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The Green Climate Fund

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The Green Climate Fund (GCF) became fully operational in 2015 as a dedicated fund to help developing countries shift to low-emission and climate-resilient development pathways. While the GCF is an operating entity of the Financial Mechanism of the United Nations Framework Convention on Climate Change (UNFCCC) and serves the Paris Agreement (UNFCCC, 2015), it remains a legally independent institution hosted by South Korea. The GCF has its own Secretariat with 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 and implement its vision since their first meeting in August 2012.

Throughout 2020 and 2021, the GCF's long-overdue work to address gaps in essential policies and frameworks came largely to a halt due to the Covid-19 pandemic. The GCF Board could not agree on some of the more controversial policies via virtual meetings. However, the Secretariat continued to keep pace with efforts to speed up the development and approval of proposals and disbursement of approved funding. It also issued guidelines and improved operational procedures intended to drive up the overall quality of GCF projects and programmes, both approved and in the pipeline.

As of October 2021, the GCF had accredited 113 implementing entities as partners to deliver projects (with ten added since 2020), and had approved USD 10 billion for 190 projects. The 30th virtual meeting of the GCF Board in early October 2021 approved 13 of these project proposals worth USD 1.21 billion in GCF resources. Despite the continued disruptions caused by Covid-19, in 2021 the GCF programmed more than USD 2.9 billion for 32 projects and programmes as well as readiness and preparatory support, with commitment authority under its first replenishment period (GCF-1, 2020–2023).

With close to 95% of the USD 9.9 billion in pledges by 34 contributors confirmed as of October 2021, the GCF is thus on track to reach its annual programming goals set for GCF-1 and make its overall contribution to reaching the goals of the Paris Agreement, as guided by its updated strategic plan.

The Fund's role in a post-2020 climate regime as the major finance channel under the UNFCCC, and as the largest multilateral climate fund, was confirmed by successful replenishment in 2019. However, its accessibility and efforts to leverage additional resources require further improvement while the speed and scale of GCF funding disbursement and implementation has markedly picked up in 2021. This Climate Finance Fundamental (CFF) provides a snapshot of the operationalisation and functions of the GCF at the half time under GCF-1. Past editions of this CFF further detail the design and initial operationalisation phases of the Fund.

Introduction

As an operating entity of the financial mechanism of the UNFCCC under Article 11 (UN, 1992), a role confirmed in the Paris Agreement, the GCF is "accountable to and function[s] under the guidance of the COP" (UNFCCC, 2011: 17). 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" (ibid.), with the aim to balance funding for mitigation and adaptation measures. The GCF further ring-fences support for the urgent needs of Least Developed Countries (LDCs), Small Island Developing States (SIDS), African countries and for local private sector actors.

A total of USD 9.9 billion has been pledged so far to the Fund by 34 contributors for GCF-1. This is almost as much as during its initial resource mobilisation (IRM) process in 2014, even though some developed countries – most prominently Australia and the United States (with efforts under way by the Biden Administration) – have not yet contributed to the Fund's new operational phase. Of the new pledges, USD 9.56 billion or close to 95% was formalised through contribution agreements by October 2021. With its commitment authority and funding uninterrupted moving from the IRM to GCF-1, the GCF continues to be the largest multilateral climate fund with the potential to channel even larger sums over time.

Contributions to the Fund are only accepted as grants, concessional loans and paid-in capital. With the exception of France and Canada, all contributions for GCF-1 are grants received in a multitude of currencies. The GCF then offers grants, concessional loans, equity investments and guarantees to developing countries 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 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" (GCF, 2011: 2).

In 2021 the GCF's ninth Co-Chairs, Jean-Christophe Donnellier (France) and José De Luna Martinez (Mexico), continued to struggle, as had their predecessors from Canada and Pakistan in 2020, with efforts to address – often delayed – policy gaps necessary for further development of the Fund. This was exacerbated by Board proceedings that had to be conducted entirely virtually due to the ongoing Covid-19 pandemic. As in 2020, attempts to deliberate and approve important policy reforms via remote sessions were, with few exceptions, largely unsuccessful. The reluctance by most developing-country Board members to deliberate policy reforms virtually could not be overcome, with many also experiencing major connectivity and capacity constraints. These challenges extended to the Board committees too, and hampered progress in some of their ongoing policy formulation work. Instead, the Board focused on its operative and administrative core tasks, such as accreditation, the approval of proposals and disbursement of GCF funding, as well as issuing and considering required reports, administrative functions and budget approvals.

As in 2020, in contrast to the Board, the Secretariat – under the leadership of GCF Executive Director Yannick Glemarec in his third year at the helm – was largely able to stay on track with programming targets set for 2021 despite the continued pandemic challenges to its work arrangements. Glemarec's focus on rationalising and reorganising operational procedures of the GCF under a still expanding Secretariat and on the improved management of a growing portfolio of projects and programmes with rapidly growing disbursement of funds continued, but with the added focus on adaptive management to deal with pandemic-related delays and challenges in portfolio implementation. This has necessitated the adjustment and extension of the timelines for some ongoing efforts, which include the development and issuance of a number of operational handbooks and guidelines – such as, for example, the ongoing participatory development of a comprehensive set of 11 sector guides across the Fund's eight results areas now due to be completed by mid-2022 and the ongoing process to update the GCF's interim environmental and social safeguards – meant to promote and inform the development of high quality funding approvals (see earlier CFF 11 from 2011 to 2020 for a more detailed elaboration of the GCF's operational development).

Updated strategic plan for GCF-1

The strategic vision and the programming directions for the GCF's first replenishment period (GCF-1, 2020–2023) are detailed in the updated strategic plan (USP), which was approved after repeated attempts throughout 2020 only at the 27th Board meeting (GCF, 2020a). It details the GCF's unique added value 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 update to the GCF's existing strategic plan as part of the Fund's first replenishment process has been guided by an in-depth forward- and backward-looking performance review of the GCF released by the Independent Evaluation Unit (IEU) in mid-2019 (IEU, 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" (ibid.: xvii). Whether and to what extent to integrate the IEU and contributor-country recommendations from their summary report (GCF, 2019a) into the new GCF-1 vision document proved highly contentious and revealed substantial differences between the visions of developed- and developing-country Board members for the Fund. For example, contentious issues included if a finance leverage target should be set for the GCF, if a similar target should be set for GCF financing to be programmed through direct access entities, how much to scale up adaptation funding during GCF-1 versus the IRM, the ability of the GCF to act as equity investor, and how to increase the role of the private sector in GCF programming. Ambitious goals and priorities set under the approved USP included doubling annual programming from the initial resource mobilisation period (IRM) to an average of USD 2.2 billion per year and tripling the GCF's portfolio size with better results management of outcomes and impacts; improving the GCF's programming focus on direct access, the private sector and adaptation (although failing to set new targets for each) with an expanding network of implementing partners; and enhancing support for country-driven pipeline development through greater Secretariat engagement in country programming, strategic readiness programming and building direct access entity (DAE) capacity for both programming and implementation. While quantitative programming goals were on track to be met, if not exceeded, at the GCF-1 midpoint with approved new programming of USD 2.9 billion in 2021, the Secretariat in its 2022 work programme acknowledged that programming efforts over the next two years must further enhance investments and efforts in adaptation, direct access and in engaging the private sector for improved impacts (GCF, 2021a).

In reviewing the Secretariat's capacity to deliver against the USP moving forward, the Board at its 30th meeting in October 2021 approved a significant build-up of Secretariat staff of up to the full-time equivalent of 350 positions by 2023. The Board in mid-2021 also set in motion the second performance review of the Fund's performance for the GCF-1 programming period by mandating the IEU to assess the progress made by the GCF in delivering on its mandate as well as on the goals and priorities of the USP. A rapid assessment and emerging findings by the IEU are expected by mid-2022, with the final report to be delivered in early 2023. The findings from the second performance review will inform the Board's consideration for the further update of the GCF's strategic plan in 2023 with objectives and priorities for the second replenishment period (GCF-2) from 2024-2027.

Resource mobilisation, commitment authority and first formal replenishment

The GCF's IRM, which began in mid-2014, resulted in pledges by 45 contributing countries as well as several regions and cities and totalled USD 10.3 billion (for a detailed discussion see the 2014 CFF 11). The GCF achieved 'effectiveness', or the authority to make funding decisions, in May 2015 when 50% of the financing promises received during the November 2014 Pledging Conference in Berlin were fully paid in. During the IRM, 44 countries, three regions and the city of Paris had confirmed part or all of their pledges amounting to about USD 8.3 billion. While Peru never confirmed its IRM pledge, Colombia and the US only partially honoured theirs – after its formal withdrawal from the Paris Agreement under the Trump Administration, the US failed to confirm USD 2 billion of USD 3 billion initially pledged in 2014.

