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## CFAS Summary

### 20th Green Climate Fund Board meeting (1-4 July 2018)

Dear friends of the Climate Finance Advisory Service (CFAS),

As we had explained in our previous message, we have not been able to provide you with daily briefings from the 20th meeting of the Green Climate Fund Board (1-4 July 2018), due to funding constraints. However, some CFAS experts have been present at the meeting for other projects. Given how many questions we were asked on what happened during B.20, we have decided to compile a short overall summary of the meeting, which you will find below.

It has always been our goal to inform stakeholders who cannot attend in person, as well as the wider climate finance community particularly in developing countries about key developments, main points of discussion and decisions taken at important climate finance meetings - in a concise and objective manner.

We hope to secure continued support for CFAS, which is currently without any funding, to be able to resume more rapid and detailed reporting at future meetings of the Green Climate Fund and other climate finance bodies. If you are able to support CFAS or have suggestions, please do not hesitate to let us know.

Best regards,

Your CFAS team

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From 1-4 July 2018, the Board of the Green Climate Fund (GCF) convened for its 20th meeting in Songdo, Republic of Korea. With a heavy agenda, the Board looked to address important issues, such as a process to organize the Fund's first formal replenishment; the closure of remaining policy gaps, e.g. 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 11 funding proposals (requesting USD 988.5 million of GCF funding) and 9 applications for accreditation as implementing entity.

The official start of the meeting was delayed for almost one day, as the developing country Co-Chair, Mr. Paul Oquist, was not able to attend the meeting due to unrest in his home country Nicaragua. According to the Rules of Procedure, this required the developing country constituency to nominate, and the Board to elect, a replacement for Mr. Oquist to assume the functions of Co-Chair for the duration of the meeting. However, due to internal disagreement within the constituency, no replacement was nominated for election. After additional consultations within the developed and developing country constituencies, the Board decided that the developed country Co-Chair, Mr. Lennart Bage, would chair the meeting alone, as a neutral Chair.

The Board then turned to the adoption of the meeting's agenda. Some developing country Board members voiced their discontent that the developing country Co-Chair had not consulted with his constituency for feedback on the draft provisional agenda and requested that amendments be made to accommodate their views. They suggested some additional items, such as "matters related to the selection of the permanent trustee" and "policy guidelines for programmatic approaches". Some developing country Board members also stressed that a certain sequencing of agenda items was very important and that they would not accept an organization of work by the Co-Chair that did not follow the order of items indicated on the agenda. They therefore

made several proposals for reorganization of the agenda.

A lengthy discussion among Board members ensued whether additional items could deliberately be added to the meeting's agenda, also in light of a very restrictive handling of similar situations in the past by previous Co-Chairs. Disagreement also arose regarding the addition of agenda items concerning governance issues. For instance, dissatisfied with the way the preparation within their constituency for the 20th meeting had turned out, some developing country Board members wanted to add a new standing agenda item to prepare for each subsequent Board meeting. Developed country Board members disagreed with this, as they felt it would interfere with the governance of the Fund. After further interruptions of the meeting for prolonged constituency meetings, an agenda was adopted.

Given that almost two days had already been spent on procedural issues, the spirit in the Board was tense when substantive discussions began in the late afternoon of the second day. However, discussions on day three of the meeting continued to focus on rather procedural issues. Some developing country Board members questioned actions the Co-Chairs had undertaken in the intersessional period. For instance, one developing Board member questioned that the Co-Chairs had confirmed the appointment of the Heads of the Independent Units beyond the probationary period. In his view, this was subject to the approval of the entire Board. The Co-Chair explained that prior to making this decision, legal counsel was sought from the GCF Secretariat, which confirmed that the Co-Chairs, elected to represent the Board, were indeed authorized to make such a decision.

The Board addressed financial matters in the afternoon of the third day. At the outset, the Secretariat presented the status of the Initial Resource Mobilization (IRM) process, while the Trustee delivered the GCF Trust Fund financial report. Available resources (commitment authority) of the GCF as of 30 June 2018 amount to about USD 2 billion, with an expected additional USD 790 million to be made available by end of the year 2018. Out of this USD 2.8 billion, around USD 500 million has to be allocated for the administrative budget of the Board, Secretariat, Independent units and Trustee; the Readiness and Preparatory Support Programme; the Project Preparation Facility; a buffer against currency fluctuations and other expenses related to the operations of the Fund. At the current pace of project approvals, the reported numbers imply that the commitment authority of the GCF would likely be exhausted after around two more Board meetings. Taking note of the information received, the Board requested the Secretariat to prepare an analysis of options for the management of the Fund's remaining commitment authority by the next meeting.

The Board then engaged in a heated debate about matters related to the replenishment process. The document prepared by the Secretariat had mentioned that the Board might wish to consider whether "there are any policies or other essential requirements that need to be in place prior to the commencement of a replenishment process" and contained an Annex, which "lists a number of other policies which are currently on the Board's workplan and which may be pertinent to the efficient and effective functioning of GCF during the first replenishment period." Some developing country Board members were strongly opposed to this approach, as they feared it would make the replenishment conditional on certain policies and procedures being in place. Furthermore, they questioned whether a review of the GCF's operations to date should be conducted and by whom. Disagreement also arose as some developed country Board members suggested that the replenishment process should be driven by those who contribute to the GCF, rather than by the GCF Board.

In the discussion on the agenda, some Board members had stressed that items should be addressed in the indicated order. According to the agenda, matters related to replenishment issues were to be addressed before other items and, as the meeting was running out of time towards the end, some developed country Board members made it clear that they were not willing to open any other agenda item until a decision on this issue was taken. The proposal to address other issues, in particular accreditation and the approval of funding proposals, while a compromise on replenishment was being developed, was therefore not accepted. Nonetheless, a compromise text with two separate decisions on the review and the start of the replenishment process was presented, but blocked at the end by one developing country Board member.

Although several attempts were undertaken by the Co-Chair and some developed and developing country Board members to continue discussions, an agreement on neither the issue nor the process forward could be reached, so

the Co-Chair had to conclude the meeting. Before officially closing, Co-Chair Lennart Bage presented a letter from GCF Executive Director Howard Bamsey, in which he announced his resignation as head of the GCF Secretariat for personal reasons.

The next meeting of the GCF Board will be held in Manama, Kingdom of Bahrain from 17-20 October 2018.

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