



Daily Briefing
19th Green Climate Fund Board Meeting
27 February 2018

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 27 February 2018

On Tuesday, 27 February 2018, the Board of the Green Climate Fund (GCF) resumed its 19th meeting. During the course of the day, the Board considered some long outstanding policies for the GCF and commenced with the consideration of 23 funding proposals.

GCF Indigenous Peoples Policy

The GCF's Indigenous Peoples Policy aims to assist the Fund in incorporating considerations related to indigenous peoples into its decision-making while working towards the goals of climate change mitigation and adaptation. It allows the GCF to examine, control, eliminate and reduce the adverse impacts of its activities on indigenous peoples in a consistent way, improve outcomes over time, and promote indigenous peoples' access to the benefits of its activities. After a long process of public consultation with contributions from a wide range of stakeholders, including indigenous peoples' organizations and groups, the policy was submitted to the attention of Board members for consideration. Without any objection or comment, the Board adopted the policy, which will be utilized across GCF activities and integrated within other policies and frameworks of GCF and within approved projects.

Gender and Social Inclusion Policy

In order to more effectively address gender equality, intersectionality and social inclusion, the Governing Instrument of the GCF stipulates that the Fund will adopt a gender-sensitive approach, to achieve more equitable and sustainable climate change results. To operationalize this, a Gender Equality and Social Inclusion (GESI) Policy and Action Plan was developed through various rounds of public inputs and stakeholder consultations. The GESI policy is guided by four key principles: a) human rights approach; b) country ownership; c) stakeholder engagement; and d) disclosure of information, and sets out policy requirements and responsibilities for the Secretariat, accredited entities, national designated authorities/focal points, executing entities, delivery partners and project implementers across all stages of the project life cycle. A corresponding action

plan provides a framework for the period 2018-2020 within which to operationalize the GESI Policy.

Some Board members noted that they support the proposed policy as a compromise although they would have preferred a stronger one, but would have specific issues to raise in the not preferred case that detailed discussions would take place to change the draft. One Board member highlighted the responsibility of the Board to have more ambition on gender equality in Secretariat and Board operations and interactions, and to make sure there is never any unequal treatment or harassment.

Responding to the questions of a Board Member, the Secretariat explained that the definitions used for gender reflect the international use of the term, and that project level disaggregated data are not envisaged to generate information on the sexual orientation of beneficiaries. One Board member expressed his ability to only support the policy upon a change in the decision text language. It was agreed to defer this issue in order to identify agreeable language for the decision text, with a view of adopting the policy at a later stage during the meeting.

Environmental and Social Policy

At its seventh meeting, the Board requested the Secretariat to develop an environmental and social management system (ESMS) that allows the GCF to identify, analyse, avoid, minimize, and mitigate any potential adverse environmental and social impacts of its activities, to maximize environmental and social benefits, and to improve the environmental and social performance of GCF and its activities consistently over time. The Board was invited to consider the draft Environmental and Social Policy (ESP), which has been developed through two rounds of public consultations, collecting inputs from various stakeholders.

Commenting on the draft, one Board Member pointed out that the language in the document was not consistent and less concrete compared to other related documents, which would result in a weaker policy. It was added that the ESP could be more detailed, to ensure due diligence, and that Accredited Entities (AEs) should provide more information about projects and programmes that include sub-projects. Some Members raised concerns that the policy does not include accountability on direct and indirect environmental impacts of the GCF activities, for instance on how organizing staff travels and holding GCF meetings affect the climate. While some suggested assessing environmental and social activities using more cumulative impacts, others proposed exploring verification measures to provide relevant data and information on that assessment, hence including them in the GCF's management scheme to demonstrate how the Fund considers them in its operationalization. Ensuring the capacity of the GCF Secretariat and implementing partners to implement the policy was another key proposal.

Some members urged the Board to adopt the policy at the current meeting without further delays. This was reinforced by civil society, who argued that the ESP would help addressing many similar issues in the newly adopted indigenous people policy, such as human rights and stakeholder consultations. Despite these arguments, and given the concerns raised, the Board decided to defer the item and to constitute a consultation group for further discussion.

