

# Climate Finance Advisory Service

[www.cfas.io](http://www.cfas.io)

Daily Briefing

10th Green Climate Fund Board Meeting

(9 July 2015)

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 9 July 2015

The final day of the 10th GCF Board meeting had a very full agenda, as most of the meeting's agenda items still needed to be decided. Based on intensive, and sometimes controversial discussions, the Board reached several crucial decisions. Some elements were also left undecided when the meeting concluded on early Friday morning, and will be taken up at subsequent meetings.

### **Additional Modalities that further Enhance Direct Access: ToRs of a Pilot Phase**

The pilot programme on Enhanced Direct Access is one of the innovative features of the GCF. Enhanced direct is meant to devolve the decision-making on the specific projects and programmes to the national or subnational level. A revised draft decision was presented to the Board and approved. The decision requests the Secretariat to organize a call for proposals and to undertake an initial assessment of the proposals it will receive together with the Independent Technical Advisory Panel. The pilot phase will provide a total of up to \$200 million to 10 pilots, including at least four in LDCs, SIDS and African States. Moreover, the Secretariat was requested to report back to the Board on the progress at its 12th meeting.

### **Initial Risk Management Framework: Methodology to Determine and Define the Fund's Risk Appetite**

After initial discussions on this agenda item on the previous day and intense consultations, Board Members were able to adopt a decision, containing revised categories and sub-categories of risks that will be included in the Board's risk dashboard. The Board's risk dashboard is a tool that summarizes the Fund's exposure to different risk categories. It will form the basis for deciding how much and which risk the Fund is willing to take. The decision requests the Secretariat in consultation with the Risk Management Committee to prepare for the next meeting a detail risk registry, which contains the different risk and respective sub-categories. This should also contain priorities, targets and tolerances and limits for the different risk categories and sub-categories. In addition, the Secretariat with the Risk Management Committee will undertake a review of the dashboard by its third meeting in 2016.

## **Appointment of Experts of the Independent Technical Advisory Panel (ITAP)**

A new proposal for the appointment of ITAP candidates was presented to the Board, proposing to nominate the first 4 Members of the Panel and continuing the search for the remaining two positions. It was also specified that the Panel will draw on additional external expertise; particularly including from the UNFCCC roster of experts and that the Fund will develop its own roster of experts over time. This was broadly agreed upon with the request to include a clear timeline for nomination of the remaining two ITAP Members. This was clarified as needing to happen until the 12th Board Meeting. With these revisions, the decision was adopted.

## **Consideration of Accreditation Proposals**

The Board had been intensively discussing the accreditation of 13 entities, including in an executive session on Tuesday evening. On the final day, the Chairs brought the issue again to the floor. A revised draft was presented to the Board. Several Board Members raised concerns on ensuring balance between accredited entities and suggested more detailed communication of evaluation results from the Accreditation Panel (AP) to the Board, an expansion of the Accreditation Committee (AC) from four to six Members the development of a strategy for accreditation. These issues were address in the final decision. The Board decided that the Secretariat will submit the AP's assessment and recommendations to the Board at least three weeks before Board meetings, including the names of the accreditation candidates. Finally the Board also accepted the package of 13 entities seeking accreditation, consisting of the Africa Finance Corporation (AFC), Agence Française de Développement (AFD), Caribbean Community Climate Change Centre (CCCCC), Conservation International Foundation (CI), Corporación Andina de Fomento (CAF), Environmental Investment Fund of Namibia (EIF), European Bank for Reconstruction and Development (EBRD), Inter-American Development Bank (IDB), Ministry of Natural Resources of Rwanda (MINIRENA), National Bank for Agriculture and Rural Development of India (NABARD), United Nations Environment Programme (UNEP), Deutsche Bank Aktiengesellschaft (Deutsche Bank AG), and the World Bank (consisting of International Bank for Reconstruction and Development (IBRD) and International Development Association (IDA)).

