Climate Funds Update

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The Green Climate Fund

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The Green Climate Fund (GCF) became fully operational in 2015. While the GCF is an operating entity of the Financial Mechanism of the UNFCCC and under the Paris Agreement, it remains a legally independent institution hosted by South Korea. It has its own Secretariat and the World Bank as its trustee. The 24 GCF Board members, with equal representation of developed and developing countries and support from the Secretariat, have been working to operationalise the Fund since their first meeting in August 2012.

This year, the GCF continued to work on addressing policy gaps in essential policies and frameworks. These had intentions to speed up proposal approval and disbursement of approved funding, as well as to improve the overall quality of GCF projects and programmes, both approved and in the pipeline. As of November 2019, the GCF has accredited 95 implementing entities, that act as delivery partners for projects, and has approved USD 5,660.9 million for 124 projects. The 24th meeting of the Board in Songdo in late 2019, approved 13 of these project proposals worth USD 407.8 million in GCF resources. This almost depletes the remaining commitment authority and reflects the initial resource mobilization period coming to an end. The first replenishment period of the Fund starts in 2020 (GCF-1) with, by mid-November 2019, USD 9.78 billion pledged by 28 countries and with further contributions expected over the course of GCF-1 (from 2020-2023).

As we head towards COP 25 in Madrid, under a Chilean COP presidency, this Climate Finance Fundamental provides a snapshot of the operationalisation and functions of the GCF. With the Fund's role in a post-2020 climate regime as the major finance channel under the Convention confirmed and as the largest multilateral climate fund, the scale of its first formal replenishment will remain a contentious issue. Past editions of this Climate Finance Fundamental further detail the design and initial operationalisation phases of the Fund.

Introduction

As an operating entity of the financial mechanism of the Convention under Article 11, a role confirmed in the Paris Agreement, the GCF is "accountable to and function[s] under the guidance of the COP". It is mandated to take a country-driven approach, a principle that is supposed to guide all GCF investment decisions. It is also intended to channel "a significant share of new multilateral funding for adaptation", aiming to balance funding for mitigation and adaptation measures. It further ring fences support for the urgent needs of Least Developed Countries (LDCs), Small Island Developing States (SIDS) and African countries and for local private sector actors.

A total of USD 10.3 billion was pledged to the Fund during its initial resource mobilisation (IRM) process in 2014. Of this, USD 10.2 billion were formalised through contribution agreements, making the GCF the largest multilateral climate fund with the potential to channel even larger sums over time. There were 45 contributing countries to the IRM (eight of which were developing countries including host country South Korea, Mexico, Peru, Colombia, Panama, Mongolia and Indonesia) as well as a handful of regions and cities.

Five countries have not fulfilled their pledges.[1] The failure by the United States to fulfil USD 2 billion of its USD 3 billion contribution agreement, in addition to exchange rate fluctuations, means that only USD 7.1 billion were ultimately available in the IRM period. Following project approvals of the 24th Board meeting in November 2019, USD 287 million of the IRM funds remain. In October 2018, the GCF kicked off its first formal replenishment (GCF-1) for the period 2020-2023. This culminated in the Paris pledging conference in late October 2019, which secured USD 9776.78 million from 27 countries (with South Korea as the only developing country contributor). Since then, Indonesia has pledged another USD 0.5 million with the pre-COP 25 pledges now amounting to USD 9777.28 million.

Contributions to the Fund are only accepted as grants, concessional loans and paid-in capital. With the exception of France and Canada, most contributions are grants received in a multitude of currencies. The GCF then offers grants, concessional loans, equity investments and guarantees using the executing and financial management capacities of partner organisations that work as implementing entities or intermediaries.

GCF implementation issues

The governing instrument of the GCF presents a broad framework and general direction that has given the Board substantial flexibility on how to operationalise the Fund. In exercising this discretion, however, the GCF Board members bear responsibility for making decisions that secure the ambition of the Fund, and allow it to achieve its overriding objective of: "[i]n the context of sustainable development ... promot[ing] the paradigm shift towards low-emission and climate-resilient development pathways."

As the GCF's seventh co-chairs, Josceline Wheatley (United Kingdom) and Nagmeldin Goutbi Elhassan Mahmoud (Sudan) in 2019, focused on finalising strategic operational components and addressing policy gaps for the further development of the Fund, while also increasing efforts to spearhead Board governance reforms and ramp up the approval of quality proposals and disbursement of GCF funding. Starting its three-year term in early 2019, the newly configured GCF Board (BM22) elected Yannick Glemarec as the Fund's new Executive Director. This followed the surprise resignation of the then Executive Director, which lead to a governance and leadership crisis in 2018. Both the Co-Chairs and the new Executive Director focused in 2019 on efforts to quell doubts about the future of the Fund and its governance, and on measures and messaging to regain potential contributors' trust in the Fund to secure a successful first replenishment. Concurrently, the new Executive Director is working to rationalise and reorganise operational procedures, in a still expanding Secretariat, to allow for the improved management of a growing portfolio of projects and programmes and rapidly growing disbursement of funds (see earlier CFF 11 from 2011 to 2018 for a more detailed elaboration of the GCF's operational development).

Probably the single most important decision taken by the Board in 2019, came at its 23rd Board meeting in July. Seen as make-or-break precondition for a successful first replenishment effort, the Board approved a voting procedure for decisions in the absence of consensus. It allows decisions to move forward with the support of four-fifths of present and voting Board members, unless four or more developed or developing country Board members vote against it. With voting supposed to be used only as a last resort, the hope is that this will have a disciplining effect on Board deliberations and put an end to the de facto veto power of individual Board members under the previous general consensus rule. The voting procedure was applied successfully for the first time at the 24th Board meeting in the approval of a project proposal that had failed to garner consensus support at two prior Board meetings.

Strategic Vision and GCF Performance Review: Accompanying the process for the Fund's first replenishment, the focus in 2019 turned to the strategic vision for GCF-1 (2020-2023) and the programming directions the Fund should take. This strategic planning progress will update the GCF's first strategic plan, endorsed in March 2016. Expected to be approved in early 2020, the new strategic plan will lay out the GCF's unique value-add in the global climate finance architecture as well as the Board's views on the GCF's role in supporting the implementation of the Paris Agreement within an evolving climate finance landscape. The new strategy will be guided by an in-depth forward-and-backward-looking performance review of the GCF released by the Independent Evaluation Unit (IEU) in mid-2019. This laid out in detail the policy revisions, operational adjustments, and priority investment areas that could support the Fund to deliver on its mission and support developing countries' climate actions by becoming "faster, better and smarter" (IEU 2019). The new strategy will further consider recommendations outlined by contributor countries to the GCF first replenishment in their summary report.

Resource Mobilisation, Remaining Commitment Authority and First Formal Replenishment: The GCF's IRM, which began in mid-2014 (for a detailed discussion see the 2014 CFF 11) resulted in pledges by 45 contributing countries, as well as several regions and cities, of USD 10.3 billion. The GCF achieved "effectiveness", or the authority to make funding decisions, in May 2015 when 50 per cent of the financing promises received during the November 2014 pledging conference in Berlin were fully paid in.