Risk Management Framework

At its seventeenth meeting, the Board adopted the first set of components of the GCF's Risk Management Framework (RMF) and requested the Secretariat to continue with the development of the RMF and its remaining components in consultation with the Risk Management Committee (RMC). Accordingly, the Secretariat elaborated the remaining components of the RMF, including three policies (Investment Risk, Non-Financial Risk and Funding Risk), and provided an update on the risk dashboard. The Investment Risk Policy adheres to GCF's high risk appetite for projects and provides guidance to increase the likelihood of delivering expected impact. The Non-Financial Risk Policy deals with managing general operational, IT, staffing and reputational risk, whereas the Funding Risk Policy consists of managing liquidity, contribution uncertainty, foreign exchange risk, funds held in Trust and solvency risks. The update on the risk dashboard includes a revised reporting on concentration risks.

One Board Member highlighted that he was not in a position to adopt the document as the proposed RMF was more concerned on protecting the resources of the GCF, rather than exhibiting the higher risk appetite the Fund should have. Furthermore, it was stressed that the policies of the RMF need to be in line with other related policies, such as those prepared by the Independent

Integrity Unit (IIU). Regarding the “accredited entity concentration risk”, it was pointed out that not only the number of projects need to be considered, but in particular the corresponding volumes of finance. “Country concentration risk”, as highlighted in the risk dashboard, was also an issue. One Board Member requested the deletion of any reference to the World Bank categorization of low- and middle-income countries.

Without consensus on approving the draft decision, the Co-chairs decided to undertake further consultations, with a view of bringing the item back for the Board’s consideration at a later stage of the meeting.

Work Programme and Budget of the Independent Units

Independent Evaluation Unit (IEU)

The Head of the Independent Evaluation Unit (IEU), Ms. Jyotsna Puri, presented the unit’s 2018 work plan and budget and highlighted the relevance of undertaking an independent evaluation, arguing that it will help mitigate potential risks in the GCF’s management performance and potentially inform the upcoming replenishment process. She introduced key elements in the 2018 work plan, which will help increasing the IEU staff and conduct evaluations, focusing inter alia, on the 2017 Readiness and Preparatory Support Programme, the GCF’s portfolio on adaptation programming, as well as the Fund’s Results Management Framework. These evaluations will allow the IEU to enable learning-oriented real-time impact assessments, while also making provisions in strengthening capacity and building partnerships through awareness activities about standards and guidelines. In 2018, the IEU will also build capacity among staff from Accredited Entities, and undertake an independent evaluation of its own performance.

Many issues were raised by Board members, for instance providing further clarity on how the budget will effectively contribute to the strategic realization of proposed activities in 2018. One Board member questioned whether evaluations should be made without a proper evaluation policy in place. Furthermore, it was stressed that an evaluation of the GCF’s portfolio on adaptation programming lacked the necessary clarity and does not align with the GCF’s Governing Instrument on adaptation related issues.

As Members could not agree on adopting the proposed work plan and budget, further consultations will be undertaken with a view of bringing the item back for consideration at a later stage of the meeting.

Independent Integrity Unit (IIU)

The Head of the Independent Integrity Unit (IIU), Mr. Ibrahim Pam presented the unit’s 2018 work plan and budget. At the outset, Mr. Pam highlighted some of the unit’s achievements in 2017. Inter alia, the unit developed an integrity policy framework, consisting of four policy documents: an Anti-Money Laundering (AML) and Combating the Financing of Terrorism (CFT) Policy; a Whistleblower and Witness Protection Policy; a Prohibited Practices Policy; and a Integrity Due Diligence Policy for Private Sector Operations. These policy drafts have been presented to the Ethics and Audit Committee (EAC) and have been scheduled for the Committee’s review. Furthermore, initial staffing of the IIU has been achieved; an operational working relationship with the GCF Secretariat has been established and the first investigations have been conducted.

