

# Climate Finance Advisory Service



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## Daily Briefing

### 14<sup>th</sup> Green Climate Fund Board Meeting (14 October 2016)

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.

During the meetings, CFAS experts are available to provide advice to and answer specific questions for Board Members, Alternates and their advisers from developing countries. The CFAS team can be reached via [cfas@germanwatch.org](mailto:cfas@germanwatch.org).

Previous daily briefings and other CFAS analyses are available on the new CFAS website [www.cfas.info](http://www.cfas.info).

The CFAS Team

## Summary from 14 October 2016

On Friday, October 14<sup>th</sup>, the Board of the Green Climate Fund (GCF) concluded its 14<sup>th</sup> meeting in Songdo, Republic of Korea, addressing the remaining items on its agenda.

### **Matters relating to accreditation**

Under this agenda item, the Board considered four separate sub-items, including the Accreditation Master Agreements (AMAs), which were held in a closed session.

#### Accreditation review of applicant 026 (HSBC)

At its 12<sup>th</sup> meeting, the Board, considering the accreditation of HSBC Holdings, requested the Accreditation Panel (AP) to review, prior to the 14<sup>th</sup> and 16<sup>th</sup> meetings, the applicant's progress in implementing its Global Standards programme, including a review of material external information. The Board also requested the AP to report on whether the results of these reviews would alter its recommendation to accredit the applicant. Based on this decision, the Secretariat made a presentation to the Board on the review process and reported that no material change in the entity's compliance risk was noted since the beginning and that the entity was still working on it. The Secretariat will continue its work and conduct the next review, which will be reported to the Board at its 16<sup>th</sup> meeting.

## Consideration of accreditation proposals

An overview of the accreditation proposals was presented by the Secretariat, including the current pipeline containing 191 entities as of 30 September 2016. It was noted that the new applications continue to come for both direct access and international access entities. In terms of direct access entities, the Secretariat has received 52 applications. In order to address the gap for direct access entities to be accredited, the Secretariat is establishing a roster of Environmental and Social Safeguard and Gender technical capacity-building experts, who are expected to guide applicants in addressing both issues in their applications. An online self-assessment tool was also launched since last year, and direct access entities with intermediary capacities through Enhanced Direct Access (EDA), other Requests for Proposals (RfPs), are also being identified. Currently, 19 applicants are being reviewed, and the overall current balance of accredited entities includes direct access entities, private sector and international access entities. The Accreditation Panel provided additional updates on the process and emphasized their limited resources and capacity to deliver its mandate. The Panel recommended the Board to consider a temporary hold on starting new accreditation assessments, but to continue with the ongoing process due to limited resources and other challenges, such as language issues related to contexts, post-accreditation conditions evaluation, among others. The Board Members commented on the report and discussed related matters, including the decision by one of the entities to put on hold its application for the current review. It was suggested to elaborate guidelines to prevent last minute withdrawals and avoid such an incident in the future. After clarifications from the Secretariat on some concerns raised, such as highlighting that the Rules of Procedures do not prevent entities from withdrawing their application or from asking to be set aside, the Board agreed on all accreditation proposals as a package and welcomed the new entities to the Fund.

Namely, the Fund accredited the Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ), the South African National Biodiversity Institute (SANBI), the International Fund for Agricultural Development (IFAD), the Caribbean Development Bank (CDB), the West African Development Bank (BOAD), XacBank of Mongolia, the Food and Agriculture Organization (FAO), and the Netherlands Development Finance Company (FMO).

## Accreditation Strategy

Taking into account the discussions held at the informal Board meeting, a draft decision was presented by the Accreditation Committee (AC) and the Secretariat on the Accreditation Strategy. After a long discussion, the Board agreed to request the AC, in consultation with the Secretariat, the Accreditation Panel and NDAs to continue to elaborate on the draft strategy for further consideration at the 15<sup>th</sup> Board meeting. It further decided to request the Accreditation Panel and the Secretariat to establish a prioritization of entities applying for accreditation, prioritizing in 2016 and 2017: national direct access entities; entities in Asia-Pacific and Eastern Europe; private sector entities, in particular in developing countries; entities responding to Requests for Proposals issued by the GCF; entities seeking fulfilment of conditions for accreditation; and entities requesting upgrades. The adopted decision also seeks an improvement of the efficiency of the accreditation process. The Board will review the strategy in 2 years' time.

## **Report on the Execution of the Administrative Budget**

The Budget Committee reported on the execution of the administrative budget of the GCF for the period of 1 January to 31 August 2016. The total approved budget for the year 2016 amounted to USD 36.1 million. Similarly, the total expenditure on the Board, the Secretariat, and the Interim Trustee services amounted to USD 14.8 million. Currently, the budget of the Board and the Secretariat is underspent as a result of delays in some areas. Although, it is currently underspent, it is expected to bring the budget in line by the end of the year.

