

Recommendations on Proposed Key Decisions at the 9th GCF Board Meeting of Key Importance for Operationalizing a GCF Gender-Sensitive Approach

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In Bali at its 6th meeting, the GCF Board in Decision B.06/07 requested the Secretariat to prepare a draft gender policy and action plan. It also mandated the Secretariat to integrate gender considerations into draft policy documents containing operational modalities on an ongoing basis.

While the consideration of a draft gender policy and action had to be delayed twice, some important decisions at both the 7th GCF Board meeting in Songdo as well as the 8th GCF Board meeting in Barbados considered and integrated gender. These included implicitly, in some annexes, the **decisions on accreditation** (decisions B.07/02 and B.08/02) and the **approval process** (decision B.07/03). Explicit references to gender or the gender policy directly in the decision texts were found for the **results management framework** (decisions B.07/04 and B.08/07) and the **investment framework** (B.07/06).

In Songdo for the 9th meeting, the Board is to consider and adopt the **GCF's gender policy and gender action plan** (GCF/B.08/19). It is also asked to adopt further development of the initial **investment framework with sub-criteria and methodology** (GCF/B.09/07); the terms of reference for a **pilot phase of additional modalities that enhance direct access** (GCF/B.09/05); **PSF working with local private sector entities, including SMEs** (GCF/B.09/12) as well as to consider the **expected role and impact of the GCF** (GCF/B.09/06). Board decisions on these issues are likewise of crucial importance for a gender mainstreaming approach in the GCF.

This commentary provides a brief gender analysis of several policy papers for Board consideration and decision and recommends gender-sensitive adjustments to the draft decisions texts and related annexes for the following policies:

- **GCF Gender Policy and Gender Action Plan (GCF/B.08/19)**
- **Additional Modalities that Further Enhance Direct Access: Terms of Reference for a Pilot Phase (GCF/B.09/05)**
- **Analysis of the Expected Role and Impact of the Green Climate Fund (GCF/B.09/06).**
- **Private Sector Facility: Working with Local Private Sector Entities, Including Small and Medium-Sized Enterprises (GCF/B.09/12)**

Gender Policy and Action Plan (Document GCF/B.09/10):

- Board document GCF/B.09/10 does not list the important linkages of a GCF gender policy and action plan with the **GCF expected role and impact** (GCF/B.09/06), the work on **further enhancing direct access** (GCF/B.09/05) and the **PSF's role in working with local private sector entities, including SMEs** (GCF/B.09/12). These three analytic papers are **fundamental for the future success of the GCF in implementing a gender-sensitive approach**.
- Analytically, the document focuses more on the disproportionately higher adaptation needs of women and a link of gender issues with climate change in terms of "vulnerability," but less on women's "agency" to actively contribute to solving the climate crisis as consumers, community leaders, resource managers and entrepreneurs (see Box 1 for example).

While the **draft Gender Policy (Annex II)** has been improved over earlier versions by adding references to women's contribution to address climate change (mitigation), it is not consistent. Specifically, in Annex II referring to the Fund's commitment under its gender policy (Section 4.1. in Annex II, Gender policy), para. 9(c) should read: "*Measure the outcomes and impacts of its activities on women's and men's resilience to **and ability to address climate change.***" **A performance measurement system that gives equal weight to the gender dimension of mitigation and adaptation is required** (and structurally already possible under Barbados decision B.08/07 with a proposed mitigation performance measurement framework with placeholders for gender-informed core sub-indicators and an aggregate sustainable development indicator).

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- The anchoring of the proposed Gender Policy around the six fundamental principles of **commitment, inclusiveness, accountability, country ownership, competencies and equitable resource allocation** is useful; however some of the proposed principles are insufficiently elaborated and related action points under the **Gender Action Plan** (Annex III) are in need of improvement. These are particularly:

- **Accountability (Section 4.3, Policy) and Governance and Institutional structure (Section I, Action Plan)**: the policy has **no clear commitment to the implementation of the gender policy as a core responsibility of the Secretariat that cannot be outsourced** (either to intermediaries or consultants). While the appointment of a senior staff with competencies on gender and social development (Annex III, para.4) is an important first step, one person will not be able to ensure due diligence oversight on the integration of gender considerations into project proposals, including private sector project proposals, without corresponding expertise and staff support in other Secretariat divisions. Recruitment of future staff must focus on selecting applicants combining specific technical expertise, for example on private sector engagement or financial instruments with social and gender competence.

