THIRD WORLD NETWORK

Compilation of articles on the constitution and meetings of the Board of the Green Climate Fund

(January 2011 to November 2019)

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TWN Info Service on Climate Change (Jan11/02)
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Third World Network

Process to design climate fund gets underway

Geneva, 28 Jan (Meena Raman) -- Efforts are underway to constitute the Transitional Committee responsible for the design of the Green Climate Fund, which was agreed to be established under the United Nations Framework Convention on Climate Change (UNFCCC) by Parties at the 16th session of the Conference of Parties (COP16) held in Cancun, Mexico last month.

Since 2008, the G77 and China had been calling for the operationalisation of an effective financial mechanism under the COP to ensure the full, effective and sustained implementation of the Convention and among other things, to give effect to the principles of a country-driven approach and enable direct access to funding.

The proposal was mooted following incessant complaints by developing countries about the difficulties in obtaining adequate, sustained and easy access to funding for adaptation and mitigation activities.

A major cause of concern for developing countries is whether the new Climate Fund will be designed in a manner that works for the benefit of developing countries or if it will serve the interests of donor countries.

Therefore, which countries and who will constitute members of the Transitional Committee responsible for the design of the Green Climate Fund is an issue of much importance.

(The decision in Cancun on the outcome of the work of the Ad-hoc Working Group on Long-term Cooperative Action under the Convention -- AWG-LCA –- was adopted despite objections from the government of Bolivia for various reasons involving issues of substance and process. See SUNS #7060 dated 14 December 2010).

According to the Cancun decision, Parties agreed to establish a Green Climate Fund, which is "to be designated as an operating entity of the financial mechanism of the Convention under Article 11."

The Fund is to be accountable to and functions under the guidance of the Conference of the Parties, to support projects, programmes, policies and other activities in developing countries, using thematic funding windows.

The Cancun decision also provided that the Green Climate Fund "be designed by a Transitional Committee, in accordance with the terms of reference in annex III to this decision" (which is set out below).

The Transitional Committee is to have 40 members, with 15 members from developed country Parties and 25 members from developing country Parties -- seven members from Africa, seven members from Asia, seven members from the Group of Latin American and Caribbean States, two members from Small Island Developing States and two members from the Least Developed Countries.

In a notice from the Executive Secretary of the UNFCCC issued on 21 January 2011 to

governments, Parties were reminded that their confirmed nominations for members should be transmitted to the secretariat by the Chairs and Coordinators of groups and constituencies represented on the Transitional Committee by 31 January 2011.

The Minister of Foreign Affairs of Mexico, Patricia Espinosa, as President of COP16, also issued a communication to Parties on 18 January 2011 stating that "in order to ensure the best possible expertise within the Committee", she encouraged the governments to consider and discuss within their regions and groups "how to ensure the participation of the best qualified persons in it."

"A combined approach, with experts from the fields of finance, development banking, climate change and sustainable development, will undoubtedly benefit and advance our design work and will make the Green Climate Fund a reality in South Africa," said Espinosa in her letter.

Responding to Espinosa's communication to Parties, one very senior developing country negotiator told Third World Network that the COP President appeared to be "encroaching in the sovereign rights of States to name their candidates and that this smacks of undue interference in the internal affairs of States."

Said this negotiator further, someone had informed him that on the nominations to the Transitional Committee, "the developed countries are taking out their big guns and heavy artillery", indicating that a big fight is underway for developed countries to ensure control of the Climate Fund.

It was agreed in Cancun that the first meeting of the Transitional Committee is to take place by March 2011.

According to the Cancun decision, the terms of reference of the Transitional Committee are as follows:

"1. The Transitional Committee shall recommend to the Conference of the Parties for its approval at its seventeenth session and shall develop operational documents that address, inter alia:

"(a) The legal and institutional arrangements for the establishment and operationalization of the Green Climate Fund;

"(b) The rules of procedure of the Board and other governance issues related to the Board;

"(c) Methods to manage large scale of financial resources from a number of sources and deliver through a variety of financial instruments, funding windows and access modalities, including direct access, with the objective of achieving balanced allocation between adaptation and mitigation;

"(d) The financial instruments that the Fund can use to achieve its priorities;

"(e) Methods to enhance complementarity between the Fund's activities and those of other bilateral, regional and multilateral funding mechanisms and institutions;

"(f) The role of the secretariat and the procedure for selecting and/or establishing the secretariat;

"(g) A mechanism to ensure periodic independent evaluation of the Fund's performance;

"(h) Mechanisms to ensure financial accountability and to evaluate the performance of activities supported by the fund, to ensure the application of environmental and social safeguards, as well as internationally accepted fiduciary

standards and sound financial management to the fund activities;

"(i) Mechanisms to ensure appropriate expert and technical advice, including from relevant thematic bodies established under the Convention;

"(j) Mechanisms to ensure stakeholder input and participation."

Parties in Cancun also agreed that developed country Parties "commit, in the context of meaningful mitigation actions and transparency on implementation, to a goal of mobilizing jointly USD100 billion per year by 2020 to address the needs of developing countries."

(Several senior negotiators from developing countries have expressed their unhappiness over the language in the paragraph above, as it weakens the commitments of developed countries to only a goal of mobilizing financial resources and which is conditional "in the context of meaningful mitigation actions" of developing countries. They have also expressed that the USD100 billion per year is inadequate, as according to the World Bank, at least USD100 billion is needed for adaptation and USD300-500 billion per year for mitigation. Other studies have shown that up to USD500 billion is needed for adaptation. The G77 and China had earlier been calling for scaled up, new, additional, and predictable funding to be provided without any conditions and which was supposed to be an assessed contribution of at least 1.5% of the GDP of Annex 1 Parties. This was disregarded in the final decision.)

The Cancun decision also agreed that the Fund will be governed by a board of 24 members comprising an equal number of members from developing and developed country Parties.

Representation from developing country Parties are to "include representatives from relevant United Nations regional groupings and representatives from small island developing States and the least developed countries."

(The G77 and China had previously been calling for an "equitable" representation of members which was disregarded by the Cancun decision and replaced with "equal" representation.)

The Cancun decision also decided that the Green Climate Fund will have a trustee which "shall have the administrative competence to manage the financial assets of the Green Climate Fund, maintain appropriate financial records and prepare financial statements and other reports required by the Board of the Green Climate Fund, in accordance with internationally accepted fiduciary standards."

The decision also states that the "trustee shall be accountable to the Green Climate Fund Board for the performance of its fiduciary responsibilities."

Parties in Cancun had agreed that the World Bank "will serve as the interim trustee of the Green Climate Fund, subject to a review three years after operationalisation of the fund."

(The G77 and China had earlier proposed that the trustee of the Fund be determined through an "open-bidding" process.)

The Cancun decision also agreed that "the operation of the fund shall be supported by an independent secretariat."

The decision also requested the UNFCCC secretariat, "in consultation with President of the Conference of the Parties, to make arrangements enabling relevant United Nations agencies, international financial institutions, and multilateral development banks, along with the

secretariat and the Global Environment Facility, to second staff to support the work of the Transitional Committee for the design phase of the Green Climate Fund."

Further, the decision also agreed to establish a Standing Committee under the COP to assist the Parties "in exercising its functions with respect to the financial mechanism of the Convention in terms of improving coherence and coordination in the delivery of climate change financing, rationalization of the financial mechanism, mobilization of financial resources and measurement, reporting and verification of support provided to developing country Parties."

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Third World Network

Green Fund meeting preceded by debate on election of officers

Mexico City, 29 April (Meena Raman) – The first meeting of the Transitional Committee (TC) to design the Green Climate Fund (GCF) established under the United Nations Framework Convention on Climate Change (UNFCCC) kicked off on Thursday, 28 April in Mexico City, following protracted discussions behind closed doors over election of officers of the meeting.

Parties also had an intense exchange of views on the agenda of the meeting, with the African Group proposing an alternative agenda and the Alliance of Small Island States asking for an amendment to the agenda proposed by the Executive Secretary of the UNFCCC. While the AOSIS proposal was accepted, the African Group proposal was not accepted despite several proposals by some countries to take into account the issues raised by the Group.

There was a lively exchange on the purpose, principles and scope of the GCF. Many countries, both developed and developing, stressed the need for a new financial architecture in climate financing which brings transformational changes in developing countries in addressing climate change and that also enables developing countries to have direct access to funds.

The TC meeting ends on 29 April.

The meeting was supposed to begin at 10 am but got delayed for more than 6 hours, as informal consultations among TC members took place behind closed doors and was closed to observers.

According to sources, Mexico, the host of the TC meeting (and which was also the President of the 16th Meeting of the UNFCCC Conference of Parties) insisted on wanting a key role as Chair or co-chair of the process. Its representative on the TC is its Minister of Finance and Public Credit, Mr. Ernesto Cordero Arroyo.

Several Parties had wanted two co-chairs to steer the TC meeting - one from an Annex 1 (developed) country and another from a non-Annex 1 country, as is commonly the practice under the UNFCCC.

Mexico, though an OECD country, is a non-Annex 1 Party under the UNFCCC but is not a member of the G77 and China.

It was also learnt that South Africa (which will host the next meeting of the Conference of Parties in Durban later this year) had wanted its representative, Mr. Trevor Manuel, the Minister in the Presidency in charge of the National Planning Commission, to be also considered as Chair or co-chair of the process. Mr. Manuel was however not present at the meeting in Mexico City.

This would have meant two co-chairs from non-Annex 1 Parties, which was not acceptable to some developed countries.

The Asian Group had also proposed a representative from Asia to be considered as a possible co-chair, given that none of the existing subsidiary bodies under the UNFCCC and the Kyoto Protocol are led by a member from the Group.

Following intense consultations, a compromise was finally reached with Parties agreeing to the TC being led by three co-chairs, comprised of Mexico, South Africa and Norway, with the last represented by its State Secretary from the Ministry of Finance, Mr. Kjetil Lund.

The delegations of the Philippines and Pakistan, during the formal session of the TC, expressed the extreme flexibility shown by the Asian Group in the discussions in agreeing to the compromise reached.

The Philippines said that its understanding was that the role and mandate of the co-chairs will emanate from the TC members and also that there would be roles for other TC members to also drive the process forward.

Ms. Christiana Figueres, the Executive Secretary of the UNFCCC declared open the meeting in the late afternoon, and explained that at Cancun (last meeting of the COP in 2010), Parties had agreed that the GCF would be designed by a Transitional Committee comprised of 40 members, with 15 members from developed countries and 25 members from developing countries.

She stressed that the task of the TC was to design the GCF in time for its approval at the South African COP meeting in Durban and the Fund spelt a new era for climate change financing. Figueres also said that the GCF would benefit from a robust, transparent and flexible design to deploy climate funding both for adaptation and mitigation.

Once the Parties confirmed the election of the 3 co-chairs, Mexican Finance Minister Cordero conducted the meeting. He said that the work of the TC would be conducted in an inclusive and transparent manner to achieve satisfactory results.

When it came to the consideration of the agenda for approval of Parties, Samoa, speaking for AOSIS, wanted an additional agenda item to consider the "purpose, principles and scope" of the GCF. The proposal by AOSIS was accepted by members of the TC as an exchange of views on this matter. An interesting discussion followed under this agenda item.

Egypt submitted the proposal of the African Group for an alternative agenda for the consideration of Parties. The African Group proposal was more detailed than that provided by the Executive Secretary. Egypt said that its proposal was for a work programme that was taken from the operative paragraphs of the Cancun decision and would encompass the work needed for the lifetime of the TC. The agenda provided by the Executive Secretary included the following items: working arrangements for the TC; work plan of the TC and other matters.

The African Group proposal included agenda items on procedural matters (relating to rules of procedure for the TC meetings; designation of a secretariat of the TC; budget for the TC meetings, secretariat etc; division of work of the elected TC officers); 2011 work programme of the TC (including legal arrangements, institutional arrangements, financial matters relating to resources of the GCF, modalities of contributions to the Fund etc, role and responsibilities of the Fund's trustee, advisory and technical expertise of the Board, complementarity between the Fund's activities and those of other funding mechanisms and institutions); monitoring and evaluation of the operation of the GCF and modalities for involving stakeholders in the Fund operations.

(The World Bank is the interim trustee of the GCF.)

In the Mexican co-chair Cordero's response to the African Group proposal, while saying that the comments of Group were well taken, he said that Parties had to be practical to advance discussions. Cordero said that the agenda proposed by the Executive Secretary was general enough to capture the suggestions of the African Group and these issues could be added when the specific agenda items were being addressed.

Several delegations expressed support for consideration of the African Group proposal, including Nicaragua, the Philippines, Bangladesh, India and Singapore and no objections were raised by any TC member. Singapore in fact suggested that the African Group's listing of issues could be an annex to the agenda with the understanding that it was an indicative list of issues though not exhaustive, as the general agenda by the Executive Secretary did not give the assurance that all the issues were on the table.

Despite these interventions, Cordero insisted that the agenda be adopted as proposed by the Executive Secretary, with the additional amendment made to include the AOSIS proposal. Cordero said that there was no consensus to accept the African Group proposal. He said this despite the fact that there were no objections to considering them.

In fact, as shown above, several delegations had supported the listing of the issues for consideration of the TC.

The TC members then adopted the agenda as proposed by the Mexican co-chair.

The meeting proceeded to deal with the agenda item on an exchange of views between Parties on the purpose, principles and scope of the GGF.

Brazil said that the fund should be governed by the principles of the Convention. Among them was the primary responsibility of the developed countries to provide financial resources to developing countries. There was a need to balance the resources for mitigation and adaptation. Brazil also said that there was need to promote through democratic governance the developing countries' sense of ownership of the fund.

Samoa, speaking for AOSIS said that the purpose of the Fund was to enhance implementation of the Convention and its ultimate objective by scaling up the delivery of new, additional, predictable and adequate multilateral climate financing to catalyze transformational changes in developing countries in accordance with their sustainable development priorities, as well as to support adaptation actions. It said that the Fund functions under the guidance of, and is accountable to, the COP and supports projects, programmes, policies and other activities in developing countries related to mitigation, adaptation, capacity-building, technology development and transfer. It also stressed the need for the Fund to operate as a financial instrument with implementation responsibilities, including direct access.

The United Kingdom said that it was important to ask what the objective of the Fund was and how to ensure value for money. It also asked the question of the purpose of the Fund and the problem it was trying to fix in terms of the existing architecture. Some of the problems it identified included the issue of fragmentation of the funding, the responsiveness and ability to respond at a

speed and scale to deliver finance to where it needs to go quickly and to address direct access. It also stressed the need to leverage private sector financing.

The United States said that it was useful to have a short statement of purpose which related to the need to address the challenge of addressing climate change through deploying financial instruments that leverage private sector investment. It said that there was need to refer back to what was decided to Cancun and not to re-litigate what was decided but to focus on the mechanics of the GCF.

Pakistan said that the principles and provisions of the Convention must apply. It stressed the importance of the Fund having an international legal personality, which was capable of getting into contracts with member states and operationalising direct access of the funds to developing countries. It said that there was need for a transformation and a new business model that also ensured sufficiency of funds, predictability and delivery.

Nicaragua referred to the Cancun decision and said that Parties had agreed to scale up new and adequate funding, taking into account the urgent and immediate needs of developing countries. It also stressed that direct access was important to operationalising the GCF. There was also need to operationalise the need to derive funds from a wide variety of sources, including alternative sources. It said that there was need to operationalise the GCF to be accountable to, and function under the authority of, the COP and to enable thematic funding windows. It said that the work of the Board of the Fund should be Party-driven.

China said that the objective of the GCF was to establish support to developing countries to combat climate change. The mandate of the TC is from the Cancun decision. On the principles of the GCF, as an operating entity of the financial mechanism of the Convention, it should be consistent with principles of the Convention, the Kyoto Protocol and the Bali Action Plan (adopted at the COP meeting in 2007 as the mandate for the ongoing negotiations). It also stressed the need for easy access with no conditionality.

Australia said that there was need for private sector involvement and the funding should be results-based, with strong country ownership and that enable direct access. The GCF should be flexible to a range of finances and financial instruments. It should also be based on robust fiduciary standards and effective use of funds.

Germany said that there was need to assist developing countries for a low carbon path which cannot be business-as-usual and must ensure transformational change in energy, land use and forestry management. The purpose must be to build resilience to existing impacts in all areas. It said that there was need to build on existing efforts and experience, and merge these into better design and framework.

The Philippines said that there was need to learn from lessons from the past. It referred to the G77 and China proposal for establishing a new financial mechanism which was underpinned by the principles of the Convention relating to equity, common but differentiated responsibility, operate under the authority and guidance of the COP, have equitable and balanced representation in the governance and be transparent and ensure direct access of funding for developing countries. It should

be flexible and free from conditionality and be predictable as well as adequate.

France said that the GCF should help scale up climate financing and support the effort of existing institutions. There was need to address the missing links and cover all thematic windows and streamline and reduce fragmentation.

Japan stressed the need to operationalise the Cancun decision and said that the GCF provided an historic and unique opportunity to address climate change and can be a game-changer. It said that there was need to stock-take on why existing funds cannot bring transformational change and also address fragmentation and the governance structure. It asked if Parties were respecting ownership and if the voices of stakeholders were being heard. It said that there was need to address the missing links and to address why there were problems and how to address them.

Saudi Arabia also stressed the need to adhere to the principles of the Convention and for the Fund to be comprehensive in serving the needs of all developing countries, including in addressing response measures and the need for diversification.

Spain said that the objective of the GCF should be to resolve the current problems of the financial architecture and that there was need for a new financial architecture. There was need for a new approach to adaptation and mitigation financing and to consider the needs of developing countries. The added value in governance was in having new actors; in identifying new sources and new financial instruments. There was need for huge amounts of money for transformation.

Denmark asked what it would take the Fund to be a success and said that Parties needed to look at this when comparing with other institutions. There was need to deliver results at speed. There was also need for national institutions to ensure direct access (to funding).

Barbados said that it would like to see transformational change and that the GCF was established after experiencing frustration. It hoped that the GCF would be transformational and ambitious.

India reiterated that the GCF should be demonstrably new and additional. The funds should be primarily in the form of grants. It said that it must be recognized that the overriding priority for developing countries is to overcome poverty and that there are trade-offs for developing countries in the short-term in addressing climate change. It stressed that there should be no conditionality for financing and that the institutional mechanism should be innovative with a new architecture and governance.

Singapore said that the GCF must make a difference in achieving the ultimate objective of the Convention in stabilizing greenhouse gases. It must also be a model of efficiency in terms of administration with no wastage.

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3 May 2011
Third World Network

World Bank's conflict of interest in Green Fund design?

Published in SUNS #7142 dated 4 May 2011

Geneva, 3 May (Meena Raman) – Developing countries on the Transitional Committee for the design of the Green Climate Fund (GFC) under the United Nations Framework Convention on Climate Change (UNFCCC) raised concerns that there could be a conflict of interest if World Bank personnel are seconded to the Technical Support Unit to help in the design of the GCF.

This issue of the conflict of interest was raised during the second day of the meeting of the Transitional Committee on Friday, 29 April in Mexico City, by developing countries including the Philippines, Nicaragua and India, when the working arrangements for the TC and the role of the TSU were discussed.

They said that since the World Bank has been invited to serve as the interim trustee for the GCF under the December 2010 Cancun decision [of the Ad-hoc Working Group on Long-term Cooperative Action under the UNFCCC], staff connected to the World Bank could not be involved in providing consultancy services related to the design of the GCF which is about its governance.

Nicaragua said that this would be contrary to international fiduciary standards, citing the case of Arthur Andersen, the audit firm involved in the Enron Corporation scandal in the United States, where as auditors of Enron, Arthur Andersen was also involved in providing consultancy services to the company and this was found to be a conflict of interest.

Nicaragua said that it is not internationally acceptable for the World Bank to be involved both in a consultancy function (in designing the GCF) as well as in being a trustee of the GCF.

This would be a violation of international fiduciary standards, as there is an apparent conflict of interest to be involved in role of designing the GCF that relates to the governance structure of the GCF when the World Bank is a trustee of the GCF. In such a situation, any World Bank personnel should excuse themselves from such a role as in the designing of the GCF, said Nicaragua.

The Philippines referred to the "sunset-clause" under the World Bank's Strategic Climate Fund (SCF) that provides for the cessation of the SCF once a new financial architecture becomes effective under the UNFCCC.

It referred to the 'sunset clause' of the Climate Investment Funds (CIF) of the World Bank as contained in paragraphs 57 and 58 of the Strategic Climate Fund (SCF) where the World Bank as the trustee of the SCF is involved in decisions about the continuity of the SCF. (The SCF is one of the two funds of the CIF, the other being the Clean Technology Fund).

The Philippines said that anybody who is connected with the CIF and the SCF would be in a conflict of interest situation if they were also involved in the design of the GCF. It also referred to the 'Arthur Anderson syndrome' (in the Enron scandal).

(Paragraphs 57 and 58 of the Strategic Climate Fund of the World Bank's "sunset-clause" are as follows:

"57. Recognizing that the establishment of the trust fund is not to prejudice the on-going UNFCCC deliberations regarding the future of the climate change regime, including its financial architecture, the SCF will take necessary steps to conclude its operations once a new financial architecture is effective. Specifically, the Trustee will not enter into any new agreement with donors for contributions to the trust fund once the agreement is effective. The Trust Fund Committee will decide the date on which it will cease making allocations from the outstanding balance of the Trust Fund.

58. Notwithstanding the above paragraph, if the outcome of the UNFCCC negotiations so indicates, the Trust Fund Committee, with the consent of the Trustee, may take necessary steps to continue the operations of the SCF, with modifications as appropriate.")

In response to this, the United States did not agree that there was a conflict of interest involved and said that any determination relating to the sunset-clause as to whether the CIF was to continue or not would be done by the Governing Body of the CIF and not the trustee (the World Bank).

(Paragraph 58 above clearly shows that the consent of the World Bank as trustee of the SCF is necessary in determining the continuation of its operations.)

Germany also disagreed that there was a conflict of interest and said that there was no need to overstate the issue as the Technical Support Unit was not an independent consulting body but is working through the Transitional Committee and therefore, it did not have independent judgment.

On the sunset-clause of the CIF, it said that Bank worked under the direction of governments and did not have an independent role. It was the governments that decided what the priorities are.

Sweden agreed that the issue of conflict of interest must be taken seriously and there was need to ensure impartiality on the part of members of the Technical Support Unit.

Nicaragua in response to the interventions by developed countries, said that it could not agree that there was an abdication of a situation of conflict of interest just because the Technical Support Unit functioned under the Transitional Committee. It said that if Parties were applying international fiduciary standards, then a consultancy function (of persons in the Technical Support Unit) could not be combined with a fiduciary function of being a trustee of the GCF (as in the case of the World Bank).

India said that the issue was not just of whether a conflict of interest existed in reality but whether there was also a perception of such a conflict and this must be prevented.

The Cancun decision requested the UNFCCC secretariat to make arrangements enabling relevant United Nations agencies, international financial institutions and multilateral development banks, to second staff to support the work of the Transitional Committee for the design phase of the GCF.

Pursuant to this, the Executive Secretary, Ms. Christiana Figueres, informed Parties that arrangements have been made for establishing the Technical Support Unit, which is to be operational immediately after the initial meeting of the Unit. The

Unit consists of the secretary to the Transitional Committee and a substantive team drawn from the UNFCCC secretariat staff and staff seconded from relevant organizations to support the work of the Committee.

In an information note by the UNFCCC secretariat, Parties were informed that a fund design specialist will be seconded from a multilateral development bank (MDB) and will inter alia, coordinate the preparation of design options papers, including assessment of governance options.

The Philippines requested the deletion from the information note any reference to a fund design specialist being seconded from an MDB.

Another issue of controversy that arose during the meeting related to how decisions are to be made by the Transitional Committee and what the meaning of consensus was.

Developing countries led by the Philippines and supported by China, Saudi Arabia, India, Egypt, Pakistan, Nicaragua and the Democratic Republic of Congo (DRC) wanted the existing United Nations rules of procedure to continue and for consensus to mean that no single member has made a formal objection to adopting conclusions.

They did not want a repeat of what happened in Cancun where despite the express objection by Bolivia, decisions were adopted.

The DRC and Pakistan also said that since the Transitional Committee was a body created by the Conference of Parties (COP), the rules of procedure of the COP applied, and this could be modified as necessary but there was need for explicit consensus in this regard which must be clearly reflected under the working arrangements of the Transitional Committee.

Developed countries such as the United States, Spain and Canada wanted a more flexible approach. The US said that it was possible to have "consensus voting" and that it was not appropriate to use the UNFCCC rules wholesale and there could be important modifications and Parties can look to the UNFCCC rules for guidance.

Spain said that there was need for flexibility on the consensus rule according to the work that was needed and would not support a strict definition of consensus.

Canada said that a hard rule on consensus could lead to "filibusters" (referring to tactics used in the US Congress to prevent a measure from being brought to vote).

Italy said that the Transitional Committee was not a decision-making body and could provide options that can be brought to the decision-making bodies, while ensuring a transparent process.

A further matter that was controversial was in relation to a request by members of the Asian Group of the Transitional Committee to have a representative from the region to serve as Vice-Chair to the Committee, in addition to the three Co-Chairs that were agreed to through a compromise reached on the first day of the meeting on April 28 (see TWN Info. Service on Climate Change April 11/01 dated 30 April 2011 for a report of meeting held on 28 April).

The current 3 Co-Chairs are Mr. Enersto Cordero Arroyo of Mexico, Mr. Trevor Manuel of South-Africa and Mr. Kjetil Lund of Norway.

Saudi Arabia, speaking for the Asian Group said that that the Group had shown great

flexibility on the issue of the election of the Co-Chairs. It said that the Group deserved a seat on the leadership of the Transitional Committee and would like to be assured that there was a place for it in the process as vice-chair.

Pakistan supported Saudi Arabia and said that at the time of the election of the 3 Co-Chairs of the Transitional Committee, the issue of the vice-chair was not addressed and this did not mean that the position was precluded. It said that before the next Committee meeting, the Asian Group needed a chance to be represented.

The Philippines said that when the Asian Group agreed to the suggestion for the 3 Co-Chairs, it was made clear several times that the Group would also have a role. The Asian Group wanted Singapore's Transitional Committee representative, Ambassador Burhan Gafoor to be considered as vice-chair of the Committee.

The request by the Asian Group was supported by the Democratic Republic of Congo for the African Group, Nicaragua, El Salvador and Brazil.

The developed countries, led by the US, did not want the discussion on the matter to continue.

The US suggested that the matter be left to the Co-Chairs to decide when and how additional vice-chairs can be allowed and that this issue be brought to the next meeting.

The UK and Australia echoed the US suggestion and the Mexican Minister of Finance Mr. Cordero who was chairing the Transitional Committee meeting, said that discussion on this issue should be resumed at the next meeting of the Committee.

An interesting exchange also followed on the kind of experts needed for the Technical Support Unit with the Alliance of Small Island States (AOSIS) setting out principles for its staffing and operation, including a call for an additional expert familiar with the specific constraints faced by developing countries in accessing climate finance.

Barbados, speaking for AOSIS, said that among the principles that should operate for the staffing and operations of the Technical Support Unit should be included the guarantee of independence and impartiality of each member; it should be composed of experts and specialists who have demonstrated and recognized technical expertise in the relevant field of work; the selection of experts and specialists should be made through a transparent and fair process; no dominance or over-representation of one single institution in the Unit; avoidance of conflict of interest; and the need for geographical balance in the representation of regional development banks.

Several developing countries including Nicaragua and the Democratic Republic of Congo also stressed the importance of the work of the TSU to be mandated by the TC. Nicaragua said that the TC should not be a "rubber-stamp" of the TSU.

The Transitional Committee meeting also considered a revised discussion note prepared by the Co-Chairs which was entitled *'Revised draft work-plan for the TC (Transitional Committee)"* with a proposal for 4 work-streams on (1) scope, guiding principles and cross-cutting issues; (2) governance and institutional arrangements; (3) operational modalities; and (4) monitoring and evaluation.

Nicaragua said that the document was not a work-plan for the TC but was a proposal for work-streams. The co-chairs were

requested by Parties to revise the document following inputs received during the meeting.

There was also disagreement between developed and developing countries over whether the Transitional Committee should address the roles and functions of the Standing Committee (SC).

Under the Cancun decision, Parties decided to establish the SC to assist the Conference of Parties in exercising its functions in relation to the financial mechanism in terms of improving coherence and coordination in the delivery of climate change financing etc.

Under work-stream 2, the Co-Chairs' note referred to the relationship between the Green Climate Fund and other bodies including the SC. The US wanted the reference to the SC to be removed as it said that the SC was yet to be established.

The Mexican Co-Chair agreed with the US that the SC had not been created.

The Philippines, Pakistan, China and India all insisted that the Cancun decision established the SC and that it was an integral part of the Transitional Committee process. India said that the Cancun decision established the SC but what remained to be done was for the SC to be operationalised. The Philippines opposed the removal of any reference to the SC as suggested by the US.

The Mexican Co-Chair also proposed that two facilitators facilitate each work-stream, with one from an Annex 1 country and one from a non-Annex 1 country. Work-stream 1 would be facilitated by Barbados and Spain; work-stream 2 by the Democratic Republic of Congo and Switzerland; work-stream 3 by Pakistan and Australia and work-stream 4 by Bangladesh and Sweden.

The UNFCCC Parties at the meeting also expressed support for workshops to learn the lessons from the (UNFCCC) Adaptation Fund as well as from other existing funds, including from beneficiaries of the funds.

The Parties also agreed that the second meeting of the TC would be held in early July in Japan, while further meeting venues were offered by Switzerland (Geneva), Singapore and South Africa.

TWN Info Service on Climate Change (Jul11/02)

14 July 2011

Third World Network

Disagreements in Green Fund design committee over conflict of interest issue

Tokyo, 14 July (Meena Raman) – The second meeting of the Transitional Committee (TC) to design the Green Climate Fund (GCF) under the United Nations Framework Convention on Climate Change (UNFCCC) kicked off in Tokyo, Japan, on Wednesday July 13, with an intense exchange between members on the issue of conflict of interest in the appointment of staff seconded to the Technical Support Unit who are from the World Bank Group.

The Technical Support Unit (TSU) was set up to support the work of the TC, while the Cancun decision adopted last year by the Conference of Parties to the UNFCCC decided to invite the World Bank to serve as the interim trustee of the GCF.

The issue of conflict of interest was raised by Dr. Paul Oquist, the TC member from Nicaragua, who presented a detailed written submission which he read out, calling on the TC "to apply conflict of interest rules and principles at least as stringent as those contained in the United Nations System and World Bank Guidelines." He said that "the Secretary of the Transitional Committee should take due cognizance of these rules and principles and immediately apply them with due diligence to the Green Climate Fund design process in all of its dimensions, including the Technical Support Unit."

The proposal by Nicaragua, which received support from the Philippines and Egypt, was opposed by the United States, Japan and Denmark, leading the Mexican Co-chair, Mr. Enersto Cordero, who chaired the session, to conclude that there was no agreement on the matter. Nicaragua wanted the record of the meeting to reflect that the Co-chairs could not approve his proposal for application of the UN rules on conflict of interest to the TC as the proposal was rejected as there was no consensus on the matter.

The first day of the TC meeting, which ends on 14 July, also saw the election of two new Vice-chairs to the TC: Mr. Burhan Gafoor from Singapore and Mr. Ewen McDonald of Australia. (At the first meeting of the TC in Mexico City in March this year, the Asian group had proposed Mr. Gafoor as Vice-chair and was supported by the African Group and several Latin American countries.)

The Tokyo meeting of the TC also saw the presence for the first time of all the three Co-chairs, who, in addition to Mr. Cordero from Mexico, are Mr. Trevor Manuel from South Africa and Mr. Kjetil Lund of Norway. The Minister of Finance of Japan, Mr. Yoshihiko Noda, also made a brief appearance at the meeting in the afternoon to address the TC members and said that the GCF must have value added and it was important to show clearly how it was different from other existing funds. He added that the financial resources to the GCF should be new and additional to the developed countries' official development assistance (ODA)

commitments in addressing poverty in developing countries.

The provisional agenda for the TC meeting was adopted following an amendment to include an agenda item for the adoption of the "draft report of the meeting" by the TC (which was raised by the Philippines and Egypt) and on the understanding that the agenda item on "next steps" will be more explicit on the roadmap to Durban, including the dates and venue of the next TC meetings. (The Philippines and Egypt had previously raised concerns that the first TC meeting did not have a report of the meeting, other than a Co-chairs' summary which contained inaccuracies and did not reflect important suggestions from developing countries.) The TC meeting also considered the working arrangements for the TC which included an update on the arrangements for the TSU.

The meeting also discussed issues relating to work-stream I on "scope, guiding principles and cross-cutting issues" and work-stream II on "governance and institutional arrangements." The issues relating to the remaining two work-streams on "operational modalities" and "monitoring and evaluation" will be addressed on Thursday, 14 July.

Conflict of interest

On the conflict of interest issue, Dr. Oquist of Nicaragua recalled the first meeting of the TC held in Mexico City, Mexico from 29-30 March, where he had advised that participation of the World Bank, World Bank staff or World Bank seconded staff in the design of the GCF would constitute conflict of interest, potential conflict of interest, and the appearance of conflict of interest as the World Bank had been invited to be the interim trustee of the GCF under the decision adopted in Cancun last year.

He said that despite having been duly advised, the UNFCCC Secretariat proceeded to form the TSU with World Bank participation. Oquist referred to the Co-chairs' summary of the Mexico meeting and said that the summary ignored the ample discussion undertaken on this issue and instead included the UNFCCC Executive Secretary's position that there is no problem due to the existence of a Memorandum of Agreement with the seconded staff which addresses the issue of conflict of interest, impartiality and independence as it relates to members of the TSU.

In addition, Oquist drew attention to the Executive Secretary's update on arrangements for the TSU where she refers to the World Bank conflict of interest issue and stated that "concerning the question about a possible conflict of interest between staff from the World Bank seconded to the TSU and the possible functions of the World Bank as the interim trustee for the GCF, … it has been verified that the part of the World Bank that performs the trustee functions and the part which has seconded staff to the TSU are institutionally independent".

Oquist said that "it is clear that the Secretariat is not fulfilling its fiduciary duty to avoid conflict of interest in the TSU in accordance with internationally accepted fiduciary standards" and that "the Secretariat is rather improvising its own rules that fail to meet those standards."

Oquist stressed that "a Memorandum of Agreement signed with a seconded individual cannot obviate institutional conflict of interest derived from the fact that the said individual is in the

employment of an entity with current or future fiduciary responsibilities in relation to the organization to which the individual has been seconded. Thus, the aforesaid Memorandum of Agreement has no bearing whatsoever on the issue of institutional conflict of interest".

"The World Bank Group … has a single Board of Governors, a single Board of Executive Directors and a single President with full authority and responsibility over the entire organization. Conflict of interest is inherent in any employee or seconded employee, permanent or temporary, of the World Bank Group being involved in design activities of an entity for which the World Bank exercises, or will exercise, fiduciary responsibilities. The location of said individual in the organizational structure of the World Bank Group is completely irrelevant to the issue of institutional conflict of interest," he added.

"A trustee cannot participate in design, decision making, administration or evaluation of an entity for which it exercises, or will exercise, a fiduciary responsibility," said Oquist, referring to the US case of Enron Corporation and Arthur Andersen in which a conflict of interest was found between fiduciary responsibilities and consultancy functions by Arthur Andersen in the firm Enron.

He said further that "conflict of interest ethics and law are not a matter of opinion nor of convenience, but rather enshrined in the ethical codes of both the United Nations System and that of the World Bank Group, as well as in international and national corporate governance best practice. The TC objective must be a GCF design process characterized by transparency, accountability, probity and integrity that proactively avoids conflicts of interest, potential conflicts of interest and the perception of conflicts of interest, at the institutional, and individual levels. The means are internationally accepted fiduciary standards."

Oquist then called for the TC to apply conflict of interest rules and principles at least as stringent as those contained in United Nations System and World Bank Guidelines.

Ms. Bernarditas Mueller of the Philippines supported the Nicaraguan intervention and asked for clarification about the institutional affiliation of all the TSU staff and experts as this was not disclosed by the Executive Secretary. Ms. Carol Mwape Zulu of Zambia also wanted disclosure of the institutional affiliation of the TSU staff and experts. Mr. Omar El-Arini of Egypt also supported the Nicaraguan intervention and suggested reflection of the language proposed by Nicaragua to be in the report of the meeting.

The United States representative to the TC, Ms. Marisa Lago, in response to Nicaragua, said that there was no actual nor appearance of a conflict of interest. She said that arrangements had been made between the UNFCCC Secretariat and the Multilateral Development Banks to ensure impartiality and avoid conflict of interest. She said that the Enron case had no relevance here. She said that other institutions such as UNEP and UNDP could have a greater potential for conflict of interest than the World Bank as these UN agencies could be implementing agencies of the GCF funds, while the Bank was only playing a limited role as the interim trustee. Implementing agencies involved in project design and supervision would have incentives to design safeguards (in the GCF) which are easy to satisfy, she added. Lago said that national authorities too could find themselves in a similar

situation. She said that if this logic is to apply, then all implementing agencies and recipients of the GCF funds would be excluded from the design of the GCF.

The Japanese representative to the TC, Ms. Naoko Ishii, and Mr. Per Callesen of Denmark supported the US.

In response to comments, Mr. Henning Wuester, the secretary of the TC, explained that the Memorandum of Agreement between the UNFCCC and the staff of the TSU as well as the undertakings the staff have to sign were based on legal analysis provided by the UNFCCC's legal advisors and were based on UN guidelines and that the issue of conflict of interest had been taken care of and could be made more explicit. On the request for disclosure regarding the institutional affiliation of the TSU staff, Wuester said that the information could be provided to the TC members on a confidential basis but he did not want it to be made public as this was not the practice within the UN system.

In response to the comments by TC member, Mexican Co-chair Cordero, who was chairing the session, said that his impression was that not all members were in agreement with the Nicaraguan proposal and that this should be reflected in the report of the meeting. He also asked the TC secretary to circulate the legal note that there was no conflict of interest in the arrangements made between the UNFCCC Secretariat and the TSU staff.

Nicaragua in response said that it was not for the TC members or the Co-chairs to choose if the UN rules were accepted as members were subject to them. Oquist asked the Co-chairs to study the matter less defensively so that the issue could be resolved and not glossed over.

Cordero said that not all members were in agreement with Nicaragua and they were comfortable with the handling of the matter by the Executive Secretary in this regard and the concerns of Nicaragua would be reflected in the report of the meeting.

Work-streams

South African Co-chair Trevor Manuel chaired the session in the afternoon which dealt with work-streams I and II. He said that there was a need to leave the meeting on Thursday with something that lays the basis for a document to be drafted and to be finalized at the fourth meeting of the TC. TC members proceeded to discuss issues under the two work-streams, highlighting where more work was needed, given differences of views among members.

TWN Info Service on Climate Change (Jul11/03)
16 July 2011
Third World Network

Developing countries submit document for Green Fund establishment

Penang, 15 July (Meena Raman) – A group of 13 developing countries formally tabled a document on the operational elements for the establishment of the Green Climate Fund on the final day of the meeting on 14 July 2011 of the 2nd meeting of the Transitional Committee (TC) in Tokyo, to design the Green Climate Fund (GCF) under the United Nations Framework Convention on Climate Change (UNFCCC).

The document was tabled by Egyptian member of the TC, Dr. Omar El-Arini on behalf of Argentina, Burkina Faso, China, the Democratic Republic of Congo, Egypt, El Salvador, Gabon, India, Morocco, Nicaragua, Philippines, Saudi Arabia and Zambia. Brazil, Pakistan, Singapore and Peru gave support to the document from the floor, and Japan welcomed the initiative of the developing countries as an input to the work of the TC.

(The TC was established under the Cancun decision adopted last year by the Conference of Parties (COP) of the UNFCCC to develop and recommend to the 17th session of the COP for its approval operational documents relating to the design of the GCF. The TC is comprised of 40 members, 25 of whom are from developing countries).

In formally tabling the document on behalf of the 13 developing countries, Dr. El-Arini of Egypt said that he hoped that "the submission at this stage in our discussions will help to advance our work by collecting the views of a number of Parties, and encapsulating these in a form that can contribute to the operational documents we are mandated to prepare for consideration of the Conference of the Parties."

He explained that "the first part, entitled 'Operational Elements for the Establishment of the Green Climate Fund' sets out our collected views on the items described in our terms of reference, including those we are addressing in each of the work-streams. It addresses issues such as: 'Objectives, principles and scope'; 'Governance and institutional arrangements (including the Board, Secretariat, Trustee, expert and technical input)'; 'Financial and operational modalities'; as well as 'Arrangements for monitoring and evaluation.' The document also responds to our specific mandate to develop rules of procedure for the Board, which are set out in an Annex."

"In preparing this contribution to our work, we have drawn extensively on the experience of developing countries with a wide range of funds, including the Global Environment Facility, the Adaptation Fund, Multilateral Fund (of the Montreal Protocol) and other funds. We have also sought to draw on many of the excellent submissions by various TC Members as well as information prepared by the Technical Support Unit and observer organizations including civil society," added Dr. El-Arini.

Dr. El-Arini stressed that "this document is a draft document and compilation of initial views and proposals by many TC members, and it does not preclude any further submissions by the TC members

supporting it. In this regard we note good alignment between some of our proposals and those put forward by members and co-facilitators."

Dr. El-Arini also wanted the formal tabling of the document reflected in the report of the TC meeting and requested that copies of the document available to all TC members.

Some of the highlights of the document (which was made available to TWN) are as follows:

On the **legal status** of the GCF, "The Fund, as a body under international law, shall be endowed with a juridical personality. Consequently, the Fund shall enjoy such legal capacity as is necessary for the exercise of its functions and the protection of its interests, in particular the capacity to enter into contracts, to acquire and dispose of movable and immovable property and to institute legal proceedings in defense of its interests."

As regards the **objectives**, "The Fund will contribute to the full, effective and sustained implementation of the UNFCCC, in relation to implementation of commitments for the provision of financial resources to developing country Parties, as mandated under relevant provisions of the Convention, including its Articles 4.3, 4.4, 4.5, 4.8 and 4.9 and in accordance with Article 11 of the Convention."

"The Fund will manage the large scale of financial resources from a number of sources and deliver through a variety of financial instruments, funding windows and access modalities, including direct access, with the objective of providing adequate and predictable financial resources to developing countries for the implementation of climate-related policy measures, activities and actions, and achieving a balanced allocation between adaptation and mitigation. The Fund will contribute to the goal of achieving coherence in the global financial architecture for the financing of climate-related activities, under the authority and governance of the Conference of Parties."

Among the **principles** to guide the Fund include: "The Fund will operate under the authority and guidance of, and be fully accountable to, the Conference of Parties; The Board of the Fund will have an equitable and geographically balanced representation of all Parties within a transparent and efficient system of governance; The Fund will enable direct access to funding by the recipient countries; The Fund will be country-driven and demand-driven, with recipient countries being involved during the stages of identification, preparation and implementation, and responding to the needs and circumstances of the developing countries. The Fund will recognize, promote and strengthen the significance of engagement at the country level, in order to give effect to the principles of a country-driven approach, and direct access to funding; The Fund will make optimal and appropriate use of the full range of means of implementation available to allow for large scale of implementation; and the Fund would facilitate linkages between the various funding sources and separate funds in order to promote access to the variety of available funding sources and reduce fragmentation."

On **governance**, "The Fund shall be governed by a Board which shall supervise and manage the Fund, under the authority and guidance of the Conference of the Parties, and shall be fully accountable to the Conference of the Parties which shall decide on its overall policies in line with relevant decisions. In implementing the

principle of accountability to the COP, the Board shall submit annual reports to the Conference of the Parties for its consideration and deliberation, on various operational matters…"

"The **functions of the Board** shall include: "To administer the Fund in accordance with the policies, programme priorities and eligibility criteria related to the Convention as decided by the Conference of the Parties; To develop specific operational policies and guidelines, including programming guidance and administrative and financial management guidelines, and to report to the Conference of the Parties; To decide on projects, including the allocation of funds, in line with the Fund's principles, criteria, modalities, policies and programmes; To oversee the operation of all relevant organs of the fund including the trustee, secretariat, sub-committees, implementing agencies, and expert, advisory and evaluation panels; To develop draft legal and administrative arrangements for secretariat services and the interim trustee for approval by the Conference of the Parties."

In relation to ensuring a **country driven approach**, "The Fund shall adopt an approach that is driven by recipient countries to support them to more effectively implement climate policies, measures, actions and activities. Consequently, the Fund shall allocate resources in the most appropriate forms and for the most appropriate uses that are suitable for the recipient countries. The Fund shall tailor its strategy and approach to the needs and circumstances of each country; therefore a country driven approach is required, with the full participation of the countries concerned."

On the **scope and mandate**, "The scope and the thematic areas of the Fund is shall be based on the mandate established in the Convention, as well as relevant decisions of the Conference of the Parties, and any future decision relating to the Fund. The Fund, as an operating entity of the financial mechanism of the Convention, shall address the following thematic areas: (a) Adaptation activities; (b) Mitigation activities; (c) Technology development and transfer; (d) Capacity building of and institutional development in developing countries; and (e) Information and processes taken to implement the Convention. The COP and the Board can designate sub-themes linked to the above.

On the **size and scale of the Fund**, "The Fund shall manage a large scale of financial resources from a number of sources and deliver through a variety of financial instruments. The Fund shall take into account the various commitments made in relation to climate financing, including the commitment by developed countries to provide new and additional resources, approaching USD 30 billion for the period 2010–2012; that scaled-up, new and additional, predictable and adequate funding shall be provided to developing country Parties; that developed country Parties commit to a goal of mobilizing jointly USD100 billion per year by 2020 to address the needs of developing countries; and that a significant share of new multilateral funding for adaptation should flow through the Fund."

"The Fund shall make arrangements to determine in a predictable and identifiable manner the amount of funding necessary and available for the implementation of the Convention and the conditions under which that amount shall be periodically reviewed taking into financial needs identified by the developing country

Parties in accordance with Article 11 of the Convention. The Fund will also seek to mobilize financial resources...".

As regards **full and incremental costs**, "The Fund shall provide information relevant to the determination of the amount of funding necessary for the implementation of the Convention including, *inter alia*, through an evaluation, in relation to each of the thematic areas covered by the Convention and collectively, of the type of costs to be covered including those which are to be financed at agreed "full costs" and at agreed "full incremental costs", as well as financing required to address other commitments described in the Convention for consideration by the COP. Drawing on recommendations by thematic bodies on the areas and types of costs to be covered, and on the methodologies and guidelines established…, the Fund may estimate the scale of financing needed in accordance with Article 11.3(d) of the Convention. The Fund shall make a plan for the phasing in of the volume of resources, including activities that require funding in the initial phase of the Fund, and the next phases."

On the **operational modalities** in relation to the **sources of finance**, "The financial contributions should be principally in the form of grants. To the extent concessional finance is provided, only the grant or concessional element should be counted as new and additional (as is the historical practice of key donors)."

"In accordance with Article 4.3 and relevant decisions of the COP, the provision of financial resources shall reflect appropriate burden sharing among the developed country Parties. The Fund shall develop a more systematic method for assessing and allocating the responsibility among the developed countries to provide adequate and predictable, new and additional financial resources."

"The Fund shall utilize a systematic method in evaluating the level of financial resources required to implement the Convention, which shall address: (a) consideration of the scale of financing required in aggregate to reflect the total scale of financing necessary for the implementation of the Convention by developing country parties to the Convention; and (b) consideration of the means for the appropriate burden sharing among developed country Parties which can be assured through the development of a scale of assessed contributions, similar to the practice adopted within the United Nations."

On the **delivery and uses of funds**, as regards **direct access**, "Eligible Parties shall be able to submit their project proposals, prepared in accordance with project preparation eligibility criteria agreed by the Board, either directly to the Fund Board or through an implementing or executing agency chosen by them."

"In accordance with the Convention, including its Article 4.3, all developing countries, without discrimination or any form of exclusion, are eligible to receive financial resources for the implementation of measures set out in Article 4.1 of the Convention…"

On **fiduciary standards and financial management**, "The implementing entities designated to receive the funds and to allocate and use them shall abide by the principles of financial accountability and good fiduciary standards. These principles and standards may cover financial integrity and management, institutional capacity and implementation."

In engaging with the **private sector and other economic entities**, "The private sector in developed countries is encouraged to make supplementary contributions and donations to the Fund. However, resources of the Fund should not be used for subsidizing corporations or financial institutions of developed countries (as the Fund is established to provide resources to developing countries). Such contributions shall not include payments by companies for offsetting in the carbon trade, as financial resources provided by carbon markets are to enable developed countries to implement their mitigation commitments and are not contributions towards the financing commitment of the developed countries in accordance with the Convention."

"The Fund will encourage governments in developing countries to make use of a variety of instruments to engage with their economic public and private institutions and units, including major companies, small and medium enterprises, the urban informal sector, and the rural farmers, and to support their engagement in national efforts for mitigation, adaptation, technology development, capacity building and institutional development. A variety of financing instruments such as subsidies, tax breaks, concessional loans, public investment in agricultural programmes, may be employed at the national level in order to incentivize the economic units of developing countries. The incremental cost to the public and private sector to make changes for mitigation or adaptation, and various types of the relevant public-sector expenditure in incentivizing the private economic units, may be eligible to be financed through the Fund."

On **monitoring and evaluation**, "The Board is responsible for the strategic oversight of projects and programmes implemented with resources from the Fund. The Board or a designated sub-committee of the Board, with support of the Secretariat, will monitor the Fund's portfolio of projects and programmes… There shall be periodic independent evaluations of the performance of the Fund, which shall address factors including, *inter alia*, the performance of the Fund; evaluation of the Secretariat and the interim Trustee; assessments of the appropriateness of Fund's structures, operations and policies; the effectiveness of the work of the thematic windows and areas, and the impacts on the recipient countries of the activities and programmes supported by the Fund."

On '**environmental and social safeguards**' "The programmes and projects to be funded should be environmentally and socially appropriate, and in line with the objectives and principles of the Fund. However, the assessment and procedures to ensure they meet minimum environmental and social standards should not become conditionality. The Fund through the technical and expert panels provided by the thematic bodies under the Convention will ensure the applications of environmental and social safeguards to the funds activities, including for the technology transfer and development."

The tabling of the document took place in the afternoon session of the TC meeting which was chaired by South African Minister, Mr. Trevor Manuel. Mr. Manuel, referring to Dr. El-Arini said that "If you look around the room, anyone of us could have drafted the document." He said that what was needed was an inclusive process that takes collective ownership

through a process that is open and transparent. He said that it was important to work through the document in stages and that the document distributed by Dr. El-Arini could be considered but "members were not there yet in the level of detail".

Manuel had earlier in the afternoon suggested a work-plan for the TC that was circulated in a note by the Co-chairs, which was supported by members of the TC. The work-plan provides for the drafting of a report of the TC, including operational documents by the Co-chairs, Vice-chairs and Co-facilitators (which is a team of 12 persons).

According to the work-plan, TC members are encouraged to make further submissions by 29 July 2011. Based on the discussion at the discussion of the 2nd TC meeting (in Tokyo) as well as written submissions, the Co-chairs, the Vice-chairs and the co-facilitators will prepare draft outline of the report of the TC. This will include the key issues to be covered and where appropriate, substantive content where there is convergence among TC members or options where there is divergence. Documents will be circulated two weeks before the third meeting on 28 August 2011.

There would be a second technical workshop in Geneva on 11 September for further interactions with representatives from civil society and private sector. The 3rd meeting of the TC will take place in Geneva from 11-13 September where the TC will discuss the draft outline of the report and focus on areas that require further discussion among members and the process for finalizing the report of the TC to the 17th COP. The Co-chairs, Vice-chairs and the Co-facilitators will prepare a draft report of the TC, based on discussions at the 3rd TC meeting and this will include any operational documents that the TC deems appropriate. The 4th meeting of the TC will then discuss the draft report and adopt it and this meeting will take place in Capetown, South Africa, tentatively proposed to be from 19-21 October.

TWN Info Service on Climate Change (Sept11/03)
12 September 2011
Third World Network

Green Climate Fund design committee to focus on key issues

Geneva, 12 September (Meena Raman) – The third meeting of the Transitional Committee (TC) to design the Green Climate Fund (GCF) under the United Nations Framework Convention on Climate Change (UNFCCC) kicked off in Geneva, Switzerland on the afternoon of Sunday, September 11, with members identifying what are key issues for the focus of further work.

A workshop held in the morning to discuss the engagement of the private sector in the GCF drew sharp criticisms from some members of the TC from developing countries as well as major civil society coalitions who were opposed to proposals by several developed countries to establish a special funding window for the private sector under the GCF.

Mr. Trevor Manuel of South Africa and Mr. Kjetil Lund of Norway co-chaired the meeting, which is scheduled to end on Tuesday, September 13.

Mr. Lund proposed that TC members focus discussions on 5 key issues viz. (i) the relationship between the GCF and the Conference of Parties (COP), involving the accountability and reporting of the GCF components to the COP and relationship with relevant thematic bodies established under the Convention; (ii) legal status of the GCF, which involves the issue of the legal personality or legal capacity, as well as privileges and immunities for the GCF and/or its officials; (iii) issues related to the establishment of an independent secretariat including the selection of its head; (iv) the use of funding windows (for example, funding windows for adaptation, mitigation and forest-related activities) and substructures; and (v) the structures and processes for the engagement of the private sector.

For the meeting in Geneva, the Co-chairs and Vice-chairs of the TC had prepared a "Draft outline of the report of the Transitional Committee for the design of the Green Climate Fund to the Conference of the Parties" which contained various elements such as - objectives; guiding principles; scope; governance and institutional arrangements which included the board of the GCF, observers, rules of procedure, secretariat and trustee; relationship to the COP; legal status; participation and membership; financial inputs; financial instruments; operational modalities which covered eligibility, funding windows, access modalities, accreditation (of implementing entities), allocation and fiduciary standards; environmental and social safeguards; engagement of the private sector; monitoring and evaluation; accountability mechanism and stakeholder input and participation.

In response to Mr. Lund's listing of the key issues, members of the TC generally agreed with the approach proposed while some suggested additions to the list.

Mr. Wu Jinkang of China wanted the issue of the board of the GCF and trustee to also be added. China's proposal was supported by Mr. Jorge Ferrer from Cuba (who is the alternate member to Nicaragua), Ms.

Bernarditas Muller of the Philippines and Ambassador Sergio Serra of Brazil.

Dr. Yaga Venugopal Reddy of India was of the view that the approach proposed by the co-chairs was workable with the most critical issues being identified first while the remaining issues be addressed later. He also suggested the need for a checklist of the Terms of Reference (TOR) of the TC to ensure that they were being addressed by members.

Ms. Bernarditas Muller also agreed with the approach proposed by the co-chairs as identifying the key issues which would unlock other issues. She stressed the importance of the issue of legal status of the GCF, the board, the secretariat and the trustee. She was of the view that the issue of funding windows and the engagement with private sector were secondary. She suggested that the issue of the private sector could be subsumed under stakeholder participation and noted that there was no reference to the private sector in the TOR.

Ambassador Burhan Gafoor of Singapore, who is also a Vice-chair of the TC, agreed with the 5 issues proposed by the co-chairs, stressing that all the issues were still on the table. He said the key issues represented the minimum necessary to get the GCF up and running by January next year. He supported the idea of the Philippines that the private sector engagement could be dealt with together with civil society engagement.

On the issue of the legal status, Mr. Nick Dyer of the United Kingdom wanted this to be discussed last, saying that "form needs to follow function." His view was supported by the United States representative, who also wanted the issue of fiduciary standards as well as environmental and social safeguards to be also listed.

Mr. Alexey Kvasov of Russia stressed the importance of the selection of the head of the secretariat, saying that the independence of the secretariat was important.

The representatives of Poland and Switzerland wanted discussion on financial instruments while Japan wanted discussion on financial inputs.

Discussion on these key issues is to continue on Monday, September 12. Mr. Lund also informed members that further discussion on the process for further work of the TC would be discussed informally at a dinner on Sunday evening for TC members.

On another agenda item related to the adoption of the report of the second meeting of the TC meeting held in Tokyo from 13-14 July this year, Mr. Omar ElArini of Egypt wanted the report to reflect the names of all the 13 countries who made a joint submission entitled "Draft instrument for the establishment of the Green Climate Fund" as this was not contained in the report. The amendment proposed by Egypt was accepted by the meeting. (The 13 countries involved in the joint submission were Argentina, Burkina Faso, China, the Democratic Republic of Congo, Egypt, El Salvador, Gabon, India, Morocco, Nicaragua, Philippines, Saudi Arabia and Zambia.)

Earlier in the morning of Sunday, a workshop was held for half a day on "The role of the GCF in fostering transformational change, engaging civil society and leveraging the private sector". The workshop heard presentations for some NGOs and representatives of the private sector from developed countries. One of the questions

posed during the workshop by the facilitators of the session was whether there was a need for a dedicated window or facility for the private sector.

Ms. Carol Mwape Zulu of Zambia said that there should be no private sector window as this would present problems for LDCs as the private sector was not interested in adaptation but only in mitigation. She said that the private sector should be engaged at the national level.

Mr. Jorge Ferrer of Nicaragua said that the TC members should not overestimate the need for private sector engagement and called for more caution and balance in addressing the question. He was also opposed to the establishment of a separate window for the sector. He drew attention to how the private sector in developed countries had to be rescued by governments in some developed countries during the financial crisis.

Two major civil society coalitions from Climate Justice Now! (CJN!) and Climate Action Network (CAN) also poured cold water on proposals for engagement with the private sector.

Ms. Lidy Nacpil for CJN! called for caution in addressing private sector engagement. She said that "private sector participation is best decided, managed, regulated and incentivized at the national level, according to national strategies that were identified through the participation of people who are most impacted by climate change."

She urged the TC not to establish a stand-alone private sector window, nor to provide finance or incentives directly to the private sector. "The establishment of a private sector window would most certainly be a boon for rich country-based multinational corporations, but it would most certainly circumvent the interests of poorer countries. The proposal for a private sector window in the GCF is worryingly reminiscent of the World Bank Group's International Finance Corporation (IFC), which performs poorly in relation to the Bank's stated mission of alleviating poverty and promoting sustainable development in developing countries. Alarmingly, almost two-thirds of IFC investments in low-income countries go to companies based in the richest countries."

"The over-emphasis on leveraging private investment could lead to a fund that depends heavily on financial intermediaries. As demonstrated by the IFC, the greater the use of financial intermediaries, the more intrinsically difficult it will be for the Green Climate Fund's board and beneficiaries to ensure implementation of and compliance with environmental and social standards. Similarly, the financial sector's desire for less disclosure, less liability, and less accountability for environmental and social outcomes will pose a significant challenge for global efforts to promote sustainable development and climate stabilization. Therefore, the Green Climate Fund should not disburse money directly through financial intermediaries."

"The TC should design the Green Climate Fund in a manner that ensures the GCF steers clear of excessively risky investments from a financial or environmental perspective. The parceling of bonds into derivatives, and investments in carbon markets are examples of these excessively risky instruments. The volatility that we are currently observing on the world's stock exchanges provides a clear reminder, should one be needed, that such tools are hardly a basis for the kind of stable, sustainable approach to financing that the

GCF requires if it is to meet its aims. Moreover, a strict firewall must be enacted between financial flows resulting from international offsetting schemes and the provision of climate finance for, and the use of climate finance by, developing countries," added Nacpil.

Ms. Mahlet Eyassu of CAN told the TC that a private sector window designed to support individual projects is unlikely to be the proper mechanism to catalyze transformation in low-carbon and climate resilient development. "Support for private sector initiatives should be provided through national institutions and in accordance with country-led strategies and plans. Engaging the private-sector should not add to unsustainable debt or pass significant risk burden from the private to public sector in developing countries. The GCF should engage private sector actors only when they can guarantee transparency and accountability for complying with robust standards on environmental, social, and development effectiveness, and the implementation of robust due diligence processes designed to address financial, social, and environmental risks, and produce effective mitigation and adaptation outcomes. The TC must think carefully about how GCF support for the private sector would interact with the carbon markets, and ensure that its private-sector finance does not result in any double-counting of mitigation action by developed countries," she added.

TWN Info Service on Climate Change (Sept11/04)
13 September 2011
Third World Network

Strong call for Green Climate Fund to have legal personality

Geneva, 13 Sept (Meena Raman) – Several members from both developed and developing countries of the Transitional Committee (TC) to design the Green Climate Fund (GCF) under the United Nations Framework Convention on Climate Change (UNFCCC) called for the Fund to be endowed with legal personality so as to enable it to fulfill its objectives and functions effectively.

This call was made during the third meeting of the TC in Geneva on Monday, 12 September.

Most of the developing countries on the TC including Egypt, Pakistan, Philippines, Brazil, China, India, the Democratic Republic of Congo (DRC) and Barbados called for the GCF to have legal personality, learning from the experiences of other funds such as the Multilateral Fund under the Montreal Protocol.

Barbados drew reference to the Global Environment Facility (GEF) which was disadvantaged by not having a legal status and depended on the World Bank for its legal capacity.

Some developed countries echoed the sentiments of developing countries and this included Sweden, Switzerland and Russia. Sweden said that if the TC members were serious about the GCF being ambitious, then the issue of it having legal personality could not be avoided.

The United States wanted more consultations with its lawyers on the matter, saying that the issue was complex. This drew sharp criticisms from DRC, Brazil and China, while Russia said that the problem was political and not legal.

Day two of the meeting saw an intense exchange of views on 4 of the 5 issues identified as key by the co-chairs. The four issues discussed were (i) the relationship between the GCF and the Conference of Parties (COP); (ii) legal status of the GCF, which involves the issue of the legal personality or legal capacity, as well as privileges and immunities for the GCF and/or its officials; (iii) issues related to the establishment of an independent secretariat including the selection of its head and (iv) the use of funding windows.

The 5th issue on "the structures and processes for the engagement of the private sector" is expected to be discussed on 13 September, which is the final day of the meeting.

In considering the issue of the legal status of the GCF, Mr. Trevor Manual of South Africa who co-chaired the meeting with Mr. Ketjil Lund of Norway provided 3 options.

Option 1 is for the GCF not to have any legal personality, in which case the Fund would depend on another body for its legal capacity as is the case with the GEF and the World Bank.

Option 2 is for the GCF to have legal capacity but not juridical personality as is the case with the Adaptation Fund (established under the Kyoto Protocol) where legal capacity is derived through German law. (The Adaptation Fund Board has been granted legal capacity by the

Government of Germany under its national laws) and option 3 is for legal personality to be endowed through a decision of the Conference of Parties (COP) or through a new treaty or the national law of a Party.

Dr. Omar El-Arini of Egypt (who served as the first Chief Officer of the Secretariat of the Multilateral Fund of the Montreal Protocol from 1991 till 2003) stressed the need for the GCF to have legal personality so that it has capacity to enter into agreements with international, regional and national organizations; have capacity to enter into contracts with implementing entities and with the trustee; to enable the Fund to be able to borrow or lend money; issue guarantees; to employ staff; acquire property and institute legal proceedings in defence of its rights. It was necessary for the GCF to act as an independent entity. He said that it was not difficult for the GCF to be conferred juridical personality and referred to the experience of the Multilateral Fund (MF) where a simple decision of the Meeting of Parties of the Montreal Protocol conferred such personality.

Mr. Farrukh Khan of Pakistan (who was former Chair of the Adaptation Fund Board) also supported the call for the GCF to have legal personality, as this would enable the GCF to enter into contractual agreements with the private sector and have capacity to float climate bonds. This was also important to ensure direct access for to enable direct contractual agreements with entities. He stressed the need to identify the host country of the GCF and for criteria to be developed to determine this.

Mr. Jan Cedergren of Sweden said that if members were serious about the GCF's objectives of being ambitious, then the issue of the Fund having a formal legal personality could not be avoided. The TC should declare its intent to create the legal personality and how this was to be done was another matter.

Ms. Bernarditas Muller of the Philippines also echoed the need for the GCF to have legal personality and referred to the joint submission of 13 countries in Tokyo which supported this. She also said that there was no need for a memorandum of understanding between the GCF and the COP as suggested by some developed countries as it was the COP that established the GCF and the legal personality of the GCF could be conferred through a COP decision.

Ambassador Sergio Serra of Brazil echoed support for the call for the GCF to have legal personality, stressing that it was the only route to achieve the objectives of the Fund. He said that legal personality should be conferred by a decision of the forthcoming COP.

Dr. Yaga Reddy of India also echoed the call for the GCF to have legal personality.

Mr. Selwyn Hart of Barbados agreed with Sweden and said that it was clear, from the experience with the GEF that the GCF needed legal personality. He said that members had heard from a senior official of the GEF that one of its disadvantages or failings was the absence of legal personality and TC members should not replicate this mistake in the case of the GCF.

The representative from Switzerland made similar comments as Barbados in relation to the disadvantages of the GEF and supported the need for the GCF to have legal personality.

Alexey Kvasov of Russia said that there were many legal options but the issue was a political. He said that there was need for

an interim solution as a full fledged international treaty to confer legal status was not possible. There was need for high aspirations and he was "inspired" by "hints of a solution" by Dr. El-Arini.

Mr. Andrzej Ciopinski of Poland said that it was premature to decide on the issue of legal personality and the best way to enable such personality was through an international treaty.

Mr. Gilbert Metcalf of the United States US said that the issue was complex and wanted more time for consultations with lawyers before deciding on the issue. He said that legal attributes of GCF would depend on the key operational attributes of the Fund. If legal personality is to be through a treaty, this could take years as there would have to be negotiations with every country.

In response to the US, Mr. Tosi Mpanu Mpanu of the Democratic Republic of Congo (who is also Chair of the African Group) said that it was unacceptable that members were being asked to go home and consult their lawyers before deciding at this 3rd meeting of the TC and delay the possibility of a successful outcome. He said that much reference has been made to the example of the establishment of the Multilateral Fund and members can learn from that.

Ambassador Serra of Brazil supported the DRC representative saying that the decision is political and as suggested by Sweden, if the TC members were serious, a decision can be made to confer legal personality on the GCF.

Mr. Wu Jinkang of China echoed the sentiments of DRC, Brazil and Sweden that if members were serious about the GCF, legal personality can be conferred and a way out for this could be found, as suggested by Egypt. This was an issue for the TC members and not for lawyers.

Germany also wanted more information and clarity on the issue. Ms. Alicia Santamaria of Spain said that there was no need for a legal discussion now as form followed functions, but it was open to all options and possibilities. Bangladesh also echoed similar concerns as Spain and the US. France also was not ready to take a decision on the issue and wanted more clarity.

Mr. Manuel said that it was clear that members knew what was wrong with the GEF and do not want to take that route. He wanted the issue of the legal personality to be concluded at this meeting in Geneva. He proposed that the matter be discussed further on 13 September.

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Third World Network

Meeting of Green Fund design committee ends with roadmap

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Geneva, 14 Sep (Meena Raman) - The third meeting of the Transitional Committee (TC) to design the Green Climate Fund (GCF) under the United Nations Framework Convention on Climate Change (UNFCCC) ended in Geneva with the adoption of a roadmap that sets out the process for the preparation and adoption of a draft report of the Committee for the 17th meeting of the Conference of Parties (COP) to be held in Durban, South Africa, late November this year.

The fourth and final meeting of the TC is to be held in Cape Town, South Africa, from 16-17 October, where the members will consider and adopt the draft report, which will include any operational documents that the TC deems appropriate for the approval of the COP.

Given the strong and divergent views among TC members on several key aspects in the design of the GCF and with only two negotiating days set for the final meeting in Cape Town, some members of the TC from developing countries have expressed grave concerns over the process for the drafting of the final report.

Ms. Bernarditas Mueller of the Philippines stressed the need for a transparent and inclusive process that will ensure a balanced outcome.

The 40-member TC was mandated by the decision in Cancun last year to develop operational documents according to its terms of reference for the design of the GCF and make recommendations for the COP's approval.

For the meeting in Geneva, the Co-chairs and Vice-chairs of the TC had prepared a "Draft outline of the report" which contained various elements.

From the start of the meeting on 11 September till the morning of the final day (on 13 September), TC members had intense discussions on five key issues: (i) the relationship between the GCF and the COP; (ii) legal status of the GCF; (iii) the establishment of an independent secretariat including the selection of its head; (iv) the use of funding windows; and (v) engagement of the private sector. There were major disagreements among TC members in several key areas as in the relationship between the GCF and the COP, the legal status of the GCF and the engagement of the private sector. (See TWN Information Service on Climate Change, #Sept11/03 dated 12 September 2011 and #Sept11/04 7217 dated 13 September 2011).

The Co-chairs, Vice-chairs and Co-facilitators (of four work-streams) presented a document in the afternoon on their "reflections", which they said was "based on the work done in previous sessions, discussions held and submissions presented". The document states that "it reflects areas that would be included in the final outcome of the TC and, to the extent possible, provides guidance on the content

without prejudice to the specific language, placement or final format. It is expected that this document be complemented by the TC members, through further discussions and interactions, and serves to facilitate the preparation of the draft report that would be considered" at the next TC meeting in Cape Town. The "reflections" document is basically similar to the earlier "draft outline report" prepared by the Co-chairs for the Geneva meeting, with some changes in the details.

The main headings of the elements in the document are: objectives, guiding principles, scope, governance and institutional arrangements, legal status, participation/membership, financial instruments, operational modalities, engagement of the private sector, environmental and social safeguards, monitoring and evaluation, accountability mechanism and stakeholder input and participation.

There were strong initial reactions from several TC members, both from developed and developing countries, on critical aspects of the elements which showed a clear divergence of views on areas such as the objectives, guiding principles, governance and institutional arrangements, legal status and engagement of the private sector. (Further details will be in a forthcoming article).

According to the roadmap, the Co-chairs, Vice-chairs and the Co-facilitators (comprising a group of 12 persons) will prepare an initial draft report by 23 September, based on the discussions held at the Geneva meeting and submissions received.

From 23 September to 5 October, the group of 12 persons "will consult all TC members, individually or in groups, on elements of the draft. The draft will reflect the outcome of these consultations." The draft report will then be circulated on 7 October for consideration at the fourth TC meeting.

At the fourth meeting in Cape Town from 16-17 October (with an informal working dinner for TC members on 15 October), the draft report will be considered for adoption.

The Co-chair of the current meeting, Mr. Trevor Manuel from South Africa (who co-chaired the Geneva meeting with Mr. Ketjil Lund from Norway) described the process as "putting members in a pressure cooker" so that the final meeting will have a document for members to consider.

Ms. Bernarditas Mueller from the Philippines, in response to the roadmap, stressed the need for a transparent and inclusive process to ensure the participation of TC members in the development of any text of the report. She said that the co-facilitators had an important role to play in ensuring this. Referring to the joint submission by 13 countries on the design of the GCF, she said that it covered all aspects of the elements and hoped that the Co-chairs, Vice-chairs and Co-facilitators would produce a balanced document, reflecting all the submissions.

Mr. Jorge Ferrer of Nicaragua expressed concerns over how the process was going to incorporate the views of 40 TC members. He was also worried about the duration of the final meeting (which was only set for two days), as the draft report will have serious legal implications.

TWN Info Service on Climate Change (Sept11/06)
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Third World Network

Divergences emerge on design of Green Climate Fund

Geneva, 14 Sept (Meena Raman) - Views from members of the Transitional Committee (TC) to design the Green Climate Fund (GCF) under the United Nations Framework Convention on Climate Change (UNFCCC) who met in Geneva from the 11-13 September, revealed clear disagreements on critical aspects of the elements for the design of the Fund.

There was divergence of views on elements such as the objectives, guiding principles, governance and institutional arrangements, legal status and engagement of the private sector.

The Co-chairs, Vice-chairs and Co-facilitators (of four work-streams) presented a document on the final day of the meeting on September 13, which contained their "reflections", "based on the work done in previous sessions, discussions held and submissions presented".

The document states that "it reflects areas that would be included in the final outcome of the TC and, to the extent possible, provides guidance on the content without prejudice to the specific language, placement or final format. It is expected that this document be complemented by the TC members, through further discussions and interactions, and serves to facilitate the preparation of the draft report that would be considered" at the next TC meeting in Cape Town to be held on 16-17 October 2011.

The main headings of the elements in the document are: objectives, guiding principles, scope, governance and institutional arrangements, legal status, participation/membership, financial instruments, operational modalities, engagement of the private sector, environmental and social safeguards, monitoring and evaluation, accountability mechanism and stakeholder input and participation.

Co-chair Mr.Trevor Manuel from South Africa told members that the document was "not for adoption but for enrichment". He asked for reactions to the document which saw many TC members expressing their views.

Mr. Gilbert Metcalf of the US and Mr. Remy Rioux of France expressed strong reservations over the whole document.

Metcalf said that the "reflections" document did not reflect a consensus or convergence. He said that there were many issues that were not discussed. Rioux said that he could not agree to a "standalone instrument" and that he could not agree to the "package" and "had strong reservations".

Among the elements that drew much reaction from developing countries was reference to "transformational change" in several parts of the elements including the objectives, guiding principles, and funding windows.

Mr. Wu Jinkang of China said that "contribution to transformational change" as an objective was not in the Convention and asked for deletion of the phrase. He noted a similar reference in the "guiding principles" which referred to "catalyze transformational changes". He said that

trillions of dollars would be needed to make this happen which is more than what the GCF could handle. He also called for the deletion of reference to "activities for transformational change" under the element of "funding windows".

Mr. Jorge Ferrer of Nicaragua said that there was no definition of what is meant by "transformational change" and that everyone had a different interpretation. Ambassador Sergio Serra of Brazil, Dr. Yaga Reddy of India, Ms. Bernarditas Mueller of the Philippines and Dr. Omar El-Arini of Egypt all expressed similar views in this regard.

On the "guiding principles", some members had concerns over the term "results-based approaches". Serra of Brazil said that "results-based approaches" should not be a principle as this could hinder access to funds, especially for adaptation and it was better for this to be reflected under "monitoring and evaluation". Muller of Philippines also expressed similar concerns, adding that several aspects of the "guiding principles" appeared to be conditionalities.

In relation to the "scope" which had a reference to "mobilizing and leveraging of private sector investment and other finance, especially domestic private sector", Wu of China questioned what "other finance" was and whether the reference "to domestic private sector" meant that the private sector in developing countries are expected to make contributions to the GCF. Serra of Brazil said that there was no mention at all under the scope to "public funds" and this was "an obvious imbalance."

On the "engagement of the private sector," the document provided three elements which were: the "GCF to engage the private sector through a private sector facility; advisory committee of private sector actors and non-voting members of the Board". These proposals were mainly advanced by developed country members of the TC.

Mr. Ahmad Abdulkader of Saudi Arabia said that there was no consensus on the engagement of private sector in the GCF.

Ferrer of Nicaragua said that the Cancun decision made no reference to "non-voting members" and to call for this now would "open a Pandora's box." He said that some developed countries had called for the private sector to be a non-voting member of the Board but there was no consensus on this as the issue of private sector engagement had been controversial during the discussions.

Wu of China had similar views, saying that the Cancun decision had no reference to the private sector being represented on the Board. In his earlier intervention during the day, Wu referred to comments from some developed country delegates who talked of the private sector being involved in "bankable activities". He said that climate change projects are not bankable nor are they all economically viable. Mitigation, technology development and transfer are not necessarily economically viable or financially bankable unless supported by governments. He referred to the Chinese government's decision to close some coal power plants which involved the government having to pay for this. Wu said that the role of the private sector should not be over-emphasised. On the suggestion by some developed countries that the GCF should be attractive to pension funds, he said that if such funds could have done the job in the first place (in climate financing), there was no need for the GCF.

Reddy of India clarified that during the discussions, the proposal for an advisory committee for the private sector was an alternative proposal to the private sector being a non-voting member of the Board. Serra of Brazil expressed concerns over the suggestion for an advisory committee for the private sector. He suggested both the private sector and civil society could be called for advice if the Board needs it. El-Arini of Egypt also said that he did not understand what an advisory committee for the private sector was.

Mueller of Philippines said that the engagement of the private sector should be considered under the element of "stakeholder input and participation" along with civil society.

(Several developed countries including the US had also suggested that CSO's have a seat on the Board as a non-voting member but this was not reflected in the document).

In contrast to the views of developing countries, Metcalf of the US wanted more modalities to deal with the private sector. He said that a funding window for the private sector should be part of this. Ms. Naoko Ishii of Japan stressed the need for private sector engagement and asked how the private sector facility related to the GCF. Mr. Nick Dyer of the United Kingdom also echoed the need for the right modalities for the engagement of the private sector. He said that "engaging the private sector must signal to business that we mean business."

Another problem issue was the "relationship of the COP" to the GCF, which is addressed under "governance and institutional arrangements".

Mueller of Philippines was of the view that this element was the "weakest part of document." She said that the GCF must be guided by and be accountable to COP and this means a "strong relationship and touches upon the activities of the GCF". "Ensuring accountability is not simply about reporting by the GCF to the COP and there was need to address this."

Similar sentiments were expressed by Wu of China who said that the Board of the GCF was accountable to the COP and the Board therefore must have clear obligations in relation to its role and functions in decision-making. El-Arini of Egypt said that the Geneva meeting did not conclude discussions on the relationship between the Board and COP.

While developing countries stressed the need for a strong relationship between the GCF and its Board with the COP, Metcalf of US expressed concerns. In his earlier intervention during the meeting on this issue, Metcalf said that the COP should have no role in choosing the members of the Board, on issues related to the trustee or in the hiring of the head of the secretariat. The accountability mechanism is for the Board to report to the COP as is the case with the Global Environment Facility. This view was supported by several other developed countries including France, the UK, Germany and Australia.

In relation to the legal status of the GCF, the document refers to two elements: the GCF to be endowed with legal status and form of legal identity to be based on specific functions of the GCF. It states that the form of the legal status of the GCF should be discussed.

Most developing country members of the TC want the GCF to be endowed with legal status, while many developed countries including the US, UK and France want its "form to follow function," and not decide the issue at this stage.

In his reactions to the document, Reddy of India drew attention to the proposals from several developing countries to follow the model of the Multilateral Fund of the Montreal Protocol and said that this should be flagged as an option.

(See TWN Info Service on Climate Change (Sept11/04), 13 September)

Another area of contention related to the issue of "financial instruments". The document has two elements in this regard: the GCF to provide grants, non-grant instruments, including concessional loans, guarantees and others; and results-based financing mechanisms, including payment for verified results.

El-Arini of Egypt said that he was unclear as to what "results-based financing mechanisms, including payment for verified results," was and added that this was outside the scope of the terms of reference of the TC. Mueller of Philippines expressed similar views and said that if this element was to be applied, then there could be no adaptation funding, and this concept was totally contrary to the provisions of the Convention.

Serra of Brazil said that there was convergence among members that grants would be the most important instrument and suggested that the GCF should provide mainly grants. Reddy of India said that in dealing with "financial instruments" it was important to consider the type of risk that the GCF would bear and there was need to address what risks are permitted and what are not. He said that there should not be "currency risks" and there were also "reputational risks". Hence, there was need to introduce the concept of risk and to address who bears what.

The representative from Zambia said that the GCF should not be another institution that leaves LDCs in debt and stressed the importance of grants.

Given the lack of convergence on key issues relating to the design of the GCF, there are concerns among some developing country members as to how the drafting of the final report by the Co-chairs, Vice-chairs and Co-facilitators is going to reflect a balanced outcome for the consideration of the members at their final two-day meeting in Cape Town in October.

TWN Info Service on Climate Change (Oct11/01)
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Third World Network

Non-consensus report of GCF design committee sent to Parties

Published in SUNS #7243 dated 20 October 2011

Cape Town, 19 Oct (Meena Raman) - In a night of drama at the meeting of the Transitional Committee to design the Green Climate Fund (GCF) under the UN Framework Convention on Climate Change (UNFCCC) held in Cape Town, South Africa on 18 October, the US withheld consensus to the adoption of the report of the Committee, which was transmitted to the 17th meeting of the Conference of Parties (COP17), to be held in Durban, South Africa in late November this year, for its consideration and approval.

At the meeting, Saudi Arabia also did not give its consent to the adoption of the report.

Despite several attempts by the co-chairs of the meeting and pleas by several countries in the final hours to persuade the US to not withhold consensus to the adoption of the report, the US remained firm in its position.

Several senior negotiators and observers, in response to the US withholding of consensus, commented after the meeting along the corridors that the US was not prepared to agree to a deal in Cape Town until the overall deal in Durban was done, as the GCF issue was a key "bargaining chip" in the negotiations in South Africa.

Germany expressed frustration and disappointment, and said that anything short of sending a report of the Transitional Committee (TC) by consensus to COP17 "is a failure and will likely result in not having the GCF this year or the next."

Mr. Trevor Manuel of South Africa, who co-chaired the meeting with Mr. Kjetil Lund of Norway, called the outcome "sub-optimal".

A number of TC members both from developed and developing countries also expressed concerns over the governing instrument of the Green Climate Fund, which was appended as an annex to the report of the TC, but they did not block consensus.

It is learnt that had the US chosen to adopt the report with reservations and not block the consensus, some developing countries would have also put in their reservations.

The final decision was for submission to COP17, for its consideration and approval, of the report with the governing instrument in the annex without adoption, as it did not enjoy the consensus of all TC members.

The fourth and final meeting of the TC, held from the afternoon of 16 October to 18 October, saw intense negotiations on the governing instrument of the GCF.

The TC, which comprised 40 members (15 members from developed countries and 25 members from developing countries), was mandated by the Cancun decision last year to design the GCF.

On the evening of the final day of the TC meeting at close to 8 pm, TC members were presented with a draft report by the

co-chairs. The draft report included recommendations of the TC to COP17 in the main part of the report and the draft governing instrument for the GCF in an annex to the report. Mr. Manuel, in presenting the draft report for adoption, said that the governing instrument document was a compromise document and invited members to give their general comments.

Many TC members expressed their views, including the US and Saudi Arabia.

At this session, the US expressed its concerns in some areas and wanted further work to be done. Among the issues raised included the relationship between the COP and the GCF.

It referred to paragraph 15(h) of the main report, which contained a recommendation by the TC to COP17 to "consider the process for selection of trustee of the GCF", and questioned the role of the COP in relation to the selection of the trustee.

(This refers to the permanent trustee, as in Cancun, it was agreed that the World Bank would be invited to serve as the interim trustee. Throughout the Cape Town meeting, the US wanted the COP to have a very minimal role in relation to the GCF and wanted the Board of the GCF to have a greater role).

The US also referred to paragraph 22 of the governing instrument and said that this paragraph "undoes" the Cancun agreement and was a problem.

(Paragraph 22 states that: "The selection of the host country of the Fund will be an open and transparent process. The selection of the host country will be endorsed by the COP").

It also referred to paragraph 72 of the instrument and said that this paragraph also went beyond what was agreed to in Cancun as regards the involvement of the COP.

(Paragraph 72 states that: "Termination of the Fund will be approved by the COP based on a recommendation of the Board").

As regards the legal status of the GCF (as contained in paragraphs 7 and 8 of the instrument), the US said that the essential technical issues needed to be addressed.

(Paragraph 7 states that: "In order to operate effectively internationally, the Fund will possess juridical personality and will have such legal capacity as is necessary for the exercise of its functions and the protection of its interests").

On the operational modalities, the US said that the provisions were too heavily weighted on direct access (by recipient countries to the Fund) and restricted the ability of private sector engagement in transformational activities.

(The instrument in paragraph 41 provides that: "The Fund will have a private sector facility that enables it to directly and indirectly finance private sector mitigation and adaptation activities at the national, regional and international levels". Paragraph 42 states that: "The operation of the facility will be consistent with a country-driven approach".)

Another key concern that the US had was with paragraph 29 of the instrument, which states that "The Fund will receive financial inputs from developed country Parties to the Convention."

The US said that this was a restriction of financial inputs from only developed countries. (The US wanted developing countries to also contribute to the Fund).

The US wanted further work to be done to complete the document.

Saudi Arabia said that it could not endorse the text on the governing instrument, as the views of developing countries were not reflected and its reservations expressed during the negotiations were not taken into account. It said that its call for language on the impact of response measures was ignored.

It expressed concern as regards paragraph 14 of the instrument on decision-making (which states that "Decisions of the Board will be taken by consensus of the Board members. The Board will develop procedures for adopting decisions in the event all efforts at reaching consensus have been exhausted").

Saudi Arabia said that the language was inconsistent with the UNFCCC's procedures on decisions by consensus.

It was also concerned about paragraphs 29 and 30 of the instrument on financial inputs which did not reflect that contributions from public sources from developed countries is supposed to be the primary source of financing, while contributions from the private sector was supplementary.

It was also concerned about references to "alternative sources" of funding and preferred the use of the term "innovative sources" instead.

When co-chair Mr. Manuel wanted to move the report for adoption, the US said that it took objection to the document moving forward, as it wanted more work done, and Saudi Arabia said the document did not enjoy consensus.

Brazil said that at least two members of the TC had shown reluctance to give consensus and suggested to the co-chairs that the only way to move forward was to send the document to the COP and say that there was no consensus.

Finally, following various attempts in finding a way forward, the TC members agreed to an amendment to paragraph 14 of the report which reads as follows: "The draft report was discussed at the fourth meeting of the TC in Cape Town, South Africa, and the text contained in Chapter III below was considered on 18 October 2011. It is submitted by the TC to COP 17 for its consideration and approval...".

This was agreed to by members. (The earlier version of this paragraph had the word "adopted" in place of "considered".)

