

# Climate Finance Advisory Service



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## Daily Briefing

### 13th Green Climate Fund Board Meeting (30 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 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](mailto:cfas@germanwatch.org).

Previous daily briefings and other CFAS analyses are available on the new CFAS website [www.cfas.info](http://www.cfas.info).

The CFAS Team

## Summary from 30 June 2016

On Thursday, 30 June 2016, the Board of the Green Climate Fund (GCF) reconvened for the third and final day of its 13th meeting. In his opening remarks for the day, the Co-Chair made a plea to fellow Board Members to focus on adopting the remaining decisions. The Board completed all agenda items, adopting many decisions and deferring some to its next meeting and closed the meeting around 8:00 pm.

At the beginning of the day, the Board thanked the Executive Director (ED) of the GCF, Ms. Hela Cheikhrouhou, for her hard work and her dedication in serving the fund over the last three years. When her term comes to an end on September 9th, 2016, the fund's current Chief Financial Officer and Director of Support Services, Mr. Javier Manzanares, will serve as the ED on an interim basis until a new candidate has been recruited. The ED Selection Committee (composed of the GCF Co-Chairs and Board members from the UK, USA, Saudi Arabia, Cuba, Germany and Egypt) will aim to provide a list of candidates at the next Board meeting.

## Revision of the Risk Register and Interim Risk and Investment Guidelines

The Co-chairs presented a revised document prepared by the Risk Management Committee (RMC) for adoption, as requested by the Board following its prolonged discussion at its 12th meeting. The Chair

of the RMC outlined elements of the document, highlighting that the risk register had been revisited and that the probability, impact and resulting priorities of potential risks for the GCF had been reviewed. Without further discussion, the Board approved the document.

Furthermore, the Chair of the RMC presented a revised proposal for the Interim Risk and Investment Guidelines for approval by the Board. This document would serve on an interim basis, until the new GCF Risk Manager was recruited, who would be requested to develop full risk and investment guidelines for consideration by the Board at its 16th meeting. The Board approved the interim guidelines.

### **Status of Staffing of the Secretariat**

A revised document was presented to the Board. Members welcomed the draft and made minor recommendations for improvement. Some Members highlighted that their countries have strict guidelines regarding salary increases, but that they would allow an exception for the GCF staff. The Board agreed that salary scales of the IS and AS in the Secretariat would be updated to align with the 2016 salary scales of the Asian Development Bank and the World Bank South Korea respectively. Furthermore it also decided to authorize the Secretariat to offer individual salary progression, based on a satisfactory annual review of performance. Last but not least, the Budget Committee was requested to work issues beyond salary and report back to the Board at its next meeting.

### **Simplified Proposal Approval Process**

After deferring a decision to adopt a simplified approval procedure for small-scale activities for several Board meetings, the Board finally considered a draft decision on this matter. The Board generally welcomed the draft decision - however, some Members stressed the need to strengthen the language on prioritizing direct access entities, with potential exceptions for international entities in LDCs and SIDS. Further, some Members requested the inclusion of NDAs into the list of eligible entities.

After a brief round of interventions and further revisions, the Board approved the draft decision. It was decided that a simplified process for small-scale activities will apply to both micro- (up to USD 10 million) and small-scale (USD 10-50 million) funding proposals that are assessed to fall under the low/no risk category C. Regarding eligibility, it was decided that the simplified process will apply to all types of accredited entities, especially direct access entities. the Secretariat was requested to develop detailed guidelines for consideration and approval by the Board at its 14th meeting.

### **Consideration of Accreditation Proposals**

Since the opening of the Online Accreditation System in November 2014, a total of 168 entities have entered and are now at different stages in the accreditation process. For this meeting, the Board was invited to consider the applications of 5 new entities: the Korean Export-Import Bank (KEXIM), the West-African Development Bank (BOAD), the Caribbean Development Bank (CDB), XacBank LLC of

Mongolia (XacBank) and the Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ).

After a brief presentation by the Secretariat and the Accreditation Panel, Board Members exchanged views on the five accreditation applicants, addressing one candidate after another. On KEXIM, several Board Members were of the view that regardless of the entity's potential merit as a partner to the GCF, the mandate and purpose of Export Credit Agencies (ECAs) in general would not fit well with the mandate of the GCF. In contrast, several other Board Members felt that fairness and equal treatment should be employed within the accreditation framework, and that retroactively excluding certain types of entities from accreditation would be unfair. Without the prospect of reaching a consensus in the Board, the Co-Chairs suspended the agenda item for constituency meetings and further consultations. Ultimately, the Board decided to defer the decision on accreditation to its next meeting.

### **Interim Procedures for Redress**

The Secretariat presented a new draft decision for an Interim Procedure for Redress. Without a prolonged debate, the Board adopted the decision, requesting the incoming Head of the Independent Redress Mechanism (IRM) to prepare detailed guidelines and procedures for the operationalization of the Fund's IRM for consideration by the Board no later than at its 16th meeting. Prior to its full operationalization, the decision affirms that grievances and complaints from communities and people should be addressed by the institutional grievance mechanism of the relevant accredited entity. In regards to the costs of submitting a complaint itself, it was decided that in principle these would be borne by the entity, but that if additional information required the use of a third party, those costs would be borne by the Fund.

