

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-fkgTCZ8VLqZORFpsOCfo6rsMXt13LdqBM/edit?usp=sharing

DAY 2 - Jun 29, 2021

Day 2 of B29 started late as several members of the Board requested to resolve outstanding issues within their respective constituencies. It can be recalled that Day 1 ended with a lack of consensus on the agenda item **Integrated Results Management Framework (IRMF)**, to which the Co-Chair from France instructed the BMs from Germany, Sweden, and Egypt to consult with each other and reconcile differences before the start of Day 2. However, several BMs said the consultation never happened, hence the need for another constituency meeting.

When the constituency meetings ended, the Co-Chair from Mexico proposed the following to reach a consensus on the IRMF:

- Further consultations be made which will be held between the end of Day 2 and before the start of Day 3
- Each constituency are to assign 3 BMs to represent their constituency in the consultations
- The GCF Secretariat will manage the meeting rooms for consultations and leave it accessible until the start of Day 3 of B29
- Each constituency shall present their positions and agreements to the Board in the start of Day 3
- Should there be any remaining disagreements, the co-chairs will then consult again with each other and with their respective constituencies on the way forward.

Building on the suggestion of the BM from the United States from Day 1 to proceed with a voting procedure on the adoption of the IRMF, BM from Sweden raised the same proposal, to which many developing country BMs opposed. They believe the Board should strive to adopt policy items based on consensus, and that disagreements around the IRMF can be eventually resolved through consultations. BM from Pakistan urged the Board to take the consultations seriously as some BMs were ready to discuss the matter yesterday, but no consultations happened. BM from Egypt seconded the point and requested the co-chairs to allow consultations indefinitely, without threats of forcing a voting procedure from developed country BMs. Other developing country members also raised concerns about the co-chairs' facilitation resulting in numerous suspension of sessions, urging them to follow the GCF Rules of Procedure (RoP).

After several back and forths and brief suspensions of the session, the BM from Sweden made a statement by saying he is willing to retract his opposition to the proposal and agrees to conduct further consultations with opposing parties. He also asked the respective consultation small groups to negotiate the disagreements on the IRMF in good faith. This prompted the co-chair to suspend the IRMF discussion and proceed with the proposed consultation sessions in between Days 2 and 3 of the Board Meeting.

The Board proceeded in discussing the next agenda item, **Consideration of Funding Proposals (FPs)**. The GCF Secretariat presented an overview report of the FPs up for the Board's approval, FPs that were not recommended by the ITAP, and an update of the GCF portfolio, including an overview of the portfolio imbalances

in terms of thematic areas (adaptation versus mitigation), accredited entities (DAEs vs IAEs) and geographic distribution.

In summary, the presentation showed the following figures:

- Of the 7 FPs submitted by the GCF Secretariat for the ITAP's evaluation, only 4 FPs amounting to USD 501 million were recommended for Board's approval at B29.

- If all the 7 FPs were approved by the Board, a total of USD 321.1 Million will be added to the adaptation portfolio of the Fund and could result in a 49% adaptation portfolio based on grant equivalent terms. Since only 4 FPs were submitted for Board approval, the Fund's adaptation portfolio is deemed to be 47%.

- Of the 4 FPs, 3 are submitted by IAEs and 1 from a DAE. If approved, the overall GCF portfolio will have a total of USD 858.4 Million (15%) GCF Funding for DAEs.

- If all 4 FPs will be approved, the GCF Portfolio will have the following figures:
 - By financial instruments - 44% Loans, 42% Grants, 6% Equity, 6% for Results Based Payments (RBP), and 2% for Guarantees;
 - By geographical distribution - 37% for Africa, 37% for the Asia-Pacific, 21% for the Latin American Countries, and 4% for Eastern Europe;
 - By thematic areas - 34% for Adaptation and 66% for Mitigation in nominal terms (not in grant equivalency terms)
 - By sectoral access - 67% for the Public Sector and 33% for the Private Sector in nominal terms (not in grant equivalency terms)

