

Climate Finance Advisory Service



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Daily Briefing

11th Green Climate Fund Board Meeting (4 November 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 SCF.

Summary from 4 November 2015

On the third day of the meeting, Wednesday 4 November 2015, the Board of the Green Climate Fund (GCF) considered the first funding proposals in the history of the Fund. The Secretariat presented a summary of each of the eight proposals, followed by the Independent Technical Advisory Panel (ITAP) presenting its assessment. Before the Board began discussing them in detail, Board members discussed general matters related to the proposal approval process and the set of proposals before them. It was pointed out that the Fund still requires policies on a number of issues related to proposal approvals, including co-financing, incremental costs and fees. Some Board members also suggested that the ITAP be involved earlier on, so that entities could reflect its recommendations in their final proposals and that the Board be provided with regular updates on the proposal concepts under development. Board members also stressed the importance of accrediting more national entities and enhancing readiness support. Some Board members were concerned about the precedents project approvals could set, particularly on those projects that still needed to fulfil a number of conditions before funds could be disbursed. Others pointed out that this was only the first batch and that the Board could learn from experiences and send signals that policies and processes would be improved over time. There was agreement that the Co-Chairs would draft a decision reflecting a way forward to close the policy gaps and improve the approval process. The Board then discussed the proposals one by one.

Project FP001: Building Resilience of Wetlands, PROFONANPE, Peru

The proposal aims to strengthen the capacity of community-based institutions of indigenous peoples groups, provide external support for bio-businesses and includes a component on monitoring and evaluation. Through these activities, the project tries to establish alternative sources of income, contribute to emissions reductions and help with Peru's contribution to UNFCCC commitments.

Board members highlighted the innovative nature of the proposal and commended the fact that it followed a community-based approach. However, several concerns were raised, mainly on the consultation and prior consent of local communities and indigenous peoples. Questions were also asked regarding the relation to the overall climate strategy of Peru and the business models of the proposed bio-businesses.

Project FP002: Scaling Up the Use of Modernized Climate Information and Early Warning Systems, UNDP, Malawi.

The proposal aims to protect the lives and livelihoods of the rural and vulnerable populations in disaster prone, food insecure, and marginal communities in Malawi by building weather stations and providing early warning systems.

Board members praised the fact that this project would benefit some of the most vulnerable communities in one of the poorest countries. The capacity building and training components and their community-based and gender-sensitive participatory nature were also highlighted. Some board members asked whether such a project could not be implemented at a larger scale, potentially covering the whole region and also making use of satellites. One board member raised concerns about country ownership, asking if the relevant ministries and the parliament had been involved.

Project FP003: Restoration of Salinized Lands, CSE, Senegal

The proposal aims to address climate change-induced land salinization and resulting contamination of water tables in Senegal. The project intends to improve knowledge on salinized lands, develop adequate responses through the adoption and dissemination of appropriate technologies and improve the living conditions of the worst-hit local communities.

It was positively noted that this project would increase the adaptive capacity and reduce the vulnerability of poor people and that it had the potential to be scaled up. The strong consultation

process was also highlighted. However, some Board members found that the theory of change was not clearly spelled out and that the project could be more ambitious. It was also pointed out that a detailed procurement plan still needed to be submitted.

Project FP004: Climate Resilient Infrastructure, KfW, Bangladesh

The project aims to systemically integrate climate change adaptation into decision-making for infrastructure planning, supervision and maintenance of the Local Government Engineering Department, through the creation of a Center. It also aims to build 45 new multipurpose cyclone shelters, rehabilitate 20 existing shelters to a climate-proof standard, provide 80 km of critical road connectivity and provide climate resilient urban infrastructure.

Board members recognized Bangladesh as one of the most vulnerable countries in the region and building shelters as a necessary intervention for the most vulnerable. The institutional mainstreaming approach was also commended. Questions were raised as to how to ensure that this project could be scaled up and replicated beyond one government department. Several Board members also asked for more detailed costs breakdowns and justifications.

