



## Happy New Year from the Climate Finance Advisory Service

On behalf of everyone in the CFAS consortium, we would like to wish you a very happy new year 2019. As you know, the funding situation of CFAS has been difficult in the past few months and we have not been able to provide the full level of service. However, thanks to support received from the Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ), we have been able to produce briefing documents for COP24 - one providing an overview on all finance-related issues that were on the agenda, and one providing more detailed analysis on predictability of climate finance under the Paris Agreement (Article 9.5) - and cover the Green Climate Fund's 21st Board meeting in October. After the short summary of the GCF meeting, which we shared with you at the conclusion of that meeting, we have now also finalized the detailed summary, which you can find below. All meeting summaries and briefing documents are also available on our website [www.cfas.info](http://www.cfas.info).

We look forward to continuing to work with you and support developing country representatives in international climate finance processes in 2019. We are in the process of finalizing a new agreement with a donor that will allow CFAS to resume the services that you have come to expect, including regular and timely reporting from key climate finance meetings and support for the representatives of the most vulnerable developing countries. If you have any suggestion how we can improve our service or would like to request support as we plan this new phase, please do not hesitate to contact us via [cfas@germanwatch.org](mailto:cfas@germanwatch.org).

We wish you all the best for 2019 and many successes in our joint fight for combating the global climate crisis and ensuring adequate climate finance!

The CFAS Team

### Summary Briefing 21st Meeting of the Board of the Green Climate Fund 17-20 October 2018

From 17th-20th October 2018, the Board of the Green Climate Fund (GCF) convened for its 21st meeting in Manama, Kingdom of Bahrain. With a heavy agenda, the Board looked to address important issues, such as a process to organize the Fund's first formal replenishment, the closing of remaining policy gaps, e.g. on decision making in the absence of consensus and on full cost and incremental cost financing, concessionality and co-financing; the adoption of a Gender Equality and Social Inclusion policy; the review of the accreditation framework; as well as the consideration of 20 funding proposals (requesting USD 1.2 billion of GCF funding) and 16 applications for accreditation as implementing entity.

Below is a summary of discussions on the most important agenda items.

### Board decisions proposed between the 20th and 21st meetings of the Board

Between B.20 and B.21, the Inter-American Development Bank as the accredited entity for the previously approved funding proposals FP020 (Sustainable Energy Facility for the Eastern Caribbean) and FP030 (Catalyzing private investment in sustainable energy in Argentina) requested a deadline extension in order fulfill the conditions set by the Board for these proposals. The Secretariat reported that one Board member objected to these extensions that had been proposed as in-between-meeting decisions and therefore the Funding Proposals had lapsed. Most Board members expressed the view that when there is an objection in-between meetings, the matter should be

discussed and decided at the following Board meeting. Some Board members also expressed concern over the lack of a policy on cancellation and restructuring, which would better define how to deal with such issues. The Board member having raised the objection clarified that he did not intend to object to FP020 but only to FP30. The Board agreed that given that there was no objection, the deadline extension could be granted for FP020. However, given that an objection had been made for FP030, there was no consensus on the extension on the deadline and the approval of that funding proposal has therefore expired.

### **Guidelines on decisions without a Board meeting**

A document on guidelines on decisions without a Board meeting, including on funding proposals, was presented to the Board for consideration. It proposed (i) guidelines to determine in which cases decisions without a Board meeting may be requested, (ii) guidance with respect to the implementation of paragraph 43 of the Rules of Procedure and (iii) a proposal to increase transparency of decisions proposed for approval between meetings. Several Board members supported the proposed decision. However, many also had suggestions to further improve the document. Some were of the opinion that decisions with large financial implications should not be taken in between the meetings. Most members were of the opinion that at least funding proposals submitted under the simplified approval process could be approved between meetings though. Many also spoke in favour of allowing input by active observers for decisions in between meetings. The Co-Chairs suggested to make further revisions to the document and propose a revised decision. However, due to time constraints, the Board did not take up the issue again before the end of the meeting.

### **Decision making in the absence of consensus**

The Co-Chairs introduced their proposal regarding decision-making in the absence of consensus, following from the mandate in paragraph 14 of the Governing Instrument stating that “the Board will develop procedures for adopting decisions in the event that all efforts at reaching consensus have been exhausted”. The proposal was to use, once the Co-Chairs have determined that all efforts at reaching consensus have been exhausted, a voting procedure where two-thirds of each developed and developing country Board members have to agree to a decision for it to be adopted. In the past, the Board has made several attempts to agree on a decision-making procedure for such cases, but found no agreement so far.