At the time of the 24th Board meeting in November 2019, USD 10.2 billion of the USD 10.3 billion IRM pledges for the GCF had been converted to signed contributions. The intended withdrawal of the United States from the Paris Agreement, first suggested in June 2017 and reiterated in late 2019, makes clear that the remaining unpaid USD 2 billion of the signed US contribution agreement of USD 3 billion will not be forthcoming under a Trump Administration. In addition to which, country contributions to the IRM were received in a multitude of currencies and the overall results calculated according to a foreign exchange reference rate adopted for the High-Level Pledging Conference in November 2014. Significant exchange rate fluctuations since then have reduced the actual overall funding amount available to the GCF. The actual value of the IRM at today's exchange rates and in light of the US not fulfilling its pledge, is thus USD 7.1 billion.

According to IRM policies, the GCF's first replenishment was to be triggered when 60 per cent of total contributions to the GCF Trust Fund received by the 11th Board meeting had been approved for projects and programmes. This threshold was surpassed at the 21st Board meeting in October 2018 where USD 5.5 billion had been made in cumulative funding commitments (including administrative costs over the Fund's lifetime, readiness support and USD 4,605 million in project approvals for 93 project and programmes). Thus a Board decision in Bahrain formally launched the GCF's first replenishment process. The Bahrain decision focused on the procedural aspects of the replenishment process, not the highly-politicised questions regarding the length of the replenishment period, the envisioned scale, or the policies for contributions. These were determined through a series of replenishment consultation meetings with potential contributor countries, in which a delegation of the GCF Board also participated, convened in Bonn (November 2018), Oslo (April 2019) and Ottawa (August 2019), culminating in a pledging conference in Paris in October 2019. The process was aided by the Co-Chair's appointment of Johannes Linn as a global facilitator.

At the Paris Pledging Conference, 27 countries pledged a combined USD 9.78 billion, of which 94 per cent was committed as grants, with only 6 per cent of the total pledged by France and Canada in the form of loans. The United States and Australia as major contributors during the IRM did not participate in Paris. In response to calls for increased contributions to the GCF, a number of developed countries (such as Germany, France, UK, Norway and Sweden) doubled their initial IRM contribution in local currencies, while others increased their contribution less substantially (such as Netherlands, Italy or Spain) or not at all (most prominently Japan and Canada). South Korea also doubled its pledge and was the only developing country to pledge in Paris. Since Paris, and before COP 25, Indonesia has pledged USD 0.5 million to the GCF (Table 1). With contributions allowed on a rolling

Table 1: Comparison of Contributor Countries' Pledged Amounts during the IRM (2014-2018) and at the Paris Pledging Conference (2019) and thereafter in USD million

Country	2014 Nominal IRM-pledge in USD million	2019 Nominal Paris GCF-1 pledge in USD million	Country	2014 Nominal IRM-pledge in USD million	2019 Nominal Paris GCF-1 pledge in USD million
Australia	187.30	–	Luxembourg	46.80	45.05
Austria	34.80	33.79	Malta	0.50	–
Belgium	66.90	45.05	Mexico	10.00	–
Bulgaria	0.10	–	Monaco	2.30	4.22
Canada	277.00	225.53	Mongolia	0.01	–
Chile	0.30	–	Netherlands	133.80	135.15
Columbia	6.00	–	New Zealand	2.60	10.05
Cyprus	0.50	–	Norway	272.20	417.48
Czech Republic	5.30	–	Panama	1.00	–
Denmark	71.80	120.69	Peru	6.00	–
Estonia	1.30	–	Poland	0.10	3.00
Finland	107.00	112.62	Portugal	2.70	1.13
France	1,055.50	1,743.38	Republic of Korea	100.00	200.00
Germany	1,003.30	1,689.32	Romania	0.10	–
Hungary	4.30	0.70	Russia	3.00	–
Iceland	1.00	2.00	Slovakia	2.00	2.25
Indonesia	0.30	0.50	Slovenia	–	1.13
Ireland	8.00	4.50	Spain	160.60	168.93
Italy	334.40	337.86	Sweden	581.20	852.55
Japan	1,500.00	1,500.00	Switzerland	100.00	150.00
Latvia	0.50	–	United Kingdom	1,211.00	1,851.88
Liechtenstein	0.05	0.05	United States	3,000.00	–
Lithuania	0.10	–	Vietnam	1.00	–

2014 IRM TOTAL	10,282.70
2019 GCF-1 TOTAL	9,658.81
2019 GCF-1 TOTAL reflecting early encashment credit	9,777.28

Note that for illustrative purpose, only pledged amounts during the IRM are listed. Some of those pledges, for example by Vietnam or Peru, were not realised, others (Columbia and Italy) only partially. Nevertheless, the outcome of the Paris Pledging Conference at this time similarly represents just a promise to contribute, not yet signed and fulfilled contribution agreements. Additionally, the listed IRM amount does not include contributions worth USD 35.5 million made by three Belgium regions, as well as the USD 1.3 million contribution made by the city of Paris. If those are taking into account the overall IRM pledge amount adds up to USD 10,319.5 million

Also, please note that the nominal amount of pledges made at the Paris pledging conference and recorded here (as of mid-November 2019) differs from the official amount announced by the GCF Secretariat. The difference is due to notional credits given (i.e. additional contribution amounts credited) for indications of willingness to fulfill these pledges early, meaning to pay in quicker than the standard schedule which allows up to nine years for the fulfillment of pledges and was agreed to by potential contributors in Paris. A similar notional credit was not offered for the IRM.

basis until the end of GCF-1, the end of 2023, there is the expectation that further countries might do so at a later stage, notably the United States under a different administration, or countries with pledges below expectations. Efforts towards the first replenishment in early 2020 are also likely to focus on reaching out to non-traditional contributors, including from the private sector and philanthropic foundations.

In the past, the issue of contribution policies has been especially contentious. Developing country Board members want to avoid the earmarking of resources and the establishment of voting shares for decision-making by contribution. The policy for contributions for GCF-1 approved at the Paris pledging conference by potential contributors does not allow for ear-marking. It set caps for loan and capital contributions at 20 per cent each of overall contributions received, and allows countries up to nine years to pay in their pledged contributions, with credits received for early fulfilment of contribution agreements. Under the new policy for contributions, the Fund will reach its commitment authority once 25 per cent of pledges made in Paris are converted into contribution agreements. The hope is that this can be achieved by the 25th Board meeting in March 2020. The World Bank, which was confirmed in October 2018 as the Funds' Trustee for the foreseeable future (after a competitive bidding and outreach process), will work with the Secretariat to quickly finalise pledges into commitments as early as spring 2020. This is to avoid the GCF losing its ability to commit funding between the end of the IRM and start of GCF-1.

Going into the 24th Board meeting in November 2019, USD 952 million were available from the IRM. With funding commitments made for 13 projects and programmes, an increase in the Fund's financial risk buffer, and the approval of the 2020 administrative budgets for the operations of the Secretariat, Board and the Fund's independent units, only USD 287 million are left to carry over into GCF-1. Since the Board had ring-fenced in October 2018 USD 600 million for proposals under already issued request for proposals (RfPs) (for mobilising private sector engagement and REDD+), as well as for pilot programmes (for simplified approval and enhanced direct access and micro-, small- and medium-size enterprises (MSMEs)) – for which USD 308.7 million were approved in 2019 – the remaining funding under the IRM can only be used at the 25th Board meeting for funding proposals under those RfPs in the absence of the new commitment authority.

