



Daily Briefing
18th Green Climate Fund Board Meeting
30 September 2017

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 30 September 2017

On Saturday, 30 September 2017, the Board of the Green Climate Fund (GCF) convened for its 18th meeting in Cairo, Egypt. This being the last meeting before the 23rd Conference of the Parties (COP 23) to the United Nations Framework Convention on Climate Change (UNFCCC) in Bonn, the Board has to navigate a heavy agenda, including the consideration of a record thirteen funding proposals, five accreditation proposals from direct access entities, and operational guidelines for a simplified approval process among other important policy matters.

Opening of the meeting and organization of work

The Co-Chairs, Mr. Ewen McDonald (Australia) and Mr. Ayman Shasly (Saudi Arabia), opened the Board meeting. The Minister for Environment, Dr. Khaled Fahmy from Egypt made brief welcome remarks to all participants. The Co-Chairs and Board members in their opening remarks thanked the government and people of Egypt for their warm welcome and hospitality. Many of the Board members also expressed condolences to the people and countries suffering from recent disaster events that took place in different parts of the world. Board members swiftly adopted the agenda for the 18th Board meeting, the report of the 17th Board meeting and decisions taken between the 17th and 18th Board meetings.

Reports from the Secretariat, Co-Chair, committees, panels, groups and independent units

The Board took note of the report of the Co-Chairs on their activities since the last Board meeting. The Executive Director then presented the report on the activities of the Secretariat since the last meeting. Board members suggested to make improvements on the timely delivery of documents before Board meetings. Several Board members suggested that the Co-Chairs needed to support the Secretariat and trust its independence when it comes to preparing and delivering the documents.

The reports of the (a) Accreditation Committee, (b) Accreditation Panel, (c) Ethics and Audit Committee, (d) Investment Committee, (e) Independent Technical Advisory Panel, (f) Risk Management Committee, and (g) Budget

Committee were presented. The Board took note of the reports. Regarding the reports of the Accreditation Committee and Panel, a Board member stressed the need to urgently finalize the work on establishing baselines for the alignment of the overall portfolio of accredited entities with the objectives of the GCF. The Board had decided at its 11th meeting that an improved alignment would be considered in the context of reaccreditation; in order to be able to assess this, a baseline would be needed.

The reports of the Independent Redress Mechanism, Independent Evaluation Unit and the Independent Integrity Unit were also presented to the Board. A Board member suggested that there should be a dedicated Board committee to work with the Independent Evaluation Unit. The Board took note of the reports.

Guidance from the Conference of the Parties

Facilitating an increase in direct access proposals

At COP22 in Morocco, the Parties to the UNFCCC had requested the Board of the GCF to facilitate an increase in the amount of direct access proposals in the GCF portfolio and pipeline. Accordingly, informal consultations have been taking place throughout the year, based on a document prepared by the Secretariat for the 16th Board meeting, which outlined some of the actions that could be taken in this regard. The Co-Chair informed Board members that consultations are still ongoing, led by Kordula Mehlhart (Germany) and Ignacio Lorenzo (Uruguay), with the aim of coming to a conclusion at this meeting. Board members highlighted the importance of the issue and expressed their willingness to work together in order to arrive at a decision.

Options for GCF support for collaborative research and development

This agenda item responds to a mandate contained in the Governing Instrument for the Fund to support technology development and transfer as well as to guidance received from COP21 to identify ways to support collaborative research and development. The Secretariat introduced the paper for this agenda item, based on a detailed analysis contained in an addendum. The proposed decision is to encourage national designated authorities and focal points to request support for activities related to collaborative research and development through the existing activity areas of the readiness programme and to launch a request for proposals for support to technology accelerators and incubators at the 20th Board meeting. Representatives of the two arms of the UNFCCC technology mechanism, the Technology Executive Committee (TEC) and Climate Technology Center and Network (CTCN), also gave a presentation and pointed out the opportunities for closer collaboration with the GCF.