Most Board members said that it was an important issue to be addressed by the Board. However, one Board members said that no compelling argument had been presented on why the Board needed to agree to voting mechanism suggested. He pointed out that on three occasions - to agree on the host country and select two Executive Directors - the Board had already used majority voting to agree on one option, which was then confirmed by consensus. Board members made comments stressing the need to ensure voting was only used as a last resort and consensus remained the normal mode of decision making. Many suggested that there must be a clear rules for the process and that it has to be based on “one member-one vote”, avoiding weighted voting link to contributions. Some Board members suggested to narrow down the scope of the type of decisions to which voting could apply.

There was broad agreement that a decision on this matter was needed and many Board members expressed their willingness to demonstrate flexibility in order to enable a decision. The Co-Chairs tasked a small group to consult on the proposed decision incorporating suggestions made by the Board members. However, the group could not reach an agreement on a draft decision to be presented to the Board for its consideration before the end of the meeting. The issue will be taken up again at the following meeting.

### **Selection of the Executive Director of the independent Secretariat**

Following the resignation of Mr. Howard Bamsey as the Executive Director (ED) at the end of the previous Board meeting, the Board needed to agree on a selection process. The Board appointed Mr. Javier Manzanares as Executive Director ad interim and established an ad-hoc selection committee. After some revisions, Board members adopted the terms of reference and the selection process. The aim is for the Board to appoint the new ED among the top three candidates at its twenty-second meeting.

## **Matters related to the selection of the Trustee**

An ad-hoc committee that had been tasked with preparing the selection of a permanent trustee reported on its progress. A call for applications had been posted, but no expression of interest was received, even from multilateral development banks which were directly approached. It was noted that the World Bank (International Bank for Reconstruction and Development, IBRD) expressed willingness to continue providing trustee services to the GCF on an interim basis for a four year period. The Board thus appointed the IBRD as the Trustee of the GCF.

## **Status of GCF resources and portfolio performance**

A representative of the World Bank, serving as interim trustee of the GCF Trust Fund, presented the status of the Initial Resource Mobilization period. Contributions received as of September 30th 2018 amount to USD 6.67 billion. It was also reported that the amount of cash transfers to accredited entities for projects has doubled in the last year, now amounting to USD 381.6 million. The Board then considered the GCF pipeline. The Secretariat highlighted that the current pipeline comprises 103 funding proposals, requesting a total amount of USD 6.3 billion, distributed rather equally among the regions in which the GCF is active. 67 funding proposals have been submitted under the pilot programmes through requests for proposals (RfPs), requesting the total amount of USD 3.6 billion. The Board welcomed the report. Board members raised questions regarding the regional balance of the responses to the RfPs for REDD+ activities, grant equivalent vs. nominal cost calculation and the number of requests to the Project Preparation Facility from direct access entities, which were perceived as rather low. The Board also took note of a report by the Secretariat on the GCF portfolio of approved projects. To date, the Board has approved 73 funding proposals totalling USD 3.5 billion of GCF funding, leveraging co-financing to the amount of USD 8.4 billion. The number of projects under implementation has grown in the last three years, reaching 39 as of B.21. It is projected that 43 projects will be under implementation by the end of 2018.

The Executive Director ad interim presented options for the financial planning of the commitment authority of the GCF for the remainder of the IRM period, in light of resources running low in the GCF Trust Fund. It was highlighted that the remaining commitment authority of the GCF was USD 3 billion, with USD 0.5 billion needed for operations of the Fund, including administrative costs, the Readiness and Preparatory Support Programme and hedging against foreign exchange risks. Taking into account the USD 1.2 billion requested by the 20 funding proposals at this Board meeting, the remaining amount for funding proposals for following meetings would be around USD 1.3 billion. The Board welcomed the report, highlighting issues regarding prioritization and setting aside funds for certain types of funding proposals. Several rounds of informal consultations were undertaken in order to revise the proposed draft decision and accommodate views expressed by Board members. Ultimately, the Board decided to allocate up to USD 600 million to fund project submitted in response to RfPs and pilot programmes, including REDD+ Results Based Payments; Mobilising Funds at Scale; Micro-, Small and Medium-sized Enterprises; and Enhanced Direct Access, as well as the Simplified Approval Process. The remaining commitment authority will be allocated for other funding proposals.

## **Consideration of funding proposals**

The Board considered 20 funding proposals worth USD 1,148.4 million. Nineteen Funding Proposal were approved, some with additional conditions agreed by the Board and one was not approved. Before considering the funding proposals individually, Board members made overarching comments. They highlighted that the quality of funding proposals was improving over time but called for continued efforts in this direction. Some members called for more attention to balanced regional allocation and a balance between mitigation and adaptation. Some Board members also argued for prioritization of direct access proposals and proposals under the simplified approval process for small and medium-size projects. Many Board members suggested that remaining policy gaps must be closed in order to have a clearer basis for decisions. It was highlighted that timely disclosure of environment and social plans and information was critical for funding proposals especially with high risk category projects.

