



**GREEN
CLIMATE
FUND**

Meeting of the Board
13 – 16 March 2023
Songdo, Incheon, Republic of Korea
Provisional agenda item 9

GCF/B.35/Inf.12

24 February 2023

Co-Chairs' summary of the first consultation meeting for the second replenishment of the Green Climate Fund

Summary

This document provides an update for the Board on the discussion and outcomes of the first consultation meeting for the second replenishment of the GCF (GCF-2). It provides an overview of the agenda items that were discussed and covers the comments made by potential financial contributors and Board members and the subsequent decisions. It also includes the finalized rules of conduct, timetable, and workplan for GCF-2, which were agreed upon at the IOM.

I. Introduction

1. Pursuant to decision B.33/11, the first consultation meeting was held virtually on 1–2 December 2022 to discuss matters relating to the second formal replenishment of GCF (GCF-2). Per document GCF/B.33/15/Rev.01, paragraph 5, the main purpose of the replenishment process will be to discuss and determine financial matters of GCF-2, inter alia the draft policy for contributions for approval by the Board, the financial position of the Fund, and the reference exchanges rates.
2. The first consultation meeting was attended by 37 potential contributors, 16 Board members, a representative of the Trustee, 3 active observers of the Board (2 civil society observers and 1 private sector observer), and observers from the secretariats of the United Nations Framework Convention on Climate Change (UNFCCC), the Adaptation Fund, and the Climate Investment Funds (CIF).

II. Opening of the meeting

3. Day 1 of the meeting opened at 9 p.m. Korea Standard Time on 1 December 2022.
4. The strong operational track record of GCF and its compelling vision for future achievements were highlighted in opening remarks by the Executive Director Mr. Yannick Glemarec.

III. Selection of the meeting chairs

5. The Secretariat explained that according to decision B.33/11, annex IV, paragraph 2(d), the Chairperson(s)/Facilitator will chair the replenishment meetings with the support of the Secretariat.
6. As the Chairperson(s)/Facilitator was yet to be selected prior to the first consultation meeting, it was suggested to the participants to consider selecting the Co-Chairs of the GCF Board to chair the first consultation meeting.
7. The participants agreed and selected the Co-Chairs of the GCF Board, Mr. Jean-Christophe Donnellier and Mr. Tlou Ramaru, as the Chairs for the first consultation meeting without setting a precedent for subsequent meetings. It was decided that Mr. Ramaru would serve as the chair for day 1 of the meeting, and Mr. Donnellier would serve as the chair for day 2.
8. Chair Mr. Ramaru informed participants that, per decision B.33/11, paragraph (k), the Chairperson(s)/Facilitator for the GCF-2 process would be identified and appointed by the Co-Chairs of the GCF Board, in consultation with the Board and with the support of the Secretariat, and that this process is underway.

IV. Report on the implementation of the updated Strategic Plan for the Green Climate Fund 2020–2023

9. The Deputy Executive Director, Mr. Henry Gonzalez, explained to the participants the evolution of GCF since the initial resource mobilization period, results of the implementation of the updated Strategic Plan for 2020–2023 (USP-1), and portfolio results for the first replenishment period 2020–2023 (GCF-1).
10. The Secretariat's Strategy Officer, Ms. Ramona Calin, also presented the progress made against strategic and institutional priorities under GCF-1. The presentation included GCF-1

results in strengthening country ownership of programming; fostering a paradigm-shifting portfolio; catalysing private sector mobilization at scale; managing a growing portfolio under implementation; improving access to GCF resources; and optimizing operations and institutional capacity.

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

V. GCF second performance review: informational session on the summary of findings

12. The Head of the Independent Evaluation Unit (IEU), Mr. Andreas Reumann, informed the participants that the findings and recommendations from the IEU were based on the summary report contributing to the second performance review (SPR) of GCF. Mr. Reumann then presented an overview of the purpose, objectives, background, and scope of the SPR as well as the schedule of SPR deliverables leading up to the final report, which would be completed by the thirty-fifth meeting of the Board (B.35).

