



GREEN  
CLIMATE  
FUND

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# Facilitator's summary of the second consultation meeting for the second replenishment of the Green Climate Fund

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27-28 April 2023

Virtual meeting

## **I. Introduction**

1. Pursuant to decision B.33/11, the second consultation meeting for the second formal replenishment of the Green Climate Fund was held virtually on 27 and 28 April 2023 to discuss matters relating to the second formal replenishment of GCF (GCF-2). Per document GCF/B.33/15/Rev.01, paragraph 5, the main purpose of the replenishment process will be to discuss and determine financial matters of GCF-2, inter alia the draft policy for contributions for consideration and approval by the Board, the financial position of the Fund, and the reference exchanges rates.
2. The second consultation meeting was attended by 30 potential contributors, 15 Board members, a representative of the Trustee, 3 active observers of the Board (2 civil society observers and 1 private sector observer), and observers from the secretariats of the United Nations Framework Convention on Climate Change, the Adaptation Fund, and the Climate Investment Funds. The agenda for the second consultation meeting is in annex I.

## **II. Opening of the meeting**

3. Day 1 of the meeting opened at 8:05 p.m. Korea Standard Time on Thursday, 27 April 2023.
4. The importance of GCF-2 was highlighted in remarks by the GCF-2 Facilitator, Mahmoud Mohieldin.
5. The Facilitator thanked Austria and Czechia for the first two pledges for GCF-2 and acknowledged the United States of America for its recent contribution towards its initial resource mobilization (IRM) pledge.

## **III. Building the momentum for an ambitious replenishment**

6. Participants heard an update from the Executive Director ad interim (a.i.), Henry Gonzalez, on the unique features of GCF, programming and progress to date, and the growth of partnerships.
7. Participants were also shown excerpts of the video from the United Nations Secretary-General's speech delivered during the launch of the Intergovernmental Panel on Climate Change (IPCC) report on 20 March 2023, calling for a quantum leap on climate action and a successful replenishment of GCF.

## **IV. Financial position of GCF**

8. Participants heard from the Chief Financial Officer (CFO)/Chief Operating Officer (COO), Hong-Thuy Paterson, on the financial position of GCF, including the portfolio, commitment authority, and the speed of GCF in bringing transactions to scale.

### **Discussion points**

9. A participant called for balanced multilateral negotiations and state actions on climate change, as well as for developed countries to realize greater contributions in GCF-2 and fulfil existing climate finance commitments.
10. There were no further comments from participants. The previous two agenda items were closed.

## **V. GCF second performance review: informational session on the final report**

11. The Head of the Independent Evaluation Unit (IEU), Andreas Reumann, provided an overview of the background and scope of the second performance review (SPR) as well as the approach and methods used for the report. He then summarized the key recommendations of the report and invited the participants to read the report for more detailed information on the recommendations.

12. IEU Chief Evaluation Officer, Archi Rastogi, presented a summary of the report's key findings under the following themes: institutional architecture and performance; access to GCF; programming in response to country needs; and results and impacts of GCF investments.

13. Investment Operations Manager, Timothy Breitbarth, responded to the report on behalf of the Secretariat. He conveyed some highlights from the management response of the Secretariat to the SPR, including brief responses to the seven broad recommendations of the IEU.

### **Discussion points**

14. A participant requested a synthesized version of the findings with five high-level messages, and Mr. Reumann provided his response accordingly.

15. Participants noted the findings of the report and reiterated the importance of having a clear strategic plan for GCF-2 and improving governance and accreditation.

16. There were no further comments from participants. The agenda item was closed.

## **VI. Updated Strategic Plan for GCF-2**

17. The Secretariat's Head of Policy and Strategy, Selina Wrighter, provided an overview of the timeline and key milestones leading up to the adoption of the updated Strategic Plan for GCF-2 (USP-2), summarized the ambitions of GCF in rising to the climate challenge and how these elements had been incorporated into the current draft of USP-2, and discussed the five strategic programming objectives in the current draft.

### **Discussion points**

18. Participants noted the necessity of an ambitious USP-2, also stating that USP-2 must focus on serving all developing countries and must match the urgency of climate action.

