



Daily Briefing
18th Green Climate Fund Board Meeting
2 October 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 2 October 2017

On Monday, 2 October 2017, the Board of the Green Climate Fund (GCF) took important decisions on policy matters, accreditation and funding proposals, before concluding its 18th meeting in Cairo, Egypt.

Readiness and Preparatory Support Programme

In the early morning, the Board continued its discussion from the previous day regarding the Readiness and Preparatory Support Programme. Several Board members did not want to approve the requested additional US\$ 190 million for the remainder of 2017 and 2018, without knowing the results of the planned evaluation of the readiness programme by the Independent Evaluation Unit (IEU). The Co-Chair decided to conduct informal consultations to identify a solution. In the late afternoon, the Board resumed its discussions. The Board took note of the Readiness and Preparatory Support Programme progress report, and requested the Secretariat to implement immediate measures to address the quality issues identified in the report. The Board also approved USD\$ 50 million to be made available for 2017, approved the initiation of an Independent Evaluation of the programme and the Terms of Reference prepared by the Secretariat, and requested the Secretariat to present a revised readiness work programme, including a request for funding for 2018, at the next Board meeting.

Matters related to accreditation

Accreditation Framework and policy gaps

The Co-Chairs presented their proposal on how to advance work on matters related to the accreditation framework, which includes a request to the Secretariat to prepare a proposed revised accreditation framework. Board members welcomed the proposal, highlighting that a review of the accreditation framework should involve both the Accreditation Committee and Accreditation Panel, as well as the Independent Evaluation Unit where appropriate. Several Board members requested to extend the prioritization of direct access entities in the accreditation pipeline. Others stressed the need to ensure that entities not subject to prioritization are also progressing within the accreditation process. After brief a discussion, the Board adopted the Co-Chairs proposal, while also extending the prioritization of accredited entities until the end of the Board's

19th meeting. The Board then considered the status of accreditation master agreements (AMAs) and funded activity agreements (FAAAs) in closed session.

Consideration of accreditation proposals

The Secretariat presented an overview of accreditation pipeline. A total of 146 applications for accreditation have been submitted to the GCF as of 31st August 2017, including those of the 54 entities accredited so far. Following the guidance received from the Board on prioritization, it was reported that 15 of the 20 entities that have completed Stage II of the accreditation process since the 14th Board meeting are direct access entities, five of them from the private sector. The Head of the Accreditation Panel noted that in general, assessments of accreditation proposals are currently taking longer than before because the majority of the first 54 accredited entities had been fast-tracked. He pointed out that even in cases where relevant policies exist, the track record of entities was often limited. The reviews of the AP reveal more gaps in regards to the fiduciary standards than on gender policies and environmental and social safeguards. He also stressed that accredited entities should make more information public.

At the beginning of their interventions, several Board members expressed their appreciation for the evolving portfolio of accredited entities, in particular the potential addition of five new direct access entities at this meeting, including two entities from Small Island Developing States (SIDS). However, concerns were raised regarding the number of accredited entities from the private sector, which some Board members considered as rather low. Furthermore, some highlighted the need to avoid attaching too many conditions to the accreditations. Without further discussion, the Board approved the accreditation of all five applicant entities: the China Clean Development Mechanism Fund Management Center; the Department of Environment (DOE), Antigua and Barbuda; the Fiji Development Bank (FDB), Fiji; the Palli Karma-Sahayak Foundation (PKSF), Bangladesh; and the Sahara and Sahel Observatory (OSS), based in Tunisia.

Review of the structure and effectiveness of the independent Technical Advisory Panel (iTAP)

The Co-Chair Board recalled that the Secretariat has conducted, in consultation with the Investment Committee, a review of the effectiveness of the iTAP. The report highlighted a number of findings and recommendations aimed at improving the structure and effectiveness of the Panel, for instance by requesting early inputs from the TAP on funding proposals, establishing a roster of experts for the iTAP and the Secretariat with technical and regional expertise, improving internal processes and developing new assessment templates. Board members welcomed those recommendations. One member recommended the iTAP to add expertise in the area of REDD+, so as to ensure all areas of expertise are covered for proposals review. A suggestion was made to conduct a further review of the iTAP by the Independent Evaluation Unit (IEU). One member suggested bringing to the attention of the Board any policy issues arising from proposals review. Having considered all comments, the Co-Chair suggested further consultations on the matter with the Investment Committee and to report back to the Board at its next meeting.