Appointment of a new Executive Director: With the sudden and immediately effective resignation by Howard Bamsey at the 20th GCF Board meeting in July 2018, for purported personal reasons, the GCF found itself initiating the third search process for an executive director in five years at a critical time for the Fund's future. Hela Cheikhrouhou, the first Executive Director of the Fund, who presided over the establishment of the independent Secretariat and managed the IRM, stepped down in September 2016 after a three-year term. Howard Bamsey, whom the Board selected at the 15th Board Meeting in December 2016, arrived with considerable experience of the UNFCCC as the former chief climate negotiator for Australia, and briefly led the Global Green Growth Institute (GGGI). During his 18-month tenure, Bamsey focused on increasing staff capacity and halting staff turnover at the Secretariat as well as tackling blockages in finalising the legal master agreements between the GCF and key implementing partners; a major cause for the delay in disbursing GCF funding for approved projects and programmes.

Addressing the vacuum at the top of the Secretariat was a core issue for the Board in early 2019. The selection process for a new Executive Director ran concurrent to the start of the replenishment process in which the Secretariat played a key organisational role. Largely following the selection procedures used in the two previous instances, an eight-member Ad hoc Board Selection Committee provided oversight, selected and interviewed a set of six candidates, with three considered for the final list. The full Board then voted in closed session at the 22nd Board meeting in late February 2019 on the short-listed and interviewed candidates, publicly announcing that it had chosen Yannick Glemarec by consensus. Yannick Glemarec, who started his position in April 2019, brings to the GCF more than 30 years of experience in the UN system, having held executive positions as UN Assistant Secretary-General and with UN Women and UNDP.

Structure, Organisation and Staffing of the Fund's Independent Secretariat: In December 2013, an Independent Secretariat located in Songdo, South Korea began its work with around 40 people. The number of staff has increased since significantly, reaching 100 positions at the end of 2016 and 140 by the end of 2017. Secretariat staff levels will reach 225 by the end of 2019 and likely 240 through 2020. This recognises the growing workload of the Secretariat, its complexity and its efforts at streamlining operational procedures.

After an external evaluation of the Secretariat's structure and staffing needs in 2017, the Board approved a reorganisation of the Secretariat into five major divisions. These are country programming, mitigation and adaptation, Private Sector Facility (PSF), support services, and external affairs, with five offices for the General Counsel, governance affairs, internal audits, portfolio management, risk management and compliance. It further expanded the office of the Executive Director to include a Deputy Executive Director and a focus on knowledge management and strategic outlook. Under Yannick Glemarec's leadership in 2019, the Secretariat structure was further fine-tuned to more clearly separate functions and related reporting lines throughout the project cycle, with programming divisions now reporting to the Deputy Executive Director and second level due diligence and compliance overseen by the Executive Director. The GCF's overall administrative budget for 2019 (which includes expenditures for the Secretariat, the Board, the Trustee and the three Independent Units) approved in October 2019 grew to USD 86.3 million from USD 80.9 million, a 6.7 per cent increase over the 2019 figures. The budget for the Secretariat grew from USD 67.1 million in 2019 to USD 70.2 million in 2020, a 4.7 per cent increase.

Results Management Frameworks and Performance Indicators: Since 2014, the GCF Board and Secretariat have worked to finalise a results management framework with performance measurement matrices against which the impact, effectiveness and efficiency of its funding will be assessed. The results framework defines the elements of a paradigm shift towards low-emission and climate resilient country-driven development pathways within individual countries, and aggregated across Fund activities. The focus areas for mitigation include: low-emission transport, low emission energy access and power generation at all scales; reduced emissions from buildings, cities, industries and appliances; and sustainable land and forest management (including REDD+ implementation) for mitigation. The core metric is that of greenhouse gas (GHG) emission reductions in tons of carbon dioxide equivalents. For adaptation, focus areas include: increased resilience of health, food and water systems; infrastructure; ecosystems; and enhanced livelihoods of vulnerable people, communities and regions, with the core metrics being the number of beneficiaries. In this context, the indicators also commit to assess the resulting development, social, economic and environment co-benefits and gender-sensitivity of GCF investments at the Fund-level, thereby including both quantitative and qualitative measures. The Board approved a separate performance measurement framework for REDD+ activities, for results-based payments.

Work on further refining the initial performance indicators for adaptation and mitigation has essentially stalled over the past three years. Further work is aimed at capturing both the outcomes of projects and programmes funded, as well as the transformative impact of the Fund's aggregate activities. Efforts to advance accounting methodologies have also stalled. This was noted as a significant shortcoming in an independent evaluation of the GCF's results management framework prepared by the IEU in 2018 and considered by the Board at its 22nd meeting in February 2019. In 2019, the Secretariat worked through a consultancy to address some of the recognised short-comings, particularly in its results measurement approach to adaptation, as well as in advancing work to develop methodologies to measure the paradigm shift potential of the Fund's approved portfolio. The Board will likely consider an updated results management framework in early 2020.

Investment Framework: At its 11th Board meeting in Zambia in November 2015, the Board decided project proposals would be evaluated against a set of six agreed investment criteria focusing on 1) impact (contribution to the GCF results areas); 2) paradigm shift potential; 3) sustainable development potential; 4) needs of the recipient countries and populations; 5) coherence with a country's existing policies or climate strategies; and 6) the effectiveness and efficiency of the proposed intervention, including its ability to leverage additional funding (in the case of mitigation) as well as a list of activity-specific sub-criteria and indicators agreed to earlier in 2015. Evaluation of medium and large-size funding proposals is aided by a pilot scoring approach, ranking proposals as low, medium or high against the investment criteria. The Board still has to decide on methodologies to compare proposals "in comparable circumstances" (for example by country groupings or sectors), thereby adding an element of competitiveness to the approval process, but balancing it with equity considerations aimed to ensure fairness for proposals from LDCs, SIDS and African states.

During 2018, work by the Board's Investment Committee and the Secretariat further progressed the identification of quantitative and qualitative benchmarks. These inform the investment framework of the Fund and support the review and assessment of project proposals alongside efforts to monitor implementation. Based on this work, the Board at its 22nd meeting in February 2019 approved a set of investment criteria indicators for a one-year a pilot. The Board in 2019 also considered separate policies, which if eventually approved, will require Accredited Entities (AEs) to more clearly elaborate the climate rationale of funding proposals as well as to justify the level of concessionality requested and apply incremental cost calculation methodologies. With the Board unable to decide on these in 2019, revised policies will be on the Board's work plan for 2020. The Board has yet to consider and approve guidelines for programmatic approaches; this too will be taken up in 2020.

The Board's investment decision-making is also informed by recommendations on individual funding proposals provided by an Independent Technical Advisory Panel (ITAP). ITAP was formed in 2015 and its effectiveness and capacity was reviewed in 2017. The Board, having failed to make a formal decision on ITAP's mandate and structure since this review, is expected to reconsider the mandate, structure, and expert composition of the ITAP in early 2020 (as part of an ongoing comprehensive review of the work of committees, expert groups and panels). This must acknowledge the need to work toward better aligning proposal review schedules between the Secretariat and the ITAP, deepening engagement with the AEs on project/programme proposals under review for proposed Board consideration, as well as monitoring the increase in work load as the number of funding proposals, including under the Simplified Approval Process (SAP), for the ITAP to evaluate steadily grows.