19. Ms. Wrighter assured participants that the Secretariat had taken note of their comments and would continue supporting the Board towards the conclusion and adoption of USP-2.

20. There were no further comments from participants. The agenda item was closed.

## **VII. Issues related to the policy for contributions – first session**

21. The Facilitator recalled that participants in the replenishment process had been invited to send comments on the draft policy for contributions to the Secretariat ahead of the second consultation meeting. The Secretariat had received comments, and these had been taken into consideration in the current draft presented to the participants.

22. Juichiro Sahara, the Secretariat's Head of Resource Mobilization, presented the process of the policy for contributions and provided an overview of the substantive comments that had

been received on the policy since the first consultation meeting in December, including those provided at the thirty-fifth meeting of the Board (B.35). These comments related to having flexible and shorter encashment periods with incentives for countries that opted for shorter periods; including a policy statement on the need for a stable and predictable annual commitment authority; approaches to managing non-confirmed pledges and non-payment of confirmed pledges; and limiting the overall amount of loans received by GCF. Afterwards, Mr. Sahara presented the revisions that had been made to address these comments.

23. Mr. Sahara explained that participants would be invited to consider the draft one section at a time and provide any additional comments. After this section-by-section review, the Secretariat would revise the draft policy and share the revised draft the next day, before the resumption of the meeting. After further discussions, the Secretariat would review and fine-tune the draft with a view to having all participants agree to it by the end of the meeting. Once there was an agreement, the Secretariat would share the revised draft with all participants on Monday, 1 May 2023, or Tuesday, 2 May 2023, for final confirmation.

### Discussion points

24. On the overall policy, participants stated that the policy should account for lessons learned from GCF-1 and emphasized the necessity of new and additional climate finance resources. Participants also expressed concern that a maximum limit on loan contributions might limit contributions to GCF. Mr. Sahara provided responses accordingly and explained that, with respect to limiting loan contributions, this was not a recommendation from the Secretariat but had been a comment received at B.35, which highlighted that GCF should receive more grant funding than loan funding.

25. On section one, **resource mobilization approach**, there was a question on whether GCF had made an assessment of the financial situation, specifically on loans in relation to cushions. Mr. Sahara explained that there were no non-performing loans thus far and the Secretariat wished to continue taking a conservative approach in this regard.

26. On sections two and three, **sources of funds** and **types of contributions**, participants expressed their preference that GCF be able to receive contributions from all parties that were able and willing to contribute and emphasized the need to increase climate finance through new contributors from emerging economies and philanthropic and innovative sources. Mr. Sahara recalled that the Secretariat had submitted a document on contributions from alternative sources, with extensive research, at B.34, document GCF/B.34/18, titled "Approach paper on contributions from alternative sources of funds." Participants asked for an update on outreach being done in these areas, and Mr. Sahara stated that outreach was underway for contributors from emerging economies and noted the role of the Facilitator in this outreach.

27. Participants stated that while the Fund has the mandate to already to receive funding from alternative sources, they do not see why it needs a separate policy. Also, the language regarding types of contributions did not make it clear that private sector (alternative sources) contributions could not be received. They requested a revision of the language to clarify that private sector contributions to GCF depended upon the adoption of a policy for contributions from alternative sources. Mr. Sahara explained that while the GCF can receive alternative sources of funding, the modalities on how to receive them needs to be approved as a policy, and this is why alternative sources of funding is not discussed in this policy. The Secretariat noted the suggested changes and agreed to revise the text for review the following day.

28. On section four, **conditions applicable to all types of contributions**, participants stated the need for greater flexibility in timing for fulfilling payments to account for different international budget and payment processes and suggested revised language to reflect this.

Participants agreed to the suggested amendment, and the Secretariat reflected the changes accordingly.

29. Participants requested further clarification on encashment schedules for promissory notes and their relation to the actual project disbursements rather than the replenishment period and its commitment authority and suggested further revision to the language. Mr. Sahara responded accordingly, and the Secretariat noted the changes in the policy for further discussion the following day.

30. On section five, **conditions for grant and capital contributions**, participants requested an update on the discount rate for contributors that chose to accelerate their cash payment or encashment schedule. Mr. Sahara stated that a representative of the Trustee (the World Bank), Alexandru Cebotari would provide data and further explanation on the discount rate the following day.