As the confirmed IRM contributions of USD 8.3 billion were received in a multitude of currencies and the overall results calculated according to a foreign exchange reference rate adopted for the Pledging Conference in November 2014, the actual overall funding amount available to the GCF during the IRM was closer to USD 7.2 billion. At the end of the IRM on 31 December 2019, about USD 454 million was left. These resources carried over to the first formal replenishment period (GCF-1), which began on 1 January 2020 and will run until the end of 2023.

The GCF's first replenishment was formally launched at the 21st Board meeting in Bahrain in October 2018 with the GCF's cumulative funding commitments having reached USD 5.5 billion and thus surpassing 60% of total contributions to the GCF Trust Fund received by November 2015. 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), and 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.

In the past, the issue of contribution policies has been especially contentious. Developing-country Board members have wanted 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 does not allow for earmarking: instead it sets caps for loan and capital contributions at 20% 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.

At the Paris Pledging Conference, 27 countries pledged a combined USD 9.78 billion, of which 94% was committed as grants, with only 6% of the total pledged by France and Canada in the form of loans. Despite being major contributors to the IRM, the US and Australia did not participate in Paris. In the absence of the US, and in response to calls for increased contributions to the GCF, a number of developed European countries (such as Germany, France, the United Kingdom, Norway and Sweden) doubled their initial IRM contribution in local currencies, while others increased their contribution less substantially (such as the Netherlands, Italy and 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 then, Indonesia, Russia, Malta, the Belgian region of Wallonia and the Belgian Brussels Capital Region have pledged for GCF-1, with several other countries (such as Austria and Liechtenstein) adding to their initial pledges.

As of October 2021, the GCF reported the equivalent of USD 9.9 billion in pledges for GCF-1 received from 34 contributors, which includes credit earned for early payment (Table 1). With contributions allowed on a rolling basis until the end of GCF-1 (end of 2023), there is an expectation that further countries might pledge at a later stage, notably, the Biden Administration, which as one of its first actions had the US rejoin the Paris Agreement, or more countries with pledges below expectations. Efforts towards the first replenishment also focused on reaching out to non-traditional contributors, including from the private sector and philanthropic foundations, although no such contributions to GCF-1 have yet been announced.

Under the GCF-1 policy for contributions, the Fund was to reach its commitment authority once 25% of pledges made in Paris were converted into contribution agreements. This effectiveness threshold was surpassed in mid-December 2019, allowing the GCF to start allocating GCF-1 resources. By October 2021, a total of 32 countries and two regions had confirmed part or all of their pledges for the first replenishment, amounting to the equivalent of USD 9.56 billion or 95% of the nominal pledges (GCF, 2021b) (see Table 1). In mid-2021 at its 29th Board meeting, the GCF Secretariat had warned that given anticipated payment schedules for confirmed pledges until the end of GCF-1, it might lack the commitment authority to maintain around USD 2.5 billion in programming for 2022 unless promissory note encashment schedules were accelerated or new contributions received. With some contribution schedules under revision in late 2021, going into the 30th Board meeting in October, the GCF had a commitment authority for USD 2.42 billion for funding decisions, based on cash in the GCF Trust Fund, deposited promissory notes and confirmed pledges. A further USD 850 million was available in projected additional cash for disbursement. At the 30th meeting, the Board made funding decisions of USD 1.3 billion, thus presumably starting 2022 with adequate resources available.

With the end of 2021 marking the halfway point of the GCF-1 period, 2022 will see the start of the process for the second replenishment of the GCF (GCF-2) by July 2022, which according to the GCF-1 updated contribution policies is to be initiated 30 months after the commencement of the first replenishment period in order to allow sufficient time for the preparation and consideration of evaluations and performance reports to guide GCF-2 strategic programming and contribution discussions.

Table 1: Status of pledges and contributions for the GCF initial resource mobilisation (IRM) and for the GCF first replenishment (GCF-1) (as at 30 September 2021)[a]

	IRM (2014-2019)		GCF-1 (2020-2023)				
Contributors	Nominal pledge in USD million eq.[a]	Confirmed pledge in USD million eq.[a]	Nominal pledge in USD million eq.[a]	Nominal pledge in USD million eq.[a] with credits[b]	Confirmed pledge in USD million eq.[a]	Unconfirmed pledges in USD million eq.[a]	Disbursed cash and deposited promissory notes in USD million eq.[a]
Australia	187.30	187.30	–	–	–	–	–
Austria	34.80	34.80	146.40	152.50	146.40	–	90.10
Belgium	66.90	66.90	112.60	117.20	45.00	67.60	45.00
Belgium – Brussels	4.80	4.80	1.10	1.20	1.10	–	1.10
Belgium – Flanders	19.70	19.70	–	–	–	–	–
Belgium – Wallonia	10.90	10.90	0.90	0.90	0.90	–	0.90
Bulgaria	0.10	0.10	0.10	0.10	0.10	–	0.10
Canada	277.00	277.00	225.50	229.10	37.60	187.90	37.60
Chile	0.30	0.30	–	–	–	–	–
Colombia	6.00	0.30	–	–	–	–	–
Cyprus	0.50	0.50	–	–	–	–	–
Czech Republic	5.30	5.30	–	–	–	–	–
Denmark	71.80	71.80	120.70	126.00	70.20	50.50	37.00
Estonia	1.30	1.30	–	–	–	–	–
Finland	107.00	107.00	112.60	116.70	112.60	–	29.60
France	1,035.50	1,035.50	1,743.30	1,794.10	1,743.30	–	513.50
France – City of Paris	1.30	1.30	–	–	–	–	–
Germany	1,003.30	1,003.30	1,689.30	1,689.80	1,689.30	–	619.40
Hungary	4.30	4.30	0.70	0.70	0.70	–	0.70
Iceland	1.00	1.00	2.00	2.10	2.00	–	0.80
Indonesia	0.30	0.30	0.50	0.50	0.50	–	–
Ireland	10.70	10.70	18.00	18.70	18.00	–	4.50
Italy	334.40	334.40	337.90	337.90	337.90	–	6.80
Japan	1,500.00	1,500.00	1,500.00	1,521.20	1,500.0	–	375.00
Latvia	0.50	0.50	–	–	–	–	–
Liechtenstein	0.10	0.10	0.10	0.10	0.10	–	0.10
Lithuania	0.10	0.10	–	–	–	–	–
Luxembourg	46.80	46.80	45.00	46.30	45.00	–	16.90
Malta	0.60	0.60	0.20	0.20	0.20	–	0.10
Mexico	10.00	10.00	–	–	–	–	–
Monaco	2.30	2.30	4.20	4.40	4.20	–	1.70
Mongolia	0.10	0.10	–	–	–	–	–
Netherlands	133.80	133.80	135.10	140.10	135.10	–	33.80
New Zealand	2.60	2.60	10.00	10.60	10.00	–	10.00
Norway	272.20	272.20	417.50	433.70	417.50	–	231.90
Panama	1.00	1.00	–	–	–	–	–
Peru	6.00	–	–	–	–	–	–
Poland	0.10	0.10	3.00	3.20	3.00	–	3.00
Portugal	2.70	2.70	1.10	1.20	1.10	–	1.10
Republic of Korea	100.00	100.00	200.00	200.00	200.00	–	26.50
Romania	0.10	0.10	0.05	0.05	0.05	–	0.05
Russia	3.00	3.00	10.00	10.50	10.00	–	7.00
Slovakia	2.00	2.00	2.30	2.40	2.30	–	0.60
Slovenia	–	–	1.10	1.20	1.10	–	1.10
Spain	160.50	160.50	168.90	176.50	168.90	–	87.80
Sweden	581.20	581.20	852.50	852.50	852.50	–	852.50
Switzerland	100.00	100.00	150.00	155.50	150.00	–	75.00
United Kingdom	1,211.00	1,211.00	1,851.90	1,851.90	1,851.90	–	940.00
United States	3,000.00	1,000.00	–	–	–	–	–
Viet Nam	1.00	1.00	–	–	–	–	–
TOTAL	**10,322.20**	**8,310.50**	**9,864.90**	**9,999.10**	**9,558.90**	**306.10**	**4,051.30**

Source: Status of Pledges (IRM and GCF-1), https://www.greenclimate.fund/sites/default/files/document/status-pledges-irm-gcf1_0.pdf

a. United States dollars equivalent (USD eq.), calculated on the basis of the reference exchange rates established for the High-level Pledging Conference for the IRM in Berlin in 2014 and for the High-level Pledging Conference for GCF-1 in Paris in 2019.

b. As per the Policy for Contributions for GCF-1, a notional credit is applied to the pledges made by contributors who have indicated that they would make payments in advance of the standard schedule (which allows for up to nine years for the fulfillment of pledges). A similar nominal credit was not offered for the IRM.