The report also made the following recommendations in Chapter III to the COP, that it: (a) takes note of the report of the TC as mandated by decision 1/CP16; (b) approve the governing instrument of the GCF contained in the annex of this report; (c) requests the Executive Secretary (of the UNFCCC) to invite regional groups and constituencies to nominate their Board members; (d) request the Executive Secretary of the UNFCCC to invite Parties to submit expressions of interest to host the GCF; (e) invite voluntary contributions for the start-up of the GCF; (f) request the UNFCCC Executive Secretary to set up an interim secretariat immediately after COP17 to provide technical, administrative and logistical support to the Board, in particular in the preparation of materials for and organization of Board meetings until an independent secretariat of the GCF is fully operational. The interim secretariat should be composed of staff with the relevant expertise and be fully accountable to the Board and function under its guidance; (g) set the date for the first meeting of the Board; and (h) consider the process for selection of trustee of the GCF.

TWN Info Service on Climate Change (Oct11/02)
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Third World Network

Mixed reactions to Green Fund design

Geneva, 21 October (Meena Raman) – Members of the Transitional Committee (TC) of the Green Climate Fund (GCF) expressed mixed reactions and concerns over the design of the GCF, which was finalized in Cape Town, South Africa on 18 October.

The United States and Saudi Arabia had withheld consensus to the adoption of the TC report and the non-consensus report was transmitted to the 17th meeting of the Conference of Parties (COP 17) to be held in Durban, South Africa in late November this year for its consideration and approval.

The report included recommendations of the TC to COP 17 which was in the main part of the report and the governing instrument for the GCF which was annexed to the report. The governing instrument sets out the design of the GCF.

Late evening of the final day of the TC meeting on 18 October, TC members were presented with a draft report by the co-chairs, Mr. Trevor Manuel of South Africa and Mr. Ketjil Lund of Norway.

Manuel, in presenting the draft report for adoption, said that the governing instrument document was a compromise document and invited members to give their general comments but called on them to be brief, repeatedly saying that the meeting room needed to be vacated to prepare for another function. While many countries took the floor to give their views, when Moroccan delegate Mr. Rachid Firadi raised his flag during the session, Manuel did not allow him to speak, saying that the list of speakers was closed and time was running out.

It was learnt from several developing country members of the TC that they were under the impression that changes to the document could be entertained and this was not a "take-it or leave-it" document. However, following the general comments, Manuel proposed the report with the annex to be adopted and it was then that delegates realized that there was no opportunity for further changes.

It was then that US and Saudi Arabia withheld consensus in the adoption of the report. It is learnt that had the US chosen to adopt the report with reservations and not block consensus, some developing countries would have also put in their reservations. (See TWN News dated 20 October).

Among the issues of concern raised by developing countries were the limited role of the COP in relation to the GCF; the Fund's role in promoting coherence at the national level when this was the job of the national entities; the watering down of the role of the national designated authority (NDA) of the recipient countries in not approving all funding proposals; the private sector facility having direct access to the Fund for financing activities at the national level without the approval of the NDA; lack of clarity on the voting procedure to be adopted by the Board in decision-making in the event of no consensus among Board members and leaving this to the Board to decide; the authority of the Board to remove or modify funding windows without the

approval of the Parties and the absence of providing the procedure for the selection of the permanent trustee and leaving this to the COP to resolve.

Dr. Omar El-Arini of **Egypt** said that he would like the COP to confirm the selection of the GCF's Board members. (Paragraph 9 of the instrument does not provide any role for the COP in confirming or endorsing the composition of the Board, which was what many developing countries had called for.) He also wanted the appointment of the Executive Director of the secretariat to be confirmed by the COP. (Presently, this is not the case and it is the Board that appoints the ED and there is no role for the COP). He also wanted the selection of head of the evaluation unit to be confirmed by the COP. (There instrument does not provide for any role for the COP in this regard and leaves it to the Board to do the appointment).

El-Arini was also concerned that there was no provision for voting as regards decision-making by the Board. (The instrument in paragraph 14 states that "decisions of the Board will be taken by consensus of the Board members. The Board will develop procedures for adopting decisions in the event all efforts at reaching consensus have been exhausted." The earlier version of the instrument in this regard had provision for voting in the event effort at reaching consensus was exhausted. It provided that " …decisions will be taken by a two-thirds majority of the Board members present and voting, representing a two-thirds majority of Board members from developed country Parties and a two-thirds majority of Board members from developing country Parties. Developing country members of the TC had been concerned about a proposal by Japan which was supported by Germany for the voting procedure to be similar to that of the World Bank Board, the Climate Investment Funds and the Global Environment Facility (GEF) which is a weighted system of voting based on the contributions of countries to the Fund.)

On the issue of the national designated authority (NDA), he wanted the approval of the authority for all funding proposals before they are submitted to the Fund. (Paragraph 46 of the instrument provides that the NDA recommends to the Board on funding proposals in the context of national climate strategies and plans, but the NDA will only be consulted on "other funding proposals for consideration prior to submission to the Fund to ensure consistency with national climate strategies and plans).

In relation to the private sector facility, El-Arini preferred to have a window for the private sector instead of a facility. He also wanted to add further recommendations by the TC to the COP as he said that this was missing in the instrument viz. (i) on the process to confer international juridical personality on the GCF and (ii) the procedure for the selection of the permanent trustee of the Fund.

Ms. Carol Mwape Zulu of **Zambia** on behalf of the **LDCs** said that in this process, members would not get all that they want and expressed satisfaction. She expressed concern over the power of the Board to modify or remove funding windows especially that for adaptation, adding that Parties should be consulted prior to any modification, removal or addition of funding windows. (Paragraph 37 of the instrument provides that the Fund will have windows for adaptation and mitigation and paragraph 39 provides that the Board will consider the need for additional windows and will have the

authority to add, modify and remove additional windows and substructures/facilities as appropriate). Mwape also supported Egypt in relation to concerns over the NDA which she said must approve all funding proposals.

Mr. Dipak Dasgupta of **India** said that there was need for further balance in the instrument as regards the national entities at the country level. In relation to paragraph 34 which provides that "the Fund will promote coherence in programming at the national level through appropriate mechanisms", Dasgupta said that it is not the Fund that promotes coherence at the country level but that was the job of the national authorities. He said that the same was the case with paragraph 36 in relation to "supporting programmatic approaches in accordance with climate change strategies and plans…" In relation to the "private sector facility that enables it to directly and indirectly finance private sector mitigation and adaptation activities…", he said that this must be subject to the approval of the national entities. He also wanted the NDA role to be strengthened in approving funding proposals. India supported Egypt on the issue of decision-making by the Board (referring to the issue of voting).

Mr. Wu Jinkang of **China** said that the instrument was balanced in some areas but was less balanced in others. He referred to paragraphs 2 and 36 of the where there were references to "low-emission development strategies and plans" and that China had insisted that the language must be consistent with the Cancun decision which refers to "low-carbon development strategies or plans in the context of sustainable development".

On the issue of decision-making by the Board, he said the final text took a step backward, as he thought that there was agreement among members to have the earlier language in the text referring to the need for a double majority in the event the Board did not have consensus. This issue was too important to leave to the Board and the principle of one-country one vote was important. If the Board could not reach agreement on this issue, the Fund would be in trouble.

On the funding windows, Wu said that there was no agreement to have a private sector facility and as a compromise and in the spirit of cooperation, he could support the facility if there were separate windows for capacity building and for technology transfer as this was important for developing countires. (The instrument does not provide for separate windows for capacity building and technology transfer but in paragraph 38, it provides that "the Board shall also ensure adequate resources for capacity building and technology development and transfer.")

Ambassador Sergio Serra of **Brazil** said that he was unhappy with the instrument but recognized that it was big effort on the part of the co-chairs and vice-chairs in the preparation of the document. He pointed some areas of "unhappiness" where he said there was compromise. On the "legal personality", he said there was no firm position reached. On some aspects of accountability between the COP and the Board, there was compromise (as Brazil and several other developing countries wanted the COP to play a role in the endorsement of Board members, in the selection of the head of the secretariat and the head of the evaluation unit). On the private sector facility, he said Brazil was very hesitant as regards this proposal and had compromised on that too. He also

referred to reference to "low-emission development strategies and plans" and said that this was not the correct wording (in the Cancun decision) and the previous provision in the earlier text for a multi-year replenishment process for financial inputs "had gone down the drain".

In the light of the compromises made, Serra, supported India and wanted changes to be made as regards paragraphs 34 and 36 of the instrument as it was unacceptable for the Fund to promote coherence at the national level as this was for the national governments to do so. He said that for the private sector to have direct access at the national level, the funding proposals must be approved by the NDA.

Mr. Jorge Ferrer of **Nicaragua** expressed concern that the private sector could have direct access to funding without the endorsement of the NDA. In relation to paragraph 43, he said that the private sector facility should support private sector involvement "from" and not "in" SIDs and LDCs. He was also concerned with paragraph 46 where the NDA will only be consulted on other funding proposals and not to give its approval. He was also concerned that the Board has powers independent of the COP as for example in decision-making.

Ms. Bernarditas Mueller of the **Philippines** supported the views of developing countries and emphasized the weakness in the relationship between the COP and the Fund. She also had concerns over the weak language in relation to the NDA and stressed that it was the NDA that needs to be in control and not the Board. She also wanted provision on the procedure for the selection of the permanent trustee through an open and transparent process.

Mr. Farrukh Khan of Pakistan also drew attention to paragraph 43 in relation to the private sector facility which should support activities to enable private sector involvement "from" developing countries and not "in" developing countries. In relation to the quorum for the meeting of the Board, he expressed preference for the earlier text that what was in the instrument. (Paragraph 15 of the instrument states that "a two-thirds majority of Board members must be present at a meeting to constitute a quorum", while the earlier text provided for "a simple majority of Board members from developed country Parties and a simple majority of Board members from developing country Parties must be present at a meeting to constitute a quorum.")

Mr. Idrissa Ouedraogo of **Burkina Faso** said that the GCF was very important and there should be no room for it to fail. He also stressed the need for COP endorsement of the Executive Director of the secretariat and the head of the evaluation unit.

The representative from **Gabon** also expressed concern over whether the private sector should have direct access to the Fund for activities in developing countries when they should work with the national entities at the country level.

Mr. Tosi Mpanu-Mpanu of the **Democratic Republic of Congo** said that there were many issues of importance to the African Group which had not been taken into account in the instrument but he was happy to live with it as it was a good illustration of finding middle ground. Given that the Durban was an African COP, there was need for a concrete deliverable on the GCF.

Ambassador Ali'ioaigi Elisaia of **Samoa** representing the **Alliance of Small Island States** said that it would be naïve to expect all our issues to be reflected in totality in the document and as imperfect as it may be, he was prepared to live with the report and not disappoint his constituency.

Mr. Manfred Konukiewitz of **Germany** expressed unhappiness with a few provisions. He regretted that there was no window for reducing emissions from deforestation and forest degradation in developing countries (REDD-plus) and was not happy that carbon capture and storage could be eligible for funding by developing countries. He also was concerned that financial inputs for the Fund were restricted to only be from developed countries and was contradictory with indications of interest from various countries that are not developed countries to contribute to the Fund. He said this ignores major changes in world where a lot of wealth has moved to new regions and urged for this restriction to be lifted.

Mr. Jan Cedergren of **Sweden** said that the document was balanced with a lot of compromising. He did not like the reference in the selection of the staff for the secretariat to take into account geographical balance. He also said that need for geographical balance in paragraph 52 on the allocation of resources for adaptation contradicted the need to take into account the urgent and immediate needs of developing countries that are particularly vulnerable to the adverse effects of climate change, including LDCs, SIDS and Africa.

Mr. Nick Dyer of the **UK** congratulated the co-chairs for the document. He was however not in agreement with paragraph 22 where the selection of the host country of the Fund would be endorsed by the COP.

Mr. Per Callesen of **Denmark** said that paragraph 41 and 45 are inconsistent as paragraph 41 provides for the private sector to directly access the Fund while paragraph 45 states that access to the Fund's resources would be through entities.

Mr. Bruno Oberle of **Switzerland** said that the document was not perfect but he appreciated the balance in the text.

Mr. Hyung-Hwan Joo of the **Republic of Korea** also said that the provisions restricted donations from developing countries.

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Setback in designing Green Climate Fund

by Martin Khor (Executive Director, South Centre)
This was first published in The Star (Malaysia), 24 October 2011

The Green Climate Fund which developing countries are relying on to support their actions against global warming suffered a setback when a committee designing the fund could not agree on recommendations to give to the United Nations Climate Convention.

Last week, the transition committee held its final meeting in Capetown, South Africa. A draft of the instrument of the Fund (containing its aims, governing structures and functions) prepared by the committee's Co-Chairs was not agreed to by two members, the United States and Saudi Arabia.

Earlier, several others of the committee's 40 members also criticized parts of the report. But they did not reject the document.

The committee's failure to reach a consensus could deal a blow to the climate conference in Durban (South Africa) in November. It was hoped that the launching of this fund would be one of meeting's few bright spots, if not the only one.

The Durban conference needs a success, following the disastrous 2009 Copenhagen conference and the only partial recovery in Cancun last year.

But on the main issue – actions by countries to cut or minimize emissions that cause global warming – there is a lot of disagreement.

The Kyoto Protocol, under which all developed countries (except the United States) make binding commitments to reduce their emissions, may not survive because key members like Japan and Russia have stated they do not want to continue with it.

They and the US want it replaced by a system of voluntary pledges by developed countries, while developing countries are also pressed to take on more commitments (such as pledges and strict reporting on actions taken) than previously.

This has angered the developing countries. They have pledged that the Kyoto Protocol must be saved and not buried at Durban. But few are optimistic.

If the climate regime unravels, the consolation could be the operationalising of the Green Climate Fund, established last year in Cancun. The transition committee was tasked with recommending the objectives, governing structures, working methods, sources and uses of the funds.

The Conventions' conference of parties was expected to endorse the report, and the fund could get down to business early next year.

It was thus a great disappointment that after four meetings the committee could not reach an agreement on the fund's design.

The committee's Co-Chair Trevor Manuel, South Africa's economics minister, presented a draft report towards the end of the three-day meeting on 18 October.

The developing countries were generally happy with some points in the draft, especially that the Fund would have its own legal personality and an independent Secretariat. For them, the rationale for a new Fund is that it would be able to operate on its own, and not borrow the legal personality or its Secretariat from other organizations such as the Global Environment Facility and the World Bank.

There were also many points that developing countries such as Egypt, China, India, China and the Philippines disagreed with, including:

- The report did not state how voting would be done if the Fund's Board is unable to have a consensus, leaving it to the Board itself to decide. An earlier draft stating that voting would require a majority vote had been replaced. Some developed countries had proposed that votes be weighted by the amount of funds contributed by countries, a principle that is strongly opposed by developing countries.

- The report gave too little authority to the Fund's general membership, its Conference of Parties, in which developing counties have a large majority, and too much to the Board, in which the developed countries will tend to dominate (although there are to be 12 members each from developed and developing countries).

- A special facility is created to finance the private sector, including at international level. This may divert funds away from developing counties towards developed countries' companies and financial institutions which may then have direct access both to the funds and to the developing countries (by-passing the governments). Special "access modalities" and other "necessary arrangements" for the private sector are also to be established later by the Board; this text is diluted from an earlier draft that mentioned a separate system of governance and modalities for the private sector facility, which was criticized by some as being a "fund within a fund."

- The Fund was expected to provide mainly grants to developing countries, supplemented by concessional loans. However developed countries also want instruments such as loan guarantees for and joint equity with companies in order to "leverage" the private sector's funds. These instruments and especially the term "leverage" were objected to by some developing countries for encouraging the Fund to engage in risky activities and for setting up a different model for the Fund. The final draft has changed the terms but the Board is still tasked with developing such instruments.

- The Fund has only windows for mitigation and adaptation initially, while many developing countries also wanted technology and capacity building windows. Developed countries (backed by some developing countries) also wanted a window for forests.

Except for Saudi Arabia, the developing countries did not explicitly object when the Co-Chair proposed that the draft be submitted by consensus to the Durban conference.

However, the US clearly objected to the Chair's proposal. It had earlier indicated several disagreements with the draft, including that the general membership was given too many functions; that the Fund would receive funds from developed countries (it wanted developing countries to also contribute); and that the draft restricted the ability of the private sector to engage. It also questioned the section on

the Fund having its own juridical personality.

Saudi Arabia also mentioned a few issues to which it wanted changes and could not accept the draft.

Eventually it was agreed that the draft would be submitted to the Conference, but not as a consensus document. The Conference can consider the report.

There is a distinct possibility that the Conference of Parties (the full membership of the Climate Convention) will "open" the report and re-negotiate the text of the Fund's instrument.

That may not necessarily be a bad thing, since the draft can then be improved. However, if the 40 members of the committee could not agree, it would be even harder for the 190-plus members of the Convention to reach a consensus.

Since so much is at stake, there were appeals by some committee members to prolong the meeting or to hold another meeting to try to get an agreed report. However, there was no agreement for the committee to prolong its work.

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NGOs urge World Bank's climate funds to sunset, favour GCF

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Geneva, 20 Apr (Kanaga Raja) -- Some 115 non-governmental organisations (NGOs) have urged governments to "sunset" the World Bank's Climate Investment Funds (CIFs) and instead, redirect their funding to the new Green Climate Fund (GCF), and make it fully functional as soon as possible. (The GCF has been established within the UN Framework Convention on Climate Change - UNFCCC).

In a letter dated 19 April to governments that fund the CIFs, the NGOs urged these governments to ensure that the GCF is fully functional as soon as possible, and that continued funding of the CIFs do not undermine this effort.

Among the signatories to the letter are ActionAid, Bretton Woods Project, Christian Aid, Climate and Development Network (Africa), Coalicion Clima Espana (Spain), several country chapters of Friends of the Earth, Greenpeace International, International Trade Union Confederation, Jubilee USA Network, Oxfam International, Sierra Club, and Third World Network.

In their letter, which comes just as the World Bank-IMF Spring Meetings commence, the NGOs said that with the Durban agreement concluded, the operationalisation of the GCF is underway.

"We are eager to see the GCF fully functional as the primary international climate fund operating in a timely, effective, equitable, transparent, and environmentally sound manner. We believe that the GCF has the potential to make a marked shift in assisting developing countries in the fight against climate change, with important provisions on gender equity, national ownership by recipient countries, participation by civil society, and environmental and social safeguards," they said.

However, they added, a significant hurdle remains: finding sufficient resources to capitalize the GCF in as fast a time frame as possible.

"While it is true that the GCF is not yet ready to receive substantial sums of money, the aim is for it to be fully operational in 2013. Thus, having funds pledged and delivered will be crucial to guaranteeing its early effectiveness," the groups stressed.

"We are therefore writing to urge you to pivot away from provision of funds for the World Bank's Climate Investment Funds (CIFs) and similar initiatives under the multilateral development banks and to commit to redirecting these monies toward the GCF," the letter to governments said.

From the start, the NGO letter noted, the CIFs were designed to "sunset": the CIFs "will take necessary steps to conclude its operations once a new financial architecture is effective."

The groups underscored that countries "should adhere to the sunset clause and actively support the GCF as the primary international financial institution for climate finance. New contributions to the CIFs could create a disincentive for the early operationalisation of the GCF, encourage expansion of the CIFs, and prolong their operation."

In order to apply lessons learned from the CIFs to the GCF, the groups also urged a fully independent review of the CIFs' overall performance, as well as their programs and projects.

"To ensure that the assessment is truly independent, this review should be conducted by a board of experts not associated with the World Bank or regional development banks, including their own independent evaluation bodies."

According to the NGO letter, the review should focus on key areas that the CIFs were intended to address, including:

-- How, in practice, country ownership has been implemented, whether projects were integrated into national strategies,

and whether the CIFs have been effective in engaging diverse stakeholders, including civil society and affected communities and populations, including women;

-- Whether projects were "transformational", in particular the extent to which financing and engagement by the CIFs measurably improved the ability of domestic policy and regulatory frameworks to put in place, implement, and scale up long-lasting mitigation and adaptation strategies and activities;

-- The extent to which the CIFs have led to concrete sustainable development impacts for impoverished and marginalised communities, and contributed to building local economies, as well as an assessment of any negative environmental or social impacts;

-- The extent to which the CIFs have leveraged truly additional investment from the private sector and an assessment of risk borne by the public sector; and

-- The extent to which transparency and accountability were guaranteed in implementation of projects and results.

TWN Info Service on Climate Change (Oct12/07)
29 October 2012
Third World Network

South Korea to host Green Climate Fund

Seoul, 25 Oct (Marjorie Williams) – Songdo, Incheon City, in the Republic of Korea has been selected to be the home of the Green Climate Fund (GCF) by its Board.

The second meeting of the Board was held in Songdo from October 18-20, where this decision was taken, and which is expected to be endorsed by the 18th meeting of the Conference of Parties (COP) of the United Nations Framework Convention on Climate Change (UNFCCC) to be held in Doha, Qatar in late November this year.

Six countries had offered to host the GCF which were Germany (Bonn), Mexico (Mexico City), Namibia (Windhoek), Poland (Warsaw), Switzerland (Geneva) and South Korea (Songdo).

The GCF was established at COP 16 in Cancun 2010 and its governing instrument was approved in Durban in 2011 at COP 17. The selection of a host country brings the GCF one step closer to its operationalization to help disburse climate funds to support mitigation and adaption efforts of developing countries.

At its first meeting in Geneva in August 2012, the GCF Board set in place a host country Evaluation Committee to conduct an open and transparent process to assess the proposals received, based on the evaluation criteria. The Committee was chaired by Ms. Audrey Joy Grant (Belize).

At its second meeting in Songdo, the Committee reported on the outcome of the evaluations criteria agreed by the Board. The Board, through a series of confidential balloting, (with ballots casted only by Board members) and the voting process supervised by the representatives of the Global Environment Facility (GEF) and the UNFCCC secretariat, the options were narrowed down to one candidate. During each round of balloting, the country with the least support was eliminated, with the final selection based on the country with the majority support of the Board members.

On Saturday, October 20, 2012, the Board by consensus agreed on Songdo as the permanent home of the Green Climate Fund. The outcomes of the initial balloting rounds were not made public.

During the course of the three-day meeting, the Board discussed a wide range of issues including, additional rules of procedure, its work plan and priorities, arrangements for the interim trustee, arrangements for an independent secretariat and the selection of its' Executive Director, the status of the resources and administrative budget of the GCF and arrangements between the COP and the Fund.

The work plan and priorities of the Board

The Board agreed to work with a listing of 25 indicative priority matters in the work plan until the end of 2013. The top five of these were: the business model framework, private sector facility-related matters, resource mobilization, results management framework and the establishment of the independent secretariat. These items also are the key agenda items proposed for discussion at the first Board Meeting in the year 2013.

The work plan and priorities of the Board were hotly debated.

Many developing countries wanted to focus on the structural and institutional issues they saw as critical to fully operationalizing the GCF such as the arrangements for the establishment of the independent secretariat, including hiring of the Executive Director and host country arrangements and resource mobilization (all items which were initially set to be discussed in the later part of 2013), with other members placing

emphasis on the private sector facility and business model in the first meeting. Small Island Developing States also wanted the issue of readiness and preparatory support to have priority.

In the end, agreement was reached in principle on the elements of the Board's work plan and the indicative priority matters. The interim secretariat, working with a 6 member board team, was requested to prepare a set of five documents for the first Board meeting in 2013 viz. -

(1) *business model framework*, covering the issue of structure and organization of the Fund (including structural options for the business model, models for the delivery of the Fund's resources, structural options and financial instruments in terms of leveraging potential of additional public and private sector finance, complementarity of the Fund with other channels of climate finance and linkages with thematic bodies of the Convention); private sector facility and related matters; access modalities and result management framework);

(2) *Resource Mobilization,* including policies and procedures for public contributions and other contributions, including from alternative sources; process and policies, participants and timeframes for resource mobilization and subsequent replenishments;

(3) *Modalities for readiness and preparatory support,* including priority areas for readiness and preparatory support, mechanisms for allocation, delivery and simplified approval process for readiness and complementarity of modalities for readiness and preparatory support with other channels of climate finance;

(4) *Establishment of the independent secretariat,* including selection of the Executive Director, review of staffing of the interim secretariat and guidance on administrative policies; and

(5) *Host country agreement* – relating to provisional legal arrangements for privileges and immunities for the establishment of the independent secretariat.

As regards the document on the business model framework, a 6 member committee/team is to facilitate its preparation. The interim secretariat will also solicit input from consultants, experts and stakeholders, including private sector and civil society organizations on specific matters.

Mr. Dipak Dasgupta (India) proposed the sponsoring of three stand- alone papers that will offer independent views in support of what the Board team will be doing on the vision of GCF, resource mobilization and how can instruments be matched with outcomes on the ground. He was of the view that these papers would complement and help to deepen the discussions.

Additional rules of procedure of the Board

Under this agenda item, three challenges confronted the Board.

First, was the issue of funding the participation of advisers, in particular, for developing countries representatives. Developing countries argued for funding for the participation of advisers from developing countries and flexibility for the participation of more than one adviser per member and for alternate members to be present in the Board meeting room in the case of multi country seats. (Presently observers, including some advisers, are sequestered in a separate meeting room from where the Board members meet. Four 'active observers', [two from civil society organisations and two from the private sector] are allowed in the Board meeting room). There was no final decision on this matter.

A second issue raised was the matter of working language of the Board. Many developing countries argued that effective representation and transparency dictate the use of the UN languages, or at a minimum, the provision of interpretation on an individual or request basis, in particular for French speakers. There was no consensus on this matter as some Board members were concerned about the cost implications of interpretation and translation of documents.

A third issue was the role and nature of participation of observers in the GCF Board meetings, which was an important topic of discussion. The matter of "active observers" was well debated, in particular, whether funding should be provided for active observers. The Board agreed that funding for active observers should not go beyond funding travel and daily subsistence .There was no consensus as to whether active observers could sit at the table with Board members. This issue was particularly contentious as it was linked to the question of the parity of alternate Board members and their effective participation in the Board meeting.

On the issue of accreditation of observers to the meetings of the Board, it was proposed that provisional accreditation of accredited UNFCCC and GEF observers be agreed to until the Board approves its own process. There was some discussion to expand the list of potential observers to include national development financial institutions.

As regards the process for selection of active observers, there was a general understanding that civil society and private sector organizations would decide themselves who would represent their constituencies.

A team of six Board Members was established to further deliberate on the additional rules of procedure and aim to seek consensus and report back to the Board.

Arrangements for the interim trustee

The representative of the World Bank (which is the interim trustee of the GCF) in presenting its report to the Board questioned whether the interim trustee could enter into legal arrangements with the GCF or the Board as this related to the juridical personality and legal capacity of the GCF.

In response, while not questioning the legal status of the GCF, (which was conferred juridical personality by the Durban COP), **Mr. Omar El-Arini (Egypt)** raised the issue of consistency of practice by the World Bank. He said that he had forwarded a document to the Bank that verified that the Bank had in fact signed an agreement with another entity before that entity had egal personality conferred upon it or had concluded a host country agreement.

El Arini wondered why this should not be the same with the GCF. He said that the President of the World Bank had signed a similar agreement with the Multilateral Fund under the Montreal Protocol (on ozone depleting substances) prior to the conclusion of it attaining juridical personality and the host country agreement. In this case, he said that the Bank did not see any impediment to finalizing that agreement with the Multilateral Fund and it was very odd that the Bank was adopting a different posture on the same arrangements with the GCF. El Arini expressed concern with the insistence by the Bank that it could not conclude arrangements with the Board until the Bank had evidence of the host country agreement that verified the GCF's legal status, as this could cause delay with the operationalization of the Fund. He pointed out that having a different approach to the matter would save the GCF time as it was not yet clear when the host country agreement (which in some cases could take up to a year) would be concluded. Hence the current posture of the World Bank, as the interim trustee regarding an interim agreement with the GCF and the Board, raised a question mark. El Arini argued that based on past precedent, such an agreement could be concluded now.

Mr. Gilbert Metcalf (US) was of the view of that the host country will have to confer legal personality under domestic law for ensuring the GCF is on sound legal footing in that country. He argued that legal clarity is important and if there is legal uncertainty, it raises legal risks and puts at risk contributions to the GCF. Hence, the need for a solid approach to the legal arrangements under domestic law is critical, he said.

El-Arini requested that questionable references to the legal personality of the GCF are removed from the document presented for approval to the Board by the interim trustee. This was accepted.

Arrangements for independent secretariat

There was consensus that the Fund needed to look for a highly qualified Executive Director for the GCF.

Ms. Zou Jiayi (China) argued that the candidate should have experience working in developing countries. This point was also supported by other developing countries members, noting that the person should also have experience working on development issues and/or working in developing countries.

There was some tension over whether or not to hire a search firm to participate in the selection process for the Executive director, given an anticipated cost of about $200,000. Most developed countries were in support of a search firm search driven process. Many developing countries, on the other hand, were of the opinion that the process could be managed internally and be cost effective.

In addition, there were concerns that the interim secretariat, (without instructions from the Board or oversight and knowledge of the Co-Chairs), had already initiated and concluded a request for proposal process involving the identification of 14 search firms, submission of 6 proposals and apparently culminating in a short list of one search firm. This action had been undertaken even before the first Board Meeting but was not communicated to the Board or the Co-chairs until this meeting.

Many developing country members of the Board queried the basis for the proposal for the search firm when the terms of reference for the Executive Director had not been established by the Board. Developed countries on a whole were supportive of the actions taken by the interim secretariat as a 'proactive' step to be welcomed.

The Board proceeded to establish an "Executive Search Committee" of six of its members to explore these issues, including the terms of reference for the Executive Director; to decide on whether or not a search firm should be contracted as part of the selection process and if so, to develop terms of reference for contracting such a firm. The Committee would ultimately recommend a short list (not ranked) of three names to be considered for the Executive Director position to the Board. Up to $200, 000 including, potentially covering of the cost of a search firm, was allotted for this selection process.

The budget of the interim secretariat and interim trustee

The budget issue was also a hotly debated agenda item on two grounds: (1) The limited amount of resources currently available to the GCF Trust Fund (established by the interim trustee under its Financial Intermediary Fund arrangement, to receive and disburse contributions for the GCF) and (2) the financial gap between resources available and the proposed expenditures in the budget.

Board members especially from developing countries had a great deal of difficulty with the presentation of the budget which they said lacked clear explanations of the assumptions behind the proposed budget lines for items such as staff travel (especially the relative costs for GEF staff versus UNFCCC staff), information technology, Board meetings and consultants (over 200 hours budgeted for this item).

Many developing country members such as El-Arini, Dasgupta, Zou and Mr. Paul Gomes (Guinea Bissau) raised issues over the request to approve a budget with a large resource gap and which was primarily based on pledges. While developed country members such as Metcalf, Mr. Kjetil Lund (Norway) and Mr. Rod Hilton (Australia) expressed their comfort with this practice, several developing country members raised the issue of principles and best practices used by international organization and multilateral funding institutions.

Gomes said that approving a budget based on pledges goes against the best practice at multilateral levels. He highlighted that with the IFIs, a developing country will not have its programme approved unless its resource gap is closed. He further argued that for the GCF to be driven on pledges to close its budget will not look good and said that the

Board should seek to adopt what is the current best practice.

Dasgupta said the GCF needed valid resources and that pledges are not resources, given all that that is known about pledges in practice. He said that approving the present 14 months budget was not prudent fiscal management.

The budget and related documents were revised to reflect the input and requests made by Board members.

Given that approval of the budget was also necessary in order for the trustee to approve and disburse funding, including to the Interim Secretariat, the budget was approved with the recording of funds available for disbursement at $2.7 million; previous pledges amounting to $2.5 million; pledges made at the meeting of $1.5 million and strong commitments for additional pledges. The administrative budget of $7,481,000 was approved for 1 November 2012 to 31 December 2013.

Arrangements between the COP and the GCF

There were differences of opinion among Board members as to whether or not the Board should initiate the arrangements between the COP and the GCF or if this was the prerogative of the COP.

Developing country members on the Board such as Mr. David Kaluba (Zambia), Zou (China), El-Arini (Egypt) and Dasgupta (India) strongly argued that based on the provisions of the Convention as well as the GCF's governing instrument, and the Durban COP decision, the arrangements should be determined by the COP.

Kaluba pointed out the COP is the superior organ or body that gives the guidance and it should be left to form its mandate and its role. He said that the Board should not assume the role of the COP on how the arrangements should be handled. Zou agreed that the Fund is a mechanism under the guidance of the COP and so, the arrangements should be initiated by the COP not the Board.

On the other hand, Metcalf (US) supported by Hilton (Australia), Mr. Nick Dyer (UK) and Mr. Amaud Buisse (France) were of the opinion that the Board should take the initiative and undertake the draft arrangements.

Given the disagreements, the Co-Chairs concluded that there was no consensus on the issue.

The Board also established the practice of subcommittee or teams as useful working modalities.

Thus, far there have been four operational six-member teams: (1) the Evaluation Committee for the selection process for the host country; (2) a team for working on additional rules of procedure: (consisting of Mr. Per Callesen (Denmark), Dasgupta (chair), El-Arini, Ms. Beata Jaczewska (Poland) , Metcalf and Mr. George Zedginidze (Georgia); (3) a team to deliberate the work plan: (consisting of Buisse (France), Dyer, Mr. Derek Gibbs (Barbados), Lund, Mr. Tosi Mpanu Mpanu (Democratic Republic of Congo) and Ms. Adriana Soto (Colombia who is also the Chair); (4) an Executive Director Selection Committee (also with 6 Board members whose names are to be announced) to oversee the selection process and make recommendations to the Board.

The next meeting of the Board of the GCF will take place in Berlin, Germany, March 12-15, 2013, hosted by the German government.

TWN Info Service on Climate Change (Mar13/02)
19 March 2013
Third World Network

Green Climate Fund Board meeting concludes after lively exchanges

Berlin, 19 March (Meena Raman) – The third meeting of the Green Climate Fund (GCF) Board took place in Berlin, Germany, on 13 – 15 March, 2013.

The Board adopted several decisions during the three day meeting which included decisions on the Fund's business model framework, resource mobilisation, establishment of the Fund's independent secretariat, modalities for readiness and preparatory support, arrangements between the Conference of Parties of the United Nation's Framework Convention on Climate Change (UNFCCC) and the Fund, logo of the Fund, the headquarters agreement (with the Republic of Korea), communication and representation, and additional rules of procedure of the Board including that relating to observers.

Among the most controversial issues, which saw divergence of views among board members were those related to the business model framework, resource mobilisation and the administrative policies of the independent secretariat.

The main issues that occupied the attention of board members on the business model framework were on the meaning of "wholesale" and "retail" functions of the GCF as well as that of resource mobilisation. Several Board members stressed the importance of the GCF being "country-owned and driven". India advocated this to be a core principle for the GCF

Several developed country Board members were of the view that the issue of resource mobilisation should not be the subject of the business model framework while several developing country members thought otherwise.

Another issue discussed under the business model framework was that of the leveraging of funding resources. Developing countries wanted a more comprehensive approach, with the leveraging of funds, programmes and policies within a country-led context. How to address the private-sector facility was also discussed, with several developing country Board members expressing concern that it was being over-emphasised. They expressed concerns that a parallel fund was being set up for the private-sector facility.

(The GCF Board is comprised of 24 members, composed of an equal number of members from developed and developing countries).

The Board meeting was co-chaired by Ewen McDonald (Australia) and Zaheer Fakir (South Africa). Two "active observers" from civil society organisations (CSOs) and two from private sector organisations (PSO) representing developed and developing countries were allowed to participate in the meeting. The Third World Network and the Sierra Club represented CSOs while the PSO representatives were from Carbon Markets and Investors Association (CIMA) and the International Chamber of Commerce.

Business model framework (BMF)

In a background document prepared by the interim secretariat for the Berlin Board meeting on the issue of the BMF, Board members were reminded that at their last meeting in Songdo, Republic of Korea in October 2012, a team of six Board members were tasked with preparing documents on the BMF. According to the secretariat's background document, the team, assisted by the interim secretariat conducted a series of teleconferences and developed the terms of reference (TOR) for a consultancy on the BMF.

The TOR for the document to be prepared by the consultancy was to have four components: a first overarching component on the 'Structure and organisation' of the Fund, private sector facility-related matters,

access modalities, and results management framework.

The team of Board members requested that an institutional contractor be engaged for the work and suggested a number of possible institutions to undertake the work. The interim secretariat executed a fast-track procurement process. According to the background document, two proposals were evaluated by the interim secretariat. "Given that the anticipated cost of the consultancy was higher than the overall consultancy budget presented to the Board at its second meeting (in Songdo), the Co-chairs recommended that the work be divided in two stages and sought the approval of the Board on a no-objection basis to award the consultancy for the work associated … The Co-chairs subsequently received objections from two Board members (from developing country Board members)," said the background document.

The Berlin meeting was invited to provide guidance on how to take the work forward. When the agenda item on the BMF issue arose for consideration on the second day of the meeting (on 14 March), co-chair Ewen McDonald asked Board members to consider a draft decision which was emailed to members the night before on 13 March.

McDonald said that following discussions at an informal meeting held on 12 March, the co-chairs agreed to provide a draft decision on the BMF. (He was referring to an informal meeting held on 12 March for Board members/alternates/advisors to discuss mainly the BMF issue. According to sources, the informal meeting saw an airing of views about the BMF, including information provided by Board member Dipak Dasgupta of India on the outcomes of a meeting held in New Delhi from February 15 -16, 2013. The Delhi meeting was attended by a small group of Board members or their alternates and representatives from India, Egypt, the Philippines, Saudi Arabia, Sweden and Zambia and resulted in a document called a 'Delhi Vision Statement for Enhanced Operationalization of the GCF'. According to the Delhi statement, at the Board meeting in Songdo, Dasgupta had offered to prepare a 'vision statement' to help frame for Board members and stakeholders some key issues and options in operationalizing the GCF. The 'Delhi Vision Statement' was also submitted by Dasgupta on 11 March as an input to the discussion on the BMF).

McDonald referred to the draft decision drafted by the co-chairs which initially read as follows: "The Board….

(b) Notes that the following areas of convergence on the business model framework of the Fund are consistent with the Governing Instrument, namely that the Fund will be ambitious, flexible and scalable, have a country-driven and owned approach, employ direct access, and leverage the private sector through its Private Sector Facility;

(c) Further notes convergence that the Fund should also:

(i) Use a phased approach by commencing as a wholesale fund for the interim period and to transition to retail functions upon further assessment by the Board;

(ii) Leverage funding, including from other multilateral funds; and

(iii) Focus initially on grants and concessional lending, and employ additional financial instruments as necessary to effectively achieve the objectives of the Fund; …"

The draft decision also had two annexes – with a list of documents on the BMF to be prepared for the June and September 2012 meetings of the Board respectively.

Dasgupta (India) said that it was important for the Board to have high order convergence and suggested that part (c) (i) be deleted as the focus was on wholesale and retail functions. He said that the Board should agree on a devolved country-led model and country-led framework for the GCF work.

On the issue of leveraging [referring to (c)(ii)], Dasgupta said there was need to be more comprehensive, with the leveraging of funds, programmes and policies with the approach first of all being within a country-led process, involving both the public and private sector. He said that there was need to

also ensure that the Fund was transparent and accountable. Dasgupta also wanted inclusion of raising resources which were sufficient given the urgency and scale of the funding needed.

Hong-Sang Jung (Republic of Korea) raised questions about the GCF commencing as a wholesale fund, saying that it could make it much weaker as it could not just be a wholesale provider, using the same channels and process. There was need for direct access and country ownership, he added.

David Kaluba (Zambia) stressed the need for the Fund to involve local actors, small and medium enterprises who should be the beneficiaries of channels in the private-sector facility. He asked what "wholesale" or "retail" was, saying that it would take a long time to agree on a definition. It was better to stick to what is in the Governing Instrument of the GCF and not add new language. He asked how enhanced direct access is supposed to be achieved.

Kjetil Lund (Norway) said there was need to have a top-down discussion of the "whole house", including a look at the existing infrastructure (on climate financing) and what has worked and what has not worked so well.

Jan Cedergren (Sweden) wanted reference to the Fund being "decentralised"; he did not want reference to "wholesale" and "retail". On the issue of leveraging, he supported the views of Dasgupta. He also stressed that country ownership was an essential feature of the Fund.

Omar El-Arini (Egypt) also said that he could not understand the terms "wholesale" and "retail" saying that this was "mercantile terminology". On the list of documents for further work, he said there was need to address what are performance indicators; what are incremental costs and what the Fund would disburse and on what basis. He said that the private-sector facility was being over-emphasised as if we are creating a parallel fund and we are not addressing funding windows which are part and parcel of adaption and mitigation.

El-Arini added that as regards access modalities, there is need to develop the "no-objection procedure" in relation to the national designated authorities (NDA).

(In Durban at the 17th meeting of the UNFCCC Conference of Parties, it was agreed that the Board will develop a transparent no-objection procedure to be conducted through the NDAs, in order to ensure consistency with national climate strategies and plans and a country driven approach and to provide for effective direct and indirect public and private sector financing by the GCF. The Board was requested to determine this procedure prior to approval of funding proposals by the Fund.)

The Egyptian Board member also stressed other areas of importance such as the development of fiduciary standards, environmental/social safeguards, and the need for accountability mechanisms. He also suggested the organizing of a workshop for Board members/alternates where the papers produced could be discussed.

Yoshiki Takeuchi (Japan) was not sure that the issue of resource mobilization is part of the BMF and said that there was no convergence on this.

Nicholas Dyer (UK) said as regards "mitigation", we are chasing the lowest abatement costs as regards CO2 emissions that will determine what type of investments are needed. This might not be in low-income countries. There was need for policy choices. As regards "wholesale" and "retail", Dyer said the difference is between funding a project directly by the GCF or via an intermediary; retail meant funding a project directly while wholesale is through the NDAs. He asked if members wanted the GCF to fund individual projects which would require a different structure.

Manfred Konukiewitz (Germany) welcomed the need for country ownership and leadership. Referring to Dasgupta's proposal for a devolved model, Manfred said that the term 'devolution' was too ambiguous. On the issue of resource mobilisation, he said that this was not an element of the BMF. He said that developed countries had a commitment from the

Cancun (UNFCCC Conference of Parties) decision (to mobilise USD 100 billion per year by 2020) and that all had agreed to channel substantial amounts. He said developed countries need to convince "their constituencies" that the GCF had added-value.

Audrey Joy Grant (Belize) also expressed concerns over the use of the terms "wholesale" and "retail."

Matthew Kotchen (US), referring to paragraph (b) of the draft decision said that the private sector should be leveraged through all aspects and not just through the private sector facility. On measuring performance at the programme and project level, he said efforts should be compared to business-as-usual, as we want transformational effect.

Tosi Mpanu Mpanu (Democratic Republic of Congo) expressed support for Zambia, Egypt and India. Referring to donor countries stressing the need to pass the "tax-payer test", he said there is the other side of the transaction as recipients of the money which is the "efficacy test". The recipients must be able to access the funding and must have capacity to do so. On the issue of devolution of the Fund to the country-level, this is counterbalanced by the need for accountability, he said.

Arnaud Buisse (France) supported a decentralized approach but with a global and strategic perspective.

Per Callesen (Denmark) said that the BMF was only a sub-component of all the work that needed to be done by the Board. He also supported the idea of having workshops for Board members.

Adriana Soto (Colombia), who was the leader of the team that drafted the TOR for the BMF, said the draft TOR provided a good basis for the work ahead. Ernesto Cordero (Mexico) expressed disappointment that the TOR drafted by the BMF team was not on the table anymore.

Beata Jaczewska (Poland) said that discussions were going on internally (in Poland) on the effectiveness of using public money for ecological investments. There needed to be a certain set of rules and vision in this regard.

Alexey Kvasov (Russia) said that whatever "wholesale" and "retail" means, members were dealing with different "species". What is missing is the need for "safety nets" – safeguards, audits, inspections, and remedies to correct irregularities, as misappropriation of funding could derail the Fund, he added.

Rod Hilton (Australia) said that the BMF is critical to the credibility of the Fund in order to show his treasury what the funding support is for. He added that 'devolution' and 'decentralization' could be hard to define but there is already the notion of "country ownership".

Dasgupta (India) in response to the various comments said that "country-owned and driven" is a core principle for the GCF. He added that on the access modalities, from the Governing Instrument, international access comes after enhanced direct access. It is important to devolve responsibilities to where they belong and this is a fundamental design principle, he stressed.

On the issue of "leveraging", there needed to be a broader definition, said Dasgupta, through the use of national policies and programmes to strengthen the base for private sector and civil society engagement to get results. Referring to questions posed by the co-chairs in the run-up to the Berlin meeting, he said there seemed to be an extraordinary emphasis on the private-sector facility. He asked what it was that members wanted to achieve. He said there was need to focus on the outcomes that use instruments including the private sector but in a context with country-ownership being the core of the BMF.

The active observers from the private sector and CSOs were invited to give their views. The CIMA representative said that the focus on grants will only mobilize private sector funding to bridge specific risk or cost gaps and there was need to allocate grants for partial risk guarantees. Grants and concessional lending is not what normally engages the private sector, said the representative further.

The representative from Sierra Club (speaking for CSOs) said there was need for further analysis on how the private-sector facility can further a country-driven approach. He said leveraging the private sector is not an objective in itself. It was important to view the leveraging of the private sector in the context of sustainable development and the impact that would have on the poor. He added the need to consider role of safeguards and accountability mechanisms. The **Third World Network** representative stressed the need to consider the overall direction of the outcomes of the GCF in serving the interest of the poorest in developing countries. She also supported the view that resource mobilization was a key issue in the design of the GCF and the BMF.

Following these comments, co-chair McDonald introduced a revised version of the draft decision and solicited further reactions.

Dasgupta (India) wanted reference to a Fund that operates through funding entities and transitions to direct access. He also wanted reference to resource mobilisation and to allow for a mechanism for additional sources of funding, enabling resource mobilisation at a larger scale. Readiness and capacity building were also important elements, he added further.

El-Arini (Egypt) did not want reference to operating through intermediaries as this implied financial intermediary. He preferred operations through funding entities.

Kjetil Lund (Norway) in response to Dasgupta did not want reference to resource mobilisation. He said Norway wanted to contribute to the Fund but needed to politically explain how the GCF worked so that contributing to it could be defended.

Dasgupta (India) in response insisted reference be made to mobilising sufficient resources in addition to the rest of the words in paragraph (c)(iii) (in the revised draft) which were "leverage funding, knowledge and expertise from public and private sources both at national and international level." (Dasgupta's proposal was as follows: "Mobilise sufficient resources and leverage funding, knowledge and expertise from public and private sources both at national and international level.")

Matthew Kotchen (US) could not support Dasgupta's proposal as he did not want resource mobilisation to be addressed before members looked at other design elements of the GCF.

Tosi Mpanu Mpanu (DRC) also wanted reference to resources being mobilised.

Dasgupta (India) in response said that if the GCF wants to get to the large changes needed in developing countries towards addressing climate change, it is clear from literature that costs have to be upfront for policies to be designed to achieve the goal of ambition and scale to deliver the global public good. He asked if developed country members were saying they do not have resources.

When asked by co-chair McDonald if there was convergence on Dasgupta's proposal on referencing resource mobilisation in the sentence regarding "leverage funding …" Manfred Konukiewitz (Germany) responded that there was need to keep the issues of the BMF and resource mobilisation separate. One issue should not be held hostage to the other, Manfred added. In response, Dasgupta called for the deletion of the entire sentence in paragraph (c)(iii) if there was no convergence on the issue of resource mobilisation.

The final decision that was adopted as regards the BMF was as follows-

"The Board, having reviewed document GCF/B.01-13/11, Business model framework of the Green Climate Fund:

(a) Took note of and welcomed the work of the business model framework team, comprised of six Board members/alternate members formed at its second meeting under decision B.02-12/03, in the preparation of the detailed terms of reference for a consultancy on the business model framework of the Green Climate Fund, as contained in the annex of document GCF/B.01-13/11;

(b) Noted that the following areas of convergence on the business model framework of the Fund are consistent with

the Governing Instrument, namely that the Fund will be ambitious, flexible and scalable, have a country-driven and owned approach, employ direct access modalities and other access modalities, and leverage additional public and private resources through the operational modalities of the Fund, including through the private sector facility;

(c) Further noted convergence that the Fund should also:

(i) Recognise that a country driven approach is a core principle to build the business model of the Fund;

(ii) Commence as a fund that operates through accredited national, regional, and international intermediaries and implementing entities;

(iii) Focus initially on grants and concessional lending, and employ additional financial instruments as necessary to effectively achieve the objectives of the Fund;

(iv) Enhance transparency and accountability;

(d) Decided that the areas of the business model framework set out in Annex XXX to this report should be the focus of further analysis and work to develop options for consideration by the Board at its June 2013 meeting;

(e) Decided that the areas of the business model framework set out in Annex XXX to this report should be the focus of further analysis and work to develop options for consideration by the Board at its September 2013 meeting;

(f) Requested that, the Interim Secretariat, under the guidance of the Co-Chairs, to draw from and build on the work of the terms of reference for a consultancy on the business model framework of the Green Climate Fund to develop the parameters for the work set out in (the) Annexes ;

(g) Requested the Co-chairs to work with the Interim Secretariat to ensure that there is overall coherence within the development of the business model framework work, as well as coherence within the development of the business model framework work and the broader work plan of the Board;

(h) Requested thereafter that the business model framework team provides guidance on the work set out in Annexes … to this decision and coherence, and report to the Board at its June and September 2013 meetings;

(i) Decides to authorise the Interim Secretariat, if necessary, to organise one or several meeting/s of the BMF team to review the Board documents, under the guidance of the Co-Chairs, prior to the June and September Board meetings;

(j) Approves, from the administrative budget of the Fund for the period from 1 November 2012 to 31 December 2013 as amended in this decision, an allocation of US$ 600,000 for the completion of the work set out in Annexes …;

(k) Requests the Interim Secretariat, under the guidance of the Co-Chairs, to ensure that expenditure under this decision is efficient and cost-effective and to seek the Co-Chairs' approval if there is a requirement to exceed this amount, noting the Co-Chairs may approve a larger allocation of funding for this work provided that it can be accommodated within the administrative budget of the Fund for the period from 1 November 2012 to 31 December 2013 as amended in this decision;

(l) Decides that the overall administrative budget for the Fund for the period from 1 November 2012 to 31 December 2013 as adopted in decision B.02-12/06 for the Interim Secretariat, and specifically the amount allocated for consultancies, be increased by US$ 150,000;

(m) Invites contributions to the Green Climate Fund Trust Fund; and

(n) Authorizes the Interim Trustee to make additional cash transfers of US$ 150,000 from the Green Climate Fund Trust Fund to the UNFCCC secretariat for the Interim Secretariat for this purpose, subject to available resources."

(The annexes to the above decision are not reproduced here.)

The issue of resource mobilisation was a separate agenda item that the Board addressed on the final day of the meeting on

15 March. This issue once again was mired in controversy. (Another article in this regard is forthcoming).

TWN Info Service on Climate Change (Mar13/03)
19 March 2013
Third World Network

Disagreement over mobilising resources

Berlin, 21 March (Meena Raman) – The issue of how to mobilise resources for the Green Climate Fund was a source of much disagreement at the recently concluded meeting of its Board.

The third meeting of the Green Climate Fund (GCF) Board took place in Berlin, Germany, from 13th to 15th March, 2013. Among the several decisions adopted by the Board during the three day meeting included a decision on resource mobilisation which was agreed to on the final day of the meeting. However, there were major disagreements among Board members from developing countries and some developed countries, especially the United States.

The Board is co-chaired by Ewen McDonald (Australia) and Zaheer Fakir (South Africa).

The Board members were asked to consider a draft decision that approved the scope of work set out in an annex to a document prepared by the interim secretariat on resource mobilisation for the GCF. According to the annex, from March to September 2013, "the interim secretariat will prepare a resource mobilisation strategy document for consideration by the Board at its meeting in September 2013. In doing so, the interim secretariat will operate under the guidance of the co-chairs, and take into consideration the guidance on the Fund's resource mobilisation provided by the Board during its meeting in March 2013, as well as the guidance provided by the Board on the Fund's business model framework. The strategy document will lay out key elements and a timeline for organising the initial resource mobilisation for the Fund."

Further, according to the annex, the "board meeting in September 2013 will consider the resource mobilisation strategy and take decisions on the Fund's approach to resource mobilisation and key factors determining how the approach will be implemented".

The US, supported by Japan, was strongly against any timeline for resource mobilisation. The US finally accepted the draft decision proposed after giving its own interpretation on the issue of the timeline and the decision to be taken in September. The US Board member said it was hard to make a compelling case that the GCF was an entity worth putting the money into. It was also opposed to having any burden-sharing arrangements among developed countries for financial contributions and was not ready for any timelines for the mobilisation of resources.

The interim secretariat document also provided three options for the Board to consider as follows: option 1: to follow an ad hoc resource mobilisation process; option 2: to start the Fund with an ad hoc resource mobilisation process, with a goal to transition to a periodic replenishment process; and option 3: to immediately move into a periodic replenishment process.

Dipak Dasgupta (India) said there is need to talk about the scale of the resources required upfront which is predictable and significant in size and ambition. As regards predictability, there is need for upfront contributions and the GCF was neither a donor programme nor a charity. It is also not a multilateral development bank. It is about contributions to get the actions done in developing countries; these actions cannot be committed to by developing countries unless they know what the actual resources there are. There is need to support policies and investments in the long term. There could not be a voluntary approach to contributions. If one country feels that it wants to make a contribution and others do not, that will make it difficult for everyone to come and board and free-riding needs to be prevented, elaborated Dasgupta further.

Dasgupta said the Board needed to define the scale and process of mobilisation of

resources which was significant and ambitious. If it was difficult for some countries to raise resources to the scale needed, the developed countries as a group could go to the bond markets and raise resources collectively. Global bond markets were ready to finance if developed countries wished to go to it. The costs could be covered later by fiscal measures or other steps like national lotteries, he said further. There were plenty of existing instruments and special purpose vehicles to raise the resources needed. Climate change is here and was ahead of the Eurozone and financial crisis, he added.

Hong-Sang Jung (Republic of Korea) said that having periodic replenishment of resources and appropriate burden-sharing sharing arrangements (among developed countries) is most effective for stability and predictability of financial resources.

David Kaluba (Zambia) supported Dasgupta and said that members were familiar with the extent of resources needed for the paradigm shift. Developing countries did not have the luxury to wait and some LDCs are already taking climate action. Kaluba said that predictability of resources is needed to meaningfully respond to challenge; hence a periodic replenishment of resources is needed.

Omar El-Arini (Egypt) said that resource mobilisation for the GCF is in the context of the United Nations Framework Convention on Climate Change (UNFCCC). He was surprised that document prepared by the interim secretariat on resource mobilisation had not referred to the Convention's relevant articles or to the decision of the Conference of Parties in Cancun (where the GCF and the mobilisation by developed countries of the USD 100 billion per year by 2020 was agreed to.)

El-Arini also reminded members to be mindful of on-going negotiations for the new agreement under the Durban Platform which is to conclude in 2015. He said that the agreement would be impossible if the Fund was not functioning well and with appropriate scale of resources. He stressed the importance for the Board to agree to an initial capitalisation of the GCF for a stable amount of funding over 3-5 years. Members could discuss how the capitalisation could be funded, he added.

Kjetil Lund (Norway) said that while Norway remained committed to making contributions, it is unable to talk about resource mobilisation without knowing what the business model of the GCF is.

Nicholas Dyer (UK) said that in order to attract resources into the Fund, there is need for objectives and results; pledges to demonstrate performance and to score well based on multilateral aid criteria. He said a periodic replenishment cycle would allow for planning and a more strategic approach, while ad-hoc mobilization which gives flexibly and can be fast. Dyer also supported limited earmarking of funds.

Yoshiki Takeuchi (Japan) said that while resource mobilisation is important, he needed to see the business model of the GCF to view its value addition. He said a unique aspect is the private sector facility. He suggested starting the GCF with a pilot phase approach with resources mobilised on an ad hoc basis. The GCF should not close its door to contributions from developing countries and the private sector. The type of contribution should be open and flexible, he added, referring to the World Bank's Climate Investment Funds, where a wide variety of financial support is provided through grants, loans, guarantees and equities. He also supported earmarking of funds.

Manfred Konukiewitz (Germany) said that ambition is not just to mobilise the GCF but to also get the results, which is to limit or reduce greenhouse gas emissions. He preferred periodic replenishment of financial resources that allowed for better predictability and was willing to consider ad hoc pledges for initial funding. Konukiewitz also favoured a transparent and fair burden sharing arrangement (in determining the financial contributions) that should be based on ability to pay and responsibility for the emissions. He said further that it was difficult to explain to the average person that (developing) countries which are wealthier

than the EU and which have more emissions per capita should not be requested to pay.

Rod Hilton (Australia) said that there could be no pledging session before the business model framework, standards and safeguards policy and procedures are in place. A key issue for Australia was for resources to be allocated to SIDs and LDCs. Engagement with the private sector was also important, he added. Hilton supported option 2 referred to in the interim secretariat document as regards resource mobilisation.

Derek Gibbs (Barbados) also supported option 2 and said the ad hoc approach should start in 2013, given that a number of donors are ready to contribute to the Fund.

Arnaud Buisse (France) supported option 3 and was open to option 2 for a short period of time since the Fund was just starting. On the financial inputs, he said there must be flexibility. He expressed strong reservations against earmarking of funds.

Jan Cedergren (Sweden), referring to the vision of the GCF, said the "animal" needs to be seen before we can put the money in it. He preferred option 3 as this is a periodic replenishment process which can give predictability related to the objectives. He also wanted peer pressure to be exerted (on developed countries to make contributions) and to push free riders. Resources trickling in, in bits and pieces should be avoided he said, and was against earmarking as this would be negative for the Fund.

Per Callesen (Demark) supported option 2 to start with ad hoc resource mobilisation and to move to periodic replenishment later. He also said it would be productive to work out a burden-sharing arrangement. He also had reservations about earmarking the funds.

Matthew Kotchen (US) said that while the US was committed to the GCF, it was premature to discuss resource mobilisation as the work on the business model framework was just beginning. He was against moving forward with the draft decision as proposed. He was against having a timeline in organising the initial resource mobilisation for the Fund as there was too much design work (of the GCF) to do and a short timeline would be counter- productive. It was also a challenge to disburse money through the GCF as there was too much uncertainty, he added. He said it was hard to make a compelling case that it was an entity worth putting the money into. The US was also opposed to the notion of burden-sharing and was not ready for any timelines for the mobilisation of resources.

Anna Fornells de Frutos (Spain) supported an ambitious timeline and was for option 2. Tosi Mpanu Mpanu (Democratic Republic of Congo) said that option 3 is the most attractive and that the prospect for the 2015 deal (under the Durban Platform) was very bleak if there is no clarity on finance.

Responding to the comments by developed countries, **Dasgupta (India)** suggested the need for a document from developed countries on timelines and processes for resource mobilisation. He said that developing countries too have Parliaments and they were being asked questions.

When McDonald asked members if they had any objections to the draft decision, the US Board member, Matthew Kotchen, reiterated his objection to formulating a specific timeline as it was premature to commit to resource mobilisation before clarity on the business model framework.

Dasgupta (India) in response said that asking the interim secretariat to resolve questions which are political was unfair, as it for developed countries to answer this. He said that all we hear is that developed countries want to see the business model framework and then only address resource mobilisation. This he said, sounded like only one side (of the bargain). He suggested that important financial source countries look at issues of burden sharing, their internal processes, and what guidance is needed from their Parliament which can be made known to members. He wanted to know what developed countries had in their mind between now and the next meeting in June on timelines which address the ambition and scale of resources needed.

Yoshiki Takeuchi (Japan) shared the US view that it was premature to talk about the

timeline on resource mobilisation.Nicholas Dyer (UK) said there was no need for more papers. There were options for mobilisation of resources which can be worked on further.

The US once again insisted on deleting any reference to the timeline for organising resource mobilisation. India, in response insisted it would like to see a timeline as there was a close link between the business model framework and resource mobilisation.

At this juncture, McDonald proposed a short break. When the meeting resumed, McDonald once again asked members if they had any objections on the scope for further work on resource mobilisation as contained in the document prepared by the interim secretariat.

Matthew Kotchen (US) said that he did not have an objection but wanted to clarify why he had objected earlier. He said that the draft decision tasked the interim secretariat to lay out a timeline (for organising the initial resource mobilisation for the Fund) for the September meeting and that a decision would be taken in September when the business model framework would be seen for the first time. It wanted to avoid setting specific markers.

The US then said then agreed to the sentence on the timeline if it was interpreted as referring to "a set of possible timelines". (The actual language in the document was "The strategy document will lay out key elements and a timeline for organising the initial resource mobilisation for the Fund).

As regards the decision which states that "Board meeting in September 2013: The Board will consider the resource mobilisation strategy and take decision on the Fund's approach to resource mobilisation and key factors determining how that approach will be implemented," the US said the word "consider" meant "consider taking decisions and not taking decisions on resource mobilisation."

The decision was the adopted by the Board. In welcoming the decision, Dasgupta (India) wanted developed countries as a group to address the specifics in relation to the process of responding to: "the scale, predictability, upfront contributions; appropriate sharing of responsibility; relationship to other funds and the GCF; probable timelines, their intentions and processes; and innovative ways by inviting an 'open' architecture for contributions by private and public sources."

During the session, civil society was also invited to give their views. **The Sierra Club representative** said that GCF should focus effort on an ambitious paradigm shift so resources could be scaled-up in accordance with Articles 4.3 and 11 of the Convention. Developed countries should put forward an initial pledge as a matter of urgency in 2013 and prepare the way for disbursement, said the representative. He supported the approach in option 2 and wanted rapid mobilising of resources. This did not have to wait for a burden sharing arrangement and should not prejudge the option of burden sharing. The resources needed to be adequate and predictable and could come from public sources and direct contributions from financial transaction taxes, aviation levies etc. The issue was political scarcity and not economic scarcity, he added.

The representative from the **Third World Network** said that the discussion of the Board members appeared to be a chicken and egg problem. She cautioned that the "chickens had come home to roost" and it was called "climate change". She stressed that the GCF is about enhancing the implementation of the Convention, which was ratified in 1994 and it was now 2013, and very little money had been channelled under the Convention. It was immoral for developed countries to continue to delay making their commitments to the GCF, as the poor are already paying the price. She also supported the need for appropriate burden sharing arrangements among developed countries. She cautioned against the proposals by some Board members for the GCF to provide loan guarantees and other instruments that would put the GCF at risk. The TWN representative referred to a quote by a great leader who once said that if the climate was a bank, it would have been bailed out!

TWN Info Service on Climate Change (Mar13/04)
22 March 2013
Third World Network

Poser over administrative framework for independent secretariat

Berlin, 22 March (Meena Raman) - The issue of what administrative framework the independent secretariat of the Green Climate Fund (GCF) should opt for, became a matter of controversy at the recently concluded meeting of its Board, which took place in Berlin, Germany from 13th to 15th March.

In a document prepared by the interim secretariat on the 'Administrative policies of the independent secretariat', three options were provided for the Board's consideration as follows: (a) United Nations (UN) common system administration; (b) multilateral development bank (MDB) –type administration or (c) non-UN/MDB administration.

In what appeared to most observers to be a 'UN vs. MDB fight', many developing country Board members supported option (a) which is for a UN system, while most developed country Board members, (with the exception of Sweden), supported option (b) for an MDB-type system.

A very lively exchange ensued when this matter was discussed on the second day of the meeting, with some developed countries like the US arguing that an MDB-type system would attract "financial experts", given higher remuneration for employees as compared to the UN-system. In response, developing country Board members, led by India stressed that the GCF was not a "Wall Street institution".

Jan Cedergren (Sweden) was supportive of following a UN common system of administration. Others who also were in favour of this option included Omar El-Arini (Egypt), Dipak Dasgupta (India), and Tosi Mpanu Mpanu (Democratic Republic of Congo),

Matthew Kotchen (US) preferred the MDB-type system. Hong-Sang Jung (Republic of Korea) also supported the MDB-type system, saying that the UN system pays 40% lower salaries than the MDBs and it was important to secure quality staff. Others who preferred this option included the representatives from Australia, Norway and Japan.

Tosi Mpanu-Mpanu (DRC) in response did not agree that giving better pays will ensure better talent. He said that it was surprising that developed country Board members talk about 'best value for money' and the need for developing countries to pass the 'tax-payers test' but were prepared to pay 40% more salaries for the staff of independent secretariat.

Omar El-Arini (Egypt) said that the UN system can provide more benefits than the MDBs if one took into account staff with families. Setting up a UN common system will require very little time and bureaucratic procedure which could be implemented immediately, compared with the MDB-type system, he argued further.

Matthew Kotchen (US) stressed that the Board was creating a financial institution with hundreds of billions of dollars. Since it is a financial institution, the second option was needed to have experts in the financial sector. Dasgupta (India) responded saying that the Board was not creating a "Wall Street institution".

Rod Hilton (Australia) while proposing the second option suggested that perhaps a hybrid option should be considered. Nicholas Dyer (UK) said that based on what he heard, he was more attracted to the idea as to what works in the (Asian) region and there could be a further option. (The independent secretariat will be located in Songdo, Republic of Korea).

Bambang Brodjonegoro (Indonesia) said that the GCF was similar to the International Fund for Agriculture Development (IFAD), which is based in Rome. It was called a 'fund'

and is part of the UN system and is managed similar to an MDB.

Manfred Konukiewitz (Germany) responded that the Board may want to look at the IFAD system to find a solution. He said further that the GCF would be competing for "experts". There was lower job security in the MDBs but the pay packet was higher.

Alexey Kvasov (Russia) said that it might be good to look at a regional development bank (referring to the Asian Development Bank) as a reference point as it might be closer to the second option while "removing the stigma of the World Bank", making the discussions easier.

At this juncture, co-chair Zaheer Fakir (South Africa) invited a representative from the civil society organisations to speak.

A representative of the **Third World Network** took the floor and said that it appeared as if some Board members were under-valuing the UN system which had much expertise, including in disbursing large amounts of money to developing countries such as the United Nations Development Programme (UNDP) that managed a multi-donor trust fund. She added that the GCF was an operating entity of the financial mechanism of the United Nations Framework Convention on Climate Change (UNFCCC), and it was only natural to follow the UN common system of administration. She agreed with India that the GCF was not a "Wall Street" institution.

Fakir then suspended discussions on the issue, and tasked the Japanese and Indonesian Board members who were from the Asian region to have a discussion on what was in the best interest for the GCF and take up the matter again the following morning on the final day.

When the meeting resumed on March 15, **Bambang Brodjonegoro (Indonesia)** reported that IFAD followed the UN system of administration. He said that he and the Japanese Board member discussed various options and would like to propose a hybrid model combining the characteristics of IFAD and the ADB. He said that the GCF independent secretariat could follow an ADB remuneration package, with the benefits of the UN system of subsidies.

In response, Omar El-Arini (Egypt) asked if it was feasible for the independent secretariat to follow such a hybrid system. He also wanted members to be mindful of the fact that the GCF was not a bank which is in the business of making money, while the GCF is about spending money.

Matthew Kotchen (US) reiterated that it was very important to get the right high quality staff and strongly supported the MDB-type system. He said this was not a political issue of "MDBs vs. the UN" but was about getting high qualified staff. He said there was need for more information in respect of how the ADB compared with the MDB standards. He was unclear about the hybrid system.

The interim secretariat clarified that a hybrid model would require the development of a completely new administrative system, which would be intensive work, as it was not just about adopting a remuneration package of rules and regulations. As regards the ADB structure, he said it comprised 98% of the MDB remuneration scale with additional benefits as support for the families of staff members. He said the ADB sits between the UN and MDB system.

Fakir then asked Board members if they could look at a hybrid option. He said that more information could be got if this was feasible and for the co-chairs, through the intersessional process to get agreement on the matter.

Omar El-Arini said he was prepared to go along with the proposal but stressed that it was important for the secretariat to start as an "independent secretariat". Matthew Kotchen (US) also supported the proposal of the co-chairs for more information.

Fakir clarified that if there was no agreement during the intersessional session, then members can decide at the next board meeting in June.

The Board then adopted a decision requesting the interim secretariat to further explore the feasibility of the options presented in its document, including a UN

common system, a MDB system and a UN-MDB hybrid option based on IFAD and the ADB, in its further work on preparing the administrative policies of the independent secretariat and prepare a working document for an intersessional decision by the Board on a no-objection basis.

They also agreed that should the Board not agree instersessionally to an option for the administrative policies of the independent secretariat, the matter will be brought forward to the Board for consideration at its June 2013 meeting.

TWN Info Service on Climate Change (June13/03)
20 June 2013
Third World Network

UNFCCC's Finance Committee tussles over Green Climate Fund arrangements

Bonn, 20 June (Marjorie Williams) – After working two whole days and nights on a draft decision on arrangements to be concluded between the UNFCCC's Conference of the Parties and the Green Climate Fund (GCF), the Standing Committee on Finance ended its fourth meeting in a tense stand-off between developed and developing country members of the Committee due to fundamental differences over key elements of the arrangements.

The meeting of the UNFCCC Standing Committee on Finance (SCF) took place on 15-17 June 2013, in Bonn, Germany.

The elements included the purpose of the draft arrangements between the UNFCCC Conference of Parties (COP) and the GCF, the role of the COP in the reconsideration of funding decisions/independent redress mechanism to be created by the GCF and the necessity and content of termination clause in the arrangements between the COP and the GCF.

(The governing instrument of the GCF mandates its Board to establish an independent redress mechanism that will report to the Board. The mechanism will receive complaints related to the operation of the Fund and will evaluate and make recommendations.)

At the 18th meeting of the COP in Doha, Qatar in 2012, Parties agreed to request the SCF and the GCF Board to develop the arrangements between the COP and the GCF. The arrangements are to be agreed by the GCF Board and the COP, by COP 19 in Warsaw this November.

The issue was discussed by the SCF at its third meeting and a proposal which listed the elements of the arrangements, procedural options and a timeline for the joint work was presented to the GCF Board which mandated its co-chairs to work on the arrangement with the SCF. A draft of the arrangements concluded by the SCF at this fourth meeting was to be presented to the GCF board for consideration in their upcoming meeting in late June 2013.

The members of the SCF deliberated on a revised co-chair's text on the arrangements between the COP and the GCF that reflected inter-sessional work (via teleconference) by some members of the committee and which drew on submissions and discussions between the co-chairs of the SCF, Ms. Diann Black Layne (Antigua and Barbuda) and Mr. Stefan Schwager (Switzerland) and the co-chairs of the GCF, on the basis of elements submitted by the SCF.

The SCF members' preparatory work on the draft arrangements included submissions from members (Ms. Outi Honkatukia (Finland), Mr. Paul Bodnar (US), Mr. Gregory Andrews (Australia) and Mr. Paul Oquist (Nicragua) and Ms. Bernaditas Muller (Philippines) which seemed to have some common grounds on the arrangements. During the initial discussions at the meeting there seemed to be much give and take on the draft arrangements with developing countries showing flexibility in seeking to arrive at a final text.

However, ultimately, the SCF members could not reach a consensus on the draft arrangements and there was no consensus either on sending the document with options to the GCF for consideration. In fact, developing country members of the SCF strongly objected to any such text being forwarded to the GCF. Developed countries members on the other hand were comfortable with sending a non-consensus, text with options to the co-chairs of the GCF (who had indicated to the co-chairs of the

SCF that they would like to receive a clean text, not a text with options).

Developing country members resisted attempts by developed country members, led by the United States and supported by Australia, to engage in what many saw as a de facto renegotiation of the GCF's governing instrument, with the specific intent of narrowly circumscribing the role of the COP as well as ensuring as wide as possible latitude for the involvement of the private sector in the GCF.

Some developing country members expressed the view that they were being faced with a last minute package and explicit threats of the GCF not being funded, if the dictates of developed countries were not met.

This was in part a reaction to the triple stipulations by Mr. Gregory Andrews (Australia) that Australia could not accept: (i) anything that undermines the independence of the board of the GCF or asserts the authority of the COP over the GCF, (ii) pre-empting decision on things the GCF Board have not decided yet, and (iii) any role for the COP in determining GCF funding especially language about needs assessment and mobilization. Later in the discussion, he also made specific remarks that his government could not put money in the Fund unless it was consistent with Australian law.

Developing country members of the SCF argued that the purpose of the arrangements between the COP and the GCF was specifically laid down in the governing instrument of the GCF, which was agreed language viz that: *"the purpose of the arrangements is to ensure that the GCF is accountable to and functions under the guidance of the COP to support projects, programmes, policies and other activities in the developing countries Parties…".*

Developed countries, however, in particular, the US and Australia, sought to qualify this with ambiguous references to the roles and responsibilities of the COP and the GCF. They also did not want reference to 'thematic funding windows' in the section on the purpose of the arrangements. The US and Australia, in particular, argued that this would constrain the GCF.

In the section of the draft arrangements dealing with an independent redress mechanism, both countries also objected to reference to the COP having a role in reviewing (on the request of an affected Party) a particular funding decision after it had progressed through the independent redress mechanism and reported to the COP.

While upholding the understanding that funding decisions are the responsibility of the GCF and its board, developing countries favored inclusion of a provision that allowed a Party that availed itself of the independent redress mechanism and was not satisfied that its concerns were addressed in an open and transparent manner, to appeal to the COP to review the matter on its behalf [on the basis of Article 11, paragraph 3(b) of the Convention]. It further stipulated that the COP, after considering the request of the Party, may then take appropriate measures via the provision of further guidance to the GCF. However, the US and Australia raised objections to this provision, arguing that this would adversely impact investor rights, create political risks for investors and detract from investors investing in the Fund.

On this issue of the independent redress mechanism and the role of the COP, Mr. Paul Oquist (Nicaragua) noted that this 'is not a north-south issue'. He said that in a world of audits and compliance and professional standards, it was not good practice to have a mechanism that is entirely formed and control by a board of directors as a redress mechanism. Such a mechanism, he argued, is not an independent mechanism; rather it is an internal compliance audit. He said that while an internal compliance mechanism is useful for CEOs and managing directors, for example, to optimize the performance of organization, this must be bolstered by an independent external mechanism. Mr. Oquist further noted that the policies that the GCF are implementing and applying emanate from the COP so the COP must be in the picture as to whether there is compliance with its directives.

The other two high priority items on the agenda of the SCF were briefly discussed: the fifth review of the financial mechanism and draft guidance to the operating entity of the Convention's financial mechanism, the Global Environment Facility (GEF):

- The matter of the review of the financial mechanism had some preliminary airing of views. The COP at Doha also requested the SCF to amend the guidelines for the review of the financial mechanism and to provide draft updated guidelines for consideration and adoption by COP 19, with a view to finalizing the fifth review by COP 20 (2014).
- Draft guidance to the operating entity of the financial mechanism will be more substantively discussed in a future SCF meeting. COP 17 had requested the SCF to provide to the COP starting in 2013, draft guidance for the GEF, based on the annual report of that entity to the COP and views submitted by Parties as well as to provide initial guidance to the GCF at COP 19.

The SCF also deliberated on issues arising from its third meeting, including measurement, reporting and verification (MRV) of support, expert input into the work programme on Long-term Finance, the Code of Conduct for the SFC, and linkages with the UNFCCC Subsidiary Body for Implementation (SBI) and the thematic bodies of the convention.

- The SCF is mandated to tackle the issue of MRV of support provided to developing countries through preparing a biennial assessment, overview of the climate finance flows, including information on the geographical and thematic balance of such flows, drawing on available sources of information. COP 18 requested the SCF in its initiation of the first biennial assessment and overview of climate finance flow to take into account other works by other bodies and entities on MRV of support and the tracking of finance, and to consider ways to strengthen methodologies for reporting climate finance. At this meeting the SCF was to initiate consideration of the modality of work regarding MRV of support. There was some initial discussion on this item which will be taken up more substantially in future meetings.
- The co-chair of the work programme on Long-term Finance, Mr. Naderev Sano (he Philippines), gave a brief update on the programme and participated in small group discussions of the SCF on the issue. The SCF also held discussion on its mandate to support the work programme on Long-term Finance by providing expert inputs on the design and conduct of the work programme through 2013.The extended work programme on Long-term Finance is aimed at informing developed country Parties in their effort to identify path ways for mobilizing the scaling up of climate finance to USD 100 billion per year by 2020 form public, private and alternative sources, and informing Parties in enhancing their enabling environments and policy framework to facilitate the mobilization and effective development of climate finance in developing countries.

The SCF also had discussions and a report back on the first forum of the Committee which was held in Barcelona, Spain, 28 May, 2013. Members of the Committee felt that the forum had been a successful event. It was noted that there was need for further discussion to draw on lessons learned in planning for the 2014 forum.

The next SCF meeting will be held in August 2013 coinciding with the GCF meeting in Songdo, the Republic of Korea.

TWN Info Service on Climate Change (Jul13/01)
2 July 2013
Third World Network

Director appointed, decisions made at GCF Board

Beijing, 1 Jul (Meena Raman) - The fourth meeting of the UN Framework Convention on Climate Change's Green Climate Fund (GCF) Board, which began on 26 June in Songdo, South Korea, concluded on 28 June with the selection of its Executive Director as well as the adoption of decisions on the 'business model framework', which included the private sector facility.

A decision was taken to set up three new structures under the private sector facility, to determine the terms of engagement with the private sector, exert due diligence and manage risks, as well as to review investment proposals and instruments.

Selection of the Executive Director

The GCF Board selected Ms. Hela Cheikhrouhou as the Fund Secretariat's first Executive Director (ED), following a global recruitment process.

Cheikhrouhou is a Tunisian national, and is currently Director of the Energy, Environment and Climate Change Department at the African Development Bank, and has spent the last ten years working in multilateral development banks, first in the Latin America and Caribbean region of the World Bank, and then for the African Development Bank.

The selection of the ED was done on 26 June, in a long session of the Board meeting on the first day, which was closed to observers. It was learnt that the final short list of candidates for the ED comprised of three persons, including Cheikhrouhou and two others from the Netherlands and Colombia.

The Dutch candidate was Mr. Jules Kortenhorst, the former Chief Executive Officer of the European Climate Foundation (which is a philanthropic organisation in Europe, and according to its website, helps Europe play a "strong international leadership role in mitigating climate change").

The Colombian candidate was Mr. Juan Pablo Bonilla, who was appointed Chief Advisor to the Executive Vice President of the Inter-American Development Bank (IDB) in February 2011. Previously, Mr. Bonilla coordinated the IDB's activities related to climate change.

In a closed informal meeting of the Board held on 25 June, the three candidates were presented to the Board members and according to sources, the selection was done the following day via a voting-cum-elimination process.

Business Model Framework

Decisions on the business model framework (BMF) were taken after lengthy and intense debates, with some developing countries taking a cautious approach, with most developed countries wanting swift decisions to operationalise the Fund.

Among the issues addressed on the BMF were the GCF's objectives, results and performance indicators, country ownership, access modalities, financial instruments, the private sector facility (PSF) and the structure and organisation of the Fund.

As regards the private sector facility (PSF), the meeting began with decisions based on a paper by the co-chairs and the Interim Secretariat with many details and options on how to operationalise the facility. The initial proposals, especially the creation of a separate governance structure detached from the GCF, were opposed by several developing countries. Also opposed was the creation of a powerful Private Sector Advisory Group with vast powers of decision-making.

On the last day of the meeting, a decision was taken to set up three structures under the PSF: an Advisory Group to determine the terms of engagement with the private sector; an Investment Committee that will review investment proposals and instruments; and

a Risk Management Committee that will enable the Fund to exert due diligence and manage risks prudently.

The membership and terms of reference of these structures are to be discussed at the next Board meeting in September.

During the discussion on the PSF, several developing countries also raised the issue of how the Fund's financial resources would be distributed between the public and private sector and how much will be allocated to the PSF.

This issue has yet to be determined and was not concluded.

Generally, developing countries wanted to ensure funds are channelled in the form of mainly grants and some as concessional lending to and through the public sector. They wanted funds to go to and through the public sector (direct access) rather than having to go through "international intermediaries and international implementing entities" such as the World Bank and other international organisations, with developing countries choosing the appropriate entities themselves.

In fact, the issue of direct access and country ownership were among issues that occupied a significant part of the Board's consideration.

On a related issue on financial instruments, a debate ensued whether to adopt a decision for the Fund to make use of instruments other than grants and concessional lending. The Interim Secretariat's/co-chairs' paper pushed for the use of loan guarantees, equity investments and other instruments. This led to a lengthy discussion on the risks of such instruments, including reputational risks associated with their use.

Eventually, a decision was taken that the Fund would consider the terms and criteria of the grants and concessional lending to be deployed by the Fund for mitigation and adaptation, through accredited national, regional and international intermediaries and implementing entities at its next meeting in September.

However, a decision was also taken under the PSF that the facility will initially focus on grants and concessional lending, and will also draw on a broad range of other financial instruments and modalities to achieve its objectives. What the other instruments and modalities would be was not specified.

On the issue of direct access, the Board decided to consider at its first meeting in 2014, additional modalities that further enhanced direct access (devolution of fund management to the national level), including through funding entities, with a view to enhancing country ownership of projects and programmes.

This issue saw much controversy as the Board member from the United States, Mr. Alexander Severens, could not agree to having enhanced direct access, saying that it was "not logical", given that the GCF had not "experimented with direct access". He said further that this was a "big decision" for the US.

This prompted co-chair Zaheer Fakir (South Africa) to say that if this could not be agreed to, there could be no other decisions on the business model as there was need for balance in the overall BMF decisions. He and other developing country Board members urged the US to be flexible, which eventually led to the final decision being adopted on enhanced direct access.

As regards the issue of country ownership, the Board decision noted that countries may designate a national designated authority (NDA), or mandate a country focal point to interact with the Fund. The NDA/focal point will, among other things, recommend to the Board funding proposals in the context of national climate change strategies and plans and act as the focal point for the Fund's communication.

Another issue which saw an intense exchange during the final hour of the meeting was about who would be the co-chairs for the next meeting of the Board in September, which will be held in Paris. This was because the term of office of the current co-chairs, Zaheer Fakir (South Africa) and Ewen McDonald (Australia), expires on 23 August following a one year tenure.

The Board member from India, Dipak Dasgupta, notified the Board that there was an expression of interest from Asia for the seat of the developing country co-chair. He also said that there would be four new Board members from developing countries replacing some of the current members who will need to make the decision about their nominee.

The Board members from developed and some members from developing countries wanted the current co-chairs to continue their term for another one year, even when the Governing Instrument of the GCF prescribed the duration of the co-chairs to be for only a period of one year.

Following exchanges among Board members and the co-chairs, it was agreed that the current co-chairs will continue to preside over the September meeting, with the election of new co-chairs scheduled for the end of that meeting.

(Further reports on the GCF meeting will follow.)

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Third World Network

GCF Board debates objectives, results and indicators

Published in SUNS #7618 dated 3 July 2013

Beijing, 2 Jul (Meena Raman) - An intense exchange of views ensued among Board members of the UN Framework Convention on Climate Change's Green Climate Fund (GCF) on the issue of its 'objectives, results and performance indicators' at its fourth meeting in Songdo, South Korea, which met from 25 to 28 June 2013.

Intense exchanges between Board members from developing and developed countries began with strong criticisms of a paper by the co-chairs/Interim Secretariat on the Fund's 'objectives, results and performance indicators'.

Several Board members, especially from China, Egypt, India, and the Democratic Republic of Congo (DRC), expressed concerns over the detailed prescription of result areas in mitigation and adaptation, as well as the performance indicators set out in the paper, saying that they were not in line with a country-driven approach.

They also stressed that some result areas for the Fund (such as mitigation in agriculture) pre-judged on-going negotiations under the UN Framework Convention on Climate Change (UNFCCC).

Several developed country Board members, on the other hand, wanted an initial list of priority result areas and performance indicators to be agreed to during the meeting.

The final decision that was adopted postponed the determination of the initial result areas (which will be considered at its September meeting) of the Fund and the core performance indicators to be employed to measure performance against the objectives of the Fund.

Several developing countries, including China, India and Egypt, also expressed concerns that the 'objectives' of the Fund did not address the mobilisation of resources although this was in the governing instrument of the Fund.

The final decision, which was agreed to, is as follows: "The Board: (a) noted convergence that the Fund will have a strategic focus on climate mitigation and adaptation, and also seeks to maximise sustainable development; (b) reaffirmed that country ownership will be a core principle of the business model framework of the Fund and that countries will identify their priority result areas in line with their national strategies and plans; (c) decided to consider further the initial result areas of the Fund, with an aim to achieve substantial progress at its September 2013 meeting: (d) further decided to consider the core performance indicators to be employed by the Fund to measure performance against the objectives of the Fund and the mitigation and adaptation results to be considered by the Board at its September 2013 meeting; (e) further decided to consider the expected impacts and role of the Fund in the initial result areas at its second meeting in 2014."

The initial draft decision that the Board was supposed to adopt as set out in the paper by the co-chairs/Interim Secretariat, provided detailed options for priority mitigation result areas in order to enable low-emission development pathways; options as cross-sectoral results of the Fund; and options as the priority adaptation result areas of the Fund in order to enable climate-resilient development pathways.

The draft decision also noted convergence on the performance indicators for project and programme outputs for mitigation and adaptation and on the performance indicators for transformative impact of the Fund activities.

The draft decision also requested the Interim Secretariat to prepare a document outlining

the core performance indicators to be employed by the Fund to measure performance against the objectives and results as agreed by the Board, and to be considered by the Board at its meeting in September.

It also requested the Interim Secretariat to ensure that the document on the results management framework, which will be considered by the Board at its September meeting, is aligned with the proposed core performance indicators.

Following a strong push back by developing country members, the co-chairs produced a draft decision for the consideration of the Board members which referred to an annex entitled 'initial result areas' that listed 15 areas related to mitigation and adaptation.

The draft decision also referred to performance indicators linked to these initial result areas.

This again led to another round of concerns being raised by developing country Board members which led to the deletion of the annex listing the initial result areas.