Equally important is that the **Secretariat establishes a culture of internal accountability on gender-sensitivity**, for example through holding managers and staff accountable for their commitment to gender integration as part of their annual performance review. This is not reflected in the Gender Action Plan (Annex III).

- **Competencies (Policy) and Capacity-Building (Action Plan)**: the new senior staff member for gender and social development (for which a job description is already circulating and applications are being accepted) is only reporting to the “head of accreditation” under the country programming division. This is not giving the coordinator enough clout within the Secretariat to seek proactive engagement with the divisions for adaptation, mitigation and the PSF. It also **puts the onus to implement the Fund’s gender policy primarily on implementation partners (IEs, Intermediaries and executing entities), while not outlining steps to guaranteeing a corresponding building up and enshrining of gender competency in the Secretariat and the other GCF bodies (Board, advisory bodies, committees)**. Commensurate with the role of gender coordination as a crosscutting core responsibility of the Secretariat with implications for the work of other Secretariat divisions, the gender and social development specialist should report directly to the Executive Director. S/He should also be supported by an **external advisory group of experts on gender and climate change**.

While the Gender Action Plan (Annex III) under capacity-building does allow for gender training for the GCF Secretariat and the Board and for the recruitment of additional gender-competent staff, this is not reflected in the “illustrative indicators for the Gender Action Plan” in Annex IV (which is not formally part of the decision). It is not quite clear if this “illustrative Gender Action Plan” can be amended to be more ambitious and comprehensive. Specifically, it should be seen as a **“living document” to be updated at least yearly** in conjunction with the Board’s annual work plan and ongoing engagement with stakeholders and outside experts.

- **Competencies (policy) and knowledge generation and communications (action plan)**: While the policy commits to knowledge generation to strengthen the gender competencies of all stakeholders, the commensurate section of the gender action plan is quite weak. It should for example suggest the creation of a web-based “knowledge exchange” for generating, collecting and distributing information on gender and climate change as a GCF institutional commitment in addition to the Secretariat’s support for information exchange activities.

Feedback from stakeholders on the gender policy implementation and improvements to the action plan should be understood as an **ongoing iterative engagement**. Instead, the illustrative indicators for the Gender Action Plan in Annex IV only list a “stock-taking report” after three years as the primary action, but not the continuous exchange in the form of **stakeholder participatory monitoring and learning engagement** that is needed here.

- **Resource allocation (policy) and budgeting (action plan)**: The action plan under resource allocation contains the non-binding “may consider” recommendation that additional weight in the project approval process might be given to projects with well-designed gender elements (Annex III, para. 13). This provision should be strengthened. The action plan does not include a clear commitment to ensure

through the project approval process that **the gender-relevant elements of a project are fully funded**, that the **Fund’s administrative budget will include dedicated resources for the implementation of the gender policy** and that **gender will be included in the financial auditing of the Fund’s activities**. These actions were part of the draft action plan submitted for Barbados (see document GCF/B.08/19, para. 27). They are crucial elements to ensure the Fund’s accountability on implementing a gender-sensitive approach and should be restored in the gender action plan. Annex IV on “illustrative gender indicators” does not contain any indicators or action items related to resource allocation and budgeting. This needs to be remedied.

- **Review and Revisions (policy)** – review and revisions are focused mainly on the review of the gender policy (and implicitly stock-taking of the gender action plan) after 3 years. However, the gender policy and action plan do not contain the **mandate for an ongoing cross-checking and cross-referencing with the work-plans of the Board for 2015, 2016 and 2017 as well with other relevant operational policies and procedures to be developed or refined** during that time.

