

# Climate Finance Advisory Service



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## Daily Briefing

### 15<sup>th</sup> Green Climate Fund Board Meeting (15 December 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 15 December 2016

On Thursday, 15 December 2016, the Board of the Green Climate Fund (GCF) concluded its 15<sup>th</sup> meeting in Apia, Samoa. The meeting focused on the approval of eight funding proposals. In addition, the Board approved the workplans and budgets of the independent accountability units, decided to increase the budget allocated for the readiness programme and elected its Co-Chairs for 2017. The day before, the Board had already decided to accredit seven additional entities. Crucial policy matters were however left unresolved. Board Members are leaving Samoa without country ownership guidelines, an operational simplified approval process for small-scale activities, a way forward on the review of the initial proposal approval process and even without an agreed work plan for the next year. Much work will be needed in 2017 to close these policy gaps and continue to scale-up the support the Fund is providing for ambitious climate action. The next meeting will be held from 4 to 6 April at the headquarters of the Fund in Songdo, Republic of Korea.

### Administrative Matters

A representative of the World Bank, the interim trustee of the GCF, gave a presentation on how the Fund's liquid balances are being invested. Given that the mandate of the interim trustee expires in about 15 months, the Fund's assets are currently being invested within a one year time period, mainly in government securities. Currently, no corporate bonds or equity investments are being held on behalf of the Fund. The World Bank is currently in the process of defining environmental, social and

governance (ESG) criteria and will be able to offer a responsible investment option with stringent ESG requirements sometime next year. A Board Member expressed his relief that none of the Fund's resources are currently invested in fossil fuels, pointing to the grave reputational risk this would entail. He called for the Fund to develop an investment policy in 2017 before deciding on the permanent trustee in order to mitigate this risk. The Co-Chair said that this could not be decided under this agenda item and should be raised under other matters. Some Board members also asked additional questions on the execution of the 2016 budget, for instance on the impact of exchange rate fluctuations. After the Secretariat and the trustee provided answers, the Board took note of the report on the execution of the administrative budget for 2016.

The Secretariat presented the budget for 2017. One Board Member raised questions about the increase in the travel budget for Secretariat staff. The Board agreed to limit the travel budget at the same level as planned for 2016. Another Board member raised that travel support for active observers from developing countries was necessary and the Board agreed to provide this on an interim basis and to consider the matter in the context of the review of observer participation to be conducted next year. The Board approved the 2017 administrative budget amounting to around \$43 million and requested the Secretariat to present its work plan at the first meeting in 2017.

Following the discussion held the previous day, the Board decided to adopt the 2017 work plans and budgets of two of the independent units: the Independent Redress Mechanism Unit (IRMU) and the Independent Integrity Unit (IIU), each amounting to around \$1 million.

The Board also considered options for the operationalization of its administrative tribunal in a closed session.

### **Consideration of Funding Proposals**

The interim Executive Director informed the Board that UNDP had requested to withdraw the funding proposal 032 on Enhancing Women's and Girls' Adaptive Capacity to Climate Change in Bangladesh from consideration at this meeting and to resubmit it for consideration at the next Board meeting, following revisions and further technical clarification to be developed together with the government of Bangladesh. The country's national designated authority (NDA) has been informed of this decision by UNDP. One Board member asked whether the decision of reconsidering the proposal at another meeting has been agreed by the NDA, given that there was an expectation that the proposal might be approved and the Board had already begun considering this item. The Co-Chair responded that the proposal was submitted by the accredited entity and that the accredited entity could therefore make this decision.

The Co-Chair stressed that the package approval of funding proposals which occurred at the last meetings was an exception, and that for this meeting, proposals would be considered individually. The Board then considered and approved the following proposals individually:

- FP028: Business Loan Programme for GHG Emissions Reduction (Mongolia), XacBank. The Board approved \$20 million in loans for this programme, subject to some conditions, including an investigation by XacBank of the possible integration of a third-party energy savings insurance programme.