Table 2: Projected available commitment authority and additional resources available for disbursement during GCF-1 to end of 2023[a] (as at 30 June 2021, in USD millions eq.[b])

Calendar year	2021	2022	2023
Starting commitment authority	1,417	–	–
Cash contributions[c]	444[d]	1,058	335
Promissory note deposits[c]	562	1,400	1,491
Loans	–	349	–
Total projected commitment authority for the year	**2,423**	**2,807**	**1,826**
Additional cash available from the IRM for disbursement	**212**	**980**	**644**
IRM cash contributions[c]	31	–	–
IRM promissory note encashment[c]	181	980	644
Additional cash available from GCF-1 for disbursement	**638**	**2,092**	**1,005**
GCF-1 cash contributions[c]	413	1,059	335
GCF-1 promissory note encashment[c]	225	684	670
GCF-1 loans	–	349	–
Total additional cash available for disbursement (IRM and GCF-1)	**850**	**3,072**	**1,649**

Source: Document GCF/B.30/Inf.07, Status of the Green Climate Fund Resources, Tables 3–6; https://www.greenclimate.fund/sites/default/files/document/gcf-b30-inf07.pdf

a. Projections are based on the signed contribution agreements/arrangements as at 30 June 2021, and do not include cash available at 30 June, cushions or newly signed agreements after this date. Also, the promissory note encashment schedule for several countries is under consultation, thus their promissory note encashment amounts are not reflected in the overview.

b. USD equivalent (eq.) is based on the initial resource mobilisation and the GCF first replenishment reference exchange rates established for the respective High-level Pledging Conferences in 2014 and 2019.

c. Under both the IRM and GCF-1, contributor countries are able to fulfil their pledges over a nine-year payment schedule, resulting in IRM payments cashed until 2023 and GCF-1 payments until 2028.

d. Projections include IRM contributions from Italy (EUR 23 million for 2021).

Table 2 provides an overview over the forecasted available commitment authority and additional resources available for disbursement during GCF-1 until the end of 2023.

Structure, organisation and staffing of the Fund's Independent Secretariat

In December 2013, an Independent Secretariat for the GCF, located in Songdo, South Korea, began its work with around 40 people. The number of staff has increased significantly since, reaching 100 positions at the end of 2016 and 140 by the end of 2017. Secretariat staff levels have already been set by the Board at up to 250 positions by 2020, but levels have stagnated below 220 for most of 2020 and 2021, which reflects staff turnover and attrition as well as efficiency gains in streamlining operational procedures. The Secretariat plans to accelerate its recruitment process to reach the full complement of 250 staff by the mid of 2022 although it indicated that it would also need additional support through an increase in consultants' support in the short-term. This recognises the growing workload of the Secretariat given an expanding portfolio under implementation, its complexity and the ambition of GCF-1 programming goals under the GCF's updated strategic plan (GCF, 2021c). Accordingly, the Board at its 30th meeting agreed to build-up the Secretariat's staff over the next three years to the equivalent of 300 full-time positions (in staff and consultants) in 2022 and to 350 positions in 2023. This staff build-up is to be accomplished while reducing the operating expenses of the Secretariat from currently 1% to 0.7% of assets under management.

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, plus five offices for the General Counsel, governance affairs, internal audits, portfolio management, and 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 since 2019, the Secretariat structure has been 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. Further efforts in 2021 focused on strengthening workplace culture and staff development and wellbeing given the continued work challenges brought on by the Covid-19 pandemic as well as internal grievance and dispute resolution measures. For 2022, the Secretariat structure will be further updated through a new Division of Portfolio Management in recognition of the growing implementation scale and responsibilities of the GCF; at the same time, and in anticipation of strategic planning for the GCF's second replenishment period (GCF-2), the Secretariat's structure will be further reviewed. The Secretariat will also conduct a feasibility study on options for establishing a regional presence.

The GCF's overall administrative budget for 2022 (which includes expenditures for the Secretariat, the Board, and the Trustee), approved in October 2021, has grown from USD 83.5 million to USD 87.8 million, a 5.1% increase over the 2021 figure. The budget for the Secretariat has grown from USD 75 million in 2021 to USD 79.4 million in 2022, a 5.8% increase. This includes USD 1.56 million for the Secretariat as a contingency budget to deal with unexpected costs due to Covid-19 adaptive actions as well as risks associated with a growing portfolio to deal with disruptions to operations and staffing, such as for continued alternative and remote working arrangements.

Results management frameworks and performance indicators

Since 2014, the GCF Board and Secretariat have worked to update and refine an initial results management framework with performance measurement matrices against which the impact, effectiveness and efficiency of its funding will be assessed. The initial results framework defined 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)[1] 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 committed to assess the resulting developmental, social, economic and environmental 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 to better capture both the outcomes of projects and programmes funded, as well as the transformative impact of the Fund's aggregate activities and efforts to advance accounting methodologies, stalled for several years. The significant shortcomings of the GCF's initial results and performance frameworks were noted in an independent evaluation prepared by the IEU in 2018 (IEU, 2018) and considered by the Board at its 22nd meeting in February 2019, which mandated a thorough revision. Since 2019, the Secretariat has worked through a consultancy to address some of the recognised short-comings, particularly in its results measurement of adaptation, as well as in developing methodologies to measure the paradigm shift potential of the Fund's approved portfolio. The goal of an improved results management framework is also to align better with the Fund's investment framework and integrate a resource management approach in ensuring that Fund resources can achieve maximum outcomes and impacts in contributing to the GCF's overall strategic objectives and the goals of the Paris Agreement.

The GCF's new integrated results management framework (IRMF) was approved at the Board's 29th meeting in June 2021. This followed several rounds of Board discussions and revisions, following the presentation of a draft IRMF and proposed results tracking tool (RTT) to the Board at its 27th meeting in November 2020. The new IRMF replaces the initial adaptation and mitigation performance measurement frameworks set in 2014 and will be applied for projects/programmes submitted starting from the 32rd Board meeting in mid-2022. The IRMF maintains the eight results areas for results measurement at the GCF impact, outcome and project/programme levels. It now tracks and measures the paradigm shift potential of GCF funded activities with a focus on assessing their scale, replicability and sustainability. GCF outcomes for mitigation and adaptation are now assessed against four core indicators (instead of the previous two) each with several sub-indicators. In addition to the core metrics of GHG emissions reduced, avoided or removed for mitigation and direct and indirect beneficiaries reached for adaptation, two new core indicators will now also look at the value of physical assets and hectares of natural resource areas brought under improved management through adaptation and mitigation efforts. Four additional core indicators (on enabling environment, technology transfer and innovation, market development/transformation, and knowledge generation/learning and standard-setting) will focus on how those impacts are achieved. These core indicators are to be combined with qualitative assessments in a three-point scorecard with low, medium and high ratings to be used by evaluators during mandatory interim and final project/programme evaluations. On the fund level, the Secretariat will track results as part of its annual reporting under the updated strategic plan through the RTT.

To address concerns by developing country Board members regarding the impact of the IRMF on project/programme eligibility and direct access, the Board requested the development of a results handbook requiring Board approval as well as approved an additional USD 12.4 million in capacity building support for a new dedicated funding window under the Readiness and Preparatory Support Programme (RPSP) to support direct access entities to apply the IRMF in their projects/programme results frameworks.

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 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 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 on 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 pilot, although it was unable to review the pilot in 2020. 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 policy work largely stalled in 2020 and 2021 due to the Board's reduced work programme during the pandemic, progressing on revised draft policies will be on the agenda for 2022 again. The Board has yet to consider and approve guidelines for programmatic approaches; this too will be taken up with some urgency in 2022, given that the Board since 2020 went ahead with the approval of several large-scale funding programmes in the absence of a joint understanding of rules and regulations needed to guide their implementation and accountability.

