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 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.

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

The CFAS Team

**Summary from 5 July 2017**

On Wednesday, 5 July 2017, the Board of the Green Climate Fund (GCF) opened the first formal day of its 17th meeting in Songdo, Republic of Korea. Preceded by two full days of informal sessions, the official part will focus on closing some of the existing policy gaps in the current GCF framework. These include, inter alia, the review of the initial proposal approval process, country ownership guidelines, and the further development of the accreditation framework and policy. In order to allow time to address these policy gaps, the Board will not consider funding proposals at this meeting. However, for the first time in 2017, the Board will consider six new accreditation proposals, including four from direct access entities.
Opening of the meeting, adoption of the agenda and organization of work

The Board’s Co-Chairs, Mr. Ewen McDonald (Australia) and Mr. Ayman Shasly (Saudi Arabia), opened the Board meeting and welcomed new Board members. Some members suggested the addition of an agenda item under “Other matters”, related to the consideration of an investment policy for the Fund to ensure that its funds are invested by the trustee in a responsible and fossil-free manner. With this addition, the Board adopted the meeting’s agenda and the report of its 16th meeting, as well as the intersessional decisions approved between the 16th and 17th meeting of the Board.

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

The Co-Chairs presented their report, informing the Board about the main activities undertaken since the last meeting in early April 2017, including outcomes on the various consultations that were conducted. The Secretariat as well as the Chairs of the Ethics and Audit Committee, Risk Management Committee, Investment Committee, Accreditation Committee, Budget Committee and the Private Sector Advisory Group also presented on their activities since the last Board meeting.

Matters related to guidance from the COP

Sixth report of the GCF to the COP

The Board considered the draft report of the GCF to the Conference of the Parties (COP) to the United Nations Framework Convention on Climate Change (UNFCCC). One component in the report is a status update on bilateral agreements on the privileges and immunities. To date, agreements on privileges and immunities are only in force in 12 out of 197 Parties to the UNFCCC. Board members raised their concerns about the current situation and sought clarification on the impacts it could have on the Fund. The Secretariat explained that this could have adverse impacts on the ability of the GCF to perform its functions efficiently and on GCF-financed projects and programmes. It was clarified that the GCF is not a treaty organization, but rather an organization created under the UNFCCC without administrative linkages. However, the GCF General Counsel noted that even if the GCF had administrative linkages with the UNFCCC, it still would not be clear whether all privileges and immunities could automatically be granted to the GCF.

Operational framework on complementarity and coherence

On the issue of complementarity and coherence with other climate finance delivery channels, the Secretariat presented a document outlining the diverse climate finance landscape and proposing an operational framework, consisting of four pillars: (i) Board-level discussions on fund-to-fund arrangements, (ii) enhanced complementarity at the activity level, (iii) promotion of coherence at the national programming level, and (iv) complementarity at the level of delivery of climate finance through an annual dialogue.
Board Members welcomed the document and indicated that the proposed framework was a good (and somewhat overdue) step towards strengthening complementarity and coherence with other funds. Some Board members encouraged the Secretariat to also engage with additional funds besides those listed in the document (Global Environment Facility, Adaptation Fund and Climate Investment Funds). Several Board members highlighted the need to increase complementarity and coherence with regard to readiness support and that the GCF’s Readiness and Preparatory Support Programme was not sufficient to implement pillar III of the proposed framework. Furthermore, it was suggested to explore the potential for harmonizing standards, accreditation requirements and modalities across different funds. Ultimately, the Board adopted the operational framework as presented in the document.

**Implementation of the initial strategic plan of the GCF**

The Co-Chairs presented a document on the implementation of the initial strategic plan for the GCF. The document contains information on the efforts undertaken in the second quarter of 2017 to maintain and strengthen support to country-driven programming, and to provide clearer guidance to National Designated Authorities (NDAs)/Focal points (FPs) and accredited entities (AEs) on how to strengthen the alignment between the pipeline of funding proposals they plan to develop and the objectives of the GCF. Without further discussion, the Board adopted the document.