Status of the GCF pipeline and portfolio

An update of the GCF portfolio was presented to the Board, including the pipeline of projects and programmes for the reporting period of 16 May to 20 August 2017. As at 20 August 2017, the GCF pipeline comprised 74 public and private-sector funding proposals with a request of a total GCF funding of US\$ 3.8 billion to support projects and programmes. It is estimated that 59 projects and programmes will be presented to the Board within the next 12 months, with a total requested GCF funding of US\$ 2.7 billion. The Secretariat has received 20 proposals and 25 concepts notes from direct access entities. There are also 29 requests for Project Preparation Facility (PPF) support, of which two have been approved and one is under implementation. Eight enhanced direct access proposals requesting GCF funding of US\$ 133 million have also been received. A total of 138 proposals were removed from the pipeline including 42 project ideas, 88 concept notes and 8 funding proposals. Of these, 76 were classified as “withdrawn”, as verified by AEs and NDAs, and 62 were “inactive”, as there had been no communication from AEs/NDAs for the past two years. The Board took note of the information.

Policy matters related to the consideration of funding proposals

Status of fulfilment of conditions on relevant approved projects

The Board noted the report on the status of fulfilment of conditions.

Interim restructuring and cancellation policy

The Secretariat presented the proposed interim restructuring and cancellation policy, which is expected to guide decision-making with respect to an approved funding proposal in situations where there have been events creating issues around the successful implementation of projects, including, for example, the failure to fulfil conditions decided by the Board or changes to the approved proposal. Some Board members requested more time to develop the interim policy in order to further address some key issues. With approval by the Board, the Co-Chair suggested to further consult on the matter for consideration at the next Board meeting.

Selection of the Permanent Trustee

The Chair of the ad-hoc committee on trustee selection reported on the work of the committee to prepare the selection of a permanent trustee for the GCF. Terms of reference had been developed in consensus among the committee members. The committee had also come to an agreement that the bidding for the role of permanent trustee was only open to international public sector financial institutions. However, the committee was unable to reach consensus as to whether the interim trustee would need to apply or be automatically be considered a candidate. Several approaches to resolving this question were discussed, with broad support for the idea that a list of known potential candidates would automatically be considered, but the trustee selection would also be advertised on the Fund's website and in international media to attract further candidates. However, attempts to arrive at a consensus decision text throughout the day were not successful. It was then suggested that the Board take a procedural decision to extend the term of the interim trustee by 24 months or until the permanent trustee has been selected. However, one Board member did not wish to adopt that decision and instead try to continue to find a solution for the permanent trustee selection. The matter will now be addressed in a decision in between meetings.

Simplified approvals process for certain small-scale activities

Following informal consultations during the last days, a revised draft for the operational guidelines of a simplified approval process pilot scheme was circulated. It would allow for proposals for certain types of activities with minimal or no risk, requesting up to \$10 million in GCF funding, to apply using simplified templates for concept notes and funding proposals, only requiring pre-feasibility studies. At least 50% of the proposals under this scheme should come from direct access entities. Some Board members raised questions regarding the definition of project sizes within the proposed pilot, which could cause confusion when compared to how project sizes have usually been defined in the GCF. Others were concerned whether the funding of US\$ 80 million allocated before a first review was to take place would be sufficient to generate a number of projects that could generate meaningful lessons. Several stressed they saw the proposed pilot as a first step. The Board approved the Simplified Approval Process Pilot Scheme, which will be reviewed two years from its operationalization, or when the aggregate amount of approvals under the Pilot Scheme reaches US\$ 80 million of GCF financing. Furthermore, the Secretariat was requested to develop a proposal for approving funding proposals under the Pilot Scheme between meetings. The Secretariat will report back to the Board upon completion of the review, with recommendations to further improve the efficiency and effectiveness of the process, and to consider expanding the type of eligible activities and increasing GCF funding.

Request for proposals for REDD-plus results-based payments

The Board members who had led consultations over the past days reported on the progress made and presented a draft decision. Many Board members spoke to commend the proposed balanced decision. Some stressed the need to develop robust reference levels and higher standards over time. The Board approved the decision, adopting the request for proposals for REDD-plus results-based payments and the related scorecard, set the valuation at USD 5 per ton of CO₂e and allocated up to USD 500 million for the REDD-plus pilot programme.

GCF support for collaborative research and development in developing countries

A revised decision was presented to the Board, containing revised language with an invitation to submit readiness requests, but also project preparation facility requests and funding proposals, with regard to collaborative R&D, as well as more detail on collaboration and coherence with the UNFCCC's technology mechanism. The draft decision also continued to propose a request for proposals for technology accelerators and incubators. One Board member expressed that she continued to have reservations about the use of a request for proposals, but was willing to go along with it in the interest of consensus. The Board adopted the revised decision.

Policies related to prohibited practices, anti-money laundering and countering the financing of terrorism

The Secretariat presented the Anti-Money Laundering and Countering the Financing of Terrorism Policy (AML/CFT), jointly developed by the Independent Integrity Unit and the Secretariat under the guidance of Ethics and Audit Committee. The policy outlines the principles and minimum standards of internal AML/CFT controls which should be adhered to by the GCF. The Board adopted the policy.

