

CSO UPDATE: GCF BOARD MEETING 29



28 JUNE - 1 JULY 2021 | ONLINE

Note: Transcript of CSO Interventions for GCF B29 can be accessed here: https://docs.google.com/document/d/1qV_JBaOEo-fkgTCZ8VLq2ORFpsOCfo6rsMXt13LdqBM/edit?usp=sharing

DAY 1 - Jun 28, 2021

The GCF Board opened its 29th Board Meeting with the co-chairs welcoming new members and alternate members of the Board, as well as recognizing the presence of active observers from Civil Society Organizations (CSOs) and Private Sector Organizations (PSOs). This was followed immediately by the **Adoption of the Agenda and Organization of Work**. While there was no objection raised by any Board Member (BM) on the agenda, BM from Egypt registered his concern about the distribution of documents, including the annotated agenda, prior to B29. According to him, while it is understandable that due to the volume of preparatory documents, the compliance to the 21-day pre-Board Meeting distribution remains a challenge, he urged the co-chairs to at least provide a list of documents that are to be circulated outside the 21-day notice. This concern was noted by the co-chair from Mexico, who explained that both co-chairs have been very busy with consultations among their respective constituencies in the past few weeks prior to B29.

BM from Egypt also requested the co-chairs to have a minute of silence to remember Paul Oquist, a former member of the Board from Nicaragua, who recently passed away. Paul Oquist served as a co-chair of the GCF Board in 2018 representing the developing country constituency. The Board then proceeded to discuss the **Report of the 28th Board Meeting**, which was adopted without comment or opposition.

The Board also discussed another information document, the **Decisions Proposed in between B28 and B29**. In accordance with paragraph 41 of the Rules of Procedure of the Board, "Decisions without a Board meeting may occur on an extraordinary basis when in the judgement of both Co-Chairs, a decision must be taken by the Board that should not be postponed to the next Board meeting." Last June 25, 2021, the Board agreed to adopt the following items in between B28 and B29, and include the decisions made in the B29 Report:

1. Accreditation of Observer Organizations (12 April 2021)
2. Evaluation Policy for the GCF
3. Revised Policy on the Prevention and Protection from Sexual Exploitation, Abuse and Harassment (SEAH)
4. Administrative remedies and Exclusion policy
5. Appointment of member of the Independent Technical Advisory Panel (ITAP)
6. Launching the Second Performance Review of the GCF
7. Accreditation of Observer Organizations (15 June 2021)
8. Audited Financial Statement of the Green Climate Fund – Dec 2020
9. Selection Process for the Head of IEU
10. Amendment to the Evaluation Policy for the GCF: Updated Terms of Reference of the IEU

While many were happy about how the co-chairs facilitated the in-between Board meeting decisions (BBMs), some developing country BMs raised concerns about the difficulty of evaluating and coming up with a decision in a virtual format. BM from Argentina proposed to allow flexibility with deadlines, which also prompted BM from Egypt to again raise his earlier concern about giving enough time to distribute the documents ahead of

the deadline. BM from Egypt also urged the co-chairs to explain why these items needed to be decided upon in between meetings as stated in the GCF's Rules of Procedure.

There are also a number of items that were suggested to be included in the June 25 in-between Board meeting decisions (BBMs), but due to unresolved issues, they were left open and deferred to future Board Meetings. One of which is the decision on the **Guidelines to facilitate Board consideration of Independent Redress Mechanism (IRM) reports on reconsideration requests, grievances or complaints**. The co-chair invited the head of the IRM to give the Board a summary of the changes made to the guidelines so far, which include the following:

- Contents of IRM case reports were revised to maintain consistency with Procedures and Guidelines (PGs) adopted by the Board, and with the Rules of Procedure (RoP)
- Procedure for considering IRM Case Reports
- Board's Role in Considering IRM Case Reports

Since the IRM Guidelines was presented to the Board in 2019, it was only the BM from Tanzania who raised an objection and requested revisions, particularly on the inconsistencies with the Rules of Procedure and the Terms of Reference (ToR) of the IRM. He also questioned why this item was proposed to be adopted in BBMs, when there is no clear explanation from the co-chairs about the need to not postpone the item to the next Board Meeting. Seeing the need for more consultations between the BM from Tanzania and the head of the IRM, the co-chair decided to suspend the item and come back with a decision at a later time.

The Co-Chairs then gave the floor to Executive Director Yannick Glemarec to discuss the next agenda item - **the Report on the Activities of the Secretariat**. The report summarized the progress made against the priorities and key performance indicators (KPI) of the 2021 GCF Work Plan. Due to the enhanced efficiency of operations, the Executive Director reported that as of the end of June 2021, the GCF is on track to meet or exceed 80% of the KPI in 2021. Depending on the Board's decision on proposed projects in B.29, 95% of the annual programming and disbursement targets (\$1.8 Billion - \$2.2 Billion) may be met by mid-year. Cumulative disbursement is also expected to fall in the range of \$2.2 – 2.7 Billion, exceeding the annual target of \$1.8 Billion - \$2.1 Billion.

