



Daily Briefing
19th Green Climate Fund Board Meeting
1 March 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 1 March 2018

On Thursday, 1 March 2018 the Board of the Green Climate Fund (GCF) concluded its 19th meeting, approving the remaining four funding proposals and addressing the remaining items on its long agenda. Some issues were deferred to the next Board meeting, as there was not sufficient time for their consideration.

Options for further guidance on concessionality and incremental cost methodology

Discussions resumed in the morning on options for further guidance on concessionality. Board members shared diverse views on this agenda item. Some Board members were opposed to the categorization of vulnerability among countries. Some also underlined the importance of grants for all incremental costs and of full cost financing, particularly for adaptation. Other Board members stressed the importance of the principle of minimum concessionality, which means a project should receive the minimum support required to make it happen. It was also highlighted that accredited entities need more clarity on the terms and conditions that apply in order to develop funding proposals. It would also be difficult for the Secretariat to ensure quality and for the Board to make funding decisions in the absence of guidance and policy. Many Board members pointed out that the issue of concessionality was related to other open policy questions. Some suggested that at first the methodology on incremental cost should be finalized. The Co-Chairs requested the Secretariat to elaborate a new document outlining a way forward.

Later in the day, the Secretariat presented a draft decision that would task it to develop guidance in an integrated approach for the issues of concessionality, financial terms and conditions, incremental cost, full cost and co-financing. It would also develop a proposal for a capacity building strategy to enable entities, in particular direct access entities, to follow these policies. This proposal would take into account views expressed in the discussion on these items at this meeting as well as written inputs to be provided by end of March. With minor revisions, the Board adopted this procedural decision.

Indicative minimum benchmarks

The Chair of the Investment Committee (IC) introduced a proposal for the further development of indicative minimum benchmarks for projects and programmes, as requested by the Board at its ninth meeting. To conduct their work, best practice quantitative and qualitative indicators of other institutions were identified and tested them in retrospective to projects and programmes already approved by the Board. Instead of “indicative minimum benchmarks” they are now referred to as “investment criteria indicators”, in order to underscore that they should not be used as a binary pass/fail test nor set threshold which must be passed. Instead, they aim to support accredited entities to describe the extent to which a funding proposal delivers against the investment criteria. The proposal includes “investment criteria indicators” for each of the 6 GCF investment criteria and sub-criteria, as well as three options for their implementation.

While Board member welcomed the efforts by the IC, some raised concerns with the proposed indicators. One member was of the view that the suggested quantitative indicators exhibit an oversimplification, not taking into account projects from different sectors. Others felt that the different circumstances of developing countries was not sufficiently reflected in the proposal. One Board member stressed that even with changing the name from “indicators” to “benchmarks” the proposal would still be perceived as setting a threshold that projects needed to pass. Concerns were also raised on some of the suggested qualitative indicators, e.g. the one on “country-ownership”. Here, some members felt that only validating if a proposal was in alignment with a country’s Nationally Determined Contribution was too narrow and failed to recognize other long-term strategies countries might have.

Without consensus in sight, the Board decided to request the Secretariat to further elaborate the proposal, under the guidance of the IC, taking into account the feedback raised by Board members during the meeting, as well as allowing further written comments to be submitted by the end of March 2018. In addition, the Board formally decided to refer to the “indicative minimum benchmarks” as “investment criteria indicators” from now on. A revised proposal will be presented for the consideration of the Board at its twentieth meeting.

Country Programming and Readiness

Revised Readiness and Preparatory Support Programme

The readiness proposals approved, under implementation or completed, help to identify the initial results achieved, as well as results that may be expected in the coming months and over the next couple of years. The Director of the Division of Country Programming, Mr. Pa Ousman Jarju, presented main findings from the initial Secretariat review, on the proposed revised 2018 work programme and the budgetary implications. It requested an additional USD 60 million for further activities, based on an overview of the projected demand. One of the Board members proposed an addition to the decision to take into account the outcomes of the independent review of the readiness programme. The Board approved the document with the amendment.