For 2018, the unit’s priorities lie in scaling-up investigative capacity through the recruitment of additional staff; operationalizing the elaborated integrity policies; developing comprehensive guidance for integrity matters, as well as hosting the “19th Conference of International Investigators”.

Board members welcomed the presentation by the IIU and raised further questions for clarification. One member highlighted that the relationship between the IIU and the GCF Secretariat should be informed by cooperation rather than competition, while also stressing that the development of specific policies was only effective when also ensuring their implementation. Others sought clarification in regard to what measures have been put in place to warrant the independence of the unit from the GCF Secretariat and the rationale behind the hosting of a conference for investigators. Another Board member raised concerns about the amount of resources used for external consultants.

After some clarifying remarks from the IIU, the Board decided to approve the 2018 work plan and budget.

Independent Redress Mechanism (IRM)

Last but not least, the Head of the Independent Redress Mechanism (IRM), Mr. Lalanath de Silva, presented the IRM’s 2018 work plan and budget. Accordingly, key elements of the work plan comprise the continuing operationalization of the IRM; developing procedures and guidelines; and, as the IRM’s main mandate,

handling complaints and requests for reconsideration of funding decisions. On the further operationalization of the IRM it was highlighted that while the IRM was fully staffed, some external consultants have been hired to support the IRM until August 2018. Furthermore, a communication strategy has been developed and will be implemented for outreach, as well as a programme to strengthen the capacities of redress mechanisms of direct access entities.

Board members welcomed the presentation. One member highlighted that the mandate for the IRM comes directly from the UNFCCC. Therefore, it was suggested to have a representative of the UNFCCC present in the GCF Boardroom as an observer at all times. In addition, one Member sought clarification on how far the IRM could be involved in the process around the elaboration of Funded Activity Agreements (FAA).

After some words of clarification from the IRM, the Board approved the IRM's 2018 work plan and budget.

Consideration of Funding Proposals

For the nineteenth meeting of the Board, a record number of 23 funding proposals have been presented to the Board for its consideration, including the first project submitted under the Simplified Approval Process modality. The 23 proposals request USD 1.09 billion of GCF funding, supporting projects and programmes with a total value of USD 3.4 billion. Before addressing each funding proposal individually, Board members and active observers were given the opportunity to provide some general comments.

Some Board Members noted that besides some outstanding proposals, many do not clearly demonstrate their linkage to climate change. One member stressed the urgency to improve quality of information provided by applicants, and requested clarity about target groups in some proposals, anti-corruption practices and on linkages with the GCF's existing policies and frameworks. A concern was raised on the presence of several proposals from private sector entities targeting the private sector as end beneficiaries. The lack of transformational potential of many projects was criticized, while the wish to have an increased number of proposals under the newly adopted Simplified Approval Process was made.

Funding Proposals:

SAP001: Improving rangeland and ecosystem management practices of smallholder farmers under conditions of climate change; Namibia, Environmental Investment Fund (EIF)

The project, which is the first funding proposal submitted under the Simplified Approval Process modality, addresses the vulnerability of smallholder farmers from prolonged droughts in the Kunene region of Namibia by promoting a range of climate-resilient technologies and practices for enhanced agricultural and livestock production, improving the dissemination of climate risk information among the community (e.g. introduction of an early warning system) and improving local management capacity for adaptation planning.

The Board welcomed and approved the proposal with a total amount of USD 10 million, with a GCF contribution of USD 9.3 million in grants.

FP059: Climate Resilient Water Sector in Grenada (G-CREWS); Grenada, Deutsche Gesellschaft für internationale Zusammenarbeit (GIZ)

The project aims to comprehensively mainstream and implement climate resilience throughout Grenada's national water sector. In order to avoid critical climate-induced water shortages in the future, this project supports Grenada's water sector in both reducing its water demand and improving water availability so that Grenada is able to ensure resilience to climate variability and expected future climate change until 2050. The project will improve water governance, increase the climate-resilience of water users and improve the water supply system.