Several developed country Board members, in response to the final decision adopted, expressed disappointment and regret that the initial result areas and performance indicators for the Fund could not be agreed to.

Below are some highlights of the exchanges that took place in relation to the paper by the co-chairs/Interim Secretariat (paper).

Dipak Dasgupta (India) said there was no mention in the paper of the scale and mobilisation of resources under the objectives of the Fund and that 'country-ownership' was mentioned minimally.

Omar El-Arini (Egypt) said the paper neglected one of the major objectives of the GCF, which is to "play a key role to channel new, additional, adequate and predictable financial resources."

There is no mention of the need for high scale of resources. The short-term vision and the results sections also do not deal with scale or mobilisation of financial resources. This is a major shortcoming. It gives many details on low-emission development pathways and priority mitigation result areas but there is no mention how these proposed results were formulated, and whether from sources or documents that governments have agreed on. They do not seem to be from UNFCCC agreed documents nor the Intergovernmental Panel on Climate Change (IPCC) agreed summary for policymakers.

The authors of this paper do not have the mandate to set the mitigation priorities for developing countries and nor can the Board adopt these proposed priorities without reference to what has been agreed to under the Convention, said El-Arini.

On performance indicators, El-Arini said the paper proposes a set of several performance indicators for mitigation and adaptation but the indicators and other items for measuring, reporting and verification (MRV) and for biennial update reports of developing countries are being negotiated in the Convention's subsidiary bodies. The adoption of indicators now in the GCF independently without even reference to the processes taking place in the Convention would cause serious problems, as they would in a way supplant or pre-empt those negotiations.

He expressed caution against adopting the draft decision as presented.

Zou Jiayi (China) commented that the paper was very complicated and that she was not in a position to make a decision based on the paper. She said there is need to simplify the approach in relation to performance indicators. The more detailed they are, the less is the ability to get consensus.

Zou said that instead of this, the Board could formulate some simple guidelines for performance indicators and leave the details to the project or programme funding level. Most confusing are the elements of the "transformation" concept, she added, calling for definition of low-carbon development pathways.

She said there were some misleading judgements regarding transformation, as transformational change and country ownership go together and there could not

be a trade-off. She added that the performance indicators mentioned overlap with the UNFCCC negotiations and the Board should not pre-judge them.

Jorge Ferrer (Cuba) said the performance indicators were focusing on recipient countries and asked about performance indicators on the delivery of resources and technology transfer. He said this was the approach applied in the area of development assistance, which was repeated here.

Tosi Mpanu-Mpanu (DRC) said a lot of the options on mitigation in the paper did not have any relevance for his country from sub-Saharan Africa. He gave an example of the reference to reduction of emissions from agriculture which is mentioned. This prejudged the outcome of negotiations on this issue. In Africa, when there is a problem of having food security and feeding the hungry, the priority is not about reducing CO2 emissions. In the area of adaptation, it is difficult to come up with one yardstick as regards performance indicators.

Farrukh Khan (Pakistan), referring to calls for making a transformative impact, said the paper limits transformation to the policy level when it should involve three dimensions, which, when pulled together becomes the paradigm shift. The "triple transformation" involves transformation in policies, resource mobilisation and in access modalities with enhanced direct access.

On the issue of indicators in distinct sectors, he said this is linked to country-ownership and could not be top-down. Countries should decide on the level of transformation that they want to achieve. The GCF cannot impose an aggregate emissions reductions target, but needs to provide incentives for transformation at the national level, with a higher level of support to be provided.

Feturi Elisaia (Samoa) said that resources mobilisation is important and needs to be at a scale that can make an impact.

Adriana Soto (Colombia) said the GCF should respond to the priorities identified by recipient countries to strategically focus interventions on low-carbon development and climate resilience.

Manfred Konukiewitz (Germany) said the Fund should have a clear focus; it is not a broad development fund, but needs to keep in view the co-benefits of actions and have synergy with broader sustainable development objectives. All areas of results are important and prioritisation can be done at a later point. The performance indicators mentioned in the paper entailed a lot of technical specifications and there is need for more technical advice. At this point, it is probably too early to make those choices.

Arnaud Buisse (France) raised the question of how the Fund's priorities are articulated with the priorities of developing countries. This is not to prevent the Fund to have some priorities but is about how to bring the two together. In the short-run, progress is measured on a case-by-case basis.

Highlighted below are reactions from several Board members on the draft decision proposed by the co-chairs which referred to an annex of 'initial result areas' (annex) that listed 15 areas related to mitigation and adaptation. The draft decision made no reference to the paper by the co-chairs/Interim Secretariat.

Dipak Dasgupta (India), referring to the annex, said that the areas listed pre-judged on-going negotiations in the UNFCCC. He said developing countries had red-lines, for instance, in agriculture which is a sensitive area.

Similar sentiments were echoed by **Tosi Mpanu-Mpanu (DRC)** who reiterated that the mitigation in the agriculture sector was a sensitive area for the African Group in the light of food security concerns. Other areas mentioned had no relevance for countries from sub-Saharan Africa. Since there could be no convergence on the annex, he asked for it to be deleted, including the relevant decision where this was reflected.

Manfred Konukiewitz (Germany) said that the annex was a good start, as the Fund needs to have a more prescriptive area of 'collective intentions'.

Arnaud Buisse (France) said that there is need for priority or initial result areas which

can evolve or be revised to enshrine the idea of the Fund with some priorities.

Anton Hilber (Switzerland) was not happy with the ex-ante prioritisation of the result areas, particularly on the basis of what is presented in the paper. He said there was not enough information to come up with the list of areas, which need to match the interests of the Fund and the recipients. He said the problem was one of sequencing.

Nick Dyer (UK) said that his country was not in a position to discuss contributions (to the Fund) if there is no discussion on the priority areas to be funded and deleting the annex was a step backwards. He suggested reference to an 'initial' or 'indicative' list to start with.

Zou Jiayi (China), in response, said that if there is no convergence on the issue, there is no convergence. This did not mean that members are not willing to discuss result areas or indicators, but at the moment, there was no agreement on the scope of the result areas.

Responding to the UK Board member, she said that it was extremely unproductive to make agreement on the result areas in the annex a pre-condition for meeting financial commitments.

Dipak Dasgupta (India) agreed with China and said that he did not know if the result areas were right. He added that there is also need for a proper assessment of the indicators and this is not merely an academic exercise. He said he needed to further consult with other ministries in India before any decision is reached in this regard.

Rod Hilton (Australia) and Alexander Severens (the US) said that the list of result areas is needed. Severens added that the list may not be perfect and could be refined but it should not be lost as an 'indicative' or 'initial' list.

The US and Australian Board members expressed regret and disappointment that no agreement was possible on an indicative list of result areas. This was also echoed by **Kjetil Lund (Norway).**

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GCF moves forward on Private Sector Facility

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Beijing, 3 Jul (Meena Raman) - The recently concluded fourth meeting of the Board of the UNFCCC's Green Climate Fund (GCF) made advances on having a Private Sector Facility (PSF), by agreeing to set up three new structures to determine the terms of engagement with the private sector, exert due diligence and manage risks, as well as to review investment proposals and instruments.

A decision on the PSF was adopted on the final day of the meeting on 28 June in Songdo, South Korea.

There was a 'battle' during the Board meeting on the PSF. Several developing country Board members wanted a more cautious approach in adopting decisions in this regard, while some developed country members preferred quick operationalisation of the PSF.

Several Board members from developing and developed countries were opposed to an option in the co-chairs/Interim Secretariat's paper to have a separate governance structure for the facility, detached from the GCF.

The Indian Board member of the GCF was adamant that there be a careful consideration of risks when deciding on what financial instruments to use and which projects to fund, especially if investment banks and funds are used. This was supported by other Board members.

There was a very lengthy discussion and as a result, the proposal for a totally independent governing structure was defeated. However, the Board decided to set up a Private Sector Advisory Group and an Investment Committee. As a response to India and other Board members, it also decided to set up a Risk Management Committee.

The question now is who will be on the Private Sector Advisory Group (PSAG). The private sector will have 8 representatives (4 from developed and 4 from developing countries) and 4 Board members who are government representatives (2 from developed and 2 from developing countries) and up to 2 civil society representatives.

Hence, the government and the CSO representatives will be in the minority. The terms of reference and criteria for its composition will be determined at the Board's September meeting.

There was also a controversy about whether civil society groups (CSOs) should be represented in the PSAG, with some Board members from developed countries, especially from the United States, Australia and Norway, arguing against CSO participation. They were of the view that CSOs may not have the financial expertise needed.

This was countered by several members from developing countries who were surprised by the stance of developed country members in this regard.

The Board member from the Democratic Republic of Congo (DRC) in particular, expressed surprise over the US response against CSO participation in the PSAG, especially when the US, during the discussions of the Transitional Committee responsible for the design of the GCF, pushed for CSO participation on the grounds of ensuring transparency.

In general, several Board members from developing countries were very concerned that there would be continued big pressure on the part of developed countries to push for big companies and financial institutions to have a big say in the development of the PSF and also in the entire GCF.

Another very pertinent point raised by the Board member from India was about the proportion of funds in the GCF that will go to the PSF and what will go to developing countries. In addition, of the funds that go to the PSF, he was concerned about what proportion of this will go to the international private sector as contrasted with the domestic private sector.

A further concern expressed was about the extent that international private companies will be directed by the developing countries themselves or if these companies would have their own autonomous plans on what and where they will invest in.

During the meeting, some of the developing country Board members raised the issue of the danger that the PSF may become a conduit for subsidisation of international companies; lead to the creation of moral hazard and a source of windfall profits for the private sector.

There was some support generally from the Board members including from developed country members that this was not the purpose of the PSF. However, there was no discussion on how these problems can be prevented and other negative effects be prevented too.

Concerns were also raised by developing country Board members about the credibility and reputation of the GCF which would be affected if the PSF is not well handled. This prompted the creation of a Risk Management Committee.

Several observers from CSOs expressed concerns in the corridors of the meeting as to whether the Board will be able to control and regulate financial instruments and corporate institutions as well as the risks involved, given the financial crisis of the last few years had given rise to many questions as to whether regulation is able to keep pace with financial instruments and activities.

Highlights of the final decision of the Board on the PSF are as follows:

"The Board: decided that the PSF will operate efficiently and effectively under the guidance and authority of the Board as an integral component of the Fund;

"- the PSF will address barriers to private sector investment in adaptation and mitigation activities ; this will include facilitating and enhancing the participation of national, regional and international private sector in developing countries;

"- the PSF will promote the participation of private sector actors in developing countries, in particular local actors, including small and medium sized enterprises and local financial intermediaries;

"- acknowledged the need to mobilise funds at scale from, inter alia, institutional investors, such as pension funds and sovereign wealth funds, and to design modalities to that end;

"- decided that the PSF will seek efficient solutions that minimize market distortions and moral hazard in the use of the Fund's resources by using, inter alia, competitive processes;

"- decided that the PSF will initially focus on grants and concessional lending and will also draw on a broad range of other financial instruments and modalities to achieve its objectives;

"- decided to establish a PSAG that will make recommendations to the Board on Fund-wide engagement with the private sector and modalities to that end;

"- decided that an appropriate risk management framework will be developed, enabling the Fund to exert due diligence and manage its risks prudently. For this purpose, the Board decided to establish a Risk Management Committee;

"- decided to establish an Investment Committee that will review investment proposals and instruments and recommend their approval in accordance with social and environmental safeguards and the Fund's objectives and the risk management framework;

"- decided that the PSF, in accordance with non-objection procedures and in order to ensure consistency with national climate strategies and plans and a country-driven approach: (i) will commence its operations through accredited national, regional and

international implementing entities and intermediaries, and (ii) may over time, work directly with private sector adaptation and mitigation actors at the national, regional and international levels, subject to consideration by the Board of a phased approach."

Some highlights of interventions by Board members is set out below in response to the paper on the PSF by the co-chairs/Interim Secretariat as well as the draft decision placed before the Board by the co-chairs.

Dipak Dasgupta (India) said that the paper was "extra-ordinary" given the option for the PSF to have its own governance, which would hire senior management from banks and investment companies, without accountability and even to out-source some of its functions. He questioned what the GCF was getting into.

Zou Jiayi (China) said the PSF cannot operate in an independent way. It has to be completely integrated in the GCF.

Alexander Severens (the United States) said the PSF is inherent to the GCF and it should have the flexibility to have a wide range of financial instruments other than loan and grant instruments. He suggested the need for a credit committee to consider the creditworthiness of proposals. The PSF is an entity within the GCF with the ability to attract capital.

Manfred Konukiewitz (Germany) was also not in support of a separate governance structure for the PSF and wanted it to be integrated in the Fund. It could have features that could be unique to the facility such as a credit committee, an advisory board etc.

He said the limited availability of public funds is not the rationale for private sector involvement. If we want to have the transformation, we need to have different kind of investment decisions by millions of investors in many areas that require private actors to do things differently.

Arnaud Buisse (France) did not support the PSF with a separate governing body. He also supported the creation of an advisory group and a credit committee. He did not want the PSF to subsidise the private sector.

Anton Hilber (Switzerland) said it is not enough to begin with just grants and concessional lending for the PSF and there is need to go beyond them.

Rod Hilton (Australia) said the PSF is a transformational part of the GCF, and was supportive of the facility having its own governing body to which the Board delegates authority. This, he said, was important for the credibility of the Fund on how best to utilise private sector expertise.

Kjetil Lund (Norway) was also in favour of having a separate governance structure for the PSF.

Jorger Ferrer (Cuba) said that consistent with the principle of country-ownership, the GCF needs to be country-driven and not private-sector driven. He was opposed to having a separate governance structure for the PSF.

On the use of the financial instruments, he said the Convention only allows grants and concessional lending and not other financial instruments.

Omar El-Arini (Egypt) said the PSF is meant as an enabling unit or sub-structure within the Fund and there cannot be the creation of another separate fund for the PSF. He said there was no information in the paper on how the PSF is financed or how the funds will flow into the facility.

He was against creating something new that will compete with the public money in the GCF which is yet to come.

Ana Fornells de Frutos (Spain) said that expertise was needed to ensure that the GCF is not subsidising the private sector. The PSF should comply with the objectives of the Fund and must also be open and transparent.

Tosi Mpanu-Mpanu (DRC) did not support a separate governance structure for the PSF and said that it should not be a subsidy scheme for companies from abroad.

Dipak Dasgupta (India) said that risks come in many sizes and shapes. The problem in financial institutions relates to that of governance and no credit committee can take care of this. He asked who was going to bear the risk of dealing with financial

instruments and how to prevent moral hazard.

He also raised the issue of the allocation of resources between mitigation and adaptation; between country- driven programmes and international/regional institutions; the allocation to the private sector and within the private sector, the allocation between the small and medium sized enterprises and international corporations.

He stressed the need for strategic discussion in this regard and said there was a deep disquiet "out there" on what the intention of the GCF is.

Alexander Severens (the United States) said that with the PSF, risks in projects can be identified and it could mobilise finance (from institutional investors). It was not about giving subsidies to the private sector. There is also need to do risk analysis.

Jan Cedergren (Sweden) also supported Dasgputa's call in addressing risks as well as to be clear about the terms and conditions of the PSF. Nick Dyer (the United Kingdom) also agreed on the need to address risks.

Per Callesen (Denmark) stressed that risk management was extremely important and there was need to have persons on the Risk Management Committee with substantial knowledge about this matter. An Investment Committee is needed to deal with the issue of how to use or apply a financial instrument, which the Board need not deal with.

The representative from the private sector said that the PSF can be the bridge between the GCF and institutional investors. On the issue of governance, the PSF needs to have credibility and expertise. On the issue of risks in terms of the use of new financial instruments, the private sector needs to have expertise to manage that.

Brandon Wu of ActionAid USA, speaking as a CSO observer, said that the PSF should not have a separate governance structure and that the PSF paper is overly biased towards international capital markets.

He said there is need for an exploration of what private sector interventions can support the efforts of small and medium enterprises in developing countries, taking into account the gender differences in the current access to financing options.

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Agreement on steps to mobilise resources for Green Climate Fund

Paris, Oct 12 (Meena Raman) – The Board of the Green Climate Fund (GCF) adopted several key decisions to further its operations, including steps to mobilise resources for the Fund in 2014, at its 5th meeting in Paris, France on 7-10 October, 2013.

The Board agreed that it will commence an initial resource mobilization process as soon as possible and transition subsequently to a formal replenishment process. It was agreed that the first two meetings of the Board next year, in February and May, will focus on completing the essential requirements for the Fund to receive, manage, programme and disburse financial resources.

No later than three months after the essential requirements for the Fund have been met as decided by the Board, the Secretariat is to make arrangements with all interested contributors, facilitating a collective engagement in the initial resource mobilization process. This will be followed by the first formal replenishment meeting.

There was a tug-of-war between among Board members on the "requirements" to be in place before contributions could be made to the Fund. Agreement was eventually reached on the "essential requirements" (see below for details).

Some developed country members of the Board indicated their willingness to contribute to the GCF, with Germany signalling that initial capitalisation of the Fund needs to be a "serious number with several billion dollars".

Manfred Konukiewitz (Germany) said that there are contributors ready to put money in the Fund when it is ready to receive the money, adding that the first sum of capitalisation needs to be a serious number, with several billion dollars. He added that donors are ready to provide their fair share of funds but there needed to be a fair burden sharing among them. This, he said, was important to Germany and he called on others to also commit to resource mobilisation.

Anton Hilber (Switzerland) also said that his country was ready to contribute its "serious fair share" to the GCF once certain essential requirements were in place. **Henrik Harboe (Norway)** expressed hoped for serious resource mobilization by 2014 and wanted the Fund to be large.

Kwang-Yeol Yoo (South Korea) said that it was contributing USD 1 million this year and another USD 1 million next year, and called on other countries to mobilise resources for the GCF.

The United States however indicated that it had no resources in the 2014 budget for the GCF. **Matthew Kotchen (United States)** said there are no resources in the 2014 budget for this and resources need to be requested now for 2015.

Developing country Board members especially from Zambia, the Democratic Republic of Congo (DRC), Egypt, China, Belize, Brazil and Saudi Arabia called for urgency in resourcing the GCF, and not wait for a "perfect" Fund to be in place.

David Kaluba (Zambia) who represents the Least Developed ountries (LDCs), made an emotive plea, as he struggled to contain tears, sending a strong and powerful message for urgent action. He said that his constituency was in desperate need of funds for adaptation, as people are dying now; time has run out and the desperation is real. He said that it was a moral imperative to ensure a decision that enables the Fund to have serious resources that make a difference. Kaluba called for symmetry in approach in mobilising resources and having the essential requirements for the GCF's operations.

Tosi Mpanu Mpanu (DRC) said he understood Kaluba's emotion. He said that African countries are eager to see the Fund operational and were worried about the lack of political commitment. Some developed countries had said three years ago that the GCF was the main channel for climate finance but are now asking if the GCF is the best channel. He said there is need to have some number and date for the initial capitalization of the Fund and to ensure no delay tactics.

Liang Ziqian (China) said that the mobilisation of resources is a political decision and called on developed countries to provide the funds as soon as possible. He said that conditions were in place for this and if they waited for the GCF to be a "perfect" institution, it will never be initiated. He stressed the need for specific targets as regards the scale of the resources and that it should be "big-sized" and "meaningful". He wanted the GCF to be the primary operating entity of the climate finance architecture and to be the most prominent environmental Fund. (See below for more interventions from Board members.)

The Board also made other decisions which included agreement on initial areas for its funding and performance indicators at the project and Fund level, readiness and preparatory support, types of financial inputs for the Fund, the way forward on determining allocations, accreditation of entities for access to the Fund and the terms of reference for the Fund's Risk Management Committee, Investment Committee and the Private Sector Advisory Group.

The meeting was co-chaired by Ewen McDonald (Australia) and Zaheer Fakir (South Africa). It also saw, on its final day, the election of two new co-chairs, Jose Maria Clemente Sarte Salceda (Philippines) and Manfred Konukiewitz (Germany). Also present at what was her inaugural meeting of the Board, was Hela Cheikhrouhou, the Executive Director of the GCF.

Resource Mobilisation

On the mobilisation of resources for the Fund, following discussions during an informal reception held on the evening of 7October as well as at the formal Board meeting the following day, it was agreed that:

(a) The Fund's resource mobilization process will commence through an initial resource mobilization process as soon as possible and transition subsequently to a formal replenishment process;

(b) That the first two meetings of the Board in 2014 (to be held in February and May) will prioritize and focus on working towards completing the essential requirements for the Fund to receive, manage, programme and disburse financial resources;

(c) The Secretariat will be requested to make arrangements with all interested contributors, facilitating a collective engagement in the initial resource mobilization process no later than three months after the essential requirements for the Fund to receive, manage, programme and disburse financial resources, have been met as decided by the Board;

(d) The policies, procedures and documents necessary to trigger the first formal replenishment meeting will be decided upon at the first Board meeting following the completion of the process outlined in paragraph (c) above.

The essential requirements for the Fund to receive, manage, programme and disburse financial resources were identified as follows:

(i) An initial Fund structure and Secretariat structure, including administrative policies, best-practice fiduciary principles and standards and environmental and social safeguards;

(ii) The Fund's financial risk management and investment framework;

(iii) Initial results areas, initial core performance indicators and an initial results management framework of the Fund;

(iv) Procedures for accrediting national, regional and international implementing entities and intermediaries;

(v) Policies and procedures for the initial allocation of Fund resources, including results-based approaches;

(vi) Initial proposal approval process, including criteria for programme and project funding;

(vii) Initial modalities for the operation of the Fund's mitigation and adaptation windows and the Private Sector Facility;

(viii) The terms of reference of the Fund's Independent Evaluation Unit, the Independent Integrity Unit and the independent redress mechanism.

The decision was viewed generally as an improvement over the initial draft presented by the Secretariat for consideration which did not have clear timelines for the resource mobilisation process.

Omar El-Arini (Egypt) stressed the need for the process to be simple and strategic. He called for its capitalisation and replenishment and reminded members of the pledges made by developed country leaders in Copenhagen (in 2009 to mobilise USD 100 billion per year by 2020).

Audrey Joy Grant (Belize) said that the developing world was really losing its enthusiasm for the Fund unless something happens. There was need to discuss the minimum threshold to get the Fund started to move forward on funding decisions, and called for funding of readiness activities. She also stressed the need for concrete time-lines, as without that, there would be no urgency.

Sergio Serra (Brazil) stressed the need for a simple decision, which reflects urgency, scale of ambition and political commitment.

Irfa Ampri (Indonesia) said that GCF should be different and not replicate the failures of others climate funds.

Ayman Shasly (Saudi Arabia) reminded Board members that that use of the term "donors" was not appropriate as under the United Nations Framework Convention on Climate Change (UNFCCC), developed countries have an obligation to fulfil their commitments. He said the GCF was not about doing charity. He said further that if developing countries do not get support for their actions, they will not be able to make any commitments under the 2015 agreement which is now under discussion in the UNFCCC. He said developed countries could easily mobilise USD 22 million for the UNFCCC's Climate Technology Centre and Network but that was not the case for the GCF.

Manfred Konukiewitz (Germany) emphasised the need for the Fund to have proper standards to not allow misappropriation. He added, however, that not everything needed to be perfectly in place for mobilisation to happen. He said there should be funding for "readiness" activities.

Anton Hilber (Switzerland) said it was important that all interested contributors are called upon to make the contributions. He stressed the need for certain essential requirements to be in place. On the issue of fiduciary standards, environmental and social safeguards, Hilber was of the view that there was no need to reinvent the wheel but to borrow best practices from other institutions.

Jan Cedergren (Sweden) expressed the need for urgency in getting resources for the GCF, adding that readiness and preparatory support activities could be taken care of immediately. He too stressed the need for fiduciary standards, and environmental and social safeguards to be in place and to learn from the experiences of the Adaptation Fund and the Global Environment Facility (GEF). He added that as regards long-term replenishment of the GCF, efforts need to start immediately, because a replenishment system will take some time.

Rod Hilton (Australia) said that several conditions or incentives needed to be in place before one dollar could flow into the GCF: fiduciary standards and safeguards; policies for accreditation; Secretariat to be in place; and an appropriate risk management procedure. Once money goes through the door, for the good use of money, there is need for results areas, performance indicators and allocation procedures. For scale and transformation to happen, there is need for a very clear pathway on how results will be delivered with the Private Sector Facility, how to leverage private sector finance, and having financial instruments with a lot of flexibility. He said there is also need to accept funding from everyone.

Frederic Glanois (France) also stressed the need to have serious initial pledges because the formal replenishment will take a few years. He shared the view that the list of requirements for the GCF to receive money should not be exhaustive. He cited the initial

results areas, results-management framework, the Secretariat structure, fiduciary standards and safeguards and accreditation procedures and core criteria for allocation as being important.

Henrik Harboe (Norway) said that he also shared the need for urgency. He did not expect every requirement to be in place. He said there were a "lot of channels" for climate financing but the ambition should be for the GCF to be the best choice.

Nick Dyer (United Kingdom), while agreeing with Kaluba of Zambia that time was running out did not agree that there were no other options to the GCF. He cited the GEF and the Climate Investment Funds of the World Bank. He said decisions were needed to have assurances for the pledging of resources to the GCF.

Matthew Kotchen (United States) said the GCF is not the only "climate fund out there" but hoped that it would be one of the leading funds. As regards the process for resource mobilisation, he said that specific time-lines with dates are not useful. He said pledging resources is up to the legislative bodies and needed public support.

The active observer representative for civil society organizations from developing countries, who was from the **Third World Network**, also expressed the need for urgency in the mobilisation of resources. She called for an initial capitalisation of at least USD 20-30 billion by 2014, adding that a phased approach could be adopted with grants for readiness support and adaption being a priority for meeting the needs of especially the poor countries. She also said that developed countries could resort to raising money through financial transaction taxes and Special Drawing Rights, stressing that if banks could be bailed out, there was no reason why the poor and the planet could not be saved.

Election of Co-chairs

The election of the Co-chairs was held behind closed doors as it was deemed an 'executive session'. According to official sources, the election of the Co-chair from the developed countries was without problems. However, the election of the developing country Co-chair had some hiccups.

Around lunchtime on Thursday, 10 October, the final day of the meeting, developing country Board members and their alternates met to confirm their candidate. It seems that initially, South Korea was opposed to the Philippines being the candidate, although all the other members from the Asian Group were in support. South Korea apparently wanted Fakir of South Africa to continue as Co-chair, although his tenure of one year had ended. [South Korea (alternate to China) is part of the Asian Group, whose other members include Philippines (India is the alternate), China, and Saudi Arabia (Pakistan is the alternate)].

Following interventions from fellow Asian Group members, South Korea relented and agreed to the Philippines being the developing country Co-chair.

When the developed and developing country members met in their groupings respectively to reaffirm their nominees at around 5 pm the same day, according to official sources, Colombia (who is an alternate member to Ecuador) wanted more time to have further consultations within its region, and indicated that there could be a nominee from the Group of Latin America and the Caribbean (GRULAC) region. Ecuador was not present at the meeting although it was the principal member, and Colombia took its place. Along the corridors of the meeting, the Colombian representative was seen making phone calls.

According to sources, when the official Board meeting convened at around 5.30 pm, Dipak Dasgupta (India) informed members that the Philippines candidate was agreed to by most developing countries, including members from Asia, LDCs, Africa, and some members of GRULAC.

When the presiding Co-chair McDonald asked if there was a consensus over the Philippines and Germany as the Co-chairs, no one expressed objections, leading to the formal election of the new Co-chairs.

(More reports will follow).

TWN Info Service on Climate Change (Oct13/05)
16 October 2013
Third World Network

Board agrees on initial result areas and indicators

Geneva, 16 Oct (Meena Raman) – The Board of the Green Climate Fund (GCF) has reached agreement over the 'initial result areas' of the Fund, its 'performance indicators' and its 'results management framework.'

This was one of the key decisions reached at the 5th meeting of the Board in Paris, which took place on 7 – 10 October, and took more than six hours to reach a compromise.

Various concerns were raised by developing country Board members, especially those from Zambia, the Democratic Republic of Congo, China, Brazil, Egypt and Saudi Arabia over some result areas and indicators initially identified by the GCF Interim Secretariat in two documents prepared for the Board's consideration.

The concerns included issues such as 'agriculture' and 'REDD-plus implementation' (matters relating to reducing emissions from deforestation and forest degradation in developing countries) which are the subject of on-going negotiations under the United Nations Framework Convention on Climate Change (UNFCCC); uncertainty over the scale of financial resources available to undertake and deliver the results indicated; the capacity of developing countries to verify the results and the apparent tension between the Fund's priorities and the priorities of developing countries.

On the issue of agriculture, following intense discussions, in the final decision on the 'initial result areas', the phrase 'sustainable land use management to support mitigation and adaptation' was agreed to in place of 'agriculture and related land use management'.

As regards 'REDD-plus implementation', the Secretariat document had included this issue in the 'initial result areas' of the Fund, with an indicator under 'mitigation' that made reference to 'decrease in rate of deforestation tCO2e [tonnes of CO2 equivalent] reductions from deforestation.'

Norway wanted 'REDD-plus implementation' to be included in the result areas together with initial performance indicators. Brazil, while accepting that 'REDD-plus implementation' should be on the list, it did not want the indicators specified since negotiations in the UNFCCC were on-going. Following informal discussions between the Board members from the two countries, it was agreed that 'REDD-plus implementation' be included in the list of 'initial result areas' but the performance indicators are not to be specified now. This was agreed to by the whole Board.

The 'initial result areas' of the Fund which was agreed to by the Board are as follows:

a. Design and planning of cities to support mitigation and adaptation;

b. Energy efficiency of buildings and appliances;

c. Energy efficiency of industrial processes;

d. Low-emission transport;

e. Low-emission energy access;

f. Small, medium and large-scale low-emission power generation;

g. Sustainable land use management to support mitigation and adaptation;

h. Sustainable forest management to support mitigation and adaptation including afforestation and reduction of forest degradation;

i. REDD+ implementation;

j. Adaptation activities to reduce climate-related vulnerabilities;

k. Selected "flagship" activities cutting across adaptation result areas;

l. Readiness and capacity building for adaptation and mitigation activities;

m. Scaling up of effective community-based adaptation (CBA) actions;

n. Supporting the coordination of public goods such as "knowledge hubs".

Further details of the decision and the indicators are provided below. Highlights of the discussions around the decision are as follows.

David Kaluba (Zambia) emphasised the importance of sustainable development and country ownership in the determination of the result areas and indicators. Following a low carbon and climate resilient pathway will mean looking at a country's current funding to enable it to move away from 'business-as-usual'. It should be the objective of the GCF to promote that.

Tosi Mpanu-Mpanu (Democratic Republic of Congo) agreed that there is need to identify priority areas as to what the Fund should invest in. He expressed concerns in relation to some issues and indicators which were under discussion in the negotiations under the UNFCCC such as nationally appropriate mitigation actions (NAMAs), measuring, reporting and verification (MRV), REDD-plus and agriculture. He also expressed caution over the list of 'initial result areas' becoming prescriptive. Agriculture is a sensitive issue for Africa, as it touches on food security, sustainable development and poverty eradication, said Mpanu-Mpanu. Talking about 'low emissions' in this context did not make sense, he added.

Liang Ziqian (China) suggested that all performance indicators should be project based. He added that any country-wide indicator would be problem, in an apparent reference to the indicator on 'carbon intensity of economy' in the Secretariat document which was later revised to 'carbon intensity of nationally determined sectors' in the decision. He also expressed concerns over the reference to 'agriculture' in the result areas in relation to mitigation and wanted it removed.

Omar El-Arini (Egypt) said that countries define their priorities in line with their national development plans. Looking at the results stated in the Secretariat document, he said there is need for lots of money to achieve these results. There is need to be clear about who defines the results and if there is money to achieve them. In reference to the initial performance indicators, he expressed serious concerns and asked if developing countries would have the capacity to verify the results.

Sergio Serra (Brazil) said that members were operating in a vacuum as there is need to know the magnitude of funding resources available. The results will depend on the amount of money made available. Serra also referred to the Secretariat document on the description of activities related to the 'initial result areas'. He was opposed to reference to 'carbon offsets' as an activity area saying that Brazil is against carbon offsets in relation to deforestation as it relates to questions about their environmental integrity. Serra also had concerns over REDD-plus implementation which was still being discussed in the UNFCCC negotiations, in particular in relation to the performance indicators in this regard.

Ayman Shasly (Saudi Arabia) in response to a comment from Manfred Konukiewitz (Germany) on the harmful effects of fossil fuel subsidies, said that it is the USD 400 billion agriculture subsidies a year that developed countries use, including providing to big food and agriculture corporations that are harmful to the poor in developing countries and are market distorting. Shasly also stressed that in looking at result areas and the criteria, it was important to focus on key areas of sustainable development like providing energy to the poor. He said the 'initial result areas' are important for the Fund at the global level to show impact but also stressed the importance of country ownership. He said further that on some important issues, it was important not to prejudice the negotiations.

Derek Gibbs (Barbados) supported the need for a broad set of objectives and parameters. He said climate change is not waiting for the negotiations (in the UNFCCC), stressing that adaptation is important.

Jose Maria Clemente Sarte Salceda (Philippines) questioned the use of the term 'results management framework' when the Governing Instrument of the GCF refers to 'results measurement framework'.

Pedro Garcia (Dominican Republic) wanted the 'initial result areas' to be limited to 'small scale low-emissions power generation' and wanted 'large-scale' to be deleted. (As a compromise, the Board agreed to 'small, medium, and large-scale low-emission power generation.)

Manfred Konukiewitz (Germany) said that indicators that refer to policy areas are sensitive for countries. However, there is need to raise awareness about low emission approaches. He cited the example of harmful fossil fuel subsidies that should be eliminated. He said that the GCF cannot ignore the policy environment which can have immediate effect on results and impact. He added that if the policy environment is poor, the impact will be lower. He wanted the GCF to be committed to impacts and a results oriented approach, while recognising national sovereignty to decide on policies. This, he said, is a challenge for the Board.

Beata Jaczewska (Poland) said the GCF sets priorities from the perspective of the institution while countries develop their own strategies. These two processes have to meet and there needs to be an ex-ante and ex-post assessment and more clarification is needed in this regard.

Nick Dyer (United Kingdom) said that whatever is decided is an evolving process. The real test of the GCF is its ability to articulate what it is about. There needs to be consistency with how proposals are assessed and how progress is measured, he added.

Rod Hilton, speaking for Australia and New Zealand said the result areas are critical in defining the sense of purpose of the Fund. He also stressed the importance of country ownership and that the list of result areas was not exhaustive, but needs to be flexible. He added that more work is needed to be done in relation to adaptation.

Jan Cedergren (Sweden) stressed the importance of spelling out country ownership in the decision and to refine the initial result areas and indicators.

Arnaud Buisse (France) said that the Fund should also be able to contribute to the transformation of the economy.

Matthew Kotchen (United States) said that the initial result areas are indicative of where the Fund wants to focus on, adding it is not prescriptive. He said that further work could be done in relation to the indicators for adaptation.

Henrik Harboe (Norway) wanted REDD-plus implementation to be included in the result areas together with initial performance indicators in this regard.

Hela Cheikhrouhou (Executive Director of the GCF) in response said the negotiations cover a lot of sectors and the Fund should work with countries even if the negotiations are happening. She added that the Fund should be able to work on areas delinked from the political level negotiations. She said that any institution trying to make a difference needs to show results. The Fund is to help the country strategies. The Executive Director also said that the result areas are a menu of options, which are not exhaustive. The activities referred to are only examples.

Speaking for the civil society groups, the representative from **Third World Network** said enabling transformative impacts requires large-scale resources. In defining results and performance indicators, it was important for the GCF to link with the various thematic bodies of the UNFCCC like the Adaptation Committee and the Technology Executive Committee.

Brandon Wu (ActionAid, US), also speaking for civil society organisations said that if the GCF is serious about a 'gender-sensitive approach', then having 'gender-disaggregated' data in relation to adaptation is important. He also expressed concerns over support for 'carbon capture and storage projects' in relation to support for negative emissions technologies as a performance indicator.

The Board decision

The main part of the decision adopted is as follows:

(a) The Board noted convergence that the Fund will have a strategic focus on climate change mitigation and adaptation, and also seek to maximize sustainable development;

(b) It reaffirmed that country ownership will be a core principle of the business model framework of the Fund and that countries will identify their priority result areas in line with their national strategies and plans;

(c) It noted convergence that ownership and access to Fund resources could be enhanced by inclusion of indicators capturing country-driven policies that have the potential to promote a paradigm shift towards low-emission and climate-resilient development pathways in the context of sustainable development as set out in the Governing Instrument;

(d) It further noted convergence on key criteria that may be considered through the results management framework when measuring performance of Fund activities, where appropriate, in addition to the core performance indicators, including potential for paradigm shift towards low-emission and climate-resilient development pathways; development co-benefits; environmental co-benefits; potential for replication and scalability; cost-effectiveness; avoidance of lock-in to high-emission, low climate-resilient alternatives; and finance mobilized from non-public sources;

(e) It adopted the initial result areas of the Fund, … as initial areas of funding, in order to enable low-emission and climate-resilient development pathways; (referred to above);

(f) It adopted the initial performance indicators of the Fund, …; (see below for details);

(g) It decided that the Fund's results management framework will:

(i) Enable effective monitoring and evaluation of the outputs, outcomes and impacts of the Funds' investments and portfolio, and the Fund's organizational effectiveness and operational efficiency;

(ii) Include measurable, transparent, effective and efficient indicators and systems to support the Fund's operations, including, inter alia, how the Fund addresses economic, social and environmental development co-benefits and gender sensitivity;

(h) It decided that the Fund, as a continuously learning institution, will maintain the flexibility to refine its results management framework, result areas and performance indicators, based on Fund experience in implementation and monitoring, and as evaluation outcomes become available, and that the lessons learned will feed back into the design, funding criteria and implementation of Fund activities, based on results;

(i) It further decided that the Fund will assess project and programme proposals in each result area using the same impact indicators;

(j) It decided that national and sector-wide indicators will be used only at the discretion of the recipient country;

(k) It decided that in designing a logical framework for results management, the Fund will develop indicators to measure the impact of the Fund on strategic improvements at a country level;

(l) It decided that in designing its results management framework, the Fund will use the experience of other relevant entities, and, where appropriate, align the framework and indicators with existing best practice models;

(m) It requested the Secretariat to develop, for consideration by the Board at its second meeting in 2014, a detailed operational results management framework of the Fund, based on the initial result areas and core performance indicators and key criteria decided upon by the Board…

(n) It further requested the Secretariat to develop additional result areas and indicators for adaptation activities for consideration by the Board at its first meeting in 2014.

Performance indicators for the initial result areas

It was agreed that there be two types of performance indicators – (i) related to project and programme outputs and (ii) and that related to transformative impact of the Fund's activities.

In relation to the 'project and programme outputs', as regards mitigation, the following indicators were agreed to:

(a) tCO2-eq reduced through improved governance and planning systems for sustainable cities; (b) Reduced emissions from buildings and appliances (tCO2-eq/m2); (c) Increased access to transportation with low-carbon transportation options (tCO2/passenger km); (d) Reduced emission intensity of industrial production (tCO2-eq/year); (e) Households with access to low-carbon modern technologies (Number of households served by off-grid or clearly identifiable on-grid renewable technologies); (f) Deployment of low-carbon power generation technologies (tCO2/kWh); (g) Reduced emissions from sustainable land use management (tCO2-eq/year); (h) Support to development of negative emission technologies

(Number of carbon capture and storage projects, tCO2 sequestered)

In relation to adaptation, the following indicators were agreed to: (a) Environmental effectiveness: including units of human health (disability-adjusted life years (DALYs)) and units of wealth (US$) saved and enhanced; (b) Cost-effectiveness: US$/DALY and US$ saved; (c) Co-benefits: US$/unit of co-benefit; (d) Institutional feasibility: level of acceptance

On the 'transformative impact of Fund activities' the performance indicators agreed to are as follows: In the case of 'mitigation', (a) Carbon intensity of nationally determined sectors (tCO2/gross domestic product) and (b) Facilitating the design of sustainable cities (tCO2/capita)

In relation to 'adaptation', the indicators are: (a) Environmental effectiveness: including units of human health (DALYs) and units of wealth (US$) saved and enhanced; (b) Cost-effectiveness: US$/DALY and $ saved; (c) Co-benefits: US$/unit of co-benefit; (d) Institutional feasibility: level of acceptance.

TWN Info Service on Climate Change (Oct13/06)
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Third World Network

Board agrees on financial inputs, instruments and allocation

Geneva, 17 Oct (Meena Raman) – The Board of the Green Climate Fund (GCF) at its recent 5th meeting in Paris, France, adopted several key decisions including the types of financial inputs that the Fund should receive, the nature of the instruments to be used as disbursements, and the way to allocate the financial resources.

Below are the key parts of the relevant decisions and some highlights of the related discussions.

Financial inputs

On the issue of financial inputs, the main decision of the Board was that "the Fund will receive grants from public and private sources, and paid-in-capital contributions and concessional loans from public sources, and may receive additional types of inputs at a later stage to be decided by the Board".

The Interim Secretariat of the GCF, "when developing the Fund's risk management framework and investment strategy", was also requested "to include the specific risks associated with accepting concessional loans to the Fund, including the risk of cross-subsidization." It was also tasked "to prepare a document for understanding and defining alternative sources of financial inputs to the Fund for consideration by the Board at its second meeting in 2014."

During the discussions prior to the adoption of the decision, various issues were raised. Most Board members adopted a more cautious and conservative approach (at least in the initial phase of the Fund) on the type of financial inputs to be received by the GCF, focusing mainly on grants. However, the United States, Japan and the United Kingdom wanted to expedite going beyond grants and concessional loans to other types of inputs which could involve the private sector.

France and Germany had concerns over the receipt of concessional loans as inputs and wanted consideration of the risks involved in this regard. France and Chile also raised concerns over the receipt of paid-in-capital contributions which could have drawbacks and conditions.

During the discussions, several developing countries including the Democratic Republic of Congo (DRC), Egypt and Zambia stressed the point that the GCF was a 'fund' and not a 'bank'.

The issue of alternative sources of financial inputs was also raised. When some Board members from developed countries proposed that financial inputs be also received from developing countries that are in a position to do so, some developing country Board members reacted strongly saying that it was a commitment of developed countries to do so, under the United Nations Framework Convention on Climate Change (UNFCCC) and the Governing Instrument of the GCF.

Arnaud Buisse (France) said that concessional loans are complicated and have a lot of implications which need to be studied. This, he said, was the experience of the World Bank's International Development Association (IDA) and there is need for risk management. The same, he added, applied to paid-in-capital contributions and he wanted the drawbacks to be addressed.

Manfred Konukiewitz (Germany) said that financial inputs will come from governments and that other than developed countries, it must also come from developing countries that are in a position to do so. While supporting the receipt of grants as inputs, he expressed concerns over the receipt of concessional

loans as there are special risks, from his experience.

Matthew Kotchen (United States) said that while grants are important, other financial inputs are also important. The scope needed to move beyond grants and he looked forward to the recommendations of the Private Sector Advisory Group. He added that grants and concessional loans have different risk tolerance and the GCF should address this.

Kentaro Ogata (Japan) wanted the GCF to be open to all types of financial inputs but agreed that for the initial phase, it had to be more conservative. He referred to the need for resources from the private sector in future. He expressed concerns over the issue of 'cross subsidisation' and wanted it addressed under the risk management framework.

Nick Dyer (United Kingdom) could not agree that the GCF will only receive grants, paid-in-contributions and concessional loans in the first 5 to 7 years.

Beata Jaczewska (Poland) said that the Governing Instrument did not forbid voluntary contributions from developing countries.

Rodrigo Rojo (Chile) expressed concerns over the 'paid-in-capital contributions' as an input (where contributors could impose conditions).

Tosi Mpanu-Mpanu (DRC) in response to comments over the need for more financial inputs beyond grants and concessional loans, said that the needs of African countries must be considered in this context, adding that they needed support for adaptation and readiness, which involves grants. He also stressed that the GCF is a 'fund and not a bank' and reminded members that the GCF Governing Instrument states that financial inputs would be received from developed countries to the UNFCCC. He cautioned against the draft decision just stating that 'the Fund may also receive financial inputs from a variety of other sources, public and private, including alternative sources,' which he viewed as 'cherry-picking' of provisions from the Governing Instrument.

Ayman Shasly (Saudi Arabia) wanted more clarity on what are alternative sources for financial inputs that the Fund could receive. He cautioned against the use of aviation levies and other forms which could have adverse impacts on developing countries. He also did not want the draft decision to ignore the commitment of developed countries to provide the financial inputs. He was opposed to developing countries being asked to provide financial inputs.

Omar El-Arini (Egypt) reiterated that the Board had agreed previously to focus initially on grants and concessional loans and reminded members that the GCF is an operating entity of the UNFCCC and there is need for ensuring predictable and sustainable flows of money without conditions being attached. He stressed that the GCF is not a 'bank but a fund'.

Hela Cheikhrouhou (Executive Director of the GCF) in response to interventions from Board members said that the decision proposed is a "conservative option" as both grants and concessional loans are necessary as inputs. She added that mitigation actions would require concessional lending, while for adaptation projects, there needs to be a higher level of concessionality like grants. These are most basic inputs, and are straightforward in managing the liquidity risks.

Financial instruments

As regards the financial instruments to be used by the GCF, the Board adopted, "for the initial operationalization of the Fund, the principles and factors for the terms and conditions of grants and concessional loans". It also requested "the Secretariat to develop terms and conditions of grants and concessional loans for consideration by the Board at its first meeting in 2014" and to also "prepare a document for consideration by the Board at its third meeting in 2014 on the use of other financial instruments."

In the initial draft decision proposed for adoption, the Board was supposed to "adopt the criteria for the terms and conditions of grants and concessional loans". The criteria were not adopted as concerns were expressed by Board members from Germany, the United States, the United Kingdom and France.

Another part of the decision which raised the concern of Zambia related to requesting the

"Secretariat to prepare a document for consideration by the Board at its third meeting in 2014 on the use of other financial instruments, including guarantees and equity investments."

Given that the GCF was now focusing on grants and concessional loans, David Kaluba (Zambia) questioned the need to consider "guarantees and equity investments" as further instruments. This then led to deletion of references to these instruments.

Allocation of resources

On the issue of 'allocation' of the resources of the Fund, the main agreement reached by the Board is as follows:

(a) It decided to adopt a theme/activity-based approach to the allocation of resources in order to meet the Fund's objectives;

(b) It decided that the Fund will initially make allocations under adaptation, mitigation and the Private Sector Facility (PSF), and that there will be balance between adaptation and mitigation and the appropriate allocation of resources for other activities;

(c) It decided that, in relation to adaptation, resources will be allocated based on: (i) the ability of a proposed activity to demonstrate its potential to adapt to the impacts of climate change in the context of promoting sustainable development and a paradigm shift; (ii) the urgent and immediate needs of vulnerable countries, in particular LDCs, SIDS and African States;

(d) In relation to mitigation, resources will be allocated based on the ability of a proposed activity to demonstrate its potential to limit and reduce greenhouse gas emissions in the context of promoting a paradigm shift;

(d) In relation to the PSF, resources will be allocated based on the contribution a proposed activity makes towards promoting a paradigm shift and to: (i) Directly and indirectly finance private sector mitigation to limit and reduce greenhouse gas emissions and adaptation to the impacts of climate change activities; (ii) Promoting the participation of private sector actors in developing countries, in particular local actors, including small and medium-sized enterprises and local financial intermediaries, and activities to enable private sector involvement in SIDS and LDCs;

The Board also requested the Secretariat to develop and present to the Board at its second meeting in 2014 "a resource allocation system, … that facilitates: (i) Cross-cutting proposals; (ii) A results-based approach; (iii) A country-driven approach; (iv) A geographically balanced approach; (v) Private sector mitigation and adaptation activities at the national, regional and international levels."

A key issue was over allocations being based on promoting a "paradigm shift". While developed countries stressed the importance of the need for this, developing countries reminded members that in the Governing Instrument of the GCF, the paradigm shift is in the context of sustainable development. Several developing countries also questioned the need to allocate resources to the PSF, which seemed to be placed at the same level of adaptation and mitigation, when the PSF is viewed as an instrument or tool and not an objective in itself.

Highlighted below are some interventions by Board members in relation to the draft decision proposed prior to the adoption of the above decision.

Dipak Dasgupta (India) said if a paradigm shift is intended, then there is need to know what financial resources are available and there is no symmetry in the scale and urgency in this regard. He also questioned the allocation of resources to the PSF when it is an instrument and not an objective. Rationing of resources is going to happen and in the allocation of resources, there must be a guide between what are objectives and instruments. He said these issues should not be brushed under the carpet.

Omar El-Arini (Egypt) stressed the need to quote the Governing Instrument in full, stressing that the paradigm shift that the Fund will promote is in the context of sustainable development. He also did not understand the allocation of resources to the PSF when it is a tool, unlike the allocation of resources to mitigation and adaptation.

Jose Maria Clemente Sarte Salceda (the Philippines) objected to allocation for adaptation based on its ability to demonstrate its potential to adapt to the impacts of climate change. The impacts are ex-post, he said, and should not be required in the case of adaptation. He also proposed a set aside of allocations for sub-national/local governments and civil society organisations/ local communities.

Sergio Serra (Brazil) asked what a paradigm shift means in the context of adaptation. He was concerned that there were different interpretations about this and the context of sustainable development had disappeared (in the earlier version of the proposed decision).

Manfred Konukiewitz (Germany) said it was important to fund the results sought and this required an ex-ante assessment of the contribution to the paradigm shift. What is funded should be sector wide or economy wide and not isolated approaches. It should be applied to mitigation and adaptation and results can be measured. In adaptation, it is more difficult to measure but not impossible, he said. There is need to make assessments on what is best and effective in looking at various proposals. Assessments should be relative to each country.

Nick Dyer (UK) said that there is need to avoid mechanistic approaches, as in the case of other funds where there is inefficiency and resources are tied up. He wanted a simple and straight forward approach. He supported the view that the PSF also needs to be allocated resources.

Matthew Kotchen (US) was unsure about allocations based on a geographical approach. He said more clarity was needed on resources for adaptation and added that set asides are appropriate for the most vulnerable.

Beata Jaczewska (Poland) said that adaptation is a priority. She agreed with Germany on the need to look at the effectiveness of investments in relation to mitigation, encouraging countries for paradigm shift in their development.

Arnaud Buisse (France) also supported allocations for a paradigm shift rather than being activity based. He wanted a simple approach.

TWN Info Service on Climate Change (Oct13/07)
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Third World Network

Green Climate Fund to support readiness and preparations

Geneva, 18 Oct (Meena Raman) – The Green Climate Fund (GCF) Board has agreed to provide developing countries resources for 'readiness and preparatory support'. This was one of the decisions adopted at its 5th meeting in Paris, France that took place on 7-10 October.

The Board also considered and made decisions on the establishment of the independent Secretariat.

Readiness and Preparatory Support

While Board members agreed that it is important to fund readiness and preparatory support, some of them, such as China and Colombia, stressed that this should not be a prerequisite or conditionality for developing countries to access the GCF's resources. This was also supported by developed country Board members, including Germany and France.

The Board decided that "the Fund will provide readiness and preparatory support to:

(i) enable the preparation of country programmes providing for low-emission, climate-resilient development strategies or plans;

(ii) support and strengthen in-country, Fund-related institutional capacities, including for country coordination and multi-stakeholder consultation mechanisms as it relates to the establishment and operation of national designated authorities (NDAs) and country focal points;

(iii) enable implementing entities and intermediaries to meet the Fund's fiduciary principles and standards, and environmental and social safeguards, in order to directly access the Fund;

It also noted that (i) the scope of readiness and preparatory support could evolve over time and be tailored to address countries' specific circumstances; (ii) the importance of readiness and preparatory support for effective private sector engagement, particularly for small- and medium-sized enterprises and local financial intermediaries in developing countries, and activities to enable private sector involvement in small island developing States (SIDS) and least developed countries (LDCs); (iii) readiness and preparatory support could be provided to all eligible countries, and that its allocation would take into account the urgent and immediate needs of developing countries that are particularly vulnerable to the adverse impacts of climate change, including LDCs, SIDS and African States.

The Board also requested the Secretariat "to present to the Board, at its first meeting in 2014, a detailed programme of work relating to the provision of readiness and preparatory support, with relevant timelines and resource needs…"

It further requested the Secretariat to outline a system for determining the allocation of resources, separate from the support provided from the Secretariat's administrative budget, for readiness and preparatory support, for its consideration at its first meeting in 2014. It further decided that "the urgent need to provide readiness and preparatory support should be reflected in the administrative budget and staffing of the Secretariat and requested the Secretariat to mobilize resources for readiness and preparatory support."

Liang Ziqian (China) said that 'readiness' should not be a prerequisite before countries receive funds as those that are ready should not be held back. He also asked who determines when a country is ready.

Adriana Soto (Colombia) agreed with China that readiness should not become a form of conditionality and did not want it to be a prerequisite as initially proposed in the draft decision (which stated that "readiness and

preparatory support …may be a prerequisite for countries to meet the Fund's objectives"). She said that countries are at different stages of readiness, some of them are already very far in planning.

Derek Gibbs (Barbados) reported on a workshop on readiness that took place in Bridgetown, Barbados from 11-12 July 2013, organised by the Caribbean Development Bank and the German GIZ, held in partnership with the GCF and attended by 40 participants. He stressed that readiness and preparatory support should be a strategic priority of the GCF. He also agreed that readiness is not a precondition but it is clear that developing countries must start preparing themselves now.

David Kaluba (Zambia) emphasised the importance of country ownership and the need for proper human resources at the country level.

Tosi Mpanu-Mpanu (Democratic Republic of Congo) said that readiness is an on-going process and will not happen over-night. He thanked Germany for being an early mover in supporting readiness activities. He also called for the provision of "fast start" finance for readiness and preparatory support.

Omar El-Arini (Egypt) said that readiness support should enable the preparation of country programmes providing for low-emission and climate resilient development strategies or plans and should also support and strengthen in-country institutional capacities in relation to the NDAs.

Manfred Konukiewitz (Germany) agreed that readiness should not be a prerequisite, but it should help all countries to adhere to the standards set by the GCF. He said that the German government is in support of readiness activities and the workshop in Barbados was part of that.

Arnaud Buisse (France) was also in agreement that readiness should not be prerequisite for countries. **Henrik Harboe (Norway)** said readiness is of critical importance as a step to get into concrete activities. **Jan Cedergren (Sweden)** said there were many actors in the landscape of 'readiness' who need to be considered, including South-South cooperation.

Establishment of the independent Secretariat

The Board reviewed a document on the 'Initial structure and staffing of the Secretariat' which was proposed by the Executive Director (ED), Hela Cheikhrouhou, and agreed with the proposal. It also authorized the ED to recruit initial staff as was proposed by her.

Several Board members while supporting the ED in general, also raised issues on her proposals. In particular, concerns were raised over the organisational diagram, which presented the adaptation and mitigation windows under one division with one director and four staff, while the Private Sector Facility (PSF) as a separate division with one director and four staff.

Dipak Dasgupta (India) requested clarification on why the PSF had a separate division when the mitigation and adaptation windows were lumped together. He said mitigation and adaption are two very different things and asked why the PSF and the mitigation/adaptation divisions had the same number of staff.

Audrey Joy Grant (Belize) said she was taken aback by the lumping together of adaptation and mitigation windows. She said support for readiness has to be elevated with a separate staff for this and also stressed the need to look at geographical and gender balance in recruiting staff. **Derek Gibbs (Barbados)** expressed similar views.

Ayman Shasly (Saudi Arabia) said that besides having a gender-balance in the staffing, there is need for ensuring regional balance as well. He also said there is need to have a staff person work on public sector resource mobilization. He further wanted a separation between the mitigation and adaptation windows as this would help in terms of accountability.

Omar El-Arini (Egypt) said that ED needed to be empowered to start the Independent Secretariat and hire a core staff with temporary contracts if necessary. She must be able to go to Songdo, South Korea (the host of

the GCF) and be there before the end of the year.

Arnaud Buisse (France) said he shared the same concerns as Dasgupta and Grant. Similar views were also expressed by Jozef Buys (Belgium) and Henrik Harboe (Norway).

Manfred Konukiewitz (Germany) stressed the importance of gender balance in the staffing as an objective.

Kentaro Ogata (Japan) said the PSF is a feature quite unique to the GCF and supported a separate wing for the PSF. Matthew Kotchen (US) also stressed the importance of having the PSF as a separate unit as it required different skill-sets for staff.

Hela Cheikhrouhou (ED) said the document prepared for the Board was just an initial structure to get the independent Secretariat going, and that it will evolve. The first two years will be a lot about getting ready for receiving the initial capitalization, raising awareness in the developing countries, work with countries on choosing the NDAs etc. The three divisions (country programming, mitigation/adaptation and PSF) are all geared towards supporting the Fund's readiness. The PSF experts have to work directly and indirectly with governments on how to attract the private sector for jobs.

In response, **Dipak Dasgupta (India)** reiterated that there is a huge difference between mitigation and adaptation and there is a need for ensuring a right balance. He suggested more reflection on the part of the ED in this regard. **Cheikhrouhou** agreed on the need to have a balanced approach.

TWN Info Service on Climate Change (Mar14/01)
3 March 2014
Third World Network

Green Fund adopts key decisions on operations

Bali, 3 March (Meena Raman) – The Board of the Green Climate Fund (GCF) met in Bali, Indonesia on 19-21 February and made key decisions to advance the institution's operations.

The GCF is established under the United Nations Framework Convention on Climate Change (UNFCCC). The 6th meeting of the Board was co-chaired by Jose Salceda (the Philippines) and Manfred Konukiewitz (Germany).

Among the key decisions adopted relate to guidelines for the allocation of resources during the Fund's initial phase; the development of a comprehensive work programme on readiness and preparatory support for developing countries (for which the governments of Germany and Republic of Korea committed to contributions amounting to a total of USD 30 million); the terms of reference for the Independent Evaluation Unit, the Independent Integrity Unit and the Independent Redress Mechanism and the integration of gender considerations in its policy documents including defining a gender action plan in October 2014.

Progress reports prepared by the Secretariat on various aspects were also discussed, relating to the Fund's design such as its result management framework, the risk management and investment frameworks, the accreditation framework, the proposal for an approval process and the structure of the Fund, including the Private Sector Facility.

Other important elements discussed were country ownership, including the no-objection procedure (for all proposals for funding to go through a no-objection procedure conducted through the national designated authorities); best practices for the establishment and composition of the national designated authorities and focal points and best practice options for country coordination and multi-stakeholder engagement; additional modalities that further enhance direct access, including through funding entities; and financial terms and conditions of grants and concessional loans.

Two matters that took a significant amount of time of the Board's consideration were on the 'Administrative policies of the Fund' and 'travel policy'. A decision on the former was reached but in relation to the latter, no decision was reached at the Bali meeting. On the travel policy issue was disagreement between board members from developed and developing countries on whether all developing countries should be eligible for travel funding to attend meetings. The developing countries did not want any eligibility criteria to be imposed. No consensus was possible on the matter.

An issue that drew the flak of observers from civil society organisations (CSO) was the selection of their representatives to the Private Sector Advisory Group (PSAG). They expressed grave disappointment with the selection process of the two civil society representatives by the Board, which ignored the CSO selection of their own representatives. The active CSO observer from developing countries said that CSOs had proposed their nominees to the PSAG and had hoped that this would be respected by the Board, as was the practice in the UNFCCC and in the selection process of the GCF's active observers. Since it was learnt that their candidates were not selected, the CSO representatives approved by the Board could not speak for the CSO constituency, said the CSO active observer from Third World Network.

The decision on the allocation of resources during the initial phase of the Fund was adopted after much wrangling and intense discussions among Board members, especially on an initial proposal by the

Secretariat for the consideration of the Board that imposed a cap or "a ceiling of 5% for any one country's share of total cumulative commitments" (of the Fund).

This proposal drew a sharp response from large developing countries led by China which viewed the approach as not being scientific. It also stressed that the Fund was not a development but an environment fund. China's position was supported by India, Brazil and Saudi Arabia but was countered by South Africa, which insisted on the cap. South Africa's stance was supported by the Democratic Republic of Congo (DRC), Zambia and Ecuador.

Brazil said the Board was discussing the allocation of the "pizza without any dough", referring to the fact that the size of the resources of the Fund is yet to be known, a sentiment also echoed by Egypt. Egypt said the "bargaining was bizarre" when the initial capitalisation of the Fund was not known.

The final decision adopted did not provide for a cap but did agree that there would be "a review of the initial allocation parameters and guidelines, including of concentration risks, subject to the size of the Fund, no later than two years from the start of allocation of resources." The risk of concentration of resources of the Fund in a few developing countries was a final compromise reached to address the issue of equity in the distribution of the Fund's resources.

Another matter relating to the allocation issue was the proposal by several developed countries to raise the allocation level from the initial proposal of 20% to 50 % for the Private Sector Facility (PSF). This drew a harsh response from several developing countries including from India and Egypt who questioned this approach when the role of the PSF was yet to be ascertained. The final decision adopted did not have a numerical figure for the allocation to the Facility but it was agreed that it would be 'significant'.

Allocation of resources

The following decisions on the initial parameters and guidelines for allocation of resources during the GCF's initial phase were adopted by the Board:

i. to aim for a 50:50 balance between mitigation and adaptation over time;

ii. to aim for a floor of 50% of the adaptation allocation for particularly vulnerable countries, including least developed countries (LDCs), small island developed States (SIDS) and African States;

iii. to manage access to resources with a view to seeking geographic balance and a reasonable and fair allocation across a broad range of countries, while maximizing the scale and transformational impact of the mitigation and adaptation activities of the Fund;

iv. to maximize engagement with the private sector, including through a significant allocation to the PSF;

v. that sufficient resources should be provided for readiness and preparatory support; and

vi. that all allocation parameters should be determined in grant equivalents.

The decision also requested the Secretariat to report annually on the status of resources in respect of the allocation parameters and the Board agreed to "undertake a review of the initial allocation parameters and guidelines, including of concentration risks, subject to the size of the Fund, no later than two years from the start of allocation of resources."

Highlights from the exchanges among Board members on the allocation issue are set out below.

Zaheer Fakir (South Africa) stressed the importance of balance, relevance, equity and opportunities for all developing countries to the GCF funds. In terms of balance, he wanted to see the balance maintained between adaptation and mitigation and a proviso that at least 20% of that is available for the PSF for both adaptation and mitigation. On relevance, he said the Fund should be of scale to address the climate challenge. On equity, Fakir said there should be equal opportunities for all developing countries. He wanted a 5% country cap with an exception to address scale of the transformation impact. Fakir also called for a floor in the

allocation for SIDs and LDCs of 20%, not just for adaptation but also for mitigation.

Tosi Mpanu-Mpanu (DRC) wanted a clear allocation of 50% for adaptation. He also supported a country cap of 5%, saying that past experiences based on the Clean Development Mechanism (CDM) had benefited a few countries more than others.

Monica Hidalgo (Ecuador) agreed that the allocation of resources has to be balanced, equitable and fair. The definition of a cap was seen as controversial, but unwillingness to avoid concentration negates the notion of fairness and equity, she added.

David Kaluba (Zambia) also echoed the need for balance in the allocation of resources and that both adaptation and mitigation are important to LDCs, SIDs and African states. He also did not want a repeat of the CDM experience where only a few countries benefited.

Liang Ziqian (China) said that it could not accept a cap on the allocation of resources to developing countries. He said he understood the concerns expressed but suggested putting a floor or a minimum allocation instead, which could be increased by discussions. The Chinese Board member said that the GCF is not a development fund but an environment fund to address climate change, whose aim is to maximise the environmental benefit. Climate change has no boundaries and countries have to mitigate.

Omar El-Arini (Egypt) said that no one had any idea of the size of resources of the GCF. If the size was known, then talking of percentages would have significance. He called for a different system of allocation based on what was in the Governing Instrument of the GCF; which refers to allocation for vulnerable countries such as LDCs, SIDs and African states. He said there could be a cut of 10% for preparedness and readiness activities, which will enable the understanding of the needs of developing countries. The balance 90% can then be divided between mitigation and adaptation. The PSF is not ready yet and once it was, it could address both mitigation and adaptation.

Sergio Serra (Brazil) also said that members had no idea about the size of the resources. Discussing the percentages in this context had no meaning and was surreal. He said members were "making a pizza without the dough". Serra stressed that the GCF was a climate change fund and was not conceived as a development fund. Hence, it needed to deal with question of impact in addressing climate change and for transformation on a global scale. He said the 5% cap level was an arbitrary figure. Agreeing that one should not repeat the problem of the CDM, he said there is need to have a review mechanism.

Dipak Dasgupta (India) said on the issue of equity, there needs to be a sense of justice that the small countries should not be left behind. There must be a balance between mitigation and adaptation and he called for a 50:50 allocation. The Fund also needs to result in impact on a scale that matters. Referring to the PSF, Dasgupta stressed the importance of competition to ensure innovation with the public sector engaging with the private sector to do the innovation in support of public goods. Hence, the reference to significant allocation should be with a view to getting innovation results on the ground.

Ayman Shasly (Saudi Arabia) stressed the need for the Board to rely on information for designing the allocation of the Fund on the (Fifth Assessment Report) of the Intergovernmental Panel on Climate Change (IPCC) on mitigation and adaptation. He said that Board members appeared to be oblivious to the debates going on at the IPCC.

Patrick McCaskie (Barbados) said the allocation system must be fair and equitable, taking into account the needs of the vulnerable countries and must be climate effective. There is also need to give assurance to all developing countries that they can benefit in an equitable manner and avoid country concentration through a trigger instead of having a cap.

Henrik Harboe (Norway) said that the Board should not establish percentages which are too rigid. He asked if there could be a cap for developing countries with the

flexibility to allow for transformative activities.

Norbert Gorissen (Germany) agreed with China that this is a climate fund and not a development fund and there is need to have competition for good projects. He wanted a numerical figure for the allocation to the PSF.

Ana Fornells de Frutos (Spain) preferred an indicative cap for developing countries and for the Board to review projects and programmes to assess if the Fund was achieving its goals.

Marisa Lago (United States) said the Board should only agree here on broad indicative terms on ranges and not on fixed allocation as aspirational targets since so much is still in flux. If members are discussing numerical targets, then we should start with the assumption that the PSF should receive at least 50 % of the allocation, focused on having the most "bang for the buck".

Kentaro Ogata (Japan) said that being most cost-effective means focusing on the PSF. He echoed the view that it might not be sensible to set rigid targets at this point as discussions were still on-going on the modalities for adaptation, mitigation and cross-cutting areas.

Arnaud Buisse (France) said that several principles were articulated in the Governing Instrument viz. balance between mitigation and adaptation and to address the needs of the SIDS and LDCS. Fairness means ensuring that low income countries do not have to compete unfairly with other countries. However, there was need also for some **flexibility.**

Josceline Wheatley (UK) said that the Board needs to look at allocation with the question of what is the intent. There needs to be a right for balance mitigation and adaptation; having a floor is clear and there needs to be agreement with the principle for preferential access and greater predictability. On the issue of ceiling, it was a matter to help with excessive demand management and the intent is right that it should be to address demand across the board and not just in a few countries. On the PSF, he did not understand why they should be a cap as it was a way of bringing finance in. If there is to be a cap, it should be considerably higher for the PSF, at least 50 % and there should be no restraint on this.

After the adoption of the decision, Zaheer Fakir (South Africa) wanted the following statement to be in the record of the meeting:

"Our preference for a reasonable and fair country allocation system requires the consideration of a flexible country cap, that will ensure that excessive concentration of resources is avoided, that a balanced distribution of resources is guaranteed, and that all countries will have equal opportunities for accessing the resources of the fund, while allowing for transformational projects to be considered on an exceptional basis under the flexibility allowed. The allocation systems which we introduce must be reflective and in the spirit of be within the ethos, intention and objective of this Fund as captured in the GI of the GCF."

(Further articles will follow).

TWN Info Service on Climate Change (Mar14/02)
4 March 2014
Third World Network

Green Fund discusses country ownership and readiness support

Bali, 4 March (Meena Raman)- An interesting and important exchange of views took place at the recent meeting of the Board of the Green Climate Fund (GCF) on the issue of country ownership and the role of the national designated authorities (NDAs) in relation to funding proposals to be forwarded to the Fund.

In a paper prepared by the Secretariat for the consideration of the Board at its 6th meeting in in Bali, Indonesia from 19-21 Feb, the Board was supposed to approve an initial "no-objection procedure for funding proposals".

As stated in the paper, "the purpose of the no-objection procedure is to ensure consistency with national climate strategies and plans and a country-driven approach and to provide for effective direct and indirect public and private sector financing by the Fund. A no-objection is a condition for approval of all funding proposals submitted to the Fund."

In issue was a proposal by the Secretariat for a "tacit no-objection" after a time lapse of 3 weeks of the submission of a funding proposal by an intermediary or implementing entity to the NDA or focal point at the country level.

Many developing country Board members were opposed to such a tacit no-objection procedure and wanted funding proposals to be considered by the Fund only when there was an express and explicit support from the NDA/focal point for a funding proposal, with some suggesting a 60 day timeframe for the consideration of the proposal.

Another issue which was problematic and saw a divergence of views was a proposal in the Secretariat paper for the "Private Sector Advisory Group (PSAG) to make recommendations …for additional or special provisions regarding simplified procedures for certain activities or special types of projects."

(The PSAG's role is to make recommendations to the Board on the Fund-wide engagement with the private sector and is comprised largely of private sector representatives from developed and developing countries).

Several Board members from developing countries questioned the need for a "differential treatment" of proposals relating to the private sector, while some developed country Board members advocated the need for special treatment of proposals from the private sector. The Board member from Egypt said that a separate procedure for the private sector would confirm his "worst fears" that the Private Sector Facility (PSF) would be separate from the GCF.

These issues and other divergences prevented the adoption of a decision by the Board at the Bali meeting which then agreed to task a 4-member team to continue undertaking their deliberations on the issue and to report back to the Board at its next meeting (in May this year) with a proposal for decision. The team comprised of Board members from India (Dipak Dasgupta), Egypt (Omar El-Arini), Switzerland (Anton Hilber) and the United States (Alexander Severens).

An important outcome of the Bali meeting was a decision on "readiness and preparatory support" which tasked the Secretariat "to elaborate a revised detailed programme of work" for the consideration by the Board at its next meeting.

Country ownership and the no-objection procedure (NOP)

On the issue of country ownership and the NOP, below are highlights of some of the views expressed.

Liang Zqian (China) said that he would not endorse the suggestion of a time lapse for a tacit NOP. The 3 week time limit is not sufficient as NDAs need to communicate with stakeholders on the funding proposal submitted to it. The NDA should reach agreement with the implementing entities as soon as possible and it has to present the no objection letter in writing to the Secretariat. Liang proposed that the Secretariat design a uniform no-objection letter.

David Kaluba (Zambia) questioned why the private sector should have special provisions. The NOP should be the same for all; otherwise, we are compromising the intention of such a procedure. He also stressed that there is need to minimise the top down approach in deciding which ministry or department in a country should host the NDA. Countries have different circumstances and the Board should not be limiting the ability of a cross-cutting authority like a President's office by saying that the NDA should be in a ministry. Countries should be requested to come up with institutions with adequate authority. There are projects supported by the Global Environment Facility and the Climate Investment Funds (CIFs) who have identified focal points or designated authorities already and there is need to ensure that the GCF does not re-invent the wheel.

Sergio Serra (Brazil) was of the view that a tacit NOP is not acceptable. There needs to be written objections such as that which works well with the CIFs. He said that stakeholder consultations are important; adding that in Brazil, its climate change policy is subject to hearings. He expected the same with any project to be submitted to the GCF. Serra expressed misgivings on the proposal to have the PSAG make recommendations to the Board on the NOP, saying that the procedure should be homogenous. The same rules must apply whether for public or private sector projects, he added further.

Omar El-Arini (Egypt) reminded Board members on how the issue of the NOP came to be. He recalled that the Board was requested to develop a transparent NOP through the NDAs in order to ensure consistency with national climate strategies and plans for effective public and private financing by the GCF. The Board was also requested to determine this procedure prior to the approval of funding. The NDA will have to clear the funding approval. On the NOP proposed, he echoed China, Zambia and Brazil in opposing the tacit NOP. Given that the process will involve continuous consultations especially if high officials are involved, he proposed a 60 day time frame for the NDA to give its views.

El-Arini added that when the private sector is mentioned, he thinks of the private sector in his country, which will be part of the national strategy to achieve the climate objectives. In the case of the international private sector, he did not see why they need to be involved through the PSAG in providing any inputs into the NOP. He recalled that the Board had decided previously that the PSF is under the GCF and is not a separate fund. If a separate procedure is now requested, then it confirms "our worst fears that they (the PSF) is separate and will grow to be the Fund", he stressed further.

Monica Hidalgo (Ecuador) expressed reservations as regards the tacit approval proposed, adding that silence from national authorities can never be considered as consent, especially if their role is to ensure that any project or progamme is in line with national strategies or plans. A tacit approval would therefore be a threat to the role of the NDAs or focal points in their roles. Hildago was also concerned with the invitation made to the PSAG to make further recommendations on the NOP. She said this posed a clear conflict of interest as most of the members of the PSAG represent entities that may submit private sector funding proposals.

Pedro Garica Brito (Dominican Republic) agreed with El-Arini and Serra and called for a 60 day time period for the NDAs to consider the funding proposal.

Zaheer Fakir (South Africa) said that country ownership is not just about endorsing funding proposals but has to go beyond that to reflect the broader developmental and economic context of a

country. He asked if the NOP is a way to entrench country ownership or if Board members were merely addressing it because the Governing Instrument of the GCF says so. Fakir said that the Secretariat paper was theoretical. There were a lot of guidelines for the NDAs but this approach does not work. Guidelines may be good but countries are not homogenous and that needs to be taken that into consideration.

Marisa Lago (United States) said that there should be a right balance between getting country ownership and for the NDA to not unnecessarily hold up the funding proposal. She expressed concern for "an affirmative determination" by the NDA. There is need to distinguish between the public and the private sector funding proposals, she added further.

Per Callesen (Denmark) said that the main message of the Secretariat paper was as if country ownership is viewed negatively; that it is to block or stop projects from being funded. Country ownership is all encompassing and is positive; as the engagement of country authorities and partnerships is to the benefit of everyone. He was however fine with the proposal made by the Secretariat paper on the NOP.

Readiness and preparatory support

The Executive Director of the GCF, Héla Cheikhrouhou informed the Board of contributions from Germany and South Korea in support of the readiness activities.

It is learnt that the two governments have committed to contributing a total of US30 million in this regard. Many of the Board members stressed the need for the GCF not to duplicate the initiatives or activities of other UN agencies or MDBs who are carrying out readiness efforts but to build upon them.

Highlights of some exchanges in this regard are set out below.

Omar E-Arini (Egypt) said that the Board is yet to have any project eligibility criteria and there is also no programme for readiness. He said that Secretariat is still short of staff, while there are United Nations agencies which a have track record in doing readiness activities. He said the Secretariat could engage one or more of these agencies to help. El-Arini suggested that the Secretariat concentrate on 25-30 countries that ensures geographic and economic balance. He stressed the importance of support for the establishment of the NDAs. He called for a work programme for the Board to approve.

David Kaluba (Zambia) expressed agreement with El-Arini and the need to build on existing readiness initiatives and not to reinvent the wheel. The Secretariat could use the experience of others to reduce the costs and not to duplicate efforts.

Norbert Gorissen (Germany) also agreed on the need for the GCF to link to on-going readiness activities. He said the Secretariat could play a role as a clearing house in the mapping of activities and as a one-stop agency; it could further develop the work plan and consult with those who are already doing work in this arena. He wanted the work not to be delayed and proposed that the Secretariat comes back with a more elaborated work plan for the next meeting.

Patrick McCaskie (Barbados) said that readiness support is crucial for the small-island developing states (SIDs) for strengthening their capacities for resilience both economically and socially. He said the priority areas should be well defined and should target the different steps of engagement viz. the selection of NDAs; to proposal development and project and programme delivery. Results monitoring should also be considered as a core element. There should also be support for strengthening in-country capacity and data collection as well as management systems. He recommended that the Fund work coherently at the national, regional and international levels. Initiatives that already exist should be supported and built upon. The GCF programme should be about coordination; be an information hub, a catalyser and multiplier. Readiness should be a strategic priority of the Fund and that should be reflected in its staffing.

Liang Ziqian (China) speaking also for South Korea (who is his alternate), said that it is important to avoid duplication and overlaps among different types of readiness

projects which are conducted by MDBs, UN agencies etc. He said that it is crucial to mobilise local consultants when delivering support. He also called for a revised work plan with clear modalities and with initial readiness activities.

Tosi Mpanu-Mpanu (Democratic Republic of Congo) wanted the readiness support to develop the capacities of institutions especially for the NDAs and for processes for multi- stakeholder engagement. He also supported readiness activities to help small and medium sized enterprises as larger enterprises have sufficient resources. Support measures include capacity building efforts. The PSAG should not have a role in readiness as this would be an overreach of its mandate and could involve conflicts of interest.

Jan Cedergren (Sweden) said he would like to see the GCF and the Secretariat as a clearing house that will be helpful for actors in the field. Readiness activities are also a good area for south-south collaboration with the linking of useful experiences. He would like to see technical assistance and capacity building as part of project and programme budgets of countries rather than as separate budgets for preparedness activities.

Kentaro Ogata (Japan) also stressed the importance of not duplicating other efforts and agreed that the Secretariat should be primarily a clearing house.

Following the interventions, the following decision was adopted by the Board:

"(a) The Secretariat is requested to elaborate a revised detailed programme of work, for consideration by the Board at its seventh meeting, that includes the following:

- Readiness activities to be undertaken in countries based on requests for support resulting from a consultation with countries and stakeholders;

- A delivery plan for the implementation of these readiness activities. The delivery plan will be developed in consultation with countries and existing initiatives. It will include a timeline and modalities for implementation;

- Options for entering into partnerships with existing initiatives, including of

sub-national, national, regional and international actors, in order to implement the readiness activities supported by the Fund;

(b) Decide that from the resources available or to be made available in the Green Climate Fund Trust Fund, the allocation of funds in the amount of US$ 1 million to the Secretariat for the preparation of a detailed programme of work...;

(c) The Secretariat is requested to seek transparency, complementarity, and coherence amongst existing initiatives, and to establish and maintain an information-sharing platform and dialogue and facilitate South-South exchanges;

(d) The Secretariat is requested to review the modalities for the delivery of readiness support once the Fund's accreditation and allocation policies are approved, with a view of ensuring consistency with the other established operational modalities of the Fund, for consideration by the Board…;"

The next meeting of the GCF Board will be in Songdo, South Korea, where the GCF Secretariat is located and is scheduled to take place from the 18-21 May, 2014.

TWN Info Service on Climate Change (May14/02)
21 May 2014
Third World Network

Strong plea from civil society for urgent resources for the Green Climate Fund

Songdo, May 21 (Indrajit Bose) – "What will it take you to deliver on the financial commitments? What will open you up to the severity of the climate change crisis? What will move you to act?" These were some of the questions civil society asked of the Green Climate Fund (GCF) Board members during discussions on the penultimate day of the Seventh GCF Board meeting in Songdo, South Korea.

The general mood at the meeting is that of nervous anticipation. With just a little less than a day to go for the meeting to end, the Board members still have a lot to tick off as 'done' from their checklists. Of the eight essential requirements that will lead to mobilizing resources to the Fund, technically called 'initial resource mobilization', two were decided at an earlier meeting held in Bali, and six of them are under discussion at the ongoing meeting, which began on 18 May.

These include issues around accreditation rules; approval processes for funding; drawing up a results management framework; financial risk management and investment frameworks; the structure of the Fund; and initial modalities for the Fund's mitigation and adaptation windows. Barring the financial risk management framework, decision on the other requirements is at various stages of finalization.

While the Board members have organized themselves in smaller groups to tackle the issues, many remain optimistic that they will be able to resolve all of them by the time the meeting ends.

The members will have to reach agreement on the remaining essential requirements before the initial mobilization of resources for the Fund can begin. Reacting to the process that does not inject urgency to put in money into the Fund, and which meanders only around how to begin to carry out the mobilization process, civil society voiced its message loud and clear by saying the credibility of the fund is at stake.

Speaking at the Board meeting on 20 May on behalf of the civil society group, Meena Raman of Third Work Network, an active observer to the GCF, reminded members that the GCF was an operating entity of the United Nations Framework Convention on Climate Change (UNFCCC), and not just any other kind of fund and that it has the responsibility to deliver. "We are watching you and your credibility is totally at stake," said Raman.

Reminding the Board that David Kaluba of Zambia, a Board member representing the Least Developed Countries, had cried expressing his frustration at an earlier GCF meeting last year, Raman expressed the sentiment that people are gravely impacted and are dying even as the Board reflects on the processes. Her intervention drew wide applause from observers, from an overflow room, who were watching the Board proceedings. In the corridors, several developing country Board members expressed much appreciation for the intervention.

Raman posed tough questions to the developed country Board members and asked of them what it would take to move them to contribute money to the Fund. Reminding the Board members that they must act urgently now, she said it has been four years since the Cancun climate conference and it was decided there that the developed world would pool in USD100 billion a year by 2020 into the GCF. Clearly, a lot of time has lapsed since and the world awaits action. "Where is your heart and where is your conscience?" she asked of the Board.

Not convinced about the adequacy of the decision proposed to the Board for adoption,

Raman added the decision essentially watered down the urgency for contributions to the Fund, delays its initial capitalization and lacked any ambition on the scale of resources.

Below is the transcript of the intervention:

"You are the Board of an operating entity of the financial mechanism of the Convention, not just any kind of fund out there. We are watching you and your credibility is totally at stake.

We remember David's tears (referring to David Kaluba, a Board member from Zambia, who had cried out of frustration) as he reflected our tears for those affected by the climate crisis and for Mother Earth. The large numbers of the poor impacted by the climate crisis do not have our luxuries. They have died or will die or are gravely impacted even as we speak.

What will it take to move you the 'contributors'? How much more do we need to convince you about the gravity of the crisis? How many more need to die? How much more essential requirements are needed before you get serious in meeting the urgency (for financial resources) now? We need to see the size and scale of ambition here. Where is your heart and where is your conscience?

A substantial initial capitalization of the GCF, before the meeting of the Conference of Parties in Lima, will be an important step in meeting the pre-2020 finance commitments under the UNFCCC and towards reaching a fair and ambitious climate deal in Paris in 2015.

We are concerned that the process proposed in the draft decision (tabled at the ongoing meeting in Songdo) is not in line with the spirit of the agreement that was carefully negotiated in Paris last year. Starting to talk about how to begin to carry out the mobilization process isn't enough. This does not reflect the urgency of the climate crisis, nor the ambition we seek.

We (referring to developing countries) talk about making a need for a paradigm shift and for transformative changes (in developing countries) … but we do not see that reflected in the issue for the capitalization of the Fund.

The intention of the Paris decision was that substantial pledges would be forthcoming—not that contributors would start to talk about how and when to pledge. In light of this, there should be a clear timetable for when the initial resource mobilization process should be completed, clearly related to the three months mentioned in that decision.

We think it would be useful to put forward an ambitious target for the initial capitalization. There should also be either a proposed process along with a timetable for a formal replenishment cycle, or a request to the (GCF) Secretariat to elaborate a process and timetable for such a replenishment cycle, for consideration by the Board at its next meeting.

We need to show goodwill and partnership here in this multilateral process. For the sake of transparency, credibility and accountability, we appeal to you to ensure participation of civil society organisations in (resource mobilization) meetings.

In Cancun in 2010, the UNFCCC Parties agreed to mobilising resources of US$100 billion per year by 2020. We are in 2014. Yet we are very very far away in this decision. We are not even being as ambitious as we were in the fast start financing of US$30 billion from 2010-2012. Surely we can show more ambition here.

We are concerned that a privileged role has been carved out for contributor countries. We believe this is inconsistent with previous decisions made by the Board, which explicitly kept the power to define the terms of resource mobilization with the Board. In paragraph (e) of Annex I, the scope should not be limited to "interested contributors". Rather, it should, "Request the Secretariat to develop policies for contributions for consideration by the Board at its 8th meeting." [The decision paragraph at present reads: *Decides that the Board will consider and approve the policies for contributions based on recommendations from* ***the interested contributors*** *collectively*

engaging in the initial resource mobilization process.]

In Annex II (f), we are unaware of the precedents for an eminent person to moderate the meetings in the initial resource mobilization process. [Annex II (f) of the draft document titled, '*Confirmation of the Completion of the Essential Requirements and the Commencement of the Initial Resource Mobilization process' that was tabled, says that a 'prominent person'* would "moderate the meetings in the initial resource mobilization process" and that this was in accordance with best practices in the multilateral resource mobilization processes.] We are unconvinced of its necessity, when over and over again, we have heard about how action is needed more than even to address the climate crisis.

[With reference to the inclusion of a "prominent person"] are we saying we need more convincing about the need for urgent resources and that this will not come without a celebrity? Please get serious. This is not a charity event.

Developing criteria and finding such a person could cause for further delays. Please—and I appeal to you—Act Now. It is better late than never. But act now to have money in the Fund to save the poor and the planet!."

TWN Info Service on Climate Change (May14/03)
25 May 2014
Third World Network

Green Climate Fund completes major steps for resource mobilization to begin

Songdo, 26 May (Indrajit Bose and Meena Raman) - The seventh Green Climate Fund (GCF) Board Meeting concluded in Songdo, South Korea, on 21 May 2014 with key decisions taken, necessary to begin mobilizing significant funds to tackle global climate change.