13. The IEU Evaluation Advisor a.i., Mr. Archi Rastogi, summarized the key findings of the summary report on the themes of institutional architecture and performance, access to GCF, programming in response to country needs, and results and impact of GCF investments. Mr. Rastogi also discussed the report's five emerging areas of recommendations on strategy, role, processes, results, and governance.

14. Mr. Gonzalez shared brief remarks on the IEU presentation on behalf of the Secretariat. It was noted that, as the final report was yet to be presented, the Secretariat had not yet prepared a formal management response. However, he remarked that there had been a strong improvement in strategic and governance issues, including the approval of the Integrated Results Management Framework at B.29. Mr. Gonzalez also noted that, in general, the Secretariat looked to the evaluations as part of its efforts to continually improve various areas of its work. With this in mind, it was important that evaluations were made against the updated Strategic Plan targets given that those were the Secretariat's key performance indicators. The Secretariat looked forward to the final report and would provide a detailed management response in due course.

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

VI. Financial position of GCF

16. Participants heard from the Chief Financial Officer (CFO)/Chief Operating Officer (COO), Ms. Hong-Thuy Paterson, on the financial position of GCF, including the current status of pledges, the commitment authority for 2023, and administrative expenditure.

Discussion points

17. Participants requested clarification on the matter of administrative expenditures and how they are calculated, and Ms. Paterson provided responses accordingly.

VII. Reference exchange rates

18. During the GCF-2 initial organizational meeting (30 and 31 August, 2022), participants had requested the Trustee to provide multiple options for consideration on the length of the reference exchange rate, including a longer calculation period than the one used for GCF-1, i.e. six months. Participants had agreed to decide on what option to choose at the first consultation

meeting. Participants had also requested that the Trustee, in collaboration with the Secretariat, prepare a presentation for future consideration on the use of special drawing rights (SDR) rather than United States dollars for GCF's reference currency.

19. A representative of the Trustee (the World Bank), Mr. Alexandru Cebotari, presented reference exchange rate options for GCF-2. Mr. Cebotari stated that the reference period of January to June 2023 would give contributors more lead time to compute how the reference rates would translate. Longer reference period options had also been analysed, and it was found that the observed volatility among these options was not material.

20. Mr. Cebotari also summarized the Trustee's analysis of using SDR as a reference exchange rate. In conclusion, the six-month period of 1 January 2023 through 30 June 2023 was recommended as the time period to calculate reference exchange rates.

Discussion points

21. Participants expressed their support for the six-month period, but they requested further clarity on whether GCF or the contributor country carries the exchange risk. Participants also noted the usefulness of using United States dollars as the reference exchange rate, proposing that a basket of United States dollars and SDR could be used as a reference exchange rate to further reduce risk.

22. Participants further proposed the creation of a separate account for inflows and outflows in euros so it could also be included in this reference basket. Participants also sought confirmation on whether GCF-2 contributions could be made in euros.

23. Mr. Cebotari explained that the overall risk is taken on by GCF, which was confirmed by Ms. Paterson. Additionally, Mr. Cebotari noted that the euro was already a holding currency of GCF, and that it was holding a relatively small amount of euros compared to the overall size of the Fund, to match any outgoing euro disbursements.

24. Participants agreed on using the six-month period of 1 January 2023 through 30 June 2023 as the time period to calculate reference exchange rates for GCF-2.

25. Chair Mr. Ramaru reported on the summary of day 1 and closed day 1 of the meeting.

VIII. Issues related to the policy for contributions

26. Chair Mr. Donnellier opened day 2 of the meeting.

27. Mr. Juichiro Sahara, the Secretariat's Head of Resource Mobilization, introduced the approach paper on the updated draft of the policy for contributions. He noted that the paper reviews the policy approved by the GCF Board in decision B.24/02, paragraph (f), and presents possible options to update or revise, if necessary, the policy for contributions for GCF-2 based on the experience from GCF-1. Mr. Sahara drew the participants' attention to five points of discussion:

- (a) Minimum contribution;
- (b) Effectiveness;
- (c) Timing;
- (d) Encashment of promissory notes and encashment schedule; and
- (e) Commitment authority.