After the overarching comments, the Board deliberated on individual funding

proposals. The Board swiftly approved 15 funding proposals with few discussions. However, five proposals were discussed at length. Some Board members sought clarity on individual aspects while others suggested to attach certain conditions before approval. The Board reconsidered these five funding proposals after extensive consultation and approved three of them with additional conditions, mainly related to information disclosure and in order to improve their social and environmental plans.

There were controversial discussion on Proposal SAP003 under the simplified approval process for Bahrain. As a result, the total funding from GCF resources was reduced from USD 9.8 million to USD 2.16 million and activities reduced to only one of the components of the original proposal. the Board could not find consensus to approve FP082 (China), due to the objection of one Board member. Several other Board members supported the project and expressed their hope that will be brought back in a following Board meeting. The list below contains the funding proposals approved at this Board meeting.

- FP 083, Indonesia Geothermal Resource Risk Mitigation Project, World Bank, Indonesia, \$100.0 million in GCF funding
- FP 084, Enhancing climate resilience of India's coastal communities, UNDP, India, \$43.4 million in GCF funding
- FP 085, Green BRT Karachi, ADB, Pakistan, \$49.0 million in GCF funding
- FP 086, Green Cities Facility, EBRD, Albania, Armenia, Georgia, Jordan, Moldova, Mongolia, Serbia, The Former Yugoslav Republic of Macedonia, Tunisia, \$101.4 million in GCF funding
- FP 087, Building livelihood resilience to climate change in the upper basins of Guatemala's highlands, IUCN, Guatemala, \$22.0 million in GCF funding
- FP 089, Upscaling climate resilience measures in the dry corridor agroecosystems of El Salvador (RECLIMA), FAO, El Salvador, \$35.8 million in GCF funding
- FP 090, Tonga Renewable Energy Project under the Pacific Islands Renewable Energy Investment Program, ADB, Tonga, \$29.9 million in GCF funding
- FP 091, South Tarawa Water Supply Project, ADB, Kiribati, \$28.6 million in GCF funding
- FP 092, Programme for integrated development and adaptation to climate change in the Niger Basin (PIDACC/NB), AfDB, Benin, Burkina Faso, Cameroon, Chad, Cote d'Ivoire, Guinea, Mali, Niger (the), Nigeria, \$67.8 million in GCF funding
- FP 093, Yeleen Rural Electrification Project in Burkina Faso, AfDB, Burkina Faso, \$28.3 million in GCF funding
- FP 094, Ensuring climate resilient water supplies in the Comoros Islands, UNDP, Comoros, \$41.9 million in GCF funding
- FP 095, Transforming Financial Systems for Climate, AFD, Benin, Burkina Faso, Cameroon, Cote d'Ivoire, Ecuador, Egypt, Kenya, Madagascar, Mauritius, Morocco, Namibia, Nigeria, Senegal, South Africa, Tanzania, Togo, Uganda, \$279.7 million in GCF funding
- FP 096, DRC Green MiniGrid Program, AfDB, Democratic Republic of the Congo, \$21.0 million in GCF funding
- FP 097, Productive Investment Initiative for Adaptation to Climate Change (CAMBio II), CABEL, Costa Rica, Dominican Republic (the), El Salvador, Guatemala, Honduras, Nicaragua, Panama, \$15.5 million in GCF funding
- FP 098, DBSA Climate Finance Facility, DBSA, Eswatini, Lesotho, Namibia, South Africa, \$55.6 million in GCF funding
- FP 099, Climate Investor One, FMO, Burundi, Cameroon, Djibouti, Indonesia, Kenya, Madagascar, Malawi, Mongolia, Morocco, Nigeria, Uganda, \$100.0 million in GCF funding
- SAP 002, Climate services and diversification of climate sensitive livelihoods to empower food insecure and vulnerable communities in the Kyrgyz Republic, WFP, Kyrgyzstan. \$8.6 million in GCF funding
- SAP 003, Enhancing climate resilience of the water sector in Bahrain, UNEP, Bahrain, \$2.16 million in GCF funding
- SAP 004, Energy Efficient Consumption Loan Programme, XacBank, Mongolia, \$10.0 million in GCF funding

## Consideration of accreditation proposals

The Secretariat reported that as of September 30th 2018, that there are a total of 225 entities seeking accreditation to the GCF. 59 entities are already accredited, out of which 48 have had their legal agreements signed. The Secretariat also reported on-ongoing efforts to increase the number of direct access entities.

