



Daily Briefing

16th Green Climate Fund Board Meeting

5 April 2017

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 its 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 **CFAS website** www.cfas.info.

The CFAS Team

Summary from 5 April 2017

The 16th Meeting of the GCF Board resumed for its second day on Wednesday 5th April 2017.

Consideration of funding proposals

FP040: Scaling Up Hydropower Sector Climate Resilience (Tajikistan), EBRD

This project proposal is for the GCF to invest in the complete rehabilitation and modernisation of the Qairokkum hydropower plant in Tajikistan. The total cost of this project is USD 133, of which the GCF is asked to provide USD 27 million as loan and USD 23 million as grant. This project is meant to improve the climate resilience of Tajikistan's highly climate-vulnerable hydropower sector, which provides 98% of the country's electricity. Besides the upgrades of the hydropower facility, the project includes technical assistance and policy dialogues.

Board members formulated a wide range of questions and comments on this project. Some Board members were reluctant to accept large hydro projects for GCF funding and questioned whether this project could contribute to transformational change. They also questioned how this project contributed to climate resilience and asked about the incremental costs. Some Board members also asked if sufficient alternative analysis had been conducted. They also demanded more information on local level stakeholder participation. It was suggested that the environment and social safeguards needed to be strengthened and strong monitoring and evaluation be put in place. One Board member pointed out that in the absence of guidelines on hydro power projects, more similar project could be expected to come in front of the Board.

FP041: Simiyu Climate Resilience Project (Tanzania), KfW

The objective of the project is to increase the climate resilience of rural and urban households, particularly small scale farmers and women, living in the Simiyu Region and to improve policies and regulation for cross-sectoral action towards climate adaptation. This is to be achieved by building a water corridor and promoting climate-smart agriculture. The total project volume is EUR 143.4 million, of which EUR 102.7 million in grants would come from the GCF, EUR 26.1 million from the German government through KfW and EUR 13.1 million from the government of Tanzania.

Some Board members raised concerns regarding the level of concessionality and the high share of grants requested. Some Board members also questioned to what extent the proposal was related to climate impacts. One Board member responded that the project addressed a crucial need, as water is necessary for survival. Some Board members sought clarification on the sustainability of the project, pointing out that the water tariff would be significantly reduced, from currently EUR 8 to EUR 0.5 per cubic meter. Some also raised concerns about the infrastructure to be built for the water pipeline and its potential impacts on indigenous people and pastoralists.

FP042: Irrigation development and adaptation of irrigated agriculture to climate change in semi-arid (Morocco), AFD

This proposal aims to bring surface water from a dam to a climate-stressed, semi-arid region in Morocco (the Boudnib valley) where water is scarce and groundwater is being overused. Along with additional technical assistance interventions, the proposal is to benefit both commercial agriculture and traditional oasis communities. The total project cost is EUR 76 million, of which EUR 40 million in concessional loans and EUR 1 million in grant will be provided by AFD and EUR 15 million will be provided by the government of Morocco. The GCF is requested to provide EUR 20 million in grant finance for this project, mainly for activities supporting the climate-resilience of oasis communities and cross-cutting sustainability measures.

Some Board members were sceptical as to whether importing water to this semi-arid region from elsewhere, including for commercial agriculture, was sustainable. There were also questions on the long-term financial sustainability of the project, partly because the

financing of the water infrastructure through a public-private partnership still has to be developed. Some Board members requested a stronger focus on the vulnerable oasis communities. Some also asked whether this was a traditional development project or truly a climate-related project. It was also suggested by a Board member to more closely analyse the project's risks and potentially increase the risk category from B to A.

FP043: Saïss Water Conservation Project (Morocco), EBRD

The main objective of this project is to improve the climate resilience of agricultural systems in the Saïss Plain by switching from highly unsustainable groundwater to more sustainable surface water resources. The project will invest in irrigation infrastructure and promote irrigation governance and community participation. This proposal seeks EUR 31.97 million to be provided as grant from the GCF. The total project volume amounts to EUR 203.82 million, of which EUR 120 million will be provided by the EBRD as loans and EUR 53.82 million as co-financing by the government of Morocco.

