

# Climate Finance Advisory Service

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## Daily Briefing

### 11th Green Climate Fund Board Meeting (5 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 GCF Board or Secretariat.

#### Summary from 5 November 2015

On the final day of the 11th GCF Board meeting, the Board had a large number of issues to consider as the meeting lagged far behind its agenda. The Board went through an intensive discussion, often in several rounds, on numerous items before arriving at important decisions. The meeting ran late into the morning of 6 November. As a new service, all decisions were made available on the Fund's website as soon as they were adopted.

#### **Initial Monitoring and Accountability Framework for Accredited Entities**

The secretariat presented the paper on the initial monitoring and accountability frameworks for accredited entities. The paper also included a suggested policy on fees. During the discussion divergent views were expressed among Board members on the fee structure. Concerns were also raised as to whether the framework would be too burdensome, particularly for smaller national entities. It was also pointed out that participatory monitoring and stakeholder involvement needed to be strengthened. The Accreditation Committee was asked to prepare a revised decision, which was adopted. The decision establishes a Monitoring and Accountability Framework, combining regular reports and self-assessments, reviews and ad-hoc checks. These elements will also inform re-accreditation after five years, which could involve a downgrade or upgrade. In addition, the re-accreditation decision will consider the extent to which an entity's overall portfolio of activities beyond those funded by the GCF has evolved in the direction of a paradigm shift towards low-emission and climate-resilient development pathways.

Furthermore, the decision requests the Secretariat to develop tools and procedures to operationalize the framework, including templates that take into account the nature of the entities and their capacities. The Board adopted the interim policy on fees for accredited entities. Fees will range between 7 and 10 per cent for public-sector projects/programmes and be determined on a case-by-case base for private-sector projects/programmes. The Secretariat was also requested to conduct an analysis of the fee structure of comparable funds to establish the appropriateness of the fee structure to direct access entities.

## **Strategic Plan for the Green Climate Fund**

A small group of Board members had been asked to prepare a draft decision on terms of reference for the preparation of a strategic plan, which was adopted. The plan will be developed by the Secretariat under the guidance and supervision of an ad-hoc working group of six Board members. An informal Board meeting will be held in early 2016 to discuss the strategic plan, which will then be presented to the 12th Board meeting for consideration and possible approval. The strategic plan will further operationalize the Governing Instrument and guide the GCF toward achieving its overall paradigm-shift objective. Issues to be addressed include country ownership, enhancing direct access, gender-sensitivity and enhancing transparency. The Board invited its members and observer organizations to make submissions to the Secretariat on the elements of the strategic plan by 1 December 2015.

## **Consideration of Funding Proposals**

The Co-chairs presented a revised draft decision reflecting a way forward to close the policy gaps and improve the approval process. The draft decision also contained the approval of all eight funding proposals with conditions and recommendations, some of which were strengthened to reflect concerns voiced in the earlier discussion. After a first round of discussion in the Board, remaining open concerns of some Board members were identified and a small group of Board members was tasked to make further revisions. The decision as revised by the small group was adopted.

The decision acknowledges existing policy gaps, for example regarding project eligibility criteria, calculation of incremental costs, and risk investment criteria. The decision identifies a number of areas where funding proposals need to improve, including innovation, monitoring, replication, gender aspects, country ownership and effective stakeholder engagement. It stresses that the pipeline needs to be scaled up and sets an aspirational target for the Board to approve proposals worth USD 2.5 billion in 2016. A number of concrete changes were also agreed: In the future, Board members will receive regular updates on the proposal pipeline, ITAP assessments will be made public and the proposal template will be simplified. On country ownership, entities will be asked to provide a paragraph indicating how the project fits in with the country's national priorities. The GCF will establish a project preparation facility providing funding up to 10% of requested GCF funding with a maximum of USD 1.5 million for any single proposal, targeted to small-scale activities and Direct Access entities. Furthermore, the Board will include outstanding issues regarding the approval process in its 2016 workplan and review the proposal approval process based on lessons learned from the first round, policy gaps and the discussions at this meeting. This review will be linked to the development of the strategic plan. There will be a progress report at the 12th Board meeting and a decision at the 13th meeting.

With certain conditions and recommendations, the Board approved the eight-project proposals from Peru, Malawi, Senegal, Bangladesh, East Africa, Latin America, Maldives and Fiji.

