

PE-092/2019

Caracas, April 30, 2019

Mr. Yannick Glemarec  
Executive Director  
Green Climate Fund  
Republic of Korea

**Subject: Request for Input to Strategic Plan of the Green Climate Fund**

Dear Mr. Glemarec,

Corporación Andina de Fomento – CAF, as member of the International Development Finance Club, is pleased to hereby submit its response to the Request for Input to the Strategic Plan of the GCF, received on 28 March 2019. As a development bank, we value the partnership with the GCF and acknowledge the contributions made to address climate change challenges in the region.

In supporting the GCF's mission, we believe that such partnership has the potential to deliver effective solutions to long standing issues related to, amongst others, finance, capacity building and technology transfer in the context of climate change mitigation and adaptation.

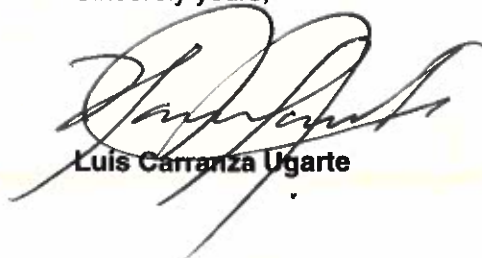
On the specific request for inputs to better respond to Accredited Entities' needs on preparation and implementation of actions, seeking resources from the Fund and to improve the Fund's overall operations, we would like to present the following recommendations for your perusal:

Areas considered	Recommendation
<p><b>1. Engagement with and support from Accredited Entities:</b></p> <p>The accreditation process assessed many aspects of the applicant entities, such as fiduciary standards, risk management, control frameworks, project management and appraisal, monitoring systems, amongst others. However, under certain circumstances, there seems to be a duplication of efforts between the project preparation undertaken by the AE and the assessment performed by the secretariat, which is subsequently reviewed by the Board.</p>	<p>To initiate an open dialogue around modalities of engagement with Accredited Entities, with a view to building more confidence on capacities, capabilities and standards assessed during the accreditation, especially with those accredited with full fiduciary functions, to carry out maximum size project and with maximum environmental and social risk category.</p>
<p><b>2. Approval process:</b></p> <p>While the GCF has a well-defined governance structure, there appears to be a certain degree of imbalance between the voting-by-consensus approach at the Board, the secretariat assessment and the growing number of Funding Proposals submitted to the GCF. This has an impact on the predictability that is needed for a successful project development and implementation.</p>	<p>To conduct an assessment of the approval process, prioritizing a technical assessment in compliance with the investment criteria, seeking time-efficiencies in the different steps of the approval process, while relying on established due diligence processes of the accredited entities.</p>

<p><b>3. Policies and regulatory framework:</b></p> <p>The GCF has developed a vast amount of policies and guidelines for all its areas of work. The complexity of such regulatory framework keeps on expanding after every Board meeting. Coping with such approach becomes challenging to partner countries, accredited entities and possibly to the GCF Secretariat and the Board itself, which consequently may lead to inefficiencies in the system.</p>	<p>To strengthen existing mechanisms of knowledge sharing and dissemination of relevant policies and guidance, with a view to focusing on specific lines of services managed by the GCF, for instance financial instruments, monitoring and reporting processes.</p>
<p><b>4. Monitoring and Accountability Framework reporting requirements:</b></p> <p>Reporting requirements exceed practices observed in similar business settings, where alliance and cooperation is pursued between strategic partners, donors and financial institutions. The volume of information and frequency of such reports increases transaction costs on both sides, AEs and GCF Secretariat, without necessarily resulting in an effective accomplishment of the operational priorities and measures outlined in the Strategic Plan.</p>	<p>To review reporting requirements, aiming at simplifying them and increasing operational efficiency. To rely more on monitoring and reporting systems established by the AEs, which are indivisible components of the systems assessed by the GCF accreditation.</p>
<p><b>5. Risks:</b></p> <p>The GCF is generally seen as risk averse. In its Accreditation Master Agreements and Funded Activity Agreements with AEs, for instance, risks are often shifted to the AE. To be attractive, especially for truly innovative and transformative projects, the GCF should participate not only in financial risks, but also in operational and default risks.</p>	<p>The GCF should participate in financial, operational and default risks to attract more innovative and transformative Funding Proposals. Transferring risks to the AE and project developer presents a major challenge for the transition to low emissions and resilient solutions.</p>

We thank you for considering CAF in this call for inputs and look forward to working together to move forward with the GCF' Strategic Vision of promoting a low-emission and climate-resilient development and implementing the Paris Agreement.

Sincerely yours,



Luis Carranza Ugarte

c.c.: Mr. Javier Manzanares  
Deputy Executive Director