Board members asked a number of questions about this proposal. Some questioned whether the proposed irrigation infrastructure investments were innovative and sustainable, given that they might lead to an increase in water use in a region where water is scarce. Some members questioned whether the main beneficiaries would be local communities or rather the large water users. Some also wondered whether this was not a pure infrastructure project rather than a climate project.

FP044: Tina River Hydropower Development Project (Solomon Islands), WB

Under this proposal, the World Bank plans to support a hydropower project in the Solomon Islands with an installed capacity of 15 MW, which will generate 78.5 GWh of electricity delivered to the grid of the country's capital, Honiara, replacing diesel generation. The Project would be the first utility-scale hydropower plant and first privately-invested build-own-operate-transfer (BOOT) project in the Solomon Islands. Under this project proposal, which has a total volume of USD 223.5 million, the GCF is requested to provide USD 70 million as a concessional loan and USD 16 million as a grant to fill a gap in the required financing for the access road.

Several Board members found the project to be transformative as it displaced diesel-powered generation. However, some did raise the issue that it was an expensive project and suggested to carefully consider whether the suggested level of concessionality was necessary. Some of the Board members raised the concern that hydropower dams might bring reputational risks to the Fund and suggested to only finance such projects in very exceptional circumstances. It was suggested that the Board needed to close the policy gap on how to address hydro power proposals. Board members also pointed out the importance of strong environmental and social safeguards and monitoring mechanisms. Furthermore, some members questioned whether it was an appropriate use of GCF resources to co-finance a road.

FP045: Ground water recharge and solar micro irrigation to ensure food security and enhance resilience in vulnerable tribal areas of Odisha (India), NABARD

The project aims to enhance groundwater recharge in community ponds through structural adaptation measures and use of solar pumps for micro irrigation to ensure water security and food security in vulnerable areas in India, with 5.2 million direct beneficiaries. The total project value is USD 166.3 million, of which USD 34.4 million are requested in grants from the GCF, USD 7 million will be provided as a loan from the IBRD and USD 124.9 million will come from state and community funds. NABARD being a national implementing entity, this is the only direct access proposal before the Board at this meeting.

One Board member stated that this was an excellent direct access project but that it should be linked better to community-owned resources. Another Board members requested an explanation as to why grants are suggested as the appropriate financial instrument. Other Board members recommended to share the good practise experience of this direct access entity, so other countries and institutions may benefit from it.

FP046: Responding to the increasing risk of drought: building gender-responsive resilience of the most vulnerable communities (Ethiopia), UNDP

This proposal is a climate-smart, landscape-based project combining improved water access and resource management with livelihood diversification to enable the most vulnerable men and women, and their households to adapt to more frequent drought in 22 districts (Woredas) in Ethiopia. The project has a total volume of USD 167 million, with USD 99.6 million requested from the GCF in grants, USD 32.4 million provided by the government of Ethiopia and USD 34.9 million provided by the concerned communities.

Several Board members raised objections to this proposal and supported the assessment of the independent technical advisory panel (ITAP), which had recommended that the Board should not approve the proposal. They criticized that, in their opinion, the proposal was a collection of many different activities without clearly articulated linkages. They also found that the connection with climate change adaptation was not clear for several components. As a rural development project, they suggested that this proposal could be suggested to a development bank, but questioned whether the GCF was the right funder for it. They also raised questions as to whether the intended outcomes were achievable in the given timeline. Some members also raised concerns about the cost-effectiveness and the high grant amount and questioned why other financial instruments had not been considered.

Other Board members were of the view, however, that the proposal should be approved as it represented a holistic approach to address urgent adaptation needs. They warned about applying stricter standards to some proposals than to others. They also highlighted that funding for adaptation should cover the full incremental cost on a grant basis, so that a high grant amount could not be a reason for rejecting a proposal. Several Board members also expressed the need to update the approval process to clarify whether proposals that received a negative assessment from ITAP should come to the Board; some said they

would prefer such proposals not being put to the Board for approval, while others wanted to retain the current practice with the Board as the only decision-making body on approvals.