Allocation: The GCF is supposed to "balance" spending between mitigation and adaptation. In 2014, the Board approved an allocation framework which clarified that the GCF is to spend 50 per cent of its funding on adaptation, of which 50 per cent is to be spent in LDCs, SIDs and African States. Allocations are to be tracked in grant equivalents. While there is no maximum allocation cap for individual countries, the Board has stressed the need for geographic balance (see the 2014 CFF 11 for further details on the GCF allocation approach). After the 24th GCF Board meeting, the portfolio of 124 approved and active projects reflected an allocation in grant equivalent terms of 47 per cent (USD 2,628 million) dedicated to mitigation projects and 53 per cent (USD 2,964 million) dedicated to adaptation projects. Cross-cutting projects and programmes (USD 1,678 million) accounted for 30 per cent of the total, disaggregated into 16 per cent attributed to mitigation (USD 895 million) and 14 per cent attributed to adaptation (USD 783 million). In nominal terms, the picture for the portfolio of 124 projects and programmes looks quite different. Of the USD 5,592 million in funding approved, in nominal terms 42 per cent (USD, 2,349 million) is for mitigation, 24 per cent is for adaptation (USD 1,342 million) and 34 per cent (USD 1,901 million) is for cross-cutting issues (although the criteria the Secretariat uses for allocating funding under cross-cutting proposals to either adaptation or mitigation for calculation of the overall balance remains unclear). If the cross-cutting share is disaggregated and attributed toward mitigation and adaptation respectively, then in nominal terms mitigation receives 63 per cent (USD 3,523 million) of approved GCF funding versus 37 per cent (USD 2,069 million) for adaptation. Thus, over the past year, the imbalance in the portfolio has shifted further toward mitigation. Despite calls by the IEU in its forward-looking performance review to increase the share of adaptation by striving toward a balanced allocation in nominal terms for GCF-1, contributors and the Secretariat have committed only to maintain the efforts toward balance in grant equivalent terms.

The regional distribution in nominal terms shows 39 per cent (USD 2,214 million) for Africa, 34 per cent (USD 1,891 million) for Asia Pacific, 22 per cent (USD 1,267 million) for Latin America and the Caribbean, and less than 5 per cent (USD 251 million) going to Eastern Europe. Some 78 projects and programmes target SIDS, LDCs and African states either wholly or partly, accounting for 56 per cent (USD 3,132 million) of the allocations so far, while 44 per cent (USD 2,460 million) of approved GCF funding goes to all other developing countries.

Project Pipeline and Initial Approval Process: By September 2019, the GCF project pipeline was comprised of 78 funding proposals (61 public sector and 17 private sector ones) requesting USD 3.2 billion in GCF support and worth USD 13 billion in total. Some 65 per cent of these requested funding for projects and programmes in LDCs, SIDS and African states. Among regions, most pipeline proposals target Africa (48 per cent), followed by Asia-Pacific (31 per cent), Latin America and the Caribbean (20 per cent). Just 1.2 per cent of pipeline funding is requested for project and programmes in Eastern Europe. Of all pipeline proposals, 22 (28 per cent) are from direct access entities, but they account for less than 20 per cent of requested funding. If implemented, only 23 per cent of total requested GCF funding in nominal value would be for adaptation efforts, with 39 per cent for mitigation and 38 per cent for cross-cutting proposals.

There are also 268 (196 public sector and 72 private sector) early-stage proposals in the form of concept notes in the pipeline that together would require USD 11.7 billion in GCF funding support; 78 of those, or just 29 per cent, are from direct access entities. While the number of direct access project/programme proposals and concept notes in the pipeline has grown over the past year, it is still significantly lower than that for international access proposals and concept notes, especially when looking at the funding amounts requested for those proposals and concept notes.

Since 2016, the Secretariat has issued four targeted requests for proposals (RfPs) under five pilot programmes. Approved by the Board in 2015, specific pilot programmes on Enhanced Direct Access (EDA) and micro, small and medium-sized enterprises (MSMEs) were launched in 2016. In 2017, at its 16th meeting, the Board approved a USD 500 million private-sector focused pilot programme that lead to an RfP for mobilising funding at scale in the same year and at its 18th meeting in Cairo, 2017 the Board approved an RfP under its USD 500 million REDD+ results-based payments pilot programme. An USD 80 million pilot scheme for a simplified approval process (SAP) for micro- and small-size low-risk projects gained Board support in 2017 after many delays, accepting proposals on an ongoing basis.

- Only two projects worth USD 30 million have been approved under the EDA pilot so far. The programme's future pipeline looks challenged with only four funding proposals and seven EDA concept notes in the pipeline. A review of the EDA pilot approach is due in 2020;
- For the MSME pilot programme, 30 concept notes were initially received, with seven shortlisted for further development. Of these, four were submitted and approved, but only three MSME projects (worth USD 60 million) are still active stage, with one having lapsed;
- The private-sector focused RfP for mobilising funding at scale received 350 concept notes, of which 30 were shortlisted. It saw its first proposal approved at the 23rd Board meeting in July 2019, with another proposal being withdrawn at the 24th Board meeting in November 2019;
- Under its USD 500 million REDD+ results-based payments pilot programme, four projects worth USD 228.7 million in Brazil, Ecuador, Paraguay and Chile, were approved in 2019;
- The SAP pilot scheme saw the approval of four projects in 2018, and added another eight approved projects in 2019 for a total of USD 105.4 million approved for the 12 SAP projects. The demand for SAP, which will be reviewed by the Board in early 2020, is high with another 68 funding proposals and concept notes worth over USD 600 million in the pipeline. 2020 could see the approval of up to 15 additional SAP funding proposals.

The Secretariat conducts due diligence on all proposals submitted to ensure compliance with the Fund's interim environmental and social safeguards, its gender policy, financial and other relevant policies and assesses proposals against the GCF investment framework as well as specific additional scorecards in the case of targeted RfPs. Only funding proposals that have received a no-objection clearance by a national designated authority (NDA) or a country's focal point can be submitted. Throughout 2019, Board discussions centred on steps to improve the quality of proposals, including by better elaborating their climate rationale, and to increase the number coming from direct access entities. In 2019, efforts to develop a two-step approval process agreed at the Board's 17th meeting that would make concept notes and their publication and prior approval mandatory, stalled. The Board is to take up the issue again in early 2020. It did approve at its 22nd meeting in February 2019 a policy outlining requirements for cancellation and restructuring of approved projects, however. During 2019, the Board approved several restructuring requests for already approved projects, including extending timelines and changing financial terms of the projects under implementation.

A project preparation facility (PPF) has significantly ramped up its activities in 2019. Established following a Board decision at its 11th meeting in Zambia in 2015, USD 40 million were approved by the Board at its 13th meeting for the initial phase of the PPF. Targeted at small-scale activities and for direct access partners, although it is open to request from all accredited entities, 30 PPF applications were received of which 25 were approved for USD 16.3 million. Direct access entities make up 21 of these applications (70 per cent), which saw 17 applications approved (68 per cent).

