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Daily Briefing

13th Green Climate Fund Board Meeting

(29 June 2016)

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.

During the meetings, CFAS experts are available to provide advise 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 **new CFAS website** www.cfas.info.

The CFAS Team

Summary from 29 June 2016

On Wednesday, June 29th, the Board of the Green Climate Fund considered and approved many agenda items, among them nine project funding proposals.

Programmatic Approach for Funding Proposals

The co-chairs briefly summarized the main elements of the proposed programmatic approach and recalled the concerns and comments made in the informal meeting on Monday. The Board agreed to postpone a decision on this agenda item to Thursday morning.

Consideration of Funding Proposals

For the second time in its history, the Board of the GCF considered and approved funding proposals. First, the Secretariat presented an overview of nine proposals requesting US\$257 million of GCF funding. Before the Board discussed each proposal one by one, general remarks were considered. While the Independent Technical Advisory Panel (ITAP) stressed that overall the quality of the proposals had increased compared to the 11th Board meeting, several Board members expressed concerns regarding limited paradigm shift potential, innovative elements and financial sustainability as well as an underrepresentation of proposals from national direct access entities and the private sector. Potential avenues to shortcomings were suggested, including a further development of the

Fund's risk profile, Result Management Framework, programmatic approaches and increased staffing of the Secretariat. To support Accredited Entities (AEs), the importance of a functioning project preparation facility was highlighted.

There was agreement that the procedure for communication among Secretariat, ITAP and the AEs should be improved. However, regarding an intensified direct interaction of ITAP and AEs, the ITAP chair highlighted a potential conflict of interest to decline proposals after being involved in the design. Since FP017 was uploaded only a few days before the meeting, many Board members underlined the need to circulate the funding proposals three weeks before consideration as defined in the Funds' disclosure policy.

FP009: Energy Savings Insurance for private energy efficiency investments by Small and Medium-Sized Enterprises, IDB, El Salvador

The objective of this proposed project is to promote investments in energy efficiency measures by small- and medium-sized enterprises (SMEs) in El Salvador. The GCF is requested to provide loans complemented with a grant in order to develop and deploy financial instruments and risk-sharing mechanisms required to support the structuring of private sector investment projects in energy efficiency.

The Board welcomed the proposed project and highlighted the importance of supporting SMEs. The implementing entity was encouraged to include a target for woman engagement.

FP010: De-Risking and Scaling-up Investment in Energy Efficient Building Retrofits, UNDP, Armenia

This project aims at creating a favorable market environment and scalable business model for investments in energy efficiency building retrofits in Armenia. It will directly benefit over 200,000 particularly poor people and catalyze private and public sector investment of approximately US\$ 100 million.

Board members generally welcomed the project given that it targets a sector with high mitigation potential, though some voiced concerns about financial sustainability and the level of concessionality chosen. The need of grants was justified by the low income level of the targeted population.

FP011: Large-scale Ecosystem-based Adaptation in The Gambia: developing a climate-resilient, natural resource-based economy, UNEP, The Gambia

This proposal has the objective to increase climate-resilience of rural Gambian communities and facilitate the development of a sustainable natural resource-based economy by implementing large-scale ecosystem-based adaptation within and adjacent to agricultural areas, community-managed forest reserves and wildlife conservation areas of The Gambia.

Board members generally supported the approval of this project with forestry elements but suggested to add a condition on stringent oversight by the implementing entity as the fiduciary risk were deemed high. There was also suggestion for participatory monitoring and evaluation during project implementation. Some Board members also questioned the high service charge by the implementing agency.

FP012: Africa Hydromet Program – Strengthening Climate Resilience in Sub-Saharan Africa: Mali Country Project, World Bank, Mali

This proposed project aims to strengthen the adaptive capacity and climate resilience of vulnerable communities and the economy of Mali. This will be achieved by developing the capacity of national hydro-meteorological and warning services through open data and information sharing in Sub-Saharan Africa to support adaptation planning for public and private sector users.

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FP013: Improving the resilience of vulnerable coastal communities to climate change related impacts, UNDP, Vietnam

This crosscutting project intends to scale up coastal protection interventions increasing the resilience of vulnerable coastal communities. The project incorporates storm and flood resilient design features in new houses, rehabilitation and plantation of 4,000 hectares of mangroves as well as resources to systematize climate and economic risk assessments for private and public sector application in all 28 coastal provinces of Vietnam.

The Board praised the integrated approach of the project, stressing the up-scaling potential, environmental co-benefits and the strong country-ownership. Some Board members raised concerns regarding gender integration and asked for an exchange of expertise with other organizations such as the GEF. Further the AE fee of 9% was highlighted.

FP014: Project to support the World Bank's Climate Adaptation and Mitigation Program for the Aral Sea Basin, World Bank, Tajikistan and Uzbekistan

This proposed project would scale up the first phase of the World Bank Group supported Climate Adaptation and Mitigation Program for the Aral Sea Basin. The program intends to create an institutional platform that provides access to improved climate change knowledge services for climate change assessment and decision-making and to increase financing and technical assistance for climate investments in priority areas of Central Asian countries. GCF resources will be used for small grants to support climate investments in the most vulnerable communities.