## **Readiness Programme Implementation**

Based on the progress report presented by the Secretariat and discussions held on the first day of the meeting, the Co-chairs presented a revised decision. The adopted decision stresses that readiness and preparatory support are a priority to enhance country ownership, ensure a strong project pipeline and institutional capacity building to enable direct access. It underlines that the execution of the readiness programme should consider the national circumstances of countries. It also confirms that readiness funding may be used to support national adaptation planning processes. The Board decided to make an additional USD 14 million available for the execution of the readiness and preparatory support programme. The Secretariat, in consultation with national designated authorities, focal points and readiness delivery partners, was requested to present a proposal to improve and simplify the process to access readiness funds at the next meeting. The interim readiness funding allocation system will also be reviewed at the next meeting.

## **Status of Initial Resource Mobilization**

As agreed on the first day of the meeting, the co-chairs presented the revised draft decision for approval. The Board made some additional revisions, urging the contributing countries to confirm their pledges to the Fund in the form of contribution agreements/arrangements as soon as possible. Similarly, the Board requested the Secretariat to prepare a document for understanding and defining alternate sources of financial inputs to the GCF that would be additional to current contributions for consideration at the 15th Board meeting, as well as a paper on contributions from philanthropic foundations and other non-public and alternative sources for consideration at the 14th meeting.

## **Administrative, Financial and Other Matters**

The Board decided on the salary levels for the Heads of Accountability Units, which are to be recruited soon. The chair of the Ethics and Audit Committee presented the internal audit report of the Fund for the year 2014 and the 2014/15 Annual Report. The Board approved the financial statements. The Board decided to undertake and conclude a review of the performance of the Executive Director by the next Board meeting, guided by a four member Executive Director Performance Review Committee of the Board. The Board decided to extend the period of application of the corporate procurement guidelines until the end of its 12th meeting, where they will be reviewed.

The Board approved an administrative budget of USD 29,157,227 for 2016 to 2018. The Board also decided to establish a Budget Committee as a standing committee. The Board did not reach consensus on staffing and structure of the Secretariat and deferred a decision to its next meeting, where it can be informed by the new strategic plan. The Board decided to continue to apply the current guidelines on human resources and consider revised updated guidelines at its 12th meeting. The Board also appointed the developed country members of various committees (Investment Committee, Risk Management Committee, Ethics and Audit Committee, Private Sector Advisory

Group, Accreditation Committee) while the developing country members will be appointed once all developing country Board members have been selected for the new term.

### **Election of the Co-Chairs and Date and Venue of the Next Meeting**

The Board elected Mr. Zaheer Fakir (South Africa) and Mr. Ewen McDonald (Australia) as new Co-Chairs for the period of one year. The Board decided to hold its 12th meeting in the week of 7 March 2016, in Songdo, Republic of Korea at the Fund's headquarter. In addition, an informal Board meeting focused on the strategic plan will be held in January in Cape Town, South Africa.

### **Recommendations from the Private Sector Advisory Group (PSAG)**

As agreed on Wednesday evening, the PSAG presented a revised draft for setting up a pilot programme for micro-, small-, and medium-sized enterprises (MSMEs) and a pilot programme for mobilizing resources at scale. Each programme will issue a request for proposals (RFP) to attract project ideas. The Secretariat will prepare draft RFPs for the first meeting in 2016 and the RFPs should be launched next year. It was proposed to allocate up to \$200 million for the MSME pilot and up to \$500 million for an up-scaled approach. Some Board Members raised concerns regarding the impact on overall allocation possibilities of the Fund. The Secretariat clarified that the \$ 700 million would be allocated in several tranches over the initial resource mobilization period, most likely until 2018. Other Members stressed that country-ownership has to be guaranteed and highlighted that a revision of the allocated resources should be possible in future. Some Board Members requested an adequate reflection of gender aspects. Finally a revised draft taking into account many of the concerns raised, was adopted, so that both pilot programmes can begin next year.

### **Open agenda items**

Several agenda items have not been addressed at this meeting and will be taken up at the next Board meeting, including arrangements for replenishment, strategy on accreditation, consideration of accreditation proposals and information disclosure policy. The Board heard a strong plea from some members to consider the issue of simplified approval processes for small-scale activities at the next meeting. Despite being a priority for small-island developing states and least developed countries, this issue has been repeatedly postponed. There was agreement that Board members would submit their views on the issue to the Secretariat by the end of the year, to enable an update of the paper and a fruitful discussion and decision.

**Contact:** [www.cfas.io](http://www.cfas.io) and [cfas@germanwatch.org](mailto:cfas@germanwatch.org)



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