



Daily Briefing

17th Green Climate Fund Board Meeting

6 July 2017

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 its Secretariat.

During the meetings, CFAS experts are available to provide advise 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.

Previous daily briefings and other CFAS analyses are available on the **CFAS website** www.cfas.info.

The CFAS Team

Summary from 6 July 2017

On Thursday, 6 July 2017, the Board of the Green Climate Fund (GCF) resumed its 17th meeting, addressing most of the items remaining on its agenda. At the outset, the Co-Chairs updated the Board about ongoing work on three agenda items from day one and welcomed new staff members of the GCF Secretariat.

Update on the development of policies related to anti-money laundering and countering the financing of terrorism

The head of the Independent Integrity Unit (IIU), Mr. Ibrahim Pram, gave an update on the IIU's work to develop relevant policies, including through submissions from stakeholders and consultations with relevant Board committees. It is expected that the policies will be finalized by the 18th Board meeting. Several Board members stressed the urgency for this document to be finalized. One Board member highlighted that in the absence of bilateral privileges and immunities agreed between countries and the GCF, the Fund could be

exposed to litigation. A number of the accredited entities of the GCF are well protected by privileges and immunities. But for entities that have not signed privileges and immunities with countries, namely direct access entities, the GCF could be made accountable for damages incurred. It was suggested that this issue should be included in the document. The Head of the IIU will further revise the document, taking into account comments from Board members, and present a revised version at the following Board meeting.

Country Ownership Guidelines

The co-facilitators tasked to lead the consultations on the agenda item presented the draft document on Country Ownership Guidelines. Board members agreed on adjustments to the language in the proposed guidelines in order to align it with their decision on the Proposal Approval Process taken on the previous day. They adopted the revised Country Ownership Guidelines, and called on the secretariat to work closely with relevant national entities and stakeholders at the country level in ensuring their successful implementation.

Analysis of barriers to crowding-in and maximizing the engagement of the private sector

The Secretariat introduced the document analysing barriers to crowding-in and maximizing the engagement of the private sector, which also reflects recommendations from Private Sector Advisory Group (PSAG) members. The document identified five major barriers: (i) policy and regulatory barriers; (ii) access to climate finance and local market barriers; (iii) affordability and technology barriers; (iv) knowledge and education barriers; and (v) region and country-related barriers.

Several Board members suggested a stronger emphasis on Public-Private Partnerships (PPP) in the document. Some Board members recommended that the Board should take a decision on a work plan for the Private Sector Facility (PSF). One Board member emphasized that "mobilizing funds at scale" does not necessarily mean "large projects". It was also suggested to organize structured dialogues for the private sector. Several Board members suggested analysing in more detail how the private sector could contribute to adaptation and which specific barriers existed for engaging the private sector in least-developed countries (LDCs), small island developing states (SIDS) and other vulnerable nations. After additional revisions to capture comments by Board members, the Board adopted the decision.

Matters related to accreditation

Extension of the deadline for the fulfilment of conditions related to the execution of Accreditation Master Agreements

The Co-Chair presented the draft decision extending the deadline for the fulfilment of the condition that an Accreditation Master Agreement (AMA) needs to be signed with the executing entities for funding proposals 038 (World Bank - Solomon Islands) and 044 (European Investment Bank - GEEREF NEXT). Some of the Board members pointed out they found it very difficult to approve this extension decision. However, they were also

mindful of the consequences for recipient countries that are planning on receiving funding through these entities. The Board approved the decision to extend the deadline by 120 days. The Secretariat was also requested to inform all National Designated Authorities (NDAs) about the risks involved in pursuing funding proposal with entities that have not yet signed AMAs.

Consideration of accreditation proposals

The Secretariat provided an overview of the status of the GCF's accreditation pipeline. A total of 137 applications for accreditation have been submitted to the GCF as of 31st May 2017 (including those of the 48 entities accredited so far). Following the guidance received from the Board on prioritizing certain types of entities, it was reported that 14 of the 16 entities that have completed Stage II of the accreditation process since the 14th Board meeting are direct access entities, four of them from the private sector. The Secretariat also conducted a dedicated workshop "Empowering Direct Access" from 23-25 May 2017 in Songdo. The Head of the Accreditation Panel added some remarks regarding the accreditation process. He highlighted that in general, assessments of accreditation proposals are currently taking longer than before because the majority of the first 48 accredited entities had been fast-tracked. A recurring issue he pointed out was that even in cases where relevant policies exist, the track record of entities was often limited.

At the beginning of their interventions, several Board members expressed their appreciation for the work of the Accreditation Panel and the Secretariat. Some Board members stressed that the GCF should work with entities to encourage them to shift their investment portfolios into a more sustainable direction. Some highlighted the importance to speed up the accreditation process and further explore how international entities can engage with potential direct access entities and support them. Without further discussion, the Board approved the accreditation of all six entities: CDG Capital S.A. (CDG Capital), Morocco; Infrastructure Development Company Limited (IDCOL), Bangladesh; Small Industries Development Bank of India (SIDBI), India; Micronesia Conservation Trust (MCT), Micronesia; Bank of Tokyo-Mitsubishi UFJ Limited (BTMU), Japan; and Japan International Cooperation Agency (JICA), Japan.

