, (ii) a material deviation from a condition set out in the relevant FP or the term sheet, or (iii) a deviation from any other condition (other than those described in paragraph (m)(ii) above) set forth in the Approval Decision.

Examples of changes

- Extensions in closing and completion dates
- ESS Categorization – due to change in activities, E&S risks increase, therefore triggering major change.
- Financial restructuring – changes in market pricing, consideration of hedging provisions, specific/detailed T&Cs, etc
- Changes in geographical scope: e.g. new location of project sites.
- Changes in impact/outcomes: e.g. impact of decarbonization of energy matrix, reducing the grid-emission factor.

What guides the evaluation of the board and secretariat?



- Policy on Restructuring and Cancellation ([PRC](#))
 - Approval route: The PRC defines 'major changes'. The approval in case of Major categorization, lies with the Board. If not major, the Secretariat can decide.
 - Country ownership: The PRC also guides how country ownership should be incorporated. It sets out requirements for NDA consultations and when new no-objection letters by the NDA are required.
- Relevant legal agreements: AMA and FAA.
- The adapted project should remain compliant with the GCF policies and procedures – including ESS and the GCF investment framework.

My project needs a change, what do I do (1/2)?

- First, reach out to us! Adaptive management takes time. Contact your focal point for your project/programme.
- A meeting/call will be scheduled to discuss the potential change and any other key elements such as timing and inputs required.
- Depending on the type of the change. We will ask you to prepare a restructuring proposal and conduct consultations with NDAs.
- The restructuring proposal will be reviewed by the secretariat. The review will be conducted by the 'Interdivision Project Team'. This team consists of representatives from various internal units in the GCF (PIMM FA, Finance, Risk, E&S, structuring unit that originated).

My project needs a change, what do I do(2/2)?

- For complex changes 2-3 rounds of review is often necessary. After the review is completed, the proposal is brought to the Operations Committee for vote.
- The operations committee will decide if the change is Major or non-major and to whether or not to approve the change. For simpler changes, the decision process goes via e-vote (email).
- In case of a major change, the change will need to be approved by the GCF board and NOLs are needed. This can be done at a regular board meeting or via an in-between board decision.
- After necessary approvals have been obtained – legal documents will be drafted and signed.



Thank you

Panel discussion



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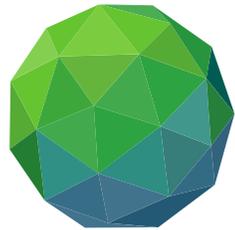
INTERACTIVE SESSION: Q&A



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Key Messages

- In a dynamic operating context, deviations from the original plan are to be expected
- Flexibility during implementation is critical given unique circumstances faced by different regions
- Involvement of the NDA is a key part of adaptive management.
- GCF is a partnership organization and strive to propose workable solutions for implementation performance
- Please reach out to us if you have questions



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ambition.
Empowering
action.