To avoid the side-lining and isolation of the gender policy and the gender-action plan, the Board decision approving both should also re-iterate the mandate for the Secretariat to “continue to review key policy documents in other areas of the Fund’s development and operational policies, as needed, in order to ensure that gender sensitivity is integrated in all the Fund’s policies and activities” (para. 13, main paper). This would be building on the mandate of Board decision B.06/07 from Bali, which recognized that in addition to a gender action plan the continuous reflection on the gender-dimension of ongoing policy decisions, and its inclusion in relevant policy documents and decisions, is needed. This mandate should be added to the draft decision.

PROPOSED CHANGES TO THE DRAFT DECISION (Annex I) :

The Board, having considered document GCF/B.09/10 Gender Policy and Action Plan:

- a) *Adopts the gender policy proposed in Annex II **as revised**;*
- b) *Adopts the gender action plan contained in Annex III **as revised**; ~~and~~*
- c) *Requests the Secretariat to take the necessary measures, **including resource and budget allocations, to expedite the implementation of the policy and action plan; and***
- d) *Requests the Secretariat to continue to integrate gender considerations into the preparation and review of key operational policy documents in order to ensure that gender-sensitivity is integrated in all the Fund’s policies and activities.*

PROPOSED CHANGES TO THE GENDER POLICY (Annex II):

4.1. Commitment

[...]

9. The Fund thereby also commits to: [...]

- (c) Measure the outcomes and impacts of its activities on women and men’s resilience to **and ability to address** climate change.

[...]

4.3. Accountability

11. The Fund accounts to its Board for gender and climate change results and outcomes and reports annually in a transparent manner [...]. **Within the Secretariat, all managers and staff are held accountable for gender integration results as part of their annual performance reviews. Gender integration results are also included in the Fund’s annual report to the COP.**

[...]

4.5. Competencies

17. The Fund strives to reach gender balance in **all** key advisory and decision-making bodies, including in the appointments of its Board members and Secretariat management and staff. The Secretariat will ~~appoint~~ **increase the number of senior staff members with additional** competencies in gender and social development; **a senior gender coordinator reporting directly to the Executive Director will** lead the implementation of the policy. [...]

PROPOSED CHANGES TO THE GENDER ACTION PLAN (Annex III):

[...]

I. Governance and institutional structure

3. The overall implementation of the gender policy will be the responsibility of all components of the Fund’s operational structure and the national designated authorities (NDAs) **with the Secretariat taking the lead**. The main operational responsibility for the implementation of the gender policy will be with **the Secretariat providing oversight of, guidance to and working closely with** the accredited entities, including implementing entities (IEs) and intermediaries.
4. [...]. The Secretariat will **take full responsibility** ~~undertake its due diligence~~ for the implementation of the gender policy **and strive to increase the gender and social development competencies of staff in all divisions of the Secretariat**. It will provide due diligence for the compliance of GCF funding activities with **the gender policy** through the accreditation of IEs and intermediaries, and the project approval and **performance measurement** ~~monitoring~~ process. Furthermore, it will report to the Board **at least annually** on the progress made toward implementing the policy and action plan. A senior development and gender specialist **reporting directly to the Executive Director** will be appointed to **coordinate with colleagues in all divisions of the Secretariat and have the** operational responsibility to manage the implementation of the gender policy and action plan. **S/he will be also supported by an external advisory group of experts on gender and climate change**.

[...]

V. Resource allocation and budgeting

13. As the rationale for the Fund’s gender policy is to generate greater and more sustainable gender-equitable climate change results, the project approval process ~~may~~ **should** consider giving additional weight to projects with well-designed gender elements.
- New 14. The project approval process will also ensure that the projects’ gender elements are fully funded. The Fund’s administrative budget will include dedicated resources for the implementation of its gender policy. Gender-related expenditures will also be reported in the annual financial audits of the Fund’s activities and the Fund’s financial statements.**

[...]