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 with six members and its effectiveness and capacity were reviewed in 2017. The Board finally reconsidered the mandate, structure, review procedures and expert composition of the ITAP in March 2021 (as part of an ongoing comprehensive review of the work of committees, expert groups and panels). In approving the updated ITAP review procedures at its 28th meeting, the Board followed the changes recommended following work done in 2020 by its Investment Committee, but also clarified timelines and issues resulting from the ITAP's non-endorsement of funding proposals, especially in cases where the assessment of proposals and their recommendation for Board approval differs between the ITAP and the Secretariat. The latter caused irritation in the case of several adaptation proposals not forwarded for Board consideration by the ITAP in 2021. The updated ITAP review schedule and procedure supports better alignment of proposal review schedules between the Secretariat and the ITAP by conducting the ITAP reviews on a rolling basis and within specified time frames, establishes smaller peer review teams within ITAP instead of requiring consensus among all ITAP members for clearing proposals for Board consideration, as well as mandates deepened engagement with the AEs on project/programme proposals under review for proposed Board consideration. In recognition of the increase in the ITAP's workload with the number of funding proposals – including under the Simplified Approval Process (SAP) – steadily growing, the Board already in 2020 confirmed the nomination of four additional ITAP members to start their work in 2021, selected with a view to further broaden the range of expertise represented on the panel.

Allocation

The GCF is committed to 'balance' spending between mitigation and adaptation. In 2014, the Board approved an allocation framework which clarified that the GCF is to spend 50% of its funding on adaptation, of which 50% 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 30th GCF Board meeting, the portfolio of 190 approved and active projects and programmes reflected an allocation in grant equivalent terms of 52% (USD 3.3 billion) dedicated to mitigation projects and 48% (USD 3.1 billion) dedicated to adaptation projects and programmes. In nominal terms, the picture for the portfolio of 190 projects and programmes (with 82 devoted to adaptation, 60 focused on mitigated and 48 classified as cross-cutting combining elements of both) looks quite different. Of the USD 10 billion in funding approved, 62% (USD 6.3 billion) is for mitigation and 38% is for adaptation (USD 3.8 billion). Integrated in these amounts is the funding approved for the growing number of cross-cutting proposals (although the criteria the Secretariat uses for allocating funding under cross-cutting proposals to either adaptation or mitigation and for calculation of the overall balance remains unclear). Thus, over the past years, the imbalance in the portfolio has stayed in favour of mitigation, reflecting also the fact that most adaptation measures approved by the GCF Board are relatively small, single-country projects. Despite calls by the IEU in its forward-looking performance review to increase the share of adaptation by striving towards a balanced allocation in nominal terms for GCF-1, contributors and the Secretariat have committed only to maintain the efforts towards balance in grant equivalent terms, which was also confirmed by the Board at its 27th meeting as a goal under the updated strategic plan for GCF-1.

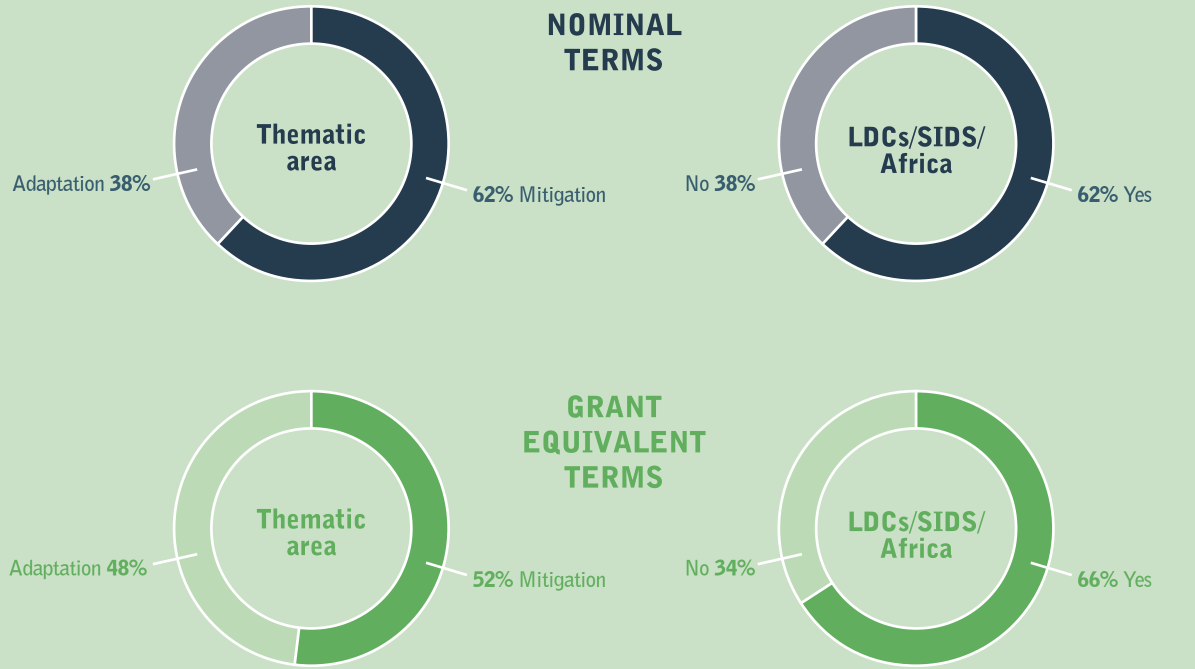
The regional distribution in nominal terms shows 37% (USD 3.690 billion) for Africa, 35% (USD 3.478 billion) for Asia Pacific, 24% (USD 2.469 billion) for Latin America and the Caribbean, and only 4% (USD 407 million) for Eastern Europe. Some 125 projects and programmes target SIDS, LDCs and African states either wholly or partly. Vulnerable countries received 62% (USD 2.3 billion) of the GCF's approved adaptation funding in nominal terms and 66% (USD 2.0 billion) in grant equivalent terms and thus significantly above the targeted floor of 50% of the allocated adaptation funding (see Figure 1).

Project pipeline and initial approval process

By August 2021, the GCF project pipeline comprised 89 funding proposals (60 public sector and 29 private sector), requesting USD 6.4 billion in GCF support and worth USD 24.3 billion in total. Half of these proposals have requested funding for projects and programmes in LDCs, SIDS and African states. Among regions, most pipeline proposals target Africa (39%), followed by Latin America and the Caribbean (30.5%), and Asia-Pacific (24.9%). Just 5.6% of pipeline funding has been requested for project and programmes in Eastern Europe. Of all pipeline proposals, 31 (34.8%) are from direct access entities, but they account for only 17% of requested funding. If implemented, only 20.6% of total requested GCF funding in terms of nominal value is for adaptation efforts, with 38.3 % – and thus significantly less than in previous years – for mitigation and with the largest share of 41.1 % for cross-cutting proposals.

There are also 350 (238 public sector and 112 private sector) early-stage proposals in the form of concept notes in the pipeline that together require USD 15.9 billion in GCF funding support; 137 of these (39.1%) are from direct access entities, with only 30% of the required funding. While the number of direct access project/programme

Figure 1: GCF funding by thematic area and adaptation allocation for LDCs/SIDS/African states in nominal and grant equivalent terms (%)



Source: Document GCF/B.30/02/Rev.02, Figures 8 and 11; https://www.greenclimate.fund/sites/default/files/document/gcf-b30-02-rev02.pdf

proposals and concept notes in the pipeline has further 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 led to an RfP for mobilising funding at scale (MFS) in the same year. At its 18th meeting in Cairo in 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 SAP for micro- and small-size low-risk projects gained Board support in 2017 after many delays, accepting proposals on an ongoing basis. The GCF's Independent Evaluation Unit (IEU) in June 2021 completed a rapid assessment of the GCF's RfP modality and recommended significant improvements to its use to address the current lackluster utilisation of some of the active RfPs (IEU, 2021):

- Only three projects worth USD 46.6 million have been approved under the EDA pilot so far, including one at the October 2021 Board meeting. The programme's future pipeline looks challenged with only three remaining active funding proposals and five EDA concept notes worth USD 154.5 million in the pipeline. The GCF Secretariat has intensified efforts to support direct access entities in utilising the EDA approach, including by issuing a new guidance document in November 2021.
- 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 at an active stage, with one having lapsed.
- The private sector-focused RfP for MFS received 350 concept notes, of which 30 were shortlisted. It saw its first proposal approved at the 23rd Board meeting in July 2019, with two more proposals approved each at the 25th and 27th Board meetings in 2020 for a total worth of USD 263 million.
- 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. Four more projects in Indonesia, Colombia, Argentina and Costa Rica worth USD 268.2 million were approved in 2020, thus exhausting the funding envelope for the pilot programme with four concept notes still in the pipeline, which, if approved, would require USD 350 million in results-based payments. A further three countries were eligible for support under the pilot as of mid-2021. A review of the REDD+ results-based payment pilot approach is ongoing and will likely see updated terms of reference and a revised score card for the expected second phase of the pilot programme to be launched in 2022.
- Since its launch in late 2017, the SAP pilot scheme saw the approval of four projects in 2018, added another eight approved projects in 2019, seven more in 2020, and four in 2021 for a total of USD 208.5 million approved across 23 SAP projects. Of these, however, only eight are from direct access entities and only two from the private sector. The demand for SAP is high with another 97 funding proposals and concept notes (82

from the public sector and 15 from the private sector) in the pipeline worth almost USD 890 million in GCF support and USD 1.2 billion when taking co-financing into account. Two thirds of the requested GCF funding in the SAP pipeline is from DAEs and National Designated Authorities (NDAs).