31. On section six, **conditions for loan contributions**, participants asked for clarification regarding the selected method for calculation and discount rate to account for the grant equivalence of loan contributions. Participants also expressed their concern that requiring the cushion for non-performing loans seemed like an expensive way to cover credit risks and GCF needed a strategy for the management of non-performing loans

32. Participants also expressed concern that the grant equivalence of loan contributions was lower than it had been for GCF-1 and requested an explanation of the methodology, since low grant equivalence will disincentivize contributors from contributing larger amounts of contributions.

33. Mr. Cebotari explained that the Trustee had applied the same methodology used for GCF-1, which entailed applying the rate used by the International Development Association (IDA). Participants asked for further details regarding this methodology, and the Secretariat agreed to come back with responses the following day.

34. Regarding the cushion, Mr. Sahara also explained that the current approach of 20 per cent at the portfolio level took a more conservative approach and acknowledged that this 20 per cent allowance had been established at the early stages of GCF operations. As GCF was growing, the Secretariat would review this in the course of GCF-2.

35. On section seven, **commitment authority**, participants stated that GCF needed to manage its commitment authority in a predictable and conservative fashion. Mr. Sahara responded accordingly, stating that the Secretariat would be strengthening its communication and calculation of commitment authority.

36. On section eight, **liquidity risk management**, participants had no comments or questions.

37. On section nine, **managing risk of non-payment of contributions**, participants expressed concern over language used regarding “enforcement” of payment, suggesting that this language and paragraph be revised or deleted, as it is already covered in the existing paragraphs. Participants agreed to delete the referenced paragraph and revise the preceding paragraph to reflect concerns, and the Secretariat reflected this in the draft.

38. On section ten, **foreign exchange risk management**, participants had no comments or questions.

39. On appendix I, **loan contribution terms**, and appendix II, **calculation of grant element**, participants noted that questions asked in previous sections related to appendix II.

40. The Facilitator reported on the summary of day 1 and closed day 1 of the meeting.

## **VIII. Remarks from a member of the Indigenous People’s Advisory Group**

41. The Facilitator opened day 2 of the meeting.
42. Helen Biangalen-Magata, a member of the Indigenous Peoples Advisory Group (IPAG), made remarks on the work of the IPAG, the impact that GCF had on indigenous peoples, and the importance of a successful GCF-2 replenishment.
43. Ms. Biangalen-Magata emphasized that a successful GCF replenishment would drastically change the scenario of demonstrated disproportionate climate change impact on indigenous peoples and their unequal access to and benefits from climate finance. A successful GCF replenishment could translate the aspirations of climate finance access into reality for indigenous peoples and developing countries all over the world.

## **IX. Project stories: presentation by the Secretariat and accredited entities**

44. Executive Director a.i. Mr. Gonzalez made remarks on the partnership approach of GCF and its work with its accredited entities, including direct access entities.
45. Jacqueline Novogratz, Chief Executive Officer of Acumen, presented an overview of two projects that GCF and Acumen had partnered on: the Acumen Resilient Agriculture Fund (ARAF) (FP078) and the KawiSafi Ventures Fund (FP005). Ms. Novogratz also highlighted the benefits of partnership with GCF and its ability to unlock capital to have significant impact on the lives of the vulnerable.
46. Jyotsna Puri, Associate Vice-President of the Strategy and Knowledge Department of the International Fund for Agriculture and Development, spoke on the Inclusive Green Financing Initiative (IGREENFIN) (FP183). Ms. Puri noted the ambition of the project and the transformative role of GCF.
47. Keith Nichols, Head of the Programme Development and Management Unit of the Caribbean Community Climate Change Centre, presented the project The 3 R’s (Reduce, Reuse, Recycle) for Climate Resilience Wastewater Systems in Barbados (FP192) and the project Water Sector Resilience Nexus for Sustainability in Barbados (WSRN) (FP060), highlighting the transformative impact of these GCF projects on the entire population of Barbados.
48. Mr. Gonzalez responded to the presentations, highlighting that the projects showed how GCF capital helped create markets and local ecosystems, where local financial institutions could join cross-border capital flows to de-risk and allow for private sector transactions to be viable responsibly—while following GCF environmental and social safeguards, protecting indigenous knowledge, and ensuring gender policies were incorporated.

