

Climate Finance Advisory Service



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Daily Briefing

12th Green Climate Fund Board Meeting

(9 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 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.

The CFAS Team

Summary from 9 March 2016

On Wednesday, 9 March 2016, the Board of the Green Climate Fund (GCF) reconvened for the second day of its 12th meeting. The Board took up various agenda items, including the accreditation of implementing entities and intermediaries.

Risk Management Framework

Yingming Yang, Board Member from China, was nominated as a member to the Risk Management Committee. With this, the six-member committee is almost complete; one more member needs to be nominated by the developing country constituency. The secretariat made a presentation on the suggested additions to the risk management framework, including the initial risk appetite of the fund. The Board decided that the Risk Management Committee should do further work on this matter and present a draft decision to the Board for consideration and adoption the following day.

Interim Trustee Review and Other Trustee Matters

At its 8th meeting, the Board had decided on the process for appointing a permanent Trustee, to be concluded by the end of 2017. This agenda item dealt with both the selection of the permanent Trustee and the terms of reference for the review of the interim Trustee as specified in the Governing Instrument of the GCF. The Secretariat made an introductory presentation. Many Board Members agreed that the review of the interim Trustee would need to be undertaken by an external reviewer.

The review will be undertaken based on terms of reference to be adopted at this meeting. It was suggested to conclude the review by the 14th meeting of the Board. Based on this, the secretariat could develop and present a document to the Board for approval at its 15th meeting outlining the specific process as well as a detailed terms of reference for selecting the Permanent Trustee, through an open, transparent and competitive bidding process. The co-chairs will present a revised document for approval the following day, based on the suggestion of the Board Members and written comments received until the end of the day.

Comprehensive Information Disclosure Policy

The Ethics and Audit Committee presented a proposed comprehensive policy on information disclosure to the Board. While the committee was able to reach consensus on almost all aspects, they were still divided on the issue of webcasting Board meetings. In the discussion that followed, many Board Members supported webcasting, pointing out inter alia that it would be beneficial for additional audiences, including national designated authorities and implementing entities, to be able to follow the Board's proceedings. Some Board Members, particularly those with smaller delegations, also suggested that this would allow them to access additional remote support and advice from home. However, one Board Member opposed the idea, pointing to the need to protect confidentiality and open discussions in the Board. The Co-chairs suggested that they would consider the comments made by Board Members, consult further and propose a decision for adoption the following day.

Consideration of Accreditation Proposals

The Accreditation Panel (AP) and Secretariat gave a presentation introducing the 13 entities recommended by the AP to be accredited as implementing entities or intermediaries of the Fund at this meeting. Of these, nine had already been on the agenda at the last Board meeting in Zambia, but not been considered due to time constraints. In addition, another four entities were put to the Board for accreditation at this meeting. Board Members made general remarks and raised specific questions on the applicants. It was suggested that general points and matters that are part of the public record could be discussed in an open session, while the Board could go into executive session if necessary to discuss confidential matters. In the end, no executive session was held.

Several Board Members expressed their concern at the limited number of direct access entities in the package (four national and one regional out of thirteen) and regional imbalance; they called for stronger readiness support and a focus on improving the balance in the forthcoming accreditation strategy. Some Members were also concerned about the fact that the Panel recommended that one of the direct access entities (MOFEC, Ethiopia), which had applied for accreditation for projects up to above \$250 million, was only being recommended for accreditation for projects above \$50 million. Several Board Members referenced the criticism civil society groups had raised regarding the accreditation of the two commercial banks, Credit Agricole and HSBC. The AP Chair answered Board Members' questions and provided more background.

Some Board Members expressed the view that by engaging with large financial institutions, the GCF could reinforce a shift in their portfolio towards compatibility with the Fund's objective. While they therefore supported accreditation, they stressed the need for the Fund to consider the development of an entities' total portfolio over time and called on the AP and Secretariat to assess this aspect. Regarding HSBC in particular, there were concerns regarding compliance with anti-money laundering standards. Some Members called for the inclusion of an additional condition to monitor this aspect as new information becomes available over the next year, while others cautioned not to apply stricter standards that would have to apply to all other entities accredited in the past and in the future. Finally, the Board amended the proposed draft decision by adding language on the need to begin assessing entities' entire portfolios, adding conditions on HSBC and clarifying that they would only apply in this case. The Board adopted this decision, accrediting the 13 following entities: Agency for Agricultural Development of Morocco (ADA), Ministry of Finance and Economic Cooperation of Ethiopia (MOFEC), National Environment Management Authority of Kenya (NEMA), Development Bank of Southern Africa (DBSA), Crédit Agricole Corporate and Investment Bank, HSBC, African Development Bank (AfDB), European Investment Bank (EIB), International Finance Corporation (IFC), Unidad Para el Cambio Rural Argentina (Unit for Rural Change, UCAR), International Union for Conservation of Nature (IUCN), World Food Programme (WFP) and World Meteorological Organization (WMO).

Funding proposals and Matters related to the Proposal Approval Process

The Board considered three sub items under this agenda item:

Update on the status of the Fund's pipeline: The Secretariat made an informative presentation on the status of funding proposals and concept notes. The Board considered the status of the project pipeline, based on the presentation and building on the discussions during the informal session on Monday. Board Members reiterated their concern that the direct access entities were lagging behind compared to international entities in the project development process. The Board took note of the document, which served an informational purpose only.

Progress Report on the review of the proposal approval process: The Board considered the progress report on the review of the initial proposal approval process, presented by the secretariat. After a brief round of comments, the Board decided to request the Secretariat to review the initial proposal approval process and present the outcome and recommendations for consideration and decision to the Board at its 15th meeting. The co-chairs will oversee the review of the proposal approval process. The Board also decided to invite submissions from Board and Alternate Members, observers, accredited entities, national designated authorities and focal points and delivery partners to be received no later than 10 April 2016.

Project Preparation Facility (PPF): The Board had established a Project Preparation Facility targeting small-scale activities and direct access entities at its 11th meeting in Livingstone, Zambia. The GCF received a first request for funding for project preparation under the PPF from the Ministry of Natural

Resources (MINIRENA) of Rwanda. Many Board Members welcomed the proposal, praising its innovative and holistic approach. Some Board Members sought clarity on how the proposal had been assessed by the Secretariat as many details of the proposed PPF were yet to be fleshed out and was not yet fully operational. Therefore, some Board Members suggested that before deciding on the approval of a proposal, the details of the PPF has to be defined in order not to set a wrong precedent. Other Board Members, however, argued that the proponent should not be punished for a lack of diligence by the Board and suggested to approve the proposal. The Board finally approved the proposal. A small group of Board Members was set-up to further flesh out the details of the PPF, with a view to presenting a draft decision for the Board’s consideration the following day. If the small group cannot find a solution, the Secretariat would be requested to prepare a document for consideration by the Board at the 13th meeting.

Strategic Plan for the Green Climate Fund

A draft decision on the strategic plan was circulated among the Board Members at the end of the meeting. It will be considered for decision the following day.

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