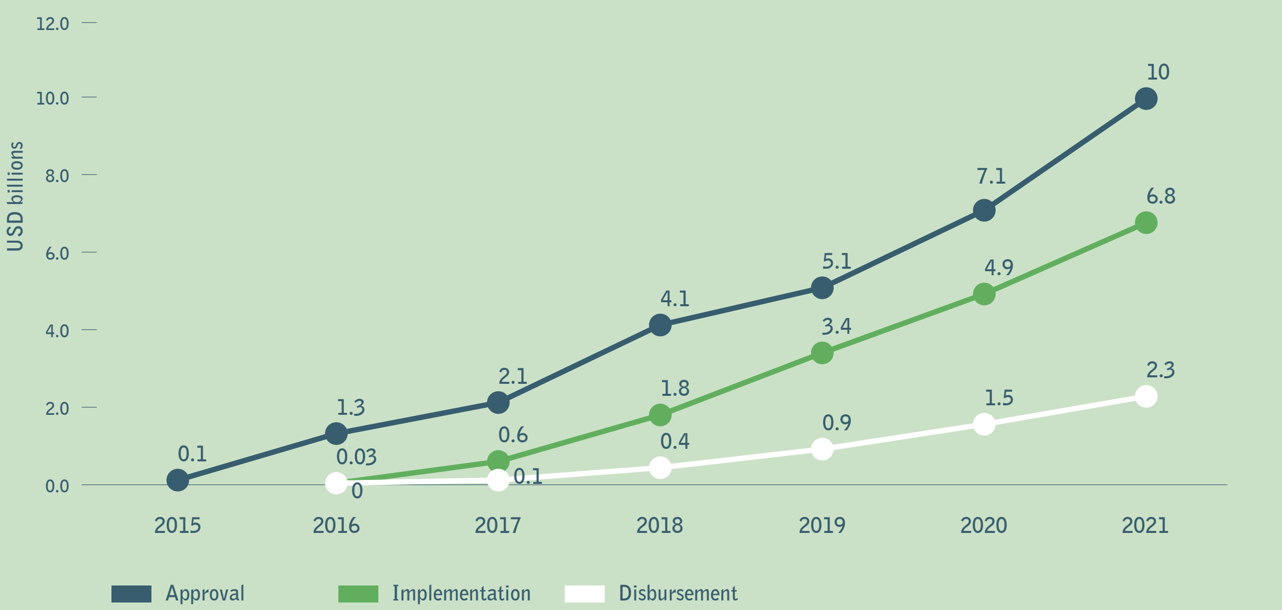
Throughout 2021, the SAP was reviewed by the Secretariat and independently assessed by the IEU with significant updates proposed to its operations, including increasing the level of GCF funding support from the current USD 10 million, widening the eligibility to mid-risk categories and the consideration of shifting SAP funding decisions away from in-person Board meetings. While the Board considered and discussed those and other options at both its 29th and 30th Board meeting, no decision on specific elements for updating the SAP was taken.

The Secretariat conducts due diligence on all proposals submitted to ensure compliance with the Fund's interim environmental and social safeguards, its gender policy, and financial and other relevant policies. It also 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 an NDA or a country's focal point can be submitted. Throughout 2021, Board discussions and Secretariat efforts continued to centre 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. The Board approved at its 22nd meeting in February 2019 a policy outlining requirements for cancellation and restructuring of approved projects. As in 2020, the Board and Secretariat saw an uptick in restructuring requests in 2021 for already approved projects due to implementation delays from the pandemic. This included extending timelines and changing financial terms of projects and programmes under implementation, several of which were approved in 2021.

A project preparation facility (PPF) further ramped up its activities in 2021, including its roster of consultancy firms that can directly provide project preparation services especially to direct access entities at their request. Established following a Board decision at its 11th meeting in Zambia in 2015, USD 40 million was 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), 65 PPF applications have been received and are active, of which 43 have been approved for USD 27.3 million with USD 19.4 million disbursed. Some 30 (69%) of the approved PPF applications were from direct access entities.

By mid-October 2021, after 17 rounds of project considerations since late 2015, the Board had approved USD 10 billion for 190 active GCF-supported projects and programmes. This includes 40 private sector projects/programmes and 43 to be implemented by direct access entities, as well as three projects under the EDA, three under the MSME, eight under the REDD+ and five under the MFS pilot programmes. In 2021, 32 project and programme proposals were approved for USD 2.904 billion in GCF funding. Of these 14 supported adaptation with USD 726.6 million (25%), nine supported mitigation with USD 1.37 billion (47%), and eight supported cross-cutting projects and programmes with USD 807.9 million (28%) in GCF support in 2021. Implementation ramped up further in 2021 despite disruptions caused by the pandemic. As of August 2021, 134 approved projects and programmes worth USD 5.8 billion were under implementation, with USD 2 billion (35%) disbursed, including full disbursement for approved funding for 11 projects (among them six REDD+ projects). By the end of 2021, some additional 20 project or programmes were under implementation, bringing the total to USD 6.8 billion, with USD 2.3 billion in disbursement. Disbursement could reach up to USD 3.4 billion by the end of 2022. Figure 2 provides an overview over the development of GCF portfolio implementation and disbursement since 2015.

Figure 2: GCF portfolio implementation and disbursement 2015-2021 (cumulative, in USD billion)



Source: Document GCF/B.30/Inf.12, Figure 20, p. 20, https://www.greenclimate.fund/sites/default/files/document/gcf-b30-inf12.pdf; updated information from https://www.greenclimate.fund/projects/dashboard as of January 2022.

Financial instruments, concessionality and co-financing

The Fund has used financial instruments beyond grants and concessional loans in support of its 190 approved projects and programmes so far, although equity investments and risk guarantees – with 6% (USD 534.6 million) and 2% (USD 179.8 million) respectively – still make up a minor percentage of overall GCF funding (44% or USD 3.9 billion of approved financing is committed in the form of concessional loans and 42% or USD 3.8 billion in the form of grants). Results-based payments, such as the funding paid for eight REDD+ projects, now takes up 6% (USD 496.7 million) of approved funding. Over time, the Fund may also offer an even broader suite of financial instruments. For example, the PSF has started to involve the Fund as a direct equity investor in some GCF projects and is floating the idea 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 were differentiated for the public and private sector and based on principles such as maximising leverage and only seeking the minimum required level of concessionality. The guidelines stipulated that while public sector projects could receive 100% GCF grant funding, for private sector investments the grant component would be capped at 5% of total costs. Five 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 the review confirmed the case-by-case approach for private sector proposals.

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. Board efforts that began in 2019 to consider separate policies on concessionality and incremental cost methodologies stalled in 2021 and will need to be taken up again in 2022.

Risk management

To balance inputs into the Fund (currently only in the 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 as grants. The implementation of its initial financial risk management framework (approved by the Board at its 7th meeting in 2014), as well as the implementation of a comprehensive risk management framework (approved by the Board at its 17th meeting and which includes 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 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. In 2020, the Secretariat and Risk Management Committee jointly reviewed the initial financial risk management framework, proposing only minor changes. The Secretariat in 2021 continued to work on updates to the legal risk management and risk-rating models, and provided further analysis of the currency risk of non-USD contributions to the GCF.