VI. Knowledge generation and communications

16. [...] The Fund will support **the establishment of a knowledge hub/exchange on gender and climate change finance and support and convene regular** knowledge exchange activities on gender and climate change finance.
17. [...] It will be important to communicate to the public not only how the Fund is implementing its gender policy **and ensures the mainstreaming of gender considerations in all of the Fund’s activities**, but also to seek ~~periodic~~ feedback from stakeholders and partners **through ongoing dialogue and engagement** on the implementation of the policy, ~~and~~ on possible improvements in the action plan **and on ongoing mainstreaming efforts**.

Analysis of the Expected Role and Impact of the Green Climate Fund (Document GCF/B.09/06):

- The analysis of the expected role and impact of the GCF does not make any reference to the Fund’s mandate to base its mitigation and adaptation action in a sustainable development context and utilize a gender-sensitive approach to its funding. It does not acknowledge the key rationale of the proposed GCF gender policy that “**a gender-sensitive approach is [...] part of the paradigm shift**” (document GCF/B.09/10, Annex II, para. 5(a)). Thus, a thorough consideration of the gender dimension of the expected role and impact of the GCF is missing in the analysis. Instead, gender is subsumed as one of several possible co-benefits and remains largely unmentioned as a consideration for action, for example in gender-relevant areas such as land use and forestry, transportation, health and water interventions or with respect to a GCF approach to support private sector activities for micro-, small- and medium-sized enterprises (which have a disproportionate large share of women entrepreneurs).
- The findings and recommendations of the analysis (Annex II, Section V) are presented as if they were largely gender-neutral. Only in one of five identified potential investment priority areas for Board consideration and decision, namely “climate-smart agriculture” (without a definition of the concept in the analysis and an acknowledgement of its potential dangers²) is there an explicit reference to the importance to include GCF actions with a focus on women by addressing the needs of smallholder women farmers.

While it is encouraging that the analysis of the Fund’s priority role for improving energy access in Asia and Africa does focus on energy provision for the poor by highlighting the role of cooking/cook stoves, the necessity of a gendered/women-empowerment approach to this mitigation strategy, including through the provision of financial services benefitting women, is not sufficiently recognized (a reference to the “poor” and “household” level is not enough). Likewise, a reference to the gender-dimension of GCF activities to enhance the resilience in SIDS; to increase financing for forest protection in Latin America, Asia and Africa; and support the climate-compatibility of cities is missing.

PROPOSED CHANGES TO THE DRAFT DECISION:

The Board, having considered document GCF/B.09/06 Analysis of the Expected Role and Impact of the Green Climate Fund,

[...]

- b) *Acknowledges the following identified potential investment priority areas, through which the Fund may be able to maximize its results and impact in the context of sustainable development and by taking a gender-sensitive approach: [...]*
- (ii) *Sustainable, climate-smart-proved agriculture in Africa and Asia; [...]*
- (iv) *Enhancing resilience in Small Island Developing States (SIDS), Least Developed Countries (LDCs) and Africa; and [...]*

Additional Modalities that Further Enhance Direct Access: Terms of Reference for a Pilot Phase (Document GCF/B.09/05)

- The Enhanced Direct Access modality through its devolution of decision-making and the opportunity to increase multi-stakeholder engagement at the country level is particularly well suited, as the Terms of Reference in Annex II correctly point out (Annex II, Sections II and IV), to support **small-scale activities with local actors that directly**

² The FAO defines climate-smart agriculture as “agriculture that sustainably increases productivity, resilience (adaptation), reduces/removes greenhouse gases (mitigation), and enhances the achievement of national food security and development goals.” Various aspects described as part of the proposed concept (soil-carbon focus and resulting land-grabbing, GMOs and agricultural intensification) can have negative effects on people and the environment, including disadvantaging women further.

address the needs of and benefit of vulnerable people and communities and support MSMEs. These are activities of particular importance to increase the resilience of women and their ability to address climate change challenges. It is therefore important that the **gender-sensitivity of proposals under the EDA pilot program is considered to be a critical criterion for their selection.** Likewise, the review of the pilot phase should particularly focus on how successfully the design and implementation of pilot proposals addressed gender considerations and draw lessons for changes as needed for a broader EDA approach in the GCF.