By mid-November 2019, after eleven rounds of project considerations since late 2015, the Board has approved USD 5,592 million for 124 GCF-supported projects and programmes. This includes 26 private sector projects/programmes, and 29 to be implemented by direct access entities, including two under the EDA, three under the MSME, four under the REDD+ pilot programme and one under the mobilising funding at scale pilot programme. In 2019, 31 project and programme proposals were approved for USD 987 million in GCF funding. Implementation has significantly ramped up after a slow start and funding disbursed has doubled within a year. As of mid-September 2019, 62 approved projects and programmes worth USD 2.7 billion were under implementation, with USD 661 million disbursed. Disbursement is expected to grow to up to USD 988 million by the end of 2019, and could reach up to USD 1.8 billion by the end of 2020.

Financial Instruments, Concessionality and Co-Financing: The Fund has used financial instruments beyond grants and concessional loans in support of its 124 approved projects and programmes so far, although equity investments and risk guarantees – with 9 per cent and 1 per cent respectively – still make up a minor percentage of overall GCF funding (45 per cent of approved financing is committed in the form of grants and 41 per cent in the form of concessional loans). Results-based payments, such as the funding paid for four REDD+ projects in 2019, now takes up 4 per cent of approved funding. Over time, the Fund may also offer an even broader suite of financial instruments. For example, the Private Sector Facility has floated the idea of acting as a direct equity investor in GCF projects and of establishing a co-investment platform. Some developing country Board members remain concerned that more complex financial instruments would move the Fund towards a bank structure, thus undercutting the core mandate of the GCF as an operating entity of the financial mechanism of the UNFCCC, which focuses on meeting the additional costs of climate change-related interventions through concessional financing.

At its 13th meeting in 2016, the Board proposed interim risk and investment guidelines for one year. These are differentiated for the public and private sector and based on principles such as maximising leveraging and only seeking the minimum required level of concessionality. These stipulated that while public sector projects can receive 100 per cent GCF grant funding, for private sector investments the grant component is to be capped at 5 per cent of total costs. Three years later, however, the Fund is still operating on a case-by-case approach, as a standard set of terms for even public sector lending is not yet elaborated. In 2019, a review of the financial terms and conditions recommended a uniform approach to measuring the level of concessionality needed to make GCF funding proposals viable, but confirmed the case-by case approach for private sector proposals.

Board efforts in 2019 to consider separate policies on concessionality and incremental cost methodologies stalled. However, at its 24th meeting the Board approved a policy on co-financing. While not establishing a co-financing requirement to access GCF funding, the new policy nevertheless outlines such an expectation and details AE reporting requirements on co-financing.

Risk Management: In order to balance inputs into the Fund (currently only in form of grants from the public and private sector, paid-in public capital contributions and concessional public loans) with the risks and concessionality of finance that the GCF is to offer, the Fund established safeguards such as capital cushions to maintain the ability of the GCF to deliver a significant portion of its funding in the form of grants. The implementation of a comprehensive risk management framework, approved by the Board at its 17th meeting, including the GCF's risk appetite statement, is overseen by the Board's standing Risk Management Committee working with the Secretariat's Office of Risk Management and Compliance. A detailed risk register that also addresses non-financial risks such as reputational or compliance risk that the fund faces as part of this framework, is now complemented by a preliminary risk dashboard. This was further refined in 2018 and is updated quarterly for every Board meeting. Several components of the GCF risk management framework were approved in 2018, specifically an investor risk policy, a non-financial risk policy covering disasters or cyber-attacks, and a funding risk policy dealing with liquidity or foreign exchange risks. At its 23rd meeting in July 2019, the Board approved one of the last missing policy pieces in the risk management framework, a compliance policy. For 2020, the Board might reconsider its risk appetite statement in the context of updating its strategic four-year plan for GCF-1.

Country Ownership: The Board has repeatedly confirmed country ownership and a country-driven approach as core principles of the Fund. A National Designated Authority (NDA), or a focal point, acts as the main point of contact for the Fund, develops and proposes individual country work programmes for GCF consideration and ensures the consistency of all funding proposals that the Secretariat receives with national climate and development plans and preferences. By November 2019, 147 countries had designated an NDA or focal point. Countries' engagement with the GCF is highlighted on individual country pages on the GCF website. Countries have flexibility on the structure, operation and governance of NDAs. At its 17th meeting the Board approved updated country ownership guidelines with more detailed guidance, including on country coordination functions and stakeholder engagement, which will be reviewed at minimum every two years. Any proposal needs to be accompanied with a formal letter of no-objection to the Secretariat from the NDA or focal point in order for it to be considered by the GCF. For regional proposals, each country in which the project/programme is to be implemented needs to issue a no-objection letter. This is intended to ensure recipient country ownership of funding for projects, particularly those that are not implemented by governments (for example through the private sector).

As of September 2019, 23 official country programmes detailing GCF funding priorities have been submitted in final form; a further 33 countries have shared draft versions of their country programmes. With country programmes seen as the basis for improved programming during GCF-1, the Secretariat hopes to raise that number further in 2020 through technical assistance and familiarising AEs with newly developed country programming guidelines.

Access Modalities: The GCF works through a diverse range of partners. Like the Kyoto Protocol's Adaptation Fund, the GCF gives recipient countries direct access to funding through accredited national, sub-national and regional implementing entities and intermediaries. These may include government ministries, NGOs, national development banks, and other domestic or regional organisations that can meet the standards of the Fund. A letter of no-objection by the country's NDA or focal point is also necessary under the country-ownership principle to allow for the accreditation of a direct access entity to proceed. Countries can also access funding through accredited international and regional entities (such as multilateral and regional development banks and UN agencies) under international access. Private sector entities can also be accredited as implementing entities or intermediaries. Developing countries have also been keen to explore modalities for enhanced direct access (EDA), under which developing country-based accredited institutions make their own decisions about how to programme resources under an allocation of GCF resources. Under a USD 200 million EDA pilot program, a July 2016 request for EDA proposals netted 12 concept notes, but few have come to fruition. At its 14th meeting, the GCF Board approved its first EDA project for a small grants programme in Namibia. After the Board failed at its 18th meeting in Cairo to approve an EDA proposal from Argentina, in 2018 only one more EDA proposal from Antigua and Barbuda was approved. In 2019, although no new EDA proposal was considered, several new EDA funding proposals and concept notes were submitted, bringing the EDA pipeline now to four funding proposals and seven concept notes. For 2020, the Secretariat plans to increase its outreach and guidance to direct access entities on how to development EDA proposals as an innovative approach to promote more locally-led climate actions.

Accreditation Framework with Fiduciary Standards and Environmental and Social Safeguards: In 2014, the Board agreed on a broad accreditation framework with a three-step accreditation process. Implementing entities and intermediaries from both the public and the private sector need to have in place best practice social and environmental safeguards and meet strong fiduciary standards to ensure good financial management, with additional specialised fiduciary standards required for financial intermediation and program management. GCF AE also have to show their ability to comply with the GCF gender policy. In June 2014, the Board adopted the performance standards of the International Finance Corporation (IFC), the private sector arm of the World Bank Group, as the Fund's interim environmental and social safeguards (ESS). While the Fund was supposed to develop its own ESS within three years with inclusive multi-stakeholder participation, this process has been significantly delayed and was only taken up in 2019. This followed the adoption of a forward-looking, human-rights based Environmental and Social Policy (ESP) at the 19th Board meeting in 2018 as a core building block toward completion of Fund's own Environmental and Social Management System (ESMS). At its 23rd meeting in July 2019, the Board finally approved the process for developing the Fund's own ESS through a comprehensive multi-stakeholder participation process expected to be completed by mid-2021.