After a short introduction of the project by the Secretariat, a Board member asked clarifying questions, to which the Secretariat and a representative of the independent Technical Advisory (iTAP) responded. In particular, it was confirmed that the proposed project will not be duplicative with other activities funded by the GCF in Grenada and that the proposed new infrastructure will be disaster-proof.

The Board then approved the proposal with a total amount of EUR 42 million and a GCF contribution of EUR 31.5 million in grants.

FP060: Water Sector Resilience Nexus for Sustainability in Barbados, Caribbean Community Climate Change Centre (CCCCC)

This project aims to increase the resilience of Barbados' water sector. This would be achieved by employing renewable energy technology, creating a Revolving Adaptation Funding Facility (RAFF), decentralising water storage, increasing rainwater harvesting, building technical capacity, helping to shape policies and legislations related to climate change, raising greater awareness about climate variability and change and providing a platform of knowledge and resources to support further climate change adaptation in the Caribbean.

The Board approved the proposal with a total amount of USD 45.2 million and a GCF contribution of USD 27.6 million in grants.

FP061: Integrated physical adaptation and community resilience through an enhanced direct access pilot in the public, private, and civil society sectors of three Eastern Caribbean small island developing states; Antigua and Barbuda, Dominica and Grenada, Department of Environment, Ministry of Health and Environment, Antigua and Barbuda

The objective of this project is to strengthen institutional capacities and increase the resilience of at least 5% of the population in the Eastern Caribbean pilot countries to climate variability and change, of which 50% are women, through adaptation in infrastructure, strengthened buildings, and enhanced ecosystem services.

This is the second Enhanced Direct Access (EDA) proposal since the GCF announced a pilot initiative for EDA in 2016.

Some Board members had reservation on the projects alignment with the conditions proposed by the Secretariat and the ITAP. They sought more time to understand the project before agreeing to a decision. The Co-chair decided to defer the decision, allowing time for Board Members to consult with the Secretariat, ITAP and the AE.

FP062: Poverty, Reforestation, Energy and Climate Change (PROEZA); Paraguay, Food and Agriculture Organization (FAO)

The Poverty, Reforestation, Energy and Climate Change Project (PROEZA) aims to improve the resilience of 17,100 households that are highly vulnerable to the impacts of climate change in 64 municipal districts located in eight departamentos of Eastern Paraguay.

It was recalled that the proposal was previously considered by the Board at its eighteenth meeting but was not approved. While Board members did not comment on the proposal, a civil society observer stressed that the submission of no-objection letters issued by the NDA was a good sign for country-ownership, and that efforts should be made to enhance stakeholder consultations during the implementation stage.

Without further discussions, the Board approved the project with a total amount of USD 90 million, with a GCF contribution of USD 25 million in grants.

FP063: Promoting private sector investments in energy efficiency in the industrial sector in Paraguay; Paraguay, Inter-American Development Bank (IDB)

The proposal aims to increase the access of micro, small and medium-sized enterprises (SMEs) to medium and long-term finance in Paraguay in order to narrow technology gaps and boost productivity and growth. Accessing these investments could reduce energy consumption from non-renewable energy source, and greenhouse emissions, in addition to promoting increased SME productivity gains. Resilience of most vulnerable people and communities will be reduced, hence ensuring health and well-being, food and water security.

Without further discussions, the Board approved the project with a total amount of USD 43 million, with a GCF contribution of USD 20 million in loans and USD 3 million in grants.

FP064: Promoting risk mitigation instruments and finance for renewable energy and energy efficiency investments; Argentina, Inter-American Development Bank (IDB)

The proposal aims at mobilizing concessional finance from the GCF to promote the efficiency in the production and use of energy in Argentina, in order to contribute to the reduction of greenhouse gas (GHG) emissions and the creation of a more conducive financing environment for investing in sustainable energy projects in the long term.

Without further discussions, the Board decided to approve the project with a total amount of USD 164 million, with a GCF contribution of USD 3 million in grants and USD 100 million in loans.