- The Board should recommend that **at least one of the proposed five pilot proposals focus on the set-up of a gender-responsive Small Grants Facility** for sub-national (especially municipal and communal) climate activities with a view to consider the upscaling and wide replication of such a program in other GCF recipient countries (see reference in Annex III to the existing example under the Adaptation Fund, as well as experience with the GEF/UNDP Small Grants Programme focusing on mitigation activities).
- Another pilot proposal to be included in the set of five pilot proposals should **focus on the gender-responsive provision of “green credit lines” of small-scale, highly concessional and patient loans for renewable energy access of households and MSMEs**, including through technical assistance and capacity building of local banks and loan institutions, which are of particular relevance for the equitable inclusion of women as stakeholders and beneficiaries in such a pilot phase. Support should prioritize the **involvement of cooperative banking institutions and credit unions** with a not-for-profit social commitment to the community in which they operate over commercial banking institutions whenever possible.

Private Sector Facility: Working with Local Private Entities, Including Small and Medium-Sized Enterprises (Document GCF/B.09/12)

- The suggested pilot program approach focusing on the involvement of local small and medium-sized private sector actors is encouraging. The engagement such smaller local private sector entities does have **the potential to become the main vehicle through which the PSF successfully operationalizes a gender-sensitive approach to its financing** in line with the mandate of the GI, para. 3 and prior decisions (decision GCF/B.04/08) that integrate the PSF fully under the GCF and its guiding principles and ask it to focus on the promotion of local SMEs and local financial intermediaries, especially also in SIDS, LDCs and African states.
- However, as currently drafted, the pilot program approach significantly undercuts such a potential, owing in large part to some conceptual approaches which will serve unfortunately to actively discriminate against women entrepreneurs in developing countries, who represent the majority of entrepreneurs engaged in smaller business activities both in the formal and informal sector (according to the IFC study from 2011³) and through their services and products provide the backbone for community livelihoods, resilience and societal transformation. Women entrepreneurs are also recognized as a catalyst for community change, as they are often investing back into family and for community benefits.
- The analytical paper outlining the proposed SME Pilot Programme **does not provide a definition of what entities falls under the category of SMEs** (different definitions exist, with some allowing for the inclusion of businesses up to 500 employees).⁴ In contrast to an earlier elaboration of the proposed pilot program as an “MSME program” focused on micro-, small- and medium-sized enterprises (document GCF/B.08/14), the updated paper for the 9th Board meeting narrows the program to “SMEs”, **dropping any reference to very small (micro) enterprises.** This makes a difference in terms of gender-sensitivity, since women entrepreneurs in developing countries more frequently operate in the micro and small scale categories, and it is they who bear the brunt of the identified US\$ 2 trillion MSME financing gap (see para. 18, footnote 3).

³ International Finance Corporation (IFC) (2011). *Strengthening Access to Finance for Women-Owned SMEs in Developing Countries.* Report for the Global Partnership for Financial Inclusion/G20. Washington, DC.

⁴ An IFC-McKinsey study defined MSMEs as follows: micro (1-4 employees), very small (5-9 employees), small (10-49 employees), and medium enterprises (50 – 250 employees). In contrast, the World Bank uses a definition that allows for enterprises with up to 300 employees to be classified under SMEs; according to the OECD database on SME statistics, some countries such as Mexico define the sector as up to 500 employees.

- To make matters worse with respect to gender considerations, the draft program suggest an additional narrowing of the pool of targeted local private sector entities by suggesting a focus on those in need of “supply chain financing and term of trade financing”, i.e. delivering products and services for exports and for value added (paras. 16 and 20). Such a **narrowed focus will clearly discriminate against women-operated MSMEs**, which are more often focused on product and service provision for local communities, crucial for community-focused adaptation and mitigation activities and to support a paradigm shift through catalytic re-investments in local communities.
- The paper does not recognize or acknowledge private sector entrepreneurial activities in the informal sector, despite some Board member recommendations to that effect during the Barbados meeting. The PSF would really bring about transformative change in developing countries if it would provide help in addressing the needs of local entrepreneurs also in the informal sector for climate-proofing and resilience building investment by including finance provision for the informal sector in any engagement with local-level financial intermediaries.

