

# Climate Finance Advisory Service

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Daily Briefing

7<sup>th</sup> GCF Board Meeting

(18–21 May 2014, Songdo)

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.

## Summary from 21 May 2014

On Wednesday, 21 May 2014, the 7th meeting of the Green Climate Fund (GCF) Board concluded in Songdo, South Korea, after four intense days of work. At the final session of the meeting, the Board ultimately completed all of the six remaining essential requirements for the Fund to receive, manage and disburse financial resources, as well as reached an agreement on the commencement of the corresponding initial resource mobilization process.

### Structure of the Fund

An amended document was presented by the secretariat, which addresses all the issues voiced when the agenda item was first discussed in plenary on Monday, May 19th. Accordingly, two new sections were added that cover the Private Sector Facility, as an integral part of the Fund, as well as a reference to earlier decisions taken at previous Board meetings on the matter.

### Initial Investment Framework

The Board considered a first draft of a new document early after the opening of the meeting. However, some issues were identified which still required further consideration. For instance, as already mentioned earlier in discussions around this agenda item, the issue of weighting and scoring the respective criteria outlined in the “Investment Guidelines” in part IV of the Annex to the document, was still a concern for some Board members that was perceived as not being sufficiently reflected in the draft decision. Further, part of the debate circled around the coverage area of “income level of the country” as a sub-criterion in terms of needs of the recipient country. In this regard, some Board members suggested a deletion of this sub-criterion, while others regarded it as a crucial criterion for the determination of the amount of funding required in a specific recipient country.

After some further discussions and bilateral consultations, the aforementioned controversial points could be resolved in the afternoon. On weighting and scoring, some textual amendments were added to the decision to accommodate for it to be considered as a methodology for application of the criteria under the investment guidelines. The coverage area of “income level of the country” under the

needs of the recipient criterion was changed into “economic and social development level of the affected population”.

### **Initial Proposal Approval Process**

The working group shared the outcome of its meeting and referred to some points that still required some clarifications. As indicated during earlier reflections on the agenda item, the proposal approval process outlined in the amended document now divides the whole process into a pre- and a post-approval phase. In terms of outstanding issues, some Board members were of the view, that the no-objection procedure should be included in the Annex describing the pre-approval cycle. Further, an explicit reference to the option, that allows countries to use an independent redress mechanism to reconsider a funding decision, was deemed necessary, as well as a reference to a policy for cancellation and termination of projects.

Following some further consultations, the expressed concerns were considered and included in the final document.

### **Initial Results Management Framework**

The amended document was brought back to the plenary, after intensive discussions in the working group during the course of the last days. Board members appreciated the efforts made to improve the previous document. However, they pointed out two outstanding issues. First, the decision on the core adaptation indicators still included “volume of finance leveraged by Fund funding, disaggregated by public and private sources”, which prompted some Board members to raise concerns. One member cautioned that it could mean to not sufficiently incentivize investments for adaptation, while others sensed this as being a sort of conditionality. Secondly, to ensure consistency with the decision on the Investment Framework, one member highlighted that the reference to “paradigm shift” should be mentioned in the context of being “consistent with a temperature increase with less than two degrees”.

Ultimately, after brief bilateral consultations, the aforementioned indicator on adaptation was deleted, whereas the language on “paradigm shift” was not integrated in the decision.

### **Initial Modalities for the Operation of the Fund’s Mitigation and Adaptation Windows and the Private Sector Facility**

In the afternoon, a revised text on the initial modalities for the Fund’s mitigation and adaptation windows and the Private Sector Facility was presented to Board members. Contrary to the initial document considered on Monday, May 19th, the new draft version contained two additional elements referring to the future work of the Private Sector Facility, as well as the consideration of the report and recommendations by the Private Sector Advisory Group (PSAG), which will be addressed at the 8th Board meeting.

## **Guiding Framework for Accreditation**

The document outlining the framework for accreditation of implementing entities was first considered by the Board early in the morning, where Board members were not in a position to adopt a decision. Major points of divergence were around the role of the Fund's Accreditation Panel and the Accreditation Committee, the fast-tracking of accredited implementing entities from other relevant funds and the missing timeline for a call for submissions of accreditation applications. Later on in group meetings, Board members engaged in fruitful consultations, which led to clearer language on the role of the Fund's accreditation bodies, as well as the explicit call for submissions of accreditation applications for after the third Board meeting of 2014. In terms of fast-tracking, the Accreditation Panel was requested to elaborate an assessment and gap analysis of institutions accredited by other relevant funds, with the view of making recommendations on their potential accreditation or fast-tracking, which will be presented to the Board for consideration at the 8th Board meeting. For the time being, fast-tracking of entities from the private sector is not intended.

## **Initial Resource Mobilization Process**

After the completion of the remaining requirements for the resource mobilization, the Board discussed the arrangements for collective engagement in the initial resource mobilization process. Members welcomed the amendments made to the initial document, which had not been well received at the first round of discussions.

The new version aims for the collective engagement to be finalized no later than November 2014, noting that the initial resource mobilization process may need to continue beyond that date. The "entrance fee" of USD 5 million, which was previously mentioned as a requirement to participate in the collective engagement process has been omitted, in order to avoid crowding out contributors. A first meeting is scheduled before the end of June 2014, which can be followed by further meetings as deemed necessary. The meeting will be open for participation by interested contributors, the Fund's chairs, four Board members (two from developed, two from developing countries), as well as two active observers (one from CSOs, one from PSOs).

## **Outstanding issues**

Important agenda items, which were previously set to be discussed at the current Board meeting, e.g. on country-ownership, readiness and preparatory support or a fund-wide gender-sensitive approach, will presumably be discussed at the next Board meeting.

Given the huge amount of documents (37 overall by count of the ED) to be prepared for that meeting, including on the outstanding issues that were included in the footnote of the provisional agenda (document B.07/01/Rev.1); those that were already planned for the 8th meeting; and those requested to be prepared by the secretariat as part of the decisions taken at the current meeting, the Board agreed that the Co-Chairs would prioritize the agenda, following in-depth consultations with their constituencies.

## Date and venue of next meeting

The government of Barbados reached out an invitation to the Board to host the 8th meeting of the Board, which is set to be held from 15-17 October 2014.

*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.*

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