Accreditation policy matters

The Chair of the Accreditation Committee presented an update from the committee on its work to further develop the accreditation framework, in particular matters related to the types of entities to be accredited to the GCF. In particular, the committee had discussed whether certain types of entities should be excluded from accreditation and how to better define "direct access". The committee has not yet reached a consensus on these matters and will continue its deliberations. The Board took note of the report.

Readiness and Preparatory Support Programme

Update on the readiness and preparatory support programme

The Secretariat presented the progress report on the implementation of the readiness and preparatory support programme. 115 requests worth USD 37.5 million had been approved to date. As of May 2017, the GCF had engaged with 105 countries that have submitted 165 readiness requests. The secretariat also reported that two Structured Dialogues as well as two workshops were held during the reporting period. The Board welcomed the report and commended the efforts in implementing the programme. Some members highlighted the importance of an assessment of the impacts of the programme. Many criticized delays in the disbursements of readiness funds. Several Board members also called for stronger contributions from readiness activities to promote direct access. The Board took note of the report.

Work programme on readiness and preparatory support

An overview of the budget committed to readiness support programme activities was presented by the secretariat, which highlighted the projection to disburse an additional USD 3.8 million by end of 2017. For the remainder of 2017, the programme will focus on accelerating implementation, approving new proposals, building capacity and systems for monitoring portfolios, automating workflows, and strengthening knowledge sharing in all regions. The proposed work programme for 2018 would focus on maintaining a higher pace of approvals and disbursements, ensuring close monitoring and sharing of best practices, implementing recommendations from independent evaluation, fully migrating to automated systems, and pursuing knowledge sharing and learning. The Board took note of the report from the secretariat and approved the work programme for 2018.

Matters related to REDD+ results based payments

The Board members that had led consultations related to REDD+ results-based payments (RBP) presented an update. They suggested requiring the Secretariat to undertake an analysis on how pricing related to results-based payments could be implemented and issues about eligibility could be addressed. The Board welcomed this suggested way forward and decided to resume its discussion on REDD+ RBP at the following meeting based on further analysis from the Secretariat.

Risk Management Framework

The Chair of the Risk Management Committee presented the revised decision that reflects inputs from Board members, including a quarterly update of the risk dashboard, an alignment between risk register and dashboard and an agreement to only monitor the country concentration risk.

Some Board members expressed concerns on the issue of concentration risks. Other members were comfortable with monitoring concentration risks, as they would not see it as an allocation risk, but simply a means to show the Fund's level of exposure. Questions were also raised on the methodology used to measure and mitigate risks and it was

suggested that the committee undertake additional work on this issue, in line with the Fund's objectives. Another member pointed out that the proposed risk management lacked project liability insurance and strong risks mitigation measures at national level. A further risk that was highlighted was that some entities, particularly direct access entities, do not enjoy privileges and immunities. The Board members adopted a revised decision that removes the monitoring of exposure at the single country level and calls for a revised dashboard to be presented at the 18th Board meeting.

Selection of the Permanent Trustee

Members of the interim committee mandated to facilitate reflections around the selection of a Permanent Trustee for the GCF reported on their discussions to address several issues including rating of applicants, consideration of their experience, services to be provided by the Trustee, management arrangements, legal issues including legal protection of GCF resources, duration of the process. The committee had not been able to find a consensus on the process for the selection of the Permanent Trustee. The Board took note of the report, requested the committee to pursue its work and decided to resume its discussions on the matter at the following meeting.

Other matters discussed at the meeting

Some Board members suggested postponing the decision on a policy on ethics and conflicts of interest for active observers, due to the need for legal advice. The Co-Chairs suggested as a way forward to consult among themselves on the issue and to report back to the Board at the following meeting. They called upon other members and observers to provide their views in order to inform their consultations.

On the issue of facilitating an increase in proposals from direct access entities, the two facilitators appointed by the Co-Chairs on the first day of the formal meeting led consultations and presented a draft decision to the Board. However, due to lack of time, Board members were not able to consider the proposal and come to consensus. Hence, the issue will be taken up in the following meeting.

On the investment policy, several Board members supported the proposal to include this issue as a stand-alone item on the agenda of the following meeting and to request the Secretariat to provide options for an investment policy in collaboration with the Trustee and other GCF stakeholders. However, no decision was taken as there was no consensus among Board members.

On the budget of the Independent Evaluation Unit (IEU), some Board members were not ready to approve the proposed budget. A decision was then taken that a loan will be provided from the GCF Secretariat to the IEU, which will be repaid once the Board approves the actual IEU budget. The amount of the loan will be determined in consultation with the Co-Chairs and Board members.

Board members considered dates and venue of the upcoming GCF meeting. The 18th meeting will be held in Egypt from 30 September to 2 October 2017.

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