 - By access modality - 81% of all GCF funding will be for IAEs while only 19% will be for DAEs, in nominal terms (not in grant equivalency terms)

 - By result areas - 30% of all GCF funding will be for energy access and power generation, 6% to low-emissions transport, 15% to building cities, industries, and appliances, 15% to forestry and land use, 12% to the most vulnerable people and communities, 9% to health, well-being, and food and water security, 7% to infrastructure and built environment, and 6% to ecosystem and ecosystem services

The GCF Secretariat also presented how the pipeline is on its way to achieving the 50:50 adaptation and mitigation balance, significant increase of DAE financing, and private sector share, all in line with the Updated Strategic Plan (USP). By B30, the Secretariat said the Fund's overall project portfolio will have 53% for adaptation projects. GCF Funding directed to DAEs and PSF will also have the same proportion at 28%. These figures presented by the Secretariat were all expressed in grant equivalence terms.

When the co-chair asked the Board for comments, BMs from both developed and developing countries all expressed major concerns on the imbalances of the GCF portfolio.

Concerns of developing country BMs focused on how the Fund is once again prioritizing mitigation as the batch of FPs at this Board Meeting were mostly mitigation projects. They called out the ITAP for not giving consideration to smaller AEs whose FP submission might not be as sophisticated as those provided by IAEs. The BM from Mauritius cited a FP in Timor Leste that was not recommended by the ITAP due to its weak climate rationale. He added that there are other FPs with a similar climate rationale but passed the ITAP's evaluation.

BMs from Argentina and Tanzania also cited several adaptation projects from their respective regions that were not endorsed by the ITAP due to “missing” or “inconsistent” technical data, but the data was actually provided by the AE. After hearing these concerns, the developing country BMs urged to revisit the Board decision on ITAP’s evaluation of FPs, and suggested developing clear guidelines with regards to the function and scope of ITAP’s work.

Developed country BMs have a different take. While they agree with the point about getting more adaptation projects for Board approval, they believe the Fund should only support quality projects, which can be achieved if they have fulfilled the requirements and assessment done by the Secretariat and the ITAP based on GCF standards. Their comments were also geared towards increasing the involvement of the private sector as they believe leveraging private sector finance would increase the share of adaptation and DAE projects in the GCF portfolio. Addressing the policy gaps of the Fund is also something that BMs from Germany, Sweden, France, Norway, and Finland raised in order to improve the GCF portfolio. They believe revisiting the ITAP’s functions will only further widen the gap and delay the progress of the Board in adopting more important policy items.

The point about private sector finance was strongly opposed by developing country BMs. They reminded the Board how the Fund is not a business nor an investment fund, and that it should be primarily for granting climate finance.

In response to the concerns raised about the ITAP’s evaluation of adaptation FPs, the head of the ITAP said that the FPs that were not recommended for Board approval had several weak elements, including climate rationale. Since having a weak climate rationale is a common reason for non-endorsement, the ITAP shared that in coordination with the Secretariat and with an in-house climate scientist, they are currently developing guidelines to refine the ITAP’s and GCF Secretariat’s FP evaluation process. The ITAP is also willing to comply with any of the Board’s directives, but until the guidelines are adopted, they will abide by existing policies and practices reflected in the B17 and B23 decision that de-facto mandates the ITAP to “veto” FPs that did not pass their assessment.

Amidst the heated discussion, the BM from Japan appealed to the co-chair to consider ending Day 2 as it is already very late in his time zone, as well as in Songdo, where the GCF headquarters is located. He also suggested a rotating start time for the Board Meetings in the future in order to give considerations for those joining from Asia. The co-chair agreed and decided to suspend the discussion on the consideration of funding proposals. None of the 4 FPs were deliberated by the Board despite being tabled in the agenda since Day 1 of B29.

Day 2 ended a few minutes before the scheduled end of day.

You can catch the recorded proceedings of the GCF B29 at:
<https://www.greenclimate.fund/boardroom/meeting/b29#videos>