A key challenge raised by the report is achieving the objective to maintain a 50:50 balance between mitigation and adaptation allocations given that, at present, adaptation only accounts for 18% of the portfolio of Direct Access Entities (DAE's) against 68% for mitigation. The DAE Action Plan, which is attached to the report, seeks to address this by dramatically increasing the accreditation of DAE's and quadrupling private sector programming in adaptation.

The report also bared that without additional contributions and resources, the recent average rate of funding for approved projects per board meeting (around \$1 billion) cannot be sustained, necessitating the decrease of approved projects in the future. The financial plan submitted to the Board presents two options to sustain the current level of programming: either adjust the timing of contribution payments or ensure additional contributions.

The Executive Director also reported the progress made in implementing GCF policy on enhancing complementarity and coherence with other climate funds, particularly the Global Enhancement Facility (GEF). While most Board Members expressed their support for maximizing synergies between the two funds, the Board Members from South Africa and Argentina raised concerns over the Executive Director's comment about exploring "nature-based solutions" (NBS) in addressing climate change. Both sought clarification on the definition and scope of the NBS mentioned and called attention to existing international debates on NBS. On this point, the BM from Argentina urged the use of the term "ecosystems-based approach" instead. The Executive Director acknowledged the error of using the term NBS and affirmed that it should not, has not, and will not be used in all board documentation. Many Board Members also expressed the need for more detailed reports on the GCF-GEF collaboration in the interest of transparency and accountability.

An issue that raised much concern among developed country Board Members was the recommendation of the Secretariat to seek Specialized Agency Status for the GCF from the UN, which they assert can ensure that the GCF is granted with more Privileges and Immunities (P&Is) in operating in countries. At present, the GCF enjoys bilateral P&Is in only 27 countries despite applying to 141 countries. The Secretariat argued that the lack of P&Is in most countries the GCF operates in increases systemic risk for the Fund. The BMs from US and Germany opposed the Secretariat's recommendation to obtain Specialized Agency Status citing implications about country Parties needing to consult with their constituents, and that the GCF cannot be considered as a separate free spending organization. Both BMs encouraged the GCF to continue seeking P&Is via bilateral agreements.

On the issue of maintaining a 50:50 balance between adaptation and mitigation, BM from Liberia drew attention to 3 adaptation project proposals that were not presented to the Board due to the independent Technical Advisory Panel's (ITAP) decision to exclude them on the grounds of having a "weak climate rationale." He expressed his concern over the ITAP's power to hinder projects from reaching the Board and depriving developing countries of the support they need. The Executive Director responded by saying that the secretariat is not in the position to challenge ITAP's rejections of projects because discussions among the three - Secretariat, ITAP, and DAEs - are guided by "scientific methodology for climate projection" to ensure that projects won't lead to maladaptation. He added that having a weak climate rationale is the common reason for ITAP's non-recommendation of Funding Proposals (52%).

Another issue raised by several developing country BMs is on the challenge of increasing DAE accreditation. They believe the slow accreditation must be addressed by prioritizing and accelerating funding and implementation of readiness programs for DAEs and enhancing the coordination mechanism with the Secretariat. The Active Observer from developed country Civil Society Organizations (CSOs) Erika Lennon, also expressed concern over the preference for accrediting private sector DAEs and how that may detract from the necessary priority of supporting current DAEs to bring forth funding proposals.

The United States Board Member conveyed his country's commitment to mobilize climate finance at scale, baring that they will double their international climate finance contributions by 2024 as well as tripling its adaptation finance. He assured the Board that they still intend to fulfill the balance of the US' 2014 pledge, and added that the US President's budget request for the next fiscal year includes \$1.25 billion for the GCF.

Our CSO intervention, delivered by Erika Lennon, expressed concerns about how low the current commitment authority is and urged the contributor countries, especially from developed countries, to urgently fulfill their outstanding and current pledges. We also called for new and enhanced pledges in recognition of the fact that the replenishment has only reinforced the need for urgent, ambitious climate action to protect human rights, ecosystems, and biodiversity, especially in the Global South.

Due to lack of time, the Secretariat was unable to respond to these final points regarding the commitment authority, but the Executive Director expressed that strengthening the capacities of National Designated Authorities via readiness programs will be one of the Secretariat's priorities in the coming months. Afterwards, the Co-Chair thanked all Board Members, Alternate Members, and the Active Observer for their valuable comments then proceeded to formally note the Report on the Activities of the Secretariat.