Board members welcomed the presentations and the paper by the secretariat. They suggested to make a more explicit link in the decision to existing initiatives and work such as the CTCN's National Designated Entities and the technology needs assessments and technology action plans financed by the Global Environment Facility. Board members generally agreed that technology incubators and accelerators were a useful niche for the GCF's support. Some members cautioned that this should not lead to a proliferation of national-level initiatives that would be too small to lead to transformative technology breakthroughs. While some expressed scepticism that a request for proposals was the best way forward, many others supported this. Many Board Members welcomed the opportunity to also use the readiness programme to support activities related to collaborative research and development. However, some said that the support provided through the readiness programme would not be sufficient and a dedicated window should be envisaged. Many Board members stressed the need for closer collaboration and coherence with the technology mechanism. Some said that while the proposed decision was a good start, support for additional aspects of technology research, development and demonstration would likely be needed in the future. The Co-Chairs will consult further on this issue and aim to come back to the Board with a revised decision for adoption at this meeting.

Request for proposals for the pilot programme for REDD-plus results-based payments

The Co-Chairs recalled that good discussions had happened on the request for proposals on REDD-plus result-based payment during the informal meeting the previous day, but that further work would be needed to arrive at a decision. They asked Board members Tosi Mpanu Mpanu (Democratic Republic of the Congo) and Merete Villum Pedersen (Denmark) to continue informal consultations on the matter in order to bring forward the draft decision.

Simplified Approvals Process

The Co-Chairs briefly introduced the topic, noting that it had been discussed at length at the informal session. However, some work still needed to be done on the draft decision. The informal consultations on this agenda item will be led by advisors from the United States and Samoa who will report back the following day.

Consideration of funding proposals

The Co-Chairs invited the Secretariat to present the funding proposal for consideration by the Board. The Secretariat presented 13 funding proposals consisting of 10 public sector and 3 private sector proposals. Among these, 5 are focused on adaptation, 3 on mitigation and 5 are cross-cutting. These 13 proposals request supporting projects and programmes worth US\$ 1.8 billion with GCF support of US\$ 460 million. Five proposals target the least developed countries, small island developing states and African states, totalling US\$ 140 million, and account for 30 per cent of the total requested GCF funding amount. Three funding proposal submitted earlier by the World Bank have been withdrawn by the entity.

Board members welcomed the report from the Secretariat, acknowledging the large number of funding proposals that have been put forward for consideration. Some members raised concerns about the late engagement of the Board regarding these proposals. In their view, the current approval process reduces the Board's options to either reject or approve a funding proposal, with substantial changes only possible through the formulation of conditions. Many highlighted the need to operationalize the decisions taken at the Board's seventeenth meeting such as the two-step approach, as well as closing additional policy gaps, e.g. on indicative benchmarks, guidelines on conditionality and strengthening of the GCF's results framework on adaptation.

FP046: Renewable Energy Program #1 - Solar, Mongolia (XacBank)

This proposal aims to finance a 10MW solar power plant in Mongolia, as a contribution towards reducing Mongolia's over-reliance on fossil fuels (particularly coal) and reaching the government's renewable energy and climate targets. Financing conditions available on a commercial basis in Mongolia do not allow the financing of renewable energy projects. Financing from the GCF will be longer term with lower interest rates, allowing the construction of the solar power plant to go forward. The cost of installing the solar power plant is \$17.5 million. XacBank is requesting a \$8.6 million senior loan from the GCF that it will pass on to the project developer. The project developer will provide \$8.9 million in equity. In addition, a GCF grant of \$ 878,000 will be used for staff hiring and training at XacBank.

Several Board members expressed their support for the need to promote renewable energy in Mongolia, but questioned whether the technical assistance component of the proposal was well structured, given that it would only benefit the employees of XacBank, a private bank. They suggested that it should instead also benefit other financial institutions, potential project developers and regulators. Some Board members also expressed their view that the concessionality was too high. In addition, a Board member pointed to shortcomings in the regulatory environment for renewable energies in Mongolia that would need to be addressed. Other Board members rejected requirements on concessionality or co-financing based on country categories, and argued for a case-by-case assessment of what would be necessary to allow a project to go forward. While the co-financing in this case was low, they argued that that was appropriate given the economic circumstances in Mongolia. The Co-Chairs suggested to postpone a decision on this project and to further consult on a possible solution, in particular regarding the issue of technical assistance.

