

Climate Finance Advisory Service

www.cfas.io

Daily Briefing

12th Green Climate Fund Board Meeting

(7 March 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 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.

The CFAS Team

Summary from 7 March 2016

The 12th meeting of Green Climate Fund Board will be held in Songdo, Republic of Korea, from 8 to 10 March 2016. Before the official meeting, the Board held a full-day informal meeting on Monday, 7 March. The objective of the informal meeting was to allow Board Members, Alternate Board Members and active observers to exchange views on some of the key issues that are scheduled for decision at the 12th Board Meeting.

Strategic Plan

The first agenda item in the informal session was the Strategic Plan for the GCF. A draft plan has been prepared by a group of six Board Members or Alternates following the last Board Meeting in Livingstone, Zambia. The plan was also the main topic of discussion at the informal Board dialogue held in Cape Town, South Africa, in early February. The objective of the strategic plan is to communicate clearly the vision the Board has for the Fund and, based on that, identify operational priorities and an action plan that can guide the Fund over several years.

In their reactions to the draft strategic plan, most Board Members agreed with the proposal from the small group as a basis for the work, but highlighted points that should be added or strengthened. These included gender (going beyond a gender-sensitive approach to one that is gender-responsive), transparency, governance, learning and knowledge sharing. It was also suggested that the GCF could have a more structured dialogue with other climate funds in order to share experiences and rationalize the entire climate finance landscape. Several Board Members stressed that the urgency expressed in the Paris Agreement and the need to support countries in the implementation of their national contributions under that agreement should be reflected more strongly. A number of Members also wanted to strengthen the role of the private sector, including reflections on how to influence the overall operations of private entities the Fund works with. Others said that the strategy needed to be

informed more by the needs of developing countries and reflect that much more finance will be needed. Many Board Members said that the plan should be adopted at this twelfth meeting, while some felt it would be too early to make a decision on this.

Policy Gaps - Risks and Accreditation Master Agreements

The next item on the agenda was a discussion on policy gaps, particularly on risks and the legal agreements the fund needs to conclude with accredited entities (Accreditation Master Agreements, AMAs). On risks, the secretariat presented the paper it has prepared for adoption at the twelfth Board Meeting, including a risk register and interim investment guidelines with caps for certain types of investments in order to reduce concentration risk. Most Board members raised concerns on the proposed caps. Caps would be rigid and could prevent the Fund from being flexible enough to invest where it is most impactful. As an alternative approach it was suggested that risks of each investment could be rated and targets for high, medium and low risk investments could be agreed. On the risk register, some Board Members suggested additions. There were also some questions as to whether the proposed mitigation strategies would always be appropriate. For example, environmental and social risks should be seen as more than just reputational risks and therefore need to be addressed by more than communications strategies.

The reason why AMAs were on the agenda is that their negotiation can be contentious and take a lot of time, holding up the implementation of approved activities. Since some aspects of the agreements are confidential, the Board discussed this issue in executive (closed) session.

Pipeline and Project Preparation Facility

In the afternoon, the Board considered the status of the pipeline of funding proposals. In its introductory presentation, the Secretariat explained that the pipeline consisted of 34 funding proposals and 90 concept notes with a total GCF funding of USD 6.2 billion. The Secretariat believes that 22 of those proposals, with a total requested GCF funding of USD 1.5 billion, have a greater than 50 percent chance of being ready for Board approval in 2016. The Secretariat has identified that there are several common gaps that explain why there are few proposals from national and regional entities in the pipeline, including the absence of quality feasibility studies, environmental and social impact assessment, economic analyses, stakeholder consultations, and other preparatory work. Board Members raised concerns on the very low number of direct access (national or regional) entities in the pipeline. Among the 22 projects there are two direct access private sector proposals and not a single one in the public sector. They said that this would need to be addressed by stronger readiness support and in the accreditation strategy. Board Members also pointed out that the pipeline with a likely chance of getting to the Board in 2016 contained private sector proposals worth over one billion and public sector proposals worth around 440 million. This might suggest that the Fund is doing well in its engagement with the private sector and additional emphasis, e.g. in the strategic plan, might not be needed. Since 66 percent of the 22 projects are classified as "cross-cutting" rather than mitigation or adaptation, Board Members also said that at one point this classification would need to be worked out in order to be able to ascertain that the targets for balanced allocation are being reached.

One way to improve the balance in the pipeline is the Project Preparation Facility (PPF) that was established at the 11th Board Meeting. Many questions on its design and operations are still open. It was pointed out that the fourth area of the readiness programme also supports pipeline development and the relationship between this readiness area and the PPF would need to be clarified or the two could be merged. A Board Member also suggested that PPF should provide advice to the Accredited Entities on how and where to get the funding aside from the GCF. Several Board Members said that the PPF should serve accredited entities with direct access only.

Website

The Board then discussed an update on the Fund's website. Board Members welcomed efforts to make the website more accessible to users. Some Board Members stressed that the website should serve not only negotiators and experts, but also country-level stakeholders, such as governments, accredited entities, national designated authorities and civil society. Some members welcomed the idea of providing information on projects, in order to contextualize the funding decisions.

Staffing of the Secretariat

The Secretariat presented two proposals to the Board to increase the number of staff, especially for those areas that are urgently needing human resources, including country programming and portfolio development/management, in order to achieve the target of approving USD 2.5 billion worth of projects. The two options would be to either bring the total staff to 140 or 180 positions. There was general consensus among Board members that increase in staffing was needed. Board Members also called for a strategy for staff retention and for diversity and balance in recruitment. Some Board members highlighted the need to clarify the exact role of the Secretariat, in order to avoid duplication with work that should be undertaken, for instance, by accredited entities or national designated authorities. The Co-chairs proposed to address the agenda item 'Establishment of a Budget Committee' early during the formal Board Meeting, in order to have the committee study the options during the Board Meeting and prepare a draft decision for the Board for approval.

Contact: www.cfas.io and cfas@germanwatch.org



The Climate Finance Advisory Service (CFAS) is an initiative which is delivered by a consortium of experts led by Germanwatch e.V. and funded by the Climate and Development Knowledge Network (CDKN).

CDKN is funded by the UK Department for International Development (DFID) and the Netherlands Directorate-General for International Cooperation (DGIS) for the benefit of developing countries. However, the views expressed and information contained in it are not necessarily

those of or endorsed by DFID, DGIS or the entities managing the delivery of CDKN which can accept no responsibility or liability for such views, completeness or accuracy of the information or for any reliance placed on them.

*The Climate and Development Knowledge Network ("CDKN") is led and administered by PricewaterhouseCoopers LLP. Management of the delivery of CDKN is undertaken by [PricewaterhouseCoopers LLP](#), and an alliance of organisations including [Fundación Futuro Latinoamericano](#), [INTRAC](#), [LEAD International](#), the [Overseas Development Institute](#), and [SouthSouthNorth](#)".