**Facilitating an increase in direct access proposals**

This agenda item was carried over from the previous Board meeting, where discussions were abruptly cut off. At its 15th meeting, the Board had requested the Secretariat to prepare a document for consideration by the Board that outlined the actions to be taken in order to facilitate an increase in proposals from direct access entities in the GCF project and programme pipeline. The Co-Chairs asked two alternate Board members, Mr. Ignacio Lorenzo (Uruguay) and Mr. Frank Fass-Metz (Germany) to conduct further consultations on the document and present the outcome to the Board for further consideration the following day.

**Policy matters related to the approval of funding proposals**

Building on the extensive deliberations of the Board during the previous two days of informal meetings, the Co-Chairs presented the outcomes of the discussions in the form of draft decisions related to the review of the initial approval process, as well as the establishing of strategic programming priorities.

On the **review of the initial proposal approval process**, the Board inter alia decided to request the Secretariat to only submit to the Board those funding proposals that are submitted either (i) by entities that have signed accreditation master agreements; or (ii) by
entities that have not signed accreditation master agreements only if the proposal is submitted no later than 120 days from the date of accreditation; or (iii) in response to Requests for Proposals issued by the GCF; or (iv) from those entities who have not yet signed the AMA but currently have proposals at stage 3 of the project and programme activity cycle. Furthermore, the Board decided that in future, on receipt of a concept note from an accredited entity, the Secretariat will seek confirmation from the national designated authority or focal point that the concept note aligns with national priorities and country ownership. In addition, the Board decided that the Secretariat shall only forward to the Board those funding proposals whose approval has been recommended by the independent Technical Advisory Panel (ITAP) and the Secretariat. Funding proposals not recommended by the ITAP and the Secretariat will continue to be revised by the Secretariat and the respective entity. The Board also approved immediate actions that the Secretariat will implement, such as more strongly supporting the development of country work programmes as basis for the development of concept notes and proposals, and to improving and simplifying the concept note templates.

Under the heading of strategic programming priorities, the Board had discussed several issues related to eligibility and selection criteria for projects and programmes. It was decided, inter alia, that the Secretariat would prepare a mapping document for the 18th Board meeting listing all criteria already included in the Governing Instrument, existing Board decisions and conditions imposed on projects so far. The Secretariat was also requested to develop a proposal for the Board’s consideration at its 19th meeting to address (i) the application of an incremental cost methodology and/or alternative methodologies, (ii) guidance on the GCF’s approach and scope for support to adaptation activities, (iii) a policy on co-financing, and (iv) options for further guidance on concessionality.

Matters related to support for REDD+

Guidance for NDAs/FPs on how to engage in the early phases of REDD+

The Co-Chair recalled the previous Board decision to appoint two REDD+ Co-Champions in order to facilitate the consultations on the GCF’s support for reducing emissions from deforestation and forest degradation and the role of conservation, sustainable management of forests and enhancement of forest carbon stocks in developing countries (REDD+). The REDD+ Co-Champions, Mr. Tosi Mpanu Mpanu (DR Congo) and Ms. Caroline Leclerc (Canada), presented their report to the Board.

Board members responded to the report and made some suggestions. An intervention from civil society highlighted that land rights are crucial to prevent risks arising from REDD+ implementation and the importance for REDD+ focal points in countries to promote stakeholders inclusion, especially among indigenous people, women and young people.
The Board decided to encourage NDAs, FPs and AEs to apply for support from the GCF for early phases of REDD+ as outlined in the document prepared by the Secretariat and the Co-Champions.

**REDD+ results-based payments**

At its 14th meeting, the Board had decided to develop a pilot programme for REDD+ results-based payments (RBPs). The Secretariat presented on the progress made since then on developing a request for proposals (RfP), including at a technical workshop with around 60 experts conducted in April 2017. It was explained that the Board now needed to consider the size of the RfP, the eligibility date, possible distribution of payments, and the application of a proposed scorecard.

Several Board members emphasized that the initial RfP for REDD+ would only be a pilot programme to build lessons for the GCF. Some Board members also highlighted the importance of engaging with the private sector. A Board Member stressed the importance of ensuring that the REDD+ pilot programme is in line with the Fund's Indigenous People policy, to be introduced at the 18th Board Meeting, and that aspects related to indigenous peoples are reflected in the scoring of proposals. One Board member also recommended recalling the safeguards agreed at the UN climate conference in Cancun and going beyond those safeguards where appropriate.