The Board successfully reached agreement on the essential steps or requirements for the GCF to move towards commencing its initial resource mobilization. Now, that all the processes are completed, the world is waiting to see if resources actually materialize into the Fund.

Resource mobilization was a subject of intense exchanges at the meeting, and there was considerable push from the developing country Board members to at least get the developed countries to indicate a number regarding the scale of resources that the Fund would begin with, but to no avail.

All that was possible to do was a reference in a decision "to commence the process to mobilize resources commensurate with the Fund's ambition to promote the paradigm shift towards low-emission and climate-resilient development pathways by providing support to developing countries to limit or reduce their greenhouse gas emissions and to adapt to the impacts of climate change."

Even a reference to "a very significant scale" of resources in an earlier draft of the decision was removed at the insistence of developed countries.

Of the eight essential requirements, the Songdo meeting tackled six of these requirements, with the other two requirements completed at an earlier meeting in Bali this year (viz. on policies for initial allocation of the Fund's resources and the terms of reference of its Independent Evaluation Unit, Integrity Unit and redress mechanism).

The six requirements agreed to in South Korea were: rules on accreditation; the Fund's initial approval processes for funding; a results management framework; financial risk management and investment frameworks; the structure of the Fund; and initial modalities for the Fund's mitigation and adaptation windows.

Agreement on these issues was reached after considerable exchanges and negotiations, often intense, as there were several divergent views among the Board members. The Songdo meeting which began on 18 May saw Board members working till late night from the first day.

The GCF is a new multilateral Fund that was agreed to by Parties at the 2010 United Nations Framework Convention on Climate Change (UNFCCC) Conference held in Cancun, Mexico, and is designated as an operating entity of the Convention's financial mechanism. Its purpose is to promote, within the context of sustainable development, a paradigm shift towards low-emission and climate-resilient development pathways by providing support to developing countries to help limit or reduce their greenhouse gas emissions and to adapt to the unavoidable impacts of climate change.

On the issue of accreditation, the Board agreed to adopt the initial guiding framework for the Fund's accreditation process that will also apply to private sector entities. It also agreed to adopt initial fiduciary principles and standards and will conduct a review of these standards within three years. On an interim basis, the Board decided to adopt the Performance Standards of the International Finance Corporation (IFC). It also decided to aim to complete the process of developing the Fund's own environmental and social

safeguards (ESS), which will build on evolving best practices, within a period of three years after the Fund becomes operational.

Several developing country Board members wanted to ensure that national and sub national entities should not face difficulties for accreditation, including in getting direct access to the Fund and that international entities such as the multilateral development banks should not be privileged over national and sub-national entities. They also said that efforts must be made for capacity building for strong national entities in developing countries. Developed country Board members on the other hand wanted to fast track accreditation for the MDBs. Finally, it was agreed that a "fit-for-purpose" accreditation approach would be adopted "that matches the nature, scale and risks of proposed activities to the application of the initial fiduciary standards and interim ESS."

On the issue of approval processes for funding, developing countries wanted a strengthened role for the nationally designated authorities (NDA) in the larger scheme of things. In relation to the draft decision which was initially proposed, some members were of the view that the NDAs were only mentioned as a formality in the process without being given any real role. The other point that several developing country Board members raised was that the approval process was a cumbersome one with too many steps. They also emphasized the need for funding proposals to be aligned with a developing country's national plan and strategy, not just that of the Fund's policies.

There was also a big push by some developed countries, especially from the United States, for a "competitive" approval process, which was strongly resisted by developing countries. Eventually, following the exchanges, an initial proposal approval process was greed to for mitigation and adaptation projects and programmes, involving both the public and private sector. A stronger role for the NDAs was recognized in forwarding a country's work programme, and for the NDAs to signal who their preferred accredited agencies or intermediaries will be in accessing the Fund's resources.

On the Fund's investment framework, the Board agreed on the initial investment framework which will consist of the Fund's investment policies, investment strategy and portfolio targets and investment guidelines. A major area of contention among Board members was over the initial criteria for assessing programme and project proposals. The general criteria agreed to covered impact potential both for adaptation and mitigation, the paradigm shift potential, sustainable development potential, the needs of the recipients, country ownership and efficiency and effectiveness.

As for the Fund's financial risk management framework, the Board agreed that it will consist of financial risk policies, risk monitoring and reporting and risk governance.

On the results management framework, a major tussle was over designing a logical framework for results management, and the development of indicators to measure the impact of the Fund on strategic improvements at a country level. Developing countries were against the setting up of indicators that would encompass sector-wide or economy wide baseline targets for mitigation. In relation to adaptation, developing country Board members were against having any indicator relating to the volume of funds leveraged or co-financed, arguing that this was inappropriate to do for adaptation.

In relation to the Fund's structure and the initial modalities for the adaptation and mitigation windows, a point stressed by developed countries was the need to spell out clearly the private sector facility (PSF), given that this component was missing in the earlier documents presented to the Board. The final documents in this regard, addressed the PSF, thus facilitating the adoption of decisions in this regard.

Towards the end of the meeting, compromises were struck as Board members met in small groups to resolve differences. It was eventually agreed that the decisions would be revisited and the processes would

be reviewed in the near future. The premise was since the Board is working on a lot of 'initial elements', it would be fit to agree to something for now, and make things more robust along the way.

"We are not looking for the perfect and we don't want the perfect to be the enemy of the good," said Cochair Manfred Konukiewitz (Germany), on a number of occasions as he along with his other co-chair, Jose Salceda (Philippines) tried to steer the Board members into achieving some kind of consensus towards the six essential requirements. Ayman Shasly (Saudi Arabia) took Salceda's place in co-chairing when the latter had to attend to an urgent meeting in the Philippines but returned on the final day of the Board meeting.

For several developed country Board members, the Songdo meeting was strictly about completing processes that would lead to the mobilization, and any mobilization number, even an indicative one, was left to political processes in their countries back home.

However, it was agreed that an initial resource mobilization process will commence and a first meeting of contributors will take place end of June 2014, probably in Geneva, Switzerland.

As remarked by co-chair Salceda, the Songdo meeting "was historic", with the essential requirements to receive the funds having been completed. What resources will flow to the GCF remains to be seen.

TWN Info Service on Climate Change (May14/04)
26 May 2014
Third World Network

GCF Board agrees on process for initial resource mobilization

Geneva, 26 May 2014 (Meena Raman) – The Board of the Green Climate Fund (GCF) agreed to commence the process to mobilise resources commensurate with the Fund's ambition at its seventh meeting in Songdo, South Korea.

Although no numerical figure or target was agreed to for the initial capitalisation of the Fund despite strong calls by developing country Board members and civil society, a process has been agreed to for the resource mobilisation, "commensurate with the Fund's ambition to promote the paradigm shift towards low-emission and climate-resilient development pathways by providing support to developing countries to limit or reduce their greenhouse gas emissions and to adapt to the impacts of climate change."

Developed country Board members led by the United States and Japan could not even agree that "a very significant scale" of resources would be mobilised, as was initially proposed in the draft decision to be adopted on '*Confirmation of the completion of the essential requirements and the commencement of the initial resource mobilisation process.'* At the insistence of the Board member from Egypt, Dr. Omar El-Arini for an indicative figure for the initial capitalisation, the final compromise reached was that the resources to be mobilised would be "commensurate with the Fund's ambition".

The Board arrived at this decision late night on the last day of the meeting on 21 May, confirming that the eight essential requirements for the Fund to receive, manage, programme and disburse financial resources have been met. It also took note that "the policies, frameworks and procedures of the Fund are evolving and may need to be further enhanced." The seventh Board meeting began on 18 May.

The Board, in deciding to commence the process to mobilize resources requested the "Secretariat to make arrangements with all interested contributors, facilitating a collective engagement in the initial resource mobilization process…"

The decision also stressed "the urgency to reach pledges by November 2014, while noting that the initial resource mobilization process may need to continue beyond this date." (This was one of the 'sticky' issues that saw much discussion, with Japan and the United States insisting that the timeline for the initial mobilisation not to be completed by end November this year, as was suggested in an earlier version of the draft decision).

The Board also decided that it "will consider the policies for contributions based on recommendations from the first meeting of interested contributors."

(In an initial draft decision proposed for the Board's consideration by the Secretariat, it was stated that the "Board will consider and approve the policies for contributions based on recommendations from the interested contributors collectively engaging in the initial resource mobilization process." This drew strong criticism from several developing country Board members who felt that the Board was being given a rubber stamp role, with the interests of the contributors taking precedence over that of the Fund. The final decision agreed to enables the Board to consider the recommendations by interested contributors and not lead to an automatic approval by the Board of the policies for contributions.)

The Board further endorsed "the arrangements for a collective engagement in the initial resource mobilisation process."

On the arrangements for the initial resource mobilization process, the following was agreed to: "(a) The collective engagement

will take the form of one or more meetings, as well as virtual communication between meetings as necessary;

(b) The Co-Chairs will issue an open invitation to all potential contributors to the Fund's initial resource mobilization process, including from the private sector and philanthropic organizations, within a week from adoption of this decision. (In an earlier version of the draft decision, it was stated that only public contributors who have expressed intent to contribute at least USD 5 million will be invited to participate in the process. This threshold limit was subsequently removed following interventions from several Board members).

(c) The first meeting of the initial resource mobilization process should take place before the end of June 2014. Further meetings may be arranged as necessary. A meeting aiming to finalize the collective engagement in the initial resource mobilization process will take place no later than the end of November 2014;

(d) The meetings will be open for participation by contributors, the Fund's Co-Chairs, four representatives of the Board (two developed/two developing), two active observers of the Board (one civil society/one private sector), as well as the Executive Director;

(e) The meetings will be organized in the form of technical sessions, open to contributors and observers, as well as executive sessions, which will be open only to contributors and the Co-Chairs of the Fund. Representatives of the Interim Trustee will be invited to attend sessions of such meetings in order to provide relevant support to the Secretariat;

(f) The rules of conduct of the initial resource mobilization process will be developed at the first meeting."

In the initial draft decision proposed by the Secretariat, there was reference to a "prominent person" being invited to moderate the initial resource mobilisation meetings. This was subsequently removed, following the interventions of Board members especially from developing countries.

The first meeting of the initial resource mobilization process is expected to take place in Geneva, Switzerland, by the end of next month.

Following a general exchange among Board members on an initial draft decision proposed by the Secretariat on the matter, the Co-chairs of the Board, Manfred Konukiewitz (Germany) and Ayman Shasly (Saudi Arabia) tasked Zaheer Fakir (South Africa) and Henrik Harboe (Norway) to convene open-ended small group meetings to resolve issues around the draft decision on the initial resource mobilisation process.

Among the issues that were raised by Board members (both during the plenary session and in the small group meetings) included the following: scale and ambition of the resources to be initially mobilised; timelines related to the process; nature of the meetings; who is to participate; and thresholds in relation to which contributors to be invited.

Highlighted below are some of the interventions by Board members in response to the initial draft decisions:

Zaheer Fakir (South Africa), referring to the draft decision proposed by the Secretariat, said that the role of the Board in the resource mobilisation process seems to have been disempowered with it having a minimal role and as a rubber stamp. Having a governing body (in reference to the Board of the GCF) with no power over the process puts the process in jeopardy. To say that you have to pay to influence the institution is not the principle of multilateralism. The Board needs to be empowered in the decision. The decision also lacks ambition on the scale of resources. How are we going to involve participation of other parties like philanthropies? Fakir also asked what the rationale is for a prominent person to be involved in the process. He said that he had not seen this in other institutions.

Patrick McCaskie (Barbados) representing the Small Island Developing States (SIDs) envisaged the initial resource mobilisation to be participatory, efficient, quick and ambitious. It was his understanding that the process for the initial capitalization of the

Fund will not set a precedent for future formal replenishment cycles. On participation, the proposed process misses the participation of non-contributing recipient country groupings. It is common practice in other multilateral funds that representatives of non-contributing recipient country groupings participate in these meetings. The right formula needs to be found that allows for an efficient process, while ensuring representation of non-contributing recipient countries' from regional groupings that constitute the Board.

On the timeline, the SIDS believed that the mobilization process should be conducted with a sense of ambition and urgency and wanted the process to be completed by Lima (referring to the 20th meeting of the UNFCCC's Conference of Parties [COP] in December this year). He did not believe a minimum threshold of USD 5 million should apply to developing countries willing to make voluntary contributions to the Fund as this might serve as a disincentive. It might also discourage interested contributors from private sector actors and foundations, he added.

Liang Ziqian (China) said that GCF was established four years ago but remains an "empty shell". The task now is to let the resources grow as much as possible. All the essential requirements have been completed and there is hope that the Fund will be a milestone in international cooperation. He stressed that it was the obligation of developed countries to provide finance to the GCF, as the operating entity of the financial mechanism of the UNFCCC. He wanted the resource mobilisation to start right after the Board meeting and having a timeline was key. He added that the purpose of the first meeting needs to be clear and the process has to be completed before end of the year and could remain open-ended.

Omar El-Arini (Egypt) said Board members have a full right to be engaged in the process as they are representatives of constituencies and are on equal footing when discussing "our collective future." He said the correct approach in relation to the mobilisation of resources is to refer to this as an initial capitalisation of the GCF and not as a pledging exercise. Referring to the decision adopted in the UNFCCC COP in Cancun in 2010 where developed countries agreed to mobilise resources of USD 100 billion per year by 2020, he said a figure needs to be set. He referred to the USD $30 billion that was involved in the fast-start financing (2010-2012) and said that the Board could not be less ambitious and deadlines were needed as regards the process to report to the COP on what was achieved in the initial capitalisation. In response to Board members who said that the June date for the meetings was unrealistic and referred to the 'summer break', El-Arini said that climate change does not know summer breaks or vacation.

He said thousands of people are dying and people back in developing countries are being asked what members have all been doing about their future. If there is a proposal for an eminent person to moderate the session, it would need to be someone who has suffered the impact of the climate crisis. El-Arini also wanted the Board to be in control of the process and not simply be a spectator and supported the need for representatives from the various regions. On the timeline for the initial process, he was of the view that it could not be open- ended and there needs to be an end point. He also stressed that there has to be reference in the decision of the Board to ambition on the scale of resources. Otherwise, it would be an "orphan Fund", he emphasised further.

Dipak Dasgupta (India) said that there is need for symmetry on what developing countries are asked to do and to help move the process forward as regards the financial resources needed. Referring to the size, scale and urgency of the resources needed, he said that whether the resource mobilisation is initial or not, credible commitments are necessary from developed countries. There needs to be a sense of urgency to get the commitments met quickly and there cannot be excuses. He said developing countries are already spending massive amounts on the ground in addressing the climate crisis. He said the GCF is a broader partnership and is not about donors contributing aid.

Angel Valverde Gallardo (Ecuador) expressed concerns over the need for a minimum threshold for contributors. He called for a strong political signal on the scale of the resources for the GCF.

David Kaluba (Zambia) reminded members on how he had cried at a previous Board meeting when remembering the impacts and suffering of people every day affected by climate change. He said that the work and reputation of the GCF was now at stake.

Sergio Serra (Brazil) also underscored the importance of having Board members participate in the process and the need for a timeline for the initial resource mobilisation.

Audrey Joy Grant (Belize) said the role of the Board is crucial for the mobilisation of resources. She called for an innovative approach including looking at pledges from billionaires.

Irfa Ampri (Indonesia) was of the view that non-traditional contributors to the GCF could include developing countries.

Kentaro Ogata (Japan) wanted the initial resource mobilisation process to be continuous and was not agreeable to any end point or final date. He did not want the process to be closed to potential contributors who were not ready to pledge before November 2014.

Leonardo Martinez (US) said the GCF needs to attract high levels of capital instead of having many contributors. He said having a June date for the first meeting appeared unrealistic but supported the idea of having an eminent person to moderate the meeting. He said it was important to engage the private sector and non-government organisations. Martinez was sceptical about having a lot of representatives at the table and whether this would expedite the process. He was not supportive of having a USD 5 million threshold and called for it to be in the order of USD 20-25 million.

On the timelines, echoing the views of Ogata, Martinez said that there needs to be a clear starting point for the process. However, the resource mobilisation process needs to have a timetable that allows donors who are interested in contributing to deal with their fiscal cycles. He said the resource mobilisation was a continuous process of 5 years. He too agreed with Japan not to have the process end in November 2014.

Norbert Gorissen (Germany) said that initial mobilisation process needs to be continuous and ongoing. The meeting organised before the Lima UNFCCC COP would at least be a stocktaking session. He supported the threshold for contributors to be USD 5 million and wanted to see serious contributors.

Henrik Harboe (Norway) said that since the eight essential requirements have been met, the resource mobilisation has to commence.

Per Callesen (Denmark) said there is need to raise as much resources as possible and there must be a sense of fairness among contributors. Even smaller contributors are going to contribute their fair share.

Anton Hilber (Switzerland) said those who want to contribute to the GCF will change its policies. This is not a replenishment process but is its first resource mobilisation. The contributors need to agree on arrangements such as grants versus loans.

Arnaud Buisse (France) said having an eminent person moderating the process was appealing. He also called for creativity in involving the private sector in the process.

Adam Kirchknopf (Hungary) said that the process should allow for the budgetary timelines of countries. It should also allow for private sector engagement. An indicative timeline is useful, and should not be cast in stone.

Ana Fornells de Frutos (Spain) said that a threshold for contributors of USD 10 million was too high and difficult for some countries. (This was in response to a proposal by the US to raise the USD 5 million threshold to USD 10 million).

Ayman Shasly (Saudi Arabia) who was chairing this Board meeting on this issue said that members were not working in vacuum and reminded those present that the timelines for the resource mobilisation needs to be viewed in the context of the on-going negotiations under the Durban Platform (for

a new agreement to be reached in Paris under the UNFCCC next year in 2015).

TWN Info Service on Climate Change (May14/05)
27 May 2014
Third World Network

GCF adopts decision on initial results management framework

Geneva, 27 May (Meena Raman) – The Board of the Green Climate Fund (GCF) adopted a decision on the 'initial results management framework' at its 7th meeting in Songdo, South Korea as one of the 8 essential requirements prior to the mobilisation of resources for the Fund. The decision was adopted on May 21.

Previously, at the 5th meeting of the Board in Paris last year (October 2013), members had agreed to the following initial result areas as areas of funding, in order to enable low-emission and climate-resilient development pathways:

"(a) Design and planning of cities to support mitigation and adaptation;

(b) Energy efficiency of buildings and appliances;

(c) Energy efficiency of industrial processes;

(d) Low-emission transport;

(e) Low-emission energy access;

(f) Small-, medium- and large-scale low-emission power generation;

(g) Sustainable land use management to support mitigation and adaptation;

(h) Sustainable forest management to support mitigation and adaptation including afforestation and reduction of forest degradation;

(i) REDD+ (reducing emissions for deforestation and forest degradation –plus) implementation;

(j) Adaptation activities to reduce climate-related vulnerabilities;

(k) Selected "flagship" activities cutting across adaptation result areas;

(l) Readiness and capacity building for adaptation and mitigation activities;

(m) Scaling up of effective community-based adaptation (CBA) actions; and

(n) Supporting the coordination of public goods such as "knowledge hubs".

The Paris decision also adopted an "initial performance indicators of the Fund" and agreed that the Fund's results management framework will (i) *enable effective monitoring and evaluation of the outputs, outcomes and impacts of the Funds' investments and portfolio, and the Fund's organizational effectiveness and operational efficiency; (ii) include measurable, transparent, effective and efficient indicators and systems to support Fund's operations, including, inter alia, how the Fund addresses economic, social and environmental development co-benefits and gender sensitivity."*

The decision in Paris also requested the Secretariat "*to develop, for the consideration of the Board (at its recent meeting in Songdo), a detailed operational results management framework of the Fund, based on the initial results areas and core performance indicators and key criteria decided upon by the Board."*

The meeting in Songdo advanced the Paris decision by adopting "the elements of the initial results management framework of the Fund as outlined hereunder:

(i) Levels of the logic model: *Paradigm shift objective; impacts (Fund level); project/programme outcomes; project/programme outputs; activities and inputs*

(ii) Initial mitigation logic model:
1) *Paradigm shift objective for mitigation:*

- *Shift to low-emission sustainable development pathways;*

2) Fund level impacts for mitigation:

- *Reduced emissions through increased low-emission energy access and power generation;*
- *Reduced emissions through increased access to low-emission transport;*
- *Reduced emissions from buildings, cities, industries and appliances;*
- *Reduced emissions from land use, deforestation, forest degradation, and through sustainable forest management and conservation and enhancement of forest carbon stocks;*

3) Project/programme level outcomes for mitigation:

- *Strengthened institutional and regulatory systems for low-emission planning and development;*
- *Increased number of small, medium and large low-emission power suppliers;*
- *Lower energy intensity of buildings, cities, industries, and appliances;*
- *Increased use of low-carbon transport;*
- *Improved management of land or forest areas contributing to emissions reductions;*

(iii) Initial adaptation logic model:
1) Paradigm shift objective for adaptation:

- *Increased climate-resilient sustainable development*

2) Fund level impacts for adaptation:

- Increased resilience and enhanced livelihoods of the most vulnerable people, communities, and regions;
- Increased resilience of health and well-being, and food and water security;
- Increased resilience of infrastructure and the built environment to climate change threats;
- Improved resilience of ecosystems and ecosystem services;

3) Project/programme level outcomes for adaptation:

- Strengthened institutional and regulatory systems for climate-responsive planning and development;
- Increased generation and use of climate information in decision-making;
- Strengthened adaptive capacity and reduced exposure to climate risks;
- Strengthened awareness of climate threats and risk-reduction processes;

The Board also adopted "the following core indicators for mitigation":

"*1) Tonnes of carbon dioxide equivalent (tCO2eq) reduced as a result of Fund-funded projects/programmes; (2) Cost per tCO2eq decreased for all Fund-funded mitigation projects/programmes; (3) Volume of finance leveraged by Fund funding, disaggregated by public and private sources";*

In relation to adaptation, the Board adopted "the following core indicator…"

- "Total number of direct and indirect beneficiaries; number of beneficiaries relative to total population;"

Some developed country Board members had also proposed the following core indicator for adaptation viz. "Volume of finance leveraged by Fund funding." This indicator was resisted strongly by developing country Board members especially from Zambia, the Democratic Republic of Congo and Brazil who said that this was inappropriate for adaptation. It was removed from the final decision.

The Board also confirmed "that performance measured at the paradigm shift and impact levels refers to the aggregate project/programme-based results of the Fund" and "acknowledged that the inputs, activities, and outputs will be defined for each project/programme on a case-by-case basis."

It also affirmed "that national and sector-wide indicators will be used only at the discretion of the recipient country". (This was stressed by the Board members from China and Brazil).

The Board also decided that "the results management framework should take a gender-sensitive approach and that the results should be disaggregated by gender where relevant."

The decision also requested "the Secretariat to further develop the mitigation and adaptation performance measurement frameworks of the Fund, engaging international experts as required, for the Board to consider at its third meeting of 2014, including an approach to gender, indicators on mitigation and adaptation, and methodologies, data sources, frequency, and responsibilities for reporting" and "to develop a logic model and performance framework for ex-post REDD+ results-based payments, in accordance with the methodological guidance in the Warsaw framework for REDD+", for the Board's consideration at its next meeting.

Below are some of the highlights of the interventions by Board members on the initial draft decision contained in the Secretariat paper on the matter and further iterations, prior to the adoption of the final decision:

Patrick McCaskie (Barbados) said the results management framework (RMF) first and foremost will need to be able to measure the performance of the Fund and monitor whether the Fund is achieving its objectives as spelt out in the Governing Instrument (GI) and the Board's decisions. The (Secretariat) paper proposed that the GCF "should draw upon many useful Climate Investment Funds (CIF)/Global Environment Facility (GEF) /Adaptation Fund (AF) indicators, measurement tools, and reporting procedures" and that the GCF RMF evolves synchronously. The GCF, given its unique mandate, should become a standards setting institution.

He believed that the proposed project/programme level outcomes for adaptation are not conducive to funding concrete and high impact adaptation projects. Those envisaged outcomes are very much focused on achieving "process oriented" and "soft adaptation" results through regulatory changes, awareness and information sharing. He believed that these results even if fully achieved, will not amount to the transformative and paradigm shift level objectives as set in this paper. He requested that the project/programme level outcome for adaptation be reviewed, as needed, in light of the "additional result areas and indicators for adaptation activities" to be submitted to the next Board meeting.

Liang Ziqian (China) said that in the RMF should adhere to the Paris decision in terms of management levels and specific indicators. He said all members had agreed that the result management should be project/program based, and indicators should be flexible and simple, which can evolve over time. The GCF, which still has no money and cannot afford such complicated and burdensome framework, he added. As indicated in the Secretariat paper, members should look at the experience and lessons of other entities such as the CIF, which still has no resources to carry out strategic level performance measuring. He added that some elements of the paper indicates the intention of making use of the GCF to set up a separate MRV (measuring, reporting and verification) mechanism outside of the UNFCCC negotiations process. As an operating entity of the financial mechanism of the UNFCCC, which should report to and be accountable for the COP, such efforts cannot be allowed, he said.

Angel Valverde Gallardo (Ecuador) said the objective of a RMF is to measure (whatever the difference may be from managing) the results of the financing in all possible areas of action that the wider objective of the Fund would entail. It is hasty to define what the results of funding will be without any knowledge of what the funding flows themselves are. The definition of result areas and performance indicators could not be enough until details on resource mobilization are defined because results for funding are dependent on its scale. By talking about results-based allocation, the paper gives the impression that allocation can be made only when the results are met. The GI only says the GCF takes a results-based approach, which incentivizes recipient countries. Results cannot be a precondition for funding. Discussions on agriculture and forests, in a broader category of land use and their mitigation potential, effectively prejudge current negotiations under the UNFCCC.

David Kaluba (Zambia) expressed concerns about the proposed core indicator for adaptation being the volume of finance leveraged by GCF funding. This was a big challenge for small counties judging from the GEF experience. It is a big deterrent for access to resources by small countries. He asked for caution in this regard.

Sergio Serra (Brazil) supported China and also emphasised the need for coherence between the Paris decision and that decision to be adopted in Songdo. On reference to verification of country-wide results, he said that what was important is that the project which is funded by the GCF is part of the country's climate change strategy plan. It is not about measuring the results country-wide. He also sympathised with Kaluba's concerns and said that having co-financing for adaptation is problematic as adaptation needs are very urgent.

Omar El-Arini (Egypt) said the GEF did not adopt the RMF at the very beginning (of its operations) and had it was adopted only after three years after replenishment. Even the World Bank did not have it at that time. In relation to the CIFs, there had been lots of field experience and still it experienced difficulties in relation to the RMF. He asked if monitoring results at the country level could be done and what is being measured- if it was about measuring impact, saving the climate or meeting the objective of the Fund? He further questioned if it is really possible to have perfect results for something in the future by comparing what other funds are doing, without due regard from accumulating experience.

Dipak Dasgupta (India) said that document being considered was extremely complicated and was like the 'tail wagging the dog" in considering impacts at the strategic level. There needs to be coherence between the scale of ambition and the impacts. He said that the logic model was unacceptable.

Anton Hilber (Switzerland) said that the GI and the Paris decision need to be respected. He said the paper is partly contradictory in this regard. Both ex-ante and ex-post approaches seem to be indicated which need to be aligned.

Jan Cedergren (Sweden) said development effects are results not just for adaptation but also for mitigation. He supported the need for gender based disaggregated indicators.

Kentaro Ogata (Japan) supported China and stressed the need for coherence with the Paris decision on initial result areas and indicators. The RMF indicators should be simple and measurable.

Similar remarks on the need for coherence with the Paris decision on the RMF was stressed by Board members from Germany, Spain, France and Australia.

Josceline Wheatley (United Kingdom) said the GCF should not go along the route of the CIFs and the GEF and that there is need for changes in the paradigm indicators.

Per Callesen (Denmark) also called for the indicators to be consistent with the decisions that have been taken adding that the interpretation of the indicators appear complicated.

Henrik Harboe (Norway) said that the RMF should allow for a phased approach. He referred to ex-post payments which are payment for verified results. On REDD-plus indicators, he said the document was not consistent with the UNFCCC Warsaw decision and that needed to be addressed.

Leonardo Martinez (US) the impact of the Fund in relation to mitigation is in reducing emissions. He also said that resources have to be set aside to measure results. On mitigation performance indicators, it is helpful to disaggregate between public and private flows.

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Green Climate Fund adopts decision on accreditation framework

Delhi, 27 May (Indrajit Bose) - The recently concluded meeting of the Board of the Green Climate Fund (GCF) adopted a key decision on the accreditation framework.

A draft decision prepared by the GCF Secretariat on the issue was presented for the consideration of the Board at its 7th meeting in Songdo, South Korea. Adopting a decision on accreditation processes was among the essential requirements to kick-start the process of mobilizing financial resources to the Fund, a key ask of the meeting held from 18-21 May 2014.

The focus of the accreditation framework was on what would be the guiding framework and the processes to accredit national and international entities to access the Fund, which reflect the Fund's fiduciary principles and standards as well as environmental and social safeguards (ESS). At an earlier Board meeting in October 2013 in Paris, the Board had decided to develop the guiding framework and procedures for the accreditation process of the Fund. The underlying idea was that the guiding framework and procedures for accreditation process should *"enhance country ownership, accommodate different capacities and capabilities of countries in a transparent, objective and credible manner, in line with the Fund's objectives, results and guiding principles".*

In Paris, an accreditation team was formed, comprising Board members Arnaud Buisse (France), Jan Cadergren (Sweden), Derek Gibbs (Barbados) (who was replaced later by Patrick McCaskie) and David Kaluba (Zambia) to oversee the development of the guiding framework for the Fund's accreditation process. The process resulted in the draft decision which was taken up by the Board for consideration at the Songdo meeting. The decision was debated upon, as there were several areas of divergence among the Board members on a number of issues. Following were some of the key issues of divergence:

Priority to national and sub-national entities: Several developing country Board members wanted to ensure that national and sub-national entities should not face difficulties for accreditation, including in getting direct access to the Fund, which they felt was lacking in the document. They also underlined that international entities such as the multilateral development banks (MDBs) should not get privilege over national and sub-national entities.

Capacity building: Developing country Board members were of the view that efforts must be made for capacity building for strong national entities in developing countries.

Fast-tracking MDBs: Developed country Board members wanted to fast-track accreditation for the MDBs. The counter argument was that some MDBs are not necessarily clean and for the process to be fair.

Fast-tracking accreditation process referring to principles adopted by private sector associations: A proposal advanced by some developed country Board members including from the US, was to fast-track the accreditation of implementing entities and intermediaries already accredited by relevant private sector associations. Reference was made to the 'Equator Principles'. (According to Wikipedia, "the Equator Principles is a risk management framework, adopted by financial institutions, for determining, assessing and managing environmental and social risk in projects and is primarily intended to provide a minimum standard for due diligence to support responsible risk decision-making.). Following objections by Omar El-Arini (Egypt) on the vagueness of these

private sector associations and the active observer for civil society organisations (CSO), this proposal was dropped from the final decision. Brandon Wu from ActionAid (the active CSO observer) pointed out that private sector associations do not have accreditation processes and systems that are suitable for fast-tracking and that the Equator Principles are voluntary and do not have oversight mechanisms for accountability.

Composition of the Accreditation Panel: The draft decision proposed that there would be four Board members or alternates in the Accreditation Panel. The disagreement was over whether Board members should be there in the Panel at all. Since the role of the panel is technical, developed country members cast doubts that including Board members in the panel might render it a political panel.

Accreditation fee: Developing country Board members sought more clarity on a proposed policy on accreditation fee in the document.

Timeline for the Board to set its own standards: Developing country Board members were of the view that there should be a clear timeline for the Board to develop its own ESS.

Specific reference to private sector: Developed country Board members wanted the inclusion of the private sector in the decision, which was not present in the draft decision presented to the Board.

Intervention by Board members
Board members articulated these issues by intervening in the plenary meeting of the Board. Following were some of the interventions made by the Board members on the accreditation document.

Liang Ziqian (China) reiterated the focus areas of the accreditation framework, the importance of the country ownership principle and the need for capacity building. He said that it should comprehensively consider factors such as the objectives of the GCF, the practical situation of the country that receives the fund as well as policy and professional capacity of institutions applying for accreditation. He also said that the accreditation processes should comply with the "country ownership" principle with full consideration of specific national conditions of recipient countries and that their effort must be directed at helping developing countries strengthen capacity towards establishing a strong national implementation entity which would have direct access to the financial resources of the GCF.

Tosi Mpanu Mpanu (Democratic Republic of the Congo) stressed the importance of empowering national and sub-national implementing entities and intermediaries to meet the necessary standards to access funds. He said this was in line with the principles of country ownership and enhanced direct access, the central tenets of GCF. He asked of the Board to link the accreditation capacity needs with readiness and preparatory support and to prioritize applications from national and subnational entities. He expressed disappointment at the lack of progress on fast-tracking applications for bodies already accredited to other relevant funds such as the Adaptation Fund.

He proposed that it should be possible to grant temporary accreditation for the relevant bodies, while at the same time conducting a review of any additional criteria that the Board feels is necessary in relation to the activities that the Fund invests in. The other option, he said, could be for bodies accredited by other funds to be automatically, but permanently, accredited in relation to certain activities, while any further assessment against fiduciary standards would be undertaken for other activities.

Mpanu also called for different accreditation criteria to apply to bodies undertaking different activities, rather than highly specialized and inflexible criteria because the idea is to get a diversity of bodies to apply for accreditation. He wanted more clarity on how the IFC's performance standards would provide the base for the Fund's ESS and how the IFC standards are different from those of other multilateral bodies.

He added that a proposal in the draft decision for a tiered approach to deal with the Fund's

proposed ESS should be supported. The draft decision suggests the possibility of a tiered approach with differentiation by institution or activity-type. This should be encouraged because otherwise the requirement to have a fully-developed and rigorous Environmental and Social Management System (ESMS) in place could act as a significant barrier to entry to those applying to become an intermediary or implementing entity. A tiered approach would be consistent with the approach to apply the ESS on a scaled risk-based approach (that will ensure the environmental and social requirements and processes are commensurate to the level of risk).

Patrick McCaskie (Barbados): Speaking for the Small Island Developing States (SIDS) said the accreditation process is of critical important to them since it will determine the degree of access to the resources of the fund. He said SIDS supported the creation of a new Fund because they were frustrated with the onerous requirements to access existing funds, the lack of taking into account capacity constraints being one of them. He therefore stressed the importance of capacity building, the need for the Fund to set a timeline to set its own safeguards, the importance of developing a fast-track process for entities already accredited with other existing multilateral funds, including those accredited with the Adaptation Fund.

Omar El Arini (Egypt) said that the in the draft decision, national entities were downplayed, and echoed other developing country Board members' sentiments that performance standards of other institutions should be explored. "Did the (accreditation) committee explore the possibility of using standards of Global Environment Facility (GEF), especially since GEF deals with climate change and they have been funding climate change related work?" he asked. He also wanted a time limit to the GCF developing its own standards because the performance standards of a financial institution would be intrinsically different from the GCF's, he said. He called for more clarity on the accreditation fee, and proposed to defer decisions on additional specialized fiduciary standards. (T*he draft decision (j) which was initially proposed, read: "Requests the Secretariat to develop, under the guidance of the Accreditation Panel, additional specialized fiduciary standards that may be deemed necessary to effectively accommodate all institutional capacities required in IEs and intermediaries in the initial phase of operations of the Fund as deemed necessary").*

He also questioned if the Board needed to decide on the ESMS right at this initial phase of the Fund. (This led to a deletion from the initial draft decision for such a system).

Leonardo Martinez (USA) said governments of many countries have been working very hard that the international development assistance provided is responsible and that resources are managed in a transparent manner. There is emerging international consensus that an international institution can provide this.

He seconded the need for capacity building, but added that it should not be done with only GCF assistance. Countries should also use their own money, as well as increase their own capacities, he said. He was open to considering a tiered approach, but he didn't know what it meant and wanted more details on that. He supported the fast-track approach "in principle", and said it would be worth considering under what conditions would institutions be eligible for fast-track. He wanted the multilateral development banks (MDBs) to be accredited "right away" as he had high confidence in their standards. He also referred to the 'Equator Principles' which could be useful for fast-tracking accreditation.

Ana Fornells de Frutos (Spain) wanted clarity on the composition of the Accreditation Committee. She suspected that having four Board members in the committee ran the risk of the committee turning political or non-technical. She sought clarification on the competence of Board members and alternates and the technical experts.

Irene Jansen (Netherlands) wanted language on two elements to be added to the decision: one on the fast-tracking proposal and two, including private intermediaries in the fast-tracking proposal.

Norbert Gorissen (Germany) agreed that the Board needs a timeline to set its own standards and that the Accreditation Panel should comprise technical experts rather than Board members as it could result in a conflict of interest. He was in favour of fast-tracking institutions already accredited and supported readiness for capacity building to access the Fund.

Zaheer Fakir (South Africa) said he would like to see flexibility, relevance and diversity. Flexibility did not mean downplaying standards but to be able to have an approach where the process meets the needs of the different institutions the Fund is dealing with. He reminded the Board members of the ethos of GCF, which was to bring about a transformative and paradigm shift and it was about doing business unusual.

Adam Kirchknopf (Hungary) agreed that country ownership is the key guiding principle behind all the work and that it was important that national entities in SIDs and least developed countries have access to the Fund. He supported the use of IFC performance standards, saying the Board did not need to "reinvent the wheel", and agreed that there should be clarity about cost implications or fees related to the process and that it would aid transparency.

Decisions taken by the Board
Following these interventions, a small group was formed, which met over the next three days and following intense deliberations, it was agreed that a "fit-for-purpose" accreditation approach would be adopted "that matches the nature, scale and risks of proposed activities to the application of the initial fiduciary standards and interim ESS." The Board also adopted the following decisions:

- The initial guiding framework for the accreditation policies would apply to "private sector entities". The guiding principles state that the Fund's fiduciary principles and standards and ESS should be "in line with international best practices and standards"; the accreditation framework should ensure "accountability, transparency, fairness and professionalism"; it should be "a dynamic process that is reliable, credible and flexible"; "the Fund's fiduciary principles and standards, ESS and general accreditation procedures" should be coherent and integrated with "other relevant provisions of the Fund"; and that the accreditation process "should allow for readiness and preparatory support in the context of direct access and the different capacities and capabilities of countries and institutions to enhance country ownership, with a view to facilitating capacity building".
- A review of "initial fiduciary principles and standards" would be conducted "within three years". The initial fiduciary principles and standards would "distinguish between basic fiduciary criteria and specialised fiduciary criteria, which will reflect the institutional capacities necessary to deliver against the Fund's objectives and in accordance with the scope of responsibilities entrusted to the implementing entity (IE) or intermediary".
- The Board decided "to adopt, on an interim basis, the Performance Standards of the International Finance Corporation".
- The Board decided that the process of developing the Fund's own environmental and social safeguards would be completed within three years after the Fund becomes operational and it would do this "with inclusive multi-stakeholder participation".
- Application of the Fund's interim ESS would be "implemented in a risk-based manner and not in a blunt, one-size-fits-all approach." This approach is to ensure that the "environmental and social requirements and processes are commensurate to their level of risk and, coupled with the modular application of the Fund's interim ESS, will not slow down or overburden low- to no-risk projects".
- The initial guiding framework also lays down that to identify the potential environmental and social risks or to

determine any inconsistencies with the Fund's interim ESS, implementing entities and intermediaries accredited to the Fund would be able to screen funding proposals, which can be categorized into three different categories: Proposals that entail activities with significant adverse environmental or social risks or diverse, irreversible or unprecedented impacts would be Category A proposals; those with mild risks and fewer impacts which could be mitigated would be Category B proposals; and those with minimal or no adverse risks or impacts would be Category C proposals.

- Similarly, the initial guiding framework also lists three categories for activities involving investments through financial intermediation functions or through delivery mechanisms involving financial intermediation. Category 1—high level of intermediation—arises "when an intermediary's existing or proposed portfolio includes, or is expected to include, substantial financial exposure to activities with potential significant adverse environmental and/or social risks and/or impacts that are diverse, irreversible, or unprecedented". Category 2 or medium level of intermediation arises when the financial exposure to activities has limited adverse risks and impacts; and Category 3 or low level of intermediation arises when the risks and impacts are minimal.
- It was also decided that there would be an "Accreditation Committee, comprising "four Board members or alternates", and established "the Fund's Accreditation Panel as an independent technical panel to advise the Board in matters related to the accreditation of implementing entities and intermediaries to the Fund. The panel would comprise "six expert members with balanced representation between developing and developed countries and the appropriate range of expertise, to be nominated by the Accreditation Committee for endorsement by the Board soon after".
- The Board also adopted the terms of reference for the Fund's Accreditation Committee and the Accreditation Panel. (In a previous version of the decision, it was proposed that there would be an Accreditation Panel comprising four Board members or alternates, two of each who would serve as chair and vice chair. Developed countries opposed to this saying that inclusion of Board members ran the risk of making it political and non-technical.)
- In the decision adopted, it was made clear that a policy on accreditation fee would be developed "that takes into account the financial capacity of institutions". (In the earlier draft version, there was mention of developing a policy on accreditation fee, but several developing country Board members reflected on the need for more clarity.)

Work areas for the next Board meeting
The Board has tasked the Secretariat with further work on the processes on accreditation, and to present to the Board, by the eight meeting, scheduled to be held in Barbados from October 15-17, the following:

- To elaborate "guidelines for the operationalization of the fit-for-purpose accreditation approach for a decision".
- "A work programme on complementarity and coherence with the accreditation systems and processes of other relevant funds, as well as relevant private sector associations, in consultation with the Private Sector Advisory Group (PSAG) and relevant stakeholders". (This was owing to the demand from developing countries that experience of other funds such as the GEF and the Adaptation Fund must be taken into consideration for a robust accreditation process under the GCF.)
- "An assessment, including a gap analysis, of institutions accredited by other relevant funds and in line with the Fund's objectives against the interim ESS and initial fiduciary standards with recommendations on their potential accreditation or fast-tracking"

- "The identification of potential relevant private sector international best practice fiduciary principles or standards and ESS, and an assessment of gaps against the Fund's initial fiduciary standards and interim ESS, in collaboration with the PSAG and in consultation with relevant stakeholders"
- "To develop an environmental and social management system for the Fund… which will include guidelines on the categorization of projects by implementing entities and intermediaries according to the level of environmental and social risk and in accordance with the Fund's interim ESS"
- To develop "additional specialized fiduciary standards that may be deemed necessary to effectively accommodate all institutional capacities required in IEs and intermediaries in the initial phase of operations of the Fund".

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GCF decides on investment framework

Delhi, 28 May (Indrajit Bose) – The Board of the Green Climate Fund (GCF) adopted an important decision on its 'Initial Investment Framework' on 21 May at the Seventh GCF Board Meeting in Songdo, South Korea. It was among the eight essential requirements to begin mobilizing financial resources into the GCF.

According to the Secretariat paper prepared for the consideration of the Board, the purpose of the initial investment framework (IF) is "to translate the Fund's overall objectives into clear guidelines for investment decisions." The IF agreed to comprises of the Fund's investment policies; investment strategy and portfolio targets and investment guidelines. The Board decided that the GCF's IF "will reflect the Fund's theme/activity based resource allocation system as was decided in Paris at its October meeting last year.

The Board members spent considerable time discussing the IF over the four days of the meeting, from May 18-21, as they could not agree on a number of issues. Members formed a small group to discuss the sticking points, central to which was what should be the investment guidelines, which would describe the initial criteria for programme and project funding decisions. Board members also raised some operationalization issues related to the Framework.

Investment policies

It was agreed that the Fund's initial set of investment policies would cover "grants, concessional loans and other financial instruments extended by the Fund". It was decided that the Fund would "finance projects and programmes that demonstrate the maximum potential for a paradigm shift towards low-carbon and climate-resilient sustainable development in accordance with the Fund's initial results management framework, its initial result areas and subsequent decisions on additional results areas for adaptation, and consistent with a country-driven approach". This was in response to the demand by Board members that IF policies need to be coherent with decisions being taken on other crucial issues because they are interconnected to each other.

The other policies outline that the funding received and extended by the GCF would be accounted for in grant-equivalent terms; the Fund would provide "minimum concessional funding" to make a project or programme viable; intermediaries may use to blend the funds they receive from the GCF with their own financial resources; the Fund would not crowd out potential financing from other public and private sources; and only revenue-generating activities "intrinsically sound from a financial point of view will be supported through loans by the Fund".

Investment strategy and portfolio targets

The Fund also decided on an initial investment strategy, which includes portfolio targets and investment guidelines. The Board members agreed on some initial allocation parameters and set initial portfolio targets against each. The initial allocation parameters and initial portfolio targets decided were:

- For the parameter "Balance between mitigation and adaptation", the portfolio target would be "50-50 (over time)"
- For the parameter "Adaptation allocation for vulnerable countries", a floor of 50 per cent would be for adaptation allocation
- The parameter "Geographic balance" would see "reasonable and fair allocation across a broad range of countries"
- For engagement with the private sector, the portfolio target is to "maximize fund-wide engagement, including through

significant allocation to the PSF (private sector facility)"

- For the parameter "Readiness and preparatory support", the initial portfolio target was to have "sufficient support for readiness and preparatory activities". This parameter was added after developing country Board members advocated strongly for it.

Investment guidelines

After a lot of deliberation, it was decided that the investment guidelines would comprise six criteria and 25 coverage areas. A new criterion – "sustainable development potential" - was included, which was a demand of developing country Board members.

Following are the criteria and coverage areas agreed to:

- **Impact potential criterion** was defined as the "potential of the programme/project to contribute to the achievement of the Fund's objectives and result areas. Mitigation impact and adaptation impact were the coverage area.
- **Paradigm shift potential** was defined as the "degree to which the proposed activity can catalyse impact beyond a one-off project or programme investment. The coverage area were: potential for scaling up and replication and its overall contribution to global low-carbon development pathways, consistent with a temperature increase of less than 2 degrees C; potential for knowledge and learning; contribution to the creation of an enabling environment; contribution to the regulatory framework and policies; and overall contribution to climate-resilient development pathways consistent with a country's climate change adaptation strategies and plans.
- **Sustainable development potential** was defined as "wider benefits and priorities" and the coverage areas were: environmental co-benefits, social co-benefits, economic co-benefits and gender-sensitive development impact.
- **Needs of the recipient** defined as "vulnerability and financing needs of the beneficiary country and population" had the following coverage areas: vulnerability of the country; vulnerable groups and gender aspects; economic and social development level of the country and the affected population; absence of alternative sources of financing; need for strengthening institutions and implementation capacity. (In the initial draft of the decision provided by the Secretariat, there was reference to "income levels of affected population" which was resisted by several developed country Board members which led to the alternative formulation of "economic and social development level of the country and the affected population.")
- **Country ownership** was defined as "beneficiary country ownership of and capacity to implement a funded project/programme". The coverage areas were existence of a national climate strategy; coherence with existing policies; capacity of implementing entities, intermediaries or executing entities to deliver; engagement with civil society organizations and other relevant stakeholders.
- **Efficiency and effectiveness** was defined as "economic and, if appropriate, financial soundness of the programme/project. The following were the coverage areas: cost-effectiveness and efficiency regarding financial and non-financial aspects; amount of co-financing; programme/project financial viability and other financial indicators; and industry best practices.

Sticking points

There were divergences among Board members on some issues such as whether income levels should be considered at all; some members were keen on including the size of the population as a criterion; there were suggestions on adding a new criterion called "sustainable development" and removing the "financial viability criterion" which was initially suggested in the Secretariat paper.

Discussions on income level were quite contentious, with strong views. An option that was considered was on the development level of a country and eventually, agreement was reached on the "economic and social development level of the country and the affected population" as one of the coverage areas under the "needs of the recipient".

On the operationalization of the IF, Board members reiterated the need for coherence with other decisions and the need for the framework process to be closely linked to the initial approval process.

There were serious divergences also on how to treat funding proposals coming from developing countries to the Fund and developed countries led by the US that stressed the need for a comparative method to be adopted and also for a 'scoring' and 'weighting' approach in relation to the respective criteria for considering funding proposals.

The US said that to effect paradigm shift, it is important that the GCF receives the best proposals from all over the world, and for that to happen, there needs to be methodologies for ensuring competition among comparable groups of countries against a standard, prioritized list of requirements or criteria.

There was no direct reference to 'weighting' or 'scoring' in the final decision adopted. A compromise reached was for the Investment Committee (of the Board) to submit for consideration at the next meeting, with technical support from the Secretariat and other stakeholders, "identification and comparison methodologies, that enable the Secretariat to assess the relative quality and innovativeness of comparable proposals in comparable circumstances…"

These decisions were arrived at following several rounds of iterations and interventions by Board members at the plenary and in small groups. Following are some of the key interventions across the four days of the meeting:

Zaheer Fakir (South Africa) said that the IF is an important document and would tell people what the GCF finances and why it does so. Speaking passionately, Fakir said, "We talk about transformational changes and paradigm shift. We want to change the traditional. We want to go where commercial financiers dare not go. We are here to finance also those countries that are excluded from the mainstream finance. We want to crowd in action where inaction is the comfort zone. We are here to put the world on a path of low carbon development. This document doesn't reflect those ideas," he said. He also said that it seemed to him that loans from multilateral development banks (MDBs) were being made more attractive. He asked the Board to look at the recommendations of the Private Sector Advisory Group (PSAG) to effect behavioural change at the intermediary level. Responding to the provision in the paper that only revenue generating activities intrinsically financially sound would be supported through loans by the Fund, he asked, "If it were financially sound, why should it come to the GCF? He said the Board must think of these things.

Tosi Mpanu Mpanu (Democratic Republic of Congo) said there were significant differences on indicators to assess investments; and for a coherent approach to investments, the indicators must be synthesized. He said that investment opportunities that increase country ownership must be given priority, and an investment facility should be developed for the private sector. Referring to the criteria, he said in considering the level of indebtedness of a country, the GCF must ensure that the country is not made more vulnerable. One must not just focus on economic efficiency because it would be counterproductive for adaptation, which is multidimensional and cannot be disaggregated to a single rationale. He pushed for the income level of a country to be included as a coverage area under the 'needs of the recipient' criterion.

Omar El Arini (Egypt) said he did not find linkages with other processes under the UNFCCC with the GCF and there should be coherence. He said the concept of incremental costs is missing from the document and that the Fund must provide for mitigation and full costs for adaptation. He

called for the inclusion of non-revenue generating activities rather than just the revenue generating activities mentioned in the paper. On the proposed criterion "needs of the beneficiary country/alternative funding sources," he asked who would determine the income level and would this border on impinging on the sovereignty of the country. He wanted to know how the economic efficiency criterion be calculated. "A tonne of GHG reduced per dollar?" he asked and wanted to know if this was easy to quantify or grade. After raising all these questions he said it would be prudent to stick to the Governing Instrument of the GCF rather than introducing foreign terms.

Patrick McCaskie (Barbados) called for further elaboration of the paradigm shift potentials criteria, and added that another criteria for compliance with adaptation should be added.

Sergio Serra (Brazil) said the criterion on economic efficiency did not work and that it should be a sub-criterion.

Liang Ziqian (China) said he had concerns about grouping countries because it was not the right way to approach investments, and would be complicated. He said he supported competition, but in a good way, which emerged by understanding the need for fairness and balance. He added that GCF is part of an international effort and so we need to set practical targets to maximize the potential for paradigm shift.

Ayman M Shasly (Saudi Arabia) was against the inclusion of income levels of the recipient country. "How low is low, how high is high? We do not accept the World Bank's income categorization," he said.

Jan Cedergren (Sweden) said the criteria should be understandable and measurable, and suggested changes to the criteria and sub-criteria (which was later changed to coverage areas). Under the adaptation project allocation criteria, he suggested having the income level of countries and development potential to be the sub-criteria. Referring to the paradigm shift potential criteria, he cautioned against getting into large scale perspectives, but to have a Fund with diversity, different size and time horizon to deal with different types of projects that can promote paradigm shift in different ways.

Norbert Gorissen (Germany) iterated that the definition of paradigm shift potential criterion was not sufficient since it did not differentiate between mitigation and adaptation. He reminded the Board that the IPCC had issued scenarios to limit temperature rise beyond 2°C and for that, investments for renewable energy and energy efficiency need to increase dramatically. Investments should be guided accordingly, he said. Echoing a point raised by the civil society, Gorissen said that the GCF should not fund any fossil fuel related activities and this could be reflected in the decision.

Leonardo Martinez (USA) said the IF must be compatible with the Results Management Framework and project approval process. He wanted the Board to discuss how to operationalize the competition idea (in the consideration of funding proposals), saying in the investment sector, "competition is part of the DNA". He wanted to know how to make sure that the competition is fair, given the reality that adaptation is all about incentives and on the mitigation side, one of the elements for paradigm shift is market transformation. On a "philosophical" note, he said that in the past the world has faced development challenges, but the problem of climate change was different. It called for new systems to reach farmers, to reach power plant generators, and to the society at large. The GCF is more than just about funding, he said, adding that it was meant to take technology to places where it does not exist and to add new technology. "That is why we are inviting the best proposals from all over the world," he said. For that to happen, the methodologies should be compared among comparable groups. The GCF needs to have an ability to compare proposals based on quality and that he saw as the only way to be able to tackle the problem.

Rod Hilton (Australia) reiterated the need for the IF to be coherent with other related documents and said the issue of competition needs to be thought through.

Kentaro Ogata (Japan) said the relationship between investment policy and approval process is important, and was concerned over how a competitive process would work for a private sector facility. He reiterated the need to have the right set of criteria and sub-criteria. On the needs aspect, he said the focus should be on all financing resources and not jut ODA (Official Development Assistance). He wanted to know if a small share of ODA would indicate a gap in financing or that a country has graduated from receiving ODA? He said the GCF should not crowd out public financing in recipient countries.

Per Callesen (Denmark) said decision on the IF would determine if the GCF would be different from the other funds because this will send out strong signals of what are the policies the GCF is looking for when it is funding. He stressed on the need to make a distinction between public sector and private sector issues since some issues could be more specifically targeted in the private sector facility

Arnaud Buisse (France) said paradigm shift is key. He encouraged the Investment Committee to work on the methodology of the criteria. Competition has to be fair and there needs to be consideration of country groups and sectors, he said. The issue of blending needs to be coherent with the risk management framework. He suggested an exclusion list of sectors to be clear on the areas that the GCF would not fund.

Henrik Harboe (Norway) supported US suggestion on weighting. **Adam Kirchknopf (Hungary)** said the criteria should go beyond looking at the income level of the affected population, and include the general income level of the recipient country. He advocated for a rating system and added that it would be different for LDCs and higher income developing countries.

TWN Info Service on Climate Change (Jul14/01)
4 July 2014
Third World Network

Green Climate Fund: No concrete pledges in resource mobilisation meeting

Oslo, 3 July, (Meena Raman) – The first meeting to mobilise resources for the Green Climate Fund (GCF) did not see any concrete pledges of funds from interested contributors. It did not even result in setting a target or scale of ambition for the amount of resources to be mobilised, despite strong calls from both developing country governments and civil society participants during the meeting.

The one and a half day meeting of "interested contributors" for the initial resources mobilisation for the GCF was held in Oslo, Norway, on 30 June-1 July and was hosted by the Norwegian government. Welcoming remarks were made by Norwegian Minister of Foreign Affairs, Mr. Borge Brende, and the Minister for Climate and Environment, Mrs. Tine Sundtoft.

Senior officials from 24 developed and developing countries interested in contributing to the Fund attended the meeting, as well as the Co-chairs of the Board of the GCF (from the Philippines and Germany) who opened the meeting. Also in attendance were four representatives of the Board (two developed/two developing countries), the Fund's Executive Director and two active observers of the Board (one civil society/one private sector member).

The meeting selected Norway's Henrik Harboe, Director of Development Policy, Ministry of Foreign Affairs, to chair the session. Harboe is also a member of the GCF Board. The meeting took place just weeks after the GCF Board decided to start the resource mobilization process at its meeting in Songdo, Republic of Korea, on 21 May this year. The initial resource mobilization (IRM) process is to ensure the initial capitalization of the Fund.

Observers to the Oslo meeting had hopes that interested contributors from developed countries would indicate some firm commitments to the Fund, but these were dashed. Many expressed disappointment along the corridors after the meeting ended.

In response to strong calls from developing countries to indicate some ambition on the scale of the resources to be mobilised and to set some target, several developed country delegates expressed that they did not have the political mandate at the meeting to give any indication on the "numbers" and that any pledges of funds will only be possible at the forthcoming Climate Summit in New York in September (convened by UN Secretary General Ban Ki-moon) or at the final pledging meeting of contributors as part of the IRM process in November, at a venue which is yet to be decided.

The Oslo meeting was seen by developed country contributors as a "technical" session to sort out issues relating to the scope and timeline of the collective engagement process; the policies for contributions, the template for legal agreements of contributions; consideration of a document about the Fund called 'programming document'; outreach to other potential contributors; and the next steps, including on facilitation arrangements for the IRM process.

The main outcome of the meeting was agreement on the selection of a facilitator and an eminent person to help with the IRM process. The names are not to be disclosed until the persons have accepted their assignments.

The meeting chairperson, Harboe, in summarising the discussion on the scale of the resources, said that all participants want to maximise resources to the GCF and there is agreement that the scale of resources is crucial. He added that all earlier commitments stand, referring to the US$100

billion per year by 2020 which was agreed to by Parties to the UNFCCC in 2010 in Cancun, Mexico, including the decision adopted in 2013 in Warsaw, Poland. (The Warsaw decision urged developed countries to maintain continuity of mobilisation of public climate finance at increasing levels from the fast-start finance period of US$30 billion from 2010 to 2012, in line with their joint commitment to the goal of mobilizing US$100 billion per year by 2020.)

Where there is disagreement, said Harboe, was on strategies to get there (to the US$100 billion goal). On how to reach targets, he said one group of participants (from developing countries) expressed that having very ambitious scenarios and a number will focus countries to do more while others (from the developed countries) think that the process has to start with the "technical stuff and parameters" and then to go back to their political masters (on reaching the targets). He added that several delegates at this meeting had "technical mandates" and they could not be pushed on the "numbers". He said that the meeting in November is the time for "maximum pledging" and that the Oslo meeting and another planned in September are to prepare for that.

Harboe added that the role of the eminent person was to find out from each Party what their "first bid" and "range" of contribution would be, as each country would not be willing to say what it is willing to do without knowing what the other is contributing. Hence, it is for the eminent person to help Parties and create the dynamics to get everyone towards the scale for significant resources to the Fund.

Norwegian Foreign Minister Brende in his welcome remarks, stressed the importance of the GCF for multilateral climate financing in the coming years. There are high expectations, he said, and hoped for "monumental pledging and commitments" during the forthcoming General Assembly meeting in New York (referring to the Climate Summit). Stressing that "actions speak louder than words", the Minister said that Norway will provide GCF with funding, and an announcement will be made in New York by its Prime Minister. He added that the objective is to finalise commitments to the IRM process by the UNFCCC meeting in Lima, Peru at the end of the year. Brende further stressed that there will not be a legally binding agreement on mitigation without commitments on finance and that this was a prerequisite for the global commitment, referring to the 2015 agreement to be concluded in Paris under the Durban Platform.

Norwegian climate change Minister Tine Sundtoft said that the purpose of the GCF is to make an ambitious contribution to combat climate change and to do that, it needs to be different from other funds and has to reach a larger scale. She echoed the words of Christiana Figueres, the Executive Secretary of the UNFCCC, that mobilising resources for the GCF was "an iconic issue of trust building" in the negotiations and added that the Paris deal is only possible with resources in the GCF.

In opening the meeting, Board Co-chair Manfred Konukiewitz (Germany) delivered some key messages: that the GCF is the cornerstone of the 2015 global deal in Paris; the timeline for the IRM is important and tangible success needs to be seen in the process before the Lima Conference; contributions will also be welcome after Lima but participants need to be mindful of the timeline; there also needs to be ambition on the scale of contributions so that the GCF can focus on results and impacts. He stressed that there could be no outputs without inputs.

Board Co-chair Jose "Joey" Salceda (the Philippines) at the opening of the session stressed the importance of the GCF to the developing countries who are already paying the price of climate impacts and face daily survival challenges. In a later intervention during the meeting, in response to the United States who had pleaded for the understanding of participants on the difficulty of having a numerical target for the GCF to mobilise resources, Salceda said it was a discomfort that developing countries like the Philippines must indulge the plea for understanding by the developed countries in

avoiding the issue of scale. He referred to how Typhoon Haiyan (in 2013) impacted losses of US$12 billion on the Philippines and that his province is spending 11% of its budget to make development resilient and ensure there is no casualty during disasters. "No matter how we try to avoid discussions of scale, we cannot avoid the voices of the poor who have died from climate disasters that visit my country year after year," stressed Salceda. He added that the GCF was created to overcome the shortcomings of the current climate finance efforts. Without any signal on the scale and ambition of the resources that will be committed to the Fund, the success of the climate talks in Lima and Paris will be in jeopardy, he said.

Hela Cheikhrouhou, the Executive Director of the GCF in her remarks with a power point presentation, showed how the GCF could promote the paradigm shift to low emissions and climate resilient development, highlighting the possible strategic impacts and list of result areas of the Fund. She stressed that with the GCF, it is possible to buy down upfront costs, provide easy cash flows and take higher risk tolerance in supporting investments. She added that it was possible to save trillions tomorrow by investing in billions today.

On scale of resources and scenarios

During the discussion on the document on the Fund's programmes, Rodrigo Rojo, the Board member from Chile said that the most important information needed is the size of the funds which was missing in the document. Responding to several developed country delegates who said that there is no need to produce programming scenarios based on different IRM scenarios, he stressed the need for a clear size of the Fund.

The delegate from Indonesia also iterated several times that there is need for programming scenarios based on the short-term, medium-term and the long-term needs. Knowing the scale of resources is important for determining his country's contribution to the IRM process, he added.

Dipak Dasgupta, the GCF Board member from India also stressed the need for clarity on the scale of the resources and added that contributors must give a clear sense of what is their minimum threshold. Dasgupta said that the issue of scale will surface again at the next meeting in September. If this is not resolved by the time the Board meets in October, it will not be informed about what is the likely outcome of the IRM process. He was of the view that this approach was a set up for failure. At some point of time, there is need to narrow down the range of the level of resources and to talk about it openly early in the process. He said delegates owed it to the GCF's functioning without waiting for the outcome in November.

Similar views were also expressed by Mexico and South Africa.

The delegate from France in response said that this was a technical meeting and the political momentum is around the UN Summit (in September). The mandate here is to discuss technical issues in relation to the pledging session. The representative from Germany also said that issue of scale of resources is complex and that the meeting is about technical issues which are distinct from the political process.

The United States representative said that the reluctance on having an indication of the scale resources or for scenario planning is not about its lack of commitment to contribute to the Fund. There is need to understand the difficult fiscal environment of the country. Its pledge has to do with sensitive negotiations, and is a very delicate political process. "Having numbers from outside" will not help the process.

The United Kingdom delegate said that he did not have instructions (to indicate any number) as he was only dealing with the technical level. He said that politicians will reserve that (in reference to giving any target) for themselves.

The Japanese delegate said that the IRM process is separate from a formal replenishment process. He said that what was clear is that the aim of the IRM is to be finalised by November but the end date is actually open-ended. He said delegates need to prepare for the maximum amount of pledging and should not be having non-

technical discussions, referring to discussions about the scale of resources.

On the terms of reference for the facilitator and eminent

On the terms of reference for the facilitator and the eminent person, the Oslo meeting Chairperson Harboe reflected some ideas as follows: for the facilitator, the person needs to have a deep knowledge about resources mobilisation; possess diplomatic and negotiation skills; and has experience in chairing international processes. The facilitator is to chair the IRM process and conduct communications with Fund contributors for a timely outcome and will work closely with the Executive Director of the GCF. As for the eminent person, among the criteria the person should be well connected to governments and political leaders, and should be able to engage with the contributing countries.

Policies for contributions

On the policies for contributors, among the issues raised were options to allow a limited amount of earmarking of funds instead of a complete prohibition against it; to have more clarity regarding paid-in capital contributions; exchange rate risks; issues around the uncertainty of when a permanent trustee would be selected with some contributors from developed countries suggesting a possible extension of the current interim trustee arrangements (the World Bank is the interim trustee for now).

While several delegates from developed countries wanted to have some flexibility in allowing for a limited amount of earmarking, the delegate from Sweden did not support the idea of earmarking saying that this was not a good idea.

The delegate from the United Kingdom also raised the issue of decision-making in the GCF Board which is working on the basis of consensus. He said while there were advantages and disadvantageous in this regard, he said that voting arrangements should be looked at and wanted recommendations to be made for the Board to decide. He wanted to address the relationship between contributions and voting and called for an information note in this regard. This was supported by the United States.

In his summary of some of the issues raised, Harboe said that several participants had raised concerns about the prohibition against earmarking and called for flexibility. He said that some had suggested if there could be a guarantee that a major share of the funds are un-earmarked, this can then limit the flexibility. Several delegates also wanted clarity on how to deal with resources coming from the private sector and the role of the Private Sector Facility.

The Board member from Chile, Rodrigo Rojo, raised concerns that matters that were already resolved by the GCF Board (on earmarking) were now being reopened at the meeting.

TWN Info Service on Climate Change (Sept14/01)
12 September 2014
Third World Network

More financial pledges forthcoming for Green Climate Fund

Bonn, 12 Sept (Meena Raman) – Many interested contributors from developed and some developing countries have indicated that they will be making financial pledges to the Green Climate Fund (GCF).

These pledges will be made either on 23 September in New York (at the United Nations Secretary-General's Climate Summit) or latest by November 2014, when the first formal pledging conference is scheduled to take place.

These indications were made at a second meeting to mobilise resources for the GCF – termed 'Initial Resource Mobilisation' (IRM) – which was held in Bonn, Germany fon 8-9 September. However, no target was set on the scale or size of the funds for the GCF's initial capitalisation.

Board members from developing countries at the meeting expressed concerns if these pledges will be conditioned on: (i) whether decision-making procedures in the GCF Board (in the event of a lack of consensus) will be by voting linked to contributions, and (ii) if the World Bank will continue as the interim trustee for the IRM period (proposed by the IRM meeting to be from 2015 to 2018.)

The issue of voting and the interim trustee arrangements were among two very contentious issues at the IRM meeting between mainly developed country contributors and the developing country Board members. Another issue of controversy was whether the earmarking of funds or targeting of contributions by funders to specific areas of preference should be prohibited or be limited. (See further details below).

More than 20 governments, represented by their senior officials, attended the IRM meeting. Also in attendance as observers were the Co-chair of the Board of the GCF from Germany and four representatives of the Board (two developed and two developing countries), the Fund's Executive Director and two active observers of the Board (one civil society/one private sector), with the Third World Network representing civil society organisations (CSO).

While the German government reaffirmed its pledge of up to US1 billion (Euros 750 million) to the GCF which would be in the form of grants and that are not earmarked, other countries, including the United States, France, Sweden, Switzerland, Finland, the Netherlands, Denmark, Norway, the United Kingdom and Italy confirmed their intention to make pledges by this year without indicating a definitive figure.

Many of the potential contributors also said that their pledges will be in the form of multi-year grants for multi-years (perhaps for 4 years from 2015-2018), and will be un-earmarked.

Germany also clarified that its pledge was for 4 years, while "concrete encashment" will be in accordance with "normal programme development within 9 years." France did indicate that while a majority of its pledge will be in grants, there will be a share as loans as well.

The US expressed hope that its pledge would be "significant" and that it will make this known in November, "with a high degree of probability that it would all be grant contribution". It added that it was "important to develop a Fund that has all the characteristics to make that investment."

Other countries from the OECD such as Mexico and South Korea as well as developing countries (Peru and Colombia) also indicated their intention to make contributions to the Fund.

While expressing acknowledgement for the significant efforts being made by developed

countries, developing country Board members from Zambia and Cuba emphasised the need to have an idea of the scale of the resources needed for the Fund.

David Kaluba of Zambia said that it was important to have an idea of the scale of resources needed for the GCF to undertake the paradigm shift required. He said that billions of dollars are needed and the challenge is to reach significant resources.

Echoing the sentiments of Kauba was Jorge Ferrer of Cuba, who said the GCF needed clarity on the scale of resources required and the need for urgency to have pledges by November this year. He added that there is need to set a floor or minimum amount on the scale of resources to the GCF for the sake of predictability and clarity.

The CSO representative from Third World Network, while expressing encouragement over the signals by interested countries to make pledges to the GCF, also voiced disappointment that there was no effort to reflect an ambition level or scale of the target of resources for the Fund. She said that high ambition was needed on the scale of resources for the Fund for the required transformation in developing countries.

The delegate from Norway, in response, said that while all developed countries are committed to meeting the US100 billion target as climate finance (by 2020), it was not clear what share of this goes to the GCF. He added that this depends on the Fund's "efficiency" and expressed hope that the pledges to the GCF will lead to significant amounts.

The meeting was facilitated by Ambassador Lennart Bage of Sweden (who was former President of the International Fund for Agricultural Development).

Christiana Figueres, Executive Secretary of the United Nations Framework Convention on Climate Change (UNFCCC), in her opening remarks to the participants said "the defining issue for the meeting of Parties in Lima, Peru (end of this year) is the effective and timely initial capitalisation of the Fund". She added that this will "set the tone", including "for the emergence of a draft text for Paris", referring to the new 2015 climate change agreement to be concluded. It is the "bellwether of trust" for Parties, stressed Figueres, who recalled the agreement since the Copenhagen meeting 5 years ago to mobilise the US100 billion per year by 2020 in climate finance for developing countries.

Decision-making and voting

Several contributors, including from the UK, US, Norway, Sweden, Switzerland, Germany, the Netherlands, France, Spain and Japan, wanted to recommend to the GCF Board to develop procedures for adopting decisions in the event that all efforts at reaching consensus have been exhausted. While stressing the importance of consensus being the best form of decision-making, several of them expressed the view that voting should be linked to contributions and they wanted this issue resolved before the pledging conference in November.

(The current rule that has been agreed to by the GCF Board is to arrive at decisions through a consensus. The Board has not reached agreement in developing procedures for the adoption of decisions in the event all efforts at reaching consensus have been exhausted.)

The US said that there is "an expectation by those who contribute that they will have a say in decision-making." Switzerland also said that the issue of voting needs to be sorted out by the Board as to whether voting should be linked to contributions or not. Norway said that decision-making linked to contributions was important and was an incentive for contributions.

Kaluba from Zambia in response to the proposals said that he had no problem sending a recommendation to the Board for having a decision on voting in relation to decision-making but what he had problems with is that this becomes "a condition for pledging". He said that he "was hearing that the Board has to take a decision on voting in October (at the Board's next meeting) or no resources will come." He said that the "goal posts are shifting", referring to more conditions being imposed before resources are mobilised for the Fund.

(The GCF Board had last year agreed to 8 essential requirements to receive, manage, programme and disburse financial resources. These requirements had been completed in May this year, paving the way for the commencement of the initial resource mobilisation for the Fund.)

Ferrer of Cuba remarked that insisting on a Board decision on voting procedures as a pre-condition for pledging amounts is "imposing a 9th condition" for the mobilization of resources. He also strongly objected to any decision-making procedures in the Board that is linked to the contributions of countries. He said that voting should not be linked to monetary concerns but must respond to the principle of equality.

The CSO representative also expressed opposition to allowing for voting on the Board which is linked to the contributions of countries, saying that this would lead to undue influence in decision-making by those who contribute to the Fund.

Following the exchanges, the potential contributors agreed to the following which was reflected in a document called 'Proposal for the policies for contributions to the GCF':

"Decision-making is seen by interested contributors – developed and developing countries - as key to the ability to mobilize resources. Against this background, interested contributors recommend to the Board that the Fund develops procedures for adopting decisions in the event that all efforts at reaching consensus have been exhausted consistent with paragraph 14 of the Governing Instrument.

Consensus should remain the preferred principle for decision-making. Formal decision-making in the event that all efforts at reaching consensus have been exhausted can only be a measure of last resort. Interested contributors recommend to the Board to ensure that any decision-making procedure reflects a balanced partnership between developing and developed countries taking into account the following principles:

(i) Each Board Member will participate in voting;

(ii) Link with contributions; and

(iii) Qualified majorities depending on the type of decision.

(g) Interested contributors recommend that the Board should decide the principles of decision-making in the absence of consensus at its eighth Board meeting in October 2014."

Interim trustee

The interested contributors also wanted clarity on the trustee arrangements. The World Bank has been serving as the interim trustee of the GCF. (The Governing Instrument of the GCF states that the World Bank will serve as interim trustee for the Fund, subject to a review three years after the operationalization of the Fund.)

In issue at the meeting was when the Fund was operational.

Germany wanted reassurance that there is no disruption of trustee services and the need for its continuity. This sentiment was shared by many interested contributors and they wanted a recommendation to be made to the Board for its consideration.

Both the Board members from Zambia and Cuba stressed that the Board was handling the issue of the interim trustee, as this matter was on the agenda of its next meeting and that there has to be confidence that it will ensure a credible decision. Ferrer (Cuba) said that the IRM process should refrain from micro-managing the Board.

The Co-chair of the Board, Manfred Konukiewitz (Germany) said that the date of operationalization of the Fund is for the Board to decide and not for the World Bank.

The US delegate said that it was important to ensure that the World Bank's status is extended to cover the period of the IRM and not just the pledging period, as there needs to be assurance that the existing trustee is there for the first disbursement. This view was also shared by the Netherlands.

In response, the Zambian Board member Kaluba asked what the period of the IRM was. The facilitator, Bage, replied that it was from 2015 to 2018. Kaluba then questioned if this means that the World Bank would serve as interim trustee till 2018.

Ferrer (Cuba) also cautioned the meeting against getting into the details of the issue as it is for the Board to address and not for the meeting to decide on any interpretation.

Following further exchanges on the matter, the contributors agreed to the following proposal:

"(i) Interested contributors have an urgent and critical need for clarity and certainty on the continuity in the provision of current trustee services to the Fund during the IRM period. Interested contributors therefore recommend the Board to decide at its eighth meeting: (i) To extend the current interim trustee arrangements; and (ii) To define when the Fund is deemed to be operational."

Targeting contributions

Several interested contributors from developed countries led by the UK, US and Norway expressed the view that some targeting of funds should be allowed as this would enable more resources to come into the Fund. The US in particular was interested in having some of its resources channelled to the Private Sector Facility.

Several other contributors from developed countries including Sweden, Finland, the Netherlands, Denmark and Germany expressed caution against the targeting of contributions or earmarking. Many stressed the importance of ensuring that most of the contributions to the GCF are not targeted or earmarked. They were however willing to consider allowing a limited amount of resources to be targeted.

The Board members from Zambia and Cuba, as well as the CSO representative voiced their objections to this, saying that this was a matter that was previously discussed by the Board and there was no agreement on allowing the earmarking of funds. They also stressed the importance for the GCF to learn from the mistakes of other funds and avoid the targeting or earmarking of contributions.

Following exchanges on the issue, the following proposal was agreed to:

"As a part of the IRM collective engagement process, contributors may request that their contributions be targeted to the Fund's two windows (mitigation and adaption) and the Private Sector Facility. The aggregate volume of targeted contributions to the Fund will not exceed 20% of the total confirmed contributions to the Fund. This will not prejudice future replenishments. The implementation of such targeting will be monitored and reported by the Secretariat."

Other issues

Among other matters which were also addressed by the meeting included policies for grants, loans and capital contributions, liquidity risk management, managing of non-payment of contributions and foreign exchange risk management.

In his concluding remarks, Bage said that the meeting had agreed to 'proposals for policies for contributions to the GCF' which contains recommendations to the Board. There will also be a chair's summary from the meeting. The formal pledging conference will take place on 20-21 November. The venue for this session is yet to be finalised. However, South Korea and Zambia have offered to host this event if needed.

TWN Info Service on Climate Change (Oct14/05)
21 October 2014
Third World Network

Green Climate Fund Board adopts decisions after intense exchanges

Barbados, 21 Oct. (Indrajit Bose) — The eighth meeting of the Board of the Green Climate Fund (GCF) concluded in Bridgetown, Barbados, at around 4 am of Saturday, Oct.18, after a marathon session all night long, well after its scheduled ending on Oct. 17. (The GCF was set up under the United Nations Framework Convention on Climate Change- UNFCCC)

The meeting, held in a lovely beach resort on the island state began on Tuesday, 14 Oct. with a long agenda with 36 topics and sub topics lined up for discussion, which proved grueling and intense for both Board members and observers. Efforts at prioritizing the agenda items did not materialize with diverging views among developed and developing country Board members on what were key issues to be resolved at the meeting.

The meeting was Co-chaired by Ayman M Shasly (Saudi Arabia)and Manfred Manfred Konukiewitz (Germany). Shasly was appointed Co-chair after in place of Jose Salceda, of the Philippines who was unable to attend the meeting.

Among the major decisions adopted by the Board included matters related to policies for contributions linked to the initial resource mobilization (IRM), country ownership, accreditation, trustee arrangements, readiness and preparatory support, financial terms and conditions of grants and concessional loans, additional modalities that further enhance direct access, as well as issues connected to the initial results management framework of the Fund.

Many of these decisions did not come easy as there was a clear divide between developed and developing country Board members over several issues. Board members from developing countries appeared united and fought tooth and nail to ensure that they did not get the raw end of the deal. Many of the developing country Board members made strong and impassioned statements that drew much appreciation from many observers who witnessed the powerful exchanges via a video screen from the overflow room next to the Board meeting room.

Among the topics that saw the most intense exchanges among developing and developed country Board members were policies for contributions under the IRM process that included a proposal on decision-making by the Board to allow for voting, linked to contributions in the event consensus could not be reached. Another related issue was whether the targeting or earmarking of contributions should be allowed. Developing country Board members were opposed to both these proposals.

In relation to the issue of targeting or earmarking of contributions, after much wrangling, the Board agreed that this approach would not be adopted. On the issue of decision-making, it was agreed that the Board will develop procedures for adopting decisions in the event that all efforts at reaching consensus have been exhausted and the Secretariat was tasked to develop options for the consideration of the Board at its first meeting in 2015.

Below are some highlights of the exchanges on the issue of the targeting of GCF Funds and that of decision-making.

Targeting of contributions

Targeting of contributions was a major bone of contention under the policies for contributions discussion. In the annex to the proposed decision for the Board's consideration, it was mentioned that the aggregate volume of targeted contributions to the Fund would not exceed 20 per cent of the total confirmed contributions to the

Fund. The GCF Secretariat would monitor and implement such targeting and this would not prejudice future replenishments, read the annex.

Shasly (Saudi Arabia)in his capacity as a representative from the Asia-Pacific region, said that he was not in a position to consent to the decision. He suggested removing the paragraphs that talk of earmarking 20 per cent of the funds received.

Leonardo Martinez-Diaz (United States) said these are key policies to make financing key and objected to removing the paragraphs corresponding to earmarking of funds. To this **Shasly** responded that the contributions to the Fund are not to be earmarked. He added that the Board decides where the funds go there is no way for a contributor to say where the contributions should go whether to a certain country to a certain project. He wanted the notion of earmarking removed.

Bernarditas Muller (Philippines) added that targeting of contributions do not conform to the decisions taken in the past. She received support from **Gabriel Quijandria (Peru)** who saidthat earmarking at this stage is not the best decision to have. **Jorge Ferrer (Cuba)** said that it was not acceptable to pre-assign 20 per cent of the money of the Fund (to specific targets).

To resolve the impasse, **Zaheer Fakir (South Africa)** proposed changing the targeting paragraph. His proposal read: "The individual and the aggregate volume of targeted contributions to the Fund would not exceed 20 per cent of the total volume of the confirmed targeted contributions; thus it will not prejudge, nor set a precedent for future replenishment. The monitoring and implementation of such targeted contribution will be done by the Secretariat, thus ensuring 50 per cent targeted contribution towards mitigation and adaptation."

Martinez-Diaz (US) responded by saying the financial terms for contributions were crafted by contributors "with great care to leverage funds" and he could not go along with the proposal.

To this **Ferrer (Cuba)** made an appeal that Fakir's proposal was a compromise. "It is a great departure from our part… but this is as far as we can go," he said firmly. **Fakir (South Africa)** added that developing countries are showing the flexibility to pilot something new and he was looking for flexibility from the others.

Norbert Gorissen (Germany) responded that Fakir's proposal could not be accepted since the document (on policies for contributions) had been prepared "not by a sub-group of the Board, but by a much larger group of people" (referring to the potential contributors to the Fund) and it is not possible to change the document "without consulting with the others".

At this point, close to midnight of Thursday, Oct. 16, the meeting on this agenda item was suspended. It was taken up the next day with the General Counsel of the GCF saying that the policies for contributions have legal implications and if the Board did not decide on the policies, contributors would not be able to enter into contribution agreements.

David Kaluba (Zambia) said that it was not right to use pressure to get this and the members should try and reach consensus on the issue. **Omar El-Arini (Egypt)** disagreed with the interpretation of the General Counsel and said that the policies for contributions are crafted by the Board and would be in response to the recommendations that come from the IRM process. This had nothing to do with the authority to sign contribution agreements and there are no legal implications. **Ziqian Liang (China)** supported Arini and added that not taking a decision would not impact on contribution agreements.

Fakir (South Africa) added his voice to the debate and said, "It seems what we are being told is, as a Board, some other group of people are sending you something and telling you that you will accept it and if you don't accept it you wont get any funds." Referring to the contributors, he said that a body that is not formally mandated was effectively rendering them with no choice and they were wielding the power just because they have a "cheque book". "If that's the case, why bring a

decision to us. We have shown flexibility. We are not prepared for this situation. When the commitment of USD 100 billion (referring to a decision of the UNFCCC where Parties agreed to mobilise this amount by 2020), there was nothing on earmarking," said Fakir.

Muller (Philippines) said that these recommendations proposed "in effect are take it or leave it." "This is totally against the guidance provided by the Conference of Parties (COP) to the UNFCCC," she added. She stressed that developing countries were not talking about charity or aid. "What about the 50-50 allocation to mitigation and adaptation? How will you do this if you target 20 per cent to give to whatever you like. These recommendations are forcing the Board to be incoherent with its own decision on allocations, she added further.

At this point, about 1 am on Saturday, Oct.18, the Board took a break to try and resolve the impasse informally, out of the plenary setting, but to no avail. Developed country Board members continued to express concerns about agreements with contributors and about the impact of a lack of a decision on policies for contributions on the forthcoming formal pledging conference for the GCF to be held in November in Berlin, Germany.

Kaluba (Zambia) made an impassioned plea about resolving the issue. "Climate change affects all of us. We have a responsibility to do something to serve this planet before it disintegrates and collapses. We are insisting on an element that is not significant towards helping us resolve the problem. It is about politics; about the rich versus poor. It is about me against you and about what I can do with my money. This is very sad. Take out targeting," said Kaluba, as the mood in the room began to change. Kaluba continued, "We will tell the world we never resolved the problem because some people insisted on the targeting of their funds. We cannot continue like this."

In response, **Martinez-Diaz (US)** repeated the argument about the document on policies for contributions being "carefully crafted" by contributors and suggested the matter should be suspended. **Muller of Philippines** added that this discussion should be reflected in the COP as it happened.

Martinez-Diaz (US) thencame up with another proposal to resolve the issue that said that there be a 50 per cent cap for individual contributors. This proposal further incensed the Board members and **El-Arini (Egypt)** referred to the discussions as "horse-trading". He said that "50 per cent or 20 per cent or 10 per cent…the idea is to have no earmarking."

Kaluba (Zambia) retorted and supported Arini and **Fakir (South Africa)** came up with a fresh proposal. He said that the Board members had agreed on most of the contents of the document. "We could completely move away from earmarking or we could haggle with percentages. We suggest we stick to 90 per cent of the document that we agree on and delete any other language on what we don't agree on," he added.

Dipak Dasgupta (India) added his voice, lending support to Fakir. In a last ditch attempt Co-chair Manfred Konukiewitz (Germany) said that Fakir's proposal seemed promising and that he wanted the Board to take a decision. He refused to entertain any further deliberation on the subject.

With no further protest from the developed country Board members, the reference to targeting or earmarking of contributions to the Fund was deleted from the policies document.

Decision-making

The document on policies for contributions referred stated that in the event decision-making by consensus had been exhausted, the Board could resort to voting linked to contributions. The developed countries wanted voting to be linked to contributions for more "discipline" according to **Andrea Ledward (UK)** and **Martinez-Diaz (US)**; for mobilizing more "finance" said **Shuichi Hosoda (Japan)** and to serve as an "incentive" said **Irene Jansen (Netherlands)**.

Developing country Board members were against any reference to voting or link with contributions, as this would mean a departure from the established practice of

consensus.

Ferrer (Cuba) said that voting linked to contributions would be an unfair process. **El-Arini (Egypt)** added that it is a red line for developing countries to link voting to pledging or contribution. **Liang (China)** reminded that the Fund is not a company, nor a bank. "It is a public good and we should not link the decision-making process with contributions," said Liang. **Muller (Philippines)** reminded the Board that the GCF is an operating entity of the financial mechanism of the Convention and consensus is the way. She added that the rules of procedure of the GCF do not lay down voting as a principle and it is for the Board to decide what to do when all efforts in achieving consensus fails. **El-Arini** and **Muller** suggested putting this issue on the agenda of the Board meeting next year.

To developed countries arguments that this was important for contributors to pledge resources to the Fund, Muller asked ifadditional conditions were being placed on developing countries in order to moblise resources for the Fund. (At The 8th meeting of the Board in Songdo, South Korea, eight essential requirements had been agreed to as a pre-requisite to mobilise resources for the Fund).