Under a "fit-for-purpose" accreditation approach, in which the application of fiduciary standards and ESS are categorised and matched to the risk level, complexity and size of the project or program that will be implemented, applicant entities choose which category of accreditation they seek and whether they want to be accredited to provide additional intermediating functions.[2] A six-member Accreditation Panel, last evaluated and adjusted in expert composition as a results of an in-depth performance evaluation in 2018, reviews applicants' documentation and recommends to the Board whether an entity shall be granted accreditation, indicating further conditions where applicable. The initial accreditation period is for five years, after which time an entity needs to reapply. According to a decision taken at the 23rd Board meeting, accreditation is considered effective, once an AE has signed its Accreditation Master Agreement (AMA). With the accreditation of the first GCF implementing entities effective since spring of 2015, the Board at its 24th Board meeting approved a review process for re-accreditation. In 2020, eight AEs will have to apply for re-accreditation.

Accredited Implementing Entities of the Fund: Since the call for accreditation applications was opened in November 2014, the interest in partnering with the GCF has grown. As of September 2019, there are 112 entities seeking accreditation that have submitted applications, including 44 from direct access entities and 28 from the private sector (seven of these were approved at the 24th Board meeting). The GCF Board has approved the accreditation of applicant entities since its 9th Board meeting in March 2015 in eleven batches for a total of now 95 AE, although it did not consider accreditation proposals at its 11th, 16th, 19th and 20th meetings. Of those, 39 are international access entities and 56 direct access entities (43 national and 13 regional) with 18 from the private sector (see: http://www.climatefundsupdate.org/listing/green-climate-fund for an overview of GCF accredited entities).

The current GCF accreditation process has sparked concerns with some stakeholders, including with respect to the length of the application process, its transparency and thoroughness as well as the diversity and balance of the GCF's AE. Independent third-party views on the track record of applicant entities are still not part of the Accreditation Panel review process and there is a lack of transparency of who is in the accreditation pipeline. While the number of direct access accredited entities continues to grow faster than international access ones (215 direct access entities had been nominated by 93 countries by October 2019), without additional efforts to prioritise the accreditation of national and regional institutions and the upgrade of current direct access AEs for financial intermediation and larger and higher risk project categories, the existing imbalance in who accesses GCF funding will continue. The latest round of 13 project/programme proposals approved at the Board's 24th meeting in November 2019 means that 86 per cent of approved GCF funding is channelled through international access entities, and only 14 per cent through direct access entities, a share that has not grown over the past year. As just a few international entities capture a disproportionate share of GCF approved funding, this raises the issue of concentration risk. EBRD is the entity with the largest share of GCF approved funding with a total of USD 831 million or nearly 15 per cent of the GCF funding portfolio, UNDP follows with USD 767 million or 14 per cent and is implementing by far the largest number of individual GCF projects and programmes. The World Bank with USD 577 million or 10 per cent is third. In 2019, the Board continued its effort to agree an accreditation strategy, which could exclude certain categories of entities, for example Export Credit Agencies, entirely. Further work on this is needed.

The Board at its 18th meeting also mandated the Secretariat to consider the revision of the accreditation framework to include other modalities for institutions to work with the GCF, such as a project-specific assessment approach (PSAA). While the Board approved the PSAA in principle at its 23rd meeting in July 2019, an elaboration of its procedure will have to be brought to a Board decision in 2020. The PSAA is considered by the Secretariat as a core feature of an updated strategic plan and a necessity to move forward with concept notes submitted by non-accredited entities from the private sector, under its mobilising funding for scale pilot programme.

Monitoring and Accountability: The GCF governing instrument foresees three separate accountability mechanisms, namely an independent evaluation unit (IEU) reporting to the Board, an independent integrity unit (IIU) and an independent redress mechanism. In Songdo in June 2014, the Board decided on the terms of reference for all three mechanisms, specifying for example that the independent redress mechanism will receive complaints by affected people related to Fund operations as well as recipient country complaints about Board funding decisions. As of 2017, all three units had started their work, with the independent redress mechanism gaining approval of a revised terms of reference in 2017. Since 2018, all three units have submitted ambitious yearly work programmes with growing budgets and staff. In 2019, the Board approved policies drafted by the IIU on prohibited practices and protection against sexual exploitation, abuse and harassment (SEAH) as well as standards for the implementation of a policy on anti-money laundering and countering the financing of terrorism (AML/CFT). It also approved at its 22nd meeting, guidelines and complaint procedures for the independent redress mechanism. The Board took note in 2019 of three in-depth independent evaluations performed by the IEU, namely of the GCF's readiness and preparatory support programme, its results management frameworks, as well as its forward-looking performance review of the GCF in the context of the replenishment. The IEU's evaluation of country ownership, although completed in 2019, will be considered by the Board in early 2020.

At its 11th meeting, the Board also approved an initial monitoring and accountability (M&A) framework for GCF AE, which is a key part of the broader monitoring and accountability framework of the GCF. It sets the incentives and remedial actions to ensure compliance by the AE with GCF safeguards, standards and its policies on gender and Indigenous Peoples. The framework relies primarily on regular mandatory self-reporting by AE with only spot checks by the Secretariat, but also highlights an oversight role for NDAs and local stakeholders through participatory monitoring approaches. For the 24th Board meeting, the Secretariat submitted the second annual GCF portfolio performance report (PPR), aggregating the individual annual performance reports (APRs) submitted by the accredited entities for the 40 projects and programmes under implementation as well as for the 162 readiness grants with funding dispersed by the end of 2018, highlighting for example continued challenges in engaging stakeholders comprehensively in implementation.

The M&A framework also importantly includes a provision to monitor the shift of the entire portfolio of AEs, not just the GCF-funded portion, away from fossil fuels as a condition for re-accreditation after five years. Further work on setting a baseline for the consideration of the AE portfolio stalled in 2019, after a draft methodology submitted for the 21st Board meeting in October 2018 was not considered. This will be an urgent priority for 2020 in the context of the approved process for re-accreditation.

Readiness and Preparatory Support: LDCs, SIDS and some developed countries on the GCF Board made a strong case for early support for "readiness activities" that would build country capacity to access and programme GCF finance effectively. Germany and South Korea provided early resources for this purpose before the IRM. By September 2017, the Board approved a total of USD 80 million for readiness activities, of which 50 per cent were slated to support vulnerable countries including SIDS, LDCs and African states. The Board approved an additional USD 50 million at its 18th and a further USD 60 million at its 19th meeting to deal with the growing number of funding requests. In July 2019 at its 22nd meeting, the Board committed another USD 122.5 million for the GCF's readiness and preparatory support programme (RPSP), thus increasing the overall readiness financing approved by the Board to USD 312.5 million.