Progress report on the Readiness and Preparatory Support Programme

The Secretariat provided a brief presentation on the progress of the readiness and reparatory support programme. 92 requests were approved amounting to USD 27.7 million. They included 25 from Latin America, 5 from Eastern Europe, 34 from Africa and 28 from Asia. Many Board members expressed their appreciation of the work of the Secretariat on the readiness programme. Some Board members suggested that matters related to fees of the delivery partners have delayed the implementation. One Board member asked how the readiness work of the GCF was in line with country programmes and how stakeholders like civil society, the private sector and others were adequately involved. One of the Board members requested to specifically support and prioritize the least developed countries in the readiness programme.

Facilitating an increase in proposals from direct access entities

The Secretariat presented a paper outlining actions taken by the Secretariat and Board in order to facilitate an increase in proposals from direct access entities in the pipeline, in response to a request on this matter contained in the guidance received from the Conference of the Parties (COP). The document provides information on current engagement with direct access (DA) accredited entities (AEs) and their needs and lists options for additional support.

Board members reiterated concerns about the limited number of proposals from DA entities in the GCF portfolio and pipeline. Some members drew attention to the slow progress in the implementation of mechanisms put in place to address capacity issues of DA entities (only one approved project under the pilot programme for enhancing direct access, only one approved request under the project preparation facility, etc.). Others pointed out that having a 50:50 balance regarding the number of DA and international entities does not constitute a balance, due to the amount of funding the international entities with global or regional mandate can access being much higher than that available to a DA entity. Rather, the GCF would need two or three times as many DA entities. Some also said that support and mentoring of DA entities by international entities was not happening to a sufficient extent. Other members cautioned that increasing the number of DA proposals would need time and that an acceleration of the processes should not be pursued at the expense of quality of the proposals. Several members stressed that successful DA entities could share their experiences with other entities. The co-chairs will take into account the views expressed by the Board members and suggest a way forward the following day. The Secretariat provided an overview on the progress achieved in implementing the strategic plan since it was adopted at the twelfth meeting of the Board. It

outlined that during 2016, the Board adopted a number of decisions that support the prioritization of pipeline development while the Secretariat organized three regional structured dialogues (in the Pacific, African and Latin American regions). On readiness support, the Board at its fifteenth meeting decided to allocate an additional USD 50 million to the Readiness and Preparatory Support Programme, and the Secretariat has approved new readiness proposals. The report also noted that the Private Sector Advisory Group (PSAG) hosted a meeting in 2017 where a number of significant policy matters were considered.

Some members suggested to improve the country programme reporting template, and to highlight in future reports to what extent the private sector and National Designated Authorities (NDAs) have been engaged in country programmes. The Co-Chair suggested that future reporting on the strategic plan implementation could be done annually, with the exception on some items that require an update at each meeting. The Co-Chairs will consult on a way forward and present a decision on this item the following day.

Status of the staffing of the Secretariat

The head of human resources at the Secretariat reported that steady progress was being made in recruiting new staff, with 19 concluded recruitment processes since the fifteenth meeting of the Board. Currently, the total number of staff at the Secretariat has reached 97. The Secretariat has faced challenges in recruitment of professional and qualified staff, due to numerous factors such as location, spousal employment opportunities, school offers for their children, pollution etc. Many Board members welcomed the progress made but raised concerns regarding the challenges encountered by the Secretariat. Conducting a survey was suggested to explore working conditions of staff. The Board took note of the report.

Selection of the permanent trustee, Evaluation of the Readiness programme, Country ownership guidelines, Guidance from the Conference of the Parties

Following up on the discussions on the competitive process for the selection of the permanent trustee, the Board formed a small ad-hoc committee comprised of the Board Members from South Africa, Egypt, United States and Japan. The committee was tasked to meet on the sidelines of this meeting to consider selection criteria, a timeline and its way of working and report back to the Board. Furthermore, the Board decided to agree on terms of reference for the independent evaluation of the Readiness and Preparatory Support Programme in between meetings before the following meeting, so that the review could be finalized by the last Board meeting of the year. Also, the Board decided to postpone the consideration of country ownership guidelines to the following meeting, as the Board members did not have sufficient time to consider the proposed document. The Board also considered an update report on addressing guidance from the Conference of the Parties (COP) and agreed that work by the Secretariat and Board as outlined in the report would continue.

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