Fakir (South Africa) said that for any institution to be effective, decision-making has to be the cornerstone. He said he took grave offence to the reference that decision-making is for more contributions. "It sets a very, very bad precedent. All countries must be valued equally and be treated equally whether they pay or not. We don't want a headline in the media saying: GCF votes for sale," said Fakir.

Dipak Dasgupta (India) said that the world had rejected plutocracy a long time ago. "Vast numbers of societies and organisations are ruled by consensus and there are multiple ways in which consensus can be reached. I don't see how in this day and age we are seeking to ask the Board, a public organization, to depart from a system of consensus which is an established, democratic form of governance," said Dasgupta.

Kaluba (Zambia) asked why decision-making was not being linked to the vulnerability of countries. "If you want to kick out the voice of the small countries, go by voting and link it to contributions. Then we are out of the process and we will say the most vulnerable are not part of decision-making process of the Board. On the other hand, let's put it that the most vulnerable countries must have specialized voting rights. If you put it in there, we shall accept it," said Kaluba.

Patrick McCaskie (Barbados) said an organization such as the GCF should be an ethical organization. "I cannot go home to my wife and say that I contribute the most and hence I have a certain share in decision-making. I will be thrown own. Similarly, it cannot be that as developed countries contribute more, they have more say in the process. If this decision sails through, it will be quite unfortunate," said McCaskie.

After several hours of discussion on this, it was decided that that the decision of the Board would be taken by consensus and that the *"Board will develop procedures for adopting decisions in the event that all efforts at reaching consensus have been exhausted". The Board also requested the GCF "Secretariat to develop options for procedures for adopting decisions in the event all efforts at reaching consensus have been exhausted for consideration by the Board at its first meeting in 2015 taking into consideration ...(the previous) Co-chairs' non-paper on voting procedures."* (This non-paper provides options based on double-weighted decision making systems).

(Further articles on other issues will follow).

TWN Info Service on Climate Change (Oct14/06)
22 October 2014
Third World Network

GCF agrees on 'no-objection procedure' for funding proposals

Bonn, 22 Oct (Indrajit Bose) — The Green Climate Fund (GCF) Board reached an important decision that enables the Board to only consider funding proposals that are submitted with a formal letter of "no-objection" from the country concerned.

The no-objection procedure was a sub-item of the agenda of the 8th meeting of the Board in Bridgetown, Barbados under the issue of 'country ownership' and had been a very 'sticky issue' for the Board over which developed and developing country Board members had been unable to reach agreement for a year. Hence, the resolution of this issue in Barbados was seen by Board members and observers as a significant step forward in advancing country ownership. The decision was reached on Saturday, 18 October.

The other major decisions adopted by the Board relate, among others, to trustee arrangements, accreditation, and readiness and preparatory support. The meeting was co-chaired by Ayman M. Shasly (Saudi Arabia) and Manfred Manfred Konukiewitz (Germany).

Highlights of the exchanges on these issues are provided below.

No-objection procedure

On the no objection procedure, **Omar El-Arini (Egypt)** reported back on the discussions of the small group that was dealing with the no-objection procedure wherein he said that they could not resolve the impasse on this issue. "Some feel that every country should submit a letter of no-objection to receive funding from GCF, while others think this should be left to the country concerned to decide the procedure," Arini said.

Bernarditas Muller (the Philippines) said that no-objection is at the heart of the country driven approach. "If you do not have the no-objection, the funding intermediaries will be able to impose their own conditionalities, even their own programmes, on a country," she said.

Ziqian Liang (China) insisted that a letter of no-objection is a must. **David Kaluba (Zambia)** said one cannot receive an investment or aid, unless there is a firm confirmation of no-objection in writing. It is a way of ensuring that demonstrates that a country is not being pushed or pressured, he added. **Jorge Ferrer (Cuba)** supported Kaluba and added that there was a legal risk not to have a no-objection.

Arini (Egypt) said thathe hadproposed a simple no-objection proposal which comprises a letter from the National Designated Authority (NDA) or Focal Point (FP) of a country which expressly states that the funding proposal being submitted to the Board is without objection and that it is in line with the country's national climate strategies. He asked if this was too much to ask and wanted his proposal to be circulated to the Board.

Leonardo Martinez-Diaz (the United States) said it should be left to the countries to choose if they need a no-objection procedure or not and did not agree with the language proposed by Arini.

On the instructions of the Co-chairs, **Arini and Martinez-Diaz** worked on the side-lines of the Board meeting to reach a compromise which initially seemed elusive. On the morning of the final day, Martinez-Diaz reported to the Board of the compromise reached, where a letter of approval must come from developing country governments. They agreed to introduce a further element that in the event that a no-objection letter did not accompany a submission, the Secretariat will request such a letter to be communicated

within 30 days by the NDA. If such a letter is not received, the Secretariat will suspend the submission. The decision reads: *"The Board will only consider funding proposals that are submitted with a formal letter of "no objection", in accordance with the procedure approved in this decision".*

Trustee Arrangements

The World Bank is the current interim trustee of the Fund and the existing trustee arrangement ends in April 2015. In the decision proposed to the Board for adoption, it was stated that the World Bank would continue serving as the interim trustee for an extended period ending three years after the operationalization of the Fund and the Secretariat would initiate "timely action for the review of the Interim Trustee". Options for when the GCF is deemed operational were also presented to the Board for consideration viz. (i) the date of confirmation of the completion of the essential requirements (21 May 2014), or (ii) the date of the GCF pledging conference (20 Nov 2014) or (iii) the effectiveness date for the Fund commitment authority (30 April 2015).

Shuichi Hosoda (Japan) and **Andrea Ledward (the United Kingdom)** said to make a contribution, clarity and certainty on trustee arrangements were required over the entire initial resource mobilization (IRM) period. On when the GCF was operational, **Martinez-Diaz (US)** said the first date did not make sense because the Fund becomes a Fund when there is money in it. He said the effectiveness date should be considered as the operationalization of the Fund and that the US would not show any flexibility on this decision.

Dipak Dasgupta (India) said that it would not help to go into reopening the date at when the Fund becomes operational. **Arini (Egypt)** suggested deleting the proposed decision regarding the operationalization of the Fund.

Kaluba (Zambia) asked why the GCF could not be its own trustee.

Gabriel Quijandria (Peru) was against putting a specific date until when the World Bank would continue to remain the trustee. "The IRM process cannot take any amount of time. Why don't we say up to three years and if selection process is over before three years, the new trustee can assume its role," said Quijandria.

Arini (Egypt) suggested putting a ceiling on the time; that the process of the Fund's new trustee selection must end at the end of 2017.

It was finally decided that the World Bank would continue serving as the Interim Trustee until a permanent Trustee is appointed. *"The process to appoint the permanent Trustee should end no later than the end of 2017, to enable the permanent Trustee to commence its contractual agreement with the Fund no later than April 2018,"* reads the decision adopted by the Board.

The Board also requested the Secretariat to:

(i) "Submit to the Board draft terms of reference for the review of the Interim Trustee, in accordance with paragraph 26 of the Governing Instrument, by the eleventh Board meeting;

(ii) Examine the option for the Fund to provide its own permanent Trustee services, including an assessment of internal capacity requirements to perform this function;

(iii) Develop a list institutions/organizations which could potentially serve as permanent Trustee, including, but not limited to, a synopsis of their experience, costs and qualifications, to be submitted to the Board by the eleventh Board meeting; and

(iv) Develop a methodology for an open, transparent and competitive bidding process to select a Trustee, to be submitted to the Board by the eleventh Board meeting."

Matters related to the Accreditation Panel

A lot of debate took place over the appointment of members of the Accreditation Panel to the GCF Board.

Jan Cedergren (Sweden) informed the Board that a member from Peru had recently withdrawn from the Panel and they were looking for a sixth person with expertise in "fiduciary standards". Of the five members, two are from the UK and one member each

from Austria, the US and Indonesia. Developing country Board members wanted to know why there were not enough candidates from developing country Parties.

Muller (the Philippines) said that it is an important Panel which would affect the functioning of the Board and wanted to know if candidates from developing countries did not have enough expertise. **Liang (China)** said he could not endorse the list of nominated candidates and he said that in a six-member Panel, there cannot be two members from the same country. **Kaluba (Zambia)** reflected on the balance issue and asserted that balance needs to be maintained between developed and developing countries. In line with China's suggestion, **Dasgupta (India)** said the size of the Accreditation Panel could be increased. **Ferrer (Cuba)** said there needs to be an amendment before the draft decision is adopted and also reflected on the imbalance.

Martinez-Diaz (the US) stressed on the importance of having a candidate with a strong background in fiduciary standards. **Irene Jansen (the Netherlands)** argued that while geographical balance is important, that's not the goal and one must focus on merits. **Ana Fornells de Frutos (Spain)** said that the members of the Accreditation Panel should show diversity in languages, including Spanish and French.

Finally, it was decided that the sixth expert to the *"Accreditation Panel will be nominated by the Accreditation Committee after the eighth Board meeting and the decision for endorsement by the Board will be taken between meetings*". It was further decided that, *"consideration of the sixth expert to the Accreditation Panel will take into account fiduciary expertise and representation from developing countries*".

It was emphasized that "*for future additions and appointments, the importance of balance between developing and developed countries, gender and language diversity*" would be maintained and the Board members also recommended *"strengthening these elements of balance in future recruitments and in the subsequent term of the Accreditation Panel, with the aim of reaching a 50%-50% balance between developing and developed countries, and ensuring that no two members will be from the same country".*

Revised programme of work on readiness and preparatory support

Under the readiness and preparatory support discussions, initially the decision for the consideration of the Board was the allocation of 75 per cent of readiness support funding to Small Island Developing States (SIDs) and Least Developed Countries (LDCs) and African states, and 25 per cent would be allocated to other "eligible developing member countries".

Admitting that readiness is critical, **Fakir (South Africa)** said that the reason for readiness is to deliver on the ground and he was concerned that the proposal did not have enough on direct access, which would mean a serious regression of progress. He added that the paper on readiness needs "major reorientation to support activities of developing countries". He stressed that, "The Secretariat has proposed that the readiness resource is a channeling one, rather than giving it directly to the national designated authorities. This Fund should not be designed by consultants, for consultants. It should be for developing countries".

George Zedginidze (Georgia) and **Rodrigo Rojo (Chile)** wanted clarity on the term "eligible developing member countries".

Muller (the Philippines) supported Fakir's statement and said that the readiness is to enable direct access. Referring to eligible developing countries, she added that neither the UN Framework Convention on Climate Change, nor the Governing Instrument of the GCF divides developing countries. She added that the 75% to 25% allocation division was a constraint and asked what could be done if more requests came from developing countries.

Quijandria (Peru) expressed discomfort with a pre-set allocation for different regions. "We support the idea that we need a fair and equitable allocation framework responsive to needs of all countries; and hence we would like to respect the language of the Paris decision of prioritising the needs of SIDS,

LDCs and African States but with due regard to middle income countries," he said.

Liang (China) said he would not like to a see a sub-group within the larger group of developing countries. "I don't know how the division of 75-25 came about. I cannot understand why it is not 71 or 60. I can understand the logic, but it is not a good way to do it," said Liang.

After these deliberations, it was decided that "all developing countries would have access to readiness support and that the Fund *will aim for a floor of 50% of the readiness support allocation to particularly vulnerable countries, including SIDs, LDCs and African States*". It also decided that *"readiness commitments to individual developing member countries will be capped at the US 1 million per calendar year."*

Among the crucial issues that were deferred included a decision on gender policy and action plan, the Fund's initial investment framework and the Fund's initial risk management framework. These will be taken up at the ninth meeting, scheduled for 25-27 February 2015 in Songdo, South Korea.

TWN Info Service on Climate Change (Nov14/04)
21 November 2014
Third World Network

Up to $ 9.3 billion pledged to Green Climate Fund for initial period of 4 years

Berlin, 21 November 2014 (Meena Raman)– At the formal 'Pledging Conference' of the Green Climate Fund (GCF) held in Berlin, Germany, on 20 November, twenty-one governments pledged a total of up to US$ 9.3 billion.

This included contributions from four developing countries.

A significant part of the pledges are for a four-year period (2015-2018) and are to be grants which are un-earmarked. (See details below).

Hela Cheikhrouhou, the Executive Director of the Fund, made the announcement of the total pledges at the end of the session, adding that this was "a significant step that puts the GCF as the largest climate Fund."

The meeting was hosted by the German government and was attended also by several GCF Board members and active observers (including Third World Network representing civil society).

The meeting was facilitated by Ambassador Lennart Bage (the facilitator of the GCF's Initial Resource Mobilisation process). In his opening remarks, Bage said that the pledging session was a "historic moment", which was happening right before the meeting of the United Nations Framework Convention on Climate Change (UNFCCC) in Lima beginning on 1 December.

Highlights from the pledging session are set out below.

German Federal Minister for Economic Cooperation and Development, Dr. Gerd Muller kicked off the pledging session confirming his country's pledge of Euros 750 million (about USD 1 billion), adding that it has been approved by the Parliament. He said the pledge was tied to the expectation that others will also make appropriate contributions to the GCF's capitalisation. He said the GCF is a "game-changing Fund".

The **Swedish** Minister of International Development Cooperation, Isabella Lovin said that the new "red-green government" was pleased to confirm 4 billion Swedish kroner amounting to USD 580 million, adding that this was subject to Parliamentary approval. It is for the period 2015-2018 and is in the form of grants.

The United States said it would contribute up to USD 3 billion to the Initial Resource Mobilisation (IRM) in grants and capital, and will not exceed 30% of the overall pledges to the GCF. It would provide more if others also provide further. It stressed the importance of the GCF's Private Sector Facility.

Japan confirmed its commitment of up to USD 1.5 billion, subject to its Diet's (legislature) approval. It is to cover the IRM period and is made up of grants to be in promissory notes. It hoped that other developing countries and stakeholders will also contribute.

France said that it would contribute Euros 774 million, which is about USD 1.035 billion. It explained that Euros 285 million is to be in concessional loans, while Euros 489 million is in grants. It is also to be for the period 2015-2018.

The United Kingdom announced a contribution of GBP 720 million (about USD 1.126 billion).

The Netherlands said it wanted to "safeguard inclusive green growth" and that investments for transformation made "good economic sense". It announced a contribution of USD 134 million in grants over 4 years;

Finland announced a sum of Euros 80 million, subject to Parliamentary approval, adding that this amount comes from the European Emissions Trading Scheme.

Norway said it would contribute 800 million Norwegian kroner, which is about USD 130 million for the period 2015-2018. The sum is to be all in grants and additional to current climate finance. It also expects to contribute more to the initial capitalisation.

Switzerland said it would contribute USD 100 million, which will be non-earmarked and will be for the period 2015-2017.

Italy said it was proud and happy to be at the meeting which was "historic". It announced a contribution of Euros 250 million which is to be all grants.

The Republic of Korea (which hosts the GCF Secretariat)reaffirmed its contribution of USD 100 million in grants till 2018.

Denmark said it would contribute USD 71.6 million in the form of grants.

Spain said it would provide a cash grant of Euros 13 million and a further multi-annual grant are being defined to be announced in coming days.

The Czech Republic confirmed the contribution of about USD 5.5 million from its 2015-2016 budget and will strive to further contribute from its 2017 and 2018 budget. The contribution is non-earmarked and in grants only.

Luxembourg announced Euro 5 million which is an initial contribution; is un-earmarked and in grants.

New Zealand said that it would commit to USD 3 million with "a single unconditional cash grant" and would make payment by the end of June 2015.

Poland, Canada and Colombia said it will make announcements at a later stage. Non-Annex I countries that indicated their contributions included Mongolia, Panama and Mexico.

In the earlier part of the meeting prior to the pledging session, a video message from United Nations Secretary-General Ban Ki Moon was screened. Ban said that the pledging conference was "historic" and had come through a "long and difficult path". He said the GCF is a proud creation which is a victory for multilateral cooperation. Calling for ambitious pledges, he said the success in Berlin is crucial and will help reach universal agreement in Paris next year under the UNFCCC.

Christiana Figueres, the Executive Secretary of the UNFCCC said the meeting was "not a pledging conference" but an "important investment conference." She added that the GCF is a most important investment from a human and finance perspective. Investments in humans (referring to vulnerable countries and populations within) "is beyond monetary value", she added. From a financial perspective, she referred to the decision made in Copenhagen where Parties agreed to mobilising USD 100 billion (by 2020) to support transformation and resilience. While this is to be attained through a host of measures, the GCF is fundamental in this regard, by success in its capitalisation and its operations.

The USD 100 billion, she said, "is a faint level compared to the financing necessary to address climate change". Referring to the 'New Economy Report' she said USD 90 trillion will be invested in infrastructure in the next 15 years which could be invested in technologies of the past or into energy transformation and resilience.

Figueres also referred to the new UNEP 'Emissions Gap Report' which stressed the need to get to zero emissions by the end of the century and this depends on how the USD 90 trillion is invested. She said the GCF needs to "crowd-in" these investments and that a difference has to be made within the next 20 years. After this, she said it was not possible (to make the difference). She also stressed the importance of the historic meeting and that participants are "investing in the future of your children and theirs".

Dr. Denis Lowe, the Environment Minister from Barbados, speaking for the Small-Island Development States (SIDs) said that he had travelled a long way to stress the seriousness of the effort, given the possible extinction of islands and their populations. He wanted to "take back message of hope" that "we live to preserve the island states.

Minister of Strategic Development of Natural Resources of Peru, Manuel Pulgar-Vidal, who

will host the forthcoming UNFCCC meeting in Lima next month, via a video message, stressed the importance of building trust among countries and the importance of the GCF in in this regard. He looked forward to "strong and good pledges" which would be important for good outcomes at the UNFCCC meeting.

Following is an overview of known pledges to the GCF:

Country	**Pledges (millions of USD $)**
United States	3000
Japan	1500
United Kingdom	1126
France	1035
Germany	940
Sweden	580
Italy	313
Netherlands	134
Norway	130
South Korea	100
Switzerland	100
Finland	100
Denmark	71.6
Spain	16.3
Mexico	10
Luxembourg	6.3
Czech Republic	5.5
New Zealand	3
Panama	1
Monaco	0.31
Mongolia	0.05
Total	9172.06
(GCF announced	9300.00)

TWN Info Service on Climate Change (Mar15/01)
30 March 2015
Third World Network

Green Climate Fund - Only 1 per cent of pledges contributed, Board told

Songdo, 28 March (Meena Raman and Indrajit Bose) - The ninth Board meeting of the Green Climate Fund (GCF) heard an update about the status of resources contributed to the Fund, and also took several important decisions.

The meeting was held for the first time at the Fund's headquarters in Songdo, South Korea, from 24th to 26th March.

The Secretariat informed Board members that so far, of the total pledges made in 2014 of close to US$ 10.2 billion, only about 1 percent or US$ 104 million of the pledges made have actually been legally committed with the signing of contribution agreements.

At the previous meeting of the Board held in October last year, it was agreed that 50 percent of the contributions to be pledged in November 2014, will have to be legally committed, no later than 30 April this year, for the Fund to become effective. (In November, at the official pledging session, US$9.3 billion was pledged.)

On the insistence of developing country Board members, the status of the initial resource mobilisation was added to the agenda of the meeting, and is to be a standing agenda item at future meetings.

On concerns whether the 50 percent would be realised by end April, Executive Director of the Fund, Hela Cheikhrouhou, informed the Board that if 9 countries signed legal agreements with the Fund by end April this year, comprising of France, Germany, the Netherlands, New Zealand, Norway, Sweden, Switzerland, the United Kingdom (UK) and Japan, the 50 percent mark would be realised, as this would mean about 56 percent of the funds pledged would have been committed to. The United States (US), whose pledge is the largest (of US$ 3 billion), made clear that it would not be able to complete the legal arrangements before end April this year. (For further details, see below.)

A key decision adopted by the Board was the accreditation of the first 7 entities that are allowed to access the Fund's resources and to channel them to developing countries. (Access to GCF resources will be managed through national, regional and international implementing entities and intermediaries that have been accredited by the Board.)

Other decisions taken related to, among others, the following matters: the sub-criteria and methodology for assessing funding proposals under the initial investment framework; financial terms and conditions of the Fund's instruments; legal and formal arrangements with the accredited entities; approval of the terms of reference of the independent Technical Advisory Panel (which will provide independent technical assessment of, and advice on, funding proposals for the Board); adoption of the policy on ethics and conflict of interest of the Board; and the adoption of the interim gender policy and gender action plan.

The Board also agreed to a decision that the existing Board members shall continue beyond the end of their term on 23 August 2015, until new Board members have been selected, no later than 31 December 2015.

During the discussion on the "Report of the Secretariat", the developing country Board members stressed the importance of the funding for readiness and preparatory support for the national designated authorities (NDAs) to be expedited. (See details below.) The current Co-chairs of the Board are Henrik Harboe (Norway) and Gabriel Quijandria (Peru).

Status of initial resource mobilisation

Several developing country Board members called for the issue of the status of initial resource mobilization (IRM) to be on the agenda. This included **Ayman Shasly (Saudi Arabia), Nojibur Rahman (Bangladesh), Angel Valverde (Ecuador), Mariana Micozzi (Argentina), Jorge Ferrer Rodriguez (Cuba), Patrik McKaskie (Barbados), Zaheer Fakir (South Africa) and Dipak Dasgupta (India).**

Shasly (Saudi Arabia) led the call for the status of resource mobilisation to be a separate agenda item, stressing that members from his constituency in the United Nations Framework Convention on Climate Change (UNFCCC) were "bombarding" him on where the Fund stood as regards resources. He reminded the Board that the UNFCCC Parties were negotiating a new agreement to be agreed in Paris later this year, and the issue of resources in the GCF was an important matter for developing countries.

Fakir (South Africa) agreed with Shasly and added that "Everything we are doing here is hinged on resources. Resources are the blood. In the absence of blood, we have a corpse." He too stressed that in all the meetings there is a standing agenda item that deals with the status of resources and asked for it to be included in future meetings as well.

Dasgupta (India) said that the IRM is paramount and must be right at the top of the agenda as the Board could not plan its work without clarity on where the Fund is on resources. He emphasised that it could not be delegated for discussion under the report of the Secretariat, as was initially proposed by the Co-chairs.

Following these interventions, the Co-chairs agreed to the issue being added on the agenda.

The Chief Financial Officer from the Secretariat informed that Board that the GCF would be effective when 50 percent of the contributions pledged during the November 2014 IRM session are reflected in fully executed contribution agreements by 30 April 2015. As of November 2014, 21 countries pledged US$9.3 billion. Additional pledges by 14 countries, equivalent to US$ 840 million, were made by the end of December 2014. So far, four countries, viz. the Czech Republic, Denmark, Luxembourg and Panama, have signed contribution agreements totaling US$ 80 million out of the US$ 9.3 billion. The Secretariat also informed that there would be a pledge tracker on the GCF website to track the status of the contributions, which would be updated weekly.

Fakir (South Africa) said that effectively, the Fund has 0.8 percent of the US$ 9.3 billion and another US$4.5 billion is needed by the end of April for it to be effective. He wanted to know what if the 30 April deadline is not met.

Shasly (Saudi Arabia) said if individual contracts for the contributions had conditions, the Board needs to know what those conditions are and to see if they are in line with policies of the Board. He spoke of having another deadline in case the 30 April deadline is missed.

Arnaud Buisse (France) said that there is a lot of technical and legal work to be done and that France is working very hard to sign the contribution agreements with the GCF.

Stefan Schwager (Switzerland) said its case was rather simple because it is a grant-only contribution. "We know our contribution alone will not help reach the 50 percent target. So we call on the developed countries to speed up as much as we can," said Schwager. He said that he would hate to shift and decide on another deadline since that would mean less pressure to speed things up to meet the 30 April deadline.

Shuichi Hosoda (Japan) said Japan needs to sort out the technicalities and there is need for a Cabinet decision to register the contributions to the GCF. Hosoda added that they are trying "very hard" to get the approval.

Leonardo Martinez (the US) said his country too is working hard but clarified that given the US's budget cycle and application processes, it "will not be able to complete by 30 April, but that we will do soon after". To allay concerns, he added that the

contribution agreement will not be in contravention with the policies adopted by the Board. (The Board had decided at its last meeting that the contributions cannot be earmarked or targeted for specific purposes.)

Andrea Ledward (the UK) said that there were constraints such as the UK election but they were working hard to meet the 30 April deadline. "We don't intend to bring additional sets of conditionality and in the spirit of transparency all contribution agreements should be made public," she added.

Georg Børsting (Norway) said their lawyers had been told of the urgency of the matter and that Norway is trying to conclude the agreements by 30 April. Børsting was also against a new deadline.

Ludovica Soderini (Italy) said that Italy was trying its best. **Ingrid Gabriela Hoven (Germany)** was optimistic about meeting the deadline. **Clare Walsh (Australia)** said Australia is trying to endeavour to meet the deadline and its lawyers have been working with the Secretariat. **Jacob Waslander (the Netherlands)** said they should be ready to sign the contribution agreement soon. **Jan Cadergren (Sweden)** said Sweden would make it by end of April.

In response, **Shasly** said the question of not meeting the deadline still remained and did not want the matter to be left open ended. To this Co-chair **Henrik Harboe (Norway)** intervened to say that the matter was not being left open ended and that there was still five weeks to go. He said the Board members should stick to the ambitious target of meeting the deadline.

The Executive Director **Cheikhrouhou** said the contribution agreements would be made public on the website. On the deadline, she said that 30 April deadline was a policy of the Board and as a new entity it was better if the Board did not breach its policy.

Hoven (Germany) added that she did not want to encourage a discussion on what if the deadline is not met. "We will keep ourselves informed and we have time in between meetings. We won't like to take a decision that pre-empts failure in meeting the deadline," she added.

Following these exchanges, the Executive Director added that if nine countries viz. France, Germany, the Netherlands, New Zealand, Norway, Sweden, Switzerland, UK and Japan signed contribution agreements with the Secretariat, the contributions would amount to about 56% of the total.

Co-chair **Harboe (Norway)** further reiterated that setting a fall-back date would send a signal of reduced ambition, which he did not want to do. "We will track the situation. There will be a tracker on the website. For transparency, all agreements will be public," said Harboe. He asked the members to stay updated till 30 April and depending on the situation, the Co-chairs would take action at that stage. In response, **Shasly** declared that the Co-chairs would bear responsibility on how to deal with the situation if the deadline was breached.

Readiness and preparatory support

In presenting its report of activities to the Board, the Secretariat informed the Board that 101 developing countries have appointed their national designated authorities (NDAs) or focal points. Of the 101 countries, 52 countries requested for readiness and preparatory support, including support for national entities that a country is seeking to accredit. The Secretariat said that it was working with such requests to better understand the needs of countries and to help them effectively. The Secretariat said that it was aiming to provide capacity building support to 30 countries for their NDAs, help with country programmes for 20 countries, support with accreditation for 30 countries and provide programme preparation support to others. It also said that half the NDAs were only recently appointed and the goal was to organize six regional events.

(At the previous meetings of the Board, the Secretariat was requested to report in detail, twice a year, on activities undertaken by the readiness and preparatory support programme, and the progress of committing and disbursing available funds. The Board had allocated US$15 million for readiness

and preparatory support. The Board had also decided that "readiness commitments to individual developing member countries will be capped at US$ 1 million per calendar year" and that the Fund can provide up to US$ 300,000 of direct support to help establish an NDA or focal point. As of end December last year, close to US$ 400,000 has been spent on readiness activities.)

Fakir (South Africa), commenting on the first bi-annual readiness report of the Secretariat's implementation of the work programme on readiness and preparatory support, said that part of the bi-annual reporting process is to enable the Board to allocate additional resources from the readiness funds as well as to address the overall readiness envelope as part of the Board's resource allocation framework.

Fakir expressed unhappiness with the Secretariat report, adding that it seemed the Secretariat has created "readiness among consultants" and had "proliferated a consultants, industry" rather than empowering NDAs or focal points. He stressed further that the Secretariat report lacked details and asked it to issue a revised detailed report to enable the Board to get a sense of the status of operationalization of the Board's decisions.

The report, according to Fakir, must address the Secretariat's capacity and management of the process; assess the delivery and implementation of readiness and preparatory support resources; assess the cost effectiveness and current spending on readiness; and address any potential conflicts of interests and matters affecting the integrity of the Fund from the delivery of the readiness programme. On the way forward, Fakir proposed a simple decision requesting the Secretariat to clarify the matters he had raised and re-issue their first report with more details as soon as possible and for the second bi-annual report to be presented at the Board's next meeting in June, with a view to considering an increased allocation of readiness resources.

Nojibur Rahman (Bangladesh) said the NDAs from least developed countries (LDCs) have been stressing on direct access. This has to be appropriately understood by the Secretariat. They want to see a situation where their national entities are quickly accredited. The current accreditation standards seem to pose a disadvantage for the LDCs, he said, adding that the Secretariat needs to factor this in its psyche. The readiness report needs to be more comprehensive and taking on from Fakir, Rahman said that it would be a good opportunity for the Secretariat to spell out its needs. It is important that the Board delivers these resources to the ground, he said further, adding that LDCs are in dire need of these resources.

Dasgupta (India) said this year is different from previous years since the Board is engaged in operationalizing the Fund, adding that readiness is at the heart of the matter. In stressing the importance of disbursing funds for readiness activities, he said there was need for a report at this Board meeting on how the readiness programme can be turned much faster with results that can be monitored. "We need to see timelines to strengthen NDAs and focal points now," he added, expressing disappointment with the Secretariat's presentation that had a timeline of the end of the year. Dasgupta also said that the Secretariat's transaction costs in this regard are high and suggested that the costs should be reduced and money be disbursed with a standard list of expenses with an ex-post verification.

Jorge Ferrer Rodriguez (Cuba) expressed concern with the state of implementation of the readiness programme and the delay in disbursements to the NDAs. Citing readiness as central to the purpose of the Fund, he said that there should be steps taken urgently to ensure sovereign entities could request accreditation.

Shasly (Saudi Arabia) underlined the importance of messaging that goes out from the Fund and said that readiness support is the first signal the Fund could send out to the international community. He said that he would have liked to hear about GCF's linkages with other bodies of the Convention, as per the guidance from the UNFCCC's Conference of Parties, in the Secretariat's

report.

In response to the Secretariat's report, **Hoven (Germany)** found it remarkable on how much outreach had happened since the last Board meeting. She encouraged the Secretariat to do more and help the NDAs with multi-stakeholder engagement workshops and with whatever else the NDAs feel is appropriate.

Tosi Mpanu Mpanu (Democratic Republic of Congo) underscored the importance of readiness and said the work of readiness is quite simple given that the first task is to capacitate the NDAs well and warned that if the foundation is not well laid out, it would have an impact for the Fund.

Angel Valverde (Ecuador) said it would be very useful to know the resources available and to allocate additional budget.

Patrick McKaskie (Barbados) said there needs to be efforts by the Secretariat to strengthen the NDAs through workshops or by inviting all the NDAs together on to a common platform. "Some of them do not understand what their role is," McKaskie added.

Following these interventions, the Secretariat responded that it would re-issue a more detailed report by the end of April and that it was working to spread awareness about the Fund, changing its website and developing an NDA user guide and through regional events. At this point, the Board members clarified that the activities cannot only be about outreach.

Dasgupta (India) reiterated that when he looks at the Secretariat report, he will be looking at what resources have been disbursed and how the Secretariat has responded to the requests of the NDAs.

Fakir (South Africa) asked for the report to be re-issued and for the revised biannual report to be presented at the June meeting. Fakir stressed that the Fund lacks a business plan. "If I have a business plan, I know how I am allocating my resources. I know my benchmarks. I know how to evaluate," he said and added, "on readiness, all the Secretariat has been communicating is there is a consultant to help you, rather than let the NDA gain control over the issue."

McKaskie (Barbados) agreed with Fakir and asked for a monitoring and evaluation report to be presented as well and added, "If we fail to plan, we must plan to fail."

The Secretariat clarified that it would re-issue a more detailed report in June, which addressed the concerns raised by Board members. The report at the end of April would have figures on disbursement.

Accredited entities

The first 7 entities that were accredited to access the funds of the GCF are the following entities: Centre de suivi écologique (CSE) from Senegal, which focuses on combating desertification and protecting coastal areas; Fondo de Promoción de las Áreas Naturales Protegidas del Péru (PROFONANPE) that specializes in funding biodiversity conservation and managing protected areas; the Secretariat of the Pacific Regional Environment Programme (SPREP) based in Samoa, which focuses on protection and sustainable development of the Pacific region's environment; Acumen Fund, Inc., a social impact investment fund, that works on improving the lives of low income communities in Africa and Asia in healthcare, agriculture and clean energy; the Asian Development Bank (ADB), the United Nations Development Programme (UNDP); and Kreditanstalt für Wiederaufbau (KfW), which is a German government-owned development bank.

(Further reports to follow.)

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GCF: Board agrees on process for reviewing funding proposals

Geneva, 30 March (Meena Raman) – The Green Climate Fund (GCF) Board at its ninth meeting agreed to a process on how funding proposals from developing countries might be reviewed.

The Board met in Songdo, South Korea, from 24 to 26 March.

The issue was discussed under the agenda item on the 'further development of the initial investment framework: sub-criteria and methodology' and proved to be one of the most contentious issues during the Board meeting. A decision was finally reached in the wee hours of the morning at around 4 am on Friday, 27 March, well over the deadline for the meeting.

The major disagreement primarily between developed and developing country Board members was over the "initial assessment methodology" to be followed by the Secretariat and the independent Technical Advisory Panel (iTAP) to conduct technical assessments of funding proposals from developing countries for the Board's consideration. The Board was asked to consider two options: Option A – where the Secretariat and the iTAP will assess a funding proposal's expected performance against a set of "indicative benchmarks" based on the investment criteria such as impact potential, paradigm shift potential, sustainable development potential, needs of the recipient, country ownership and efficiency and effectiveness; Option B – where the assessment will be done without reference to any benchmarks or assessment scale, indicating a more flexible approach.

While developed country Board members preferred Option A, developing country Board members generally expressed a preference for Option B. Given the differences, the Board member from China proposed the possibility of going for an Option C, which could be a middle-ground. A small group was tasked to work out a way forward, which was still not found to be acceptable to some developing country Board members and this led to further consultations on the sidelines which finally led to a conclusion early morning on Friday.

It is learnt that the main concern for some developing country Board members related to how the Secretariat could use a scale of "low/medium/high" in order to assess the relative expected performance of projects/programmes, when the assessment of the proposals would mainly be subjective, resting on the discretion of the assessors who have to screen complex proposals. In issue was also whether the Secretariat has the capacity to judge proposals.

This led to a proposal by the Board member from India to consider a "pilot"-based approach in relation to a subset of proposals, to be recommended by the Investment Committee (which comprises Board members), so as to enable the Board to "test the system", as described by the Indian Board member. This proposal was accepted by the Board.

A related concern was on how the assessment of proposals takes into account the needs of those developing countries particularly vulnerable to the adverse effects of climate change. There were differences of views among Board members as to which countries were "particularly vulnerable", a notion that was also contested in relation to a decision on which developing countries would be eligible for highly concessional loans.

The final compromise decision that was reached in this regard was as follows: The Board decided *"to use indicative benchmarks, in accordance with investment policies as decided by the Board, to ensure projects and programmes demonstrate the maximum potential for a paradigm shift towards low-*

carbon and climate resilient sustainable development."

The Board also requested *"the Secretariat to present for consideration of the Board at its 13th meeting, minimum benchmarks in order to: (i) encourage ambition; and (ii) take into account the needs of those developing countries particularly vulnerable to the adverse effects of climate change, in particular LDCs, SIDs (small-island developing states) and African States, according to project size, mitigation/adaptation, and local and sector circumstances."*

The Board also requested "*the Secretariat and the iTAP in the application of the indicative minimum benchmarks to be flexible and take into account country circumstances and country ownership."*

The Board also decided "*to use a scale of low/medium/high in order to assess the relative expected performance of a subset of projects and programmes based on the initial investment criteria. The Investment Committee will recommend to the Board to which subset of proposals this will apply. In the event the Board is unable to agree (on) an appropriate subset of proposals by the 10th meeting, the scaling pilot will automatically apply to all medium and large projects."*

Below are some highlights of the discussion around this issue, which began on day two of the meeting on 24 March.

Highlights from some interventions

Dipak Dasgupta (India) said that one of the core areas is the need for guidance and clarity to developing countries as they prepare projects for funding. He said that many of the criteria, sub-criteria and factors attempt to be quantitative, but are in fact qualitative, which is an imprecise basis (for any assessment). He also stressed that no other funding institutions use quantitative factors; they all rely on qualitative factors. He went on further to say that it is the developing countries who have the greatest stake in the projects that come to the Board which they will have to implement.

Dasgupta, in asking who is to make judgement on whether that proposal is low medium or high, said that it is the Secretariat with two professionals and two junior professionals and it is they who are going to be make the judgment calls. He added that projects are coming from complicated areas.

As for the iTAP, he said the members are not in the business of ranking project proposals but will be reviewing them. On the issue of fairness (the fair treatment of all developing countries), he said the higher the standard and the bar (which he said "is set by trying to pin down artificial criteria"), the less will be the possibility of resources going to those who need it most. He also emphasised that as a learning institution, there is no capacity to judge proposals coming from sovereign countries.

Tosi Mpanu-Mpanu (Democratic Republic of Congo) preferred Option B as it was more flexible. However, if scoring is to apply, he wanted more clarity on how LDCs, SIDs and African states would be treated, adding that different treatment is needed for these countries compared to the rest of world. He recalled the experience of the Clean Development Mechanism where the bulk of the investments went to countries that had high emissions, and called for this not to be repeated.

Yingming Yang (China) said he preferred Option B but suggested that a middle-ground could be found in having an Option C. He said that the nature of the assessment factor could be indicative. He said further that a great lesson is "not to let the perfect be the enemy of the good". "The GCF is a new institution and there is a learning curve", Yang said. The system should encourage the supply of funds and not discourage its use, he added, calling for a "right balance".

Ayman Shasly (Saudi Arabia) said that the Fund is for developing countries and if conditions and benchmarks are imposed, developing countries will not have access to it. He called on Board members not to be "overly driven by unscientific and unproven benchmarks" and to complicate the process. He warned that if the "bar is set very high", countries will not be able to access Fund and they would not be able to put forward their intended nationally determined contributions (in reference to on-going

negotiations for the Paris agreement under the UN Framework Convention on Climate Change).

Jorge Ferrer Rodriguez (Cuba) said access to the GCF needs to be easier and that benchmarking will make it more difficult. He preferred Option B. When the final decision was tabled for consideration, Ferrer said that he dissociated himself from the decision but did not want to block the consensus.

Patrik McKaskie (Barbados) wanted assurance that there would be fair and equal treatment of all developing countries. Any benchmark cannot put small countries at a disadvantage, he said.

Newai Gebre-ab (Ethiopia) said having benchmarks for adaptation is difficult, and urged its use flexibly. He also expressed concerns over insufficient resources in the Fund.

Nojibur Rahman (Bangladesh) stressed the importance of taking into account the needs of LDCs.

Ingrid Gabriela Hoven (Germany) said that Option B was not in line with the Board decision to develop a minimum benchmark and she could not support it. On Option A, she said that the minimum benchmark (as set out in the proposed decision) was weak and needed more improvement. She asked what is meant by "low, medium and high" and called for more guidance on the assessment, and expressed serious doubts about whether the approach was going to promote a paradigm shift. She was also concerned if SIDs and LDCs would be disadvantaged.

Leonardo Martinez (the United States) explained why "this exercise" was needed. He said that Board will need to make tough choices over what to fund as "demand will outstrip supply". There was need for tools to guide the Secretariat and the iTAP, he said. He added further that countries, national designated authorities and intermediaries need to know how they design projects that have a chance to go through the Board. If there are no benchmarks, decision-making would be subjective and political, said Martinez. The Board needs to say how the proposal is rated and weighted. He proposed a 5-point scale, beyond high, medium and low that does not give one number and one rank but gives more room for the assessment. It has to be fair, not to keep projects out, but those which are the best get money faster and comparable proposals can be compared to one another.

When the final decision was tabled, Martinez expressed disappointment that his call for a 5-point scale was not accepted.

Jan Cadergren (Sweden) said the Board needs to tell the outside world what the Fund wants in the use of its resources and about its ambition. He added that tools are needed to be able to make priorities and the right choices in the investments, which have to be transparent and objective, so that they can be defended. He supported the need for having benchmarks.

Jacob Waslander (the Netherlands) preferred Option A and said that a scoring system should be mandatory (in relation to assessing the funding proposals).

Andrea Ledward (the United Kingdom) expressed support for having minimum benchmarks and for high ambition. She said a sufficient option was within reach, noting the concerns of Mpanu-Mpanu for country circumstances, and Yang's call for the GCF to be a learning organisation.

Ludovica Soderini (Italy) also preferred Option A and said there is need for qualitative and comparable assessment

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GCF: Seven entities accredited to access funds

Delhi, 31 March (Indrajit Bose and Meena Raman) – On 25 March, the Board of the Green Climate Fund (GCF) approved the accreditation of seven implementing entities to access the funds of the GCF.

After in-depth discussions, the Board approved the seven entities as a package rather than going over each of the entities individually. The proposal for approving as a package was put forth by Andrea Ledward (the United Kingdom).

In considering the seven entities for accreditation, a rich exchange took place among Board members, with developing country Board members stressing the importance of accrediting national entities, rather than having a bias towards international entities.

The seven accredited entities are the Centre de suivi écologique (CSE) from Senegal, which focuses on combating desertification and protecting coastal areas; Fondo de Promoción de las Áreas Naturales Protegidas del Péru (PROFONANPE) that specializes in funding biodiversity conservation and managing protected areas; the Secretariat of the Pacific Regional Environment Programme (SPREP) based in Samoa, which focuses on protection and sustainable development of the Pacific region's environment; Acumen Fund, Inc., a social impact investment fund, that works on improving the lives of low income communities in Africa and Asia in healthcare, agriculture and clean energy and three international organizations – the Asian Development Bank (ADB), the United Nations Development Programme (UNDP) and Kreditanstalt für Wiederaufbau (KfW), which is a German government-owned development bank.

[Access to GCF resources is managed through national, regional and international implementing entities and intermediaries that have been accredited by the Board. The Governing Instrument of the Fund allows for direct access (through recipient countries nominating subnational, national and regional implementing entities) and international access for UN agencies, multilateral development banks and international financial and regional institutions. The role of an implementing entity relates to the management and oversight of project implementation, which includes the origination and preparation of a funding proposal, the subsequent management of the necessary stages of the implementation process until its conclusion (project management) on behalf of the provider of funds (the Fund), and reporting obligations.

The Board had also agreed last year that entities that are accredited to the Global Environment Facility, the Adaptation Fund and the Directorate-General for Development Cooperation-EuropeAid of the European Commission are eligible to apply under the fast-track accreditation process.]

CSE, PROFONANPE, SPREP and the Acumen Fund came through the direct access modality, while the ADB, UNDP and KfW came through the international access track. All the entities were accredited on a fast-track basis, except the Acumen Fund, which followed the normal track.

There was considerable discussion over the German development bank, KfW, which came through the international access track. **Zaheer Fakir (South Africa)** sought clarification over a national entity applying for accreditation as an international entity and its role and function vis-à-vis the national designated authorities (NDAs)/focal points and whether it required the endorsement of the NDA. **Hela**

Cheikhrouhou, the Executive Director of the GCF, responded that a national development bank that operates outside its own country, under the Fund's current policy, is able to apply for international access status.

After further exchanges, the Board, in its decision, requested "*the Secretariat to inform the NDAs and focal points whenever an entity is accredited for operation in their country, and encourage the accredited entities to make contact with the NDA or focal point when they intend to operate outside the countries that nominated them*."

In its presentation to the Board, the Secretariat said it had prepared, along with the Accreditation Panel (an independent technical panel to advise the Board), the application form and checklist and instituted an online accreditation system. The Secretariat had called for applications on 17 November 2014. There were 70 applications of which 41 had submitted their applications through the online accreditation system. The Secretariat said the seven applications selected represents diversity in terms of type of organizations. According to the Secretariat, they demonstrate that they can bring about transformational change and a paradigm shift.

Referring to the seven entities, the Chair of the Accreditation Committee (comprised of 4 Board members), **Jan Cedergren (Sweden)** said that the selection was balanced and represented different institutions and geography. He added that it was important to maintain the balanced approach in future applications too. **Peter Carter,** the Chair of the Accreditation Panel said that the Panel used a variety of third party evidence, facilitated by reviews and analyses.

The Secretariat also informed the Board that of the seven entities, six were accredited through the fast track route. Several developing country Board members expressed concerns about national entities losing out to international entities in the fast track accreditation process. They also said that it was fundamental to get more national entities on board over international entities.

"At the heart of the matter is that we do not want our national entities to be crowded out by the access to fast track, which is clearly favouring international entities at this point of time. It is not about a general seeking of diversity in institutions. It is an aim (of accrediting national entities) which puts an incentive and very clear goals for the Secretariat to try and achieve that and if they do not, they are required to give us an explanation," said **Dipak Dasgupta (India)**.

Developed country Board members underscored the importance of balance and were concerned that this might "hold up" international organizations' accreditation till national organizations got ready. **Leonardo Martinez (the United States)** said that he wanted a set of accredited entities that is well balanced and which addresses complementary services. He expressed discomfort with the Secretariat micromanaging the process, which it is "not supposed to do".

Zaheer Fakir (South Africa) said that enabling a new paradigm means bringing on board and motivating national entities so that developing countries do not have to depend on international entities. "If we are asking developing countries to engage with GCF, we need to infuse that in our work as well. The Secretariat too should work with the mindset of promoting a paradigm shift in developing countries," said Fakir.

Arnaud Buisse (France) suggested outreach as a measure to get more candidates.

Eventually, the Board adopted a series of decisions with respect to accreditation of national entities. The relevant parts are as follows: The Board requested "*the Secretariat to pay special attention to the priority needs of developing countries, emphasizing readiness support to national and regional entities that request it…" "To ensure country ownership and promote direct access to funding"* the Board requested *"the Secretariat to invite national and regional entities that are operating at scale to apply for accreditation to the GCF in coordination with their NDA or focal point, …"*

It also requested the *"Secretariat to aim to achieve a balance of diversity, including equitable representation of different*

geographical/regional areas, in the list of entitles considered for accreditation in the tenth meeting…, between direct access entities, including some operating at scale, private entities, and international entities." In addition, the Board requested "*the Secretariat, in consultation with the Accreditation Panel, to provide recommendations for the fast-tracking of national, regional and private sector entities."*

The Board member from Cuba sought clarity on transparency and presentation of information about the applicants. (The practice adopted by the Secretariat was not to make the applicants public, until after their application was approved. Board members however, had prior information about who the applicants were.)

Jorge Ferrer Rodriguez (Cuba) emphasized the need to ensure transparency and wanted to know if the names of the entities could be disclosed publicly prior to their approval. He also stressed the importance of stakeholders being consulted for verification.

The non-disclosure practice also drew much criticism from civil society organisations, whose active observer representative, **Brandon Wu** of ActionAid pointed out that the GCF process did not reflect best practice. He cited the example of the Adaptation Fund, where the applicant is anonymous when the assessment is being conducted, but once a positive recommendation for approval is made, the name of the entity is revealed in advance of the board meeting. The CSOs also questioned the process of assessment, which they said was non-transparent.

In response to the call for transparency, on the suggestion of the Board member from the **United States,** the Board in the decision requested *"the Secretariat to publish the assessment methodology and the questions used in the assessment of accreditation applications."*

An open-ended small group was formed following the Board exchanges to work on a decision that was finally approved.

Highlights from some interventions

Dipak Dasgupta (India) stressed that if national entities have direct access, then there is a paradigm shift. He expressed concerns that six of the seven entities came through the fast-track route and it seemed that the criteria were heavily weighted in terms of international institutions. Dasgupta wanted assurance that when the Accreditation Panel was looking at the next batch of applicants, they must focus on the absolute paradigm shift needed.

Zaheer Fakir (South Africa) questioned how the "transformation litmus test" is applied for the international actors that have had plenty of time to deliver results but have not. He asked if the entities are truly responsive to and representative of the developing countries, noting that the international entities do not need any endorsement of the NDAs.

Seconding Fakir on the question of generating transformational impact, **Yingming Yang (China)** stressed on capacity building and said that GCF is about institution building. He added that it is high time for the GCF to encourage commercial banks in emerging economies as regional entities and asked whether GCF had a definition for state owned enterprises. He added that by being more flexible and practical, the GCF could play a more important role by mobilizing foreign capital investment in developing countries.

Ayman Shasly (Saudi Arabia) stressed that whatever business is carried out in the GCF has to be done in the context of sustainable development. He was concerned that if it took three months to approve the entities, some of which are highly reputable, how much more time would it take to approve those that are less popular, and asked if the GCF ran the risk of disadvantaging those in the pipeline.

Tosi Mpanu Mpanu (Democratic Republic of Congo) wanted to be informed about the other entities under consideration and raised concerns about country ownership not being sacrificed, given that 19 of the 41 entities that applied for accreditation were international. Mpanu also wanted to know if applications were allowed in languages

other than English, to which the Secretariat responded in the affirmative.

Nojibur Rahman (Bangladesh) said applications from LDCs, SIDs and African states should assume priority.

Andrea Ledward (the UK) was interested in the lessons learnt from the process and how the Secretariat would update any changes in the status of an organization that made them eligible for fast tracking. She said there is a need to work speedily to get more organisations on board and to institute some arrangement for interested entities to informally engage with the Secretariat on legal arrangements. She also suggested endorsing the seven entities as a package rather than going one-by-one.

Leonardo Martinez (the US) said that no other Fund had moved to accredit entities with such fast speed. Referring to the approach of the GCF on accreditation as being new and innovative, he said that it is very important to have direct access entities for the package. He added that it is very important to deliver resources, especially to the LDCs and those highly vulnerable. He wanted to ensure that the entities that are accredited face no barriers.

Arnaud Buisse (France) urged the Board to move forward in approving the seven entities. **Stefan Marco Schwager (Switzerland)** said the seven entities reflected balance and appreciated the fact that there was a private sector entity on board. He suggested that some of the information could be standardized and he would be interested to know how much an entity invested in climate related projects in the past.

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1 April 2015
Third World Network

GCF Board decides on terms of concessional loans to developing countries

Geneva, 1 April (Meena Raman) – The Board of the Green Climate Fund at its ninth meeting, decided that the Fund will use differentiated terms for concessional loans to be given to the public sector in developing countries.

The Board decision was taken early morning of Friday, 27 March, following intense discussions in an open-ended small group along the side-lines of the meeting in Songdo, South Korea, in an effort to bridge differences among members.

The Board meeting was scheduled for 24 – 26 March but concluded in the early hours of the 27th due to the complexity of the discussions.

The Board agreed that for the public sector, highly concessional terms include a maturity period of 40 years for the loan repayment, with a 10-year grace period and with no interest rate charged. For the lower concessional terms, the maturity period is 20 years, with a 5-year grace period and an interest charge of 0.75%.

The main sticky point was over which developing countries would be eligible for highly concessional loan terms and which would be eligible for the lesser concessional terms.

The Secretariat, in proposing a decision for the Board's consideration, suggested that highly concessional terms will be offered to "vulnerable countries" as defined in an annex to the proposed draft decision, while less concessional terms will be offered to "other countries".

In the annex, the Secretariat proposed the "classification of a country as a vulnerable country… if it falls into the vulnerable countries category by at least one of the reference criteria contained in ... a table …" The table provided references to the United Nations Framework Convention on Climate Change (UNFCCC) and classified the 'vulnerable countries' as "LDCs (least developed countries) and SIDs (small island developing states) and 'other recipient countries' as "Non-Annex 1 countries not included in LDCs and SIDs".

It also referred to the Organisation for Economic Cooperation (OECD) and classified 'vulnerable countries' as "LDCs, other low-income countries, lower middle-income countries and territories" and 'other recipient countries' as "upper middle-income countries and territories"; the World Bank Group reference to 'vulnerable countries' as "low-income economies" and 'other recipient countries' as "lower middle-income economies and upper middle-income economies"; and to the International Development Association (IDA) reference to 'vulnerable countries' as "IDA countries" and 'other recipient countries as "IDA blend countries".

During the discussions in the open-ended small group, a "consolidated list of LDCs, SIDs and low-income countries" was produced based on the recommendation of the Risk Management Committee (which is comprised of 4 Board members) for the high concessionality loans, which drew strong disagreement from other developing country Board members.

Several developing country Board members firmly challenged the basis for country classification of who are 'vulnerable countries'. Given the strong disagreement in this regard, the Board did not propose which countries would be eligible for the highly concessional terms and decided to *"consider at the tenth Board meeting a proposal regarding the cases which the high level concessional terms and the low level concessional terms … for the public sector … will apply".*

Highlights of some interventions

Jorge Ferrer Rodriguez (Cuba) objected to the differentiation among developing countries, saying that this would prejudge negotiations which are currently on-going (under the UNFCCC), including the 'Financing for Development' process in New York (at the UN headquarters). He said that no developing country should be excluded from receiving highly concessional terms.

Angel Valverde (Ecuador) said that the (Secretariat's) document is defining the group of particularly vulnerable countries and undermines the Governing Instrument that determines that particularly vulnerable countries include, but are not limited to LDCs, SIDs and African States. He added further that the UNFCCC determines in Article 4.8 characteristics that affect vulnerability in developing countries, and some countries like Ecuador comply with all of these situations. He stressed that "it is situations of vulnerability that the Framework Convention refers to and not to country groupings. This is a focus we need to translate to our work in these instruments."

Valverde said further that "from a practical point of view, we recognize that variability should exist but the idea of differentiating at the level of the country may not be correct. The variability should be according to the project type and type of entity etc. so that it is fit for its purpose."

Ayman Shasly (Saudi Arabia) also objected to the country classification as presented in the document. He said further that "we recognise SIDs and LDCs in the Convention, which also has its own classification (of who are vulnerable)." Differentiation has to be on the basis of the Convention and not on the basis of the World Bank and others, he added.

Yang Yingming (China) said that in defining 'vulnerable countries', reference should be made to the language in paragraph 52 of the Governing Instrument (which refers to the Board taking into account "the needs of developing countries that are particularly vulnerable to the adverse effects of climate change, including LDCs, SIDs and African States"). He added that since this is a new concept, and that one should never borrow concepts from the OECD, World Bank or IDA as "they may not reflect the climate change situation". He stressed further that according to scientific evidence and many findings, the Asian continent is most vulnerable to climate change in terms of frequency and scale. Yang said further that it would be better to follow the language from the UNFCCC since the GCF serves the Convention.

Patrick McKaskie (Barbados) emphasised that SIDs are vulnerable countries.

Nojibur Rahman (Bangladesh) echoed the concerns of the other developing country Board members and also referred to the Governing Instrument of the Fund and the need to also link to the Convention. He highlighted the need to give special importance to LDCs for grants and highly concessional loans.

Zaheer Fakir (South Africa) said that the financial terms to be provided need to take into account the climate resilience of countries and he said support is needed for those particularly vulnerable, who can be identified later.

Tosi Mpanu-Mpanu (Democratic Republic of Congo) (who is a member of the Risk Management Committee) said that the Committee did not want to categorise countries but some countries do have less capacity, adding that LDCs, SIDs and African states have been given special status (in the Governing Instrument).

George Zedginidze (Georgia) agreed with the Cuban Board member and said that it was not wise to discuss the categorisation of developing countries.

Stefan Schwager (Switzerland) said that as regards the differentiation of countries, he preferred a "dynamic approach" with categories of countries that can be adjusted or changed, as in IDA.

Henrick Harboe (Norway), who is Co-chair of the Board, said that that the "world is changing" and that the (non-Annex I) list in the UNFCCC is based on the situation in 1992. He said that IDA is flexible and there is need for some differentiation. He added that a

decision was needed or there "will not be any financing of proposals in October".

Leonardo Martinez (the United States) said that fairness is important and countries who are most vulnerable and who need the most should deserve the best terms. On how to capture this, he said a "middle road" should be found, adding that the IDA scale captures dynamism but does not capture the vulnerability component of the SIDs. He also recalled that at a previous Board meeting in Paris, the Board recognised the need to take into account the "level of indebtedness" of a country. He said that the Board should provide just enough concessionality that could attract financing from the private sector.

Jan Cedergen (Sweden) wanted a clearer definition of who are poorer countries and did not like the concept of 'vulnerable countries'. He supported the use of the IDA definition of countries.

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GCF: No decision to enhance direct access due to lack of time

Delhi, 1 April (Indrajit Bose) – The Board of the Green Climate Fund (GCF) discussed modalities to enhance direct access on 26 March, the concluding day of the ninth meeting of the Board in Songdo, South Korea. No decision was reached given the lack of time.

The GCF Secretariat presented a paper to the Board that outlined the terms of reference for a pilot phase enhancing direct access to the GCF. The proposed decision for the Board's consideration requested the Secretariat, in consultation with the Accreditation Committee, to launch a request for proposals to developing countries through their national designated authorities/focal points, for the implementation of five pilot projects with a total of US$ 100 million, including at least two pilots to be implemented in Small Island Developing States (SIDS), the Least Developed Countries (LDCs) and African states.

In the paper prepared for the Board, the Secretariat stated that "enhanced direct access is needed mainly because the decision-making on the specific projects and programmes to be funded will be made at the national or subnational level, and such direct access is a means to increase the level of country ownership over those projects and programmes. This implies that the screening, assessment and selection of specific pilot activities would be made at the national or subnational level…Unlike the traditional direct access track (where there is the submission to the GCF by the accredited entity of individual projects or programmes for financing by the Fund), in the enhanced direct access track, there will be no submission of individual project or programmes because decision-making for funding of specific pilot activities will be devolved at the country level."

The Board discussed the modalities and members presented their views. Several developing country Board members expressed concerns about the number of pilot projects being too few and the amount of US $100 million as insufficient. They also felt that the implementation period of two years of the pilot projects was too short a time to ascertain results.

Dipak Dasgupta (India) raised these concerns, and was supported by **Nojibur Rahman (Bangladesh), Ayman Shasly (Saudi Arabia), Jorge Ferrer Rodriguez (Cuba) and Angel Valverde (Ecuador).**

Dasgupta (India) said that the initiative would stand in good shape since it has the opportunity to demonstrate what country ownership can do, not just in terms of resources but also in terms of trust in the national entities. He added that it should be made sure that at least two of the proposals or a substantial number are from low-income countries, SIDs and Africa. Dasgupta said further that US$ 100 million is not ambitious enough. He also objected to the two year duration as this was too little to see substantial results. He enquired if any proposal exists for much faster accreditation for such entities.

Nojibur Rahman (Bangladesh) said he would like the Accreditation Committee to have a more specific role and for them to oversee the draft preparation of pilots. He said that on the competitive process to select the 'pilots', the national designated authorities (NDAs) should be consulted. Rahman added that the size of the pilots needed to expand and recommended 15 pilots instead of the five proposed. He also said the money set aside needs to increase five or six fold. He added that there is apprehension that money from the pilot phase would go to intermediaries such as multilateral development banks. The

apprehension stems from the fact that the multilateral agencies are getting fast track accreditation, he said.

Ayman Shasly (Saudi Arabia) said he agreed with other members on the size, magnitude and direction of the proposed decision, and that he had difficulty in referring to things as 'pilot'. The idea should be to mainstream, he stressed. He said Board members should be considering a number of proposals in the region of US$ 100 million over two years or US$ 500 million over five years so that the Board members are able to assess the pros and cons of different approaches. Stressing on messaging, Shasly said that everyone is looking to the GCF as a US$ 100 billion fund and the GCF needs to show a reasonable size of projects or initiatives. "Five pilots will not do," he added.

Jorge Ferrer Rodriguez (Cuba) too stressed that the duration and the allocation as well as the number of projects should be increased. **Tosi Mpanu Mpanu (Democratic Republic of Congo)** added that the pilot is welcome and called for greater clarity between direct access and enhanced direct access.

Angel Valverde (Ecuador) said the limit of the pilot phase is not clear, nor when financial decisions would be enhanced in the NDAs or the focal points. Valverde also sought clarity on the role of the NDAs vis-à-vis the implementing entities.

The developed country Board members on the other hand pointed to the need for strict monitoring and oversight as well as risk mitigation of such projects.

Andrea Ledward (the United Kingdom) said she supported the Secretariat paper while adding it needed more detail on monitoring and what recourse would the Secretariat take towards that. She added that at this stage, it was hard to know what the demand would be for such projects and what the absorptive capacity would be. She said the Board at its eleventh meeting in October 2015 could look at demand and absorptive capacity.

Leonardo Martinez (the United States) said he welcomed the paper in principle and that enhanced direct access was the cutting edge. He stressed on the need to better understand what is being delegated under enhanced direct access as well as to understand the risks to the Fund's reputation. He sought clarification on the basis of the competitive process by the NDAs.

Martinez also added that the decision suggested asking entities to submit proposals and then be accredited. This puts the risk on entities to make proposals but not get accredited, he said. He also sought clarity on the timeline and said the two-year implementation phase seemed short. He wanted to get a better sense of the pilot from the "practical standpoint". On the funding envelope, Martinez asked if it was a combined budget over the lifetime of pilots and said that no entity should take a disproportionate amount. He said that in the spirit of fairness, whoever could get proposals or accreditation first may get the money.

Ingrid-Gabriela Hoven (Germany) asked for a thorough review to be undertaken after the initial phase and sought clarity on the difference between accredited national entity and the enhanced direct access modality. "Are we creating an additional track for implementing projects at the national level, which would confuse NDAs and national entities?" she asked, adding that they should be "crystal clear" about proposals and their merits. She said that the learning component throughout the decision text should be strengthened.

Arnaud Buisse (France) said it was important to be crystal clear about this track with respect to other tracks. Buisse also sought clarification on whether the amount specified was a grant or a loan.

Responding to the comments by Board members, the Secretariat said that the NDAs would drive the proposals from countries and would come forth with the proposal, which would be consistent with best practices. The Secretariat said that they have tried to rely on the existing framework of the Fund, which includes the monitoring and accountability framework but this could be clarified further.

To ensure that the proposals are not on a first-come first-serve basis, the Secretariat said it has provisioned for the Technical Advisory Panel in the assessment of funding proposals to be included and added that the oversight and guidance of the Accreditation Committee was needed. On the number of projects, the Secretariat said that five was a "meaningful number to let us learn" and clarified that this is a pilot phase, which is meant to be a learning tool.

Towards the end of the discussions, Co-chair **Gabriel Quijandria (Peru)** said there was unanimity on the issue of enhancing direct access. He said he had heard issues of size, risk mitigation, monitoring and oversight, but no one was against the idea of enhancing direct access.

He suggested to take the draft decision back to the Accreditation Committee and to bring back a new version during the day while incorporating different views. However, the issue could not come up for discussion due to lack of time as the GCF meeting stretched into overtime, concluding in the early hours of 27 March.

It is expected that this issue will be considered by the Board at its next meeting in July.

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Third World Network

Green Climate Fund Board adopts key decisions after intense debate

Songdo, 13 July (Meena Raman)- The Green Climate Fund held its tenth Board meeting in Songdo, South Korea, from 6 – 9 July and adopted several important decisions after long and intense debate. The Board meeting ended at 3 am, in the wee hours of the morning of 10th July. Among the most controversial decision surrounded the accreditation of 13 new entities as a 'package', which saw concerns raised by developing country Board members, especially over the accreditation of Deutsche Bank and the World Bank. The Board members from South Africa and Egypt raised concerns that the GCF was accrediting "a preponderance of financial institutions" and called for this "imbalance to be redressed". The accredited entities (AEs) will act as channels through which the Fund will deploy its resources to developing countries.

The accreditation of these two entities as well as the African Finance Corporation and the Development Bank of Latin America (Corporacion Andina de Fomento), drew much flak from civil society groups present at the meeting, in what was viewed as an un-transparent and flawed accreditation process.

Another issue which saw intense exchanges between the Board and the Secretariat was a document prepared by the latter on what would be the main financial instrument to be used by the GCF – whether grants or concessional loans. The discussion took place under the agenda item on 'level of concessional terms for the public sector'. Developing country Board members took issue with the document, as the Secretariat was advocating the use of low-level concessional loans as the main instrument, as opposed to grants, with grants to be used sparingly. The initial draft decision proposed that grants will be used on a case by case basis.

Several developing country Board members stressed that the GCF is a Fund and not a bank, and it is not meant to give predominantly loans but grants. After long and protracted exchanges among members in this regard, the Board could not agree on a decision to guide the Secretariat further, despite a push by developing countries to have a decision.

The developing countries were supportive of a draft decision that would affirm that each recipient country would, through their national designated authority (NDA), indicate its preferred financial instrument, based on the country's need and priorities. It was then for the Board to decide the terms and conditions of the concessional financial instruments that will be determined and agreed to on a case by case basis, taking into consideration the country's preference as well as previous Board decisions. Developed country Board members were opposed to the proposed decision. Given a lack of consensus on the issue, the Board did not adopt any further decision on the matter.

At the next meeting in November, the Board will be considering funding proposals forwarded by the Secretariat and the independent Technical Advisory Panel (iTAP), just before the 21st Conference of the Parties (COP 21) to the UN Framework Convention on Climate Change (UNFCCC) in Paris.

On the status of resources, the meeting was informed that the Fund was able to reach effectiveness (able to disburse money) on 21 May this year, with the signed contributions amounting to US$5.47 billion. As of 16 June, the total resources that were legally committed to the Fund were about US$5.75 billion equivalent.

The Secretariat also informed members that by the end of this year, the Fund is expected to have about US$600 million in cash and

that the Board will be able to make funding decisions of up to US$1.4 billion in 2015.

Several developing country Board members wanted to set a deadline for the conversion of the remaining pledges into contribution agreements by 2015. (In November 2014, the pledges made to the GCF were US$ 9.3 billion, with the United States (US) pledge amounting to US$ 3 billion. The total amount of pledges by March 2015 was US$10.2 billion. The US is yet to convert its pledge into a legal commitment).

The US Board member, Leo Martinez said that he could not support any deadlines for the conversion of the pledges into contribution agreements. He said "making good on the pledge is a priority of the US President. There is a request for a substantial portion of the pledge in the President's budget. The Congressional appropriations process is in its early stages. There is engagement and outreach from CSOs, the private sector and the faith community. I cannot support deadlines. They would not be helpful as part of our political process."

Given the US position, the Board decision on the 'status of the initial resource mobilisation process' merely welcomed "the progress made by those countries that have converted their pledges to the Fund into fully executed contribution agreements" and "urges other contributing countries to confirm their pledges to the Fund in the form of fully executed contribution agreements," with no deadlines set.

The Board also agreed to launch a pilot programme at US$ 200 million for enhancing direct access to increase country ownership of the projects proposed. The programme devolves decision making on specific pilot activities from the Fund to the country level, through AEs, and offers mechanisms for increased national oversight and multi-stakeholder engagement.

In this regard, the Secretariat, under the guidance and oversight of the Accreditation Committee and in consultation with the iTAP and relevant stakeholders is requested to prepare and launch a request for proposal (RFP) to countries, through their NDAs or focal point and public media.

The Board also requested the Secretariat and the iTAP to undertake the assessment of pilot proposals received in response to the RFPs and to provide recommendations on pilots to be approved with the initial aim of providing up to US$ 200 million for at least 10 pilots, including at least 4 pilots to be implemented in Small Island Developing States (SIDs), the LDCs and African States.

The Board also set-aside resources to establish additional pilot programmes of up to US$ 200 million to support micro, small and medium-sized enterprises (MSMEs), as well as to mobilize resources at scale (up to US$ 500 million) from the private sector. The programmes are to be prepared and launched gradually in 2016, 2017 and 2018.

The Secretariat also provided information that as regards the Fund's 'Readiness and Preparatory Support Programme', the GCF is set to disburse US$ 2.5 million to 9 countries to build the capacity of their NDAs/focal points in preparing their strategic frameworks to fully engage with GCF.

The Board also adopted various other decisions which included an initial monitoring and accountability framework for accredited entities; applying a scaling pilot in the assessment of funding proposals; adopted a methodology to determine and define the Fund's risk appetite; and endorsed the selection process and terms of reference of the heads of the Independent Evaluation Unit, Independent Integrity Unit and Independent Redress Mechanism.

It was also agreed that the next meeting of the Board will be held from 4th to 6th November in Zambia.

(Further articles will follow).

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Third World Network

GCF accreditation poses reputation risk for the Fund, say civil society

New Delhi, 14 July (Indrajit Bose) — At the recently-concluded 10th meeting of Board of the Green Climate Fund (GCF) in Songdo, South Korea, the GCF Board accredited 13 new institutions. Among the institutions accredited include the Deutsche Bank, which has reportedly been embroiled in controversies on money laundering, and the World Bank, which is also the interim trustee of the GCF, leading to possible concerns around conflict of interest.

The accreditation decision turned out to be the most controversial among the decisions taken at the meeting (See: 'Green Climate Fund Board adopts key decisions after intense debate').

Accreditation of some of the entities drew sharp reactions from the civil society for reasons spanning from lack of transparency, to accrediting all the entities together as a package rather than assessing the merit of each entity separately for accreditation. The names of the applicants were not disclosed until after the accreditation process. Discussions on these entities happened in a closed-door session called an 'executive session' of the Board, as developing country Board members wanted to raise issues of concern including over the Deutsche Bank and the World Bank applications. The executive session was closed to observers.

Prior to the executive session held on 7 July, there was a discussion around whether the applicant entities would be adopted as a 'package' or if each one would be considered separately. **Andrea Ledward**, Board member from the **United Kingdom**, suggested the package approach whereas **Zaheer Fakir (South Africa)** said, "I would not do a package. We need to see each entity for their merit and what they get to the Fund."

Following the executive session, when discussion on the topic resumed on 9 July, Board members reflected on the draft decision text, which was supposed to have been revised. However, differences remained with developing country Board members wanting to 'prioritise' national and direct access entities for accreditation over international entities, whereas the developed country Board members objected to the word 'prioritise'.

"We will have potentially 20 entities (seven entities were accredited at the ninth meeting of the GCF Board) and we do not know how many others of a similar nature there will be in the next round. One of the unique features of the GCF is direct access. National and sub-national implementing entities are central to the GCF. This is not a numbers game of international entities. Based on the actual utilization of the Fund's resources (according to the levels of funding the entities are accredited for), national entities will have just 1 or 2 per cent (of the resources), whereas international entities will have 70 per cent. That is not what we want. I cannot support the direction in which this (decision) is going. Put this in the backburner and we can take this up at the next meeting," said **Fakir (South Africa).**

Fakir also reminded the Board about their discussion on safeguarding against reputational risk of the Fund during the executive session. "We had raised the issue of reputational risk of the Fund in terms of the activities taken by entities outside of the work we are doing. We would like this risk reflected and find ways of mitigating it. Here, we are talking about an entity engaged in climate activity, but also other activities outside of the scope of work we are doing here," he added.

Ledward (UK) said that she could not accept the prioritizing of entities as that would mean capping international organisations. She suggested separating the decision on the

accreditation of the entities from the portion of the decision that reflected the process for accreditation.

Fakir disagreed with the UK's proposal and said, "There is no consensus on all the entities here…what is needed are checks and balances in place, which is incumbent on this body for good fiduciary standards so that we do not expose the Board to reputational risk. If we de-link the two (the accreditation of the entities and the process of accreditation), let us look at the entities again. If we do this together, we must include the checks and balances.

In response, **Leonardo Martinez-Diaz (United States)** said this was the second time they were using the (current) accreditation system (referring to the accreditation of entities in the previous Board meeting). "We were able to come to a decision the last time. We should continue to use that system and have a conversation on the 13 (entities). If folks have concerns about the merits of specific entities, we can go back to an executive session. There are systemic issues here. It sends a message that this lot (of 13) is tainted and that we have agreed on process that does not work," said Martinez-Diaz.

Omar El Arini (Egypt) added that the imbalance (in the nature of the entities being accredited) needs to be redressed "for this Fund to be different from other Funds". He expressed concerns that there was a preponderance of financial institutions in the accreditation process.

In the decision taken however, the word prioritise was replaced and the paragraph (h) which reads: "*Also decides that…the Secretariat will actively support applications for accreditation received from subnational, national, regional, public and private sector entities to ensure a balance of diversity, including between entities under the direct access and international access modalities, in the list of entities being considered for accreditation by the Board".*

Following the adoption of the decision, Meenakshi Raman of Third World Network, an active observer, spoke for the civil society constituency and said the results in relation to some of the entities accredited represented a "deeply flawed process which is not only not transparent to us but also does not even follow the minimum standards set by the Adaptation Fund to disclose the entities prior to Board approval, after the Accreditation Panel (AP) makes the recommendations".

In the accreditation decision taken, the matter on disclosing the names of the entities has been deferred to the 11th Meeting of the GCF Board.

"Paragraph k of the decision is a step in the right direction but we regret that it did not come much sooner and we will still have to wait for the next Board meeting before the rule changes, if at all," said Raman. (Paragraph K of the decision reads: *Requests the Secretariat, as part of the information disclosure policy to be considered by the Board at its 11th meeting, in consultation with relevant stakeholders, to develop a proposal to increase the transparency of the accreditation process, including the modalities for the disclosure of the names of applicant entities and/or those recommended by the AP to the Board for accreditation;)*

Expressing deep frustration over the decision, **Raman** said, "You as a Board have allowed the accreditation of applicants where there are clear concerns over their integrity over their activities." She then gave the examples of Deutsche Bank, World Bank, the African Finance Corporation and the Corporacion Andina de Fomento (CAF or Development Bank of Latin America) and elaborated why the accreditation of such institutions posed a reputational risk for the GCF.

"In the case of the Deutche Bank accreditation, news has already gone around that the GCF is accrediting a partner who is a top coal funder and has been widely criticized for serious human rights concerns, was awarded the 'Black Planet Award' for environmentally destructive business policies. To make matters worse, it is public knowledge—broadcast in international news media—that the Duetsche Bank has been involved in serious breaches of money laundering and Libor

manipulation leading it to be fined millions—and even US$2.5 billion—and yet they are being accredited," said Raman.

On the World Bank accreditation, Raman said, "The World Bank, acting already as an interim trustee and now an accredited entity is performing two functions, leading it to being in a position of possible conflict of interest - as interim trustee and also possessing all information of the Fund on a daily basis akin to having 'insider' information."

Raman recalled that that during the design of the GCF by the Transitional Committee (TC), Nicaragua, had cited the case of Arthur Anderson and the Enron scandal, where Arthur Anderson served both as an auditor as well as provided consultancy services to Enron, which was found to be a violation of internationally accepted fiduciary standards. She reminded the Board that Nicaragua had raised these concerns as the services of the World Bank staff were being considered for the technical support unit of the TC, when the Bank was to serve as the interim trustee to the GCF.

Raman stressed that "You do not need actual conflict of interest but even a perception of this existing, raises reputational concerns."

As regards the African Finance Corporation, Raman added that it has been accredited to deal with large, high-risk (category A) projects. However, the entity only adopted environmental/social policy in February 2015, which is just a statement to apply Equator Principles/World Bank safeguards and has no track record of applying this policy, she said further.

"We have similar concerns over the CAF that has been accredited for high-risk 'category A' projects, where we have heard of cases of projects financed by the applicant have led to displacement of communities, land speculation, accelerating the unsustainable extraction of resources, rapid deforestation and threatening the territories of indigenous peoples. We are not convinced that the track record of these entities have been reviewed adequately," said Raman and asked, "How can these be justified and allowed?"

She reminded the Board members that they have fiduciary duties to protect the interests of the Fund. "You should act in objective fashion based on sound assessments. We question how you arrived at your decisions. This is not about horse-trading or making decisions based on considerations beyond our comprehension. It defies logic and common sense. The package approach that you adopted is baffling, to say the least and smacks of political concerns overriding the principles of integrity and fiduciary responsibility," emphasized Raman.

Expressing further concern, she said, "It was shocking for us to see how some of you were prepared to adopt a quick decision approving all the applications without an executive session to discuss each of the options on their individual merits."

Pointing to the decision, Raman said, "After that lengthy session, you now have a long decision, which tries to do damage control, akin to bolting the stable door after the horse has bolted! For the non-native English speaker, it means improving the security system after the theft has been committed. It would have been more prudent for you to have followed the age-old adage that prevention is better than cure, or it is better to be safe than sorry. We note the reference in the appendix to the decision on a 'comfort letter' to be given by the Deutsche Bank. I am not sure how comforting that is going to be," said Raman.

(In the Board decision, with respect to the Deutsche Bank, there is a conditional provision prior to the first disbursement by the Fund for an approved project/programme to be undertaken by the applicant. The condition reads: "*Provide the Fund, through the Secretariat, a comfort letter executed by the appropriate authority within the applicant entity stating that it is taking the necessary actions to strengthen its internal controls related to compliance with relevant regulations, including, but not limited to, risk management, management of operational risk and anti-money laundering and countering financing terrorism".)*

Raman added that the CSO constituency remains deeply concerned about following

the precedent the Board has set for such a "package approach". "We are concerned that both the small and national entities with the international entities are put in the package together and not a thing is agreed unless everything is agreed approach. This is not prudent at all," she said.

She raised the same point as the Board members from South Africa (Zaheer Fakir) and Egypt (Omar El Arini) had asked: where are the resources of the Fund going? "There is a preponderance of financial institutions. It is also an issue in relation to the access to the resources of the Fund, according to the size of the activity they are accredited for. We are concerned about the international entities getting the biggest share of the pie, compared to the national entities," said Raman. "Your reputation is indeed on the line, and so is ours. We are being challenged by our social movements and CSOs on the ground on why we engage here and appear to legitimise processes with unsound outcomes. The Fund is young and new. The last thing you need is controversy right now," added Raman.

Continuing with the intervention, Raman reflected, "You talk of setting high fiduciary standards, respecting ethics, norms and principles. There is rhetoric about the need for a paradigm shift, and to quote Liane Schalatek (an observer with Heinrich Boll Foundation), 'all these values just died and ring hollow by your accreditation decision in relation the entities we have concerns over today'. Is it paradigm shift or sh**?" asked Raman sternly.

Making the terms clear that civil society has no role to play in the decision, Raman said, "Let it be recorded that we had no part in this and we tried to warn you but the process is indeed flawed and that does not bode well for the health of this institution. We hope to God and pray that we will not have to come back to this institution one day to say: we told you so."

In response to Raman, **Martinez-Diaz (US)** said, "We had a long executive session. We asked a lot of hard questions about the process. We will develop and live up to higher standards. This is an opportunity. They (accredited entities) have ambition and plans to be greener. Many of them have long histories; they have made mistakes. The question is whether we can help drive change. If they do not, then we have controls in place to remove them. That is why we have an independent Accreditation Panel. We will have three independent Accountability Units. We will be reviewing each and every project. This is an important experiment."

Following the Board decision, 29 organisations issued a public statement of concern and included ActionAid USA, Asian Peoples Movement on Debt and Development, Center for International Environmental Law (CIEL), Friends of the Earth, Germanwatch, Global Alliance for Incinerator Alternatives (GAIA), Heinrich Böll Stiftung, Institute for Policy Studies – Climate Policy Program, Interamerican Association for Environmental Defense (AIDA), Oil Change International, Pan-African Climate Justice Alliance, Tebtebba Foundation and Third World Network

In their statement, the organisations said, "As representatives of development, environment and social justice organizations engaged with the Board of the GCF in Songdo, South Korea, we are tremendously discouraged and disappointed by today's decision of the Board to accredit Deutsche Bank to receive and distribute GCF funds."

"Deutsche Bank is one of the world's largest financiers of coal. It has been criticized for its very poor record on human rights monitoring, was awarded the 'Black Planet Award' for environmentally destructive business policies, and recently received a record fine for market manipulation and obstructing regulators. The GCF claims zero tolerance towards money-laundering, but has accredited Deutsche Bank despite the fact that two national regulators have this year fined it for the poor state of its anti-money-laundering governance."

"The World Bank was also accredited by the GCF, despite its top-down, donor-driven nature that flies in the face of the GCF's mandate to be more directly responsive to developing country and community needs, not to mention its poor track record on

climate finance and concerns around human rights. Two other multilateral development banks with similar records, the European Bank for Reconstruction and Development (EBRD) and the Inter-American Development Bank (IDB), were likewise accredited," the statement reads.

"Civil society has pushed for the creation of the Fund since the beginning, seeing it as an opportunity to break from bad existing practices and shift towards a model that is more responsive to the needs of vulnerable countries and communities, adopting a gender-sensitive approach and supporting a real paradigm shift to low-carbon, climate-resilient societies. By rushing the accreditation of large international private entities like Deutsche Bank through a non-transparent process, the Fund is at a real risk of losing credibility," the organisations said in their statement.

"This is an outcome none of us want. We want the GCF to succeed. But for it to do so, it needs to change direction away from accrediting controversial big banks that are heavily invested in fossil fuels and thus actually exacerbating climate change. If the GCF continues in such a direction, this would reinforce our fears that in the near future we may have to protest an institution we have thus far been supportive of and integral to creating."

"The issues here go deeper than the individual entities mentioned. We are concerned that the GCF is becoming evermore like the multilateral development banks and international private banks that it was meant to provide an alternative to. The GCF decided to outsource the management of its programmes and projects to other institutions ("entities"), originally with the idea of making decisions more responsive to the needs of the countries and communities most affected by climate change. But the accreditation of many of the first 20 of these entities, and the process leading to their accreditation, tells a different story."

"The Board chose to approve all 13 applicants presented for accreditation at the current GCF meeting in a single bloc, accrediting groups of entities in one go. This encouraged political horse-trading between Board members over which applicants get approved, leading to tit-for-tat approval of applicants despite very serious reservations. Some Board members raised concerns about Deutsche Bank, while other concerns were raised about the ability of the newly accredited CAF and the public-private African Finance Corporation to conduct due diligence on the highest risk (category A) projects."

"Information presented to the Board by the Accreditation Panel was often partial and one-sided, with no substantial assessment of the track record of the institutions concerned, and reliance on official sources that are long on glowing praise and short on critical information about shortcomings and controversies. Civil society groups are not allowed to know the names of the applicants in advance of their approval. This makes it impossible to provide input on the track records of applicants, despite civil society's in-depth, on the ground experience of the work of these institutions," the statement read.

Other institutions accredited during this round of the Board meeting included Agence Françaisede Développement, a development finance institute, headquartered in France; Caribbean Community Climate Change Centre, a public organization that coordinate's the Caribbean's response to climate change, headquartered in Belize; Conservation International Foundation, a non-profit environmental organization based in the US; Environmental Investment Fund of Namibia, EBRD, Inter-American Development Bank, Ministry of Natural Resources of Rwanda and the National Bank for Agriculture and Rural Development based in India; and the United Nations Environment Programme.

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Third World Network

Lively exchange on whether GCF should give out mainly grants or loans

Penang, 14 July (Meena Raman) – A major discussion took place at the recently concluded Board meeting of the Green Climate Fund (GCF) Board on whether the Fund should deploy mainly grants or concessional loans to developing countries.

The 10th Board meeting of the GCF took place at its headquarters in Songdo, South Korea. The meeting which began on 6 July was supposed to end on 9 July actually spilled over to end early morning of 10 July, in part, due to discussions on the issue of 'level of concessional terms for the public sector'.

The Secretariat, in a document for the Board's consideration, was advocating the use of low-level concessional loans as the main instrument, as opposed to grants, with grants to be used sparingly and on a case by case basis.

After long and protracted exchanges among members in this regard, the Board could not agree on a decision to guide the Secretariat further, despite a push by developing countries to have a decision.

The developing countries were supportive of a draft decision that would affirm that each recipient country would, through their national designated authority (NDA), indicate its preferred financial instrument, based on the country's need and priorities. It was then for the Board to decide the terms and conditions of the concessional financial instruments that will be determined and agreed to on a case by case basis, taking into consideration the country's preference as well as previous Board decisions. Developed country Board members were opposed to the proposed decision. Given a lack of consensus on the issue, the Board did not adopt any further decision on the matter.

The Board had previously in its 5th meeting, decided that the Fund will use grants and concessional loans to the public sector. At the 9th Board meeting, it was further decided that for the public sector, highly concessional terms include a maturity period of 40 years for the loan repayment, with a 10-year grace period and with no interest rate charged. For the lower concessional terms, the maturity period is 20 years, with a 5-year grace period and an interest charge of 0.75%.

The 10th Board meeting was supposed to consider cases in which the high level concessional terms and the low level concessional terms would apply.

In the document for the current meeting in July, the Secretariat proposed 3 options for determining the level of concessionality for the consideration of the Board as follows: Option 1 to be project based, with grants to be provided only for projects/programmes that are non-revenue generating, and delivered through direct access and for small grants for technical assistance; Option 2 to be project and income level based, with grants for projects/programmes that are non-revenue generating, in Low-Income Economies (LIEs) and delivered through direct access and with small grants for technical assistance; and Option 3 to be project, income-level and vulnerability based, with grants for projects/programmes that are non-revenue generating, in LIEs, targeting vulnerable communities, and delivered through direct access, including small grants for technical assistance. LIEs were defined based on the World Bank classification of countries with a gross national income per capita of US$1,045 or less in 2013, that are mostly a subset of LDCs with the lowest per capita income.

The document also proposed high level concessional loans for projects/programmes that are revenue-generating with low economic viability, or all projects/programmes in LIEs, and non-

revenue generating in other countries or that target vulnerable communities in all other countries.

Below are highlights of some of the exchanges that took place during the Board meeting.

Ewen McDonald (Australia): "We support some of the elements from the paper. We support that for projects which are not revenue-generating that the Fund should provide grants, especially for adaptation. When revenue generation is an option, concessional loans should be the norm. We do not see the relevance of limiting the access modality (referring to the direct access modality)".