FP065: Financial instruments for Brazil Energy Efficient Cities - FINBRAZEEC; Brazil, World Bank

In order to overcome financing barriers and catalyze a significant shift in the trajectory of energy-related emissions, the Financial Instruments for Brazil Energy Efficient Cities (FinBRAZEEC) project aims to unlock long term private financing for urban energy efficiency projects in Brazil by reducing the credit risk of LED street lighting and industrial efficiency projects and enhancing their technical quality. The project will create an energy efficiency facility hosted at a local public bank and will support raising private financing for the efficient street lighting and off-balance sheet financing for industrial efficiency projects by providing incentives for local Brazilian lenders.

Board Members raised some questions regarding the cost-effectiveness of the project, which were clarified by the ITAP.

Ultimately, the Board decided to approve the funding proposal with a total amount of USD 1.3 billion, with a GCF contribution of USD 186 million in loans and USD 9 million in grants.

FP066: Pacific Resilience Project Phase II; Marshall Islands, World Bank

The project will provide transformational change to Marshall Islands by improving resilience to the increasing risk from sea-level rise and changes in waves and storm surge; strengthening preparedness of its population to disaster events; and providing financial support for climate-related and other disaster responses. In addition, the project will strengthen enabling environments for investments in resilience, through improved planning, effective ecosystem management and prioritization of investments in climate and disaster resilient development.

Board members generally welcomed the project proposal. One Board member sought clarification in regards to the relationship between the previous phase and the subsequent second phase proposed in the the proposal.

Without further discussion, the Board approved the proposal with a total amount of USD 48.6 million, with a GCF contribution of USD 25 million in grants.

FP067: Building climate resilience of vulnerable and food insecure communities through capacity strengthening and livelihood diversification; Tajikistan, World Food Programme (WFP)

The project aims to build climate resilience of vulnerable and food insecure communities through capacity strengthening and livelihood diversification in mountainous regions of Tajikistan.

Without further discussion and comments, the Board approved the project with a total amount of USD 9.97 million, with a GCF contribution of USD 9.27 million in grants.

FP068: Scaling-up Multi-Hazard Early Warning System and the Use of Climate Information; Georgia, United Nations Development Programme (UNDP)

The project is designed to achieve transformative change in climate risk reduction and management in Georgia which is subject to both geological and hydro-meteorological hazards Due to its complex mountainous terrain and climate. By developing a fully-integrated impact-based multi-hazard early warning system (MHEWS), the proposal will introduce a standardised hazard, risk and vulnerability assessment and mapping methods and technologies and provide critical climate risk information to enable the implementation of nationwide risk reduction policies.

On the question from the Board whether the MHEWS integrated in the project can be operated from Georgia, it was clarified that the model proposed can be handled locally, hence allowing internal capacity and ownership by Georgian authorities and enabling an independent and sustainable management.

Without further comments, the Board approved the project with a total amount of USD 70.3 million, with a GCF contribution of USD 27 million in grants.

FP069: Enhancing adaptive capacities of coastal communities, especially women, to cope with climate change induced salinity; Bangladesh, United Nations Development Programme (UNDP)

This project was re-submitted by UNDP to the GCF. The objective of the project is to support the Government of Bangladesh in strengthening the adaptive capacities of coastal communities, especially women, to cope with impacts of climate change-induced salinity on their livelihoods and water security.

Without further discussions, the Board decided to approve the project with a total amount of USD 33 million, with a GCF contribution of USD 25 million in grants.

FP070: Global Clean Cooking Program; Bangladesh, World Bank

The project is aimed at supporting a sustainable market for adoption of

improved cook stoves that will contribute to improved well-being of people living in rural Bangladesh by reducing household air pollution and contribute to reduced GHG emissions.

A couple of Board Members commented on this proposal seeking clarification on the calculation of CO2 from the project and noting the high level of concessionality by the GCF.

Ultimately, the Board decided to approve the project with a total amount of USD 82 million, with a GCF contribution of USD 20 million in grants.

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