- FP037: Integrated Flood Management to Enhance Climate Resilience of the Vaisigano River Catchment in Samoa (Samoa), UNDP. The Board decided to approve \$57.7 million funding for this proposal, subject to some conditions, such as the completion, six months after the first disbursement, of the capacity assessments of the main implementing entities.
- FP034: Building Resilient Communities, Wetlands Ecosystems and Associated Catchments (Uganda), UNDP. The Board decided to approve \$24.1 million for this proposal, subject to several conditions, such as the submission to the GCF of a revised logical framework.
- FP035: Climate Information Services for Resilient Development (Vanuatu), SPREP. The proposal was approved by the Board for the amount of \$23 million, subject to some conditions, including the delivery of a long-term management and monitoring arrangement plan.
- FP030: Catalyzing private investment in Sustainable Energy (Argentina), IDB. The Board decided to approve \$130 million in loans and guarantees as well as \$3 million in grants for this proposal, subject to the condition that any concessionality provided by the GCF is passed on to the underlying projects.
- FP033: Accelerating the Transformational Shift to a Low-Carbon Economy (Mauritius), UNDP. The proposal was approved for a total amount of \$28.2 million, subject to some conditions, for example the submission of an updated procurement plan.
- FP036: Pacific Islands Renewable Energy Investment Programme (Cook Islands, Papua New Guinea, Tonga, Marshall Islands, Micronesia, Nauru and Samoa), ADB. The Board decided to approve \$17 million for this funding proposal, \$5 million less than originally requested. Among other conditions, ADB is to provide the GCF Secretariat with a new logical framework, clearly defining deliveries and indicators related to technical assistance as well as a monitoring and evaluation plan for the programme at subproject level.
- FP029: SCF Capital Solutions (South Africa), DBSA. The Board agreed that the funding proposal is being reclassified as mitigation proposal instead of a cross-cutting one and approved \$12.2 million for the proposal. Several conditions were set, including the verification by an independent third party of the information relating to the programme's impacts included in the annual performance reports, and the inclusion by DBSA in its risk management process of an element assessing the executing entity's ongoing capacity to implement the programme.

As part of the draft decision on funding proposals, there was a proposed paragraph requesting the GCF Secretariat to only submit to the Board for consideration proposals that are high quality and aligned with the Fund's mandate and goals. Several Board members shared their concerns about that paragraph and suggested its deletion, arguing that it would state the obvious. Other Board Members pointed out that, if the paragraph were to be read to require additional work of the Secretariat beyond its current practice, no policies were in place to guide the Secretariat on this. The Co-Chair suggested a revision of the decision, deleting this paragraph, while requesting the Co-Chairs to compile a list of policy matters arising from the consideration of funding proposals from the 15<sup>th</sup> Board meeting. This decision was adopted.

## **Review of the Initial Proposal Approval Process and Operational Guidelines for the Simplified Proposal Approval Process**

The alternate Board members who had been tasked with conducting consultations on these issues reported back to the Board that they had not been able to find consensus, and thus could not present draft decisions. The Co-Chairs suggested to continue the consultations with a view to adopt decisions at the following meeting. Several Board members and observers expressed their disappointment that these issues were deferred again – particularly the simplified approval process, which has been a priority for the Small Island Developing States including Samoa, and has been deferred many times before. They called on the Board to address this matter with more seriousness and urgency at the next meeting.

## **Policies on the Formal Replenishment Process**

The Co-Chair presented a memo on matters related to the replenishment of the GCF. He concluded that at the current stage, the Co-Chairs are not able to conclude the consultations and recommend that the Board provide further guidance at its next meeting. The Board agreed with this way forward.

## **Terms of Reference for the Review of the Terms and Conditions of Financial Instruments**

A member of the Investment Committee introduced the draft document. This is to implement a decision agreed at the ninth meeting, where the Board adopted financial terms and conditions for the financial instruments of the GCF and decided to review them annually. Following a few additional suggestions from Board Members, the Board adopted the terms of reference.

## **Status of the Initial Resource Mobilization**

The Co-Chair briefly presented the status of resources from the Initial Resource Mobilization. It was noted the total number of contributing countries/regions/cities since the 2014 High-level Pledging Conference held in Germany has reached 43 and the signed amount approximately \$9.9. Nine countries are yet to sign the contribution agreements for part or all of their pledges. The Board took note of the document.

## **Staffing of the Secretariat**

The Co-Chair presented a draft decision and welcomed comments from Members. Board Members had an intense discussion of the matter, particularly on whether the position of Deputy Executive Director should be filled and to what extent the current structure should be revised. The Board could not agree on a decision.

## **Country Programming and Readiness**

Building on discussions from the previous day, the Board decided to allocate an additional \$50 million to the readiness programme.

## **Terms of Reference for the Review of the Independent Technical Advisory Panel (ITAP)**

A member of the Investment Committee presented the terms of reference for the review of the ITAP, to be conducted by an independent third party. The review will consider, among other aspects, how the

panel fulfils its role as experts, how consistency of the view of the ITAP is ensured and how a high standard of quality can be achieved. The Board approved the terms of reference.

### **Election of Co-Chairs**

Board members from the developing countries' constituency had nominated Mr. Ayman M. Shasly of Saudi Arabia, while Board members from the developed countries' constituency re-nominated Mr. Ewen McDonald of Australia to be the GCF Board Co-Chairs for 2017. The Board confirmed these nominations.

### **Other Matters**

The incoming Co-Chair from Saudi Arabia suggested to consider holding an informal Board meeting early next year, building on the positive experiences with such a meeting this year. Board members were generally supportive of the idea, but also concerned about the workload. The Co-Chairs will consult and suggest a decision between meetings on this issue.

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