Referring to the document prepared by the Secretariat **Jorge Ferrer Rodriguez (Cuba)** said as follows: "I disagree that this is a good paper. The LIE language is inconsistent with our previous decisions. This paper will restrict the accessibility of grants to the countries that need them most. There are many vulnerable countries who are not LDCs, Small Island Developing States (SIDs) or LIEs... The GCF is not a bank; it's a Fund which was established to meet the needs of developing countries. We know there is a problem of the scarcity of resources. This paper is not consistent with the agreed 50:50 breakdown between mitigation and adaptation." (The Board had in 2014 agreed that as regards the allocation of resources, it will aim for a 50:50 balance between mitigation and adaptation over time).

Nojibur Rahman (Bangladesh): "The (document) is not acceptable to us in its current form. It follows a straitjacket approach. There needs to be an option which recognizes the needs of LDCs to access grant finance…There should be an element which assures grants with no required levels of co-finance."

Zaheer Fakir (South Africa): "On behalf of the African Group, our position is that there should be no loans for adaptation."

Angel Valverde (Ecuador): "This paper is not consistent with the United Nations Framework Convention on Climate Change. This is not consistent with the goal for country-driven approaches…Co-financing that has not been agreed by the Board and is being forced on accredited entities. This will require countries to depend on international accredited entities to access finance…The focus is too much on leveraging, financial returns and impact. Using income levels of countries in order to access grants prejudges the potential of paradigm shift. We would like to erase the LIE list. Regarding vulnerability, this term refers to different things under the Convention. This term should not be linked to income level."

Nauman Bhatti (Pakistan): "The Fund needs to maximize climate action and actions in developing countries. Adaptation projects should be fundamentally based on grants… Regarding national income levels, this is not linked to climate vulnerability as defined under the Convention…The paper should also address full costs, not only incremental costs."

George Zedginidze (Georgia): "This paper has a clear bias for mitigation projects, which is inappropriate. The characterization of vulnerability should be based on climate impacts, not income levels."

Ingrid-Gabriela Hoven (Germany): "This paper needs a serious revision…We need a clearer definition of the 'public sector' and this should be aligned with international definitions…We need to think about what accredited entities can bring to the Fund in order to operate at scale. This may not be a model for every country."

Ali'ioaigi Feturi Elisaia (Samoa): "We want comfort for level of grant finance available for SIDS…Regarding the three options, they will disadvantage SIDS. This is a climate change Fund, and SIDS have increased vulnerability and needs. Many of them are highly indebted. They will not have national implementing entities accredited for a while; so this paper would exclude them from accessing grants."

Yingming Yang (China): "We oppose using income level as a consideration for concessionality. There should not be differentiation between developing countries within the GCF. This is against the spirit of the GCF. We are sympathetic to the

needs and concerns of developing countries, particularly LDCs. This is covered in great detail in the Convention."

Omar El-Arini (Egypt): "We agreed that the Fund will focus on grants and concessional lending. Technology needs to be adopted and adapted and reach market penetration. This takes time and includes risks. Many countries are in debt…Adaptation affects lives and should be (addressed) on a grant basis. I think it would be useful to see a list of project concepts received (by the Secretariat), including the estimated costs and instruments requested. The preparation of a new document needs to address the issue of incremental costs."

Leo Martinez (US): "I think we need to be careful in developing further guidance. We may not need more detailed guidance at this stage. We trust the Secretariat to look after the interests of the Board. We demand that the Secretariat ask difficult questions (of countries). We need a definition of what 'public' and 'private' mean. In an effort to avoid crowding out the private sector, we need to take into consideration what else is happening in the sector. For example, if other similar projects in the country are receiving commercial finance, this could give us a clue as to an appropriate level of concessionality. The direct access modality provision is unfair to countries that then would not have access (to grants)".

Marcin Korolec (Poland): "The GCF should distribute grants but also have renewable flows of finance. SIDS and LDCs should have privileged access to this Fund."

Arnaud Buisse (France): "This loan/grant issue is a very important question, especially if the Fund runs out of money quickly. We want to avoid allowing accredited entities to do business-as-usual projects. We also don't want to put unsustainable debt on countries."

Andrea Ledward (UK): "The Fund should blend concessionality. The restrictive use of grants is problematic. We agree on the need for leveraging third-party finance. I propose that we proceed on a case-by-case basis. That we do not be too rigid but develop some general norms and principles to be reviewed annually."

Atsuyuki Oike (Japan): "We can support a mixed approach depending on the project type and country circumstances. We need to expand access modalities beyond direct access.".

Mariana Micozzi (Argentina): "We are not comfortable with the focus on income levels… The effects of climate change should be taken into consideration, especially for adaptation projects and programmes."

Ayman Shasly (Saudi Arabia): "We have different mindsets. Some see this Fund as an investment arm. We see it as a Fund. I do not want to see this Fund become another MDB. We are not in the business of giving loans. We are in the business of giving grants. The (Secretariat) paper has many redlines. Who says that the characterization of eligibility should be based on income? This is a red line. We will not accept any reference based on the level of income. We abide by science and not the characterization of countries. Countries in the UNFCCC are being misled about the direction of this Fund."

Stefan Schwager (Switzerland): "Why are we beating a dead horse to say grants only? How do we balance mitigation and adaptation? If we give too much grant finance to mitigation for revenue-generating projects, this will leave less finance for adaptation."

Jacob Waslander (Netherlands): "I'm concerned about the clarity of the document. In assisting on emergency preparedness may likely require predominantly grant elements. We need to also look at the revenue aspect of a given project."

Henrik Harboe (Norway) who is Co-chair of the Board: "This is an important paper and decision. This is a Fund. This Fund should provide finance in the form of grants and concessional loans. The needs are greater than the available resources. The Fund needs to spend the scarce funds as wisely as possible. We need some guidance beyond case-by-case basis. There needs to be a balance between guidance and flexibility. In defining guidance, we respect earlier

decisions and papers, including the 50/50 split between mitigation and adaptation. The special needs of LDCs, SIDS and Africa should be reflected."

Zaheer Fakir (South Africa): "Countries should determine grant versus loan, not the Secretariat. The Secretariat is king in this fog of confusion, as there's no clarity on the application of this paper. We are determining how much loans versus how much grants we give."

Andrea Ledward (UK): "I don't think there is a fog of confusion across the Board. I am happy for the co-chairs to develop some core principles. If it's not possible, then we proceed with the existing guidance which is the use of the various instruments on a case-by-case basis."

Ayman Shasly (Saudi Arabia): "I do not agree with case-by-case basis. The Secretariat is charging itself with the sustainability of the Fund, but this is the role of the Board. We should be taking these decisions not the Secretariat."

Zaheer Fakir (South Africa): "I need the certainty that countries would have the choice of choosing grants or loans. I want the country to have the power to choose a grant; if they choose a grant to cover incremental costs or a loan with greater finance. The country needs to be the one to decide. Adaptation should be grants only and on full cost, not incremental cost".

Hela Cheikhrourou, (Executive Director): "It is helpful for the NDAs and the Accredited Entities to get further guidance. If you ask which option they will choose, either grant or loan, the answer will always be grant. The existing rules are enough for a case-by-case basis consideration."

David Kaluba (Zambia): "Dealing with the impact of climate change is a primary concern and is not about whether it is revenue generating or not. Let's be careful about this issue… We need to increase the coping capacity of countries, which may take many years to achieve."

Leo Martinez (US): "On the issue of revenue generation, in general I do not see the Board approving revenue-generating projects receiving grants. We want to avoid crowding out the private sector. Perhaps the way forward is a decision for this process to continue, with a provision to revisit it in the near future… Country ownership is important for designing the programe but the choice of the financial instruments cannot be left to the NDAs. The Secretariat can help with that and the Board then decides."

Jorge Ferrer Rodriguez (Cuba): "Nobody goes to a bank and says give me what you want. We indicate what the preferred financial instrument is and the bank says yes or no, taking into account the request."

Arnaud Buisse (France): "We need data. We will discuss this, project by project in the next session," (referring to the Board approving funding proposals at the next meeting).

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Third World Network

GCF adopts important decision on enhancing direct access

New Delhi, 15 July (Indrajit Bose) — An important decision on enhancing direct access and approving the terms of reference for a pilot phase for projects was adopted by the Board of the Green Climate Fund (GCF) at its 10th meeting in Songdo, South Korea.

The Board also approved up to US$200 million for at least ten pilots, including at least four pilots to be implemented in Small Island developing States (SIDS), the least developed countries (LDCs) and African states. Board members in general, from both developed and developing countries were supportive of a decision on the matter to enhance direct access.

Decision on the issue had been pending since the Board discussed it in depth at its ninth meeting, also held in Songdo. At that ninth meeting, the Board had discussed the modalities and several developing country Board members had expressed concerns about the number of pilot projects being too few and the amount of US $100 million as insufficient for the pilot projects. They also felt that the implementation period of two years of the pilot projects was too short a time to ascertain results.

In a document prepared by the Secretariat for the Board meeting, it was stated that "enhanced direct access is needed mainly because the decision-making on the specific projects and programmes to be funded will be made at the country/entity level, and such direct access is a means to increase the level of country ownership over those projects and programmes. This implies that the screening, assessment and selection of specific pilot activities would be made at the national or subnational level. At the same time, mechanisms will be set up to increase oversight and multi-stakeholder engagement at the country level. For that purpose, the preferred approach will be to use existing country systems and institutions."

The revised document on enhancing direct access presented at the 10th Board meeting, held from 6-9 July, extended the pilot phase from two to five years and the amount for the pilots was increased to US$200 million. Besides these, the draft decision also included risk mitigation, including through readiness support and the call for proposals had been further clarified, said Ousseynou Nakoulima, Director of Country Programming, at the GCF Secretariat, and added that the revised decision would lead to increased country ownership.

Jan Cedergren (Sweden) added that the Accreditation Committee had reviewed the document and proposed three additions: they wanted to reintroduce the role of small and medium enterprises (SMEs) into the document; the reporting of the pilot schemes should be in the 12th Board meeting and not at the 14th Board meeting as proposed; and that oversight function should give guidance to the entities carrying out the pilot scheme. Board members agreed with the suggestions and sought clarifications around the oversight function, the accreditation process and inclusion of stakeholders (see exchange below).

The Committee was asked to revise the document and prepare an amended decision. The revised decision was distributed to Board members on 8 July and the discussion resumed on 9 July. Board members sought further clarification around enhancing the position and status of the national designated authorities (NDA), selection of projects, monitoring and accountability and whether projects would be approved in a batch or whether they would approve one-by-one.

Responding to the queries, Cedergren said that there would be a call for proposals. "The implication is that small projects will be developed under the authority of the implementing entity. The idea is to have

devolved decision-making. The Board would be involved in approving packages, but not in individual projects. Decision-making is left to the local level. The Fund will have the responsibility to evaluate the effects of the pilot exercise and in that sense the Board and the Fund will have the oversight responsibility to see if the pilot packages contributed to the objective of the Fund. We will have to come back and see what we achieve that we want to achieve," said Cedergren. To another query, he said, "In the best of cases it will come as packages. It is also possibile that this will take time to develop, but the idea is to approve as a package and not at individual levels."

After the clarifications the decision was adopted, with amendments, as follows:

- The Board approves the "terms of reference for a pilot phase enhancing direct access to the GCF".
- It requested the Secretariat, "under the guidance and oversight of the Accreditation Committee and in consultation with the independent technical advisory panel (iTAP), (and) relevant stakeholders to prepare and launch a request for proposal to countries through their NDAs or focal point and public media".
- The decision recalled that "access to Fund resources will be through accredited entities. As such, nominated entities must be accredited by the Fund, in respect of the Fund's fit-for-purpose approach, prior to the review by the Board of their pilot proposals".
- The Board requested the Secretariat "to publish the pilot proposals on the Fund's website at least 21 calendar days before the first day of the meeting in which they are presented to the Board for approval".
- The Board requested the Secretariat and the iTAP "to undertake the assessment of pilot proposals received in response to a Request for Proposal from countries in accordance with the Fund's initial proposal approval process, the initial investment framework and to provide recommednations on pilots to be approved with the initial aim of providing up to US$200 million for at least ten (10) pilots, including at least four (4) pilots to be implemented in SIDs, LDCs and African states".
- The Board also requested the Secretariat "to report back to the Board on the progress of this request for proposal at the twelfth meeting of the Board".

Highlights of exchanges that took place:

Omar El Arini (Egypt) said that the SMEs should be added. Arini also wanted to know how the projects will figure in countries' strategic climate plan and that the role of the NDA was not very clear.

Ingrid-Gabriela Hoven (Germany) stresses the need for CSO participation in the implementation of the pilot and called for transparency. She also suggested review after every two years.

David Kaluba (Zambia) supported the addition of SMEs and emphasised that in the piloting the initiative, LDCs and SIDs must not be left out and added that there is very strong opportunity to strengthen country ownership in those countries. Kaluba also called for the role of CSOs and other actors to be reflected in the decision.

Nauman Bashir Bhatti (Pakistan) wanted to know if the entities involved in the enhanced direct access would go through the regular accreditation process or the fast-track route.

Supporting the Secretariat document, **Leonardo Martinez-Diaz (US)** sought clarification on the reference to request for proposal (RFP) in the paper and asked what type of activities would be covered under it. He also wanted to know the basis of selecting proposals and the process for bringing forward proposals through the NDAs. He suggested that it would be helpful for the Board to see the RFP and provide inputs and wanted to further understand how direct access would relate to the monitoring and accountability framework.

Patrick McCaskie (Barbados) said the decision is very important to SIDS. **Ewen**

McDonald (Australia) said three-year review might be too long and supported Hoven on a review after two years. **Stefan Schwager (Switzerland)** added that amendments proposed by Cedergren were welcome and supported the inclusion of civil society in the process. **Atsuyuki Oike (Japan)** supported Kaluba and sought clarity about the oversight body.

Andrea Ledward (UK) called for more detailing about the oversight body and said it should include women, and wanted clarity on monitoring and clarity on decision-making at the project level.

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Third World Network

Push for emphasis on country ownership in GCF process

New Delhi, 16 July (Indrajit Bose) — Developing country Board members of the Green Climate Fund (GCF), pushed for a decision on country ownership, emphasising its importance in the GCF process, at the recently concluded meeting, held in Songdo, South Korea, from 6-9 July.

The decision came at the final hours of the meeting sometime morning of 10 July, after much deliberation on whether there should be a decision at all on country ownership at the meeting.

On 8 July, the GCF Secretariat presented to the Board a document which was for information only on 'country ownership' and said its "purpose was to enable the Board to take stock of decisions related to country ownership, the role of the national designated authorities (NDAs) or focal points (FP), and multi-stakeholder engagement in order to consider ways in which it (the Board) can effectively monitor the implementation of these decisions, and areas where further work can be undertaken to help to strengthen country ownership".

However, developing country Board members led by Ecuador, wanted a decision on country ownership at the meeting primarily to strengthen the role of the NDAs and FPs in the process, as there were concerns that the notion of country-ownership was being side-lined or limited.

In his proposal **Angel Valverde (Ecuador)** outlined the work of the Secretariat in relation to the NDAs. But some developed country Board members objected to a decision on country owership and said that a decision was not required. Developing country Board members had a lot of explaining to do about the importance of country ownership (see highlights of exchanges below) and the need for a decision.

A small group to draft the decision was formed on the suggestion of the Board Co-chair, **Gabriel Quijandria (Peru),** and after further discussions, a decision was eventually adopted.

The decision adopted reads as follows:

- The Board recognized "*the importance of enhancing country ownership, country drivenness and the role NDAs/FP can play in this regard" and affirmed "that all efforts should be undertaken to:*

Strengthen the key role of NDAs/FPs in the formulation of country program/project pipelines, the consideration of implementation partners, and financial planning, and enhance capacity, including through the programme on readiness and preparatory support,

Strengthen the role of NDAs/FPs in monitoring and providing feedback regarding the impact of GCF oeprations within countries in terms of the degree to which the Fund's initiatives add value to national development priorities, building institutional capacity, and promoting a paradigm shift towards low carbon and climate resilient development,

Promote a central and leading role of NDAs/FPs in the coordination of the Fund's engagements within countries while highlighting the importance of the differentiation of roles between the Secretariat, Accredited Entities and NDA's/FPs in relation to country programming."

- The decision also "*Requests the Secretariat to prepare a Proposal of Guidelines and drawing from learning experiences and best practices across NDAs/FPs to address the aspects outlined above for consideration of the Board at its twelfth meeting;"*
- It "*recognizes that NDAs or focal points should facilitate country coordination and engagement with representatives of relevant stakeholders such as private sector, adademia and civil society organizations and women's organizations, taking into account the best practice*

options adopted by the Board in decision B.08/10 and supported as needed by the GCF Secretariat;" and

- "*Reaffirms in accordance with decision B.08/11 (from the 8th Board meeting), the readiness and preparatory support program as a mechanism to enhance country ownership."*

Highlights of exchanges that took place

Presenting his proposal, **Angel Valverde (Ecuador)** said he would like the following elements captured in a decision:

- "Requests the Secretariat, prior to making any visits to a country, to formally announce, with reasonable time in advance, such visit via a letter sent to the NDAs/FPs of the respective country where the visit would be undertaken, and to coordinate the planning of such visit with the respective NDAs/FPs, where appropriate".
- "Requests the Secretariat to prepare template for country programmes, which would include a section to list the projects and activities that would be submitted for funding within the country programmes".
- "Requests the Secretariat to inform the NDA/FP of any expressions of interests, formal or informal concept notes or proposal summaries, or any other communications related to potential projects and programs in the country that the Secretariat receives from third parties/interested accredited entities, and to redirect these to the NDA/FP for its information, input and involvement in the process".
- "Requests the Secretariat to gather lessons learned on the project approval process and complement, by mid 2016, the existing framework with deadlines and specific estimates of the time required to complete the Fund's project cycle, to provide clarity to NDAs and implementing entities, and to inform them and the Board when it has done so."
- "Requests the Secretariat to create a specific funding envelope for translations and similar expenses different from the readiness program".

Zaheer Fakir (South Africa) said that the role the NDA is playing (presently) appears to be limited. NDAs/FPs need to be at the heart of the process to drive country ownership. He added that the NDA should be anchored in the GCF so that they are the agents of change. For this, there needs to be guidelines so that the NDAs can assume that role, he stressed further. The NDA is involved in a number of processes starting from giving no objection to country pipeline development (re: funding proposals) and formulation of financial packages and models. He also called for a greater role of the NDA to be reflected in the document. "If we want the Fund to be transformational, we need to be driving the change," said Fakir, adding that "we cannot just rely on the monitoring of an implementing entity".

Responding to Valverde's proposal, **Leonardo Martinez-Diaz (United States)** said that the proposed list of added activities seemed to call for a very high level of work and these added measures are not needed.

Fakir clarified that it is an important issue that empowers countries and that Ecuador's proposals must be looked at.

Martinez-Diaz said that he had not heard a compelling argument for a decision on country-ownership. "We could use this time discuss other matters," he said, drawing a sharp retort from **Omar El-Arini** (Egypt) who disagreed with this view.

Ingrid-Gabriela Hoven (Germany) said the issues raised by Valverde pertain more to the relationship between the NDA and the Secretariat and wondered if this called for a Board decision.

Fakir responded that country ownership could not be pushed around. "What we want to do is to empower countries. We are serious about promoting country ownership and it is important for us to address the issue," said Fakir.

Responding to comments, **Valverde** said country ownership is one of those crucial aspects where the Board needs to have continuous oversight and needs to assure

that there is constant learning and improvement. He made three additional points—on the involvement of NDAs in core activities, on the role of NDAs in monitoring and how that could inform the Board from a strategic perspective, and on communication with the Secretariat and difference in roles with the accredited entities. He said the proposal on guidelines could be given to NDAs for their involvement in aspects such as country pipeline, selection of implementing partners and formulation of financing models. He also said that the proposal for developing a monitoring framework could be undertaken by the NDA to provide the Board with direct feedback on the impact of the Fund's activities and the Fund's contribution. Valverde also called for guidelines for difference in roles and interaction between the Secretariat, the accredited entities and the NDAs.

Following these discussions, the Board came back to discussing 'country ownership on 9 July, where a draft decision was presented.

Presenting the decision, **Valverde** stressed the importance of country ownership and for the Fund to have high impact vis-à-vis the needs of developing countries. He also said that the active role of the NDA is a key element in assuring efficiency of operations, which was a gap and which the decision needs to address. **Mariana Inés Micozzi (Argentina)** supported Valverde.

Andrea Ledward (UK) responded that the implication of the decision was not clear. **Martinez-Diaz** said the decision was too general. **Arnaud Buisse (France)** also expressed his inablity to understand the decision. **Ludovica Soderini (Italy)** expressed concerns about bureaucratising the process.

Fakir said there is need to ensure how to empower the NDAs. "Through country ownership and country drivenness, we will be enhancing results on the ground. The idea of the decision is to ensure that NDAs are not merely rubber stamps and they are at the heart of the process. We also want to ensure that as an NDA, they have oversight responsibility," said Fakir and added that a little bit of wordsmithing should help resolve the concerns.

Valverde intervened to further clarify the reasoning behind the proposed decision. "We have different experiences of countries when it comes to national entities. There are potential entities, international agencies etc. The feeling is in many of the cases the national entities or the NDAs are skipped," said Valverde.

"When we talk about such efforts, we are talking about capacity in a systematic way. We are thinking in a systematic structure how to conduct things in relation to the GCF. That is the spirit of this draft. When we talk of financing models, it sounds weird. It should be related to readiness. For better coordination therefore, we need to have guidelines. That is the whole spirit of this," said Valverde. "We don't want to make the process bureaucratic. But coordination with the national entities needs to be done," said Valverde.

Following these interventions, the decision was adopted.

TWN Info Service on Climate Change (Jul15/06)
16 July 2015
Third World Network

All medium and large funding proposals will be subject to a scale

Penang, 16 July (Meena Raman)-The Board of the Green Climate Fund (GCF) has agreed on a decision on how to assess funding proposals based on applying a scale. The decision was adopted at the recently concluded 10th meeting of the Board that took place between 6-9 July in Songdo, South Korea.

They agreed that the scale of 'low/medium/high' based on the investment criteria will be applied to all medium and large projects, based on the total funding size of the project.

At its previous meeting in March this year, the methodology to be adopted on reviewing funding proposals from developing countries was one of the most controversial among the decisions adopted. The major disagreement between developed and developing country Board members was over the "initial assessment methodology" to be followed by the Secretariat and the independent Technical Advisory Panel (iTAP) to conduct technical assessments of funding proposals from developing countries for the Board's consideration.

Basically, developing countries were concerned over whether the Secretariat and the iTAP can properly evaluate which proposals are to be funded by the GCF, given what is mainly in the nature of a qualitative assessment of the proposals, although couched one that is quantitative.

The Board at the 9th meeting decided to adopt the initial activity-specific sub-criteria and indicative assessment factors such as impact potential, paradigm shift potential, sustainable development potential, needs of the recipient, country ownership and efficiency and effectiveness. It also decided to use indicative minimum benchmarks which would be further considered at the 13th Board meeting.

The Board further decided then to use a scale of low/medium/high in order to assess the relative expected performance of a sub-set of projects and programmes based on the initial investment criteria. The Investment Committee (IC) was to recommend to the Board to which subset of proposals this will apply to.

Since the Board had not defined what constitute micro, small, medium and large funding proposals, the IC provided two approaches in this regard for the Board's consideration. The first approach was to define the project based on its total size while the second approach was to use the GCF funding amount to define what micro, small, medium and large proposals are.

In the eventual decision that was adopted at the 10th Board meeting, it was decided that the first approach would apply, with the project size defined as: (a) micro proposals - up to and including US$ 10 million in total project size; (b) small proposals - above US$10 million and up to and including US$ 50 million in total project size; (c) medium proposals - above US$ 50 million and up to and including US$ 250 million in total project size and (d) large proposals – above US$ 250 million in total project size.

On the selection of a sub-set of proposals for the pilot to which the scale will apply, the Board had to consider the following options: (i) total project size above US$ 50 million; (ii) GCF funding amount above US$ 50 million; (iii) including a portion of small-sized proposals in the scaling pilot; or (iv) including half of proposals within some categories of project size in the scaling pilot.

Following discussions on the matter, the Board agreed "that the scaling pilot will apply to all medium and large proposals". It further decided "that in monitoring the effectiveness of the scaling pilot, mitigation

proposals will only be compared with mitigation proposals and adaptation proposals will only be compared with adaptation proposals".

In addition, the Board decided "to recognise country needs and circumstances while applying the scaling pilot…" and also requested the Secretariat to review the scaling pilot on an annual basis and to communicate the findings to the IC and to the Board.

Below are highlights of some interventions from Board members in this regard.

Jorge Ferrer Rodriguez (Cuba): "I have a difficultly that the scaling would only apply to half of medium and large proposals. This could be discriminatory. I think we should stick with applying the scale to all medium and large projects. It should be based on total project size."

Omar El-Arini (Egypt): "This decision on the size of the project is less relevant. It would be inappropriate to apply the scaling pilot to two projects with same total cost, with one requesting grant finance and another requesting for a loan. If this were the case, the Fund would certainly prioritize the loan. This is for the Fund's sake not the country's sake that submits the project. How could we balance this? We need to make sure we are accommodating the country's strategy and needs."

Leo Martinez (US): "Comparing mitigation to mitigation and adaptation to adaptation (proposals) should be reflected in the decision. I also agree that scaling should not apply to micro or small projects for the time being."

Andrea Ledward (UK): "On the project size, we should take the first approach which is based on the total project size, as this is consistent with the accreditation framework. (On the subset of proposals to which scaling should apply), I prefer the option that delivers against three principles, viz. that maximizes learning, is broad and inclusive, and does not disadvantage anybody for not being part of the pilot."

Ingrid-Gabriela Hoven (Germany): "I also support the approach based on the total project size which is in line with the accreditation framework". She also stressed the importance of comparing projects in comparable circumstances.

TWN Info Service on Climate Change (Jul15/07)
16 July 2015
Third World Network

Experts to independent technical advisory panel approved

New Delhi, 16 July (Indrajit Bose) — The Board of the Green Climate Fund (GCF), at its 10th meeting in Songdo, South Korea, agreed on the name of four experts to the Independent Technical Advisory Panel (iTAP).

The function of the iTAP is to provide an independent technical assessment of, and advice on, funding proposals.

The four experts, recommended by the Investment Committee (IC) of the GCF for the Board's consideration, are from Bangladesh, Germany, Colombia and Japan, with two of them being female and the other two male.

Of the 185 applications received, the IC had forwarded names of six candidates to the Board for consideration with the caveat that there was no consensus in the committee on two of the six candidates. Of major concern for developing country Board members was the fact that a majority of the candidates recommended were from multilateral development banks (MDBs), and with hardly any experience with the United Nations Framework Convention on Climate Change (UNFCCC).

When discussions began on the topic on 8 July, the Board member from **South Africa, Zaheer Fakir,**raised the point that of the six nominated, five are from multilateral development banks (MDBs). He also wondered whether that would get the necessary depth of experience required for the panel to do its work and added that there is a certain character to the kind of investments the MDBs deal with.

Jorge Ferrer Rodriguez (Cuba) also expressed similar concerns, saying that the GCF was created because developing countries had problems with the MDBs. (See below for highlights of exchanges in the Board).

Developing country Board members also wanted clarity on why the IC could not agree upon the two candidates but the developed country Board members were of the view that all of the six candidates should be approved. Board members also went into a closed-door executive session to discuss the two candidates, which was not open to observers.

Developing country Board member from **Saudi Arabia, Ayman Shashly,** also stressed that the roster of experts from the United Nations Framework Convention on Climate Change (UNFCCC) should be made use of as well, in the selection of experts on the iTAP.

In the document presented to the Board for discussion, the IC had put forth two options to the Board for its consideration: to either endorse all six candidates listed or only the first four candidates, with two additional candidates to be nominated and endorsed between meetings prior to the eleventh meeting of the Board. The IC also said that there should be a review mechanism in place to assess the Panel's effectiveness.

After discussing the issue the Board endorsed the four members for one term. The decision also reaffirmed that the iTAP would comprise six members as per the terms of reference approved at the ninth meeting of the Board, and that "the remaining two Panel members will be selected before the 12th Board meeting with due consideration to the UNFCCC Roster of Experts and to the geographic and speciality coverage, as appropriate".

(The iTAP members are supposed to enter into a consultancy contract with the Fund for a term of three years, with the possibility of renewal).

The Board members also decided on a review mechanism for the iTAP. It decided

that "the Secretariat, in consultation with the IC, will conduct a review of the iTAP''s effectiveness to be provided to the Board for consideration at its 14th meeting. This review will include an assessment of:

(i) Projected demands on the Panel and its associated capacity to assess funding proposals in terms of their time commitment and range of technical expertise;

(ii) Any specific gaps in the Panel's technical expertise that should be filled through appointment of additional Panel members (including from the UNFCCC Roster of experts as appropriate) rather than ad-hoc technical support; and
(iii) Costings for the recruitment and empolyment of the additional Panel members."
The decision also states that the "Panel will, with the help of the Secretariat, draw on technical expertise, particularly including from, but not limited to, the UNFCCC Roster of Experts and thematic bodies, as appropriate," and "The Secretariat should, in line with the Panel's terms of reference…establish a dedicated Roster of Experts for the Panel in major mitigation and adaptation areas over time, and to report on progress at the 14th meeting of the Board".

Highlights of some interventions

Andrea Ledward (UK) said she agreed with the option of including all the six candidates since a lot of time and effort had been spent to zero in on the six, out of 185 applications. Ledward was supported by**Atsuyuki Oike (Japan), Ewen McDonald (Australia), Aize Azqueta (Spain)** and **Ingrid-Gabriela Hoven (Germany).**

Omar El Arini (Egypt) sought clarification on why there was a divergence of views on the two candidates in the IC. He also said that membership should cover experience and expertise in the major result areas of the Fund, but that the result areas of the Fund are not reflected or covered, He said the Board should recommend the four candidates on whom there was consensus and to advertise again for two more candidates.

Zaheer Fakir (South Africa) said that the iTAP is an important body for the Fund and there is need to have breadth and depth of experience. Of the six nominated, five are from MDBs, said Fakir. "Does that necessarily give you the wealth and depth of experience? When you are dealing with MDBs, there is a certain character to the kind of investments they deal with. Does this give us the depth of the kind of proposals we will receive?" asked Fakir.

Jorge Ferrer Rodriguez (Cuba) expressed concerns that four out of the six candidates have worked with MDBs. He said that the GCF was set up because countries had problems with MDBs. The expertise needed has to be in line with mitigation and adaptation, and experience with the Convention. Only two out of the six worked at the national level. He was agreeable to having the four recommended by the IC to be endorsed first.

Leonardo Martinez-Diaz (US) said it was a good list. "If you pick out, out of context, MDB experience, it will not help. Most of us here have been in the MDB world at some point… We should approve the full list," he said.

Fakir said that they had not received a clear answer on why there was no consensus in the IC. It is not a question of credibility of the individuals involved. The question is whether they are the most appropriate to do the work, said Fakir. "We are prepared to look at the six candidates but we need clarity on why there was no consensus. Once I have that information, we can take a decision," added Fakir.

Cristian Salas (Chile) who was on the IC explained that there was no consensus in the Committee and said that there were arguments that went both ways. He suggested that the middle ground would be to go with the four candidates where there was consensus and to leave the remaining two positions to be filled from existing candidates later.

Following this discussion, the Board members moved to an executive session, which was closed to observers.

When the discussion resumed on 9 July, Board members sought further clarification on the draft decision presented to them. **Stefan Marco Schwager (Switzerland)** wanted a timeline by which two additional members should be selected. **Ayman Shashly (Saudi Arabia)** said his comment on including expertise from the UNFCCC had not been included.

After further amendments on the timeline and inclusion of UNFCCC expertise, the decision was adopted.

TWN Info Service on Climate Change (Jul15/08)
16 July 2015
Third World Network

Board agrees on process to develop framework for monitoring/ accountability

New Delhi, 16 July (Indrajit Bose) — After accrediting 20 entities to the Green Climate Fund (GCF), the Board of the GCF adopted a decision at its recently concluded meeting in Songdo, South Korea, to further develop an initial monitoring and accountability framework for accredited entities.

(The Board, had at its previous meeting in March this year, accredited 7 entities, and a further 13 were accredited at the just concluded session. The accrediting of the entities at the 10th Board meeting was controversial, with concerns raised both by developing country Board members and CSOs alike on some of the entities who were viewed as posing a reputational risk to the GCF). (See TWN Climate Info: GCF accreditation poses reputation risk for the Fund, say civil society, of 14 July).

The Board decided that accreditation of an entity to the Fund would be valid for five years and any re-accreditation would be "based on the assessment conducted by the Secretariat and the Accreditation Panel (AP)".

The decision states that the framework will focus on compliance with the Fund's environment and social safeguards, fiduciary standards and gender policy. The Secretariat was tasked to further develop the monitoring and accountability framework and provide more details on provisions such as corrective actions for non-compliance, implementation of compliance checks, and local monitoring. The Board will consider this again at its 11th meeting, planned in Zambia in early November this year.

The decision though came after considerable discussions among the Board members on a progress report by the Secretariat on the monitoring and accountability framework. Developed country Board members from the United States, Canada and Sweden pushed for a decision on the issue at the meeting.

Caroline Leclerc (Canada), in her intervention in support of a decision, also referred to the concerns expressed by Meenakshi Raman of Third World Network, active observer to the GCF, on problem entities being accredited to the Fund. Raman, for the civil society constituency, had criticized the accreditation of entities such as Deutsche Bank and World Bank (see: GCF accreditation poses reputation risk for the Fund, say civil society).

Leclerc said that during the accreditation decision, Board members had "had a very rich discussion on the issue which would have reassured Meena (referring to Raman), if she had heard it. (Discussions on the entities had happened in an executive session, which was not open to observers.) "We have a very professional and strong AP in ensuring mitigation of risks," said Leclerc, calling for a decision on the issue.

David Kaluba (Zambia) though expressed a number of concerns on the progress report presented to the Board. He sought clarification around several issues ranging from the role of the national designated authorities (NDAs) and laid down detailed monitoring guidelines (see highlights of exchanges below).

After further discussions, **Co-chair Gabriel Quijandria (Peru)** suggested that interested Board members to get together and draft a decision.

By the time the decision was presented to Board members, it was well past the closing time of the meeting. Board members further deliberated on the decision, which was finally adopted early morning of 10 July, when a number of developing country Board members had left the room.

Leonardo Martinez-Diaz (US) added it was only a "process decision" that asks the Secretariat to develop further elements for

monitoring and review and to work with civil society.

The full decision adopted reads as follows:

"(a) Notes the need for ongoing monitoring of compliance against the Green Climate Fund's (the Fund's) fiduciary standards, environmental and social safeguards, and gender policy;

(b) Decides that the accreditation of an entity to the Fund is valid for a fixed term of five years or less, depending on the terms of accreditation;

(c) Decides that the Board will decide whether an entity is to be re-accredited, based on the assessment conducted by the Secretariat and Accreditation Panel;

(d) Decides that the monitoring and accountability framework will focus on compliance with the Fund's environment and social safeguards, fiduciary standards, and gender policy, and will comprise at least four compliance checks of the accredited entities and activities financed by the Fund:

i. Self-reporting to the Secretariat by the accredited entity once annually and any time there is an important change in the capacity or any other material aspect of the accredited entity with regard to the Fund's fiduciary standards, environmental and social safeguards, and gender policy;

ii. Ad-hoc checks by the Secretariat at the level of the accredited entity and/or at the level of the project/programme, when any significant concern arises of potential non-compliance;

iii. Annual review on a given proportion by number of projects, of the Fund's portfolio of projects and programmes, where projects and programmes to be reviewed are selected inter alia with consideration of the risk category of the project/programme; and

iv. A light-touch review of the accredited entity half way through its five-year accreditation period;

(e) Requests the Secretariat to further develop the monitoring and accountability framework for consideration by the Board at its 11th meeting, in particular providing more detail about:

(i) Corrective actions and remedies that can be implemented in cases of non-compliance;

(ii) Implementation of the compliance checks listed above in (b) and any additional compliance checks that may be identified;

(iii) An early warning system to support ad-hoc checks and the annual review of a portion of the Fund's portfolio;

(iv) Local monitoring (including feedback from a range of stakeholders, including women);

(v) How to process potential reaccreditation of accredited entities at the end of their five-year accreditation period;

(vi) How the monitoring and accountability framework will relate to and work with the Fund's accountability units;

(vii) Ensuring there are sufficient resources available to the Secretariat to implement the framework;

(viii) How the framework will use a risk-based approach, including by leveraging other monitoring processes, to use its resources efficiently;

(ix) Reporting on the findings of activities under the monitoring and accountability framework; and

(x) How the national designated authority or focal point can be included in the monitoring and accountability framework; and

(f) Requests the Secretariat, when further developing the monitoring and accountability framework, to do so in consultation with the Accreditation Committee and entities accredited by the Fund, and engaging a wide group of stakeholders, including women, including through a call for public input."

Highlights of Interventions

Leonardo Martinez-Diaz (US) said that the document is to ensure that accredited entities are reaching the standards of the Fund. He said that it is important to give the matter a push at the 11th meeting and have a decision on the issue.

Jan Cedergren (Sweden) said that the accreditation term should be five years and

to review any accreditation would have to be a Board decision.

Caroline Leclerc (Canada) said some of the elements in the paper need strengthening. She suggested using the risk management framework and to re-examine mid-term review visits by the Secretariat. She also wanted to understand the reason for emphasis on fiduciary standards in the progress report. "We have to look at the balance between performance and results," said Leclerc.

Ingrid-Gabriela Hoven (Germany) said the 'Monitoring and Accountability Framework' is linked to knowledge management within the Secretariat and added that there needs to be a robust, participatory process with respect to implementation of projects on the ground.

Omar Al Arini (Egypt) said the Board has to be mindful of the activities to be undertaken by the (accredited) entities. He sought clarification on how this (the monitoring and accountability framework) would fit with the work of the independent evaluation unit and how it would be reflected in the framework. He said it is important to reflect this in the accreditation master agreement and asked if monitoring indicators would be there in the project proposal itself.

David Kaluba (Zambia) raised the following issues:

- The accredited entity (AE) would be the one to enter into agreement with the Fund and has the responsibility of overseeing the project implementation.
- Renewal of the accreditation after five years should clarify the role of the NDA. The need for strengthening of the NDA's no-objection role even in the renewal process in case an AE in its operations has moved away from its mandate and is not meeting the national priorities. The procedure should say, before expiry of the accreditation, the AE through the NDA's no-objection, shall apply for renewal of accreditation.
- The NDA should have a mandate to report on the operations of the AE to support the renewal application or otherwise. National level monitoring and clear channels for communicating feedback should be highlighted.
- Revision of the guidelines must be communicated in sufficient time to allow the AEs to comply and be ready to have renewal based on revised guidelines. Therefore, the statement should be explicit in reference that there will be communication to entities and the entities will have a given timeframe to adjust their compliance.
- Monitoring process should not have multiple reporting systems such that they overburden a country's reporting capability and duplicate work. For example, if an AE has its own monitoring and reporting system, a country should only report on the basis of the GCF system. The web-based system should be accompanied by reports to the NDA to answer to outlined national priorities and sustainable development criteria.
- On central monitoring, the emphasis should be on compliance.
- It should be clear who is monitoring and suggested using "national monitoring vs local monitoring". AEs will be monitored by NDA/focal points through participatory approaches, in line with guidelines for NDA functions.
- Country ownership of national monitoring and evaluation needs to be emphasized and strengthen the role of the NDA. Involvement of local agents should clarify to whom they are accountable and their nature of support to the NDA.
- NDAs should be supported in building monitoring systems beyond fulfilling the role of monitoring and accountability framework.

Ali'ioaigi Feturi Elisaia (Samoa) called for a very strong accountability framework and asked for procedures for entities complying with the Fund's policies.

Martinez-Diaz said since it is a complicated issue and it needs more thought and feedback from the Secretariat. He suggested

a skeletal decision that lays out further work. **Stefan Marco Schwager (Switzerland)** supported Martinez-Diaz.

Andrea Ledward (UK) said there should be a mid-term review, to ensure the process is not bureaucratic and to limit costs of the Secretariat and the accredited entities.

TWN Info Service on Climate Change (Nov15/02)
9 November 2015
Third World Network

Green Climate Fund approves first set of funding proposals after debate

Livingstone, 9 November (Indrajit Bose) — The Green Climate Fund (GCF) held its eleventh Board meeting in Livingstone, Zambia on 2-5 November and adopted important decisions after long and intense debate, that included the approval of eight funding proposals.

Central to the overall exchanges and debate during the Zambia Board meeting was the underlying issue of what message gets conveyed to the United Nations Framework Convention on Climate Change's (UNFCCC) twenty-first session of the Conference of Parties (COP21) in Paris. (Over 195 countries are expected to arrive at a global agreement in Paris scheduled to take place from 30 November to 11 December.)

Several developing country Board members including those from Egypt, India and Saudi Arabia were concerned that the approval of funding proposals were being hurried to gain political mileage at COP 21, when there were still several policy issues that remained to be addressed, relevant to the process for approving proposals.

The Board member from Saudi Arabia said that after the disappointing initial resource mobilisation of US$ 10.2 billion for the GCF, the level of finance for funding the new proposals amounted to only US$ 168 million, which was a "mere sweetener for developing countries to sign up to the new agreement (in Paris)". (Of the US$1 0.2 billion pledged, up to now, only US$ 5.83 billion has been legally committed to the GCF).

Developing country Board members were very disappointed that no decision was taken on when the first formal replenishment of the Fund's resources could take place, following the initial resource mobilization which happened in 2014. This was because developed country Board members did not want to zero in on any set date to trigger the replenishment. (See details of exchanges in this regard below).

Towards the end of the meeting, after intense exchanges, the Board decided on approving all the funding proposals with conditions and recommendations attached to all but one project, before any disbursements could be made.

The meeting was considered 'historic' by some as it was the first time that the Fund had to consider and approve the funding proposals. Eight funding proposals were on the table for approval and the projects were discussed at length, largely occupying most of the attention of Board members. The funding proposals that were considered and approved are the following:

- Building the Resilience of Wetlands in the Province of Datem del Maranon in Peru;
- Scaling Up the Use of Modernized Climate Information and Early Warning Systems in Malawi;
- Increasing the Resilience of Ecosystems and Communities through the Restoration of the Productive Bases of Salinized Lands in Senegal;
- Climate Resilient Infrastructure Mainstreaming in Bangladesh;
- KawiSafi Ventures Fund in Eastern Africa;
- Energy Efficiency Green Bond in Latin America and the Caribbean;
- Supporting Vulnerable Communities in Maldives to Manage Climate Change-Induced Water Shortages; and
- Urban Water Supply and Wastewater Management Project in Fiji.

The Fiji project was approved without any conditions, while all the others projects had conditions and recommendations attached to them.

Among other decisions adopted at the Board meeting included the status of initial resource mobilization, implementation of

the readiness programme, initial monitoring and accountability framework for accredited entities as well as a decision related to the strategic plan for the Fund.

The Board members also did not get enough time to consider the proposals for the accreditation of new entities to the GCF who can access its resources, as the meeting went into over time and ended past 4 am on 6 November, a day after it was supposed to have concluded.

The Board also saw intense exchanges on the status of initial resource mobilization and readiness.

On the initial resource mobilisation process, the Secretariat informed the Board that of the US$ 10.2 billion pledged, the signed contributions totaled US$ 5.83 billion and that 14 countries had not signed their contribution agreements for part or all of the pledges. The Secretariat also informed that the United States (US) was discussing arrangements and the first tranche of resources would not be realised by December 2015. (The US has pledged US$ 3 billion in grants to the Fund).

Developed country Board members said they were in the process of working with the Secretariat to sign the contributor agreements. The US added that it is continuing to work with the Congress on the specifics and added that the timeline was uncertain since it was dependent on the legislative budgetary process. Developing country Board members urged the developed countries to fulfill their pledges and a decision to this effect was taken at the meeting.

On readiness, developing country Board members were concerned about the slow pace of rolling out readiness funding for countries. After much discussions, the Board members decided on adopting a decision, which among other things, mandates the Secretariat to produce a revised allocation system for readiness and preparatory support, taking into account the needs and priorities of developing countries.

Divergences over formal replenishment of resources

There was considerable divergence over the first formal replenishment of the GCF. During the discussions, the GCF Secretariat presented two options to the Board to start the replenishment process. One option was when the cumulative project/programme funding approvals reach 60 per cent of the contributions signed by the eleventh meeting of the Board (the current meeting) and the second option was end of June 2017.

Members were divided over the replenishment issue as developed countries did not want to zero in on any set date to trigger the replenishment. They also said they needed to know the results achieved so far before discussing replenishment. Developing country Board members objected to this and reminded them that the discussions on replenishment should take place in the context of the UNFCCC negotiations.

Jose Deglado (Austria) said that they needed to show that the Fund is working in order to justify the replenishment. **Javier Sanz Mu◦os (Spain)** said it was too early to discuss replenishment and the discussion be postponed to happen within the framework of the strategic plan. **Atsuyuki Oike (Japan)** added that since the GCF does not have any achievements to speak of just yet, he could not ask for replenishment from the government. **Caroline Leclerc (Canada)** said she was in a difficult position given a new government in the country.

Leonardo Diaz-Martinez (US) said he has no authority to agree on a trigger beyond what was already agreed. He added that US $10.2 billion is the headline number for this Fund and any pledging meeting would happen only after the 60 per cent trigger was met.

Stefan Schwager (Switzerland) also said he was not in favour of a replenishment process ahead of the delivery of the projects. He said that either of the options presented was not suitable but added that he preferred a percentage trigger to a time-bound trigger.

"We need to review the achievement before we can discuss replenishment," he said.

Andrea Ledward (UK) said the Board had already agreed on the 60 per cent trigger. She added that results were important for getting the support of the ministers. **Anders Wallberg (Sweden)** spoke in the same breath as he outlined the importance of having an evaluation of initial results to guide replenishment. **Arnaud Buisse (France)** said he found it strange to start a discussion on replenishment before the trigger and suggested the Board come back to the issue when the trigger starts.

Ewen McDonald (Australia) too indicated evaluation of the Fund and the importance of having results before budgeting is discussed. **Karsten Sach (Germany)** added that he needed proof of a track record, adding that a decision on the replenishment process is either not needed or not helpful at this stage. He suggested linking the 60 per cent to contributions signed by a future date, such as those signed by April 2017.

Reacting to the comments, the developing country Board members said that the operative word in climate finance was predictability and that it is an important element for the Paris talks. "Since a clear trigger is needed, a date would be clearer," said **Zaheer Fakir (South Africa).** On the 60 per cent target, Fakir asked whether the trigger is to be applied to a moving target or to the funds currently committed (US $5.8 billion) or the funds pledged (US $10.2 billion). "I would like to see a decision which sends predictability with clarity on what the trigger is. The Secretariat should rethink the process," said Fakir.

Jorge Ferrer Rodriguez (Cuba) and **Tosi Mpanu Mpanu (Democratic Republic of Congo)** supported Fakir. **Rodriguez (Cuba)** said the US $100 billion commitment suggests that they should be collecting money yearly and a share of that should come to the GCF. He expressed doubts on questions raised by developed country Board members to assess the results of the Fund.

Dipak Dasgupta (India) said that in the report to the COP, they could only point to the signed contributions. The report to the COP from the GCF should state the commitments in the grant equivalent of signed pledges and not promissory notes, which do not count. "We have US $5.8 billion and that is the only number. A second step is to convert commitments to projects but we have no idea how much of this US$ 5.8 billion will be committed to projects. If we do not get this number, it will be the failure of this Board," said Dasgupta "We don't have US$ 10.2 billion. Only US $5.8 billion is going to Paris," he said. Dasgupta further elaborated that climate finance flows mean actual flows, which is shown by actual disbursements (to developing countries).

Omar El-Arini (Egypt) said that on the 60 per cent trigger, the Board had already agreed when replenishment would start and added that it was not helpful to divert from the commitments agreed to. He added that the Board needs a process for determining the amount needed for replenishment and the trigger that would determine when the replenishment would start. He clarified that that it did not mean that they should be approving projects and programmes just to get to 60 per cent. He said either January 2017 or June 2017 should be the start of replenishment.

Objecting to the word 'donors' used by developed country Board members, **Ayman Shasly (Saudi Arabia)** reminded that the GCF is "not a donation fund." He added that the resources to the GCF are "to pay for the damage that developed countries have caused over many years (due to their historical emissions)." He stressed that the discussion was not a good signal for the Paris agreement. He said that after the disappointing initial resource mobilisation of US $10.2 billion, the level of finance for projects amounting to US$ 168 million was a "mere sweetener for developing countries to sign up to the new agreement".

Shashly also said the conditions being set by the developed country Board members were not helpful. "Now you say you want this Fund to prove itself. This is another conditionality. Now you say there will be no replenishment process until we deliver," he said. Shashly

called on the Secretariat to be factual and accurate in its reporting to the COP. He said that there should be no more of this "promising messaging" that the Board had approved eight projects and was working on a strategic plan. To the developing countries, he said "dream on that they would get any meaningful money from this Fund."

Shashly said that there seemed to be no intention to provide clarity on the future of the resources. "What is the magic number? We are saying, whatever is the number right now, is the number. 60% of this number (US$ 5.8 billion) is about US $3 billion, which is nothing. We cannot be more disappointed. We hear a lot of talk but no actions. We are converting this Fund into a body only for investments. Contributors only give funds with conditions. This Board is rendered helpless even if we are to intervene in the discussion on replenishment. We continue to be a non-existent Board," retorted Shashly strongly.

Yingming Yang (China) called for a decision on replenishment, adding that climate finance in the UNFCCC is about new, additional, predictable, sustainable and scalable finance. He also said that a formal arrangement on GCF replenishment would help create a constructive atmosphere for the on-going negotiations under the UNFCCC.

The discussion ended with Co-Chair Henrik Harboe (Norway) saying that it would be beneficial to have a process document ready for the next meeting on the replenishment issue.

Among other developments at the meeting, Zaheer Fakir (South Africa) and Ewen McDonald (Australia) were elected as the new Co-Chairs of the GCF Fund. The next meeting of the GCF Board will be held in the week of 7 March 2016.

(Edited by Meena Raman. More articles to follow)

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GCF Board aspires to approve projects worth US$ 2.5 billion next year

11 November, New Delhi (Indrajit Bose) — The Green Climate Fund (GCF) Board at its eleventh meeting held in Zambia from 2-5 November, adopted a key decision on funding proposals that included an aspiration to approve funding proposals worth US $2.5 billion next year.

Several developing country Board members had expressed their disappointment that the funding proposals for their consideration and approval at the meeting only amounted to US$ 168 million. This led to the decision by the Board to set a higher aspirational target for the approval of funding proposals in 2016.

In addition, the Board also decided to establish a project preparation facility to provide funding of up to 10% of requested GCF funding with a maximum of US $ 1.5 million for any single proposal, to help developing countries in preparing their funding proposals.

In the decision, the Board agreed on the approval process for future proposals and also gave its nod to eight projects, with conditions and recommendations.

The discussion on the funding proposals was intense, with wide divergences among the Board members.

Pointing to several policy gaps in the proposal approval process, developing country Board members, led by **Egypt**, **India** and **Saudi Arabia** wanted to first ensure that a robust process for the approval of funding proposals was in place before approving the eight projects which were on the table for their consideration.

They also felt it would be premature to approve the projects at the Zambia meeting and suggested that the decision on approving the projects be deferred to the twelfth meeting, scheduled to be held in March 2016.

Developed country Board members, however, were in favour of approving the proposals for funding under consideration and stressed that the GCF would learn from the experience of approving the first batch of projects.

Concerns of the developing country Board members revolved around the lack of engagement with the National Designated Authorities (NDAs) in developing countries, the need to strengthen country ownership over future project proposals and pipelines. They stressed that the projects should be transformational and bring about paradigm shift, which are the core principles of the GCF. They also said that the process should not be onerous on developing countries and that there was need to simplify the template for funding proposals.

Developing country Board members also sought transparency in the approval system and asked to make GCF's independent Technical Advisory Panel's (iTAP's) assessments of the proposals public. The developing country Board members also said that there was need to support project preparation and strengthen readiness support to look into the development of the proposals in the pipeline. They also wanted to know the timeline for disbursal of funds.

After several rounds of discussions (see exchange on this below), the Board members finally agreed that before moving into a decision on the eight projects under consideration, there should be a decision on the process for approvals. This led to a rich discussion on the policy gaps that exist in the existing proposal approval process.

Several developing country Board members were concerned that the approvals of the funding proposals were being hurried to gain political mileage at COP21 in Paris. See earlier article titled: 'Green Climate Fund

approves first set of funding proposals after debate').

Initially, the co-chairs of the GCF, **Henrik Harboe (Norway)** and **Gabriel Quijandria (Peru)** proposed a draft decision for approval based on the discussions, but Board members were not happy as some felt that the proposals of the developing country Board members were not reflected. Then a small group comprising Board members from India, Ecuador, UK, Germany and France was formed, which worked further on the draft decision. The decision was approved in the wee hours of the morning of 6 November.

In the decision taken, the Board agreed that the "GCF is a continuously learning institution and will draw on the lessons from this first round of proposal consideration in order to improve the process in future iterations".

The Board acknowledged existing policy gaps in the GCF's approval process, including "project eligibility criteria, calculation of incremental costs, and risk investment criteria".

The Board also took note of the need within the approval process to enhance "transparency, clarity, accessibility, balance, knowledge management and country ownership, including by actively seeking participation of NDAs, focal points and relevant stakeholders in the early stages of the project cycle and beyond the provision of the no-objection letter". (All proposals seeking funding from the GCF require a 'no-objection' letter from the respective NDA of the country where the project is to be implemented).

For a robust system, the Board requested the Secretariat to provide an update of the portfolio of projects in the pipeline and to submit it for information to the Board as part of the documentation submitted for every Board meeting. The Board also requested the Secretariat to include the iTAP assessment of each funding proposal as part of the documentation published in the Fund's website for funding proposals.

On the way forward, the Board agreed to include in the consideration of the 2016 workplan matters related to outstanding decisions regarding the proposal approval process and the programme and project cycle.

For future projects, the Board decided to review the proposal approval process based on the experience gathered from the review of the first batch of proposals submitted for consideration of the Board, with a view to:

- "Strengthen and scale up the Fund's pipeline and country pipelines and programmes;
- Streamline and improve the transparency of the proposal approval process;
- Define further decision making options including deferral of proposal approvals;
- Review how concept notes should work within the project cycle, facilitate the independent Technical Advisory Panel's feedback on concept notes, and facilitate contact of the ITAP with accredited entities as useful and necessary;
- Support the Board to make decisions regarding funding proposals;
- Strengthen project/programme eligibility criteria, including categories of incremental cost eligible for funding; and
- Interim procedures for redress pending the recruitment of the head of the independent redress mechanism."

In addition to these, the Board also decided to "establish a project preparation facility to provide funding (of) up to 10% of requested GCF funding with a maximum of USD 1.5 million for any single proposal. The process would involve concept notes providing due justification of need from accredited entities. After an appropriate review and an initial assessment against the investment criteria and justification of need, the Secretariat will send its funding request for project preparation to the Board for approval. The project preparation facility would be targeted to small-scale activities and direct access entities. The Secretariat will review the project preparation facility for consideration by the Board at its fourteenth meeting."

In the decision taken on funding proposals, the Board said it aspires to approve funding proposals worth US $2.5 billion in 2016. It also requested the accreditation committee to include options in their accreditation strategy for fast-tracking accreditation of national implementing entities. It requested the Secretariat, in consultation with the iTAP, NDA, focal points and accredited entities to "simplify finding proposal template and concept note template in an expeditious manner".

The Board also decided that concept notes sent to the GCF should include a clear paragraph indicating how the project fits in with the country's national priorities and its full ownership of the concept.

Highlights of exchanges regarding funding proposals

David Kaluba (Zambia) underlined the need for advanced preparatory grant to projects. He also expressed concerns about country ownership. He wanted to know what process was undertaken to engage the NDAs. He said while he was excited about the projects at hand, there were still too many gaps in policies. He preferred to see more direct access entities and less of international accredited entities. Kaluba added that the larger intention was to set the Fund on the right course because experience would be an "extremely dangerous" motivation to base decisions on. "Even when a perfect process has been followed, there are absorption capacity concerns in some of our countries and issues of institutional capacity remain. Our processes have not been adequate enough because we as a Board have not done what we were supposed to do to set implementation on the right course. We may be going ahead of ourselves here (if we approve the projects)," said Kaluba. He expressed difficulty in taking a decision because he said he understands the need for countries to have resources but he suggested that it is important to at least take stock of where the gaps are and reflect on them.

Dipak Dasgupta (India) stressed the importance of readiness in empowering countries, which would then ensure high-quality projects. On building a pipeline of high-quality projects, Dasgupta said that there were three options. One was to hand over the process to the Secretariat and the iTAP, which he said was not good enough. The second option is to hope that accredited entities would know how to do business, but the problem was the accredited entities were mostly international entities and it would not be sufficient. The third option was for the Board to set policies in place along with very strict firewalls to make sure there is a pipeline and that the right projects come through.

Omar El Arini (Egypt) said there was need for more clarity on the process and to make it less cumbersome, as complicating the process could inhibit viable proposals from coming through. He also expressed disappointment that despite repeated requests, the Board members were denied access to the concept notes in relation to the funding proposals, even though it was well within their right to see them.

Ayman Shashly (Saudi Arabia) said systems for good governance were needed, with checks and balances and adequate review and screening of projects and to not rush to approve projects at the Zambia meeting. He added that there is push from the outside to approve the project in view of COP21 in Paris and to say finance is flowing with US $168 million, but that the Board should see if they were doing justice to the projects or not. "Should we comply with the pressure or fulfill our responsibility? We have signed conflict of interest policy and we should honour that policy. It should not jeopardise the integrity of the Fund," said Shashly. "We need much more studied proposals," he added.

Zaheer Fakir (South Africa) said that there was no accreditation master agreement with the entities yet; no policies on co-financing, incremental costs or conflict of interest and it was important to agree on these policies.

Yingming Yang (China) said international accredited entities were way higher in number than the direct access entities and the number of the former must be reduced to strengthen country ownership. Yingming

expressed disappointment that only eight projects were recommended for a total of US $168 million and said this is too little and the situation must be improved in the future.

Jorge Ferrer Rodriguez (Cuba) stressed the need to improve transparency. **Patrick McCaskie (Barbados)** stressed the importance of transformative projects and upscaling them as well.

Leonardo Diaz-Martinez (United States) said once the Board got through the initial hump, things would move fast and pick up speed. **Andrea Ledward (UK)** urged Board members to get on with the US $168 million to begin with and outlined the importance of taking a decision at the meeting. She said that the Board had a clear set of designs such as an investment framework, and a risk management framework, which allowed them to tell the world that they have met the initial set of policies and that the policy framework would evolve.

Ewen McDonald (Australia) focused on the learning aspect and said that the GCF would continue learning. **Caroline Lecrec (Canada)** agreed there were policy gaps but was skeptical that these would be fulfilled by the next Board meeting.

(Edited by Meena Raman)

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GCF Board approves additional USD 14 million for readiness support

11 November, New Delhi (Indrajit Bose) — The Board of the Green Climate Fund (GCF) at its 11th meeting held in Zambia adopted approved an additional USD 14 million for readiness support.

According to the GCF Secretariat, given the demands and requests from developing countries, by March 2016, the committed US $16 million would have been used up and another US $28 million was likely to be committed by mid next year. The Secretariat requested the Board for the release of an additional US $ 14 million for readiness support, which was approved by the Board.

Board members, from both developed and developing countries also expressed concerns over the slow pace of disbursement of readiness funds to developing countries.

During the discussions on readiness, developing country Board members outlined readiness support and that it should be not be seen just within the scope of capacity-building but that was actually much more to it, in terms of strengthening national institutions in developing countries to ensure country programmes that would be transformational in addressing climate change.

There was also considerable exchange of views on the draft decision presented to the Board members by the Secretariat, which proposed that US $2 million could be allocated to a developing country for the preparation of a national adaptation plan (NAP).

While the developing country Board members did not want to place a cap on the support for NAPs, several developed country Board members questioned the need for the GCF to support this when other institutions such as the Global Environment Facility (GEF) was already funding the preparation of NAPs.

In the decision taken, the Board reaffirmed that the GCF, through its readiness and preparatory support programme, in coordination with other programmes and channels, "may support a voluntary country driven national adaptation planning process…"

The Board also decided that "an additional US$ 14 million is to be made available for the execution of the readiness and preparatory support programme".

The Board reaffirmed that readiness and preparatory support is a priority for the GCF in order to enhance country ownership, ensure a strong pipeline and provide sustained support for building institutional capacity to enable direct access, and emphasizes that the execution of the readiness programme should take into account different national circumstances.

The Board decided to "review the interim readiness funding allocation system at its twelfth meeting".

In the decision adopted, the Board tasked the GCF Secretariat with presenting at the twelfth Board meeting, a revised allocation system for readiness and preparatory support taking into account the needs and priorities of developing countries. The Board also requested the Secretariat that the revised allocation system includes an information note on how the GCF can support developing countries in their voluntary national adaptation planning processes, including activities the funds can be used for.

As per the decision taken, the Secretariat, in consultation with national designated authorities (NDAs) and focal points and readiness delivery partners, is expected to present to the Board at its next meeting a proposal to improve and simplify the process

to access funds for country programming and readiness and preparatory support.

The Board also underscored the importance of "significantly increasing the approval and timely disbursement of resources to support developing countries in undertaking country programming processes, and strengthening national institutions from the public and private sectors to access the GCF and to build country programmes and pipelines".

The decision came after a rich exchange of views followed by the Secretariat's progress report on readiness (see exchange below).

In its progress report on readiness to the Board, the GCF Secretariat said that they had received 95 readiness requests and five grant agreements had been signed, of which the amount for one country was disbursed. The Secretariat also said that they were working with countries to speed up disbursement and were getting more involved with the NDAs. The Secretariat informed that they had developed a guidance note for country programme, provided gap analysis support to some direct access entities and conducted regional workshops and training for accredited entities.

Outlining its lessons from the readiness process so far, the Secretariat said that a standardized approach is very efficient; outreach through regional workshops were helpful; there was demand for stronger coordination within regions and the leadership by some NDAs was useful in setting an example for the others.

It also informed the Board that it had worked with the Adaptation Committee and the LDC Experts Group to support countries with the NAPs process.

Highlights of exchanges on readiness:

David Kaluba (Zambia) sought clarification on the proposed plan to advance the readiness programme. He expressed concern on the slow pace of rolling out readiness funding. "It is slow in the sense that of the number of the entities being accredited, many are international entities and national entities are falling behind," said Kaluba and added that there is a need to expedite the process and give a fair opportunity to accredit national implementing entities. He stressed that since readiness started much earlier, it is important that the GCF moves fast on the issue. He also expressed concern that funding proposals were being tabled without receiving any readiness support and sought clarity on where some of these proposals stood with respect to the national priorities.

On the proposed US $2 million to be allocated to a country for the preparation of a NAP, Kaluba suggested not to have this capped because NDAs might require considerable financial support. The US $2 million allocation is a minimum amount at best and the expected amounts would be high, he added.

Dipak Dasgupta (India) stressed the importance of readiness and said if progress is not made on the issue, then the message would go out that "the bus is being run on a half-horsepower engine". He said countries have to be put in the driving seat. He reminded Board members that this was not an aid-driven readiness programme but that it is about aligning countries' priorities for the GCF. Dasgupta also expressed deep disappointment over the slow pace of disbursements.

Zaheer Fakir (South Africa) said readiness is often seen as a capacity building programme, whereas the true idea of readiness is how it is used to build and empower the NDAs to be the leaders and champions of country programmes and enhance and strengthen stakeholder engagement and facilitate complementarity between GCF and other funds. "Readiness funding for me is not a handout. It should be an investment, the return of which ensures we get country owned programmes that are on scale, sustainable and which attract and leverage broad collective transformational action," said Fakir and added that the foremost priority is to address the Secretariat's capacity to deliver readiness. Fakir also said that the Board needs to reconsider its decision on allocation for readiness, which was taken at the eighth Board meeting in Barbados. Fakir also called

for the simplification of the readiness proposals.

Omar El Arini (Egypt) expressed concern about signing agreements with NDAs but not having the ability to enhance disbursements. He stressed that there was an acute shortage and need for institutional strengthening in developing countries and added that developing countries should be treated as partners. He also said that the country programming template was complicated and that it must be simplified. He called for changing course on readiness and stressed the need to build institutions and develop capacity that will be sustainable.

Tosi Mpanu Mpanu (Democratic Republic of Congo) also expressed disappointment about the slow disbursement of funds and called for readiness money to be scaled up. He said that with regard to country ownership, there should be no prescriptive approach. If countries wanted to go to the GCF and not the GEF, they should be able to do so.

Jorge Ferrer Rodriguez (Cuba) cautioned against a 'one size fits all' approach. **Patrick McCaskie (Barbados)** stressed that readiness funds should be directed for direct access entities and called for the US $14 million to be released.

Anders Wallberg (Sweden) wanted to know the rationale for NAP financing in the proposed draft decision. Wallberg said there exists financing from the LDC Fund for national adaptation programmes of action (NAPAs) and GEF for NAPs and that there should be no duplication.

Jose Delgado (Austria) said since the NAP is a voluntary process and not a standalone programme, the decision should say that the GCF may support a voluntary country driven national adaptation planning process.

Stefan Schwager (Switzerland) also wanted to know the rationale for the US $2 million ceiling. **Ewen McDonald (Australia)** wanted to know why disbursements had been so little. **Arnaud Buisse (France)** also sought clarity on the US $2 million figure and said it should not be increased or decreased but that they should have the right amount.

Andrea Ledward (United Kingdom) urged the Secretariat to expedite the disbursements. She also said she looked forward to the review of the readiness programme next year, which should give the Board evidence of impact. On money for NAPs, she said it is hard to understand what money is needed at this stage now.

Karsten Sach (Germany) said the Secretariat must move from activities to reporting outcomes and what is happening in the field. He also said that he could not support the proposed decision on NAPs since they are supported by the GEF whereas the added value of the GCF would be in implementation and pipeline development of the plans.

Caroline Lecrec (Canada) wanted to know why the rate of disbursements was so low before committing more funding. **Leonardo Diaz Martinez (United States)** said while he welcomed the GCF supporting NAPs, he wanted a better sense of what the US $2 million is for. He requested the Secretariat to prepare a paper for the next Board meeting of how the Secretariat would support countries in the development of NAPs.

(Edited by Meena Raman)

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GCF Board agrees on terms of reference for Fund's Strategic Plan

12 November, New Delhi (Indrajit Bose)- The eleventh meeting of the Green Climate Fund (GCF) Board agreed on the terms of reference for the development of a strategic plan for the Fund. The Board meeting was held in Zambia from 2-5 November.

Discussions among the Board members saw a lot of convergence on the importance and need for a strategic plan for the GCF to further operationalize its Governing Instrument (GI). Developing country Board members had been calling for such a strategic plan in the previous meetings.

The Board agreed on the terms of reference for developing a strategic plan, which will be considered at the next meeting of the Board in 2016.

Board members also agreed that the strategic plan would guide the GCF as a continuously learning institution in further developing its operational modalities, with a view to achieving its overarching objective to promote paradigm shift towards low-emission and climate-resilient development pathways in the context of sustainable development.

An ad hoc group of members of the Board or alternate members comprising three each from developing and developed country members would oversee and guide the Secretariat's preparation of the strategic plan in the interim.

It was also decided that an informal meeting would be held well before the twelfth meeting that would address the strategic plan as one of the key issues for consideration. The Board requested the ad hoc group to present an initial draft and guiding questions requiring further consideration by the Board as inputs to the informal discussions of the Board.

As part of the terms of reference, the Board members agreed that the strategic plan:

- "Be guided by the GI, the objectives and guiding principles laid out therein…as well as build on the progress already made through previous Board decisions;
- Be a living document to be reviewed and updated on a regular basis, as determined by the Board;
- Clearly articulate to the world the vision and operational priorities of the GCF thereby making it more accessible to countries and strengthening its partnerships with national designated authorities (NDAs)/focal points and accredited entities;
- Identify opportunities, policy gaps and challenges in operationalizing these objectives and guiding principles;
- Present an action plan for the implementation of strategic measures to address these opportunities, gaps and challenges in order to strengthen the GCF as the distinctly transformational, high-impact, country-owned, dedicated climate fund, operating at scale;"

The Board further agreed that the strategic plan must focus on measures such as allowing the GCF to scale up its investments in developing countries "with the objective of tapping its full potential to promote urgent and ambitious actions enhancing climate change adaptation and mitigation in the context of sustainable development, and to maximize the engagement with the private sector".

They also agreed that the plan sets out the approach of the GCF to "programming and investing the initial resource mobilization resources, while striving to maximize the impact of its funding for adaptation and mitigation, and seek a balance between the two".

The also agreed that the strategic plan must ensure that the "GCF is responsive to developing country needs and priorities, while ensuring country ownership, enhancing direct access, ensuring fast disbursement, implementing a gender-sensitive approach, supporting multi-stakeholder engagement, ensuring the effective use of funds and enhancing transparency".

The terms of reference reflect the discussions on the strategic plan (see below highlights of the exchange)

The Board also invited members and alternate members of the Board, active observers and observer organizations to make submissions to the Secretariat on the elements above by 1 December 2015.

Highlights of exchange on the strategic plan

Zaheer Fakir (South Africa) said the strategic plan should be a tool to demonstrate to the global community that the GCF has a time bound plan with vision and key objectives. It should stress on the need to finance country programmes at scale, based on country needs. The accreditation process should be used to change the business as usual scenario of these entities. Fakir said the Board needed to develop a framework and process for building a strategic plan for a decision at the twelfth Board meeting. The Board needed to decide on the terms of reference for the plan which needs to include elements such as rationale, objectives, strategic goals, implementation and monitoring, evaluation, review. Fakir also called on the need to develop a working group to develop the plan between the eleventh and the twelfth board meetings. He also suggested an informal meeting of the Board in early 2016 to discuss the strategic plan.

David Kaluba (Zambia) said the GCF must focus on simplified approval process for the Least Developed Countries (LDCs) and Small Island Developing States (SIDS). He said the members must reflect on why the GCF is different from other Funds and that the Fund needs to get money to those that need it the most. "This Fund was supposed to do something different. We are behind schedule. Lives are being lost in the islands and LDCs every year. When impacts strike, it results in huge losses on the economy and lives…We need to move forward as a team with a sense of urgency," said Kaluba.

Patrick McCaskie (Barbados) said that the strategic plan is a battle plan for a war the world is fighting against climate change. The strategic plan should outline what are the strengths of the GCF and build on them. McCaskie called for a mission statement in the strategic plan, with clear goals and objectives. He added that the GCF's weaknesses lies in accreditation, readiness, country ownership, simplified approval process, communications and direct access. He also called for a financial plan to be supported by the resource mobilization process, stakeholder engagement and for indigenous peoples to be involved.

Jorge Ferrer Rodriguez (Cuba) said the Fund had been working for three years in anarchy. He suggested the plan should focus on project pipeline with details on resources. He called for firm financial commitments; otherwise "we will be writing a strategic plan when we do not know the full financial needs available to fulfill it". He also said that the plan should be connected with the needs and expectations of developing countries.

Dipak Dasgupta (India) said the Board needs a guide in the form of a strategic plan and that learning by doing is essential. He said the strategic plan must be more than a conceptual plan. He said it must ensure inclusivity and stressed the importance of youth in climate actions.

Yingming Yang (China) said the scope of the strategic plan must be implementation. The plan must have a clear presentation of the developing countries' demands of the GCF and the supply of GCF resources. There should be guidance on how to strengthen delivery capacity and the plan must focus on the capacity of the Secretariat and the Board. The plan must include how the Board will decide on policies and procedures and how they can more effectively deliver projects. He added that he saw the need for a huge discussion on the capacity of developing

countries. He also spoke of the importance of country ownership of the recipient countries. He said he saw the strategic plan to be a living document subject to review on a regular basis.

Angel Valverde (Ecuador) said the Board needs to keep pushing the potential of the Fund to address climate change. The Board needs an assessment of where the Fund is situated to achieve expected results. The strategic plan is a policy tool for identifying guidance from the GI and previous decisions. The strategic plan must include timeliness and decisions on important policies, country needs and priorities, and identify policy gaps. He added that the GCF needs to fulfill the Convention's objective. He added that the plan is a crucial element for developing countries that have highlighted financing needs in their Intended Nationally Determined Contributions (INDCs) (under the UNFCCC).

Mariana Ines Micozzi **(Argentina)** called for precise definitions of transformation, high-impact projects and programmes in the strategic plan. **Tosi Mpanu Mpanu (Democratic Republic of Congo)** spoke about the need to reflect urgency and the big picture.

Jacob Waslander (Netherlands) supported the idea of an informal Board meeting and to have a strategic direction for the Board ready by the twelfth meeting of the Board. Waslander said the Board should demonstrate what they are stand for and push for transformational change and the strategic plan could provide guidance. He added that for The Netherlands, Denmark and Belgium, the strategic plan must clarify what transformational change looks like, especially for more vulnerable countries. He stressed on the inclusion of the role of women in the plan, private finance and capacity building. He added that there should be clear terms of reference for the process.

Jose Delgado (Austria) said that results-based finance becomes a priority beyond the aspect of reducing emissions from deforestation and degradation in developing countries (REDD-plus). The GCF may find other processes helpful for informing its work.

Ewen McDonald (Australia) said he agreed with what had been said on urgency, elements for inclusion and the importance of taking a decision at the next meeting. He said the plan should be simple as it would be an important overarching document and that they must agree on the terms of reference and the timeline in Zambia.

Karsten Sach (Germany) said that Board members need to connect the dots between the GCF's overarching goals and previous decisions and give guidance. He said they should build on the investment framework and create a pipeline for transformation, which is country-driven. He said the focus should be on strengthening institutions, planning and transparency. He supported Fakir's proposal and said they should leave Zambia with a common vision.

Andrea Ledward (UK) said it is a good time to learn and reflect, given the funding proposals on the table. She said the terms of reference should discuss the "how" in addition to the "what." She added that there is a need to engage with stakeholders and focus on learning and country ownership.

Arnaud Buisse (France) said that the GCF has to be made special and stressed the need to operationalize country ownership. There is need for a vision for the Fund. He said however that there is a contradiction between what was needed at the Fund level and country ownership. He added that the strategic plan needs to stay agile and improve the Fund's engagement with the private sector. Transparency also needed to be improved.

Anders Wallberg (Sweden) supported the idea of a working group and an informal Board meeting. He suggested that inputs be got from the independent technical advisory panel (iTAP) and the accreditation panel. He added that they needed to discuss how to move the gender perspective from being gender sensitive to being gender responsive. He also said that it would be important to discuss how they promote synergies and complementarity with other funds to avoid potential overlaps.

Atsuyuki Oike (Japan) said he needed to see discussion on country ownership and involvement of private sector with respect to the strategic plan. He said the Board should consider the Sustainable Development Goals adopted recently, the Sendai Conference on Disaster Risk Reduction and the Financing for Development Conference in Addis Ababa. "The strategy needs to be realistic and we must look at the project pipeline and projects," said Oike.

Leonardo Martinez-Diaz (US) said it was a good time to have the conversation as the Fund had matured into its second phase. The strategic plan should explain options as the Fund matures to deal with tradeoffs. It should look at how to make the fund operationally more efficient and look at staffing, readiness and all the nuts and bolts from the operations point of view. On accreditation, Martinez said that the Fund is only as good as the network of accredited entities with whom it works and the accreditation strategy needs to be integrated with the larger strategy the Board members were discussing. He also stressed on how to give the Private Sector Facility and Private Sector Advisory Group operational guidance and a new set of missions.

(Edited by Meena Raman)

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Crucial meeting on GCF strategic plan to begin in Cape Town

1 February, New Delhi (Indrajit Bose) — An informal dialogue of the Board of the Green Climate Fund (GCF) will be held in Cape Town, South Africa, from 2-4 February. The meeting is to primarily discuss the strategic plan for the GCF.

New Co-Chairs of the GCF, Zaheer Fakir (South Africa) and Ewen McDonald (Australia) in a note to the Board members outlined their expectations of the informal dialogue. "When we last met in Zambia, we committed to an ambitious aspirational approvals target for this year. This informal dialogue provides the opportunity to discuss that target and how we will put the systems and processes in place to deliver it. The informal dialogue will also allow us to deepen our collective understanding of the Fund's shared vision and translate that understanding into meaningful input to our Strategic Plan," the Co-Chairs wrote in their note.

The decision of conducting an informal meeting of the GCF Board was taken during the 11th Meeting of the GCF Board in Livingstone, Zambia from 2-5 November 2015. Also at the 11th meeting, the Board had agreed on the terms of reference for the strategic plan. Discussions among the Board members had seen a lot of convergence on the importance and need for a strategic plan for the GCF to further operationalize its Governing Instrument (see TWN article: 'GCF Board agrees on terms of reference for Fund's Strategic Plan').

Developing country Board members, especially from the African countries, have been calling for a strategic plan in previous meetings of the GCF Board as well. During the 11th meeting, the Board had decided to establish an ad hoc group of members of the Board/alternate members of the Board consisting of three developing country members and three developed country members to oversee and guide the Secretariat's preparation of the strategic plan, and requested the ad hoc group to present an initial draft and guiding questions requiring further consideration by the Board as input to the informal discussions of the Board.

The six board members comprising the ad hoc group include Amjad Abdulla (Maldives), Omar El-Arini (Egypt), Henrik Harboe (Norway), Leonardo Martinez-Diaz (USA), Karsten Sach (Germany) and Christian Salas (Chile).

The Board had also invited members and alternate members of the Board, active observers and observer organizations to make submissions to the Secretariat on the elements for a strategic plan by 1 December 2015.

Several proposals have been submitted to the GCF Secretariat. Among the countries that submitted proposals include Egypt and South Africa for the African Board constituency; Norway; United Kingdom; USA; Australia; Germany; Switzerland on behalf of the Constituency of Finland, Hungary and Switzerland; Sweden; Canada; and The Netherlands and Denmark, on behalf of the Dutch-Danish-Luxembourg Board seat.

"I expect that the Cape Town meeting will spend about two days on the strategic plan issue; other issues on the agenda that relate to the strategic plan, for example the 2016 work plan, will also be discussed. The informal dialogue will not take any decision. It can, however, give some directions in order to have a more focused 12th meeting (of the GCF Board) in Songdo (scheduled in March 2016)," Omar El Arini, Board member from Egypt, told TWN when contacted. Arini, who is part of the ad hoc group, also said that the group was still discussing what should be included in the strategic plan structure.

The African Group in their submission highlighted many issues that needed rectification.

According to the African Group's submission, a key outcome of the strategic plan of the Fund is to significantly advance the Fund's approach to country programming with the dual focus of strengthening national institutions from the public and private sectors to access the fund via the accreditation process and the building of high impact programmes and pipelines at scale that can be financed.

"One core reason for a strategic approach to the development of the GCF's pipeline, as well as the corresponding country pipelines, and work programmes of accredited entities, is to ensure the Board is delivering and operationalizing the objectives of the Fund as articulated in the Governing Instrument. This is further required to ensure that the Board is approving country-driven and owned, high-impact proposals on a meeting-by-meeting basis in order to trigger the first replenishment no later than June 2017," stated the submission.

The African submission welcomed "the Board's decision to set an approvals target for 2016 at US$ 2.5 billion. We believe a core element of the Plan would be that the Board is able to, at a minimum, adopt approaches and policies that would see a trebling of the Fund's pipeline no later than June 2017," the submission reads.

[During the 11th meeting in Zambia, there was a lot of disagreement over the first replenishment of the GCF. The GCF Board had decided that the funds would be replenished when 60 per cent of the funding is tied up to approved projects. But it remained unclear if that 60 per cent trigger was linked to the promised funds (currently at $10.2 billion) or those actually deposited ($5.8 billion). During the meeting, developing country Board members were very disappointed that no decision was taken on when the first formal replenishment of the Fund's resources could take place, following the initial resource mobilization which happened in 2014. This was because developed country Board members did not want to zero in on any set date to trigger the replenishment (see TWN article: GCF approves first set of funding proposals after debate).]

[In addition, at the 11th meeting, the Board had also adopted a key decision on funding proposals that included an aspiration to approve funding proposals worth US $2.5 billion in 2016. Several developing country Board members had expressed their disappointment that the funding proposals for their consideration and approval at the 11th Board meeting only amounted to US$ 168 million. This led to the decision by the Board to set a higher aspirational target for the approval of funding proposals in 2016 (see TWN article: GCF Board aspires to approve projects worth US$ 2.5 billion next year).]

The African submission also explains its calculations on how the pipeline has to be increased and the size of approvals that have to be done before the first replenishment can be triggered.

"In order for the Board to meet the 2016 approvals target, the Board on a meeting-by-meeting basis would need to approve proposals for the 3 meetings in the range of approximately US$850-930 per meeting," it said.

"Further, if we assume that the 60% trigger for the replenishment is based on the total pledged amount of US$10.2 billion and that the target date is still June 2017 …the Board would need to approve more than a billion dollars per meeting in the five meetings (between the 12th and 16th meetings), or an increase of more than US$ 800 million over the inaugural approvals in Zambia," elaborated the submission further.

"If the Board decides that the trigger would be based on the current status of contributions agreements …of US$ 5.8 billion, the Board would need to approve US$ 3.48 billion at approximately US$ 680 million per meeting during the same period," it added.

"Even at the low end of programming the Fund would need a significant increase to its current pipeline of 29 projects, of which 4 are at stage 2 (second level due diligence by the Secretariat), and 1 private sector project is at Stage 3 (independent assessment by the Independent Technical Advisory Panel). The 24 remaining proposals are at stage I (funding proposal receipt and completeness check). It is not clear at this stage how far the pipeline can be stretched to meet either the meeting-by-meeting approvals or the annual spending target for 2016," the submission highlights.

In their submission, the African Group also stresses that the ethos of the Fund is developing country ownership and country programming.

"In this regard utilizing the direct access modality at scale with dedicated grant support to proposal is critical. In terms of the agenda on country ownership, there is some concern from developing country members that the importance of coherence and substantive country programming approaches has not been addressed by the Board in a holistic manner. In particular, there is a view that the Board requires a more coherent approach to the operationalization of Focal Points/ National Designated Authorities, including the consideration of funding for the sustainability of their activities. But also the need for a standardized approach to the preparation of low emission and climate resilient development strategies/plans based on a standard template," says the submission.

On accreditation, the submission underscores the need for rectification, giving more teeth to national entities over international entities.

"The Fund has accredited 20 entities, of which 5 are national entities, 4 regional entities and 11 international entities. However, of the 6 national entities, 4 can only do projects to a maximum of US$ 10 million, 1 can do up to a maximum of US$ 50 million and only 1 can do above the maximum of US$ 250 million," the submission explained.

"Furthermore, the risk profile of accredited entities is yet to be assessed based on their capacities to implement multiple proposals. Hence, large international commercial and development banks will dominate the Fund and its resources. This needs to be

rectified. The strategic plan needs to increase the volume of funds national entities can access so as to give the direct access its true meaning," says the submission.

According to the submission, the strategic plan also needs to reinforce the uniqueness of the GCF to promote direct access and ensure not only a greater number of national entities are accredited but also accredited to access a greater volume of resources than at present.

"Furthermore, the fact that we are accrediting so many international commercial and development banks would translate to a higher amount of loan instruments being utilized. We need to further strengthen Focal Points/NDAs in their role of ensuring country ownership and driveness of all GCF engagements within their countries," says the submission.

Lastly, the submission says that a set of core targets and goals for approvals process will need to be adopted to substantially increase the volume of the Fund's pipeline.

"In order to achieve this, we suggest the following measures be considered:

i) Enhanced Country Programming: The plan could include a focus strategy for engaging the NDA/FPs (focal points) in strengthening the country pipelines by encouraging NDAs/FPs to submit project concept notes and/or investment plans that could be approved by the Board. It is critical that we initiate this now to ensure the scaling-up of the Fund's pipeline prior to the first replenishment period.

ii) Regional Programmes and Prioritization: Another consideration is for the Fund to initiate high-level consultations with NDAs and Accredited Entities related to identification of regional priorities and programmes. For example, African Heads of State and Government have endorsed two high-level regional programmes addressing renewable energy and adaptation and loss and damage finance. There is also a high-level work programme on climate action in Africa which was adopted by African Heads of State in January 2015. All these programmes can be further developed and utilized to access resources in consultations with NDA and accredited entities."

In addition to discussing the strategic plan, the informal Board dialogue in Cape Town has on its agenda discussions on administrative budget and staffing, accreditation master agreements, accreditation and communications strategies of the GCF.

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Third World Network

GCF adopts Strategic Plan and agrees to live webcast of meetings

Songdo, 14 March (Indrajit Bose) — The Board of the Green Climate Fund (GCF) held its 12th meeting in Songdo, South Korea, from 8-10 March, and adopted several crucial decisions which included the Fund's first Strategic Plan, and a comprehensive information disclosure policy that provides for live webcasting of the Board's proceedings. (The Board proceedings are currently not webcast live.)

The GCF Board also accredited 13 new entities to the Fund and there was considerable controversy over the accreditation of HSBC holdings plc and its subsidiaries, headquartered in the United Kingdom and Northern Ireland.

Civil society organisations (CSOs) raised concerns on the track record of HSBC and some other entities up for accreditation.

