

Climate Finance Advisory Service

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Daily Briefing

7th GCF Board Meeting

(18–21 May 2014, Songdo)

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 Secretariat.

Summary from 19 May 2014

On Monday, May 19th 2014, the 7th meeting of the Green Climate Fund (GCF) Board resumed in Songdo, Republic of Korea. After reconvening the meeting, the Co-Chair announced the modalities of work for the day: to start the session, the Board would be allowed to express views and deliberations on the “Investment Framework”, before breaking out into smaller working groups. In the smaller groups Board members would be requested to elaborate on ways to amend and improve the documents that have already been initially discussed in plenary. Afterwards, the groups would undertake a stocktaking session in the afternoon, to update other Board members and observers on the progress made.

Initial Investment Framework

The first agenda item of the day considered the Fund’s initial investment framework, which aims to translate the Fund’s overall objectives into clear guidelines for investment decisions. The chair of the Investment Committee, in charge of elaborating on this agenda item, mentioned that some areas have been identified, where further work was needed to improve the document. Firstly, it was felt that further guidance to the Investment Committee needed to be spelt out in the document as the fund progresses to the operational stage. In addition, he pointed out that further clarifications on the role of the committee were needed. Secondly, it was noted that more clarity was necessary in regard to the application of the criteria and sub-criteria that guide the decision-making on which investments would be approved. In this context, the assignment of different weights to the criteria was proposed as one option. Thirdly, echoing the views brought forward by the majority of Board members on the first day, the lack of consistency with other documents was reiterated. This concerned the relationship between the proposal approval process and the initial investment framework, where a close linkage was necessary in terms of initiating and applying a competitive process among projects and among countries groups, but also the consistency with the results management framework. In the context of the Fund’s risk-appetite, one member reminded the Board that the GCF was supposed to take risks that, e.g. commercial banks are not willing to take, and not be limited to funding revenue-generating and financially sound investments.

As a way forward, further work on this agenda item is scheduled in a small working group, which will address the identified issues.

Stocktaking session

After concluding the initial round of working groups, the afternoon session resumed in plenary with a stocktaking session that provided a brief update for all participants on progress and status of work on the various agenda items.

Results Management Framework

The small group worked to address some of the issues that were voiced in the plenary session on the first day. Contrary to previous statements, after due assessment members found that there was indeed consistency between the current document and the initial results areas and indicators adopted at the 5th Board meeting in Paris, whereas on the logical models views were still divided. On national baselines and reporting, some countries indicated that it would not be convenient to do sector- or country-baselines, while others alluded to the fact that it would already work in the REDD+ context. As a possible solution, the option was suggested to leave it at the discretion of the country.

As a next step, the group will aim to further address the logical model and slim down what is not needed, by reviewing the indicators and working on enhancing the coherence with the investment framework.

Initial Investment Framework

Work in the small group progressed well and a revised document was “very far on substance”. The categorization of countries as part of a competition process was discussed, as well as a weighting and scoring of the criteria. Ultimately, there was no consensus on categorizing countries into different groups. Board members will consider the matter at a later stage. Applying a weighting scheme for the criteria as basis for the selection of proposals was seen as a possibility, although not for the moment. Further, the members of the group spent most of the time editing Table 2 of the document, which lays out the initial criteria for project and programme funding decisions.

Guiding Framework for Accreditation

The group exchanged views on the majority of points that were identified as critical in yesterday’s plenary session, namely: fast-tracking of accreditations; a risk-based tiered approach; readiness; fiduciary standards; as well as monitoring and accountability. On half of the issues, the language of the original document was amended, while on others, e.g. environmental and social safeguards more consultation was needed.

Proposal Approval Process

The group had some good interaction and participation from all stakeholders. The many steps of the approval process laid out in the document were discussed, which divide the overall process into 18 steps from concept to approval, and 10 regulating the ensued implementation. In doing so, it was acknowledged that not all steps would apply to all projects, as some are only grants-specific and some only apply to loans. As a way to improve the common understanding of the processes, flow charts were requested to be integrated in the document. The role of the National Designated Authorities (NDAs) was also an issue, as some work is being done to improving the language on the

role of NDAs in Annex II of the document. Some work still remains on improving the coherence of the document with other documents.

Following the stocktaking session, the meeting continued in plenary to enable initial discussions on the remaining agenda items that had not been discussed before.

Structure of the Fund

The document outlines the overall structure of the Fund and the secretariat, based on the provisions of the Governing Instrument and previous Board decision, as well as decision by the Conference of the Parties to the UNFCCC.

In their views, Board members highlighted the difficulty of taking a decision on this agenda item, as the document makes reference to several other decisions to be taken at the current meeting, and should therefore only be considered after their adoption. As one major point, several Board members highlighted the missing reflection of the Private Sector Facility, which also constitutes an integral part of the overall structure of the Fund. In addition, some Board members identified an inconsistency with the Board decision in Paris in regard to a team of experts that is set for establishment to oversee the development of the guiding framework of the accreditation process. Addressing a query from Board members regarding the composition of staff of the GCF secretariat, the Executive Director (ED) informed the Board that interviews are being held following the Board meeting, and that geographical and gender balance was envisaged with regard to permanent staff. As for future employment of consultants, the ED highlighted the intent to aim for a similar balance from now onwards.

Based on the views and deliberations expressed by Board members, the secretariat was asked to revise the document for further consideration.

Initial modalities for the Fund's mitigation and adaptation windows and its Private Sector Facility

Similar to the discussion on the previous agenda item, Board members pointed to the fact that several agenda items referred to in the document were still in play, therefore rendering a final decision on this matter not well advised. Further, it was stressed that more content on the Private Sector Facility was necessary, going beyond how it will operate to how it will move forward, as well as the importance to consider the report from the Private Sector Advisory Group before being able to take an informed decision.

Redrafted decision on the Financial Risk Management

The secretariat presented a redrafted text that was briefly discussed in plenary. While many Board members requested additional time to reflect on the decision text, a discussion evolved among some Board members whether or not the establishment of separate pots for loans and grants would be more suitable to allow the Fund to exhibit a higher risk-appetite, while avoiding cross-subsidization.

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