### **Discussion points**

49. Participants thanked the speakers and stated that they wished to pass these positive messages to respective political leaders.
50. Ms. Novogratz, Ms. Puri and Mr. Nichols responded to participants’ comments and the Facilitator closed the agenda item.

## **X. Issues related to the policy for contributions – second session**

51. The Facilitator recalled that the revised draft incorporating the comments from day 1 had been circulated to the participants by the Secretariat.

52. Mr. Sahara informed participants that they would proceed to go through the draft section by section where there were revisions. These revisions were in track changes in the revised draft circulated to the participants before day 2 started.

### Discussion points

53. On **paragraph 3(g)(i)**, Mr. Sahara explained that it had been revised to clarify the sequence of the contribution process, starting with the confirmation of pledges and followed by payment and/or deposit. There were no further comments on this paragraph.

54. On **paragraphs 5–7**, revisions had been made to clarify and correct the list of contribution sources mandated to GCF through the Governing Instrument for the GCF. The revisions also clarified that accepting contributions from alternative sources called for policies on modalities to implement approved by the Board.

55. Participants requested clarification on the timeline of work relating to the policy for contributions and the policy for contributions from alternative sources. Mr. Sahara responded that it was unlikely that the policy for contributions from alternative sources would be considered by the Board before B.37. Other participants noted the sensitivity of this policy and the governance issues that might arise.

56. Participants expressed a preference to simplify the proposed language in paragraph 7 to be more in line with the Governing Instrument. Some participants expressed concern that the suggested revisions would put a condition on the Governing Instrument, which was not up to the Board to decide. Mr. Sahara responded that the Secretariat did not believe the paragraph was putting conditions on the Governing Instrument. It simply highlighted the need for a modality, instructions and guidance from the Board on how to accept contributions from alternative sources, and how to manage the sensitive issues on this matter.

57. The Secretariat proposed two options for paragraph 7 with simplified language, with the first option reverting mostly to the original language with some changes to reflect previous comments from participants, and the second option reiterating language from the Governing Instrument. Participants agreed to the first option, reverting to the original language of the paragraph and including as a footnote a reference to the adoption of corresponding policies and modalities by the Board for receipt of such contributions.

58. Participants suggested that the Secretariat consider current practices by other organizations in accepting private sector and philanthropic contributions. Mr. Sahara noted that the Secretariat had been looking into other organizations in this regard and would continue to do so.

59. Participants also emphasized that all Parties to the United Nations Framework Convention on Climate Change, not just developed country Parties, that were willing and able to contribute should be encouraged to do so.

60. On **paragraph 17**, Mr. Sahara noted that it had been changed to reflect the participants' suggestion the previous day. Participants suggested one further change to the language, which the Secretariat reflected. No additional comments were received.

61. On **paragraph 19**, Mr. Sahara explained that it had been revised to correct an error in paragraph numbering. No additional comments were received.