Discussion points

28. On the issue of **minimum contribution**, participants agreed on maintaining the current policy of no minimum contribution, with a request from a Board member for further justification on why the minimum contribution policy should be maintained as well as information on what the policy would be for unconfirmed pledges. Participants also affirmed that the contributor base should be broadened and inquired whether there was a predicted number of small contributions. A proposal was also made for a more efficient system, such as an electronic platform, to be implemented to process small contributions to reduce the cost and time burden.

29. Mr. Sahara responded, reaffirming the value of broadening the contributor base, although there is no predicted number of smaller contributions. He also noted that not having a minimum contribution allows for a wider contributor base. Mr. Sahara addressed the issue of unconfirmed pledges, stating that these are recorded in the regular Status of GCF Resources reports for the Board.

30. On the issue of **effectiveness**, some participants expressed their preference to continue with the existing 25 per cent threshold.

31. On the issue of **timing of contributions**, Chair Mr. Donnellier noted that at this stage they would follow the recommendation advanced by the Secretariat, which requests all GCF-2 contributions to be completed within the replenishment period, with the possibility of discussing this issue again after the first consultation meeting.

32. On the issue of **encashment of promissory notes and encashment schedule**, Chair Mr. Donnellier noted a preference among most participants to continue to use the current nine-year encashment schedule, but he noted that a few participants would prefer to shorten the encashment schedule. Participants agreed to discuss this issue further and come to an agreement at a later stage.

33. On the issue of **commitment authority**, Chair Mr. Donnellier noted a preference among participants to continue to use the existing practice of making funding decisions against the total amount of available resources in the form of cash and promissory notes in the Trust Fund. Participants agreed to discuss this issue further. Participants asked for more information on what other institutions were doing and what models were working well, and proposed changing the date for funding proposal presentations to ensure better predictability.

34. Mr. Sahara responded that GCF had followed the best practices of other organizations in setting up the policy for contributions. GCF also followed similar processes as other comparable organizations, which the Trustee had supported.

35. On **other issues**, participants proposed allowing more flexibility on conditions for loan contributions. Mr. Sahara responded that there may be more room for flexibility on the level of loan contributions, but it would have to consult further with contributors on whether there was appetite for more loan contributions in the future.

36. Chair Mr. Donnellier reminded participants that they could send written comments on the paper and that the revised draft would be sent to all participants ahead of the second consultation meeting. The agenda item was closed.

IX. Updated Strategic Plan for the second replenishment period of GCF

37. Chair Mr. Donnellier recalled that document GCF/B.33/15/Rev.01, paragraph 6, stated that the replenishment would be distinct from but be informed by the progress of Board discussions on strategic programming and the update of the Strategic Plan for GCF.

38. Mr. Donnellier then provided an overview of the USP-2 process to date and invited the participants to provide inputs to the first draft of USP-2, which would be published on 16 December 2022 and discussed at B.35.

39. Participants then heard a presentation from Ms. Selina Wrighter, the Secretariat's Head of Policy and Strategy, on the Strategic Plan for 2024–2027.

40. There were no comments from contributors. The agenda item was closed.

X. Organizational matters

41. Chair Mr. Donnellier informed participants that Germany had expressed interest in hosting the pledging conference on 5 October 2023 at the World Conference Center in Bonn, Germany.

42. Regarding the second consultation meeting, Mr. Donnellier recalled that, during the GCF-2 initial organizational meeting, countries had been invited to express their interest in hosting the second consultation meeting by the end of October 2022. Later, the deadline had been extended to the end of November 2022. Participants were informed that the second consultation meeting would take place in the week of 24–28 April 2023, but that the dates could be flexible depending on the preference of the potential host. Mr. Donnellier requested expressions of interest from participants.

43. Board member Mr. Karma Tshering expressed the Kingdom of Bhutan's interest in hosting the second consultation meeting.

44. Mr. Donnellier informed participants that progress had been made regarding the Facilitator of the replenishment process, and that a Facilitator would be selected shortly.

45. Mr. Donnellier requested that any further expressions of interest for hosting the second consultation meeting be made to the Secretariat as early as possible, and by the end of December 2022 at the latest.