## **Selection process and ToRs for the heads of the Accountability Units**

At the last Board meeting, the Appointment Committee was requested to present at this Board meeting, the terms of reference for the Head of the Evaluation Unit, the Head of the Integrity Unit and the Head of the Redress Mechanism, including the criteria for their selection, as well as details of the selection process to be conducted. After presentation of the document, discussion evolved around the location of the positions, nature of the positions, and the recruitment firm in charge of selecting them, as well as salary range/scale. Board Members adopted the terms of reference of the head of the different accountability units, and requested the Secretariat to provide further information on salary range.

## **Policies on ethics and conflicts of interest**

The Ethics and Audit Committee prepared two documents for adoption at this Board Meeting. The first is a Policy on Ethics and Conflicts of Interest for the External Members of Panels and Group, based on the Policy for Board Members, Alternates and Advisers that was adopted at the last meeting. The second is an Executive Director Policy, drawing from the Board Policy and the staff code of conduct. The two documents were introduced by the Chair of the Ethics and Audit Committee and the General Council. Board Members asked clarifying questions, which were answered by the General Council. These concerned, amongst other matters, privacy of information, timelines and the practice in other institutions. The Board adopted the proposed policies on ethics and conflicts of interest.

## **Investment Framework: Applying scale in the assessment of funding proposals**

At its ninth meeting the Board had decided to apply a scale of small/medium/high to assess the relative expected performance of projects and programmes against sub-criteria of the initial investment framework. This was to be applied to a subset of criteria in a "scaling pilot". At this meeting, the Board needed to decide to which subset scaling should be applied. The Investment Committee had prepared a decision with two approaches to determine the project size and three options for applying scaling on different project size categories. The Board started a broad and substantive discussion. Some Members favored only considering the GCF contribution, while others preferred to consider the size of the entire project, as is the case in the accreditation framework. Several Board Members asked how scaling fits into the bigger picture of project approval. It was stressed that only similar projects shall be compared to each other. Finally the approach of considering the GCF contribution for determination of project size was discarded to guarantee reflection of total activities' impacts. The Board decided on applying scaling to all medium and large scale activities considering the total project/programme budget size.

## **Recommendations from the Private Sector Advisory Group (PSAG)**

As agreed on Wednesday evening, the PSAG presented a revised draft for setting up a pilot programme for micro-, small-, and medium-sized enterprises (MSMEs) and a pilot programme for mobilizing resources at scale. Each programme will issue a request for proposals (RFP) to attract project ideas. The Secretariat will prepare draft RFPs for the first meeting in 2016 and the RFPs should be launched next year. It was proposed to allocate up to \$200 million for the MSME pilot and up to \$500 million for an up-scaled approach. Some Board Members raised concerns regarding the impact on overall allocation possibilities of the Fund. The Secretariat clarified that the \$ 700 million would be allocated in several tranches over the initial resource mobilization period, most likely until 2018. Other Members stressed that country-ownership has to be guaranteed and highlighted that a revision of the allocated resources should be possible in future. Some Board Members requested an adequate reflection of gender aspects. Finally a revised draft taking into account many of the concerns raised, was adopted, so that both pilot programmes can begin next year.

## **Level of Concessional Terms for the Public Sector**

After intense discussions over the past days regarding the proposed decision on the level of concessional terms for the public sector, including debates on contentious elements such as the limitations on grants, a new draft decision was presented by the Co-Chairs. Many Board Members raised concerns with the revised draft, as some argued it was not providing enough specificity and not adding much value to Board decisions that had already been taken. Several Members from both developed and developing countries stressed the need to acknowledge the special circumstances of least-developed countries (LDCs) and Small Island Developing States (SIDS). Controversial issues included whether grants should be limited to non-revenue-generating projects and programmes and whether indebtedness and country capacity were appropriate and sufficiently measurable criteria. Several Board Members were of the view that the Board should proceed without a decision at this Board meeting, allowing for a case-by-case approach, guided by past decisions. While further revised drafts were considered in the course of the day, the Board could not reach consensus and decided to consider the issue again at the 12th Board Meeting.