## **Staffing of the Secretariat**

The Secretariat made a presentation on the progress made regarding staffing of the Secretariat, which has been one of the biggest concerns for the Board. It was mentioned that since June 2016, 22 members had been recruited, raising the number of staff in the Secretariat to 66. The Secretariat aims to raise the number to 100 by the end of the year. It was also pointed out that while there was already a good balance in the international staff between developed and developing countries, gender balance was still an issue. Some Board members also highlighted the imbalance of staffing within the Secretariat divisions. For instance, Board Members raised concerns that while the Fund was maturing, the Mitigation and Adaptation Division, as well as the Private Sector Facility were facing staffing constraints. Last but not least, Board members also stressed the need to address the issue of retention of experienced and qualified staff within the Secretariat.

## **Review of the Interim Trustee**

At its twelfth meeting, the Board requested the Secretariat to commission an independent third party to implement the review of the Interim Trustee, in consultation with and under the oversight of the Risk Management Committee. The report revealed that overall, stakeholders were happy with its performance across all of its four key roles: (1) the management of investments and costs, (2) contribution management, (3) cash transfers, and (4) financial reporting to the Board and the Secretariat; as well as with its overall relationship with the Board and the Secretariat. However, it also noted that the GCF has the option of leveraging its internal capabilities and gradually assuming more responsibilities over time, if and when it chooses to do so. Two areas likely to benefit from more flexibility in the future are cash transfers and investment management. After a brief discussion, e.g. related to the issue of money transfers by the Interim Trustee and on fossil-free investments, the Board took note of the report of the review.

## **Consideration of funding proposals**

Throughout the meeting, the Board deliberated on the approval of the 10 funding proposals presented to the Board for consideration. The Co-Chairs presented a revised draft decision incorporating the inputs from Board members. It included issues related to the capacity of the Secretariat, the review of the initial proposal approval process, and matters around the Independent Technical Advisory Panel (ITAP). An extensive debate emerged on whether or not the Board should approve funding proposals as a package. Some Board Members expressed their willingness to adopt the decision and approve all funding proposals as a package, although having some concerns on some projects. The Board noted the urgency for the Secretariat to improve the quality of project

proposals presented, especially regarding the compliance with fundamental requirements, such as the existence of no-objection letters from National Designated Authorities from countries where the projects are implemented.

Ultimately, the Board decided to approve all 10 funding proposals, requesting USD 745 million in GCF funding, as a package: Two in Pakistan and Ecuador with the United Nations Development Programme (UNDP); one in the Eastern Caribbean with the Inter-American Development Bank (IDB); one in Senegal with the Agence Française de Développement (AFD); one in Morocco with the Agency for Agricultural Development (ADA); two in Namibia with the Environmental Investment Fund (EIF); one in Madagascar with Conservation International (CI)/European Investment Bank (EIB); one in Africa with the Deutsche Bank; and one in several countries from different regions with the European Bank for Reconstruction and Development (EBRD).

### **Country Programming and Support**

As usual, the Secretariat presented a report on the progress of the “Readiness and Preparatory Support Programme”. Overall, it has worked with 90 countries on readiness proposals, of which 57 have been approved so far. In 23 countries, readiness activities are already under implementation. Board members welcomed the report, appreciating the progress that has been made in providing readiness support. One Board member highlighted the need to address readiness in the broader context, ensuring links to the process of Intended Nationally Determined Contributions, on the appropriate level. On support for national adaptation planning, the Secretariat was encouraged to engage with other stakeholders that are already supporting National Adaptation Plans (NAPs), such as the NAP Global Network, UNEP/UNDP NAP Global Support Programme, or the Least Developed Countries Expert Group. Others stressed to continue to increase disbursement, as well as the need for NDAs to understand the importance of no-objection procedures.

Following the report, the Board briefly addressed the issue regarding the development of “Country Ownership Guidelines”. The Co-Chairs assigned the Board Member from Belize and the alternate Board Member from the UK to conduct intersessional consultations with other Board Members on this matter, with the view of adopting guidelines at the fifteenth Board meeting.

### **Matters related to guidance of the Conference of the Parties**

#### Support for facilitating access to environmentally sound technologies and for collaborative research and development

The Board Members adopted the decision that was presented by the Co-chairs, which resulted from the consultations following the informal session. At that, the Board requested the Secretariat to prepare a document for consideration by the Board at its seventeenth meeting identifying concrete options on how CGF can support collaborative research and development in developing countries.

#### Support for REDD+

The Board requested the Secretariat to develop for consideration by the Board at the sixteenth meeting, a Request for Proposals for REDD+ results-based payments, and further guidance to support efforts by NDAs and focal points to engage with GCF in early phases of REDD+. Furthermore, it request the Secretariat to implement, with the advice of the Co-chairs, a process for stakeholder and expert

input to support its work under the decision and provide a progress report to the Board at its fifteenth meeting.

### **Date and Venue of the Next Meeting of the Board**

The Board discussed the dates and venue of its next meeting. Accordingly, it was decided that its fifteenth meeting will be held in Apia, Samoa from 13-15 December 2016, preceded by an informal session on 12 December 2016.

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