"HSBC in particular is deeply embroiled in massive financial scandal. We firmly believe that the Board should not accredit HSBC due to its poor record on climate pollution, environmental and social harm, and human rights. It would also be premature for the Board to make a judgment on the fiduciary and reputational risks involved in accrediting HSBC before the public release of a report by an independent monitor overseeing the clean-up of HSBC's massive money laundering," said Lidy Nacpil, the southern active observer on the Board and coordinator, Asian Peoples Movement on Debt and Development, on behalf of CSOs. "The Accreditation Panel (AP) must perform its due diligence and fully review the report's findings. At the very least, the Board must defer a decision on accrediting HSBC until it has the full picture," added Nacpil.

Responding to some of the concerns raised by CSOs, the GCF Board members decided to impose certain conditions and review HSBC's accreditation in the near future. Board members from Egypt, Cuba, Belize, Saudi Arabia, Samoa, Tanzania, Democratic Republic of Congo, Bangladesh and Norway asked for due attention to be paid to the issues raised by CSOs in their intervention.

In the decision approving HSBC's accreditation, the GCF Board noted that in the AP's review of HSBC, they had identified a potential "information gap associated with the implementation of their Global Standards programme, which overviews the applicant's progress in implementing stronger AML (anti-money laundering) and sanctions compliance mechanisms (Global Standards)". In the decision, the Board also requested the AP to review prior to the 14th and 16th Board meetings, "the applicant's progress in implementing its Global Standard, including a review of material external information". The Board further requested that the AP report to the GCF Board on "whether the results of these reviews would alter their recommendation to accredit the applicant". HSBC was also accredited subject to the condition that the GCF Board has the ability to temporarily or permanently suspend the applicant's accreditation based on the

recommendation of the AP following its reviews. The decision made it clea r that the process outlined for HSBC applied "only in this case, without prejudice to further decisions".

Besides HSBC, the other entities accredited to the GCF were Agency for Agricultural Development of Morocco; Ministry of Finance and Economic Cooperation of the Federal Democratic Republic of Ethiopia; National Environment Management Authority of Kenya; Development Bank of Southern Africa; Crédit Agricole Corporate and Investment Bank (Crédit Agricole CIB) headquartered in France; African Development Bank (AfDB) headquartered in Côte d'Ivoire; European Investment Bank (EIB) headquartered in Luxembourg; International Finance Corporation (IFC) headquartered in the United States of America; Unidad Para el Cambio Rural (Unit for Rural Change, UCAR) based in Argentina; International Union for Conservation of Nature (IUCN) headquartered in Switzerland; World Food Programme (WFP) headquartered in Italy; World Meteorological Organization (WMO) headquartered in Switzerland.

Nacpil also voiced the concerns of the CSOs on a few other entities such as Credit Agricole CIB and the IFC.

The Board also adopted its first Strategic Plan, which was termed as a "living document" "to guide the Board in addressing policy gaps and programming the Fund's resources of the initial resource mobilization period between 2015 and 2018". The Board also decided to "review the Fund's Strategic Plan as part of each replenishment process".

Another controversial issue during the meeting was the issue of the comprehensive information disclosure policy of the Fund. The bone of contention was whether the GCF Board meetings should be webcast live. The United States was opposed to live webcasting, but after further discussions, the Board decided that the GCF Board meetings will be live webcast, until the end of 2017, after which there will be a review of the webcasting taking into consideration "the costs involved, the views of those who have accessed it, and other information that would be useful to assess the service".

The Board also approved a grant of USD 1.5 million to the Ministry of Natural Resources of Rwanda, for for the project preparation of their programme titled "Rural Green Economy and Climate Resilient Development Programme".

(The Rwandan Ministry of Natural Resources, which is a direct access entity of the GCF, had submitted the funding proposal. The programme will focus on four sectors critical to enabling Gicumbi, one of Rwanda's poorest districts, to achieve its development targets and align with national green growth and climate resilient priorities in the tea, forestry, construction and energy sectors. The pilot programme comprises four interlinked projects: affordable, low carbon settlements and industries as growth hubs; climate-resilient production of tea; sustainable forest management and watershed management; and knowledge development and transfer.)

The Board also spent considerable time in discussing the initial risk management framework of the Fund. It was highlighted that the GCF Secretariat did not have any risk management expertise and the Risk Management Committee (RMC) of the Fund underscored the need to hire staff with risk management expertise at the earliest. The Board also adopted a risk

register and requested the RMC to review the probability, impact, and resulting priorities prior to the 13th meeting of the Board. The Board also decided that the interim risk and investment guidelines would expire prior to the 15th meeting of the Board, when the updated set of risk policies and guidelines are adopted.

The Board also adopted a number of procedural decisions. This include the adoption of its workplan for 2016 and its' new co-chairs Zaheer Fakir (South Africa) and Ewen McDonald (Australia) will consult with Board members on specific matters that have remained outstanding from previous Board meetings and come up with draft decisions to be considered at subsequent Board meetings. These issues include matters such as the first formal replenishment process for the Fund, a simplified approvals process and decision-making in the absence of consensus. Board members have not been able to find consensus on these outstanding issues in previous meetings.

The Board also discussed (behind closed doors and not open to observers) issues relating to the performance review of the Executive Director (ED) and the process for the appointment of a new ED. Prior to the Board meeting in Songdo, the current ED, Héla Cheikhrouhou announced that she would step down in September 2016, at the end of her current term as head of the Fund. A committee for the selection of a new ED was formed with Board members from Egypt, Saudi Arabia, Cuba, US, Canada and Switzerland.

On the issue of the review of interim trustee of the Fund, (currently the World Bank), the Board requested the Secretariat to commission an independent third party to implement the review of the interim trustee, in consultation with and oversight of the Risk Management Committee.

The Board also took stock of the total amount of pledges signed into contributor agreements. The Secretariat informed the Board members that of the total pledge of US10.2 billion, USD 6.8 billion have been via contribution agreements. During the meeting, the US informed the Board that it had completed arrangements to transfer USD 500 million to the GCF as its first installment on its pledge of USD 3 billion.

Prior to the formal meeting from the 8-10 March, the Board convened a day-long meeting on 7 March in an informal setting and discussed issues such as the strategic plan, risk management framework, pipeline of projects to be considered for funding, the GCF website, the accreditation master agreement, and agreements related to readiness.

The next Board meeting will take place again in Songdo from 28-30 June.

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GCF adopts Plan to help implement target of USD 2.5 billion of projects

15 March, New Delhi (Indrajit Bose) — The Board of the Green Climate Fund (GCF) has adopted an initial Strategic Plan (SP) and resolved to "swiftly implement" it to meet its aspirational target of approving projects worth USD 2.5 billion in 2016 and "to scale up the Fund's investments in ambitious climate action."

Described as a "living document", the SP is also to "guide the Board in addressing policy gaps and channel the Fund's resources of the initial resource mobilization period between 2015 and 2018, and to invest the Fund's resources in transformational climate actions in a country-driven manner".

This was one of the decisions adopted at the 12th meeting of the Board held in Songdo, South Korea from 8-10 March.

The Board also welcomed the decision reached at 21st meeting of the UNFCCC's Conference of Parties (COP21) in Paris that the GCF, as an operating entity of the Financial Mechanism of the Convention, will serve the Paris Agreement. The Board in its decision requested the Secretariat to present at its next meeting (in June) a proposal on how the Fund could support the implementation of the Paris Agreement and related COP decisions.

The SP was decided upon after several rounds of consultations, including in an ad hoc group comprising Board members from Maldives, Egypt, Norway, USA, Germany and Chile. An informal meeting was held in Capetown in early February this year to discuss the elements of the Plan, and the Board devoted a session on 7 March in Songdo, in an informal setting to discuss it, including its operational priorities and action plan, which the Board decided would be integrated in its workplan.

During the discussions, Board members commented on the draft SP presented to them. Developing country Board members stressed the importance of the GCF to empower national designated authorities (NDAs) to drive climate action plans and not the accredited entities and for the GCF to serve as a knowledge sharing platform. They also raised issues of the Fund's portfolio and scale of projects, impacts and results of the Fund, allocation of finances to the Fund itself.

Developed country Board members on the other hand largely talked about reflecting stronger in the SP the gender component, strengthening the private sector and for the GCF to go for results-based payments, beyond it just applying to REDD+ (reducing emissions from deforestation and forest degradation, and foster conservation, sustainable management of forests, and enhancement of forest carbon stocks), (which is now the case under the UNFCCC).

Developing countries on the otherhand raised issues over results-based payments beyond REDD+.

Following the exchanges, in relation to results-based payments, the SP which was finally adopted states that the Board intends to prioritise pipeline development

by "operationalising results-based payments for REDD+ in line with (UNFCCC's) COP guidance and the Governing Instrument (of the GCF), evaluating the implementation of results-based payments, and assessing its applicability to other sectors within the purview of the GCF".

Developing country Board members were also of the view that whenever there is mention of private sector, it should be clarified that the reference is to private players in developing countries.

They were also concerned that the issue of maximizing the GCF's impact by supporting projects and programmes that are scalable and which should not undermine the Least Developed Countries (LDCs), Small Island States (SIDs), Africa and other smaller countries (see highlights of exchange below).

The members agreed that the SP was a living document and decided to "review the Fund's SP as part of each replenishment process with a view to revising the strategic vision" and to update the core operational priorities and underlying action plan for the next replenishment cycle.

According to the SP that was adopted, the core operational priorities of the GCF include:

— *"Allowing the GCF to scale up its investments in developing countries with the objective of tapping its full potential to promote urgent and ambitious actions enhancing climate change adaptation and mitigation in the context of sustainable development;*

— *Maximizing its impact by supporting projects and programmes that are scalable, replicable and employ GCF resources in the most efficient manner by, inter alia, catalyzing climate finance at the international and national level, including by maximizing private sector engagement;*

— *Setting out the approach of the GCF to programming and investing the full amount pledged for the 2015-2018 programming period, while striving to maximize the impact of its funding for adaptation and mitigation, and to seek balance between the two;*

— *Ensuring that the GCF is responsive to developing countries' needs and priorities including by enhancing country programming and direct access e.g. through enhanced support for accreditation of NIEs (national implementing entities), ensuring fast disbursement, implementing a gender-sensitive approach, supporting multi-stakeholder engagement, ensuring the effective use of funds and enhancing transparency*

— *Proactively communicating the GCF's ambition in terms of both scale and impact as well as its operational modalities with a view to enhancing predictability and facilitating access."*

The action plan contained in the SP lists key strategic measures that the Board intends to promote in the following five areas:

— *"Prioritizing Pipeline Development*

— *Strengthening the Fund's Proactive and Strategic Approach to Programming*

— *Enhancing Accessibility and Predictability*

— *Maximizing the Engagement of the Private Sector*

— *Building Adequate Institutional Capabilities*)*".*

In the decision adopted, the Board requested the Secretariat to take

necessary steps to implement the action plan in a gender-responsive manner, and report at each Board meeting on progress achieved.

Below are some highlights of exchanges that took place among Board members.

Highlights of exchange

Ayman Shashly (Saudi Arabia) said the current SP was a supply-driven plan and it should have been the other way round, i.e. driven by demand. The SP needs an assessment of what is needed out there and how we are going to supply funding. It needs to show that the Fund is driven by what is needed to be done, and not by what is available to finance, said Shashly. "This needs a change in mindset", he added. Sashly also expressed the concern that the GCF, from a grant-based institution, is shifting to be a loans-based institution, with a few grants here and there.

Jorge Ferrer Rodriguez (Cuba) said the draft was far from being an SP. The need is to have a clearer roadmap or action-oriented document on how to achieve the goal, said Rodriguez. "While the SP repeats the goal of allocating USD 2.5 billion for 2016, there is no figure for 2017 or 2018. We also have to keep in mind the important issue of increasing the resources," he added. Rodriguez also called for a clear operational roadmap with timelines and timeframes in the SP. He said that there is clarity needed on how to achieve the operational priorities of the GCF. "The national designated authorities (NDAs) should prepare annual plans, not the accredited entities. We need to cope with the fact that we don't have enough resources, and we need to have operational and strategic priorities based on needs. The decision needs a reference to that," said Rodriguez.

Yingming Yang (China) said the GCF should establish a knowledge-sharing platform, become an agent of change and be influential.

Tosi Mpanu Mpanu (Democratic Republic of Congo) said that on deepening engagement with private sector, there should be clear reference to private sector in LDCs and SIDs. "We should take higher risks, as the GCF will go where no one else has gone. Country ownership is an important issue and it is important to keep in mind indigenous peoples and local communities," said Mpanu.

Diann Black-Layne (Antigua and Barbuda) said it was important to see the strategic approach to the UNFCCC. Many countries are experiencing loss and damage. The SP must include what the private sector will do in that aspect and acknowledge mitigation/adaptation and loss and damage in terms of the different thematic areas that needs the Fund's attention, added Black-Layne. She also advised the Board against giving lip service to gender and to use it in the right context.

Richard Muyungi (Tanzania) said that the GCF must be seen in the context of the Convention and the Fund should be consistent with previously agreed instruments and guidance from the COP. "We need to know whether the SP will keep it in that context. We are focused on providing results in the results based approach, but my concern is whether we are able to address impacts of climate change in developing countries in terms of what their adaptation needs are. As much as we might think of results approach, we must think of impacts-based allocation as well," said Muyungi. He also called upon prioritizing pipeline development and

clarity on the role of NDAs and focal points. "While the SP puts the onus of pipeline development on accredited entities, it is important to elevate the role of NDAs and to ensure that priorities of countries are articulated," said Muyungi. Pointing to the refer ence in the SP on cutting-edge climate technologies, Muyungi said in adaptation, cutting-edge technologies are not necessarily required, but the need is for "something that is available and accessible".

Colin Young (Belize) said the issue of investing in projects that are scalable should not disadvantage LDCs, SIDs and small countries. "The issue of scale should be extended to communities' ownership and participation. If we focus on just scale, this would disadvantage smaller countries. On operational priorities, there is focus on scale, but small projects can have impacts too," said Young.

Ali'ioaiga Feturi Elisaia (Samoa) stressed that the Plan was missing reference to private sector in SIDs and LDCs. The focus on scale, as mentioned in the operational priorities of the SP, needs to be considered carefully. While the vision is to communicate the paradigm shift, the scale should also be seen in country-specific context," said Elisaia. He also said that the GCF needed to significantly step up its efforts on pipeline development and readiness support.

Karsten Sach (Germany) said that the small group had discussed at length various issues such as pipeline development, measures to enhance readiness support, identifying national, regional priorities, identification of opportunities, operation of results-based payments and its applicability beyond REDD+. He also said that the group had talked of enhancing accessibility and predictability, what kind of project/programme the Fund requires, simplified processes and simplifying the proposals approvals process, and maximizing private sector engagement and institutional building. Sach added that the SP is a living document and that it should be reviewed as part of each replenishment process and taking into account COP guidance.

Caroline Lecrec (Canada) said the SP could put more emphasis on transparency, governance, results, learning and private sector engagement. Referring to the document as being "underwhelming" with respect to the private sector, Lecrec said she expects more on the issue. "We would be open to see reference to policies for contributions from alternative sources," she added.

Jacob Waslander (Netherlands) called for greater emphasis on governance, private sector and gender components in the SP. "The investment behaviour of commercial banks should be changed and we should have our influence and push big players in the private domain. We want to monitor their behaviour and we could emphasize that notion stronger in the SP," said Waslander. On the private sector, he added that there were important flows from the private sector and international capital markets and that their influence in getting transformational change should be acknowledged.

Anders Wallberg (Sweden) said it was time to move from gender sensitive to gender responsive approach. He was of the view that results-based finance should go beyond REDD+.

Anton Hilber (Switzerland) said that the results-based notion extended beyond REDD+ and that readiness projects should have results-based approach. "We will not

have enough to finance all. So we need to do results-based allocation in terms of projected results," said Hilber. He also added that it was a myth that adaptation could not be done with the private sector.

Leonardo Martinez-Diaz (USA) said the Plan should include something about strengthening knowledge platform and that the GCF should help operationalize components relating to the private sector. He added that scaling up did not mean large countries or large projects and the idea was for small concepts to grow. "The point is not to disadvantage any country," he said.

(Edited by Meena Raman)

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Third World Network

GCF: Intense discussion over Project Preparation Facility

Kuala Lumpur, 16 Mar (Hilary Chiew) – The Board of the Green Climate Fund (GCF) approved its first grant of US$1.5million under its Project Preparation Facility (PPF) at its 12th meeting held in Songdo, South Korea from 8-10 March.

The funding is for the project preparation of the programme titled "Rural Green Economy and Climate Resilient Development Programme" submitted by the Ministry of Natural Resources of Rwanda.

(The Ministry of Natural Resources of Rwanda, a direct access entity of the GCF had submitted the funding proposal. The programme will focus on four sectors critical to enabling Gicumbi, one of Rwanda's poorest districts, to achieve its development targets and align with national green growth and climate resilient priorities: tea, forestry, construction and energy. The pilot programme comprises four interlinked projects: affordable, low carbon settlements and industries as growth hubs; climate-resilient production of tea; sustainable forest management and watershed management; and knowledge development and transfer.)

The PPF was established at the 11th Board meeting in Zambia in November 2015. However, confusion arose from the unclear language of decision B.11/11 which was described by several members as "hastily done".

(In decision B.11/11, paragraph (l), the Board decided to "*establish a PPF to provide funding of up to 10% of requested GCF funding with a maximum of USD1.5mil for any single proposal.*" The Board also agreed that *the PPF "…process would involve concept notes providing due justification of need from accredited entities, and that after an appropriate review and an initial assessment against the investment criteria and justification of need, the Secretariat will send its funding request for project preparation to the Board for approval." The Board further decided that the PPF would be targeted to small-scale activities and direct access entities and that the Secretariat will review the PPF for consideration by the Board at its 14th meeting.)*

In the 12th Board meeting decision approved Rwanda's application and requested the Secretariat to present a document, "on matters related to the scope and functioning of the PPF, for consideration and adoption by the Board at its 13th meeting. The decision also noted that the Board will consider applications under the PPF once the guidelines are adopted.

The decision was adopted in the evening on the last day of the meeting, after considerable deliberation and an attempt by the United States to craft a decision on the guidelines and criteria for adoption at the meeting.

Initially, members were divided over approving Rwanda's application with developing country members and some

developed country members favouring the approval, while the United Kingdom and the United States were of the view that it was not appropriate to approve any proposal pending fleshing out details of the facility, and preferred to postpone the approval. Developing country Board members rejected the draft decision by the United States on the criteria proposed. (See the exchanges further below).

The item was first discussed during the informal meeting on 7 March where **co-Chair Zaheer Fakir (South Africa)** invited views on the five areas of discussion outlined in a co-Chairs' note on their proposed guidance on the PPF circulated to members prior to the Board meeting.

The five cited were: the need to provide clarity on the language contained in B.11/11; the Board's decision-making process related to the PPF request; Board guidance on the Secretariat guidance notes and concept notes template; the current PPF request at the 12th Board meeting; coordination and coherence between the PPF and the readiness programme.

On the second day of the formal board meeting on 9 March, **Co-Chair Zaheer** informed Board members that the Secretariat had reviewed the Rwandan proposal and the initial assessment of the underlying programme demonstrated the replicable potential of the project in other countries and found the programme to be one of Rwanda's priorities for low emission development. He urged Board members need to take a decision on the application.

Omar El-Arini (Egypt) welcomed the attractive submission which has a holistic approach. He wondered if the application would be done in conjunction with other agencies either national or international entities and cautioned against double counting, adding that the proposal lacked mention on how monitoring of the project will be done.

Sally Truong (Australia) in supporting the proposal noted that Rwanda had received readiness funding last year and this new proposal would take the country to the next level and demonstrate that the readiness programme is working.

Andrea Ledward (United Kingdom) cautioned against setting a precedent and wondered if a decision should be deferred. "We should recognise it and appreciate the quality but defer the decision until we have done the methodologies for the PPF," she opined.

Leonardo Martinez (United States) said the Board is coming to grips with the late night decision (referring to decision B.11/11). He suggested discussing the operational details of the PPF and get the basics in place first before taking up any proposals. He said that the facility should be accessed when the infrastructure has been built.

Karsten Sach (Germany) said two things are missing: absence of criteria (in considering the project) and the lack of clarity of the project being related to climate change. In theory, he said, it is a project that should be encouraged but noted that there cannot be a real assessment without criteria.

In response, the Secretariat explained that the purpose of the feasibility studies (key supporting documents that are expected to be developed through the proposed PPF activities for the final funding proposal) is to give more figures and indicators behind the assumptions to implement the programme. The timeframe for implementation is four months starting in

May. On monitoring, it said there will be a monthly review of the progress.

To this, **Sach (Germany)** said he is willing to go along (with approving the application), stressing the need to speed up the development of criteria.

Tosi Mpanu Mpanu (Democratic Republic of Congo) said the GCF has been operationalised for the past three years and countries are eager to get their hands on the resources and countries with scarce resources can use the money that is available.

"Rwanda has done its homework and showed its ambition and we should not punish Rwanda because the Board was not diligent enough itself. We are building the plane as we are flying it. We should try to encourage Rwanda; we should be more ambitious, bolder and give the benefit of doubt to this project," he stressed.

He further said that one country pledged US$3bil (referring to the United States) but (has so far) signed agreement for US$500mil which is not a good message, adding that 'we need some countries to be inspired by Rwanda.'

(At the Board meeting, the United States informed the Board that it has completed its' contribution arrangement for US$500mil as a first instalment of its pledge.)

Richard Muyungi (Tanzania) said it is important to recognise that it is a learning curve as countries prepared their projects and the challenges should be understood and the Board should continue to support the process.

Martinez (United States) said he is prepared to approve the proposal but with a note that detailed criteria will be fleshed out and would only consider further applications after that. "We need to get our act together on this", he added.

To this, **Mpanu Mpanu (DRC)** said if the Board does not penalise Rwanda, then it should not penalise others that are preparing to access the PPF.

El-Arini (Egypt) said he could go along with the suggested addition by Sach and Martinez.

Ledward (United Kingdom) was happy to approve the project subject to very clear learning and fleshing out of the details of the PPF.

Co-Chair Zaheer suggested approving Rwanda's application and to get the Secretariat to prepare the criteria to be tabled at the 13th Board meeting.

However, **Martinez (United States)** said that given the urgency, he would like to have a decision on the criteria, suggesting that the co-Chairs could collect ideas from a quick round of comments to be assimilated into the decision.

To this, **co-Chair Zaheer** announced that Martinez will coordinate the work and those members interested can engage with him (Martinez) and bring the proposed decision language back to the Board for further consideration.

Colin Young (Belize) suggested approving Rwanda's proposal first. **Muyungi (Tanzania)** supported saying that 'in doing so, we show the outside world that we are committed to working on this issue'.

Mpanu Mpabu (DRC) noted strong convergence around the table and expressed confidence the Board can reach a decision. He said the Board took a decision in B.11/11 not long ago and a country has acted and he expected more countries to do the same.

The Board then adopted the decision to approve the Rwanda's application.

On 10 March, **Martinez (United States)** reiterated that it was heard loud and clear there was no clarity as to which concept note should be used for applying to the PPF and there is need to fill the vacuum so countries can submit their proposal as soon as possible as a matter of urgency. He informed members that he had consulted eight board members and collected their feedback. He noted that while there is no complete agreement on the draft decision text that he was presenting, the Board should "leave with something" so the pipeline can continue.

The draft decision that was proposed read as follows:

"The Board, having reviewed decision GCF/B.08/11 and GCF/B.11/11 and taking into account discussions of the GCF strategic plan and project approval process:

(a) Acknowledges that further Board guidance is needed before the Project Preparation Facility (PPF), established by Decision B.11/11, can be fully operational.

(b) Decides that, regarding operation of the PPF:

i. Support for individual proposals will be limited to a maximum amount of USD1.5mil not to exceed 10% of the total requested GCF funding volume of the proposal to be developed;

ii. The PPF will target support to direct access entities for the development of proposals for micro- and small-scale projects and programs. The PPF can also provide up to 30% of the initial PPF allocation to international accredited entities for preparation of micro- and small-scale projects and programs in situations in which a country has no direct access entity;

iii. Proposals require the submission of a no-objection letter from the National Designated Authority (NDA) before they can be deemed complete;

iv. Concept notes submitted to the PPF will be assessed against the GCF investment criteria as defined in Decision B.07/06 including criteria for country ownership;

(c) Requests the Secretariat to modify the concept note template, established by decision B.07/03 so that it can also serve as the concept note template for PPF applications as defined in Decision B.11/11;

(d) Requests the Secretariat to consider synergies between the PPF and the Readiness and Preparatory Support Programme as part of the review of the PPF at B.14, as per B.11/11;

(e) Requests the Secretariat to ensure that sufficient staffing and resources will be provided for effective operation of the PPF;

(f) Requests the Secretariat to provide an update on the PPF during its report to the Board on the status of the project pipeline, including analysis on the applications received and approved;

(g) The Board will be notified by the Secretariat when proposals are received and when they are approved;

(h) Decides to delegate the authority to approve proposals for PPF funding to the Executive Director;

(i) Decides to allocate up to USD50mil for the initial phase of the PPF;

(j) Requests the Secretariat to prepare a document for consideration by the Board at its thirteenth meeting clarifying how the PPF will operate, including a description of what the PPF will fund, modalities of support, eligibility criteria, the role of the Secretariat, and how the PPF differs from

Readiness Activity Area 4, reflecting the decisions in para b;"

Co-Chair Zaheer asked how long "the initial phase" would be and the rationale behind the US$50mil.

Martinez (United States) said the idea is to lay out the skeleton based on the principle and the additional work the Secretariat will do in fleshing out the frame. The US$50mil is based on the Readiness phase and there is no time allocation as it would depend on when the allocation is exhausted.

Nauman Bashir Batti (Pakistan) questioned the rationale for the cap of US$1.5mil.

El-Arini (Egypt) said "We need to move gently on this issue. We were rushed into this because of the situation with Rwanda in a policy vacuum. We approved Rwanda's request but this should not constitute a precedent." He said that the Conference of the Parties (of the United Nations Framework Convention on Climate Change) has given guidance to the Board through Decision 7/CP.21, and a policy paper is needed as well as a robust discussion on this matter. He suggested a simpler procedural decision and not the detailed decision (as presented by the US).

Ayman Shasly (Saudi Arabia) said he was not comfortable with the proposed decision especially with the provision of up to 30% initial PPF allocation for international entities. "Do they really need it? Their strength is that they have resources to help out. I cannot see that this percentage is fair and just," he noted.

Kamal Uddin Ahmed (Bangladesh) pointed out that the assessment of proposals against the GCF investment criteria as defined in Decision B.07/06 has very complicated criteria and will be difficult on the part of developing countries that need to prepare the proposal quickly.

Following the exchanges, **Co-Chair Zaheer (South Africa)** said that members will not be able reach consensus and proposed that the Secretariat prepare a paper and members could request the Co-Chairs with the Secretariat to work on a draft decision in between now and the 13th Board meeting (B.13) or to have the discussion at the 13th Board meeting.

Martinez (US) said he is perfectly content to have the discussion at the next meeting but the Board would not be able to approve any projects until then.

Co-Chair Zaheer raised the concern that there is still the decision taken at the previous meeting, referring to decision B.11/11 that still stands and there is a prospect of having applications that could not be approved.

Martinez (US) said if the Board cannot take a decision here then it needs to send a clear signal to NDAs and accredited entities that they should not prepare any proposals for the PPF until further guidelines (are developed). He warned against the state of ambiguity and urged members to issue at least one clarification to be fair, transparent and promote good governance. **Sach (Germany)** echoed similar concerns about good governance.

To this, **Muyungi (Tanzania)** said it is not a good idea to send the signal as there might be proposals that are already on the way.

Ayman (Saudi Arabia) concurred that sending out such a signal will create unnecessary noise given that it is only three months to the next Board meeting, adding that the GCF can deal with the request as they come by informing the

applicants that the GCF is in the process of enhancing the policy.

Co-Chair Zaheer said that he was not going to force a consensus on sending such a message. He said the decision on this matter will be that the Board will develop the guidelines at 13th Board meeting and will consider applications after that.

The Board finally approved the Rwandan application and also requested "*the Secretariat to present a document, taking into consideration the views expressed by the Board at its twelfth meeting, on matters related to the scope and functioning of the project preparation facility, for consideration and adoption by the Board at its thirteenth meeting;* and noted that *"the Board will consider applications under the PPF once the guidelines are adopted."*

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Third World Network

GCF adopts Information Disclosure Policy

18 March, New Delhi (Indrajit Bose) — The Green Climate Fund's Board adopted a comprehensive Information Disclosure Policy at the 12th Board meeting in Songdo, South Korea, held from 8-10 March.

This included the decision to webcast live the Board's meetings until the end of 2017.

The Information Disclosure Policy of the Fund which was adopted is based on the following principles: "maximising access to information, limited exceptions, simple and broad access to information, and explanation of decisions and right to review."

In the Policy, while the GCF reaffirmed its commitment to transparency in all of its activities, any exceptions to disclosure would be "predicated upon the possibility, narrowly and clearly defined, that the potential harm to interests, entities or parties arising from the disclosure of information would outweigh the benefits, that the GCF is legally obligated to non-disclosure or has received information from third parties clearly marked as confidential."

The Information Disclosure Policy also has a listing where information would not be disclosed.

These include: personal information; legal, disciplinary or investigative matters; communications involving members and alternate members of the Board and advisers; information that compromises safety and security; information provided in confidence; deliberative information exchanged, prepared for or derived from the exchanges between the GCF and its accredited entities or third parties as well as information pertaining to the GCF's own internal deliberative processes; certain financial information; board proceedings, including, pre-meeting documents, that are deemed confidential; information relating to committees, panels and groups and accountability units; trust fund reports; and under accreditation, the "name and country of any entity applying for accreditation will be made public on submission of an accreditation recommendation of such an entity to the Board, unless the entity has a reason to keep such information confidential, in which case such information shall be made avai lable once such recommendation has been approved by the Board".

The Policy outlines that information can be accessed from the GCF website. Information on project and programme funding proposals would be disclosed simultaneously with "submission to the Board, subject to the redaction of any information which may not be disclosed pursuant to this Policy".

The Policy also details out how the environment and social reports will be disclosed:

"With respect to project and programme funding proposals that have an environmental or social impact, the Accredited Entities (AE's) shall disclose and announce to the public and, via the Secretariat, to the Board and Active Observers:

(a) in case of Category A projects, the Environmental and Social Impacts Assessment (ESIA) and an Environmental and Social Management Plan (ESMP) at least 120 days in advance of the AE's or GCF's Board decision, whichever is earlier;"

(Category A comprises activities with potential significant adverse environmental and/or social risks and/or impacts that are diverse, irreversible or unprecedented.)

"(b) In the case of Category I-1 programmes, the Environmental and Social Management System (ESMS) at least 120 days in advance of the AE's or GCF's Board decision, whichever is earlier:"

(Category I-1 is high level of intermediation when an intermediary's existing or proposed portfolio includes, or is expected to include, substantial financial exposure to activities with potential significant adverse environmental and/or social risks and/or impacts that are diverse, irreversible, or unprecedented).

(c) In the case of Category B projects, the ESIA and an Environmental and Social Management Plan (ESMP) at least 30 days in advance of the AE's or GCF's Board decision, whichever is earlier."

(Cateogry B involves activities with potential mild adverse environmental and/or social risks and/or impacts that are few in number, generally site-specific, largely reversible, and readily addressed through mitigation measures); and

(d) In the case of Category I-2 programmes, the ESMS at least 30 days in advance of the AE's or GCF's Board decision, whichever is earlier."

(Category I-2 is medium level of intermediation when an intermediary's existing or proposed portfolio includes, or is expected to include, substantial financial exposure to activities with potential limited adverse environmental or social risks and/or impacts that are few in number, generally-site specific, largely reversible, and readily addressed through mitigation measures; or includes a very limited number of activities with potential significant adverse environmental and/or social risks and/or impacts that are diverse, irreversible, or unprecedented.)

The policy also stated that the Board "shall continue its practice of soliciting public input for certain policies and strategies under discussion by the Board for at least 30 days through the Fund's website".

The policy also talks about an appeals mechanism under which the Board would establish an "Information Appeals Panel (IAP) to consider appeals under this Policy".

The Board in its decision also decided that "pending the constitution of the information appeals panel (IAP), under the Policy, the Ethics and Audit Committee will fulfil such role on a temporary basis until the IAP shall have become operational".

It was also agreed that the Policy will be reviewed every three years.

The issue of whether to webcast live or not the GCF Board meetings was a key point of contention among Board members, with the US initially opposing the live webstreaming.

The final decision adopted came with the caveat that the Secretariat would undertake a "qualitative and quantitative review of the webcasting service", including the costs involved, the views of those who have accessed it, and "other information that would be useful to assess the service". The modalities for the review

will be decided upon by the 16th Board meeting and data collection would begin with the first webcast. The Board also decided that they will consider the review of webcasting service by March 2018.

Speaking on behalf of the Ethics and Audit Committee, **Leonardo Martinez-Diaz (US)** said that the Committee had engaged in a dozen calls and meetings, and that the information disclosure policy started with the presumption of transparency. Transparency is the default standard, he said. Martinez-Diaz also said that there was a list of exceptions to transparency for cases where it was legit for the Fund to hold back information. He also informed the Board that one of the items, regarding live webcasting, was in brackets in the policy (signaling lack of consensus among members). Explaining the reason for the brackets, Martinez-Diaz said there are those who believe that the live webcasting will improve transparency, but there are others who believe that this would make the work more difficult.

Egypt, Saudi Arabia, Democratic Republic of Congo (DRC), Tanzania, Belize, Maldives, Sweden and **Denmark** were in favour of live webcast. The **United Kingdom** was concerned about protecting confidential information.

Omar El Arini (Egypt) said the issue of webcasting had been with the Board from the very beginning. The major concern then was the cost and the Secretariat did an analysis. "Many of us were surprised when we did not have continuation of webcasting which we enjoyed in the Transitional Committee (formed under the UNFCCC to design the GCF) and I had benefitted greatly from webcasting as I received lots of advice from the Government (due to the webcast). With modern communication in place, the public have the right to know where there money is going and whether their money is being wasted or not. I am 100 per cent in support of webcasting," said Arini. He added that he did not see this as a breach of confidentiality or that they would feel pressured.

Ayman Shashly (Saudi Arabia) said that "the matter had been discussed to death." He said that webcasting had become a political issue rather than a technical issue. "Do we want the world watching us as we speak? Do we need to be transparent?...Most of the meetings in the UNFCCC have webcasting. We should be willing to work under the scrutiny of the international community," said Shashly.

Tosi Mpanu Mpanu (DRC) said that he saw a lot of value in proactive disclosure. Mpanu added that South Korea has state of the art technology and if webcasting technology is available, they should make use of it. Having webcast can help colleagues back home make better informed decisions, he said, pushing for live webcast.

Colin Young (Belize) also spoke in favour of webcasting.

Richard Muyungi (Tanzania) said while he understood the challenge in terms of being effective and keeping track of confidential maters, broader engagement with needy communities was important and live webcast would be extremely useful.

Amjad Abdulla (Maldives) said the Secretariat was well aware of matters of confidentiality and the Board members would not divulge confidential information. "We are not trying to introduce anything new here. It (webcast) is done it in other constituted bodies/funds. Why are we afraid of webcasting? Nothing confidential will be

webcast. This is a very useful way of communicating," he said.

Anders Wallberg (Sweden) said there is a need to be transparent and was in favour of having webcast.

Karsten Sach (Germany) also supported webcasting and said it would be important to get information on how big an interest there was for live webcast.

Kate Hughes (UK) said they would like to think further about webcasting and on how to protect and deliver confidential information during live webcast. If all information is disclosed too early, it might constrain discussions.

Leonardo Diaz-Martinez (USA) said that one of the challenges is balancing between transparency and operating effectively as a Board. The Board is extremely transparent and has video recordings of the proceedings of the meetings. Live webcast has two issues: it makes things more difficult to take positions and to be flexible in certain matters. It is also unfair that any one time, a section of the public will not be able to access it live because they will be sleeping.

Following these exchanges, the Board adopted the decision to allow for live webcast. **Arini (Egypt)** thanked the US for its flexibility on the matter and said that the US came a very long way to accommodate others' views.

Besides webcasting, the Board requested the Ethics and Audit Committee to review the relevant disclosure requirements under the Policy and make appropriate recommendations to the Board once the Environmental and Social Management System (ESMS) was developed.

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Third World Network

GCF Board approves advance payments for readiness support

Kuala Lumpur, 21 Mar (Hilary Chiew) – The Green Climate Fund (GCF) Board agreed to provide advance payments of up to US$50,000 each to 13 countries that have signed readiness grant agreements, even though the completion of the agreements are bogged down by lengthy domestic processes.

This decision was agreed to at the recently concluded 12th meeting of the GCF Board from 8 to 10 March in Songdo, South Korea. The decision to limit the advance payment of up to US$50,000 was reached after Board members considered the risks and the urgency to get the readiness grant out of the door to meet the disbursement of US$2.5bil this year. (See further details below on the decision and highlights of exchanges).

During the discussion on the Fund's portfolio of projects in the pipeline, many developing country Board members and some developed country members registered their concerns over the slow development of direct access entities forwarding proposals to the GCF. Some expressed worries over a 'trend' in the relatively high number of proposals from the private sector, enjoying more than 50% probability of being presented to the Board in 2016 for approval.

During the meeting, the Secretariat presented an update on the Fund's portfolio including pipeline of projects and programmes. It informed members that as of end of February, the GCF pipeline comprised of 34 funding proposals and 90 concept notes which requested a total of US$6.2bil from the GCF, to support projects and programmes totalling US$12bil.

The Secretariat judged that 22 projects and programmes within the pipeline have a greater than 50% probability of being presented to the Board in 2016 for a total requested GCF funding of US$1.5bil supporting projects and programmes worth US$5.4bil.

However, it expressed difficulty to accurately estimate the sequence of these proposals for the Board's consideration and decision as it will depend on the circumstances of each individual funding proposal and their varying levels of advancement as well as the response time of each accredited entity to address remaining issues in the funding proposal.

It also noted that many of the direct access entities' funding proposals are less advanced and require support in addressing the gaps.

The Secretariat also highlighted the geographical and thematic distribution of the projects which also showed that Least Developed Countries (LDCs), Small Island Developing States (SIDS) and Africa accounted for 45% of the projects while other developing countries accounted for 55% of the requested amount of funding. In terms of mitigation, adaptation and cross-cutting themes, the percentage are 18%, 16% and 66% respectively.

The Secretariat also reported that as of February (2016), it has approved readiness support for 38 countries totalling US$11.2mil for activity area 1, 2 and 3 under the Fund's Readiness and Preparatory Support Programme.

[Activity area 1 refers to strengthening institutional capacity of a nationally designated authority (NDA) or focal points while activity area 2 refers to development of strategic frameworks for engagement with the GCF. Activity area 3 targets support for regional, national and sub-national entities nominated by the NDAs/focal points to meet the GCF accreditation standards.]

The Secretariat informed that 11 of the 38 countries will access readiness resources through national entities, six through regional entities, and 21 through international entities. Activities in these 38 countries range from the implementation of further actions to the finalisation of legal arrangements and the preparation of inception reports, including implementation plans, budgets, procurement plans and disbursement arrangements.

The Board was informed that 13 countries have already signed grant agreements, while 7 have completed their inception reports. A total of over US$356,165 has been disbursed to four countries: the Cook Islands, Ethiopia, Mali and Rwanda.

Highlights of exchange during the informal Board meeting on 7 Mar

Sally Truong (Australia) supported the updating of the support as a standing agenda item for the Board to consider at each Board meeting. She asked for clarification why 22 out of 34 proposals were determined to have a good chance of implementation. She expressed concern over the low level of direct access entities involved, which pointed to the fact of (more) support being needed for them.

Echoing Truong, **Amjad Abdulla (Maldives)** said the Board would be questioned if it does not send strong signals on expediting direct access entities in these early days of the Fund.

Omar El-Arini (Egypt) pointed out that the statistics on funding proposals and concept notes were the same as presented at the Board's last July meeting (10th meeting in Songdo). He questioned why the report did not indicate whether the concept notes were spontaneous submissions or if the Secretariat actively sought submission of them by means of request for proposal.

He also questioned the criteria employed by the Secretariat in determining the 50% chance of implementation of the 22 funding proposals and if there were any possibilities for the 90 concept notes to be further developed into full-fledged concept notes.

El-Arini was concerned that there was a preponderance projects from the private sector and hoped that this was not the trend. He wondered whether these projects were totally owned by developing countries or if they are joint ventures of multinationals in developing countries. He expressed concerns that the funds would go to such international entities operating in developing countries.

Leonardo Martinez (United States) suggested that the Board consider an online data for stakeholders to see development (of funding proposals) in real time.

Diann Black-Layne (Antigua & Barbuda) lamented that many NDAs in her region do not get frequent communication from the Secretariat.

Noting that the (two) direct access entities (out of the 22 with more than 50% probability of being successful) are private sector projects, she said there was a wrong perception of high risk (for direct access entities from the public sector). She said that the GCF "needs to move quickly if we want to see country ownership of projects".

Ali'ioaiga Feturi Elisaia (Samoa) noted the strong focus on private sector and international access. (Out of the 22 projects with a 50% chance of being approved, two are via the direct access route, with 20 of the projects coming through international access.) He said the Secretariat report did not provide information on how many projects in pipeline with a more than 50% chance of success are from SIDs.

Jorge Ferrer Rodriguez (Cuba) said the Secretariat report caused him lots of concern particularly the breakdown of national and international entities and public and private sectors. He pointed out that of the total amount of GCF's funding to the private sector (US$1,023mil), US$871mil requested will go to international entities.

"This we cannot approve. Otherwise, it will contradict what we had decided," he stressed.

He also drew the attention on the many private sector projects in the energy field which are mitigation actions, but reported as cross-cutting actions.

Cyril Rousseau (France) and **Henrik Harboe (Norway)** expressed concerns that proposals from direct access entities are less developed and wanted to know what can be done to increase the number.

In response to the questions and comments, the Secretariat explained the common gaps (found in proposals) being robustness of the feasibility studies, assessment against the investment criteria (like climate impact potential, viability and sustainability of the projects, and efficiency and appropriateness) and compliance with the Fund's safeguards, monitoring and reporting risk and fiduciary requirements.

On concept notes, it clarified that they were spontaneous submissions from NDAs and that there are five projects in SIDS amounting to US$195mil.

Highlights of exchanges on 10 March

On 10 March, the Board focused discussion on the draft decision on readiness support.

El-Arini (Egypt) said there were many lessons to be learnt on the Readiness and Preparatory Support Programme and these should be disseminated to the regions and would like the decision to include requesting the Secretariat to hold regional and sub-regional workshops.

Truong (Australia) said she could support a decision to approve the readiness payment.

(On this matter, two relevant paragraphs in the draft decision dated 9 Mar read:

"Decides that in order to facilitate the commencement of readiness activities, the Secretariat may provide advance payments to countries that have concluded readiness grant agreements where lengthy domestic processes are required to satisfy all of the Fund's requirements in accordance with guidelines to be approved by the Board;

Requests the Secretariat to present to the Board guidelines on advance payments for consideration at its thirteenth meeting;"

She also said it is critical to support countries with little capacity and

encouraged the GCF to employ full time regional experts.

Kamal Uddin Ahmed (Bangladesh) was happy that support is given to Africa and Asian countries but noted that vulnerable countries are more on the Asian side and that if their applications are pending, they should be given more attention.

Andrea Ledward (United Kingdom) recognised the need for the readiness programme to speed up work on direct access entities. She agreed with El-Arini and Truong on the need to strengthen regional focus and outreach.

Anders Wallberg (Sweden) agreed that it was important to continue regional capacity building as useful way to further GCF's objective.

Colin Young (Belize) welcomed the consideration of regional hubs as SIDS in the Caribbean and Pacific that can lead to a greater number of proposals being developed.

Black-Layne (Antigua & Barbuda) supported elevating regional support staff to full time positions as "it is important for people working on the region to know the region and help the Secretariat".

Feturi (Samoa) welcomed more coordinated support at the regional level especially at this initial phase when countries are trying to put together project proposals. "This can expedite the support and not be constraint by the staffing situation at the headquarters," he added.

On the issue of provision of an advance payment in relation to the readiness grant, **Martinez (United States)** expressed concerns that the Board was bypassing the readiness grant agreement process entirely. He said that waiving the condition of concluding the readiness grant agreement is a "big deal". He asked what the lengthy domestic processes are and who defines that.

To this, **co-Chair Zaheer Omar (South Africa)** said the lengthy process relates to the readiness agreement being subjected to the (scrutiny of) domestic and international law advisors, including following domestic processes before the agreement can come into effect.

Ledward (United Kingdom) said from the risk point of view, a percentage rather than full payment being released is preferred.

Co-chair Zaheer again explained that there are domestic procedures to be fulfilled for the grant to be effected. The suggestion is for the Board to waiver this condition before an advance payment can be made to enable work to begin while countries take the necessary domestic steps.

Caroline Leclerc (Canada) wanted the Board to make sure that advance payments are made with legal standing.

Martinez (United States) asked what happens if the grant agreement does not get completed and if there should be a limit to advance payment.

Ledward United Kingdom) reckoned that the provision of an advance payment is a gap-filling measure and asked the Secretariat for more information on how to speed up the disbursement of readiness grants.

Morten Elkjaer (Denmark) acknowledged the risks but pleaded for the Board to trust the Secretariat and that countries will fulfil the condition.

Martinez (United States) said he was totally sympathetic and did not intend to hold up the readiness grants. He suggested that the decision include a request to the Secretariat to identify the obstacles faced

by countries to get a sense of what the problems are and to insert the wordings "up to a limit of US$50,000" in the relevant paragraphs.

The main highlights of the decision that was finally adopted are as follows:

"The Board, …,

(a) Requests the Secretariat to prepare a document for consideration by the Board at its thirteenth meeting, which identifies alternative arrangements to readiness grant agreements aimed at disbursing readiness grants…, and also identifies obstacles faced by countries;

(b) Requests the Secretariat to provide advance payments up to a limit of USD 50,000 to countries or their delivery partners that have signed readiness grant agreements where, in the judgement of the Secretariat, lengthy domestic processes are required to conclude the agreement, until a decision is taken regarding paragraph (a) above;

(h) Requests the Secretariat to present for consideration by the Board at its thirteenth meeting a proposal on the activities to be covered by the readiness and preparatory support programme in relation to support for accredited direct access entities. The proposal may include building their capacities in areas related to adaptation, mitigation, environmental and social safeguards, gender, and monitoring and evaluation. The proposal should take into account lessons learned about the accreditation process from the experiences of direct access entities;

(i) Also requests the Secretariat, in consultation with the Co-Chairs, to present the country ownership guidelines … for consideration by the Board at its thirteenth meeting; and

(j) Also requests the Secretariat, in its progress report to the Board, to include updates on the regional workshops to be organized, on the development of regional hubs, on strengthening expertise in regions to support countries, and an overview of activities being undertaken by readiness partners."

Edited by Meena Raman

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GCF Board approves nine projects worth USD 256.6 million

Songdo, 4 July (Indrajit Bose) — The Board of the Green Climate Fund (GCF) approved, with conditions, nine projects worth USD 256.6 million, at its 13th meeting, held in Songdo, Republic of Korea, from 28-30 June.

The Board approved the following projects:

· USD 21.7 million for energy savings insurance for private energy efficiency investments by small and medium-sized Enterprises in El Salvador with the Inter-American Development Bank (IDB) as the accredited entity (AE);

· USD 20 million for de-risking and scaling-up investment in energy efficient building retrofits in Armenia with United Nations Development Programme (UNDP) as the AE;

· USD 20.5 million for large-scale ecosystem-based adaptation in The Gambia with United Nations Environment Programme (UEEP) as the AE;

· USD 22.8 million for an Africa Hydromet Programme for the strengthening of climate resilience in Sub-Saharan Africa based in Mali with the World Bank as the AE;

· USD 29.5 million for improving the resilience of vulnerable coastal communities to climate change related impacts in Vietnam with UNDP as the AE;

· USD 19 million for a project to support the World Bank's Climate Adaptation and Mitigation Program for the Aral Sea Basin in Tajikistan and Uzbekistan;

· USD 36 million for the Tuvalu coastal adaptation project with UNDP as the AE;

· USD 38.1 million for strengthening the resilience of smallholder famers in the dry zone to climate variability and extreme events in Sri Lanka with UNDP as the AE; and

· USD 49 million for the climate action and solar energy development programme in the Tarapacá Region in Chile with Corporacion Andina de Fomen (CAF) as the AE.

Besides approving funding for the nine projects, the Board also adopted several decisions related to funding proposals. These include decisions on a simplified procedure for small-scale activities and certain activities; the project preparation facility (which enables funding for the preparation of proposals); requests for proposals to support micro, small and medium-sized enterprises in order to address adaptation and mitigation; matters related to the interim redress procedures; and a programmatic approach for funding proposals.

One of the most contentious issues in the meeting was the consideration of accreditation proposals. Five applicants were presented for accreditation at the meeting. These entities were the Export-Import Bank of Korea (KEXIM), the West African Development Bank based in Togo, the Caribbean Development Bank

in Barbados, the XacBank based in Mongolia, and the GIZ of Germany.

The Board could not decide on the accreditation of the five entities at the meeting, and decided to defer the matter to the next Board meeting, scheduled for October in Quito, Ecuador.

Discussions could not proceed beyond the accreditation of KEXIM as there were strong views and wide differences among developing and developed country Board members over whether export credit agencies (ECAs) should be accredited to the GCF. While the developing country Board members were in favour of accrediting KEXIM, developed countries were opposed to it.

Several developed country Board members, led by the United States, said the nature of KEXIM being an ECA and its practice of providing tied assistance did not render it appropriate to be accredited as an entity to the GCF. Developing country Board members, however, opposed this and said that there was no policy in place to reject KEXIM on these grounds and said that GCF's existing policies would be a strong safeguard to keep a check on the accredited entities. (See below for exchanges on this issue.)

Given that the Fund's current Executive Director's (ED) term ends in September this year, the Board decided to appoint Javier Manzanares, as the interim ED, pending the selection of the next ED for the GCF. Manzanares is currently the Chief Financial Officer and Director of Support Services of the GCF.

The discussions on appointing the new ED took place behind closed doors. Speaking on the issue, **Co-chair** of the Board, **Ewen McDonald (Australia)** said that the ED Selection Committee would be co-chaired by him and **Zaheer Fakir (South Africa)** (who is the other Board Co-chair), and the committee would comprise Board members from the **United Kingdom, the US, Germany, Cuba, Egypt** and **Saudi Arabia**.

The Board also decided, behind closed doors, on the appointments of the Head of the Independent Evaluation Unit, and the Head of the Independent Integrity Unit.

In addition, the Board adopted decisions under matters related to guidance from the United Nations Framework Convention on Climate Change's (UNFCCC) Conference of the Parties (COP), on communications and outreach, readiness and preparatory support, and risk and investment policies of the Fund.

A set of five decisions were taken under matters related to guidance from the COP in Paris last year which are: the 5th report to the COP; adaptation planning processes; the GCF and the Paris Agreement; relationship with the UNFCCC's thematic bodies; and complementarity and coherence with other Funds.

Highlights of exchanges over accreditation

Jorge Ferrer Rodriguez (Cuba) supported the accreditation of KEXIM. "We cannot bar ECAs as a whole. We need to take them on a case-by-case basis," said Rodriguez adding that KEXIM provided development cooperation and it is also referred to as a development finance institution. He urged Board members to examine the bank based on its track record.

He said that he was "amazed" to hear references to tied or untied funding. "That is one of the problems of Official Development Assistance of all donors," he stressed, adding further that although there is a decision of the Organization for

Economic Co-operation and Development (OECD) to delink aid from conditions, "none of the donors are there yet". "We cannot reject applicants based on tied or untied aid. KEXIM is a developing country bank and involved in providing assistance to many developing countries. I see this as discrimination to refuse accreditation based on very subjective grounds," Rodriguez said further.

Guo Wensong (China) also supported the accreditation of KEXIM, and said that the bank was prioritizing sustainable development and had "a green dream". Referring to the 33 entities that have been accredited previously by the Board, he said that some of those entities were similar to that of KEXIM, as they had the "elements" of an ECA. "We should give KEXIM an equal opportunity," said Guo. On tied aid, he stressed that KEXIM had made a serious commitment that it would do 100 per cent untied funding for GCF business. He added that he could not block the accreditation of KEXIM as this would be hard to justify to his constituency (referring to developing countries in the Asia-Pacific region). He explained further that this was a matter of principle for him.

Omar El Arini (Egypt) said he was concerned about a process where policies were being changed mid-way. If KEXIM was excluded for certain reasons, then the Board must look at all the 33 entities that have been previously accredited. Referring to the accreditation of entities which were linked to anti-money laundering cases in the past, El Arini said that he was surprised with the current discussion. He added that the rules could not be changed on an *ad hoc* basis, and supported the accreditation of KEXIM.

Tosi Mpanu Mpanu (Democratic Republic of Congo) said that in the past, the Board had accredited entities linked to funding fossil fuel projects and money laundering. "We should consider KEXIM in the same spirit. We have very stringent rules, fiduciary standards and gender sensitive policies. We should be consistent. Many around the table have fought for fit for purpose accreditation to be in place, so that means there will be diversity of accredited entities. We need to ensure that accredited entities comply with stringent rules we have set. If we change the rules while the games have been played, there may not be consensus," said Mpanu Mpanu.

Richard Muyungi (Tanzania) said that accreditation was not a blank cheque and there were ways to ensure credibility in the process and called for accrediting KEXIM.

Ayman Shasly (Saudi Arabia) said it was a sticky situation they were in and that the Board members should hear from the Accreditation Panel on why KEXIM should be approved. He said that it is extremely unethical that in the process of deliberating on an applicant, harm may be caused to the applicant. "These are commercial entities. The world is watching. What we say can disadvantage them against their competitors. We need to be sensible. We don't want to cause harm to those applying. This can be prohibitive for future applicants," said Shashly, and called for a break to resolve the matter offline.

Leonardo Martinez-Diaz (the US) said that while the US believes the ECAs are valuable partners in climate finance architecture, they are not suitable partners to the GCF via the accreditation process. "ECAs have a core mission and corporate culture aimed at promoting exports in their own country. This is no

crime. It is their job. We do not think this is an appropriate role of channeling finance. We heard from the Accreditation Panel that this entity has the ability to segregate GCF funding and have it untied. Our concern is this is exception to the rule. We do not want to accredit an entity that will make special exceptions for GCF finance. This will be difficult for the GCF to monitor," said Martinez-Diaz. He also said it would be very difficult "politically" to accredit KEXIM.

Andrea Ledward (the UK) said that Korea Economic Development Cooperation Fund (EDCF) is part of KEXIM and that it operates with high levels of tied aid, which benefits Korea and not GCF funding. Ledward said that the institution was not an appropriate partner for the GCF. She also said that since the UK offers fully untied aid, it would be illegal for UK money to be spent in a tied manner. She suggested that KEXIM could make some changes in their presentation for EDCF governance arrangements and asked whether they could defer the issue and bring it back with clarity on governance arrangements.

Anders Wallberg (Sweden) too said that ECAs as accredited entities would not be appropriate. He added that ECAs do not have sustainable development or local sustainable development benefits as their core mandate. "This is inconsistent with the objectives and goals of this Fund," said Wallberg. He further added that he had concerns about tied aid. "We will see great difficulty in monitoring even if there were a policy on this. It will not be in the interest of the Fund. We cannot agree to this proposal of accrediting KEXIM. This is a principled position and is not directed to any individual institution," said Wallberg.

Karsten Sach (Germany) said that certain institutions had been accredited in the past with the objective of changing them. "We put conditions. We should exert all options to come to a consensus. While I have my preference, we need to consider all possible avenues," said Sach.

Following the deliberations, the Board members took a break and after they resumed discussions, **Co-chair Zaheer Fakir (South Africa)** announced that they would take up the issue of accreditation of entities at the 14th meeting. In the decision issued on the matter, the Board also requested the Accreditation Committee to present at the 14th meeting "a policy document that addresses the current policy gaps in the accreditation framework, in particular matters related to the types of entities to be accredited to the GCF".

There were also interesting exchanges on policies such as the Fund's accreditation strategy and funding proposals during the meeting. (Separate articles on these issues will follow.)

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GCF Board divided over exclusion of entities from accreditation

Delhi, 5 July (Indrajit Bose) — The Board of the Green Climate Fund (GCF) had in depth discussions on what its accreditation strategy should be, at its 13th meeting in Songdo, Republic of Korea on 28-30 June.

A main bone of contention was whether to have an 'exclusion list' that would exclude certain types of entities from being accredited to the GCF.

Several developed country Board members wanted export credit agencies (ECAs) excluded from being accredited to the GCF, but developing country members opposed this.

During the meeting, the Accreditation Committee (AC) presented a draft accreditation strategy for the consideration of the Board. The committee had been mandated to prepare an accreditation strategy that would "examine issues including efficiency, fairness and transparency of the accreditation process, as well as the extent to which current and future accredited entities enable the Fund to fulfill its mandate".

According to the Chair of the AC, **Diann Black-Layne (Antigua and Barbuda)**, the bone of contention in the AC had to do with eligibility principles, also known as an 'exclusion list' (meaning that certain entities would not be eligible for accreditation). Black-Layne said the committee members could not agree on an exclusion list.

The disagreement spilled over during the Board discussions as well, with developing country Board members against an exclusion list and developed country Board members in favour of it.

(*See report on the consideration of accreditation proposals where the Board could not agree on the accreditation of the Korean Export Import Bank, which was one of the five entities that were being considered for accreditation. The disagreement among Board members led to no entities being accredited at the 13th Board meeting and the decision was to consider them at the next meeting in October.*)

Several Board members, both from developing and developed countries also stressed that national entities should be prioritized for accreditation in the strategy.

(There is an imbalance currently in entities that have been accredited, with international entities being the most dominant. Thus far, the GCF Board through its previous decisions has accredited a total of 33 entities that are able to channel funds to developing countries, without any exclusion. Of the 33 entities, 19 are international entities, 9 are national and 5 are regional.)

Black-Layne reported to the Board that while the strategy was not perfect, it set a platform for additional work. She said that the structure is based on the context and scope and roles and responsibilities of the

accredited entities and that the committee had used a lot of the feedback they received from the stakeholders and the Accreditation Panel and that the strategy lists down quite a few principles consistent with the mandate of the GCF.

She said that the committee had discussed stocktaking of accredited entities and the applicant portfolio, geographic and thematic coverage, costs and the time taken to process the accreditation applications. It also looked at normal and fast track accreditation in the pipeline and accreditation types.

Black-Layne said that it would take between four to eight years to clear the current pipeline of 128 entities, which was "alarming" and that they needed to prioritize and get more national entities. She also said that entities from certain regions were limited, so there was a need to prioritize those and that the GCF's independent technical advisory panel and the Accreditation Panel could collaborate more on these.

She also said that the committee had agreed on a few recommendations, focused on the problems they needed to resolve now. She added that the AC talked about developing additional policy guidance on country ownership. On balance, she said that further discussions were required. Black-Layne also said that 'fit for purpose' accreditation required more thought and the committee could work on that and reach out to stakeholders.

The AC, she added, might develop policy documents on interim targets for full coverage and that the committee could do with some feedback on strengthening openness, transparency and the role of observers in the committee. She said that the AC needs to further discuss the breakdown of accredited entities by nature and purpose.

Besides this, the Board members also reflected on what they want included in an accreditation strategy.

After hearing comments from Board members, the meeting requested the AC to take into consideration feedback received and to revise the strategy for presentation at the 14th meeting of the Board, which is scheduled to be held in October in Quito, Ecuador.

Highlights of exchanges over accreditation strategy

Omar El Arini (Egypt) said that of the 33 entities accredited to the GCF, only 10 had submitted funding proposals thus far. He said the Board could think of setting deadlines for the accredited entities to submit funding proposals within specified periods of time upon their accreditation. He said that conditional accreditation may not be a useful way forward. He also said that some of the regional entities could receive the Fund's resources so that they can raise their standards to be accredited. He said further that it would be useful if accredited entities came forward with funding proposals and prepare their work plans.

Guo Wensong (China) stressed that national institutions should be prioritized. He said that even though there were 33 accredited entities, there was a shortfall of direct access entities. He said the Board should create facilitative incentives for developing country institutions to be part of the process. He also said that equal chances should be given to all types of entities to prove their worth.

Responding to the United States Board member's comments on ECAs, Guo said that export promotion was not a criminal

activity and it would not be politically correct to close the doors to ECAs. He also said that of the 33 entities that have already been accredited, some of them play the role of an ECA, and it would not be fair to close the door to an ECA now. He said a lot of institutions were trying out untied aid. "So, even those institutions are not perfect. So, why should we ask developing country institutions to have untied aid?" asked Guo. (The implicit reference was to the Korean Export Import Bank whose accreditation application was debated the following day: see SUNS # 8276.)

Jorje Ferrer Rodriguez (Cuba) asked members to abandon the first come first serve approach. He added that there is already a fast track approach and that the Board should find a way to speed up direct access entities. On the issue of ECAs and the need for balance on the types of entities being accredited, he said that commercial banks also sought profits and do not prioritize sustainable development or anything like that. "I do not see any problems (with ECA institutions). Every entity should be considered on its own merit. Some export banks deal with environmental goods that are required in developing countries, so I do not see the need to have any exclusion list," said Rodriguez.

Ayman Shashly (Saudi Arabia) said, "We do not want this to be about developed country entities and developing country entities. We are changing the rules," said Shashly. He did not want it to be seen that members do not trust entities from developing countries and expressed concerns with the direction of the Board in this regard. He was against having any exclusion or negative list for accrediting entities and said that each entity has the right to apply and should not be prejudged.

Dinesh Sharma (India) said the strategy is a step in the right direction. He said there was a need for more direct access entities and more national entities so that the Fund could be of greater use in places where it is required. He also said that there was a need for more accredited entities for bigger countries and more than one agency accredited from a country. "The intention is to have as many accredited agencies as we can. We have to make sure the agencies are in line with the objectives of the Fund. When we are sure an agency fulfills those conditions, we should be fast in accrediting them," said Sharma.

Colin Young (Belize) said country ownership needs to come out much stronger in the strategy, and that the national designated agencies should be in the driver's seat. He said he was not in favour of capping the number of accredited entities. It appears that the GCF is recovering all its costs through accreditation, so there is no strong reason to cap the number of entities, he said.

Ali'ioaigi Feturi-Elisaia (Samoa) also stressed the importance of national entities submitting funding proposals. He said that the private sector, including in developing countries, and direct access entities should be prioritized. He cautioned against limiting the number of accredited entities and said that the last thing they should do is to limit the number of accredited entities that will monopolize access of GCF resources.

Raul Delgado (Mexico) said, "If we set limits, it is important that the pool of entities available to countries are able to support those countries' needs. Preference should be given to national entities," he stressed, adding that the coherence of

requirements needs to be addressed in the accreditation process. He said accredited entities should be cautioned against tying conditions to provide resources. "I will not allow an accredited entity to dictate to my country on accessing GCF resources," said Delgado.

Leonardo Martinez-Diaz (the United States) said that for him the headline message was that the Fund has been innovative and done well in fast-tracking entities. He said while it takes years for other Funds to accredit entities, the accreditation process in the GCF took only about 7.3 months from start to end.

Elaborating on the strategy, Martinez-Diaz said direct access entities and private sector entities should be prioritized. He added that for the first time the strategy talked about the cost to the entity and to the Fund. He added that the Secretariat needs one accreditation expert for every 10 accredited entities and there is a cost associated with it in terms of readiness and management. He added that it would make sense now to focus on entities that want to upgrade and the Board should try to support such entities and have a number of them in the pipeline, which should be supported. He also said that those with priority should meet the conditions.

On the issue of accrediting ECAs, Martinez-Diaz said, "ECAs are very important in terms of helping with green finance. We think they have a role to play through co-financing. Are they the right partners for GCF? No, they are not. Their rules are for export promotion. We have our own ECA back home. We do not think it is proper to channel through entities whose job is export promotion. Development finance institutions are different because they have the development mandate and they have fully untied aid." He added that while it is important to engage ECAs, it is clear that there is no consensus on the issue in the Board.

Sally Truong (Australia) said she agreed with the recommendation to prioritize specific entities, further work proposed on setting interim work targets for accredited entities, as well as the interim approach to improve efficiency of the accreditation process. She also said that in terms of efficiency of the accreditation process, it would be useful to think about the process and it would be critical to look at how the Fund relates to the 33 accredited entities. She added that it was important how the Fund managed and nurtured those relationships.

Caroline Lecrec (Canada) said the accreditation strategy document needs to evolve and that she supported the recommendations. She said it would be important to empty the queue of entities up for accreditation first and was not sure if the entities to be prioritized belonged to the queue.

Anders Wallberg (Sweden) said it would be good for the Secretariat to reflect on the gaps, take into account prioritization of entities and the AC could help draft additional points. Wallberg also said that ECAs are not appropriate for the accreditation channel since these are entities that do not have sustainable development as their primary objective, but export promotion and job promotion in their own countries. He further said that there was no consensus within the committee with respect to the optimal number of accredited entities. "Are we aiming for a large number of accredited entities, or do we want to set a target?," he questioned. It would be good, he said, to have an intermediate target for

predictability and also for recipient countries to have a grasp of what is the strategy of the Fund or what they envisage for the next few years.

Karsten Sach (Germany) said that experience had shown that readiness support is key to support national entities and called for enhancing the readiness programme. He also said that the GCF should establish the portfolio of the entity and practices at the time of accreditation. He called for the portfolio of an accredited entity to be evaluated and reported. He said that it would be useful to have further work on aspects where the members could not agree on. He also said that they should find the right way to include engagement with ECAs, but that accreditation was not the right way to do it.

Andrea Ledward (the United Kingdom) supported the idea of identifying gaps. She said that accreditation is a means to an end and that the Board should understand the optimal mix. There are costs attached to accrediting the organizations. She said the Fund should facilitate access to funding for all eligible countries. She emphasized upholding strong fiduciary standards and the Board should think about the added value of new types of entities. For the next steps, she said that it would be interesting to see the role of the GCF family of accredited entities beyond being project managers. She said they should consider how to ensure accredited entities transform and develop their operations, including monitoring and evaluation.

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GCF Board decides on resources to developing countries for adaptation plans

Delhi, 7 July (Indrajit Bose) – The Board of the Green Climate Fund (GCF) at its recently concluded meeting decided that the Fund's Executive Director can approve up to USD 3 million per developing country for the formulation of national adaptation plans (NAPs) and/or other adaptation planning processes.

This was one among several important decisions taken by the Board during its 13th meeting on 28-30 June held in Songdo, Republic of Korea, under matters related to guidance from the 21st meeting of the Conference of the Parties (COP) to the United Nations Framework Convention on Climate Change (UNFCCC) that took place in Paris last year.

Among the decisions included support for adaptation planning processes; the GCF and the Paris Agreement; relationship between the GCF and the UNFCCC's thematic bodies; and complementarity and coherence with other Funds.

Adaptation planning processes

The decision to support adaptation planning processes came after much deliberation through informal consultations among Board members and their advisers.

According to sources, the most contentious issue was around support for NAPs. It seems that while developing country members were arguing that the COP21 decision mandates the GCF to expedite support to NAPs, the developed country members were of the view that the current allocation under the readiness programme of the GCF was sufficient and that nothing more needed to be done, sources said.

(Paragraph 46 of decision 1/CP.21 from Paris reads: *Further requests the GCF to expedite support for the least developed countries and other developing country Parties for the formulation of national adaptation plans, …*)

After consultations over two days, the Board decided "to expedite support for developing countries for the formulation of national adaptation plans … consistent with UNFCCC decisions …"

The Board also decided that "given the urgent need to support and expedite the formulation and implementation of NAPs and other adaptation planning processes, the GCF's Executive Director can approve, up to USD 3 million per country through the Fund's Readiness and Preparatory Support Programme modalities, to support the formulation of NAPs and/or other national adaptation planning processes based on their assessment of country circumstances and needs and taking into consideration the UNFCCC NAP technical guidelines and the importance of coordination and complementarity with other national adaptation plans related initiatives and support".

The Board also decided "that support for the formulation of NAPs or other adaptation planning processes should be established as a separate activity area of

the Readiness and Preparatory Support Programme, specifically for the formulation of NAPs and/or other national adaptation planning processes, and that funding for this new activity area is additional to the existing USD 1 million cap per country per year under the Readiness and Preparatory Support Programmes".

The Board also decided to "review the progress of expediting support for developing countries for the formulation of NAPs and/or other adaptation planning processes" and requested "the Secretariat to present their findings in their report to the Board on the Readiness and Preparatory Support Programme, including any recommendations for further action".

GCF and the Paris Agreement

Co-chair of the Board, **Zaheer Fakir (South Africa)** said that extensive consultations with Board members had been taken by the GCF's Co-chairs in arriving at the decision on the GCF and the Paris Agreement.

The decision states that "current GCF modalities enable support for the preparation and implementation of the nationally determined contributions (NDCs) and adaptation-related elements of the Paris Agreement".

The Board urged "national designated authorities/focal points to work with accredited entities to consider how their national climate priorities can be submitted as concrete proposals, including under the Project Preparation Facility".

The Board also requested "the Secretariat to compile an information document, based on the submission of country work programmes … and accredited entity work programmes, in accordance with the GCF strategic plan, for the Board at its fifteenth meeting".

The Board further decided "to consider in its future work plans, how to support actions related to the implementation of the Paris Agreement, taking into account the business model of the GCF, its strategic impact areas, and guidance from the COP … and/or the Conference of the Parties serving as the meeting of the Parties to the Paris Agreement once the Paris Agreement enters into force".

Relationship with UNFCCC thematic bodies

On the relationship between the GCF and the UNFCCC's thematic bodies, the key elements of the decision are as follows.

The Board decided "… to hold an annual meeting, … in order to enhance cooperation and coherence of engagement between the GCF and UNFCCC thematic bodies".

It also decided that the annual meeting will be chaired by the Co-Chairs of the GCF Board and organized by the Secretariat on an annual basis to be held in conjunction with the UNFCCC COP.

The decision states further that the meeting will include the Chairs of the various thematic bodies, and the Chairs of the subsidiary bodies, the Presidency of the COP, and will be open to all members of the GCF Board and the thematic bodies.

It also decided that the outcome of the meeting shall be a written report to the COP which is included in the annual report of the GCF to the COP.

The Board also decided to invite (i) the Chair of the Technology Executive Committee and the Chair of the Advisory Board of the Climate Technology Centre and Network to present to the Board during its consideration of technology

matters at the 14th meeting of the Board; and (ii) a representative of the Executive Board of the United Nations Collaborative Programme on Reducing Emissions from Deforestation and Forest Degradation in Developing Countries to present to the Board at the 14th meeting of the Board during its consideration of matters related to operationalizing REDD-plus.

In relation to the decision, **Anton Wilber (Switzerland)** said he was concerned about the capacity in the Secretariat and asked what results could be expected from fixed annual events. He also said that the Board would have to be mindful of hosting these events in conjunction with the COP and that it would be very hard to do these events during the COP. He also raised concerns on the outcome of such meetings, adding that the format of such meetings tend not to produce outcomes.

Complementarity and coherence with other Funds

In relation to the complementarity and coherence of the GCF with other Funds, some of the key elements are as follows.

The Board decides "to prepare, with the support of the Secretariat, an operational framework on complementarity and coherence to be considered by the Board at its 15th meeting, and as a basis for the cooperation of the Board with the Standing Committee on Finance."

The decision reaffirmed "that the following key elements shall form part of the operational framework, …:

(i) Board-level discussions on fund-to-fund arrangements;

(ii) Enhanced complementarity at the activity level;

(iii) Promotion of coherence at the national programming level; and

(iv) Complementarity at the level of delivery of climate finance through an established dialogue."

The Board also requested "the Co-Chairs of the Board, with the support of the Secretariat, to initiate an annual dialogue with climate finance delivery channels, commencing at, and in conjunction with, the 15th meeting of the Board, and thereafter annually and in conjunction with a Board meeting to be held at GCF Headquarters in Songdo, … with other funds in order to enhance complementarity at the activity level."

Before adopting the decision, **Ayman Shashly (Saudi Arabia)** said that while he was ready to adopt the decision as presented, the decision could be more specific on what bodies were being talked about. He said that reference to bodies such as the Least Developed Countries Fund, the Global Environment Facility, and the Adaptation Fund was missing.

5th report to the COP

On the 5th report to the COP, the Board requested the Co-Chairs, assisted by the Secretariat, "to finalize the 5th report of the GCF to the COP … taking into consideration the comments made and decisions taken at the 13th meeting of the Board, and submit the revised report to the UNFCCC secretariat, no later than 12 weeks prior to COP 22".

The Board also requested the Co-chairs, assisted by the GCF Secretariat, to issue and submit to the UNFCCC Secretariat an addendum to the 5th report after the fourteenth meeting of the Board and before COP22.

(The next Board meeting of the GCF is in October, just before COP22 in Morocco.)

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GCF to be an institution that takes risks – reiterates Board

Kuala Lumpur, 11 July (Hilary Chiew) – The 13th Board Meeting of the Green Climate Fund adopted the interim risk and investment guidelines at the recently concluded meeting in Songdo, South Korea, reiterating that the GCF "intends to be an institution that takes risks that other institutions or funds are not willing or able to take," signaling that it has a higher risk appetite compared to other funds.

The meeting took place in 28-30 June.

The Board adopted the interim risk and investment guidelines, noting that the guidelines will expire by the 16th Board meeting (early next year) or at the adoption of an updated set of risk policies and guidelines.

The guidelines relate to the funds provided to the public and private sector respectively.

For the public sector, the guideline adopted is as follows: "Grants - The GCF can finance up to 100 per cent of agreed full costs and agreed incremental costs as per the Governing Instrument for the GCF and for loans, co-financing is highly recommended whenever feasible."

In the guidelines for the private sector, in the case of grants, they are to be limited in order to allocate more grant resources to non-economically viable projects and programmes and limited to provide technical assistance and capacity-building for end beneficiaries.

Given the lack of capacity in the Secretariat, in the case of loans, equities and guarantees to the private sector, the guideline states that "the GCF wants to develop into an entity that takes on the requisite risk to make an impact. However, the GCF will temporarily need to rely on the expertise and experience of accredited entities (AEs) by aligning the AEs' interest with that of the GCF. For those cases where the position of the GCF in a tranche is junior to that of the AE, the GCF can seek an independent and reputable third party's opinion instead of relying on pari passu with the AE."

The Board also decided that "in case these interim guidelines expire and the Secretariat cannot yet confirm that adequate in-house risk management capacity is in place, the GCF will only be able to participate in a tranche aligned with the accredited entity on all terms and conditions other than pricing and must not be the largest contributor or financier in a tranche or any whole project, in order to mitigate GCF risk exposure."

The Board reiterated that "the GCF intends to be an institution that takes risks that other institutions or funds are not willing or able to take" and requested the Secretariat "to develop the necessary methodologies and internal procedures, hire a permanent Risk Manager and additional staff to enhance the Secretariat's risk management capacity as a matter of urgency, and report to the Board, as part of the report on the activities of the Secretariat at each meeting, on the status of this process."

The matter was first discussed at the one-day informal consultation with the Co-Chairs that preceded the BM13 on 27 June.

Chair of the Risk Management Committee (RMC) **Jacob Waslander (The Netherlands)** presented the report on the proposed revision of the risk register. At the 12th Board Meeting, the RMC was asked to review the probability, impact and resulting priority of risks prior to the 13th meeting.

Waslander highlighted the problem with getting the office of the Risk Manager up and running and that the RMC could not function due to lack of members. He recalled that at the 12th Board Meeting, members contended that the GCF will take risks that other institutions and funds are not willing to, signalling the GCF's high risk appetite. He outlined the eight risk categories in the risk register namely strategic, reputational, operational, legal, compliance, performance, funding and market risks.

Andrea Leward (United Kingdom) asked about the level of risk tolerance and the triggers.

Leonardo Martinez (United States) wondered if there was a way to create a dashboard that provides a snapshot of the risks that the GCF assumes over time, mapping the risks of the projects across the whole portfolio once they are aggregated into a matrix.

Waslander informed that the dashboard existed but not populated yet. On tolerance level and triggers, he said those items are being worked on and the challenge is whether to push the envelope strongly for innovation and go very far which could mean facing stakeholders' criticism in the media. He further urged members to provide inputs.

On 28 June, the first day of the 13th Board Meeting, Waslander noted that the RMC had been developing the risk and investment guidelines. A revised document was being sent out and he urged members to provide further feedback.

On the last day of the meeting on 30 June, members considered two documents titled *Interim risk and investment guidelines - RMC proposal and Report on the proposed revision of the risk register* and the accompanying draft decisions.

Waslander opined that the guidelines struck a good balance between ambition and risks in terms of reality of the capacity of the Secretariat and stressed the need to prioritise the recruitment drive for more capacity in the Secretariat.

Waslander proposed that the Board endorse the report on the proposed revision of the risk register which is a good basis to further work on the risk framework.

The Board then adopted the decision noting "that the RMC reviewed the proposed revision of the risk register and concluded that the revision was reasonable; and decided "that the risk register will be updated as frequently as the RMC deems necessary, but no less frequently than once every three years."

Referring to the interim risk and investment guidelines, Waslander informed the Board that based on further consultations, a second revision of the draft decision was made. He stressed the need for the office of the risk manager to be up and running without further delay.

Waslander also explained that while the GCF wants to take risks, if by March 2017, it still does not have sufficient staff on board in the Secretariat and the guidelines are in place, then it would have to

reconsider its position on the risks. In the interim while waiting for the GCF's risk management system to be put in place, he said the idea is to push the AEs to take up more risks than they otherwise will take.

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GCF Board approves simplified process for small-scale funding proposals and other funding related decisions

Kuala Lumpur, 11 July (Hilary Chiew) – The Board of the Green Climate Fund (GCF) at its 13th meeting in Songdo, Republic of Korea approved a simplified procedure for funding proposals that are of micro or small-scale.

The meeting took place on 28-30 June.

According to the document prepared for the Board's consideration on the matter, the rationale behind establishing a simplified approval process was to ensure that developing countries where certain historical data and/or records do not exist, including small-island developing countries (SIDs), the least developed countries (LDCs) and African States, are not excluded from accessing GCF resources. The document states further that feedback from a number of direct access accredited entities was that undertaking full feasibility studies is a costly and lengthy exercise, which resulted in concerns that they may be unable to access GCF resources. (See below for further details on the decision.)

Other matters considered by the Board in relation to funding proposals included the following: the project preparation facility, the request for proposals, and matters related to the interim redress procedure when a funding application is turned down.

Simplified processes for approval of proposals

Introducing the agenda item on '*Simplified processes for approval of proposals of certain activities, in particular small-scale activities*' **Co-Chair Ewen McDonald (Australia)** said members had been consulted actively on the matter over the past three months and asked the Board to consider the recommendations proposed by the Co-Chairs.

The Board decided that "a simplified process for small-scale activities will apply to both micro-scale and small-scale funding proposals that are assessed to fall under the low/no risk Category C/Intermediation 3".

(According to previous decisions by the Board, 'micro-scale' is defined as the total project costs which are up to USD 10 million, while 'small-scale' is above USD 10 million and up to USD 50 million. 'Category C projects' are defined as "activities with minimal or no adverse environmental and/or social risks and/or impacts" and 'intermediation 3' is defined as "when an intermediary's existing or proposed portfolio includes financial exposure to activities that predominantly have minimal or negligible adverse environmental and/or social impacts.")
The Board also decided that "the simplified process will apply to proposals from all accredited entities, including subnational, national, regional and international, especially direct access entities".

It also requested the Secretariat to present to the Board, for consideration and approval at its next meeting, "guidelines

on the simplified processes for the approval of proposals for certain activities, in particular small-scale activities …"

It further decided that "the simplified process will include a revised full funding proposal template for micro-and small-scale activities, and the Board's agreement on simplifying the level of details required in terms of feasibility studies and other supporting documentation for these proposals." It also decided to "review the simplified process following the completion of the initial resource mobilisation period, based on experience gained and lessons learned".

Prior to the adoption of the decision, several Board members gave their views.

Diann Black-Layne (Antigua and Barbuda) pointed out that direct access entities (DAEs) in recipient countries should be prioritised. She said many international entities with all the capacities would have no problem submitting proposals, noting that the idea is to get more projects from national entities into the project pipeline.

Richard Muyungi (Tanzania) called for the simplified process to apply to proposals from National Designated Authorities (NDAs) as well and to reflect the prioritisation of proposals from DAEs. **Amjad Abdulla (Maldives)** and **Colin Young (Belize)** supported these views.

Kamal Uddin Ahmed (Bangladesh) stressed the importance of ensuring that entities from LDCs and SIDS are are not excluded from GCF resources due to unnecessarily burdensome and undifferentiated, one-size-fits-all project cycle.

"Simplified procedures should mainly enable DAEs with limited capacity to access GCF funding for smaller scale activities. International entities usually have more experience and resources at their disposal. To correct the imbalance, simplified procedures should only apply to regional and national DAEs with the exception for international entities in LDCs and SIDS where there are no DAEs," he elaborated. He also called for the application of the simplified procedure throughout the entire project cycle and not just at the project approval process alone.

Andrea Ledward (United Kingdom) said the decision proposed by the Co-chairs is for targeting support for more proposals and not to lower the bar in terms of quality of the proposals. She disagreed with including NDAs in the decision as it would be confusing because NDAs do not submit proposals for funding and are therefore not relevant to the simplified procedure that deals with the submission of funding proposals.

In response **Muyungi (Tanzania)** insisted the Board needs to address the issue of proposals from NDAs and wanted the matter to be dealt with at the Board's next meeting in October this year in Ecuador.

Co-Chair McDonald noted that the issue will be on the agenda of the 14th meeting.

Project Preparation Facility (PPF)

(The Board had last year agreed to establish a facility for the preparation of project proposals called the PPF. The PPF can provide funding to entities of up to 10% of the requested GCF funding sought, with a maximum of USD 1.5mil for any single proposal.)

The Board at the recent meeting in Songdo decided that "the PPF will support project and programme preparation requests from all accredited entities, especially direct access entities, especially for projects in the micro-to-small size

category,…with a view to enhancing the balance and diversity of the project pipeline."

It also decided that the PPF will support funding for the following activities: "pre-feasibility and feasibility studies, and project design; environmental, social and gender studies; risk assessments; identification of programme and project level indicators; pre-contract services, including revision of tender documents; advisory services and/or other services to financially structure a proposed activity; and other project preparation activities where necessary and with sufficient justification."

The Board further decided on the operating modalities which included the following: "The PPF requests will be developed by accredited entities in consultation with the NDAs or focal points and with support from the Secretariat; the PPF requests will be submitted by accredited entities in conjunction with a no-objection letter (from the NDAs); the Board authorises the Executive Director (of the GCF) to approve the PPF requests based on an assessment of the request against the investment criteria of the GCF… , a justification of needs, and consistency with relevant GCF policies; and each approved PPF request will be disclosed on the GCF website upon approval; an amount of US$40mil will be made available for the implementation of the initial phase of the PPF."

The Board also decided "that the independent evaluation unit will review the implementation of operational guidelines and the effectiveness of the PPF in order to draw lessons learned…"

Prior to the adoption of the decision, several Board members gave their views on the draft decision on the PPF which was prepared by the Secretariat.

Omar El-Arini (Egypt) cautioned against requesting the Secretariat to manage PPF requests with a view to seeking geographic balance and a balance between national, regional and international accredited entities at this early stage. On the operation modalities, he asked where the role of developing countries was if the PPF requests are to be developed by accredited entities in consultation with the Secretariat. (The final decision as set out above requires the accredited entities to consult also with the NDAs or focal points).

Diann Black-Layne (Antigua and Barbuda) said that PPF should be for national and regional entities instead of international entities.

Ali'ioaiga Feturi (Samoa) said PPF needs to be operationalised as a matter of priority to complement the simplified approval procedures for small-scale and certain activities. He stressed the importance of the readiness programme operating in a complementary manner with the PPF.

Tosi Mpanu Mpanu (Democratic Republic of Congo) agreed that priority should be given to DAEs but it should not be limited to them to avoid being too restrictive. He said the PPF should complement the readiness programme and the simplified process for approval of proposals for certain activities. **Colin young (Belize)** stressed that the involvement of NDAs is critical.

Karsten Sach (Germany) said the PPF should be primarily but not specifically for projects in then micro-sized category and disagreed that pre-feasibility studies should be supported as this should be funded through the readiness programme.

Andrea Ledward (United Kingdom) said success of the POPF should be measured by the quality funding proposals, adding that the guidelines needed more clarity.

Anton Hilber (Switzerland) cautioned against 'shopping phenomena' between PPF and the readiness programme in terms of supporting the activity of feasibility study. He felt that the amount provided (up to USD1.5mil) was on the high side but was nevertheless ready to support the decision but said he "would not like to see the maximum amount being the normal case".

Leo Martinez (United States) concurred with El-Arini's concerns about the delegation of power to the Secretariat. He noted that as this is a learning process, an early evaluation of the PPF is needed and that this is the job for the independent evaluation unit (IEU). He suggested adding advisory services to help NDAs to structure their financial activities across the different funding windows.

Request for Proposal

(In relation to the Private Sector Facility of the GCF, the Board last year had agreed to establish a pilot programme to support micro, small, and medium- sized enterprises of up to USD 200 million for mitigation and adaptation activities.)

The Board at its recent meeting, endorsed the draft request for proposals (RFPs) (prepared by the Secretariat) for the micro, small, and medium-sized enterprise pilot programme.

It requested the Secretariat to issue the RFPs to solicit responses from accredited entities and potential accredited entities in order to establish and manage the pilot projects/programmes.

The Board decided to limit participation of the GCF in the first pilot programme to USD100 million. It also decided to consider funding proposals that are submitted in response to the RFPs as part of the wider portfolio of the GCF, and through the same modalities as spontaneous proposals.