FP047: Kazakhstan Renewables Framework (EBRD)

The objective of this proposal is to support the deployment of renewable energy in Kazakhstan in line with the country's renewable energy targets. The programme will provide financing for 330 MW of renewable energy sources, related necessary grid updates and technical assistance for improvements of the regulatory environment. The programme will provide loans to 8-11 RE projects and related grid infrastructure. In addition, it will provide technical assistance. The GCF is requested to will provide \$106 million in loans that will be complemented by \$214 million in loans from EBRD and \$93 million in loans from other lenders. The proposal also expects co-financing in the form of \$137 million in equity by the project developers. For the technical assistance, a GCF grant of \$4 million is requested from the GCF, complemented with a \$3 million grant from EBRD.

The civil society active observer raised concerns regarding the role of hydropower in the proposal, pointing to environmental and social risks and the need for Kazakhstan, which already receives 10% of its electricity from hydropower, to diversify its energy mix. The EBRD representative responded that certain restrictions were applied to hydropower projects under this programme. Without any additional comments from Board members, the Board approved the proposal.

FP049: Building the climate resilience of food insecure smallholder farmers through integrated management of climate risks, Senegal (WFP)

The project aims at building the climate resilience of food insecure smallholder farmers in Senegal, through integrated management of climate risks. Submitted by the United Nations World Food Programme (WFP), its objective is to build the climate resilience of 45,000 vulnerable smallholder households, reaching 405,000 people as direct beneficiaries. These smallholder households will be provided four key tools for an integrated risk management approach. The total value of the project is US\$ 9.9 million, all of which is to be provided by the GCF in form of a grant. Following a brief introduction of the proposal, one Board Member recommended to include local communications channels such as cooperation meetings and information sharing in the project. She also suggested to enhance the project's benefits for local farmers by enabling their easy access to local markets. The Board approved funding proposal FP049 without further comments, taking note of the suggestions made.

PF050: Bhutan for Life (WWF)

The Bhutan for Life project plans to secure 51 percent of the nation's territory as protected areas, enabling Bhutan to achieve its bold pledge to remain carbon neutral. The objective is to upgrade the management of natural resources, explicitly accounting for the impacts of climate change to enhance resilience for communities and ecosystems, while also maintaining carbon sinks and sequestration. Primary beneficiaries of the project include 145,000 people (roughly 50% women), of which 35,000 direct beneficiaries live within the protected areas. The total value of the project is US\$ 118.2 million and the request from GCF is a US\$ 26.5 million grant. This is a cross-cutting project that will be implemented for 14 years seeking GCF funding for 10 years. Without further discussion, the Board approved the proposal.

FP051: Scaling-up investment in low carbon public buildings, Bosnia and Herzegovina (UNDP)

This project aims for emissions reduction from both energy efficiency (EE) and renewable energy (RE) measures in public buildings. The project will provide technical assistance to public and private sector stakeholders at different levels and facilitate the implementation of the National Investment Framework for Low-Carbon Public Buildings, including investment support to improve risk-return profiles. Overall, the project aims for a reduction in greenhouse gas emissions of 2 million tons CO₂e over the lifetime of the investments (20 years). This is a mitigation project seeking a total of US\$ 17.3 million of GCF grant for investment in low-carbon retrofits of public buildings and leverage an additional US\$ 105.22 million of co-finance from a range of sources. The active observer from civil society raised issues on the use of biomass for energy promoted by the project. Board members had no further comments and approved the proposal.

FP052: Sustainable and Climate Resilient Connectivity for Nauru (ADB)

The objective of this project is to establish a climate-resilient port in the small island nation of Nauru. It includes the construction of port infrastructure and a reform of the Nauru Port Authority. This is a cross-cutting medium size project focusing both on mitigation and resilience building. The total value is US\$ 65.2 million. Nauru is seeking US\$ 26.91 million from the GCF as a grant.

Some Board members questioned whether this project was sufficiently related to climate change to fall under the mandate of the GCF. It was pointed out that the project was not linked to Nauru's nationally determined contribution (NDC) or national climate adaptation plans. Some also worried about the precedent it could set for other projects. Some Members further expressed concerns over the exclusive use of grants for this project. On the other hand, many Board members supported the project pointing to the climate vulnerability and urgent need of the Nauru. They also argued that the analysis by the Secretariat and the independent Technical Advisory Panel (ITAP) recommended that the project be approved. The project proponent explained that due to the high indebtedness of Nauru and limited interest by the private sector, a grant was the only financing option. The Co-Chairs postponed the decision on this proposal and will lead consultations to identify possible solutions.

