

Climate Finance Advisory Service



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Daily Briefing

15th Green Climate Fund Board Meeting (13 December 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.

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

The CFAS Team

Summary from 13 December 2016

On Tuesday, 13 December 2016, the Board for the Green Climate Fund (GCF) convened for its 15th meeting in Apia, Samoa. The meeting is expected to focus primarily on the consideration of nine funding proposals that have been submitted to the Board for approval. In addition, the Board is expected to take decisions on a simplified approval process for certain small-scale activities, a review of the initial approval process, country ownership guidelines and other important policy matters.

Opening of the meeting, adoption of the agenda and organization of work

The Co-Chairs, Ewen McDonald (Australia) and Zaheer Fakir (South Africa), opened the Board meeting. The Co-Chairs and many Board Members in their opening remarks thanked the government and people of Samoa for their hospitality and underscored that holding a meeting in a small Pacific island nation allowed the Board to appreciate the vulnerability of the local population to climate change. Board members positively reflected on the site visit and informal discussions they had conducted during the previous day. Board Member adopted the agenda for the 15th Board meeting, the report of the 14th Board meeting and decisions taken between the 14th and 15th Board meetings.

Reports from the Co-Chairs, Secretariat, committees, panels and groups

The Co-Chairs presented the report on their activities. It was swiftly approved without detailed discussions. Similarly, the Secretariat also presented the report on its activities since the 14th Board

meeting held in October. The interim Executive Director highlighted the Fund's presence during the annual United Nations Climate Change Conference in Marrakech (COP22), several high level meetings and the Latin American regional workshop held in Honduras. Several Board Members expressed their appreciation for the work of the Secretariat and also requested improvements on some issues, such as the timely delivery of documents.

The reports of the (a) Accreditation Committee, (b) Accreditation Panel, (c) Ethics and Audit Committee, (d) Investment Committee, (e) Independent Technical Advisory Panel, (f) Risk Management Committee, and (g) Budget Committee were presented covering the reporting period of October to early December 2016 for the Board's consideration. The Board took note of the reports.

Status of the Fund's portfolio: pipeline and approved projects

The Secretariat presented the update report on the Fund's portfolio. Several Board Members raised the concern that the funding proposals in the pipeline are not sufficiently balanced, neither between mitigation and adaptation nor between direct and international access entities. It was also pointed out that the category of "cross-cutting" projects needed further scrutiny in order to better reflect to which extent these projects contribute to adaptation and mitigation. Board Members also called for more projects and programmes in the most vulnerable countries. Furthermore, some Board Members were disappointed at the low number of concept notes approved for support from the Project Preparation Facility.

The report showed that for most of the approved proposals, no funds have been disbursed and implementation has not yet begun. One reason is that the necessary Accreditation Master Agreements (AMA) and Funded Activity Agreements (FAA) have not been signed. Board Members called on the Secretariat to consider how these agreements and the related processes could be simplified.

Review of the initial proposal approval process and operational guidelines for the simplified approval process

The Co-Chairs reported that further consultations were needed to allow for decisions to be reached at this meeting on the review of the initial proposal approval process and the operational guidelines for the simplified approval process. They asked two Alternate Board Members, Nagmeldin Goutbi Elhassan (Sudan) and Juha Pyykkö (Finland), to lead these consultations, report back on their progress on Wednesday and present a draft decision to be considered by the Board on Thursday.

Consideration of funding proposals

Nine proposals that went through the stages of the proposal review and approval process are in front of the Board for its consideration at this meeting. These nine proposals request a total amount to \$387.5 million of GCF funding. All of the proposals were discussed during the first day of the meeting, but decisions on approval were not yet taken.

FP028: Business Loan Programme for GHG Emissions Reduction (Mongolia), XacBank

The proposed programme aims at promoting the use of energy efficiency and renewable energy solutions in micro, small and medium-sized enterprises (MSMEs) in Mongolia through the provision of concessional loans (lower interest rates and longer tenor). A particular focus is to be put on women-

led MSMEs. The proposed programme has a total volume of \$60 million and is requesting \$20 million in loans from the GCF.

Board Members generally welcomed the proposal, in particular the gender-related aspects as well as the potential scalability and replicability. One Board Member raised concerns about the blending of GCF funds with that of the accredited entity and related implications for the level of concessionality provided to the end-users.

FP029: SCF Capital Solutions (South Africa), DBSA

This proposal requests a \$12.2 million equity investment by the GCF into a \$ 34.15 million fund that will be set up to provide financing to MSMEs in the green economy in South Africa. The financing for MSMEs will be in the form of 30 to 90 day supply chain finance (purchase order or invoice discounting). Sectors of the green economy to benefit from this financing mentioned in the proposal include rural energy, sustainable water management, Industrial cleaner production and consumption, sustainable agriculture and others.

Board Members raised many questions regarding the proposal, e.g. on the overall capacity of the proponent, the climate benefits of some of the supported activities, missing information on stakeholder engagement and the lessons learned from a supply-chain finance pilot that the entity has already implemented.