### **Communications of the Fund**

The Board considered the document on the communications strategy. Several Board Members highlighted the importance of increasing the capacity in the Secretariat to conduct effective communication and outreach, in order to provide clear and accessible information on the GCF, encourage and support key stakeholder to access and engage with the Fund, ensure broad coverage of developing countries to highlight how beneficiary countries will benefit from the relationship with the GCF, and above all, increase transparency. Following additional consultations, the Board adopted a revised decision, agreeing on the development of a GCF Communications Strategy no later than by its 17th meeting, as well as requesting the Secretariat as a matter of urgency to present a proposal on staffing at its next meeting.

### **Readiness and Preparatory Support Programme**

The Co-Chair reported that little progress had been made on country ownership guidelines, which were scheduled to be agreed at this meeting. As a way forward, he proposed to ask the Secretariat to prepare draft guidelines for the Board to consider at its next meeting. The Board adopted this way forward. The Co-Chair then introduced a draft decision on the Readiness and Preparatory Support

Programme. This decision notes the progress that has been made on the programme and reaffirms its guiding parameters. In response to difficulties encountered with the readiness grant agreements, it decides to simplify those agreements. Furthermore, it contains an updated indicative list of activities that can be supported by the programme. This list does not include pipeline development anymore (an area now largely covered by the Project Preparation Facility), but does add a new programme area on the formulation National Adaptation Plans. The decision was adopted as proposed.

### **Project Preparation Facility**

Building on extensive discussions and several rounds of revision during the course of its 13th meeting, the Board considered a draft decision on the operational guidelines for the Project Preparation Facility (PPF). The Board discussed whether support should be targeted especially to direct access entities or whether that might disadvantage certain countries where direct access entities do not exist. Furthermore, there was debate over a potential role of the Investment Committee in advising the Executive Director (ED) on approving PPF requests. Finally, it was suggested to task the Independent Evaluation Unit with a review of the PPF. The Board ultimately decided to allocate USD 40 million for the initial phase of the PPF, which will support project and programme preparation requests from all accredited entities, especially direct access entities and especially for projects of the micro- and small-scale size category. The PPF will support a wide variety of activities, such as feasibility and pre-feasibility studies; environmental, social and gender studies; risk assessments; the identification of programme and project level indicators; and other project preparation activities where necessary and with sufficient justification. PPF requests will be reviewed by the Secretariat and approved by the ED.

### **Adaptation Planning**

A revised draft decision relating to the formulation of National Adaptation Plans (NAPs) and other adaptation planning processes was presented to the Board. After incorporating minor suggestions, it was adopted. Inter alia, the Board decided that given the urgent need for support and in order to expedite NAP formulation and implementation, the Secretariat can now approve up to USD 3 million per country through the Funds' Readiness and Preparatory Support Programme modalities to support the formulation of NAPs and other national adaptation planning processes, while taking into consideration the UNFCCC NAP technical guidelines and the importance of coordination and complementarity with other NAP related initiatives and support. Furthermore, the Board decided that the formulation of NAPs and other adaptation planning processes should be established as the separate activity area of the Readiness Support Programme and that funding will be in addition to the existing cap of USD 1 million per year per country. Last but not least, the Secretariat was requested to revise the existing readiness template and put the processes in place for developing countries to apply for support through accredited entities.

## Programmatic Approach to Funding Proposals

The Board discussed the issue of programmatic approaches, based on a revised document. The draft decision proposed to take decisions on programmatic funding proposals on a case-by-case basis until full guidelines are approved, outlining a number of overarching principles, such as the alignment with national strategic frameworks and defining the geographical scope. Furthermore, the Secretariat was requested to develop detailed guidelines until the 15th Board meeting. Several Board Members raised concerns on the geographical scope. It was stressed that a global approach would change the idea of the bottom-up approach adopted in the Paris Agreement based on nationally driven activities. Safeguards against imposing policies on countries would be required. Furthermore, it was noted that cross-cutting elements are missing in the draft decision, given that only sectors are referred to. Even though practical examples of global or multi-regional programmatic approaches, such as the transfer of a renewable energy promotion scheme from one continent to another were outlined, the Board could ultimately not come to a conclusion. Thus the item will be taken up again at the next Board meeting.

## Date and Venue of the Next Meeting

Before closing the meeting, the Board decided on the date and venue for its next meeting, which will be held from 18-20 October 2016 in Quito, Ecuador. The following meeting is tentatively scheduled to be held from 13-15 December 2016 in Apia, Samoa.

Throughout the meeting, the Board also consulted in closed session on the **Request for Proposals** for a pilot programme to support micro-, small-, and medium- sized enterprises and the **Accreditation Master Agreements**.

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