

# Climate Finance Advisory Service

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Daily Briefing

10th Green Climate Fund Board Meeting

(7 July 2015)

This is the Climate Finance Advisory Service (CFAS) Daily Briefing. Produced at key meetings and negotiations by the CFAS expert team, the Daily Briefings try to provide a concise, informative update on key discussions that have taken place at each day of the meeting and give an overview of substantive points of action or progress. Please note that this is an independent summary by CFAS and not officially mandated by the GCF Board or Secretariat.

## Summary from 7 July 2015

On Tuesday, July 7th 2015, the Board of the Green Climate Fund resumed its 10th meeting, addressing some of the more controversial issues on its long agenda.

### **Level of Concessional Terms for the Public Sector**

In the morning, the Board considered the 'Level of Concessional Terms for the Public Sector', introduced by a presentation from the GCF Secretariat. The paper prepared by the Secretariat outlines three options to define under which conditions developing countries can employ concessional financial instruments, i.e. grants and concessional loans for public sector interventions.

The Board engaged in a long and substantive discussion on the matter, generally sharing the view that the current proposal by the Secretariat needed thorough revision. Many Board Members stressed that the proposed eligibility for grants was too limited and that it should for instance not be determined based on country income level. They also said that limiting grants to direct access activities only would prevent countries with lower capacity from using the service of international intermediaries to deliver climate action on the ground. Several Members also alluded to the need to ensure country-ownership and country-drivenness in terms of allowing applicants to propose and justify the financial instrument they consider most appropriate when submitting project proposals or concept notes, without apprehending rejection by the Fund.

Board members agreed that the definition of vulnerable communities should be in line with the provisions of the UNFCCC, thus emphasizing the need to acknowledge the special circumstances of LDCs and SIDS. Some members consequently posited that financing for adaptation activities should generally be grant-based. Rather than defining rigid conditions to determine eligibility for respective financial instruments, the notion of applying a case-by-case approach was proposed that would build on past decisions, e.g. the principles and guidelines adopted at the 5th Board meeting, which could be enhanced by additional guidance given to the Secretariat by the Board.

The Co-Chairs will revise the document based on the views expressed by Board members and will come back to this agenda item in due course.

## **Brief Guideline on the Application of the Case-by-Case Provisions in the Financial Terms and Conditions of the Fund's Instruments**

As a second agenda item the Board discussed the 'Brief guideline on the application of the case-by-case provisions in the financial terms and conditions of the fund's Instruments'. Board members took note of the documents highlighting that for the private sector the concessionality level should be adjustable over time to ensure projects remain viable, while also avoiding crowding out other (private) finance, for instance if a project has higher revenues than expected. In terms of information disclosure, one Board member felt that for private sector interventions some information needed to be kept confidential as it might affect business secrets. As this agenda item was for information and discussion only, no decision was taken.

## **Additional Modalities that further Enhance Direct Access: ToRs of a Pilot Phase**

The Board continued its work with the consideration of the terms of reference for a pilot phase on enhanced direct access. At the outset, the chair of the Accreditation Committee highlighted three points that the Committee felt needed to be adjusted in the current draft decision, namely to reintroduce a reference to SMEs; to change the date of the progress report on the pilot forward from the 14th to the 12th Board meeting; and to include language specifying that the oversight mechanism at the country level should be an independent function that should also give guidance to the entities carrying out the pilot.

Board members generally welcomed the document and many supported the changes and additions proposed by the Accreditation Committee. Some members expressed that a report on the pilot should be issued annually and that the pilot should be reviewed every two years. The importance of ensuring special emphasis on LDCs and SIDS was also mentioned several times. More detail on the oversight mechanism at the country level was requested by Board members. Members also called for multi-stakeholder consultations as an important part of the pilot phase.

Taking into account the views conveyed, the Secretariat will make the necessary amendments to the document and present a revised draft decision to the Board for adoption in the coming days.

## **Selection Process and ToRs for the Heads of the Fund's Accountability Units**

Before lunch the Board briefly considered the selection process and terms of reference for the heads of the Fund's three accountability units: the Independent Evaluation Unit; the Independent Integrity Unit; and the Independent Redress Mechanism.

The chair of the Appointment Committee and other Board Members deliberated on several issues in the document, such as the location of the positions (whether there is a need for the officials to be based at the GCF headquarters), the nature of the positions (part time/full time), the decision to have a recruitment firm to assist the search for suitable candidates, as well as the respective salary ranges envisaged. The agenda item will be further considered following a revision by the Secretariat.

## Consideration of Accreditation Proposals

In the afternoon, the Board engaged in a prolonged discussion prior to the consideration of accreditation proposals. The session included presentations and statements from the Secretariat, the chair of the Accreditation Committee, as well as the Chair of the Accreditation Panel (AP). For this meeting, the AP has concluded the review of 13 accreditation proposals, representing a broad mix of institutions with diverse geographical focus areas.

The chair of the AP highlighted the need to conduct selective site visits in the future in order to assess the accreditation candidates, rather than conducting the review process solely on the basis of submitted application documents. He alluded to the limited time and resources available to the Panel and the need to increase the pace of work. Subsequently he stressed the need for a strategy on accreditation to be developed by the Board to allow better planning of the accreditation review process.

The Board welcomed the comprehensive reports, praising the work conducted by the AP so far. Several Board members stressed the need to put more focus on the accreditation of national and regional implementing entities and the need to ensure a right balance of entities. One Board member proposed a partnership between MDBs and national entities seeking accreditation to assist in the capacity building process, in order to facilitate the accreditation process. Furthermore, some members were of the view that gender experts were needed on the AP, to ensure that the gender dimension is assessed when reviewing accreditation proposals. Finally, several Board member highlighted that transparency in the accreditation process should be improved, to allow for broader input. The best practice example of the Adaptation Fund was pointed to, where the names of entities applying for accreditation are revealed after a successful review by the panel, but before a decision is taken by the Board.

The day concluded with an executive session by the Board to allow for a comprehensive consideration of the 13 accreditation candidates. No conclusion was reached in that session, which will resume the following day.

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