FP053: Enhancing climate change adaptation in the north coast and Nile Delta

regions in Egypt (UNDP)

The main goal of this proposal submitted by UNDP with the Ministry of Water Resources and Irrigation serving as executing entity is to enhance climate change adaptation in the North Coast and Nile Delta regions in Egypt, an area which was identified by the IPCC in its Fourth Assessment Report as one of the world's three "extreme" vulnerability hotspots. The 7 year program requests US\$31.4 million in grant financing from the GCF with a co-financing by the Government of Egypt of US\$ 73.8 million in order to reduce coastal flooding risks. A civil society representative welcomed the potential of the project to facilitate a transformational change in coastal management in Egypt, and raised concern about the lack of explanation regarding the methodology and applied parameters to estimate the economic benefits of the program for the beneficiaries and criticized insufficient transparency of the projections made in the proposal. Without further comments, the Board approved this funding proposal.

FP054: Implementation project of the integral management plan of the Lujan River Basin, Argentina (CAF)

The general purpose of this project is to promote a variety of measures aimed at reducing and preventing river flooding, as well as controlling the stream-flows and mitigating the impact of floods in the Lujan River Basin, in the Province of Buenos Aires, Argentina.. Through the flood prevention measures, the project is expected to improve the economic conditions in the region through improved conditions for agricultural production, industrial production and commerce, as well as improved conditions for people in the region. Since the flooding problems are to a certain extent regarded as caused by climate change (changing rainfall patterns), the project aims at increasing the climate-resilience in the basin. Without further discussion, the Board approved the proposal for the amount of US\$ 58,528,147, submitted by the Corporación Andina de Fomento (CAF), subject to the conditions set out in the accompanying document.

FP055: Poverty, Reforestation, Energy and Climate Change (PROEZA Project), Paraguay (FAO)

This project was submitted by the Food and Agriculture Organization of the United Nations (FAO) and aims at improving the resilience of 30,000 households that are highly vulnerable to the impacts of climate change in 64 municipal districts located in eight departments of Eastern Paraguay. The project will promote a holistic landscape approach to ensure climate change resilience in these municipal districts by facilitating the entry of small and medium landowners in the regional bioenergy market while addressing environmental and social vulnerabilities. Some Board members raised concerns about the proposal, highlighting for instance that it is not clear whether there is a difference between the adaptation goals and the poverty reduction goals of the project. It was questioned whether the data provided in the proposal was up to date. Another Board Member supported the proposal, pointing out that it has the potential to address the needs of the poorest communities in the targeted areas. Following an intervention from civil society on the proposal, the Co-Chair suggested as a way forward to pursue discussions on the proposal the next day of the meeting. The Co-Chair then adjourned the meeting for the day.

The Climate Finance Advisory Service (CFAS) is an initiative which is delivered by a consortium of experts led by Germanwatch e.V. and funded by the Climate and Development Knowledge Network (CDKN).*

CDKN is funded by the UK Department for International Development (DFID) and the Netherlands Directorate-General for International Cooperation (DGIS) for the benefit of developing countries. However, the views expressed and information contained in it are not necessarily those of or endorsed by DFID, DGIS or the entities managing the delivery of CDKN which can accept no responsibility or liability for such views, completeness or accuracy of the information or for any reliance placed on them.

**The Climate and Development Knowledge Network ("CDKN") is led and administered by PricewaterhouseCoopers LLP. Management of the delivery of CDKN is undertaken by PricewaterhouseCoopers LLP, and an alliance of organisations including Fundación Futuro Latinoamericano, INTRAC, LEAD International, the Overseas Development Institute, and SouthSouthNorth".*



Copyright © 2015 Climate and Development Knowledge Network (CDKN), All rights reserved.

Our mailing address is:

Climate and Development Knowledge Network (CDKN)
203 Blackfriars Road London, England SE1 8NJ, United Kingdom