To maximize its outreach and effectiveness and address scalability and the potential for transformational impact the proposed pilot program needs to **focus on both the formal and the informal sector**. It should address the issues of **accountability of the intermediary to the local community**; for that reason local financial service providers like credit union or cooperatives with a social investment goal, and not just nationally operating private financial actors such as investment and commercial banks, should be prioritized.

- The pilot program approach should serve to test various approaches for a significant upscaling so that the **financial support of MSMEs based on gender-responsive, participatory and needs-based processes becomes a substantial majority of the GCF resources allocated to the private sector**. The proposed pilot financing cap of US\$ 50 million for a US\$100 million pilot program is too high (allowing potentially only for the participation of two selected intermediaries) to consider a variety of diverse and innovative programs and should be lowered to US\$20 in order to also guarantee some geographical balance. A program **on support to and the financial inclusion of the MSME informal sector should be part of the pilot approach**.
- Lastly, the suggested program (with examples showcased in Table 1) is inconsistent with the impact analysis paper, which had identified renewable energy access in Africa and Asia, including in particular for cooking, as one of the priority GCF focus investment areas. The list of possible application in suggested PSF support program for local businesses is conspicuously absent of this particular funding purpose (conversion of traditional biomass to renewable energy), which was still contained in the Barbados version (document GCF/B.08/14, para. 15). This needs to be reintroduced as an explicit focus for micro- and small-scale enterprises.

PROPOSED CHANGES TO THE DRAFT DECISION (Annex I):

The Board having reviewed document GCF/B.09/12 Private Sector Facility: Working with Local Private Entities, Including Small and Medium-Sized Enterprises:

- a) *Decides to create a **Micro, Small and Medium-Sized Enterprise Pilot Programme (MSME Pilot Programme)** of US\$ 100 million to provide financial support to **micro, small and medium-sized enterprises (MSMEs)**,*
- b) *Decides to apply a cap of US\$ ~~2050~~ million in the **MSME Pilot Programme** per accredited entity;*
- c) *Requests the Secretariat to issue a request for proposals (RFP) based on the terms of reference **as revised** detailed in Annex II to this document to seek proposals from interested entities with knowledge and experience in financing **MSMEs** and managing the associated risks;*
- d) *Requests the Secretariat to report to the Board, at its eleventh meeting, on the progress of the **MSME Pilot Programme** RFP process, and submit for the Board’s consideration and potential approval **diverse and innovative well-ranked** programmes as an outcome of the RFP.*

PROPOSED CHANGES TO THE DRAFT TERMS OF REFERENCE (Annex II):

*All references in the text to “SME/s” should be replaced with “**MSME/s**”*

In addition, the following additional textual changes should be incorporated:

[...]

II. **Objective of the request for proposal**

5. The request for proposals (RFP) is designed to select ~~one or more~~ **up to five** accredited entities that will manage and implement the **MSME** Pilot Programme.

6. The proposals should: {...}

(d) Generate sustainable development co-benefits **and use a gender-sensitive approach**; and [...]

(new f) Be demand-driven, and locally and culturally appropriate

[...]

III. **Types of entities to be involved**

[...]

(d) An ability to use concessional Fund resources **by passing on GCF concessional funding terms** to generate significant climate change mitigation and adaptation impact while ensuring environmental and social safeguards **and the gender-sensitivity of finance provision**;

[...]

IV. **Types of investments to be targeted by applicants**

New (a) Conversion from traditional biomass (wood fuel) for cooking, heating, lighting to renewable energy sources

[...]

VIII. **Financial volume of the **Micro, Small and Medium-Sized Enterprise** Pilot Programme**

[...]

20. No single applicant may seek to manage more than US\$ ~~50~~ **20** million of the **MSME** Pilot Programme.