## **Country ownership**

Country ownership and a country-driven approach are core principles of the Fund. Several decisions with regard to country ownership such as the no-objection procedures have been adopted at previous meeting of the Board. At this Board meeting, several Members had requested a decision providing further guidance on the role of the National Designated Authority (NDA) with regard to the formulation of country programmes, the selection of implementation partners and ensuring consistency of all activities funded by the GCF with national priorities. The adopted decision also recognized that the NDA should facilitate country coordination and engagement with the range of in-country stakeholders. Additional guidelines on the role of NDAs will be considered at the 12th Board Meeting.

## **Initial Monitoring and Accountability Framework for Accredited Entities**

The Monitoring and Accountability Framework is meant to ensure that entities contribute to the Fund's mission and comply with the fiduciary standards and environmental and social safeguards. There was broad support for setting the term of accreditation to five years, after which entities will have to renew their accreditation. Board members pointed out the need for a robust framework that would still remain manageable for smaller entities. Several Board Members underlined the importance of participatory monitoring and the need to draw on input from local stakeholders and civil society. Some Board Members also stressed it was important to ensure country ownership. Further elaborating the framework would require a solid process with stakeholder input. Several Board Members suggested taking a decision at this meeting that contained high-level principles and set up such a process, so that a fully-fledged framework could be agreed at the next meeting. A group of Board members drafted such a decision, but there were concerns that their proposal contained already too many substantive decisions. The draft was further revised to focus more on the process to arrive at a framework at the next meeting, including through a call for public input. That decision was adopted.

## **Other agenda items**

The term of all Board Members ends on August 23rd, 2015. Some constituencies might however need more time for consultations to identify and agree on suitable candidates. A draft decision on the **term of Board membership** stated that in such cases, the current member should continue to serve on the Board until the end of the year, ensuring that seats will not be empty and constituencies not represented at the crucial next meeting. Board Members requested further clarification that regardless of the date of their appointment, the term for all Members will officially start from August 24th, 2015 and last for 3 years. The language was revised to provide clarity on this matter and the decision was adopted.

The Board also adopted the **template for the bilateral agreement on privileges and immunities**. Such an agreement will have to be signed with all countries, clarifying the status of staff, Board Members and alternates. The decision authorizes the Executive Director to negotiate and sign such agreements, based on the template and taking into account country circumstances.

The Executive Director presented a short update report on **the status of the initial resource mobilization process**, highlighting that Mexico had just executed its contribution agreement and Hungary had pledged \$3.5 million to the Fund. The Board adopted a short decision, welcoming the conversion of pledges into fully executed contribution agreements/arrangements by many countries and urging those countries that had not yet confirmed their pledges through contribution agreements to do so.

The Board also decided to request the Co-Chairs, with support from the Secretariat, to finalize the **report to the Conference of the Parties (COP)** to the UNFCCC. Board Members have the possibility to provide written input on the draft report. It was crucial for the Board to proceed in this way, as the GCF was requested by the COP to submit its annual report in a timely manner and no later than 12 weeks prior to a session of the COP.

## **Agenda, date and venue of the following meeting of the Board**

The agenda for the next Board meeting will need careful consideration and prioritization, in order to allow sufficient time for key decisions, particularly the approval of a first round of funding proposals. The Co-Chairs were mandated to propose an agenda by the end of July, after consultation with their constituencies. The issue of a strategic plan for the GCF will be on the agenda at the next meeting and it was decided that Board Members would input on this matter to the Secretariat, as the basis for a document for the next meeting.

Finally, Board Members discussed briefly the invitations by Zambia and Ecuador to host the 11th Board Meeting. It was decided that Zambia shall be selected as it had submitted its invitation first. The Board decided that the next Meeting will take place from 4th to 6th of November 2015.

Contact: [www.cfas.io](http://www.cfas.io) and [cfas@germanwatch.org](mailto:cfas@germanwatch.org)



*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](#)".*