Country ownership

The Board has repeatedly confirmed country ownership and a country-driven approach as core principles of the Fund. An 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. As of January 2022, 147 of 154 eligible countries have 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 and more detailed country ownership guidelines, including guidance on country coordination functions and stakeholder engagement, which are to be reviewed at minimum every two years. Any proposal needs to be accompanied by 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).

By the end of 2019, and with it the end of the IRM, 24 official country programmes detailing GCF funding priorities had been submitted in final form; a further 33 countries had shared draft versions of their country programmes. In 2020, only three additional country programme could be finalised. Only two more finalised country programmes endorsed by the Secretariat were added in 2021, although a number of additional country programme drafts were received and are in various stages of review. Country programmes that are nationally consulted and coordinated with the work programmes of accredited entities are seen as the basis for improved programming during GCF-1. For 2022, the Secretariat hopes to strengthen and re-organise its country programming support for a second generation of country programmes, including through further scaled-up technical assistance via readiness support, with a focus on embedding GCF financial support stronger than previously into a broader country financial strategy. The Secretariat expects the submission of 30 high quality country programmes in 2022. Work will also continue on familiarising AEs with updated country programming guidelines, streamlining AE's investment priorities in their work programmes and through active match-making by the Secretariat.

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, non-governmental organisations (NGOs), national development banks, and other domestic or regional organisations that can meet the standards of the Fund. As previously mentioned, 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, and private sector entities can be accredited as implementing entities or intermediaries too.

Developing countries have also been keen to explore modalities for enhancing 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 programme, 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. It took almost three years for a third EDA proposal from Micronesia to be approved at the 30th Board meeting in October 2021. This leaves three active funding proposal and five EDA concept notes worth USD 154.5 million in requested GCF support in the pipeline. In 2020, the Secretariat established a new EDA team tasked to draft specific guidelines, and increased its outreach to direct access entities on how to develop EDA proposals as an innovative approach to promote more locally led climate actions. These guidelines were published in November 2021. The Secretariat in its 2022 work programme is also prioritising additional measures for enhancing direct access, such as targeted on-boarding and training for DAEs.

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. Additional specialised fiduciary standards are required for financial intermediation and programme management. GCF AEs 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 towards completion of the Fund's own Environmental and Social Management System (ESMS). The ESP was updated in 2021 to codify obligations by GCF implementation partners to comply with the Fund's policy on preventing sexual exploitation, abuse and harassment. 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. While progress on this work stalled in 2020, late 2021 saw a call for public input on the suggested scope and specificities of the GCF's new proposed ESS, which are expected to be completed now in late 2022.

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 programme 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 and membership as a result of an in-depth performance evaluation in late 2020 for its 2021-2024 term, 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. An entity can also seek to upgrade its accreditation to a higher risk, size, or complexity level, with eight such upgrades so far approved by the Board. 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 were originally scheduled to apply for re-accreditation, although in a decision at its 26th meeting the Board allowed for a one-time request for a six-month extension to the accreditation term due to Covid-19. In 2021, the Board re-accredited five AEs (including three DAEs), but could not agree on the re-accreditation of one DAE. There are 25 more AEs in various stages of the re-accreditation process, with several requesting extensions due to the pandemic; the Secretariat expects up to 23 AEs could come up for re-accreditation in 2022.

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 remained high. As of August 2021, there were 116 entities in the pipeline seeking accreditation that have yet to submit their applications, with 125 that had submitted applications under review, including 80 from direct access entities and 30 from the private sector. The GCF Board has approved the accreditation of applicant entities since its 9th Board meeting in March 2015 in 15 batches for a total of now 113 AEs, although it did not consider accreditation proposals at its 11th, 16th, 19th, 20th, 28th and 30th meetings. Of those, 42 are international access entities and 71 direct access entities (57 national and 14 regional), with 24 from the private sector. However, less than 40% of these have so far programmed projects with the GCF. Over the past years, significant strides have been made in having the AMAs of 95 of the now 113 AEs signed, with 85 becoming effective as the last legal step in fully operationalising their engagement with the GCF and thus overcoming a worrisome legal backlog.

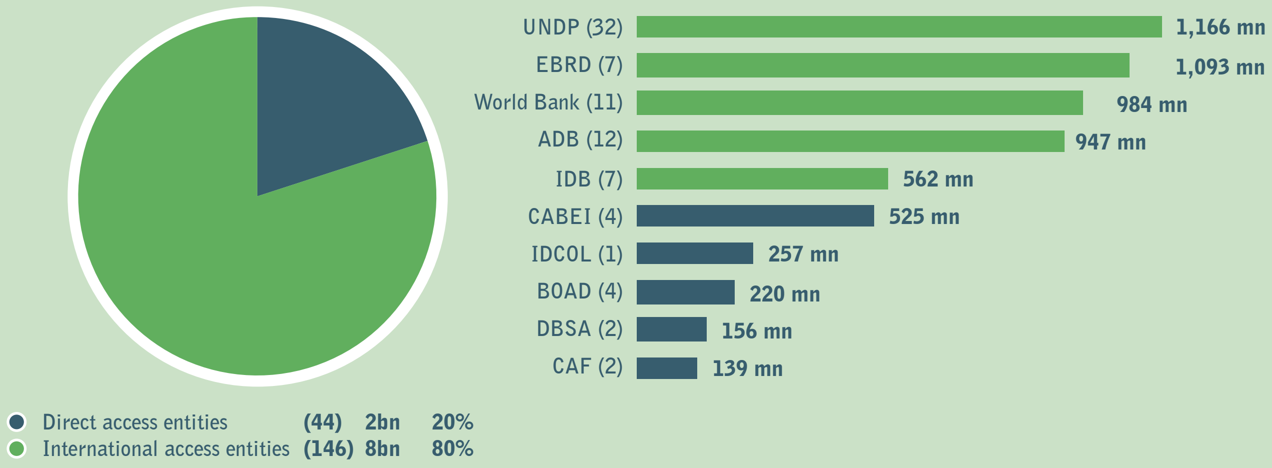
The current GCF accreditation process has sparked concerns with some stakeholders, including with respect to the length and complexity of the application process, its transparency and thoroughness, and the diversity and balance of the GCF's AE. Independent third-party views on the track record of applicant 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 AEs continues to grow faster than international access ones (256 direct access entities had been nominated by 101 countries by August 2021), 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 and programme proposals approved at the Board's 30th meeting in October 2021 means that 80% of approved GCF funding in nominal terms (USD 8 billion) is channelled through international access entities, and only 20% (USD 2 billion) through direct access entities, a share that has not grown significantly 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.

The United Nations Development Programme (UNDP) is the entity with the largest share of GCF approved funding with a total of USD 1.166 billion or 11.7% of the GCF funding portfolio. It is also implementing by far the largest number of individual GCF projects and programmes, at 36. The European Bank for Reconstruction and Development (EBRD) follows closely with USD 1.093 billion or 10.9% for seven large-scale programmes and financing facilities. The World Bank is third with USD 984 million for 11 projects and programmes or 9.8%, the Asian Development Bank (ADB) is next with 947 million (9.5%) for 12 projects and programmes, and the Inter-American Development Bank (IDB) has 562 million (5.6%) for seven projects and programmes and rounds up the top five recipients. These five large international entities together received USD 4.75 billion (or 47.5%) and thus almost half of all approved GCF funding as of January 2022. A similar concentration among a few recipients – although at decidedly lower levels – is also happening among direct access entities. The top five receive USD 1.296 billion for 13 projects, and thus with 12.9% of the approved GCF funding, the lion's share of 65% of approved funding flowing through direct access entities (Figure 3). The Secretariat, in its 2022 workplan, laid out a multi-pronged direct access entity (DAE) strategy that will span both pre-accreditation and post-accreditation stages in order to bring more DAEs online and enable DAE work to account for a greater share of projects and GCF funding. It foresees a programming goal for 2022 of up to 14 DAE projects and programmes for between USD 350 and USD 550 million.

The Board, at its 18th meeting, also mandated the Secretariat to consider a 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 stalled in 2020 and 2021 and will have to be brought to a Board decision in 2022. The PSAA is included as a core feature of the updated strategic plan that was approved at the 27th Board meeting in November 2020, and is considered a necessity to move forward with concept notes submitted by non-accredited entities from the private sector under its MFS pilot programme.