Project FP005: KawiSafi Ventures Fund, Acumen, Eastern Africa

Acumen is raising a new impact fund, the KawiSafi Ventures Fund, in order to invest in off-grid solar companies in East Africa, beginning in Kenya and Rwanda, with a possible expansion to Uganda. The proposal is for the GCF to provide a \$5 million grant for a capacity building component of a total volume of \$10 million and to provide \$20 million in equity investment to the impact fund which is meant to attract \$80 million from other investors for a total impact fund size of \$100 million.

Questions were raised as to whether Acumen had the necessary accreditation for this proposal, both regarding its size and the grant management function. The Secretariat responded that micro-scale accreditation is for individual projects or individual activities within a programme up to 10 million and that each individual investment of the fund would be below that amount. Acumen would be requested to get the grant award accreditation within 24 months.

Board members highlighted that the proposal was unique and innovative and could have a large impact by providing energy access to the bottom of the pyramid. It was pointed out that the suggested early venture capital investments have a high risk, but would also have a high reward.

Board members asked for more detailed information on the financial terms and how the GCF would interact with and monitor the activities of the venture fund. There were also questions around the long-term economic benefits of the fund's investments.

Project FP006: Energy Efficiency Green Bond, IDB, Latin America

The proposal aims to establish a new green bond in Latin America and the Caribbean. The first round of this proposal would take place in Mexico, with an expansion envisaged to Colombia, the Dominican Republic and Jamaica. This green bond is meant to provide an alternative financing mechanism for energy efficiency (EE) in those countries.

Many Board members perceived this proposal as unique and innovative, with large paradigm shift potential. Board members requested clarification on the several tranches proposed for this project. The Secretariat clarified that the current funding request is for \$22 million, but that it is suggested that the Board would also allocate an additional \$195 million for later tranches. Before funds from that allocation could be disbursed, new Board approval would be needed. One Board member pointed out that there was a similar project supported by the Clean Technology Fund and asked to ensure that the GCF would not be used to make up for shortfalls from the CTF. Questions were also asked on the definition of Green Bonds, underlining the need to use clear definitions and robust standards.

Project FP007: Protecting Vulnerable Communities to Manage Climate Change Induced Water Shortages, UNDP, Maldives

The proposal aims to increase the adaptive capacity of the Maldives to address water shortage, by delivering safe and secure freshwater to 105,000 people in the islands of Maldives. The project would combine rainwater harvesting, desalination and groundwater protection.

Board member stressed that this proposal would meet urgent needs in the Maldives and that it was aligned with national plans. The discussion focused on whether this project could be considered an adaptation project or whether it was a more traditional development project. While the ITAP presented a sceptical assessment on this point, many Board members advocated for a broader definition of adaptation. Some Board members also suggested that, while this project should be approved, the Board needed to have a more detailed discussion on the definition of adaptation. It was also suggested that the proponent needed to provide a stronger plan on how to manage environmental and social impacts.

Project FP008: Water Supply and Waste Water Management, ADB, Fiji

The proposal aims to increase sewer coverage, strengthen water supply and water management procedures. The core activity is the building of a new water treatment plant to serve areas which are prone to salt water intrusion and severe drought. The GCF is asked to provide a grant to climate-proof this project.

Board members stressed that this proposal responds to urgent needs in Fiji. However, there was a similar discussion as on FP007 as to whether this project constituted adaptation or was a traditional development/water project. It was suggested that the Board would also need to have a conversation on how to deal with water projects in the future. Some Board members underlined the need to ensure sustainability of the project, by increasing cost recovery and supporting institutional reforms. Another issue raised was the relationship with the MDBs involved in this project, which would provide loans. It was questioned why the GCF was asked to provide a loan in this context.

Way forward

The Board ended the meeting around midnight and decided to reconvene in the morning to continue the discussion on how to move forward with the funding proposals. On the fourth and final day of the meeting, Board members will not only have to conclude their deliberations on this item, but also address a number of additional important agenda items, including replenishment, accreditation of entities, an accreditation strategy, the monitoring and accountability framework and a number of administrative items.

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