It can be recalled that the **Integrated Results Management Framework (IRMF)** was initially up for the Board's decision last B28. However, the Board was unable to adopt a decision as the developed country BMs stood by their position to approve IRMF only if all the accreditation applications were approved. This resulted in the closure of B28 with no decision on the IRMF and deferral of the approval of 6 accreditation applications. The co-chairs, then, promised that there will be consultations between B28 and B29 in order to reconcile the differences of BMs on the IRMF.

At this Board Meeting, the Co-Chair from France opened the IRMF discussion with a summary of the efforts conducted in order to reconcile the differences between the BMs on the IRMF, specifically on its language and functions. He also provided the highlights of the revised document and added that there have been several technical and bilateral consultations held between B28 and B29 in order to reach consensus.

In summary, the revised IRMF version presented has the following elements:

1. There will be a financial package priced at USD 12.4 Million in order to support the implementation of the IRMF for developing countries and DAEs
2. The Handbook which will be used in implementing the IRMF will be presented to the Board for its approval
3. The current IRMF version was revised to be consistent with the GCF Investment Framework, the Governing Instrument (GI), and previous Board Decisions such as the Updated Strategic Plan (USP)--all of which will be used as guides in implementing the IRMF
4. The sole purpose of the IRMF is only for results management and its implementation will not result in new eligibility criteria that will create barriers in accessing climate finance from the GCF.
5. Paradigm shift, which is one of the competencies that the IRMF will monitor from GCF-financed projects, is claimed to be defined as country-driven and is aimed to not interfere with the sovereignty of the recipient country

The BM from Egypt, while lauding the consultation efforts made by the co-chairs, raised several concerns. Developing country BMs believe their outstanding thematic, conceptual, technical, and language-wise concerns on the uses and definitions of "paradigm shift", "systemic change", and "enabling environment" on the IRMF remain unaddressed. A document was said to be circulated among all BMs containing their position and intended language. They believe the IRMF will be used to influence the Fund's Investment Framework.

The BMs from Germany and Sweden also had issues with the use and definitions of the terms mentioned particularly on the following:

1. The relationship of sustainable development and paradigm shift, as well as the substance of paradigm shift is weakened in the current version. Paradigm shift should not be the context but should be the result of sustainable development
2. There is a need to further define "enabling environment"
3. Paradigm shift and sustainable development have been used interchangeably in the revised IRMF version, which is not consistent with the Governing Instrument (GI).
4. "Co-benefits" should not be considered as one of the concurrent factors of "paradigm shift." "Long-term sustainability" should be one of the concurrent factors, instead.

While BMs from Germany and Sweden agree about the financial assistance provided for developing countries in implementing the IRMF, they ask for further clarification on how the amount USD 12.4 Million was determined. They also opposed the co-chair's proposal of subjecting the IRMF handbook to Board approval, citing that there are existing GCF policies with handbooks that did not undergo the approval of the Board. They urged the Board to avoid micromanaging and let the GCF Secretariat do its job. The BM from Sweden also reiterated that the GCF still has a number of policy gaps that remain unresolved and that these have to be prioritized first before anything else.

After hearing the views from both constituencies, the co-chair asked the GCF Secretariat to provide clarification, to which the Secretariat responded by saying the current IRMF version is a compromise document that will not satisfy either parties fully but it is a step towards satisfying some, if not most of the positions of opposing BMs. The GCF Secretariat then asked the GCF Board to propose or devise their own way forward as they believe that the difference can no longer be reconciled from a technical level where the GCF Secretariat would be relevant.

The BM from the United States raised a point of order with reference to the Rules of Procedure, and asked the Co-Chairs to determine if all means towards achieving a consensus on the IRMF have been exhausted. While he did not explicitly state the rationale for the point of order, a positive determination of exhaustion of all means towards consensus imply a voting procedure for the adoption of the IRMF. However, a B23 Board decision states that the voting procedure cannot be applied to non-consensus on policy documents, such as the IRMF. This prompted the co-chair from France to suspend the session for further consultations.

After almost an hour of suspension, the Co-Chair from France attempted to resume the day but the BM from Saudi Arabia reminded him to get the Board's approval before resuming since the schedule for Day 1 of B29 ended 15 minutes before the attempted resumption. The Co-Chair from France agreed to adjourn the meeting, with parting instructions to the BMs from Egypt, Germany, and Sweden to consult with each other towards reaching a consensus on their disagreements.

Day 1 ended 21 minutes past the scheduled end of the day.

You can catch the recorded proceedings of the GCF B29 at:

<https://www.greenclimate.fund/boardroom/meeting/b29#videos>