FP030: Catalyzing private investment in Sustainable Energy (Argentina), IDB

The objective of this proposal is to support Argentina in reaching its ambitious targets for renewable energy. Argentina is conducting tenders to contract new renewable energy capacity and this proposal aims to offer financing to some of the selected projects, because the availability of commercial project finance in Argentina, particularly from international capital markets, is very limited. The proposal has a total volume of \$653 million, of which the GCF is requested to provide \$130 million in loans and guarantees and \$3 million in grants. The proposed length is 22 years.

Most Board Members reacted positively to the proposal. Issues that were raised were related to strengthening the gender aspect, the long duration of the project, selection of the projects in Argentina, and the use of the grant financing.

FP032: Enhancing Women and Girls Adaptive Capacity to Climate Change (Bangladesh), UNDP

This project aims to enhance adaptive capacity of poor women and girls in Bangladesh by improving freshwater supply and providing cash-transfers so women can develop alternative livelihoods. The proposal requests \$67.2 million in GCF grant funding over 6 years, supplemented by \$7.8 million from the government of Bangladesh. It is estimated that a total of 1.27 million people will directly benefit from the project with about 3 million indirect beneficiaries.

Board Members asked for more clarity and technical precision on a number of issues, for instance on how the project facilities are meant to be managed and maintained. It was also stressed that the financial sustainability of the project needed to be demonstrated. The effectiveness of cash transfers to make the beneficiaries more resilient to climate change was questioned by some Board Members.

Some Board Members, while recognizing the development benefits of the project, were of the view that the project was not sufficiently related to climate change. Therefore, they questioned whether it would be appropriate for the GCF to approve this proposal. Others said however that the proposal was clearly an adaptation project and highlighted the focus on one of the most vulnerable groups, women and girls.

FP033: Accelerating the Transformational Shift to a Low-Carbon Economy (Mauritius), UNDP

This proposal seeks \$28.2 million of GCF grant resources for institutional strengthening, investments in grid infrastructure and solar mini-grids in Mauritius. The project is expected to provide 129,500 households with improved access to low-emission sources of electricity, and enable the country to fully meet its target of 35% renewable electricity production by 2025. The project duration is 20 years. It will mobilize \$163.2 million in co-financing.

Most Board Members reacted positively to the proposal. One Board Member questioned whether it was appropriate for the GCF to support the political agenda of energy independence.

FP034: Building Resilient Communities, Wetlands Ecosystems and Associated Catchments (Uganda), UNDP

The proposal intends to improve the lives of vulnerable populations who depend on subsistence agriculture and wetlands for their livelihoods in Uganda. The proposal requests \$24.1 million in grants for measures to restore critical ecosystem services. The project duration is 8 years; there will be \$20.2 million in co-financing.

Some Board Members pointed out that co-financing by the Ugandan government demonstrated high country ownership. It was also mentioned that the project could be beneficial to indigenous peoples living in the project area, but that transparency and engagement with indigenous peoples should be improved.

FP035: Climate Information Services for Resilient Development (Vanuatu), SPREP

This project proposal is focused on climate information services in Vanuatu. It is proposed that the project will be implemented by a direct access regional entity with a \$23 million grant from the GCF and \$3.7 million in co-financing. The project duration is 4 years and 3 months.

One Board Member raised concerns about using GCF funds to support scholarships in the absence of a GCF policy on this. It was also questioned whether the project duration was not too short to allow to carry out all the activities contained in the proposal.

FP036: Pacific Islands Renewable Energy Investment Programme (Cook Islands, Papua New Guinea, Tonga, Marshall Islands, Micronesia, Nauru and Samoa), ADB

This programme aims to support a shift from diesel power generation to renewable energy in seven Pacific Small Island Developing States (SIDS). The programme includes a subproject in the Cook Islands to install battery storage as well as technical assistance in all programme countries. The technical assistance is meant to build institutions and develop national programmes and projects, which could also be submitted to the the GCF for funding at a later stage. At this point, the proposal

requests \$22 million in grant financing for a duration of 15 years. The government of the Cook Islands and the ADB plan to provide \$9 million in co-financing.

Board Members feedback on the Cook Island subproject was generally positive. It was said that battery storage would allow upscaling of private sector investment in renewable energy. The strong knowledge sharing part and the links to the national climate policy were also welcomed. There were more questions on the technical assistance component. It was suggested that a clearer logical framework would be needed to explain the outcomes and impacts of the component. Several Board Members were of the view that the component should be proposed under the Project Preparation Facility (PPF) of the readiness programme.

FP037: Integrated Flood Management to Enhance Climate Resilience of the Vaisigano River Catchment in Samoa (Samoa), UNDP

This project is an adaptation project focusing on integrated flood management. The objective is to strengthen adaptive capacity and reduce exposure to climate risks of vulnerable communities, infrastructure, and the built environment in the Vaisigano River catchment. The proposal request \$57.7 million in grants from the GCF, to be supplemented by \$8 million from the government of Samoa.

Many Board Members spoke in favour of the proposal. They stressed that Samoa was prone to regular flooding and a vulnerable country. Some Board Members suggested that lessons could also be drawn from other countries in the region with similar experience and that the monitoring and evaluation aspects of the project could be strengthened.

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