The Co-Chair asked the REDD+ Champions to conduct consultations with Board members on this issue and to report back the following day.

**Risk Management Framework**

The Secretariat presented a brief summary of the document addressing the GCF's Risk Management Framework (RMF). It consists of five components: (i) the revised risk register; (ii) the risk appetite statement; (iii) the risk dashboard; (iv) the risk guidelines for funding proposal; and (v) the risk rating approach. The Secretariat highlighted that the proposed RMF is not a substitute for the GCF's Investment Framework. The Chair of the Risk Management Committee emphasized that as an institution that aims to promote a paradigm shift, the GCF has to be an institution that will take risks which other funds are not able or willing not take.

Among other risks, he explained "concentration risk", referring to the risk related to the amounts of funding allocated to result areas, countries, and projects. The proposed RMF foresees to set certain limits to ensure the GCF will not exceed a certain percentage of total investable amounts in a single result area (<50%), country (<10%) or proposal (<10%). Several Board members raised their objection to the proposed approach on concentration risk and sought clarification on benchmarks that were used by the Secretariat to define the concentration risk. The Secretariat explained that the benchmark used to define concentration risk came from the Clean Technology Fund. Some Board members pointed out that there are other benchmarks used in climate finance, such as the
by Adaptation Fund and the Global Environment Facility, that could be considered. Some Board members also pointed to an additional risk that could result from a concentration on certain accredited entities, particularly those that have not yet signed an Accreditation Master Agreement.

On the issue of reputational risks, some members felt that the GCF should have a policy of zero tolerance. However, others members were of the view that reputational risks are mostly driven by other types of risks, and that therefore a zero tolerance policy was not appropriate. The Risk Management Committee was requested to undertake further consultations, in order to come back with a revised version of the document for consideration by the Board the following day.

**Status of the GCF portfolio: pipeline and approved projects**

The Secretariat gave a presentation on the current status of the GCF pipeline, which is comprised of 58 public- and private-sector funding proposals requesting a total GCF funding of USD 3.4 billion. Since the 16th Board meeting 18 new funding proposals were submitted to the Secretariat, of which 9 were developed from concept notes. In total, the Secretariat has received 196 concepts notes totalling USD 10.2 billion in GCF funding, out of which 22% was requested for adaptation, 25% for mitigation and 53% for cross-cutting projects or programmes. Of the approved GCF funding to date, 66% was allocated to mitigation and only 34% to adaptation.

Some Board member noted that proposals were not sufficiently diversified across all results areas and raised concerns about the fact that there were significantly less proposals from direct access entities compared to those from international entities. One of the Board members also requested for disaggregated information on the number of direct access proposals from LDCs, SIDS and African states. Some Board members also expressed their concerns with the fact that no project proposals were being discussed at this Board meeting. The Board took note of the document.

**Status of resources**

The Secretariat reported that the GCF’s total commitment authority as of 31 March 2017 was USD 2.4 billion in cash and USD 1.5 billion in promissory notes. Funding decision of USD 2.4 billion dollar have been made to date. Currently available resources thus amount to USD 1.5 billion. Additional commitment authority is projected to be USD 1.9 billion in 2017 and USD 1.5 billion in 2018. The Board took note of the report.
Administrative Budget and financial statements

The Secretariat gave a presentation on the execution of the administrative budget and the audited financial statements of the GCF for the year ending 31 December 2016. Following a brief discussion, the Board approved the audited financial statement for the GCF for 2016, as recommended by the Ethics and Audit Committee.

Status of the staffing of the GCF Secretariat

The Secretariat reported on the status of staffing. There are currently 114 staff at the Secretariat and 55 positions in the application process. 10 resignations have been registered for the first 6 months of the year, which has affected the Secretariat capacity. There are still challenges related to hiring and retaining staff that the Secretariat is working to address. One Board member suggested that the Secretariat needed to improve working conditions and seek better gender balance among its staff in order to improve staff retention. Another Board member emphasized the importance of adequate training for staff. The Board expressed support for the suggested hiring of a Deputy Executive Director as proposed by the Executive Director. The Board took note of the report.