62. On **paragraph 27**, Mr. Sahara explained that it had been revised to include the discount rate of 1.49 per cent.

63. Mr. Cebotari, a representative of the Trustee, explained that the proposed discount rate had been determined as part of the recent replenishment of the Global Environment Facility (GEF-8) and that a note had been circulated to participants to explain this rate. There were two key reasons for suggesting this rate. First, the Trustee was in discussions with the Secretariat to revise the investment strategy of GCF and align this with the investment strategy. Second, in estimating the rate, it was important to balance the forward-looking approach and projection with historical trends. There were no additional comments.
64. On **paragraphs 41 and 42**, Mr. Sahara explained that, based on the feedback from participants the day before, paragraph 42 had been deleted and paragraph 41 had been strengthened in relation to managing the non-confirmation and non-payment of contributions.
65. Participants requested changes to the language in paragraph 41 due to concerns that the policy currently gave direction to the Board, and suggested reverting to the original paragraph with one additional change.
66. Participants agreed to revert to the original language of paragraph 41 with one additional change, and the Secretariat took note of this.
67. On **appendix I**, Mr. Sahara explained that part of paragraph 3 had been corrected to say "second replenishment period" instead of "first replenishment period." There were no additional comments.
68. On **paragraph 33(c) and appendix II**, Mr. Sahara explained that the discount and grant equivalence rates in paragraph 33(c) had been revised and these numbers had been reflected in the table provided in appendix II.
69. Mr. Cebotari recalled that, the day before, a participant had asked about the methodology used to calculate the rates and proceeded to explain the methodology used to decide upon the IDA discount rate, which had been used in GCF-1 and again to calculate for GCF-2. The IDA discount rate was calculated by projecting funding costs across the five currencies that were part of the Special Drawing Rights (SDR) basket. The rate was then averaged using the different weights of the currencies in the SDR basket.
70. Following comments from the previous day regarding low rates, Mr. Cebotari suggested that, instead of using the average of the five currencies of the SDR basket as in GCF-1, the funding cost for United States dollars could be used instead as most transactions and the main operation currency of GCF was the United States dollar.
71. Participants requested a written explanation of the methodology as a footnote, as well as clarification on the reference year that was used. Mr. Cebotari agreed to prepare a written explanation for inclusion in the final draft, and explained that for the reference period, the numbers used were from the IDA20 replenishment and these were averages of periods from March to August 2021.
72. On the timeline of work on the draft policy, participants noted that Monday, 1 May 2023 was a holiday for many and requested an extended timeline. The Secretariat agreed to provide the revised draft by Tuesday, 2 May 2023. The participants were requested to provide inputs by Monday, 8 May 2023.
73. As there were no further comments, the Facilitator thanked the participants and closed the agenda item.



## **XI. Organizational matters**

74. The Facilitator informed participants that preparations were underway for the Pledging Conference in close collaboration with the host. The event will be in person, with a focus on formally announcing pledges. By the time of the Pledging Conference, all substantive content and preparations should be accomplished, including USP-2, the adoption of the policy for contributions, and agreement on reference exchange rates. The outcomes of the Pledging Conference would be presented to the GCF Board at B.37 later in October. Germany and the Secretariat would provide further updates on logistics and the workplan for the Pledging Conference in the coming weeks.

### **Discussion points**

75. Participants requested clarification on the level of attendance at the Pledging Conference. Oyun Sanjaasuren, the Secretariat's Director of External Affairs, responded that Board members as well as senior representatives from contributor countries were welcome.

## **XII. Summary and conclusion**

### **12.1 Chair's summary**

76. The Facilitator reported on the summary of day 2.

77. There were no comments or questions, and the Facilitator proceeded to the next agenda item.

### **12.2 Report of the meeting**

78. The Facilitator informed participants that, according to decision B.33/11, he would report to the Board on the progress of the replenishment consultation meetings. The Facilitator would present his report on the second consultation meeting to the Board at B.36 in July.

### **12.3 Any other business**

79. Participants watched a video message from the Executive Director-elect of GCF, Mafalda Duarte.

80. No other business was raised.

81. The meeting was closed.

## **Annex I: Agenda of the second consultation meeting**

Second replenishment of the Green Climate Fund (GCF-2)  
Second Consultation Meeting, 27-28 April 2023

### DAY 1: Thursday, 27 April 2023 (20:00-23:30 KST, 13:00-16:30 CEST/07:00-10:30 EDT)

1. Opening session
2. Secretariat presentation: Building the momentum for an ambitious replenishment
3. Financial position of the Fund and Q&A
4. GCF Second Performance Review (SPR): informational session on the final report
5. Updated Strategic Plan for GCF-2 and Q&A
6. Issues related to the policy for contributions and Q&A – Session 1
7. Summary of Day 1

### DAY 2: Friday, 28 April 2023 (20:00-23:30 KST, 13:00-16:30 CEST/07:00-10:30 EDT)

1. Opening of Day 2 of the second consultation meeting
  2. Remarks from a member of the Indigenous People's Advisory Group (IPAG)
  3. Project stories: presentations by the Secretariat and accredited entities and Q&A
  4. Issues related to the policy for contributions and agreement on the draft – Session 2
  5. Organizational matters (pledging conference)
  6. Summary and conclusion
  7. Closing remarks from the Executive Director-elect
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