

Climate Finance Advisory Service

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Daily Briefing

8th GCF Board Meeting

17 October 2014

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 17 October 2014

On the fourth and final day of the Board meeting, Board members worked until 3:45 a.m. the next morning in order to agree on a number of important decisions that will allow the Fund to receive funds in the context of the pledging session scheduled for 19-20 November and to begin accrediting entities that will implement projects and programmes from next year on. As time was running short, other agenda items were postponed and will have to be taken up at the next meeting.

Legal and formal arrangement with implementing entities and intermediaries

While the decisions on accreditation (see below) specify under which conditions entities can become accredited as implementing entities or intermediaries, this agenda item addressed the formal agreements the GCF would then need to sign with the entities. There were requests for legal clarification and the issue will be decided at a later stage, potentially between meetings.

Decision making in the absence of consensus

In the context of the Initial Resource Mobilization (IRM) process, interested contributors had recommended that the Board develops a procedure for decision making if all efforts at reaching consensus have been exhausted. It was suggested that this procedure should ensure balance between developed and developing countries, ensure every Board member participates, include a link to contributions, and foresee qualified majorities depending on the type of decision. Developing country Board members voiced strong opposition against a link to contributions. Several also expressed that this item should not be considered as a “policy for contributions” in the IRM context, but would be a matter for the Board to decide.

Following the discussions, the Board requested the secretariat to develop options for decision-making in the absence of consensus, for consideration at the next Board meeting. Instead of referencing the

above principles suggested by contributors, the decision references a confidential Non-Paper by the Co-Chairs.

Trustee Arrangements

The Board had to make a decision on the term of the current interim trustee. It was decided to invite the World Bank to continue serving as the interim trustee until a permanent trustee is designated. The process to select a permanent trustee shall be concluded by the end of 2017, for the permanent trustee arrangements to become effective in April 2018; the Secretariat was requested to develop, by the eleventh Board meeting (fall 2015) a proposed process for selecting a trustee and a list of potential trustees, also considering the option that the Fund could become its own trustee.

Guiding Framework for Accreditation

Five sub-items were discussed under the Guiding Framework for Accreditation:

(a) Fit-for-purpose approach. The Board decided the modalities of the fit for purpose accreditation approach. Entities will be categorized according to the size of their entire portfolio (micro: up to 10; small: 10-50; medium: 50-250; large: over 250 million USD) and according to risk categories. No agreement was reached on provisions for bilateral agencies from developed countries and the adopted decision contains no language on that issue.

(b) Assessment of institutions accredited by other relevant funds (fast-tracking). The Board decided to make institutions accredited by other relevant funds eligible to apply under the fast-track accreditation process. At this time, those entities accredited by the GEF in full compliance with the GEF's standards, along with the Entities accredited by the Adaptation Fund and EU DEVCO, are eligible for fast-tracking. They will have to show that they comply with those GCF standards not assessed by the other relevant fund, including, as applicable, the IFC Performance Standards 1-8.

(c) Policy on fees for accreditation. The policy on accreditation fees was adopted, including a fee waiver for implementing entities from least developed countries (LDCs), small-island developing states (SIDS) and African states and for implementing entities in the micro category (total investment value up to USD 10 million) from all developing countries.

(d) Identification of relevant international private sector best-practice fiduciary principles and environmental and social safeguards. The Board also made a decision on the accreditation of private sector entities, reaffirming that entities will have to comply with the same GCF principles on fiduciary standards and environmental and social safeguards, regardless of their public or private sector status. Institutions with a track record of engaging with the private sector were invited to apply for accreditation. The secretariat will provide recommendations on their potential for accreditation or fast-tracking for a decision by the Board at the first meeting of 2015.

(e) Application documents for submissions of applications for accreditation. The decision on the content of the application documents was adopted, specifying that applications were possible in all official UN languages and providing a timeline for the accreditation process.

Modalities for enhancing direct access

The Board decided to request "the Secretariat, under the guidance of the Accreditation Committee and in consultation with relevant stakeholders, to prepare terms of reference for modalities for the operationalization of a pilot phase that further enhances direct access, which will include relevant readiness support if requested by subnational, national and regional entities, for approval by the Board at its ninth meeting". These terms of reference should specify, among others, the objective of the pilot phase, the type of entities to be involved, the specialized fiduciary standards required, the type of activities to be undertaken, the time frame and the financial volume of the pilot phase.

Revised programme of work on readiness and preparatory support

A revised decision on the Fund's work programme on readiness and preparatory support was adopted. The decision strengthens the role of the national designated authority (NDA), putting it in the driver's seat of the programme. Besides, it further clarifies the modalities and activities of the programme, emphasizing the importance of building on existing programmes and strategies, such as Nationally Appropriate Mitigation Actions (NAMAs) and National Adaptation Programmes of Action (NAPAs). It also calls for increased collaboration and coordination with other national, regional and international institutions involved in the delivery of readiness support, with the aim of establishing partnerships with the Fund.

Use of other financial instruments

The Board decided that accredited implementing entities and intermediaries may deploy GCF resources in approved projects and programmes by using financial instruments, focusing on grants, concessional loans, equity, and guarantees. Entities will be requested to list the financial instruments that they have the capacity and expertise to deploy in their accreditation application. The Risk Management Committee was tasked to assess and monitor the related risks.

Country Ownership

The Board reached agreement on a non-objection procedure. For every GCF-supported project or programme in a given country, the NDA will have to provide a written non-objection letter. If no response is received within 30 days, the project or programme will be suspended. Best practices for the selection and composition of NDAs and for multi-stakeholder engagement were also adopted.

Appointment of the Accreditation Panel

Five experts were confirmed to form the Accreditation Panel (AP). In the recruitment of the sixth member, representation from developing countries and fiduciary expertise will be taken into account. Several Board members had concerns on the geographical and gender balance, as well as the

adequate language proficiency of the appointed AP experts. It was decided to strengthen these elements in future recruitments.

Policies for contribution

This item was intensely debated. The main outstanding issue was the suggestion to allow contributors to target some of their contribution to the Fund's adaptation or mitigation window or the Private Sector Facility. In the end, that recommendation, along with those on decision making- and trusteeship were removed from the suggested decision and the policies were adopted.

Additional decisions, new Co-Chairs, next meeting

Aside from the above agenda items, the Board also adopted the following decisions, which are important to ensure the continued operations of the Fund: the administrative budget for 2015, a human resources policy, a procurement policy, legal instruments for contributions and the report to the Conference of the Parties (COP) of the United Nations Framework Convention on Climate Change (UNFCCC).

The Board designated Mr. Gabriel Quijandría from Peru and Mr. Henrik Harboe from Norway as its new Co-Chairs for the coming year. In addition to the issues left open from the agenda items above, decisions on the Private Sector Facility, as well as the Fund's gender policy were also postponed to the 9th Board meeting, which will be held from 25-27 February, 2015 at the GCF head office in Songdo, South Korea.

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