Lastly, a long-overdue accreditation strategy (first requested by the Board at its 10th meeting in July 2015) was not discussed in 2021 and will have to be tackled in 2022. This must clarify how accreditation fits into the overall GCF vision and examine the capabilities of the growing existing AE network against both the mandate and the updated strategy of the GCF, as well as the needs of developing countries. It must also guide prioritisation in the accreditation and re-accreditation of AEs.

Figure 3: Total GCF funding by access modality of accredited entities, including top five recipients (in USD million), after the 30th GCF Board meeting



Source: Authors' own calculations, based on Board document GCF/B.30/Inf.12, figure 18, p.18 (https://www.greenclimate.fund/sites/default/files/document/gcf-b30-inf12.pdf), and updated to reflect project/programme approvals at B.30)

Notes: Number of approved projects is given in parentheses against each entity. *Abbreviations*: ADB = Asian Development Bank; BOAD = *Banque Ouest Africaine de Développement* (West African Development Bank); CABEI = Central American Bank for Economic Integration; CAF = *Corporación Andina de Fomento*; DBSA = Development Bank of Southern Africa; EBRD = European Bank for Reconstruction and Development; IDB = Inter-American Development Bank; IDCOL = Infrastructure Development Company Limited; UNDP = United Nations Development Programme.

Monitoring and accountability

The GCF governing instrument foresees three separate accountability mechanisms, namely the IEU reporting to the Board, an Independent Integrity Unit (IIU) and an Independent Redress Mechanism (IRM).[3] 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 for 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 standards for the implementation of a policy on anti-money laundering and countering the financing of terrorism (AML/CFT), as well as policies drafted by the IIU on prohibited practices and protection against sexual exploitation, abuse and harassment (SEAH). A new policy on administrative remedies and exclusion for integrity violations committed by GCF partners developed by the IIU was also approved in 2021. While already operational for GCF personnel, some revisions to the SEAH policy's application to GCF implementing partners were only finalised in March 2021 by integrating SEAH policy requirements into a revised Environmental and Social Policy (ESP) approved. The Board also approved at its 22nd meeting guidelines and complaint procedures for the Independent Redress Mechanism, which in 2021 received two new formal project-related complaints.

With the IEU producing on average four full scale evaluations per year, the Board given its reduced virtual engagement in 2021, fell further behind in fully considering several in-depth independent evaluations completed by the IEU in 2020 and 2021. This includes those of country ownership, of the GCF's environmental and social safeguards, of the relevance and effectiveness of GCF investments in SIDS, and the GCF's approach to the private sector and to adaptation. Board reviews of two further IEU assessments on the GCF accreditation function and the rapid assessment of the GCF's request for proposal modality are also outstanding, although the assessment of the SAP was discussed and noted by the Board in October 2021. The continued backlog in considering the IEU's output comes at the same time as a pushback by some developing-country Board members against the IEU's growing mandate. While the Board search for a new head for the IEU was ongoing in 2021, the Board reviewed and updated the terms of reference for the IEU in 2021. The Board also tasked the IEU in preparation for the start of its replenishment discussions in mid-2022 with the second performance review of the GCF's performance for the ongoing GCF-1 programming period.

At its 11th meeting, the Board also approved an initial monitoring and accountability (M&A) framework for GCF AEs, which is a key part of the broader M&A system of the GCF. It sets the incentives and remedial actions to ensure compliance by the AEs with GCF safeguards, standards and its policies on gender and Indigenous Peoples. The framework relies primarily on regular mandatory self-reporting by AEs on both annual project implementation progress as well as continued compliance with relevant GCF standards and policies with only spot checks by the Secretariat. However, it also highlights an oversight role for NDAs and local stakeholders through participatory monitoring approaches for project implementation.

For the 30th Board meeting, the Secretariat submitted its fourth annual GCF portfolio performance report (PPR), aggregating the individual annual performance reports (APRs) submitted by the AEs for the 116 projects and programmes under implementation as well as for the 370 readiness grants with funding dispersed by the end of 2020. The 2020 PPR highlighted a significant slowdown in project and programme implementation due to the Covid-19 pandemic, which for example, aggravated ongoing challenges in engaging stakeholders comprehensively in implementation, as well as for AEs to fully comply with the mandates of GCF policies on gender and Indigenous Peoples. In 2021, the Accreditation Panel also formally reviewed and analysed the required mid-term review reports that had to be formally submitted by 13 AEs that had reached the mid-term of their accreditation period.

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 had stalled in 2019, after a draft methodology submitted for the 21st Board meeting in October 2018 was not considered. Instead, the Accreditation Panel, together with the Secretariat, developed a light-touch version of a baseline indicator tool for a pilot phase that is now under implementation with a sample of 15 AEs. This methodology was applied for the first time to several AEs seeking re-accreditation in 2021 showcasing some of the utility, but also challenges in applying the approach. In particular, the re-accreditation of one DAE stalled in 2021 as some developed country Board members felt the entity had insufficiently demonstrated its compliance with this provision of the GCF re-accreditation process. This problem could be repeated for other AEs in 2022.

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% was slated to support vulnerable countries including SIDS, LDCs and African states. The Board approved an additional USD 50 million at its 18th meeting 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). This was followed by the Board approving an additional USD 162.4 million at its 26th meeting in August 2020 for the 2020–2021 work programme of the RPSP, thus increasing the overall readiness financing approved by the Board to USD 474.9 million. For the period 2020–2021, in light of the Covid-19 pandemic, readiness support in pipeline development and programming also focussed specifically on assisting developing countries in planning for a climate-resilient recovery.

Supporting national, sub-national and regional implementing entities and intermediaries to meet GCF accreditation standards has been 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, and 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 January 2022, the GCF had approved 523 proposals from 140 countries, with readiness support worth USD 353 million, of which 20 new proposals were approved in 2021. The readiness pipeline as of August 2021 lists another 128 readiness proposals in various stages of development and review. By August 2021, 69 NAP proposals, the majority for SIDS, LDCs and African states, had been approved worth USD 162 million, with USD 62.5 million disbursed.

In 2016, the Board took steps to simplify readiness grant agreements, including through framework agreements with readiness providers such as UNDP or *Deutsche Gesellschaft für Internationale Zusammenarbeit* (GIZ, German corporation for international cooperation) which operate in many countries. It has now 134 readiness delivery partners, including NDAs, with 70% from developing countries. As a result, funding disbursed by August 2021 for the 439 readiness projects under implementation for both non-NAP and NAP support totalled USD 177 million.

In 2018, the Fund's RPSP was reviewed extensively by the GCF's IEU, its first independent review (IEU, 2019). The Board discussed the IEU's recommendations and made necessary adjustments in a revised readiness strategy for 2019–2021 that was 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 Fund. 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, as of January 2022, 34% of the portfolio's nominal value (USD 3.4 billion) had 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) – was set up in 2014 in order to provide strategic guidance on GCF engagement with private sector actors. Working closely with the Secretariat as well as the Board Investment and Risk Management Committees, the PSAG over a period of five years elaborated broad principles as well as targeted recommendations to the Board for Fund-wide engagement options and opportunities with the private sector. This included, for example, recommendations on mobilising funding at scale or working with local entities, particularly MSMEs.

Following core recommendations by the PSAG, the Board approved a USD 200 million MSME pilot programme and a USD 500 million pilot programme for MFS at its 10th meeting in July 2015. The RfP for the MSME pilot, which opened in summer 2016, resulted in three approved MSME pilot proposals with no further proposal approved in 2021, but several in the pipeline. The RfP for MFS closed by September 2017 and netted 350 concept notes. Of these, 30 were shortlisted, with one approved by the Board at its 23rd meeting in July 2019, one initially submitted for and then withdrawn at its 24th meeting, and two more approved respectively at the 25th and the 27th Board meetings. In 2021, the IEU reviewed the use of both RfPs as well as the GCF's private sector approach.

The PSAG held no meeting in 2021, the third year in a row that it did not convene, casting doubts about its future as the mandate of its current members has since expired. However, its earlier recommendations on private sector engagement in REDD+, adaptation and in the SIDS were largely integrated in the update of the GCF's strategic plan approved in November 2020. This update also incorporated 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 PSAA instead of full-fledged accreditation.