Terms of reference for the independent evaluation of the Readiness Programme

The Head to the Independent Evaluation Unit, Ms. Jyotsna Puri, presented the changes to the documents as suggested by the Board members. The changes include the timeline stating that the evaluation will be finalized in 4 months and that the consultation with CSOs, Board members and Alternate Board members will be done during the main phase of the evaluation. It is also mentioned that the findings and the recommendations of the initial review (Dalberg Report) will be taken into consideration for the independent evaluation. The Board approved the Terms of Reference after reflecting the changes.

Consolidated country and entity work programmes

Country-led programming is emphasized as a priority in the initial strategic plan for the GCF endorsed by the Board at its twelfth meeting, which requires ensuring responsiveness to developing countries’ needs and priorities. The GCF Secretariat presented an update on the country and entity work programmes.

Private sector matters

Private sector outreach plan

At its twelfth meeting, the Board had agreed on the development of a private sector outreach plan. The Secretariat provided an overview of the recommendations of the Private Sector Advisory Group (PSAG) on this matter. They suggest communicating short and predictable GCF timelines to private sector entities, building private sector outreach upon strategic planning,

addressing specific needs and interests of private sector, and using existing networks and communications channels, among others. Board members welcomed the recommendations. Some members suggested integrating the private sector in the GCF regional structured dialogues. It was also emphasized that reaching out to private sector entities should not only focus on them becoming accredited entities; rather it should enable their effective interactions with implementing partners and authorities. The Board adopted a decision requesting the Secretariat to integrate the recommendations in its strategic road map, in the GCF's relevant policies and communications strategies in order to engage domestic and international private sector actors.

Modalities to support activities enabling private sector involvement in least developed countries (LDCs) and small island developing states (SIDS)

The PSAG provided recommendations on the development of modalities to support private sector involvement in LDCs and SIDS, including providing support for the development of policy, regulatory and financial institutional frameworks, encouraging the GCF to work with partners to aggregate smaller-scale climate projects, supporting best practices within LDCs and SIDS, and ensuring the GCF develops projects involving innovation finance structures, among others. The PSAG's efforts in considering and accommodating specificities of LDCs and SIDS in its recommendations were appreciated by many Board members. One member suggested to put more emphasis on technology transfer in this context. The Board welcomed the PSF's recommendations to help promote the participation of domestic and international private sector actors in LDCs and SIDS, and requested the Secretariat to work with private sector and public sector entities, NDAs and other actors to facilitate their implementation.

Terms of Reference for the review of Committees, Panels and Groups

The Board re-considered the agenda item on Terms of Reference for the review of committees, panels and groups. The small group of Board members formed the previous day presented the changes to the document. As per the Board members suggestions the changes included the scope by broadening it to other committees not mentioned in the document and also the methodology to use the independent consultant to perform the review. It was suggested that the Budget amount of USD 200,000 had also been agreed to perform the review. Several Board members questioned the value for money for this review. One of them suggested that it would mostly be done virtually hence such a high budget would not be necessary. Since there were different opinions among the Board members, the Co-Chairs decided to defer this agenda item.

Matters related to the Trustee

The Board came back and deliberated on this agenda item. After having informal consultation by the Ad-hoc Trustee Selection Committee, the Co-Chairs proposed a revised decision. The Board affirmed that there should not be discontinuity in the service of the Trustee. It also confirms that the selection of permanent trustee will be undertaken through an open, transparent and competitive bidding. The Board invites the World Bank to continue serving as the Interim Trustee and to extend the relevant contract by one year (or the date on which the successor takes up the role of the permanent trustee. The selection process has also been outlined in the document. The ad-hoc Trustee Selection Committee will report to the Board on the implementation of this decision at its twenty-first meeting.