XI. Summary and conclusion

11.1 Chair's summary

46. Chair Mr. Donnellier reported on the summary of day 2.

47. The Chairs thanked participants for the rich discussions over the two-day meeting. A summary capturing the outcomes of the first consultation meeting would be sent to participants.

11.2 Report of the meeting

48. Mr. Donnellier noted that according to decision B.33/11, the Chairperson/Facilitator will report to the Board on the progress of the replenishment consultation meetings. The Co-Chairs will make the report to the Board regarding the first consultation meeting through the summation report that would be circulated after the current meeting and also for B.35 in March 2023.



11.3 Any other business

49. No other business was raised.
50. The meeting was closed.

Annex I: Second formal replenishment process of the GCF: rules of conduct

1. Purpose

1. The overall objective of the replenishment meetings is to mobilize substantial resources for the Fund's second replenishment. To that end, the purpose of these meetings is to establish a forum for consultation between potential contributors to discuss and determine second replenishment process (GCF-2) financial matters including documents for the GCF Board's approval.
2. As per decision B.33/11, the replenishment meetings will be distinct but informed by the Board's discussions and progress on the strategic programming and the updated Strategic Plan for GCF-2.

2. Participation

3. Consistent with decision B.33/11, the replenishment meetings will be open to participation by:
 - (a) All potential contributors including sovereign entities, States, and cities;
 - (b) Board members;
 - (c) Four active observers of the GCF Board (two from civil society and two from the private sector);
 - (d) GCF Secretariat;
 - (e) The Chairperson/Facilitator;
 - (f) One observer from the secretariat of the UNFCCC;
 - (g) One observer from the secretariat of the Global Environment Facility;
 - (h) One observer from the secretariat of the Adaptation Fund;
 - (i) Representatives of the Trustee; and
 - (j) Additional observers may be invited by meeting participants in line with the rules of conduct.

3. Rules of conduct

4. Each agenda item will be discussed among all participants with reference to relevant Board decisions. The Chairperson/Facilitator will close each item with a summary of deliberations, including emerging positions/consensus and any areas that require further work or discussion. These will be compiled into a written Chairperson/Facilitator meeting summary, to be circulated among the participants shortly after the meeting.

4. Types of sessions

5. The meetings may be organized, with support from the Secretariat and Trustee, in the form of:
 - (a) Technical sessions: open to all participants listed under "2. Participation"; and
 - (b) Executive sessions: open only to potential contributors and Board members with the support of the Secretariat.

6. The Chairperson/Facilitator in consultation with meeting participants will decide on convening executive sessions.

5. Decision-making

7. The outcomes of the replenishment process will be considered and endorsed by the GCF Board. Consistent with the rules of conduct for GCF-1 replenishment meetings, recommendations will be developed based on consensus among contributors.

Annex II: Second formal replenishment process: timetable and workplan

<p>First consultation meeting (1–2 December 2022) Virtual meeting</p>	<p><u>For discussion</u></p> <ul style="list-style-type: none"> • Financial position of the Fund • Issues relating to policies for contributions and contribution arrangements • Reference exchange rates for use during GCF-2 replenishment process and GCF-2 period • Report on the implementation of the GCF-1 strategic plan • Updated Strategic Plan for GCF-2 • GCF Second Performance Review (SPR): informational session on summary of findings <p><u>For outcomes</u></p> <ul style="list-style-type: none"> • Agree on reference exchange rates for use during GCF-2 replenishment process and GCF-2 period • Agree on host for second replenishment consultation meeting and pledging conference (if not agreed earlier)
<p>Second consultation meeting (Week of 24–28 April 2023)</p>	<p><u>For discussion</u></p> <ul style="list-style-type: none"> • Issues relating to policies for contributions and contribution arrangements • Financial planning matters • Information on the progress of the updated Strategic Plan for GCF-2 • GCF SPR: sharing of the final report • Next steps and preparation for pledging conference <p><u>For outcomes</u></p> <ul style="list-style-type: none"> • Agree on the final draft updates to policies for contributions and contribution arrangements • Other recommendations to the Board
<p>Pledging conference (Late September 2023, before the last Board meeting of 2023)</p>	<p><u>For outcomes</u></p> <ul style="list-style-type: none"> • Announcement of pledges by contributors