Gender

All GCF funding needs to take a gender-responsive approach, as elaborated in a *Gender policy and gender action plan* for the Fund, approved at the 9th Board meeting in March 2015 (GCF, 2015). This has been under a mandated review, however, and 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 an updated gender policy and gender action plan 2020–2023 at the Board's 24th meeting in November 2019, following assurances around strengthened technical assistance and readiness support for the implementation of the gender mandate, as well as weakened provisions (GCF, 2019b). 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 and investment decisions, as well as in accreditation procedures and stakeholder engagement processes. However, 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 efforts around gender integration. For example, the GCF annual portfolio performance reports for 2019 and 2020 for projects under implementation note failures of AEs to report against their submitted gender action plans and that, in some cases, this is missing entirely (GCF, 2020b; GCF, 2021d). Also, they suggest that projects several years into implementation are insufficiently treating the gender assessments and mandatory action plans as 'living documents' that are in need of updating and review by refining targets and indicators and tracking sex-disaggregated data consistently. Many projects under implementation also still lack a sufficient focus on transformative actions that address gender-biased power relations, equal access to resources, and joint decision-making (see also CFF10 2021 on gender and climate finance for further details).

The Board will have to address other gender provisions in the governing instrument, particularly the need for gender balance among the Secretariat staff – women are still underrepresented among its international staff and overrepresented in administrative function, although the Secretariat filled four senior management positions with women in 2020 and further increased its staff diversity. The same applies to the 24-person GCF Board, which as of January 2022 included six female Board members and eight female alternate Board members, with three Board seats still unfilled. 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 a Fund-wide Indigenous Peoples policy for it to consider. Working with Indigenous Peoples' representatives as part of an internal coordination group, the Secretariat managed a public submission process in the summer of 2017, inviting broad stakeholder input into the development of such a policy. The GCF's *Indigenous Peoples Policy* was approved at the 19th Board meeting, taking a strong rights-based approach by focusing on the self-determination of Indigenous Peoples and their right to free, prior and informed consent (FPIC) throughout the GCF project cycle (GCF, 2018). The Fund-wide policy is to be complemented by implementation guidelines developed by the Secretariat in 2019. A separate Indigenous Peoples Advisory Group (IPAG), originally expected to start its work already in 2020, has started its first term from January 2022 to December 2024 with four members and four alternate members self-selected by IP groups.

GCF relationship to the UNFCCC and the Conference of the Parties (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" (UNFCCC, 2011: 17). The GCF Board 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 (UNFCCC, 2014). 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, with its tenth report to the COP submitted in October 2021. 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 2021, following COP guidance, the GCF worked on converting pledges received under its first replenishment process into signed contribution agreements; the Secretariat also succeeded in speeding up funding disbursements. However, due to constraints as a result of the pandemic, the GCF Board was unable to address policy gaps in 2021, including those related to decision-making by the Board, further streamlining and facilitating access to GCF funding and refining project/programme eligibility criteria or concluding the review of the accreditation framework. Likewise, there was little progress in extending the number of countries providing the Fund and its personnel with the privileges and immunities it needs through bilateral agreements to safely operate in recipient countries.

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" (GCF, 2019a: 17). 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 facilitates 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 (IEU, 2019). 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 observers from developing-country civil society organisations (CSOs) 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 the review was scheduled to be finally considered in 2021 according to the Board's four-year work plan approved in 2020, the item was again indefinitely postponed in 2021. This leaves the role of observers, already severely affected by reduced engagement options in virtual Board meetings over the preceding years due to the Covid-19 pandemic, in a precarious situation going into 2022.

Information disclosure and communication strategy

At its 12th meeting, the GCF Board approved a revised comprehensive Information Disclosure Policy (IDP), which operates under a 'presumption to disclose' (GCF, 2016). Board meeting documents are posted on the GCF website[4] at the same time they are sent to Board members, advisors and active observers. 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. This has proved crucial for the deliberations of the Board in 2021, which have been conducted exclusively in a virtual setting.

The IDP also sets 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. However, 2018 saw some challenges in the application of these requirements, triggering the first ever complaint filed by civil society under the Information Appeals Panel (IAP) of the GCF. A further civil society challenge to require earlier and more detailed public information disclosure on proposals in the project pipelines followed in 2020. Since the 24th Board meeting, all relevant annexes of public funding proposals are made publicly available, although those of private sector proposals are not yet. Additionally, 2021 saw the disclosure of an increasing number of APRs, although some of them only in redacted form, for verification of progress in project implementation.

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). However, an external relations division in the Secretariat was established in 2018 and dedicated support staff added. External communication efforts are also aided by a continuously updated and expanded website for the Fund, which includes, for example, individual country pages and project implementation pages. Outreach activities intensified in 2019 in connection with the GCF's first replenishment process, but have suffered in 2020 and 2021 in light of the continued Covid-19 pandemic.

Outlook for 2021

The portfolio of AEs and approved projects/programmes for the GCF continued to grow in 2021, despite many challenges to the normal operations of the Board and Secretariat and to the implementation of the Fund's portfolio due to the impacts of the pandemic. However, the Fund has 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 in a virtual setting. This has put some of the ambitious goals of the GCF's updated strategic plan, with the second year of its four-year first replenishment period (GCF-1) completed, at risk.

A number of the policy related operationalisation mandates of the GCF's updated strategic plan are stalled – such as efforts to consider and apply the recommendations of a number of IEU evaluations of its procedures, policies and frameworks on accreditation, its private sector and adaptation approaches and to further improve especially direct access to and predictability, as well as the scale, impact and effectiveness of its financing through a stronger reliance on strategic work programme development by countries and AEs. A set of eleven sectoral guidelines now expected to be completed by mid-2022 will further help articulate priority impact areas for GCF investment until 2023. Possible areas include supporting GCF funding proposals that address the nexus of health, biodiversity and climate change, which has increased in saliency in the wake of Covid-19. Readiness and preparatory support, including quick release funding, will also aid developing countries' effort for a climate-resilient recovery from the impacts of the pandemic.

In order to realise the GCF's theory of change articulated under its updated strategic plan for GCF-1, vital operational functions need to be revised and upgraded without further delays. While the GCF finalised an integrated results management framework with indicators, results tracking tools and methodologies for accounting for paradigm-shifting adaptation and mitigation results, there are a number of priorities that could not be dealt with in 2021. They need to be urgently addressed in 2022 including: (i) the 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 to address concessionality and incremental and full cost approaches; (ii) the finalisation of a revised GCF accreditation and partnership strategy; (iii) guidelines for a programmatic funding approach; and (iv) the completion of an ESMS for the Fund through the development of the GCF's own environmental and social safeguards.

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, developing a strategy to implement a regional presence outside of Songdo as well as upgrading its human resource and compensation policies to attract and retain staff with first-grade expertise and to slow down the rate of staff turnover (which has been aggravated during the pandemic years) at a time when the scale of its funding portfolio as well as its management challenges have further grown. At the same time, the Board, with a heavy work agenda remaining to be completed, the implementation goals for

2021 outlined in its approved four-year work plan having to be abandoned the second year in a row and many outstanding policy issues quite contentious, will have to recoup and get back on track in 2022 by continuing to address its governance challenges and further improve Board decision-making in between meetings. Over the past two years, it has shown already in several instances that it can successfully apply new voting procedures in the absence of consensus for project approval, although those are currently not considered appropriate for the approval of far-reaching policy updates. Instead, new procedures for decision-making between meetings will help the Board to facilitate a number of policy decisions, for which the voting procedures in the absence of consensus do not apply. However, the competence and capacity of specialised Board committees, several with only reduced functionality in 2021, will have to be strengthened to tackle the backlog of issues that could not be dealt with in 2021.

In late 2021, Tlou Emmanuel Ramaru (South Africa) and Jean-Christophe Donnellier (France) were elected by their respective Board constituencies to serve as their co-chairs for 2022. They will need to work closely with the Executive Director of the Fund and a still-expanding Secretariat to position the Fund as it kickstarts its second replenishment process for the second replenishment period (GCF-2 from 2024-2027) already in mid-2022, including with a comprehensive performance review by the Fund's IEU on its accomplishment over the past years. With the ongoing revision of countries' climate ambition in the context of the ongoing Global Stocktake and with countries struggling to achieve a green and resilient recovery from Covid-19, the role of a continuously well resourced and well governed GCF in providing financial assurance and technical assistance to developing countries to realise low carbon and climate resilient development will be more important than ever.

Footnotes

1. REDD+ is reducing emissions from deforestation and forest degradation, plus the sustainable management of forests and the conservation and enhancement of forest carbon stocks.
2. Entities already accredited with the GEF, the Adaptation Fund and the development aid programme 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.
3. Not to be confused with IRM, initial resource mobilisation.
4. www.greenclimate.fund

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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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