This project triggered an intense discussion in the Board. While some Board members stressed the importance of regional cooperation mechanisms and the suitability of a small grant facility, several others were concerned with the quality of the proposal as it lacked detailed information. They further highlighted an unclear logical framework and unclear sustainability of the project. There were also doubts on the national ownership and theory of change. Further, several Board members raised questions around adequate stakeholder consultations, which had also been highlighted in the ITAP analysis. Some Board members considered the option of deferral, which is currently not foreseen as an official option in the approval process. Finally, the Board approved the project proposal with additional conditions including the concerns raised by the Board members, Secretariat and ITAP.

FP015: Tuvalu Coastal Adaptation Project, UNDP, Tuvalu

This proposal aims to reduce the vulnerability of three islands of Tuvalu to coastal inundation and erosion benefitting around 3500 people which is almost one third of the country's population. It envisages the strengthening of institutions, human resources, awareness and knowledge for resilient coastal management, reduced vulnerability of key coastal infrastructure the establishment of a financing mechanism for long-term adaptation efforts.

The Board highlighted that the project addresses the needs of a highly vulnerable country. It was underscored that the project includes strong national ownership and focuses on capacity building and strengthening of national institutions. One concern regarding improved disaster risk management has been included in a condition to the approval.

FP016: Strengthening the resilience of smallholder farmers in the Dry Zone to climate variability and extreme events through an integrated approach to water management, UNDP, Sri Lanka

The objective of this proposed medium-size project is to support the government of Sri Lanka to increase resilience and enhance the lives and livelihoods of smallholder farmers, particularly women, through an integrated approach to water management to safeguard food security, health, and well-being against climate change risks and impacts.

The Board generally welcomed the proposal, stressing its local ownership and the aim to address seriously affected areas. One Board member highlighted that concerns regarding long term sustainability could be resolved due to the inclusion of financial contributions by farmers. It was mentioned that more than 20 local stakeholder organizations signed a mail emphasizing their support of the project.

FP017: Climate Action Solar Energy Development Programme in the Tarapacá Region, CAF, Chile

This proposal, the only private sector proposal of the nine, aims to finance a 143 MW solar photovoltaic plant in the Atacama Desert developed by Sonnedix Company.

This mitigation project, labelled as cross-cutting, led to an intense debate in the Board. Many Board members stressed that the project is business as usual and does not promote the paradigm shift that is the mission of the GCF. Several concerns were raised regarding the financial mechanism, the repayment structures, the additional impact besides greenhouse gas emission reductions and a lack of knowledge sharing. Finally, the Board agreed to approve the project, highlighting that such project designs can be financed by other actors, such as Development Banks, in future and stressing that conditions regarding grid access, restrictions to the use of carbon credits and basic knowledge sharing elements have to be fulfilled.

The Board approved all nine proposals, with conditions.

Matters Related to Guidance from the Conference of the Parties

A representative of the Adaptation Committee under the UNFCCC gave a presentation to the Board on adaptation under the UNFCCC and opportunities for the GCF to support adaptation planning. Due to time constraints there was no discussion on the presentation and the co-chair suggested that the draft decision on Adaptation Planning would be revised and presented the next morning.

The Board considered a revised draft decision on the GCF and the Paris Agreement. The Board adopted the proposal, deciding inter alia to consider how to support actions related to the implementation of the Paris Agreement in its future work plans, taking into account the business model of the GCF, its strategic impact areas and guidance from the COP and the CMA.

The Board then considered a document providing an overview of present and possible future collaboration opportunities between the GCF and relevant UNFCCC thematic and external bodies at the Board and the Secretariat levels. The Board decided to hold an annual meeting between the GCF and UNFCCC thematic bodies in conjunction with the COP. Furthermore, the Secretariat was requested to strengthen its current approach to engaging with thematic bodies.

The Board then considered the approach of the GCF for ensuring complementarity and coherence with other funds and adopted the decision, inter alia establishing an annual forum.

Strategy on Accreditation

Before concluding the day in an Executive Session, the Board discussed the accreditation strategy. Generally, Board members welcomed the efforts by the Accreditation Committee in preparing the draft. Many Board members highlighted the need to increase efforts to support direct access and shift the focus and priority to the accreditation of national entities. Some Board members acknowledged the need to rethink the "first-come, first-serve" approach currently employed within the accreditation framework, for instance by putting more emphasis on the value added an accredited entity could bring to the GCF. There was no consensus whether or not the Board should define an explicit "ineligibility list". In particular, the question whether or not Export Credit Agencies should be eligible for accreditation was discussed. Taking the views expressed by Board members into account, the

Accreditation Committee will revise the current Accreditation Strategy and present an updated draft for the consideration of the Board at the next meeting.

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