Supporting national, sub-national and regional implementing entities and intermediaries to meet GCF accreditation standards was identified as a priority of the programme. This is intended to ensure that these standards do not become a barrier to direct access to the GCF. The Fund also provides readiness support to strengthen the institutional capacities in recipient countries for country coordination and multi-stakeholder consultation mechanisms as needed, as well as to prepare country programmes and project pipelines. At its 13th meeting, the Board also revised the list of activities that it can support to now also include up to USD 3 million per country for the formulation of National Adaptation Plans (NAPs) and other adaptation planning processes. Since then, requests for NAPs support have steadily increased. At the national level, the NDA or focal point plays a lead role in deploying readiness and preparatory support funding. The GCF is one of the few international funds to give NDAs direct access to funding for institutional activities, and the development of country programmes.

As of September 2019, the GCF Secretariat has received over 297 readiness support proposals worth close to USD 250 million and approved 200 proposals from 114 countries (with two thirds of the proposals coming from LDCs, SIDS and African states) with readiness support worth USD 114 million. In 2016, the Board took steps to simplify readiness grant agreements, including through framework agreements with readiness providers such as UNDP or GIZ which operate in many countries. As a result, funding disbursed by September 2019 has accelerated and reached USD 62.8 million for 248 activities in 117 countries, although the Secretariat expects that it will miss its target of reaching USD 127 million in readiness disbursement by end of 2019. In 2018, the Fund's Readiness and Preparatory Support Programme was reviewed extensively by the GCF's Independent Evaluation Unit, its first independent review. The Board discussed the IEU's recommendations and adopted necessary adjustments in a revised readiness strategy for 2019-2021 adopted at its 22nd Board meeting. "Readiness 2.0" now allows NDAs and focal points to request multi-year grants of up to USD 3 million for three years, replacing the previous one-year grants capped at USD 1 million.

Private Sector Operations: The GCF's outreach to and engagement with the private sector is seen as a key defining element of the GCF. Originally set up as a separate Private Sector Facility (PSF), the Fund has now sought to make private sector operations a cross-cutting aspect of all GCF operations, including in accreditation, portfolio development and management and with a special focus on enabling domestic private investment in low carbon and climate resilient approaches. As a result, by November 2019 38 per cent of the portfolio's nominal value (USD 2,125 million) has been allocated to the private sector.

A 14 member Private Sector Advisory Group (PSAG) composed of eight private sector representatives, four each from developed and developing countries, in addition to two civil society experts (one from developed and one from developing countries) and four Board members (two each from developed and developing countries) is tasked to provide strategic guidance on GCF engagement with private sector actors. The PSAG works closely with the Secretariat as well as the Board Investment and Risk Management Committees. Since its formation, the PSAG has met several times and elaborated broad principles as well as targeted recommendations to the Board for Fund-wide engagement options and opportunities with the private sector, for example on mobilising funding at scale or working with local entities, particularly micro, small and medium-sized enterprises (MSMEs). Following core recommendations by the PSAG, the Board at its 10th meeting in July 2015 approved a USD 200 million MSME pilot programme and a USD 500 million pilot programme for mobilising finance at scale (MFS). The request for proposal for the MSME pilot, which opened in summer 2016, has resulted in three approved MSME pilot proposals, a second tranche of the pilot program might be authorised in 2020. The request for proposals to mobilise resources at scale closed by September 2017 and netted 350 concept notes, of which 30 were shortlisted, with one approved by the Board at its 23rd meeting in July 2019 and a second one initially submitted for and then withdrawn at its 24th meeting. The Board is expected to consider further proposals under both pilot programmes in 2020. The PSAG held no meeting in 2019. However, its recommendations on private sector engagement in REDD+, adaptation and in the SIDS are sure to be integrated in the update of the GCF's strategic plan in early 2020. This update will also consider recommendations from a new private sector strategy shared with the Board in 2019, such as a stronger focus on private equity investments and facilitating the partnership of private sector actors with the Fund through a project-specific assessment approach (PSAA) instead of full-fledged accreditation.

Gender: All GCF funding needs to take a gender-responsive approach as elaborated in a gender policy and a gender action plan for the Fund, approved at the 9th Board meeting in March 2015. Both have been under a mandated review, however, efforts to significantly strengthen both, including by elaborating responsibilities of all GCF partners, clear priority actions and success indicators as well as staff and budget requirements, stalled in 2018 and early 2019 due to strong objections from some developing country Board members, who felt that the policy added too much burden to recipient countries. The logjam was finally broken with the adoption of a revised new gender policy and a new gender action plan 2020-2023 at the Board's 24th meeting in November 2019, following assurances for strengthened technical assistance and readiness support for the implementation of the gender mandate, as well as weakened provisions. The latter for example contextualises the implementation of the GCF gender mandate in national practices and cultural understandings, thus potentially weakening the universal principle of women's rights as unalienable human rights. The updated policy applies to all funding areas and funding decisions of the GCF and makes a gender and social assessment accompanied by a project-specific gender action plan, mandatory for each funding proposal.

In addition to the GCF gender policy update, gender considerations are mainstreamed into key operational policies and guidelines such as results management, investment decisions as well as in accreditation procedures and stakeholder engagement processes, although additional improvements are needed. While the GCF is the first dedicated climate fund to have a gender mainstreaming approach in place at the beginning of its funding operations, it could stand to lose this best practice leadership position without further gender integration efforts. The Board will have to address other gender provisions in the governing instrument, particularly the need for gender balance among the Secretariat staff (were women are underrepresented among its international staff and overrepresented in administrative function) and in the 24 person GCF Board (which in November 2019 included six women, and ten female alternate Board members, a new high). Gender balance, as well as sufficient gender expertise of its members, is also crucial for the various committees and expert advisory bodies, including the PSAG, the ITAP and the Accreditation Panel.

Indigenous Peoples: After years of continued engagement and lobbying by Indigenous Peoples' groups, the Board at its 15th meeting in Samoa in December 2016 requested the Secretariat to prepare for the consideration of the Board of a fund-wide Indigenous Peoples' (IP) policy. Working with Indigenous Peoples' representatives as part of an internal coordination group, the Secretariat in the summer of 2017 managed a public submission process, inviting broad stakeholder input into the development of such an IP policy. The GCF's IP policy was approved at the 19th Board meeting taking a strong rights-based approach by focusing on the self-determination of IPs and their right to free, prior and informed consent (FPIC) throughout the GCF project cycle. The fund-wide IP policy is to be complemented by implementation guidelines developed by the Secretariat in 2019. A separate Indigenous Peoples Advisory Group (IPAG) is expected to start its work in 2020.

GCF Relationship to the UNFCCC and the COP: The GCF is an operating entity of the UNFCCC's financial mechanism. It is to be "accountable to and function under the guidance of the COP". The GCF Board has sought to define the arrangements between the COP and the GCF with a decision in October 2013 that reaffirmed its full responsibility for funding decisions, which the Warsaw COP approved. The Standing Committee on Finance (SCF), a complementary UNFCCC body aimed at taking stock and ensuring accountability in the global climate finance architecture, has also developed recommendations to this end. The GCF Board prepares an annual report on its programmes, policies and priorities and status of resources and responds to feedback and guidance received in reaction from the COP. In addition, the COP has the authority to commission an independent assessment of the GCF to evaluate overall Fund performance, including that of its Board and the adequacy of its resources, in connection with periodic reviews of the UNFCCC financial mechanism. In 2019, following COP guidance the GCF Board worked on addressing policy gaps including those related to decision-making by the Board, further streamlining and facilitating access to GCF funding and speeding up disbursement, and on refining project/programme eligibility criteria. In responding to COP guidance, the GCF also conducted its first replenishment process with a view to maximising contributions. The Board in 2019 was unable to conclude action on a number of COP requests, including the review of the accreditation framework or the development of joint mitigation and adaptation approaches for the integral and sustainable management of forests, however.