Work Plan of the Board for 2018

The Co-Chair presented an updated version of the draft decision on the workplan for the Board for 2018. In this version, the presentation of the review of the observer participation was brought forward from the twentieth meeting to the ninetieth. Furthermore, it was specified that, in the case of exceptional circumstances which warrant periods less than 21 days for the publication of documents, the Co-Chairs should provide dates by which that documentation will be made available. Furthermore, the Co-Chairs proposed to hold two days of informal meetings ahead of the ninetieth meeting to allow Board members to consult on unresolved matters. The Board approved its workplan for 2018 in the revised form.

Actions to facilitate an increase in proposals from direct access entities in the pipeline

Building on informal consultations during the past days, a draft decision was presented for consideration by the Board. Inter alia, the Secretariat was requested to prepare a report on the analysis of the challenges, barriers, gaps and recommendation to achieve an increase in the amount of direct access proposals in the pipeline, to enhance its capacity to strengthen and actively support direct access accredited entities in the development of concept notes and funding proposals and to actively communicate the support available to direct access entities. Without further discussions, the Board approved the decision.

Consideration of funding proposals

FP046: Renewable Energy Program #1 - Solar, Mongolia (XacBank)

In informal consultations, agreement had been reached on additional conditions to be made for the approval of this proposal. In particular, the entire amount of GCF funding is to be made available as a senior loan for the financing of the solar power plant (i.e. there are no more grants for technical assistance) and the entity is to produce a report to ensure that no private sector renewable energy projects are being crowded out because of this project. With these conditions, the Board approved the proposal.

FP048: Low-Emissions and Climate Resilient Risk Sharing Facility for MSMEs, Guatemala and Mexico (IDB)

When the proposal was first considered on the first day of the meeting, some Board members raised concerns regarding the reference to "climate-smart agriculture" in the title of the project. The entity had thus renamed the proposal, making reference to "low emissions and climate resilient agriculture" instead. Without further discussions, the Board decided to approve the funding proposal.

FP052: Sustainable and Climate Resilient Connectivity for Nauru (ADB)

Several Board Members spoke to support this project, but also pointing to the many policy gaps that made a decision on this proposal difficult, in relation to incremental cost calculation, concessionality and co-financing. Several members

said they would be willing to approve this project on an exceptional basis, if the policy gaps will be addressed as a matter of urgency at the following meetings. The Board approved the project.

FP055: Poverty, Reforestation, Energy and Climate Change (PROEZA Project), Paraguay (FAO)

Discussions on this funding proposal resumed after informal consultations had been undertaken over the last day. One Board member expressed that he was still unable to approve the project. Despite statements from other members who advocated for the approval of the proposal, arguing that it has a strong potential to realize the Fund's objectives in the benefiting communities, no consensus was reached. The Co-Chair noted that therefore, the proposal was not approved and that the accredited entity and recipient country could come back to the Board with a revised proposal at a future meeting. A Board member noted that the proponent could also approach the Redress Mechanism about this.

FP058: Responding to the increasing risk of drought: building gender-responsive resilience of the most vulnerable communities, Argentina (UCAR)

The Board considered this proposal again. One of the Board members stated that he could not agree to this funding proposal. Several Board members spoke in support of this project and highlighted that it was part of the pilot programme on modalities to enhance direct access and could provide valuable lessons. They said that the proposal fulfilled all of the criteria within the GCF's framework for decision making and that considerations outside of that framework should not influence the decision. However, no consensus was reached, hence the project was not approved.

Risk Management Framework

A new draft decision was presented to the Board for consideration. The Co-chairs requested the Board to reflect on the revised text with the aim of taking a decision on the matter. Ultimately, consensus could not be reached and the decision was deferred to the following meeting of the Board.

Dates and venues of the meetings of the Board in 2018

Before closing the meeting, the Board decided to hold the next meeting in Songdo, Republic of Korea from 27 February to 1 March 2018. Dates for the remaining meetings in 2018 will be confirmed in a decision between meetings.

Election of Co-Chairs

The term of the Co-Chairs from Saudi-Arabia and Australia ends at the end of the 2017. The Board has to elect the Co-Chairs from amongst its members. Both the developed and the developing countries' constituency intend to nominate someone who is not yet member of the Board, but will be from January 1st. Thus, the election of Co-Chairs had to be postponed and will be done in a decision between meetings in January. The outgoing Co-Chairs and their teams stressed that they are committed to ensuring a smooth hand-over.

Close of the meeting

The meeting closed at 6:20 p.m., having considered all items on its agenda, except the work programmes and budgets of the independent units for 2018, which will need to be addressed between meetings or at the following meeting.

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