A civil society representative shared concerns on the Board's approach to consider all accreditation proposals as a package, rather than considering them individually. The Board then approved the 16 accreditation proposals, including nine direct access and seven international access entities, as listed below:

- APL061, Caixa Econômica Federal (CEF), Brazil, Direct Access
- APL062, Fondo para la Acción Ambiental y la Niñez (Fondo Acción), Colombia, Direct Access
- APL063, IDFC Bank Limited (IDFC Bank), India, Direct Access
- APL064, Ministry of Finance and Economic Management (MFEM), Cook Islands, Direct Access
- APL065, National Rural Support Programme (NRSP), Pakistan, Direct Access#
- APL066, Nordic Environment Finance Corporation (NEFCO), Finland, International Access
- APL067, Pegasus Capital Advisors (PCA), United States of America, International Access
- APL068, Austrian Development Agency (ADA), Austria, International Access
- APL068, Compañía Española de Financiación del Desarrollo S.A. S.M.E. (COFIDES), Spain, International Access
- APL070, Financiera De Desarrollo Territorial S.A. (Findeter), Colombia, Direct Access
- APL071, Fundo Brasileiro para a Biodiversidade (Funbio), Brazil, Direct Access
- APL072, LandBank of the Philippines (LandBank), Philippines, Direct Access
- APL073, Protected Areas Conservation Trust (PACT), Belize, Direct Access
- APL074, BNP Paribas S.A. (BNP Paribas), France, International Access
- APL075, Consortium of International Agricultural Research Centres (CGIAR), France, International Access
- APL076, Inter-American Investment Corporation (IDB Invest, formerly IIC), United States of America, International Access

### **Performance review of the GCF for the initial resource mobilization period**

The Head of the Independent Evaluation Unit presented the background document outlining the intended performance review of the GCF for the initial resource mobilization (IRM) period. This review is intended to be a "learning review", used to inform future directions of the fund in a forward-looking way, based on an assessment of results, effectiveness and efficiency, while recognizing that the Fund is at an early stage. Board members highlighted several areas that should be better reflected in the terms of reference and two Board members were tasked to undertake informal consultations and develop a revised decision text. Several amendments were made, such as adding a reference to the Governing Instrument and requesting the performance review to take into account already existing review documents of the GCF. Furthermore, they added language to ensure that the consideration of the performance review will be shared with the replenishment process as a useful input. Disagreement arose on the proposed allocated budget of USD 830,000. After further consultations, the Board decided to allocate a reduced budget of USD 500,000 to the IEU for the performance review and approved the review.

### **Arrangements for the first formal replenishment of the GCF**

The Executive Director ad interim presented the background document and the draft decision prepared by the Secretariat. The Co-Chairs informed the Board that the developing countries constituency had produced a second document containing an alternative draft decision. They tasked a group of Board members produce a decision proposal that would constitute a balanced consensus document. After two days of work, the group presented the results of its deliberations to the Board and sought guidance from the Board on a few remaining questions, including the role of the Board in the replenishment process, the timeline of the replenishment process, the replenishment cycle, the character of the documentation to be prepared by the Secretariat, and to which extent the strategic programming documents should be guided by an assessment of needs of developing countries.

Regarding the period of the first replenishment, some Board members

preferred 2019-2022 whereas others favored 2020-2023 as a more realistic time-frame. Regarding the timeline for the replenishment process, some developing countries Board members favored having a clear deadline October 2019 for the conclusion of the process, whereas some developed countries Board members favored an aspirational deadline. Regarding the character of the documents to be produced by the Secretariat to support the first replenishment process, a Board member had concerns regarding the legal nature of such documents. The General Counsel clarified that there is no legal obligation arising from the negotiating sessions until the pledges are made and the contribution agreements are signed. Regarding the role of the Board in the replenishment process, several members from developed countries saw the role of the Board to “provide strategic guidance” to the replenishment process. Several developing countries Board members stressed the need for the Board to “actively engage” in the replenishment process, including in guiding the preparation of documents for the replenishment process.

After further consultation, the Board found consensus on these open questions and adopted a decision launching the first formal replenishment. The final decision provides that the Board will aim to conclude the process in October 2019 and decide on the length of the replenishment period in 2019. The Board requested the Secretariat to prepare three documents including a comprehensive report on the implementation of the initial strategic plan (2015-2018), a document outlining areas in the policies for contributions to be updated and a strategic programming document outlining scenarios for the replenishment guided by mitigation and adaptation scenarios and guided by the needs of developing countries based in their nationally determined contributions (NDC). Three developed country and five developing country Board members will represent the Board and the Fund in the replenishment process, “actively engage” and report to the Board on the outcomes.

## **Other matters**

The Board decided to hold its 22nd meeting in Songdo, Republic of Korea from 26-28 February 2019. Dates for further meetings were discussed, but not yet decided. Some Board members expressed their preference of holding all meetings of the GCF at its headquarters in Songdo, Republic of Korea, while others highlighted the benefit of hosting meetings outside of Korea.

Mr. Nagmeldin Goutbi Elhassan (Sudan) was elected as the Co-Chair from developing countries for 2019. A Co-Chair from developed countries has not been elected so far.

---