Stakeholder and Observer Input and Participation: The GCF governing instrument anticipates extensive stakeholder participation in the design, development and implementation of the strategies and activities financed by the GCF. Stakeholders are broadly defined as "private sector-actors, civil society organisations, vulnerable groups, women and indigenous peoples." These mandates are currently operationalised primarily in the context of arrangements for country-ownership and programming for the Fund, and in accreditation criteria for implementing entities and intermediaries. GCF readiness support also supports the gender-responsive engagement of national and sub-national stakeholders in the GCF programming process, although the IEU review in 2018 highlighted how lacklustre this engagement currently is. Following the 6th Board meeting in 2014, the Secretariat improved efforts to consult observers intersessionally via carefully managed requests for written input. However, the Secretariat still needs to elaborate stakeholder engagement guidelines to improve comprehensive outreach and involvement of stakeholders and observers in the GCF.

There is also a provision for stakeholders to observe the deliberations of the Fund, and for two active observers each from the private sector and civil society to provide input at Board meetings. In 2016, the Board initiated a participatory review of observer participation in Board proceedings with the goal of addressing existing weaknesses, such as the lack of financial support for the participation of developing country CSO observers or the lack of direct representation for Indigenous Peoples. This review stalled in 2018, but was started up again in 2019 with a new submission process for public inputs. While it needs to be urgently concluded in order to strengthen the role of observers in conjunction with a growing work load and mandate for the Fund's Board and Secretariat, it is now only to be considered in 2021 according to the Board's approved four-year work plan.

Information Disclosure and Communication Strategy: At its 12th meeting, the GCF Board approved a revised comprehensive information disclosure policy, which operates under a "presumption to disclose". Board meeting documents are posted on the GCF website at the same time they are send to Board members, advisors and active observers (www.greenclimate.fund). Under the disclosure policy, documents are supposed to be kept confidential only on an exceptional basis under special circumstances (a "negative list approach"), although information related to any private sector engagement is considered as proprietary. The Fund's information disclosure policy also allowed webcasting of Board meetings on a test basis, enabling stakeholders worldwide since the 13th Board meeting in 2016 to take advantage of this relatively low cost way of increasing transparency and public awareness of the Fund's decision-making process. At its 18th meeting, the Board decided to continue webcasting until the end of 2019 and, at its 24th meeting in 2019 webcasting was extended indefinitely. The policy also set the time-frame for the public disclosure of project-related environmental and social assessments at 120 days for the highest risk projects (Cat. A), and 30 days prior disclosure for medium-risk projects (Cat.B), following global established practice. 2018 saw some challenges in the application of these requirements, triggering also the first ever complaint filed by civil society under the Information Appeals Panel (IAP) of the GCF. Since the 24th Board meeting all relevant annexes of funding proposals are now made publicly available.

A detailed communication strategy for the Fund to set parameters for sharing information with the public, is yet to be developed (despite being on the Board's work plan for several years). An external relations division in the Secretariat was established in 2018 and dedicated staff support added. External communication efforts are also aided by a continuously updated and expanded website for the Fund, which now includes, for example, individual country pages. Outreach activities intensified in 2019 in connection with the GCF's first replenishment process and will continue throughout 2020 in order to build global awareness and support for continued and scaled up funding for the GCF.

Outlook for 2020

As the portfolio of accredited entities and approved projects/programmes for the GCF further grew in 2019, the Fund continued to struggle to address a number of important operational decisions accompanying policies and frameworks for project development, approval and ongoing project oversight and management. With the end of the Initial Resource Mobilisation period and the beginning of the four year first replenishment period the GCF needs to better position itself for the future.

In 2020, the GCF is tasked to integrate recommendations of IEU evaluations of its procedures, policies and framework as well as contributor country expectations and Board mandates into its new strategic plan for its next operational phase. The Fund is also looking to improve its funding predictability, as well as the scale, impact and effectiveness of its financing through the development of an integrated resource and results management framework, by setting portfolio targets (such as for co-financing and leveraged finance) and through a stronger reliance on strategic work programme development by countries and accredited entities. A set of ten sectoral guidelines to be developed by mid-2020 will further help articulate priority impact areas for GCF investment from 2020-2023. Possible areas include supporting GCF funding proposals that address the nexus of health and climate change, or discuss the interlinkages between climate change, oceans and biodiversity.

In order to realise the GCF's newly articulated theory of change, vital operational functions need to be revised and upgraded without further delays. Priorities include: (i) sharpened articulation of the GCF's general investment guidelines with detailed terms and conditions for GCF public and private sector grants, loans, equity investments and risk guarantees addressing concessionality and incremental and full cost approaches; (ii) the finalisation of a revised GCF accreditation and partnership strategy; (iii) the development of a two-step proposal approval process; (iv) the finalisation of an environmental and social management system (ESMS) for the Fund through the development of the GCF's own environmental and social safeguards; and (v) further elaborating the results management and performance measurement frameworks with indicators and methodologies for accounting for paradigm shifting adaptation and mitigation results.

The Fund is also still struggling with important administrative policies, including securing the privileges and immunities that will allow Fund staff and appointed personnel to operate in countries receiving GCF funding, as well as upgrading its human resource and compensation policies to attract and retain staff with first grade expertise and slow down the rate of staff turnover. After a frantic first year on the job pursuing contributions for the Fund's first replenishment, in 2020 the new Executive Director Yannick Glemarec can work to consolidate and deepen the implementation of his vision for the Secretariat. This might include, delegation of former Board mandates possible under a new strategic plan. The Board at the same time is striving to discipline its way of working by following the implementation path outlined in its approved four year Board work plan in 2020. With a heavy work agenda remaining to be completed, and many policy issues quite contentious, the Board will need to continue to address its governance challenges and improve Board decision-making for decisions in-between meetings, as well as find its footing on how frequently to apply new voting procedures in the absence of consensus after its first successful application at its 24th Board meeting for a project approval. The Board will have to determine, for example, what kind of policy decisions may be acceptable for voting. In addition, in early 2020 new co-chairs are to be elected by the Board constituencies. They will need to work closely with the Executive Director of the Fund and a still expanding Secretariat to develop a shared approach to tackling these challenges, and operationalising the promise of a fund created to support developing countries in realising a paradigm shift towards low carbon and climate resilient development. With the revision of countries' nationally determined contributions (NDCs) in 2020, the role of the GCF in providing such assurance to developing countries will be more important than ever to raise their ambitions.

Footnotes

1. Pledges from Vietnam and Peru were not realised, while pledges from the US, Columbia and Italy were only partially realised.
2. Entities already accredited with the GEF, the Adaptation Fund and the development aid program of the European Commission (EU DEVCO), as well as institutions with a track record of engaging with the private sector can apply for fast-track accreditation, provided any identified gaps in adherence with GCF standards and safeguards are addressed.

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The Climate Finance Fundamentals are based on Climate Funds Update data and available in English, French and Spanish at **www.climatefundsupdate.org**

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