Policies and procedures for the first replenishment

The Secretariat presented a draft decision capturing the discussions by Board members on how to prepare the first replenishment of the GCF. While the decision contained three options on how to take this work forward, the Board eventually agreed on the option to ask the Co-Chairs to oversee the preparations of the necessary policies and procedures with support of the Secretariat and in consultation with Board members, for consideration at the next Board meeting. The Secretariat had also prepared a list of documents that could be prepared, including options for the format, structure and governance of the replenishment process as well as terms of reference for an assessment of the potential of the GCF, for a review of the performance of the GCF and for a policy for contributions from alternative sources. However, this list was not included in the decision; the Co-Chairs will decide with input from the Board which documents will be prepared. The Board approved the decision confirming this way forward.

Consideration of funding proposals

Four project proposals were still outstanding, since Board members had raised questions and concerns. Over the past days, these had been discussed amongst members and with the Secretariat, iTAP and project proponents. This enabled the Board to approve two additional proposals without further conditions: [FP061 \(Integrated Physical Adaptation and Community Resilience through an Enhanced Direct Access Pilot in the Eastern Caribbean, DoE Antigua & Barbuda\)](#) with GCF financing of USD 20 million in grants and [FP071 \(Scaling Up Energy Efficiency for Industrial Enterprises in Vietnam, World Bank\)](#) with a total volume of USD 495 million, of which the GCF will contribute USD 75 million in guarantees and USD 11.3 million in grants.

[FP073 \(Strengthening Climate Resilience of Rural Communities in Northern Rwanda, MoE Rwanda\)](#) was approved with an additional condition requesting the implementing entity to submit a report on the mainstreaming of climate change mitigation and adaptation in the district development plan of the target region. The project has a budget totalling USD 33.1 million and will receive GCF financing of USD 32.8 million in grants.

[FP078 \(Acumen Resilient Agriculture Fund \(ARAF\), Nigeria, Ghana, Uganda, Acumen\)](#) was approved with conditions relating to the requirements for co-investments. An additional condition was also added requiring the ARAF to undertake a gender-assessment for each individual investment, followed up by a gender action plan to be funded from the Technical Assistance Facility of the ARAF and its subsequent implementation. The Board approved the project, with a total volume of USD 56 million and a GCF contribution of USD 23 million in equity finance and USD 3 million in grants.

[Corrections: In the CFAS Daily Briefing of 28 February we had erroneously reported that FP078 had already been approved on that day. In the CFAS Daily Briefing of 27 February we had reported an inaccurate figure for the amount of GCF financing for FP059. The correct amount is EUR 35.3 million in grants]

Dates and venues of the following meetings of the Board

The Board discussed dates and venues of upcoming Board meetings. After a prolonged discussion, the Board decided to hold its twentieth meeting from 1-4 July 2018 in Songdo, Republic of Korea. Furthermore, the Co-Chair informed the Board that the Kingdom of Bahrain had extended the invitation to host the twenty-first meeting of the Board, which was gratefully accepted. Tentative dates for the meeting are 17-20 October 2018. During the deliberations on the dates, one Board member expressed his view that the use of “Doodle” was against the Rules of Procedure of the Board.

Other matters discussed during the meeting

Following initial discussions and further consultations, some agenda items were brought back with a revised decision for the consideration of the Board. In this context, the Board reconsidered and approved the [Environmental and Social Policy](#), as well as the further development of the [Risk Management Framework](#), accommodating the views expressed by Board members. Furthermore, the Board also agreed on the [2018 Work plan and Budget for the Independent Evaluation Unit](#).

Some agenda items were deferred to the next meeting, as the corresponding documents were published too late to allow for adequate time for a comprehensive review of the topics. Therefore, the consideration of [Project and programme eligibility and selection criteria](#), as well as the Analysis of potential investment priority areas where GCF investment would have the most impact was postponed to the next meeting. Last but not least, the [Gender Equality and Social Inclusion Policy](#) was deferred, as no agreement could be found to accommodate the different views expressed by Board members.

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