The Board also requested the Secretariat to prepare the terms of reference for one or more RFPs for the remainder of the micro, small, and medium-sized enterprises pilot programme, taking into account lessons learned from this first phase, and to present this to the Board consideration.

It also requested the Secretariat to provide a status update on the progress of the pilot programme for its next meeting.

Interim procedures for redress

The Board approved 'interim procedures for redress' for the 'reconsideration of funding decisions'. Given that the Head of the Independent Redress Mechanism (IRM) has just been appointed by the Board, the procedures that were adopted are interim.

(The IRM of the GCF has two functions: (i) the reconsideration of funding decisions and (ii) to address the grievances and complaints by communities and peoples that have been directly affected by projects funded by the GCF. At the recent Board meeting, members only considered an interim redress procedure for reconsideration of funding decisions.)

According to the interim procedures adopted, within 60 calendar days from the date on which the Secretariat informs the relevant NDA or Focal Point of the relevant Board decision denying funding to a specific project or programme, the relevant NDA or Focal Point (referred to as the 'applicant') of the developing country concerned may file a request for reconsideration of the funding decision

with the Head of the IRM. Several other steps were agreed to on what the Head of the IRM must upon receipt of the request.

The decision adopted by the Board also requested the Head of the IRM "to prepare, with the support of the Secretariat, for consideration by the Board no later than its 16th meeting, the detailed guidelines and procedures for the IRM…in close consultation with similar or equivalent mechanisms of accredited entities and other stakeholders."

It also requested the Head of the IRM, "when preparing such detailed guidelines and procedures to consider how the GCF should contribute to the third party costs and expenses incurred by those who are entitled to seek redress from the GCF and make a recommendation to the Board in this regard, including in respect of the circumstance under which such costs may be claimed and the modalities pursuant to which such costs will be assessed…"

The decision also affirmed that prior to the full operationalisation of the GCF's IRM, grievances and complaints from communities and people should be addressed by the institutional grievance mechanism of the relevant accredited entity and invited the Head of the IRM, following consultations with relevant stakeholders to recommend any necessary updates to the terms of reference of the IRM for the Board's consideration no later than the fifteenth meeting of the Board."

During the discussions prior to the adoption of the decision in this regard, some Board members expressed concerns over the issue of the costs and expenses for drafting and filing of the redress request that are to be borne by the applicants.

Ayman Shasly (Saudi Arabia) noted that it would be prohibitive to the party who is eligible for the funding to bear the cost and urged members to consider using the operational costs of the Fund for this purpose.

Echoing Shasly, **Diann Black-Layne (Antigua and Barbuda)** said "we know who the people are that will be affected ... they will be the people and community from the developing countries."

Leonardo Martinez (United States) wanted to know how (redress) costs are handled in other accredited entities (referring to the likes of United Nations Development Programme and the World Bank) for consideration of this matter. He also suggested that the newly-appointed Head of IRM to report back to the Board between now and the 16th Board meeting on the status of the guidelines.

Noting that there is no process on how to deal with any appeal to the IRM between now and the time the IRM is operational as regards grievances and complaints from affected communities and people, Martinez proposed that those affected should be able to go to the institutional grievance mechanism of the accredited entities.

Andrea Rodriguez (the alternate active civil society observer from developing countries) urged the Board to give guidance to the newly-appointed Head of IRM to expedite development of an interim procedure for the second function of addressing grievances from communities affected so that any concerns relating to projects already approved can be raised. She also said the Board should give full authority to the Head to engage in a consultative and participatory process to develop the operational policies and procedures for affected communities to raise grievances.

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GCF Board calls for more funding proposals from direct access entities

Delhi, 12 July (Indrajit Bose) – Several members of the Board of the Green Climate Fund (GCF) at its recent meeting called for more funding proposals from direct access entities. Board members also had a rich exchange of views on matters relating to funding proposals.

[Access to GCF resources is managed through national, regional and international entities and intermediaries that have been accredited by the Board. The Governing Instrument of the Fund allows for direct access (through recipient countries nominating subnational, national and regional implementing entities) and international access for United Nations agencies, multilateral development banks and international financial and regional institutions. Thus far, funding proposals that have been forwarded to the Board for consideration have come mainly from internationally accredited entities via the international access route, with less proposals coming from national or regional accredited entities via the direct access route.]

During the 13th meeting of the Board held in Songdo, Republic of Korea on 28-30 June, Board members raised a number of concerns on there not being enough proposals from direct access entities, and to facilitate their participation in the process.

Developed country Board members expressed concern about the lack of private sector entities and lack of innovative financial instruments, and spoke about boosting the risk policies of the Fund. They stressed the need for projects to be transformative, innovative and sustainable. They also said that the Board needs better explanation for why concessional financing is required.

Several Board members also said that the Board needed to think of instituting a system wherein they could defer projects rather than the binary choice of approving or rejecting projects, which is the case right now. To make the process more efficient, some Board members called for a cut-off date for seeking closure on final assessments of funding proposals. (See highlights of exchanges on this below.)

Explaining the process of what the Secretariat does when it receives a funding proposal by an accredited entity, the Secretariat said that first they acknowledge and check whether all the documents and information requested had been received. If there is something missing they inform the accredited entity. Once the documentation is complete, the Secretariat review team starts the quality review against the investment criteria, and consistency and compliance with GCF policies.

The Secretariat said further that the outcome of the review generates a list of feedback and comments and questions for clarification, which are sent to the accredited entity. Once the Secretariat's review is completed, the funding proposal is passed on to the independent Technical Advisory Panel (iTAP) for independent assessments. In case they have questions,

they send those questions to the Secretariat, which passes them on to the accredited entity. An accredited entity is given the opportunity to respond and with that the iTAP finalises its assessment. The Secretariat then puts its own assessment, the iTAP assessment and the no-objection letter as a package and submits it to the Board for consideration.

In response to comments from Board members, reflecting on observations and lessons learned by the Secretariat, the representative of the Secretariat said that the portfolio needs to be strengthened and further improved from direct access entities. This would require time and effort. The Secretariat also observed a lack of innovative financial instruments and would like to make efforts to improve in this area.

Speaking generally on the funding proposals and how to improve the process, the Chair of the iTAP said that they found the quality of the funding proposals to meet the expectations of the iTAP. "We found some good projects and improvements in terms of presentation and coverage. Nevertheless, some funding proposals require further preparation and refinement. The iTAP assessment is based on the documents provided by the accredited entity, so we do not seek any information, only clarifications," said the iTAP chair.

The iTAP Chair said that the iTAP does not have direct discussions with accredited entities owing to conflict of interest and time constraints. "If we start working with accredited entities, then we are not in a position to decline the project at a later stage. So, we are cautious," said the iTAP Chair further.

(The Board, during its 13th session, approved, with conditions, 9 projects worth USD 256.6 million. See here for further details.)

(Prior to the approval of these proposals, the Board considered the views expressed by the Secretariat and the iTAP. The iTAP had recommended that two of the proposals not be approved, which were (i) USD 19 million for a project to support the World Bank's Climate Adaptation and Mitigation Program for the Aral Sea Basin in Tajikistan and Uzbekistan, and (ii) USD 38.1 million for strengthening the resilience of smallholder farmers in the dry zone to climate variability and extreme events in Sri Lanka with UNDP as the accredited entity.

Despite these recommendations, the Board nevertheless approved these projects. The Sri Lanka project was also supported by Sri Lankan civil society who sent letters of appeal to the Board members.)

Highlights of exchanges on funding proposals

Omar El Arini (Egypt) said that in the beginning, the Board can be magnanimous, but he was not sure about the future, adding that projects will not be better if we do not give the right direction and send the right signal. "We want to send a positive signal. We do not want to send a signal to the accredited entities that public finance is drying up and since there is money in the GCF, they should go there. We must be very strict on how this money will be approved," stressed El Arini.

Jorge Ferrer Rodriguez (Cuba) said while most proposals were from the public sector, these would benefit the private sector entities. He gave the example of farmers benefitting under the private sector umbrella. He asked for information to assess who benefits from the implementation of the projects. To make

the process more efficient, he suggested that there was a need for speedy channels for processing proposals and to assign more staff to deal with direct access entities.

Guo Wensong (China) expressed concern over the lack of direct access entities submitting proposals. He said of the 33 accredited entities (which have been accredited to the GCF thus far), there was a shortage of institutions from developing countries. He highlighted that balance, both geographic and between mitigation and adaptation activities, is very important.

He also said that the implementation of the Paris Agreement is a common target for all the partners. All developing countries will have to be covered to benefit, especially those that have great challenges in terms of poverty, development and climate change. It is important to ensure how every country gets resources, especially since, unlike the Global Environment Facility (GEF), the GCF did not have a country allocation system.

Kamal Uddin Ahmed (Bangladesh) called to the attention of members the lack of funding proposals by national entities.

Colin Young (Belize) called for clarity on how the projects are assessed as being crosscutting between adaptation and mitigation, saying that in some of the projects, even though the adaptation link was not integral, the projects were classed as crosscutting.

Richard Muyungi (Tanzania) wanted to know what were the lessons learned and how they should be used to improve the distribution of projects in the future.

Leonardo Martinez-Diaz (the United States) said it would be useful for the iTAP to have a strategic session to reflect on the lessons learned. He added that there was an urgent need to get communication right, which he felt was not working out. He said a better system is needed to ensure that the Board is able to raise questions with the iTAP and for more time to digest the information provided from the iTAP and the accredited entities.

On the quality of the proposals presented, Martinez-Diaz said he was pleased to see that the proposals were balanced, in that there were geographically distributed. He said that although direct access proposals were lagging behind, the Board needed to support such projects. On the private sector, he said there was only one in the batch under consideration. He added that the Board needed to ensure that the risk management capacity of the Secretariat is built up and for the appointment of a private sector facility director.

Sally Truong (Australia) suggested strengthening regional advisors that GCF has to provide a fillip to direct access entities. She also suggested that it would be important to defer projects or reconsider them.

Karsten Sach (Germany) said that there was a lack of innovative financial instruments and that a high percentage of grants could not be used to redirect GCF flows. This underlines the need to establish minimum benchmarks and programmatic approaches, he said. He too was concerned that of the 9 funding proposals for approval, there was only one private sector proposal. He also said that there were not enough proposals from direct access entities and there was a need to focus efforts in that area. Sach added that a message should be sent to all accredited entities that the Board did not want "business as usual" projects. "We are a specific Fund, in a post-Paris world

(referring to the Paris Agreement), and we want to drive transformation," he said.

Anton Hilber (Switzerland) said he wished to see in the funding proposals coming to the Board more innovation, sustainability, transformational effect, more policy effect and more private sector involvement. He urged the Board to think of risk and investment decisions that would help them get there. He called for clarity in national entities in producing proposals. He stressed on the importance of interactions between the iTAP, the accredited entity and the Secretariat, and asked if it is possible for the iTAP and the accredited entity to interact directly.

Morten Elkjaer (Denmark) said if the nationally determined contributions (under the Paris Agreement) would assist in developing projects, those would be more transformative. He said that he would like to see more private sector projects and that was one area where the Fund could leverage private sector funding. He also said that the Board should monitor whether the projects result in anything innovative. He called for greater ambition in gender responsiveness.

Cyril Rousseau (France) asked if there could be a system to reconsider a project subject to improvement rather than accepting or rejecting projects, which is the current practice.

Anders Wallberg (Sweden) also said that he would like to see more direct access and innovation in the proposals. He said it is important to look at how work progresses on capacity building support for readiness and the project preparation facility. Wallberg was of the view that the binary approach of approving or rejecting the projects was not optimal and that there should be a way of procedurally allowing for the projects to be considered at a later stage, with improvements. He said that co-financing is useful in that it would allow the Fund to display the leverage factor on how much they are able to mobilize.

Henrik Harboe (Norway) said a better way has to be found to respond to accredited entities and he would like to see more innovation, private sector, transformative projects and proposals from direct access entities. He said much of these go back to the Board in that the Board must be willing to take risks. He also said that programmatic approaches, stress on innovation, staffing and co-financing are all important elements in the funding proposals process.

Andrea Ledward (United Kingdom) said that while she welcomed attention to adaptation projects in the funding proposals, she was concerned that there was only one private sector proposal and this has to be accelerated. She said that the proposals should better articulate theory of change; why GCF financing is sought; and why concessional financing is sought. She said that co-financing is helpful. Ledward also said that what members would really want to hear is what the added value of a project is. She outlined the importance of sustainability and called for better monitoring and evaluation plans. She stressed that the gender component needed to be better reflected in the proposals.

Edited by Meena Raman

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GCF Board approves funding proposals worth USD745 million; appoints new Executive Director

Songdo, 17 October (Indrajit Bose) — The Board of the Green Climate Fund (GCF) approved, with conditions, 10 projects worth USD 745 million at its 14th meeting in Songdo, Republic of Korea, from 12 to 14 October.

It also appointed Australian national, Howard Bamsey, as the new Executive Director of the Fund's Secretariat, for a 4-year term.

Bamsey was selected from a final shortlist of 4 candidates who were interviewed by the Board at the Songdo meeting in an executive session which was closed to observers. Bamsey has previously been involved in climate negotiations under the United Nations Framework Convention on Climate Change (UNFCCC) and served as the Co-chair of the 'Dialogue on Long-term Cooperative Action' from 2006-2007, that launched the Bali Action Plan in 2007.

The Board also accredited 8 new entities, to access the GCF funds. (Access to the Fund's resources is managed through national, regional and international entities and intermediaries that have been accredited by the Board.)

On the funding proposals, the Board approved the following projects:

- USD 37 million for Scaling-up of Glacial Lake Outburst Flood risk reduction in Northern Pakistan with United Nations Development Programme (UNDP) as the accredited entity (AE);
- USD 41.2 million for Priming Financial and Land-Use Planning Instruments to Reduce Emissions from Deforestation with UNDP as the AE;
- USD 80 million for Sustainable Energy Facility for the Eastern Caribbean with Inter-American Development Bank (IDB) as the AE;
- USD 16.7 million for Senegal Integrated Urban Flood Management Project with Agence Française de Developpement (AFD) as the AE;
- USD 39.3 million for Development of Argan Orchards in Degraded Environment with Agency for Agricultural Development of Morocco (ADA Morocco) as the AE;
- USD 9.5 million for Climate Resilient Agriculture in Three of the Vulnerable Extreme Northern Crop Growing Regions of Namibia with Environmental Investment Fund (EIF) as the AE;
- USD 10 million for Empower to Adapt: Creating Climate Change Resilient Livelihoods through Community-Based Natural Resource Management in Namibia with EIF as the AE;
- USD 378 million for Sustainable Energy Financing Facilities with European Bank for Reconstruction and Development (EBRD) as the AE;
- USD 53.5 million for Sustainable Landscapes in Eastern Madagascar

with Conservation International/European Investment Bank (CI/EIB) as the AE; and

- USD 80 million for Universal Green Energy Access Programme with Deutsche Bank AktienGesellschaft (Deutsche Bank AG) as the AE.

Of the 10 projects approved, there was considerable discussion on the Pakistan project and the EBRD project.

Dinesh Sharma, the Board member from India, raised objections to the Pakistan project and said that the project was based on the assumption that there would be no glacial lake flood outbursts during the implementation period of the project, and that, he added, was a faulty premise.

Sharma was also concerned about the location of the project in Gilgit Baltistan and the province of Khyber Pakhtunkhwa. "The same portion comes under the administrative control of different countries. Not just India, it's Pakistan, it's the other countries also. They are all listed in the appraisal note. Nepal, Bhutan, China. Only India for some reason is not listed … There are other countries involved because of glacial melting problems," said Sharma. The Indian Board member stressed several times that his objections were not politically motivated but based on technical grounds.

After lengthy exchanges, it was agreed that an independent technical assessment would be carried out to study the feasibility of the Pakistan project and any disbursement of funds to the project would be based on the outcome of the assessment.

Developing country Board members also expressed concerns in relation to the EBRD proposal, which covers 13 countries (Albania, Armenia, Egypt, Georgia, Jordan, Kyrgyz Republic, Moldova, Mongolia, Montenegro, Morocco, Serbia, Tajikistan and Tunisia).

Of the 13 countries, no-objection letters from the respective national designated authorities (NDAs) (a mandatory requirement for projects to be considered at the GCF) were obtained from only 10 countries. Several developing country Board members expressed that such a proposal should not have come up for consideration in the first place since the very basic criterion of having no-objection letters from all the countries was not fulfilled and this would set a wrong precedent and go against country ownership, the bedrock of the GCF.

In the final decision adopted, it was confirmed that only those countries that had provided the no-objection letter would be included in the programme for funding in the EBRD proposal.

On the process of approving the funding proposals, there were disagreements on whether to approve the projects as a package or to assess the merit of each individual project. Several developing country board members expressed concerns over the package approach. After intense discussions, the Board decided to approve all the projects as a package but with conditions.

The Board members also pointed to several policy gaps in the process of approving projects. These included conditional approval to projects, quality of funding proposals, concluding first on the review of the initial proposal approval process, and strengthening and scaling up of projects/programmes in the GCF pipeline.

In the decision adopted, the Board emphasized that the approach taken of

approving funding proposals at the 14th meeting of the Board did not "constitute a precedent". (*Separate article on funding proposals to follow.*)

Besides approving the project, the Board also accredited, as a package, the following 8 entities to the GCF: South African National Biodiversity Institute (SANBI); Food and Agriculture Organization (FAO); International Fund for Agricultural Development (IFAD); Nederlandse Financierings-aatschappij voor Ontwikkelingslanden N.V. (FMO); Banque Ouest Africaine de Développement (West African Development Bank, BOAD), Togo; Caribbean Development Bank (CDB), Barbados; XacBank LLC (XacBank), Mongolia and the GIZ, Germany.

Except for SANBI, FAO and IFAD, the rest of the entities had submitted their application for accreditation at the last Board meeting in July, but due to some disagreements which arose then, the Board deferred the consideration of these entities to the 14th meeting.

The Board had, at its previous meeting, major disagreements over the application by the Korean Export-Import Bank (KEXIM), which was one of the entities listed for accreditation at the 13th Board meeting. At the recently concluded meeting in Songdo, KEXIM requested that its application for accreditation be kept aside and not included for consideration at the 14th Board meeting.

[At the last Board meeting, several developed country Board members, led by the United States, said the nature of KEXIM being an export credit agency (ECA) and its practice of providing tied assistance did not render it appropriate to be accredited as an entity to the GCF. Developing country Board members, however, opposed this at the last meeting and said that there was no policy in place to reject KEXIM on these grounds and said that GCF's existing policies would be a strong safeguard to keep a check on the accredited entities. Due to this disagreement, the Board did not approve any of the entities for accreditation at the last meeting, and agreed to defer the matter to the 14th Board meeting.]

The withdrawal by KEXIM of its application became an issue at the 14th Board meeting.

Developing country Board members, led by **Ayman Shashly (Saudi Arabia)** and **Wensong Guo (China)** sought clarity on the reason behind the applicant's request.

The Secretariat responded that the applicant wanted to "put aside" its application without elaborating on the reason. In response, Shashly expressed unhappiness over the issue and said that the Board should discuss this as part of the accreditation strategy so that such instances do not repeat. "We spent time discussing the case and for no obvious reason, the applicant has withdrawn," said Shashly.

Tosi Mpanu Mpanu (Democratic Republic of Congo) said that developing country Board members were very supportive of the applicant and had stated at the 13th meeting that there was no policy in place that could exclude the accreditation of the entity. He said that "… we should not punish stakeholders and partners because of some of the gaps that come under the purview of our own work …We are very supportive of this applicant … My understanding is that it (KEXIM) has not withdrawn but (has) just put (its application) on hold," said Mpanu Mpanu.

Omar El Arini (Egypt) expressed concerns that any decision to address policy gaps in the accreditation strategy

should not be applied retroactively. (He was referring to whether there should be an exclusion list in the accreditation policy for certain entities to be excluded from accreditation, which is pending consideration by the Board.)

At the Songdo meeting, the Board also adopted decisions on policy and strategy for accreditation; support for facilitating access to environmentally sound technologies and for collaborative research and development; support for reducing emissions from deforestation and forest degradation in developing countries, and the role of conservation, sustainable management of forests, and enhancement of forest carbon stocks in developing countries (REDD-plus); and review of the interim trustee of the GCF. (Separate articles on these issues will follow.)

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GCF Board seeks more efforts to strengthen quality of funding proposals

Delhi, 21 October (Indrajit Bose) — The Board of the Green Climate Fund (GCF) at its 14th meeting held in Songdo, Republic of Korea called for more intensive efforts to strengthen the quality of funding proposals, "in order (for the proposals) to demonstrate greater potential to adapt to the impacts of climate change and to limit and reduce greenhouse gas (GHG) emissions," that promote a paradigm shift.

This call was contained in a decision of the Board related to funding proposals at its recent meeting held from 12-14 October.

In the decision, the Board urged the "*Secretariat, national designated authorities (NDAs) and focal points, and accredited entities to intensify efforts to strengthen the quality of funding proposals, in order to demonstrate greater potential to adapt to the impacts of climate change and/or to limit and reduce greenhouse gas emissions in the context of promoting a paradigm shift".*

In this regard, the Board also urged "*direct access entities to make use of the Project Preparation Facility (of the GCF) to strengthen their proposals".*

In the decision adopted, the Board also expressed *"concern regarding the number of conditional project approvals to date".*

The Board had considered and approved 10 funding proposals, subject to specific conditions.

Both developing and developed country Board members raised various concerns during the discussions, which spanned areas such as the process for simplified approvals; the review of the process for proposal approval; as well as a review of the independent technical assessment panel (iTAP).

Members were primarily concerned about the quality of projects, and voiced their concerns to institute a system to look at funding proposals seamlessly.

Several members also expressed their frustration that documents for the consideration of funding proposals arrived rather late and stressed that this should not be the case in the future. They also referred to various options in arriving at their decisions, including in deferring the consideration of a proposal.

In relation to programmatic approaches, the Board took*"note of the views expressed on programmatic proposals, including those related to the need to seek a balance of national, regional and international programmatic funding proposals".*

The Board requested *"the Co-Chairs to continue to consult on the programmatic approach with a view to conclude the policy guidelines for programmatic approach for consideration at the fifteenth meeting of the Board, noting that approvals on programmatic funding proposals at the fourteenth meeting of the Board do not prejudge the Board's consideration of these policy decisions."*

The Board also requested the *"Secretariat to modify the funding proposal template to accommodate the additional criteria of the enhanced direct access pilot phase" and also requested "the Secretariat to ensure*

that future proposals under the enhanced direct access modality meet all of the required elements of the enhanced direct access pilot and provide such evidence within the modified funding proposal template."

The decision adopted resulted after a lengthy exchange of views in the Board. Some of the highlights of the Board exchanges are set out below.

Tosi Mpanu Mpanu (Democratic Republic of Congo) said that there was a real need to put in place a transparent process that gives sufficient time for Board members, civil society organisations (CSOs) and others to review proposals documents and submit comments. He added that accredited entities (AE) should be given adequate time and a formal channel to respond to comments, as well as to revise their proposals if necessary.

He also said that funding proposals and their assessments should be released at least 6 weeks prior to a Board decision, including 2 weeks for public comment by the Board and CSOs, 2 weeks for responses from AEs, and 2 weeks for all stakeholders to consider final documents. Mpanu Mpanu also recommended that the assessments of the funding proposals both by the iTAP and the Secretariat should be made publicly available to increase transparency and provide useful guidance to countries and project proponents. (Currently, on the iTAP assessments are posted online but not that of the Secretariat.)

He added that in the case where proposals were incomplete or required further due diligence to be properly evaluated, the Board should have the authority to defer approval. Mpanu Mpanu also said he was concerned that majority of the proposals were coming from international access entities and that there was a delay in disbursements of funds to entities after approval of the proposals.

Omar El Arini (Egypt) was unclear as to how proposals were selected for consideration and asked if the projects in the pipeline were in the "drawers of the AEs" or if the Secretariat invited the AEs to submit any proposal under preparation. He said that pipeline indicates where a Fund is going and the current pipeline appeared to discourage direct access entities from forwarding proposals (as most proposals were coming from international entities).

Jorge Ferrer-Rodriguez (Cuba) stressed that no proposal should be submitted without a no-objection letter from an NDA/focal point. He said the Board does not expect, particularly from international AEs, to receive unfinished proposals. (Ferrer was referring to a proposal from the European Bank for Reconstruction and Development (EBRD) which covered 13 countries but had no-objection letters from only 10 countries. The Board approved the proposal to only cover the countries where letters of no-objection were obtained).

Colin Young (Belize) called for strengthening country ownership in the process of forwarding proposals. He said that the projects should not be the ones that the AEs want but which the developing countries need. He also said that more time was needed to review funding proposals by Board members. Referring to the EBRD proposal, Young also said that there should be no proposals for programmatic approaches presented until the Board has agreed on a policy on the issue.

Richard Muyungi (Tanzania) said there was a need for differentiation in the

consideration of the projects approval process as per the size and complexity of the projects.

Amjad Abdulla (Maldives) said that there were several policy gaps and that the GCF should learn from other existing institutions. Transparency and inclusiveness cannot be jeopardized, he stressed.

Nagmeldin Goutbi Elhassan (Sudan) said that the Board should ensure transparency and consistency and stressed that clear guidance and guidelines are required. "We need to ensure country driven-ness. If we build such systems, this will enable the Board to make informed decisions," said Elhassan.

Henrik Harboe (Norway) called for additional options in decision-making in the consideration of funding proposals. He said options could be to propose, or reject a proposal or even have some phased approaches to programmes.

Anton Hilber (Switzerland) said that proposals have to come to the Board a month ahead of the Board meeting; otherwise it should be considered for the following Board meeting. He also agreed that deferring the consideration of a proposal could be an option.

Lars Roth (Sweden) said concept notes of proposals being considered should be shared with the Board in certain cases for large and high-risk projects for the Board members to weigh in their input early on (rather than wait for the entire proposal to come before the Board).

Karsten Sach (Germany) said that a decent timeframe was required to consider projects. The deferring and resubmitting of funding proposals were options the Board could consider and it is not wise to have a huge set of conditions (when approving projects), he said. The lack of implementation of projects approved by the Board was a real concern.

Andrea Ledward (UK) said the review of funding proposals should consider the various stages of the approvals process to increase the number and quality of proposals coming to the Board. She added that the she was attracted to the option of the deferral of the consideration of a proposal. Ledward said she was concerned about the lack of enough direct access entities in the pipeline.

Leonardo Martinez-Diaz (US) said the Secretariat should do more of the technical vetting and if there were concerns the proposals they should not come to the Board.

He also said that there is a need to get the disclosure issue right and that the 120-day prior notice was not working yet. (He was referring to the Board's interim information disclosure policy where with respect to funding proposals in case of category A projects, [that comprise of activities with potential significant adverse environmental and/or social risks and/or impacts that are diverse, irreversible or unprecedented], the AE's are required to disclose and announce to the public and, via the Secretariat, to the Board and active observers at least120 days in advance of the AE's or GCF's Board decision, whichever is earlier."

Martinez-Diaz also said that it is important that the disclosure requirement be applied to sub-activities within programmatic proposals, and added that they should move towards a creating a process where disclosure was meant to generate dialogue with civil society. He called for a better tool for transparency and suggested an online system with real time data for everyone to see the pipeline. He also said that the

Board must be notified regarding the disclosure of the proposal and posting it on the website of the AE was not enough. He called for notifications of proposals to be posted on the GCF website and for the notifications to be sent to advisers to the Board members. Martinez-Diaz also called for more decision-making options in the consideration of funding proposals by the Board.

Sally Truong (Australia) also agreed on the deferral of projects for consideration as an option and to look at further defining the second level due diligence. She said that it is critical to look at the lessons learned from the Secretariat, iTAP, AE and NDAs, and added that the Secretariat should engage more with AE on what kind of projects or programmes that the Fund is seeking.

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GCF Board to prioritise accreditation of national entities

Delhi, 26 October (Indrajit Bose) — The Board of the Green Climate Fund (GCF), at its 14th meeting in Songdo, South Korea, adopted an important decision around the accreditation strategy, but could not adopt the strategy itself because the Board was of the view that the strategy needs more work.

Developing country Board members wanted to prioritize national direct access entities and pointed to the imbalance in the current accreditation process where more international entities were getting accredited and national entities were lagging behind. Following exchanges among Board members, it was decided that national direct access entities would be among those entities prioritized for accreditation in the future.

(Access to the Fund's resources is managed through national, regional and international entities and intermediaries that have been accredited by the Board. Thus far, the GCF has accredited 41 entities, of which 23 are international entities, 10 are national and 8 are regional entities.

According to the 'accreditation strategy' document presented to the Board for its consideration, the situation before the 14th Board meeting was that international entities have been accredited for larger size activities than direct access entities, with 60 per cent of international entities accredited for large size category vs 23 per cent among direct access national and regional entities.)

In the decision adopted during the Board meeting (held from 12-14 October), it was decided that future accreditation decisions by the Board *"should aim to bring forward accredited entities that fill the mandate on balance, diversity and coverage and advance the objectives of the GCF, and to that end:*
(i) Decides to request the Accreditation Panel and the Secretariat to establish a prioritization of entities applying for accreditation, and prioritizes in 2016 and 2017 the following, not listed in any particular order of priority:
1. National direct access entities;
2. Entities in the Asia-Pacific and Eastern European regions;
3. Private sector entities, in particular those in developing countries, seeking a balance of diversity of entities…;
4. Entities responding to requests for proposals issued by the GCF, for example including a pilot phase for enhancing direct access; a pilot programme to support micro-, small-, and medium-sized enterprises; and a pilot programme to mobilize resources at scale in order to address adaptation and mitigation;
5. Entities seeking fulfillment of conditions for accreditation; and
6. Entities requesting upgrades";

To this end, the Board requested the *"Secretariat, in consultation with the Accreditation Committee (AC) and Accreditation Panel (AP), to consider how to refine the method and criteria for prioritization for consideration of the Board at the 16th meeting of the Board".*

Prior to the adoption of the Board decision, the AC informed the Board that besides the strategy document, it was also working on another document on further development of the accreditation framework, which is meant to accompany the strategy, identify gaps and explore ways forward. The AC will present the second document to the Board at its 15th Meeting.

Some developing country Board members were of the view that the two documents should be considered together and wanted to defer the finalization of the accreditation strategy the Board's next meeting in December this year.

However, after further consultations, it was agreed that a decision could be arrived at based on some of the recommendations contained in the accreditation strategy document and not to adopt the accreditation strategy as a whole at the 14th meeting.

In the decision adopted, the Board requested the "*AC in consultation with the Secretariat, the AP and national designated authorities, and taking into consideration previous decisions of the Board, in particular decision … on country ownership and … the strategic plan for the GCF, to continue to elaborate on the draft strategy for its further consideration at the 15th meeting of the Board."*

In relation to the way ahead and to expedite the efficiency of the accreditation process, the Board: requested *"the Secretariat, in consultation with the Accreditation Panel, to develop modalities for the use of third-party evidence for review by the Board by its 16th meeting"; decided to "review the fast-track process … by the 20th meeting of the Board"; requested the AP, with the support of the Secretariat, under the guidance of the AC, "to elaborate the following elements for decision by the Board at its 17th meeting in 2017: an assessment, including a gap analysis, of the Adaptation Fund's Environmental and Social Policy and Gender policy in line with the GCF interim environmental and social safeguards and gender policy with recommendations on their potential accreditation or fast-tracking".*

The Board also decided to commence*"review of the GCF initial fiduciary standards in 2017".*

Below are highlights are of some exchanges among Board members on the accreditation strategy.

Elaborating on the gaps,**Diann Black-Layne (Antigua and Barbuda)** for the AC said that under the access modality gaps, the AC had identified gaps in the areas of definitions. For example, should a private sector entity be considered a direct access or international access entity? It was also not clear under the existing accreditation framework whether national entities accredited under the direct access modality submit projects on behalf of other countries or how the accreditation of an entity relates to its affiliates, said Black-Layne.

Black-Layne said there were gaps in the accreditation policy. As a way forward, the AC proposed under the accreditation strategy to address the gaps identified by using third party evidence; prioritizing applicants from the Asia-Pacific region and private sector applicants; entities responding to request for proposals; defining and performing a coverage assessment; providing statistics on entities in the pipeline at each GCF Board meeting.

Responding to comments on prioritization, Black-Layne said that the AC went through a long process and identified statistics. "We came up with a list of entities. It is difficult to come to a consensus on the prioritization of entities," said Black-Layne.

Jorge Ferrer Rodriguez (Cuba) said the issue was very well connected with direct access and country ownership. He said that the policy gaps identified should be addressed and that the (proposed) accreditation strategy has contradictions. "It is a fact that most entities accredited are international. There are differences between accrediting international and national entities. We need to fast-track developing country institutions. We need to have differentiation. This means two tracks are required. They cannot be in the same queue," said Rodriguez.

He also added that international and national entities should not have the same accreditation fee. He said the strategy must be geared towards solving the problem of the direct access entities. He also said that they needed to have a clear definition of a direct access entity and a regional entity.

Omar El Arini (Egypt) pointed to problems of accredited entities in signing the accreditation master agreements (AMA) and added that this matter was missing from the strategy and wanted this addressed.

Ayman Shashly (Saudi Arabia) said that by accrediting international organisations, the Board now needed to solve the problem (of not accrediting sufficient national direct access entities). He supported Rodriguez that there needs to be a separate track to accredit national entities. The issue, he said boiled down to trust (in the national entities).

Guo Wensong (China) said the essence of the Fund was direct access, but that there were conditions imposed. Of the 33 institutions accredited (as of the 12th Board meeting), most of them are multilateral development banks (MDBs). He added that equal opportunities should be given to all entities.

Tosi Mpanu Mpanu (Democratic Republic of Congo) said the principles of balance and diversity should focus on direct access versus international access entities and their accreditation type/size. He also said that in the process of prioritization, direct access entities and private entities in developing countries, particularly in LDCs, Small Island Developing States (SIDS) and Africa should be given the first priority. He said that there should be a three to five year vision of the size and composition of the pool of accredited entities as a basis for prioritization. He also added that direct access entities should receive the required support to be accredited under the medium and/or large size categories and to upgrade their risk levels.

Mpanu-Mpanu also expressed concern that it may take 2 to 4.5 years to accredit entities in the pipeline and called on the AC to propose the necessary actions.

Colin Young (Belize) said that the Board needed to know what the gaps in the accreditation policy before they got into strategy, and said that accreditation strategy was key to country ownership. He said it was about getting capacity within developing countries to implement their projects and supported the prioritization of regional and national entities.

Raul Delgado (Mexico) said he shared the objective of striking diversity and balance on the type of entities to be accredited but recognized that the

Secretariat was facing a challenge in managing a very large number of entities.

Cyril Rosseau (France) said it was obvious that the document needed work and there was a need for an action plan to address the gaps and amend the strategy accordingly. He stressed the importance of transparency as regards entities applying for accreditation in the pipeline.

Andrea Ledward (UK) said the strategy document offered a good set of recommendations. She suggested that local direct access entities must be prioritized since they would help assess the value add of a project. She also suggested that the Fund needs to keep track of the monitoring costs so that it had the right shape and size of the accredited entities, while ensuring efficiency.

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GCF Board to develop request for proposals for reducing emissions from deforestation

Kuala Lumpur, 26 October (Hilary Chiew) – The Green Climate Fund (GCF) at its 14th Board Meeting held from 12-14 Oct in Songdo, South Korea, requested the Fund's Secretariat to develop a request for proposals (RFPs) for REDD-plus for funding results-based actions, for its consideration by the next meeting in December this year in Samoa.

(REDD-plus refers to activities related to reducing emissions from deforestation and forest degradation in developing countries. The activities under REDD-plus are defined and implemented in three phases: (a) Phase 1 is the development of national strategies or action plans, policies and measures, and capacity-building; (b) Phase 2 is the implementation of national policies and measures and national strategies or action plans and results-based demonstration activities; and (c) Phase 3 is the evolvement into results-based actions that should be fully measured, reported and verified.)

Deliberating for the first time on REDD-plus, a mechanism of the United Nations Framework Convention on Climate Change (UNFCCC) to address emissions from the forestry sector, the Board adopted the decision which stressed that the RFPs include guidance consistent with the Warsaw Framework for REDD-plus and other REDD-plus decisions under the UNFCCC.

It also called for further guidance to support efforts by national designated authorities (NDAs) and focal points to engage with the GCF in the early phases of REDD-plus using existing GCF modalities, tools and programmes.

The Board also requested the Secretariat *"to implement, with the advice of the Co-Chairs, a process for stakeholder and expert input to support its work under this decision and provide a progress report to the Board at its 15th meeting".*

The decision also recognised *"the need to complement other sources and types of finance, and that the GCF can support the development of national REDD-plus strategies or action plans and investment plans, including through the Readiness and Preparatory Support Programme, and that the fund can support the implementation of national REDD-plus strategies or action plans".*

Board members were deliberating on a document prepared by the GCF secretariat titled *'Initial operationalisation of results-based finance for REDD-plus'.*

The document provided background information on REDD-plus finance, noted key elements for designing a REDD-plus results-based finance scheme and proposed options to initiate the operationalisation of GCF results-based finance for REDD-plus.

The Secretariat's paper proposed that to operationalise the results-based finance, the Fund could adopt a two-track approach composed of one track for financing intermediate, predefined and measurable milestones and a second track

for payments for verified REDD-plus results.

Initially, members were split on the two-track approach as some viewed it as being inconsistent with the three-phase Warsaw Framework on REDD-plus while some expressed concerns that not many countries are ready to put forward proposals; hence the need for the GCF to support countries to move from the readiness phase to the results-based actions phase.

(In 2013, under the UNFCCC meeting of the Parties in Warsaw, Poland, Parties adopted 7 decisions for REDD-plus which are referred to as the 'Warsaw Framework' for REDD-plus).

In summing up the discussion during an informal meeting of the Board prior to the official Board meeting, the Board Co-Chair **Zaheer Fakir (South Africa)** said the discussion noted that there are good experiences and practices from other funds and there is need to ensure complementarity and coherence with REDD-plus funding sources, follow best practice approaches and lessons learnt building on standards and existing initiatives with decisions taken under the UNFCCC.

He said the discussion helped clarify the proposed approach by GCF to accommodate all REDD-plus phases and the need for a clear signal on building on the Warsaw Framework. He added that there was overall agreement on the need for financing of REDD-plus implementation at different stages.

He also noted that support was expressed for the GCF to explore key technical issues and modalities in the process of developing RFPs for results-based payment and consideration of the initial modalities which could start at the 16th board meeting.

Fakir also said that the discussion highlighted the potential value of considering REDD-plus financing in the broader context of the architecture of the GCF and climate finance that is firmly anchored in national strategy and how GCF could finance all phases of REDD-plus and not only the results-based payment. He also noted that there was a strong urge for the Board to consider an indigenous peoples policy and a clear timeline for developing the modalities and the request for the GCF to develop further guidance on how its environmental and social safeguards could incorporate the Cancun safeguards taking into account non-carbon benefits (of forests).

(In 2010, the UNFCCC meeting of Parties in Cancun, Mexico, adopted a decision on safeguards for REDD-plus in relation to results-based payments).

Highlighted below are some exchanges on the REDD-plus issue in the Board.

Tosi Mpanu Mpanu (Democratic Republic of Congo) said that a majority of emissions in his country is due to deforestation and REDD-plus will definitely have a transformational role to play there.

"Whatever we undertake here must align with what has been accomplished," referring to the three-phase approach and cautioned that the two-track approach may create confusion in the mind of project proponents. However, he said he could support the two-track approach if the view was that it can gather strong momentum for projects to take place. He said his constituency (the African region) has specific concerns regarding non-carbon benefits but said that this discussion has yet to be resolved.

Mpanu Mpanu preferred to have an early decision to cope with submissions for proposals and hoped that the Board will be in a good position to adopt the modalities in early 2017 to facilitate pre-2020 actions and the implementation of the Paris Agreement.

He noted the need for clarity with experts on the use of the terms results-based payments and results-based finance and to ensure consistency with the decisions of the UNFCCC Conference of Parties. He stressed that there should be no new conditions imposed for accessing REDD-plus finance.

Diann Black-Layne (Antigua and Barbuda) said that small island states got some REDD-plus financing amounting to a mere US$600,000 but the cost of development of REDD-plus itself was US$2.5mil. She said that it was important to note the time incurred and "even if you have great results there is no guarantee of payment."

Nagmeldin Goutbi ElHassan (Sudan) supported the two-track approach and regarded it as more of a process issue and would like the Board to make a decision (on the operational framework) by 2017.

Ayman Shasly (Saudi Arabia) said GCF needs to send signals that it wants to do things differently and show a leadership role. He stressed that the 1.5°C limit in temperature rise cannot be achieved "without doing a lot of work in REDD-plus. So we need to be ready ... don't be reactive but proactive. Reach out to those potential countries ... don't wait for them to come to you," he added. He said the decision should make reference for simplified process for the RFP.

Supporting Shasly, **Colin Young (Belize)** said the leadership has to come from the Board, warning that 'we are in a position that we could lose opportunity to mitigate deforestation given the upward (deforestation) trajectory in the last 10 years'. "I heard about using the standards developed by others funds. Those have largely been ineffective in terms of significant mitigation efforts but I hope the GCF will be a different kind of fund. The GCF should have greater appetite (for risks), he added.

Young stressed that REDD-plus has to be looked at with a different lens as it does not fit into the typical investment projects. He also cautioned against the use of the term results-based finance and called for consistency with UNFCCC COP decisions.

Richard Muyungi (Tanzania) said the GCF should consider supporting countries in phase one and phase two but phase three would be about what the countries can do in terms of results-based actions.

Raul Delgado (Mexico) said the right approach is to follow the modalities, principles and guidelines set by the UNFCCC. On access modalities, he believed that the GCF strategies should be flexible to allow countries to receive funding through NDAs/focal points and accredited entities.

Henrik Harboe (Norway) said expectations for REDD-plus is high and the potential is huge if the GCF could support it effectively. The starting point, he said, is the Warsaw Framework and GCF decisions but the Board also needs to look beyond to be ambitious.

Harboe said that there were good experiences that we can build on including issues of safeguards and projects which should be firmly anchored in green economic growth strategies. REDD-plus strategies should be transformative, he added.

He did not see the logic with the two-track approach as all concerns including milestones can be accommodated in the phased-approach of the Warsaw Framework. He urged for an ambitious timeline for results-based payment to be operationalised as well as for stakeholder consultations.

Sally Truong (Australia) supported the development of full operational modalities and wanted the GCF REDD-plus financing to show complementarity (with other funds). She said the two-track approach will send a clear signal that GCF is ready to support a broad range of proposals.

Leonardo Martinez-Diaz (United States) said supporting the two-track approach and results-based finance seems like the sensible way to go.

Karsten Sach (Germany) said a full operational framework is needed to enable the GCF to play a strong role in REDD-plus but that would take time to learn lessons including those existing international mechanisms outside of the UNFCCC.

He said GCF needs to clarity on the methodological approaches and said that they should be based on existing frameworks such as the World Bank's Forest Carbon Partnership Facility and UN-REDD. He said the Cancun Safeguards will need to be assured and double-funding should be avoided.

Anton Hilber (Switzerland) said complementarity was extremely important as there are a lot of actors out there, noting that work has been done in many countries that are ready with independent monitoring.

Andrea Ledward (United Kingdom) would like the GCF to be the gold standard in terms of social and fiduciary issues and urged for wide consultation particularly with the NDAs and civil society organisations. She said GCF does not operate in isolation and it should complement and build on existing standards of other mechanisms.

The active observer representative for southern civil society organisations,**Kimaren Riamit of the Indigenous Livelihood Enhancement Partners (Kenya)** said that although the Warsaw Framework was referenced in the decision, crucial components such as the recognition of non-carbon benefits and community-based monitoring were not considered. He called on the Board to mandate the Secretariat to develop further guidance on the matter.

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GCF encourages countries to submit proposals to access technologies

Delhi, 27 October (Indrajit Bose) — The Green Climate Fund (GCF) at its 14th meeting in Songdo, South Korea, in a decision adopted by the Board to facilitate access to environmentally sound technologies (ESTs), encouraged developing countries to submit proposals in this regard.

This was the first time that the Board at its meeting held from 12-14 November, discussed the issue of support for facilitating technology development and transfer.

In the decision adopted, the Board acknowledged *"that current GCF modalities enable support for technology development and transfer, including for facilitating access to ESTs and for collaborative research and development."*

The Board encouraged "*national designated authorities and focal points to access readiness support directly, or to collaborate with readiness delivery partners and accredited entities to submit readiness requests, concept notes, funding proposals and Project Preparation Facility proposals that will facilitate access to ESTs, consistent with a country-driven approach and will encourage the involvement of relevant stakeholders, including vulnerable groups and addressing gender aspects."*

On support for collaborative research and development in developing countries, the Board requested the Secretariat *"to prepare a document for consideration by the Board at its 17th meeting identifying concrete options on how the GCF can support collaborative research and development in developing countries."*

The Board also decided to *"continue enhancing cooperation and coherence of engagement"* with the UN Framework Convention on Climate Change (UNFCCC) Convention's Technology Mechanism, comprised of the Technology Executive Committee (TEC) and the Climate Technology Centre and Network (CTCN).

To this end, the Board requested the Secretariat to *"provide recommendations on further steps to enhance this cooperation and coherence by the 17th meeting of the Board".*

In the decision adopted, the also Board encouraged *"national designated authorities/focal points to coordinate with the CTCN's national designated entities in order to enhance cooperation."*

The Board also acknowledged "*that guidance, rules, modalities (referenced above) and procedures that are to be developed to implement the Paris Agreement may require later consideration by the Board, in line with guidance received from the Conference of the Parties to the UNFCCC or the Conference of the Parties serving as the meeting of the Parties to the Paris Agreement (CMA) once the Paris Agreement enters into force, consistent with Article 10, paragraph 5, of the Paris Agreement."*

(Article 10.5 of the Paris Agreement reads:*Accelerating, encouraging and enabling innovation is critical for an effective, long-term global response to climate change and promoting economic growth and sustainable development. Such effort shall be, as appropriate, supported, including by the Technology Mechanism and, through financial means, by the Financial Mechanism of the Convention, for collaborative approaches to research and development, and facilitating access to technology, in particular for early stages of the technology cycle, to developing country Parties.)*

During the meeting, **Duduzile Nhlengethwa-Masina (Swaziland),** chair of the TEC, and Spencer Thomas (Grenada), chair of the CTCN, addressed the GCF Board members and outlined their expectations on how the GCF and the Technology Mechanism could further collaborate to yield better results to support facilitating access to environmentally sound technologies and for collaborative research and development.

Nhlengethwa-Masina said she saw opportunities for collaboration in the area of Technology Needs Assessment (TNAs), which are a set of country-driven activities to identify priorities for mitigation and adaptation and which are prepared by national governments. "More than half of the TNAs have identified linkages between the TNAs and other national and multilateral processes, which means the TNAs are not a standalone activity. One of the barriers reported in the TNAs is economic and financial, which is where the GCF comes in; and technical, which is where the Technology Mechanism comes in. This is where the financial and technology mechanisms have a crucial role to play," said Nhlengethwa-Masina.

Nhlengethwa-Masina also said that current GCF modalities enable support for facilitating access to ESTs and for collaborative RD&D (research development and deployment). "TEC will work on RD&D and innovation in 2017. TEC stands ready to support GCF's work in the context of its planned activities on R&D, if invited to do so," she said.

She added that countries should be encouraged to use the GCF's Project Preparation Facility (PPF) to prepare technology projects and this should also be done in collaboration with the Technology Mechanism.

(The GCF Board has established a facility for the preparation of project proposals called the PPF. The PPF can provide funding to entities of up to 10 per cent of the requested GCF funding sought, with a maximum of USD 1.5 million for any single proposal. Under the PPF, accredited entities, especially direct access entities and micro-to-small size category projects, can seek funding for project preparation.)

Thomas, the Chair of the CTCN said technical assistance is the flagship product of the Centre, where there are a lot of country requests for technical assistance. "It could be linked directly to GCF readiness and PPF." He supported the direct intervention of the GCF and CTCN in this area.

He also said that another area where collaboration between the Financial Mechanism and the Technology Mechanism could be furthered is to increase cooperation between the National Designated Authorities (NDAs) of the GCF, and the National Designated Entities (NDEs) of the CTCN.

(NDAs are national agencies, which serve as focal point designations for the GCF; NDEs serve as entities for climate

technology action and are focal points for interacting with the CTCN.)

There was overwhelming support for this suggestion by the GCF Board members.

Thomas also said that the CTCN looked forward to concrete engagement in the area of research and development. "We are encouraged with progress on finance. We will be able to assist as we go forward. Resources should be going to countries themselves. CTCN will ensure what whatever support it receives will go to the countries," said Thomas.

Some developing country Board members expressed disappointment that their proposals did not figure in the decision adopted by the Board.

For instance, **Jorge Ferrer Rodriguez (Cuba),** supported by **Omar El Arini (Egypt)** had mentioned about learning from other institutions' experiences and for expediting the adoption of the technology indicator under the GCF's performance measurement framework. Since these were not reflected in the decision proposed for adoption, Rodriguez and El Arini requested that their observations be recorded in the report of the meeting.

Below are some highlights of exchanges that took place among Board members.

Jorge Ferrer-Rodriguez (Cuba) said that the GCF need not cooperate only with bodies under the UNFCCC, but also benefit from the experiences of other bodies, and avoid duplication. "A technology bank for the Least Developed Countries (LDCs) was created under the Sustainable Development Goals agenda. Besides that there are other institutions such as International Renewable Energy Agency, FAO (Food and Agriculture Organisation) etc, whom I think we can work with and benefit from their knowledge and experience," said Rodriguez. He also said that the adoption of an indicator for technology under the performance indicator framework was long pending and that needs to be finalized.

Omar El Arini (Egypt) stressed that there is a need to "forge a formal relationship if we are serious about disseminating technology". "In the Governing Instrument of the GCF, we introduced the term paradigm shift and so far there is neither a 'paradigm' nor a 'shift'. We are seeing run of the mill projects, and I do not think this will take us far. We need to have a formalized relationship and this decision should have a paragraph to formalize the relationship with (the relevant) bodies concerned," said Arini.

He also said that research and development had been a sticking issue since it was introduced in the "international vernacular". "Technologies are primarily developed in the North. Very few technologies are developed in the South. Technology fit for use in Finland cannot be readily transferred to Egypt for many reasons. I would support money for research and development to begin with and for the adoption and adaptation of the technology," stressed El Arini further.

Regarding the PPF, he said, "We have not forgotten about it. We do not know what to do with it. Should the money go to the Accredited Entities? Should some of the money go to the CTCN? We have (technology) centres spread all over. I think we have a window of opportunity to examine these avenues of cooperation and the Secretariat has a very important role to play through the readiness programme."

In this regard, he also said that they should establish a relationship with the thematic

bodies of the Convention and with other bodies outside the Convention.

Ali'Ioaiga Feturi Elisaia (Samoa) said that Small Island Developing States (SIDS) and other developing countries lack access to technology. He added that besides financial and institutional capacity constraints, the SIDS' biggest constraint is in the area of technology. He added that with the entry into force of the Paris Agreement on 4 November, developing countries are looking for financial support for technology transfer to help implement their nationally determined contributions (NDCs) and developing countries have been looking for a long time to link the UNFCCC Technology Mechanism to the Financial Mechanism. The decision is a good first step to make the linkage, he said.

Kamal uddin Ahmed (Bangladesh) said the intellectual property rights (IPR) issue had not been resolved under the UNFCCC and collaborative research and development is one of the ways to promote technology access to countries. The GCF should initiate and acquire existing technologies and research and development should be there for technology assessment, requirement and transfer to these countries, he said.

Andrea Ledward (UK) said access and collaborative research and development were being treated as two separate elements, which she was not in favour of. For Ledward, the term technology development and transfer encompassed the research and development component as well.

"The language is reflected in Article 10 of the Paris Agreement and the Governing Instrument of the GCF. We support coherence and diffusion of climate related technologies and we want to see complementary relations between the GCF and the arms of the Technology Mechanism. Cooperation in the country level is key to doing this," said Ledward.

Lars Roth (Sweden) said crafting activities for future collaboration, would be of great importance to provide a clear division of labour for the GCF, the GEF and the CTCN to avoid duplication of effort and mandate.

Cyril Rosseau (France) said to achieve the ambition of the Paris Agreement, the key is to facilitate access to most efficient technologies. "GCF needs to support projects. We support this decision. We support enhancing cooperation with the Technology Mechanism. We need to move to concrete proposals. There are a number of projects with technology development and transfer component and it would be useful to take into account those while considering options on how the GCF can support collaborative research and development," said Rosseau.

Leonardo Diaz-Martinez (US) said GCF financing in the two areas of business incubation and start-up financing were welcome. "We think that the GCF considering activities like strengthening national innovation systems and supporting business incubation and financial support for viable new technologies to be deployed in developing countries are the way to go. It is fully in line with the mandate of the GCF and the GCF should be willing to take risks, especially where the private sector is not willing to go and invest in very early stage ventures," said Diaz-Martinez.

He also supported capacity building for developing countries to enhance endogenous capacities related to climate technologies and cautioned against the GCF becoming duplicative of other institutions such as the CTCN.

He also said that there are two areas where the GCF should not go. "One of them is direct financing for research and development. It will take funding away from more immediate needs such as needs to implement the NDCs. A second area we would not support is financing research centres or networks that focus on basic research and not applied research. The reason is these are replicative of other existing technology initiatives, such as the technology facilitation mechanism, the LDC technology bank, CTCN, mission innovation and other bilateral research network," said Diaz-Martinez.

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GCF Board approves funding proposals worth USD 315 million

19 December, Apia (Indrajit Bose) — The Board of the Green Climate Fund (GCF) which is under the UN Framework Convention on Climate Change (UNFCCC), approved with conditions, 8 projects worth USD 315.2 million, at its 15th meeting held in Apia, Samoa, from 13-15 December.

With the latest set of approvals, the total that the GCF Board has approved for funding proposals this year amounts to around USD 1.3 billion.

The Board also elected **Ayman Shashly (Saudi Arabia)** as its new Co-chair from the developing country constituency for 2017, while **Ewen McDonald (Australia)** will continue as the co-chair from the developed country constituency for 2017.

The Board also accredited seven new entities to access the GCF Funds. (Access to the Fund's resources is managed through national, regional and international entities and intermediaries that have been accredited by the Board.)

There were also some contentious issues such as a Bangladesh project submitted by the United Nations Development Programmes (UNDP), the terms of reference for the selection of the permanent trustee of the GCF and the issue of a simplified process for the approval of proposals.

On the funding proposals, the Board approved the following projects:

- USD 133 million for 'Catalyzing Private Investment in Sustainable Energy' in Argentina with the Inter-American Development Bank (IDB) as the accredited entity (AE);
- USD 17 million for the 'Pacific Islands Renewable Energy Investment Programme' with the Asia Development Bank (ADB), as the AE;
- USD 28.2 million for 'Accelerating the Transformational Shift to a Low-Carbon Economy' in Mauritius with the UNDP as the AE;
- USD 20 million for the 'Business Loan Programme for GHG (greenhouse gases) Emissions Reduction' in Mongolia with XacBank as the AE;
- USD 57.7 million for 'Integrated Flood Management to Enhance Climate Resilience of the Vaisigano River Catchment' in Samoa with UNDP as the AE;
- USD 12.2 million for 'SCF Capital Solutions' in South Africa with the Development Bank of South Africa (DBSA) as the AE;
- USD 24.1 million for 'Building Resilient Communities, Wetlands Ecosystems and Associated Catchments' in Uganda with UNDP as the AE;
- USD 23 million for 'Climate Information Services for Resilient Development' in Vanuatu with the Secretariat of the Pacific Regional

Environmental Programme (SPREP) as the AE.

The Board considered and approved every project on its individual merit, departing from its previous practice of approving projects as a package.

A project from Bangladesh submitted by the UNDP proved contentious, as the Board could not agree on the project, titled 'Enhancing Women and Girls Adaptive Capacity to Climate Change'. There were several disagreements among the Board members on the project, with developed country Board members questioning the "climate" component of the project.

Following initial discussions among the Board members, UNDP withdrew the project from being considered for funding. According to sources, 'pressure' was put on the entity to do so. The GCF Secretariat told members that it was informed that UNDP wished to undertake further work using the technical expertise of the Bangladesh government and collect more data and wished to bring back the project to the Board for its consideration at its next meeting.

The Board also had a rich exchange of views on policy issues related to funding proposals. (Separate articles on the Bangladesh project and policy discussions on funding proposals will follow).

Besides approving the projects, the Board accredited the following seven entities: Central American Bank for Economic Integration (CABEI); Foreign Economic Cooperation Office (FECO) of the Ministry of Environmental Protection of China; Fundación Avina (Fundación Avina); Korea Development Bank (KDB); PT Sarana Multi Infrastruktur (PT SMI) from Indonesia; Société de Promotion et de Participation pour la Coopération Economique (PROPARCO) of France; World Wildlife Fund, Inc.

In the relation to the programme on 'Readiness and Preparatory support', the Board decided that up to an additional USD 50 million would be made available.

(The Governing Instrument [GI] provides that the "*Fund will provide resources for readiness and preparatory activities and technical assistance, such as the preparation or strengthening of low-emission development strategies or plans, NAMAs (nationally appropriate mitigation actions), NAPs (national adaptation plans), NAPAs (national adaptation plans of action) and for in-country institutional strengthening, including the strengthening of capacities for country coordination and to meet fiduciary principles and standards and environmental and social safeguards, in order to enable countries to directly access the Fund".*)

The Board also adopted a decision regarding the policy on indigenous peoples. In the decision adopted, the Board requested the Secretariat to prepare a fund-wide indigenous peoples' policy, which it would consider at its 17th meeting in 2017. The Board also invited submissions from members/alternate members and observer organisations in relation to the development of the policy by the 16th meeting of the Board, scheduled in April 2017.

Selection of permanent trustee

The issue of the terms of reference for the selection of permanent trustee became a contentious issue during the meeting.

(The current interim trustee of the GCF is the World Bank. In 2011, the Conference of Parties to the UNFCCC invited the Board of the GCF to select a trustee through an open, transparent and competitive

process. Consequently, the Board in 2014, agreed that the process to appoint the permanent trustee should be concluded no later than the end of 2017, so that the trustee can start its contractual agreement with GCF no later than April 2018.)

Co-chair McDonald said that the draft decision for the Board's consideration did not propose the selection process but asked the Co-chairs to develop a decision-making process for the selection. The work would be delivered at the next meeting of the Board (the 16th meeting) and a decision would be taken on a process going forward.

Mikio Mori, the Board member from **Japan** raised what he termed a "practical issue" faced by "some donors including Japan". He said that according to the Japanese legal structure, when a substantial sum of money is contributed to a fund, it has to be via established financial institutions and this also applies to GCF. He added that Japan is respectful of the requirement that the permanent trustee should be decided through an open and transparent bidding process, and proposed additions to the draft decision to reflect that the trustee selection criteria should ensure that donors maintain the ability to continue to contribute to the GCF, and that the assets of the GCF benefit from international privileges and immunities.

Ayman Shashly (Saudi Arabia) wanted to understand Japan's concern and sought clarification on whether its proposal would amount to contributors making their contribution subject to a trustee of their satisfaction. He reminded the Board members that according to the initial resource mobilization policy of the GCF, members had agreed that there would be no conditions associated with the contributions in any way or fashion. "We reject any conditions on who is going to be the trustee," emphasised Shashly.

Omar El Arini (Egypt) said he that he understood Japan's concerns but that he did not see any nexus between the additions it proposed to the draft decision and the terms of reference for the selection of a permanent trustee. "This could be in the announcement made because when you invite bids, you state the qualifications," said Arini.

Anton Hilber (Switzerland) and **Karsten Sach (Germany)** clarified that the matter was not about conditional contributions but about stating the difficulties in generating the contributions.

Jorge Ferrer Rodriguez (Cuba) added that it was a process decision and that substantive discussions should happen after the terms of reference are prepared. He added that he was unwilling to accept any restrictions or conditions imposed by contributors on the selection of the permanent trustee.

Mori in response stressed again that there was no other way Japan could contribute to the GCF if the permanent trustee was not an international financial institution. He suggested that the Board could proceed with an open and transparent procurement process but the outcome of the process should lead to an organization which would enable Japan to make its contribution.

Shashly responded that members were pre-judging the process. "We are going ahead of ourselves. Let us keep the decision simple. Let us get the bidders. Then we can decide based on the contributors' legislative requirements," he added.

In the decision that was finally adopted, the Board requested the Secretariat to

submit to the Board by its 16th meeting, detailed terms of reference for the selection of the permanent trustee and a detailed plan for the competitive procedure for its selection. Reflecting the discussions, the Board also requested the Secretariat that in developing the terms of reference, the Secretariat should take into account: "the need for the assets of the GCF to be covered by the appropriate privileges and immunities"; and "the legal and institutional requirements of the contributors."

Simplified approval process

Another issue that became contentious was the operational guidelines for the simplified proposal approval process. Departing from the usual practice, no document on the issue was presented to the Board for its consideration of the matter.

Co-chair Zaheer Fakir (South Africa) entrusted **Nagmeldin Goutbi Elhassan (Sudan) and Juha Pyykkö (Finland)** with the task of continuing with consultations on the issue.

However, the Board could not adopt the guidelines at the meeting due to a lack of consensus. Reporting on the consultations, Elhassan said time was not enough to reach a draft decision and the agreement (in the consultations) was that they continue with the consultations among Board members.

Responding on the report back by Elhassan, **Ali'ioaiga Feturi Elisaia (Samoa)** said that the matter had been an ongoing issue for a long time and that it was difficult for him to comprehend the difficulties (in reaching a decision). He stressed that the GI of the GCF required that there be a simplified approval process. "We do not want some of our countries or constituency (members) to not be able to access funding," he stressed further.

(Clause 53 of the GI provides that "…*The Board will develop simplified processes for the approval of proposals for certain activities, in particular small-scale activities.*)

Elisaia further added that the Board, at its 13th meeting, had requested the Secretariat to prepare guidelines. "That is absent. No document has been presented to the Board. When we were asked to provide inputs, we provided those in time. My constituency has been waiting patiently and faithfully. We hope the Board is not being selective when it comes to this and just because this is a simplified approvals process. We need to think outside of our comfort zone to arrive at a decision that is opportune for everybody," said Elisaia and stressed that it was of great concern that the Board could not agree on a simplified approvals process.

Diann Black-Layne (Antigua and Barbuda) also expressed her disappointment on not reaching a resolution on the matter. "When we look at the way this Fund is developing, we have to admit that there are preferences given to some type of projects, and accredited entities, and processes are made easier for them (in an apparent reference to international entities). Direct access entities have to fight harder. The fact is that when projects come from the World Bank or other development banks, Small Island Developing States do not benefit. That is why we fought for direct access. This is something that cannot be tolerated. If this continues, we cannot continue to approve projects," said Black-Layne. "If we cannot make things simpler we have to ask where are we going," added Black-Layne.

Fakir suggested consultations continue on the issue, and that the Co-Chairs present this matter to the Board at the 16th Board meeting, recognizing that this was an urgent matter to be dealt with.

Besides these matters, the other decisions adopted by the Board include: the terms of reference for the review of the financial terms and conditions of the GCF's financial instruments; the terms of reference of the review of the structure and effectiveness of the independent Technical Advisory Panel; approval of the work plan and budget of the Independent Redress Mechanism Unit for 2017; and approval of the work plan and budget of the Independent Integrity Unit for 2017.

The 16th meeting of the Board will be held from 4-6 April 2017 at the GCF headquarters in Songdo, Korea.

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Debate in GCF Board over funding development and climate-change projects

20 December, Apia (Indrajit Bose)- The Board of the Green Climate Fund (GCF) during its 15th meeting in Apia, Samoa, from 13-15 December could not agree on an adaptation project from Bangladesh.

The crux of the debate and disagreement was whether the project was a development or a climate change project. Developed country Board members viewed the project more as a development rather than a climate change project, and raised questions about the project's climate change component.

The Board approved 8 projects worth USD 315 million during the meeting but the Bangladesh project was not one of them.

The United Nations Development Programme (UNDP) submitted the project, titled 'Enhancing Women and Girls' Adaptive Capacity to Climate Change' in Bangladesh, and requested GCF grant funding of USD 67.22 million. The Bangladesh government intended to co-finance the project with USD 7.8 million.

According to the proposal, the Bangladesh Ministry of Women and Child Affairs (MoWCA) would have been the executing entity of the project for its duration of 6 years.

According to the funding proposal for the Board's consideration, the project was structured along three components: the expansion of climate resilient drinking water supply benefiting 1.27 million people directly and 3 million indirectly; support for the adaptive livelihoods of women and adolescent girls through direct cash transfers benefiting 40,000 women and 17,000 adolescent girls from income support and livelihood diversification; and strengthening the institutional capacity within MoWCA to monitor, evaluate and report on adaptive social protection.

When the GCF's Independent Technical Advisory Panel (ITAP) had carried out its assessment of the project, it had recommended approving the project on the condition that the accredited entity would present a revised water system model and a harmonized approach to cash transfer allocations. This effectively meant overhauling the entire project proposal.

The ITAP raised what it called "technical and practical" issues while presenting the project to the Board. These included issues largely around lack of clarity on supply of water to the beneficiaries, maintenance and management of the facilities, capacity of the MoWCA to manage the water systems and cash transfers.

On cash transfers, the ITAP representative said to the Board, "We understand the cash transfers have been very effective in Bangladesh, especially for development issues. However, we would like to see that these cash transfers are effective for ensuring adaptive livelihoods. We are speaking about climate change here. So we want to see the rationale for using cash transfers to make them more resilient to climate change."

Board members were divided in their responses to the funding proposal. Several developed country Board members said that it was an important "development" project and that the GCF should prioritize and fund only climate change related projects. They were also against the cash transfer component of the project.

Henrik Harboe (Norway) said, "What I see here is climate change has deteriorated the state of women and children. It is a very important development project but not a climate project. Many large development institutions can finance such projects. But we are a Fund dedicated completely for climate change. I need to be convinced that this is a good climate project and that the GCF is the right source. It would be good to know what other sources have been tried to be reached for financing this project," said Harboe.

Several Board members from developed countries echoed similar concerns as Harboe.

Leonardo Martinez-Diaz (US) said the project had two components: water and livelihoods. He said that the water part was closely associated with climate change, but he was concerned about the sustainability and maintenance of the water tanks. He said the second part of women and girls' livelihood opened an important question. "Is a development project or a livelihoods project in a vulnerable area automatically a climate project by virtue of it happening in a vulnerable area? he asked.

He said further that this was an important question which was not easy to answer. He added further that the reality was that the GCF had limited resources and that the connection between livelihoods and climate change is more difficult to sustain. "Clearly these livelihoods may help these women and girls have higher incomes overtime, but we think it is better addressed by agencies that are focused on this kind of work over time," said Martinez-Diaz. "The question", he added "is whether this Fund will finance development and poverty reduction as a general matter in vulnerable areas." His view was that "this is pushing it too far."

He added that he would welcome the GCF to fund the climate component and other partners could fund the more development-oriented elements of the project and find synergies between them.

Many developing country Board members on the other hand were supportive of the project and recommended that the project be approved with conditions. Board members from **Cuba, Democratic Republic of Congo (DRC), Burkina Faso, Tanzania** supported the project, with conditions. (See further details below).

Ayman Shashly (Saudi Arabia) said that the development-climate discourse was not a strong argument, adding that in the climate negotiations in Paris last year, Parties to the UNFCCC could not even agree to a definition of what is climate finance. He asked therefore how one could draw a distinction between climate finance and development finance.

Shashly also said that the Board was there to support the development of countries in terms of their adaptability to the impacts of climate change. "We are talking about Bangladesh. We are talking about perhaps the most vulnerable country (in the world). We are talking about a least developed country. We are talking about women and gender. If you are not happy about cash transfers, well every country has a structure to deal with their issues. To change structural behaviour for the long

term you perhaps need cash transfers. Is this not a paradigm shift from what other businesses are doing? I just cannot understand. The project speaks to the heart of the UNFCCC and what we are doing here," lamented Shashly.

Following these exchanges, Co-chair **Zaheer Fakir (South Africa)** said that when in doubt, the Co-chairs refer to the Governing Instrument (GI) of the GCF.

He read out paragraph 2 of the GI, which says, "*In the context of sustainable development, the Fund will promote the paradigm shift towards low-emission and climate-resilient development pathways by providing support to developing countries to limit or reduce their greenhouse gas emissions and to adapt to the impacts of climate change, taking into account the needs of those developing countries particularly vulnerable to the adverse effects of climate change*."

Fakir also said that the GI is the acid test to determine whether a project meets the criteria of the Fund. He also said that how much is climate related is debatable but that it was not for the Co-chairs to make that decision.

After further informal consultations when the decision on funding proposals came up to the Board on 15 Dec., the Bangladesh project was not on the list of projects to be approved.

UNDP withdrew the project from being considered for funding, following the initial discussions among Board members. According to sources, 'pressure' was put on the entity to do so.

On 15 Dec, the GCF Secretariat told members that it was informed that UNDP wished to undertake further work using the technical expertise of the Bangladesh government and collect more data and wished to bring back the project to the Board for its consideration at its next meeting.

Following this, **Kamaluddin Ahmed,** Board member from **Bangladesh** asked if the GCF had received any communication from the National Designated Authority (NDA) "It undermines country ownership if the NDA has not come forward to communicate this," he said.

Ahmed was asked by **Co-Chair Ewen McDonald (Australia)** to speak to the accredited entity regarding this.

Highlights of exchanges

Jorge Ferrer Rodriguez (Cuba) agreed that the project needs improvement but also added that the Board had not approved any project in the form it came to the Board. Projects have been approved with conditions, he said. He also said that there is an interrelationship between sustainable development and climate change, and added that the Intergovernmental Panel on Climate Change (IPCC) clearly stated the relationship between the two. He said in relation to the issue about the sustainability of the project, he had not seen any project to be sustainable. He stressed that Bangladesh needs the project and recommended that it be approved with conditions.

Tosi Mpanu Mpanu (DRC) said he supported the project as it reflected country driven-ness. "The government is showing co-financing by being part of the project. It seems 47 million people are affected with saline water intrusion and this is an effect of runaway climate change. This project is about climate change in many ways. It will have a major effect on livelihoods of millions of people and we should support it", he added.

Mamadou Honadia (Burkina Faso) also supported the project for two reasons: that there would be safe water supply to millions of people and that there was a gender component. He also said he would like the project proponent to address further on how the private sector could contribute to the replicability and sustainability of the project.

Richard Muyungi (Tanzania) said there could be weaknesses in the project but the overall objective and thrust of the project was very clear that this is where the Board should go in terms of investing its Funds.

Azimuddin bin Bahar (Malaysia) expressed support to the project by stressing that it was an adaptation project and added that the maintenance and the sustainability aspects that were raised by the ITAP were important considerations.

Caroline Lecrec (Canada) said there were fundamental flaws with the project. She said she was not clear of the link between the water component and increased resilience of women. She also said that "the proposal made a generic rationale around how this constitutes climate change and once you start scratching at the links between lack of access to water for 95 per cent of the population and climate change…I find myself a bit skeptical…the proposed activities should lead to a climate change benefit as a primary objective, not as a secondary objective."

Lecrec said that she did not like the tension that members were faced with between sustainable development and climate change. She said that two should go together and there should be no tension. "This Fund should support projects with climate change as a primary objective, not as a secondary objective, she reiterated.

Karsten Sach (Germany) questioned the climate change objective of the project. "We (referring to the GCF) will go into replenishment (of resources) in one or two years," said Sach. "If we argue that we are the same as the other Funds, we will be lost…We need to be succinct in what this Fund ought to be funding," he said. He added further that he had serious doubts about the conceptual issues as well as technical issues of the project.

Kate Hughes (UK) said she was concerned with the possible duplication with other programmes in the areas (of the project) and there was no mention of a national resilience programme jointly run by UNDP, UN Women and others. She also asked whether the MoWCA was the appropriate agency that had the capacity to manage the water component of the programme and why the Water Ministry was not involved. She also expressed concerns about the technical feasibility of the project.

Speaking for the Civil Society Organizations' (CSOs), **Lidy Nacpil,** who is an active observer on the Board and from the **Asian Peoples' Movement on Debt and Development** said that the CSOs were very much concerned that questions were being raised whether the project submitted is a climate project or a development project.

"We believe it is unrealistic and artificial to strictly separate and dichotomize sustainable development programmes and climate programmes. Listening to the points by Board members who are not convinced this is an adaptation project, we urge the GCF Board to come out with a paper that explains more clearly what it considers as adaptation," said Nacpil.

Nacpil also said that the CSOs supported the project and recognized that the project

needs improvements. “We note that many of the GCF projects that have been considered and approved thus far, also need improvements. We find it difficult to understand why many of the Board members are being especially hard on this one,” she added further.

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GCF Board discuss policy issues on funding proposals

Delhi, 21 December (Indrajit Bose) — Several crucial policy matters in relation to funding proposals, aimed at enhancing their quality were discussed by the Board of the Green Climate Fund at its 15th meeting held recently from 13-15 December in Apia, Samoa,

The discussions focused on aspects such as simplifying policies of the GCF, what is meant by proposals which are cross-cutting, the need to step up proposals from direct access (DA) entities, the number of grant-projects coming to the GCF for approval as well as projects involving the private sector for adaptation projects.

The Board also discussed the conditional approval of projects and whether this was an appropriate practice for the GCF to continue.

Some developing country Board members also expressed that any concessionality given to the funds provided by the GCF should benefit the project and not the accredited entities.

Another common concern of all the Board members was in relation to the Funded Activity Agreement (FAA), which the GCF is supposed to sign with an accredited entity before funds are disbursed to a project. The Secretariat informed the Board that only one FAA has been signed thus far.

Jorge Ferrer Rodriguez (Cuba) stressed that a lot of people were complaining, including the Secretariat, that the policies of the GCF were very complex and extensive. He suggested that in one of the forthcoming meetings, the Secretariat should bring a document comparing GCF policies with other climate change funding institutions' policies. He called for simplification of templates.

He was also concerned that only one FAA had been signed and wanted to know why. He called on the Secretariat to review the type of agreements that other Funds were using to build relationships with their accredited entities and suggested that long and complex legal drafts should be avoided.

Rodriguez also said that the imbalances in the pipeline of projects between international and DA entities needed to be corrected. He called for a decision on the matter and said that if no decision was taken on the issue, this matter would lag behind again as the issue has been discussed at several Board meetings.

He added that several projects were being presented with very long periods of implementation running into 22 years in some cases. "That means freezing millions of dollars for years. We want to see a condition to ensure that the concessionality of the Fund goes to the real destination, which is the underlying projects," he said, adding that it should be a standard condition for all the projects.

Omar El Arini (Egypt) expressed unhappiness with the conditions imposed by the Board when approving projects, and said that he had repeatedly asked the Secretariat and the Independent Technical Advisory Panel (ITAP) to identify issues while reviewing projects that require

policy decisions to be taken by the Board. "It does not make sense to have conditions and no mechanism to follow up on the implementation of the conditions," he said further.

Ayman Shashly (Saudi Arabia) said that he was not comfortable with projects that are referred to as "cross-cutting" (covering both mitigation and mitigation) since this was a grey area. He said that even if a project only had a 7 per cent adaptation component and the rest mitigation, the project was classified as "cross-cutting". He recommended that projects should be simply classed as either mitigation or adaptation.

Tosi Mpanu Mpnau (Democratic Republic of Congo) saidof the 29 proposals in the pipeline that would come to the Board in the next 12 months, 25 were from international access entities. "Only 4 are presented by DA entities. On the contrary, 17 remaining proposals to be presented in more than 12 months will be from DA entities. The Secretariat should communicate with National Designated Authorities (NDAs) and national focal points to nominate DA entities for accreditation and provide readiness support so that they meet the GCF standards," said Mpanu. He also expressed concern that only 1 FAA had been signed thus far and called for this to be urgently addressed.

Azimuddin bin Bahari (Malaysia) also wanted clarification on what are 'cross-cutting' projects.

Carlos Raul Delgado Aranda (Mexico) wanted to know if the Secretariat was adequately staffed to carry out the work related to the Accreditation Master Agreements (AMAs) and FAAs.

Anton Hilber (Switzerland) said there were only 2 applications to the project preparation facility (PPF) in the pipeline, and wanted an explanation of that. (The PPF is to help support developing countries in preparing their funding proposals).

May Gicquel (France) was concerned about the quality of the projects coming to the Board and said that GCF should fund paradigm-shifting and transformational projects. The GCF should prioritise projects that have a big impact on climate, she said. She also found it "surprising" that a lot of the funding proposals had very low amount of co-financing. On concessionality, she said that while the GCF should provide grants and risk mitigation for projects that the others would not do, grants were not always the right instruments.

Karsten Sach (Germany) also said that AMAs and FAAs need to be expedited. He said that while the funding proposals show variety, some deficiency was leading more and more for the provision of grants. Sach also said that there should be more proposals from DA entities and for the Board to get clearer on what it wants the accredited entities to put forward.

Sally Truong (Australia) wanted to know if the Fund could encourage private sector involvement in adaptation.

Caroline Lecrec (Canada) said she was concerned that having a portfolio of projects layered with conditions was affecting the GCF's ability to spend money. She also said that the GCF needs to raise the bar on the quality of projects and that she was anxious to see progress on FAAs.

The Secretariat in its response to Board members said that many of the problems with the legal documentation, particularly on AMAs and FAAs had been unlocked and that the Secretariat was working with the Board's Risk Management Committee on

that. The Secretariat said that the point on complexity of documents was perhaps true for some proposals, but not for all.

On the cross-cutting issue, the Secretariat said that it had asked the accredited entities to indicate the level of adaptation and mitigation components when they submit cross-cutting proposals henceforth.

On international entities versus DA entities, the Secretariat said it was trying to accelerate its own capacity. The Secretariat said that the international entities should also play a role in getting the DA entities to put forth funding proposals to the GCF. It added that the Secretariat was using readiness support for DA entities but said that the situation would get more complicated as more DA entities get accredited. The fact that DA entities are getting accredited does not mean they are ready to bring proposals to be analysed, said the Secretariat further.

The Secretariat also highlighted internal capacity issues and added that they were in the process of hiring more staff. Capacity issues at the Secretariat also had a bearing on the reason for the PPF not moving fast enough, the Secretariat said.

In relation to a project under consideration at the 15th Board meeting (the Vanuatu project, titled 'Climate Information Services for Resilient Development') that was approved, **Leo Martinez-Diaz (United States)** raised a policy concern about the GCF Funds being used for scholarships, which the proposal requested. Martinez Diaz said he was uncomfortable with the concept.

(Upon the concern raised by Martinez-Diaz, the following condition was imposed on the project: "The approval of the funding proposal shall be conditional on the inclusion in the Funded Activity Agreement of a covenant that GCF proceeds will not be used to finance scholarships.")

In this regard, **El Arini (Egypt)** added that even though the project was approved with that aforesaid condition, he suggested that there be a policy decision on this at the GCF.

The Board also decided that the policy issues would be taken up at the 16th meeting of the Board, scheduled in April 2017. In the decision on funding proposals, the Board requested "the Co-Chairs to compile a list of policy matters arising from the consideration of funding proposals at the fifteenth meeting of the Board for inclusion in the report of the meeting" and "…to present a proposal to address these matters for the Board's consideration at its sixteenth meeting".

Edited by Meena Raman

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GCF allocates additional USD 50 million for readiness programme

Delhi, 22 December (Indrajit Bose) — The Board of the Green Climate Fund (GCF) decided to allocate up to an additional USD 50 million for the execution of the Fund's Readiness and Preparatory Support programme.

The Board took this decision at its 15th Meeting held in Apia, Samoa from 13-15 December.

(Previously in 2015, the Board had approved USD 15 million for the Readiness and Preparatory Support.)

However, two issues became contentious during the Samoa meeting: (i) the amount to be allocated to the Readiness and Preparatory Support Programme, which serves as a crucial pillar for the GCF, and (ii) continued support for National Adaptation Plans (NAPS) of countries.

Some developed country Board members also proposed an evaluation of the programme before further allocation of funds.

(The Governing Instrument [GI] provides that the "Fund will provide resources for readiness and preparatory activities and technical assistance, such as the preparation or strengthening of low-emission development strategies or plans, NAMAs (nationally appropriate mitigation actions), NAPs (national adaptation plans), NAPAs (national adaptation plans of action) and for in-country institutional strengthening, including the strengthening of capacities for country coordination and to meet fiduciary principles and standards and environmental and social safeguards, in order to enable countries to directly access the Fund.)

At the Board meeting, USD 100 million was the initial amount requested by the Secretariat to be allocated to the programme. Board members, however, had different views on this.

Developed country Board members led by United States (US) and France were of the view that the amount requested was quite high. The US also suggested not providing additional resources for NAPS till further guidelines were developed. Developing country members were supportive of the amount.

(According to a decision taken at the 13th meeting of the Board, the GCF had decided "to expedite support for developing countries for the formulation of national adaptation plans…")

Leonardo Martinez-Diaz (US) said that the proposed amount of USD 100 million was a dramatic increase and it would be premature to make that increase. The US would be comfortable with an allocation of USD 30 million, Martinez-Diaz said. He also said that there should be guidelines on the GCF providing resources for readiness grants. He suggested expediting the development of guidelines for NAPS and for the Secretariat to not approve additional resources for NAPS till the guidelines were developed. He added that

the accreditation process and the readiness programme should be linked.

The US also tabled a reservation about not providing readiness resources to Eritrea, which it said should go into the report of the meeting and that the reservation was part of a legislative requirement for the US government. "The US in light of its policies concerning development projects involving countries whose governments are not addressing trafficking in persons and which do not have civilian audits of military expenditures opposes the decision to provide readiness support for Eritrea," said Martinez-Diaz.

May Gicquel (France) supported the US and said that USD 100 million seemed to be quite a large increase. She added that doubling to USD 30 million till the review's results come out seemed reasonable. She also said that if USD 30 million was not enough, one could always top this up with a new allocation.

Diann Black-Layne (Antigua and Barbuda) said that if only USD 30 million is approved, it sends a bad signal that one had to keep coming back to the Board for money on a decision that had already been approved, since the Board had already decided that readiness resources would be provided to developing countries.

"It does not send a good signal. The whole basis for providing funding under the Convention (UNFCCC) is predictability. Is it going to be there? The idea is to approve a package to get up to USD 100 million. It does not look good that as a Board we approve readiness guidelines, readiness support and then we do not support the budget for that," said Black-Layne.

She also said that for the Fund to be equitable and fair, readiness support must be provided to developing countries in order to make everyone operate at the same standard. "This is why we have very few direct access projects in the pipeline. Every meeting we complain about it. This is the time when we can do something about it," said Black-Layne.

Black-Layne also said that it was too soon to focus on the outcomes of the readiness support. She added that not a lot of money has been disbursed yet and some of the early evaluation would point to the legal barriers in accessing the readiness money. "But those legal issues such as privileges and immunities are broader issues for the Board," she said.

Regarding NAPs, she said that they should continue approval of NAPs. From earlier discussions, she said that Board could clearly identify transformational mitigation projects, but not transformational adaptation projects, although transformation is talked about. "We have USD 10 billion (for the GCF from the initial resources mobilization)… So, let us give countries the funding they need and let them decide on what the adaptation projects are. We can get guidelines from Convention bodies. We all participate in the bodies," she added further.

Referring to discussions on the Bangladesh adaptation project, which the Board members could not agree on, Black-Layne said, "Right now there is a lot of fear about adaptation projects and I am struggling with that. If you look at the pipeline of projects, they are not fairly distributed. As a Fund we said we would focus on direct access entities, including the private sector as well. In the case of many developing countries, who would like to access readiness, some have chosen to work with the United Nations Environment Programme (UNEP), United Nations Development Programme (UNDP)

etc.; some have chosen to work with direct access. According to the GI and decisions of the Board, we have made a decision that those options would be made available to recipient countries. Now let us talk about equity. Those countries who are providing financing have asked the Fund for latitude in the way they can provide funds. We have done that. In return, recipient countries would like to maintain all channels that are open to them to access resources, including going directly to the Secretariat. The function of the Secretariat is to facilitate direct access for the private sector and governments who choose that option. If we made that decision and say this is the hallmark of the Fund, we should fund it," lamented Black-Layne.

Amjad Abdulla (Maldives) said the rationale behind country ownership was key and that it was too early to see lessons learned from the readiness programme. He said that the GCF should cater to the countries' demands. He also said that USD 100 million was a conservative figure and suggested that a lot of lessons could be learned from NAPs and NAPAs (national adaptation plans of action). "Countries are submitting proposals for exactly what is there in the NAPAs. If anyone is questioning what is adaptation, it is there…It is very unfortunate to come back and question now that this is not adaptation and it is development. We should approve what is requested by the Secretariat. It is us developing countries who are requesting them. We need to see the predictability (in the availability of resources)," said Abdulla.

Tosi Mpanu Mpanu (Democratic Republic of Congo) said readiness is one area that can get countries up to speed to be able to come up with transformational projects. He said that the USD 100 million request seemed to be an adequate amount and expressed support for the amount. He added that if a commitment had been made to provide countries with readiness support there should be no pretense or excuse given to the countries that the policies of the Board had not been finalized and the Board is therefore unable to provide the resources.

Richard Muyungi (Tanzania) emphasized that the Board needs to be consistent. "We should remember that we just made a decision to support readiness activities as part of the COP guidance (referring to the UNFCCC meeting of the Conference of Parties). We cannot understand a situation within one meeting, we are thinking of reversing a decision that came from the COP guidance…The fact that there should be additional guidelines should not be the reason countries should be denied support," stressed Muyungi.

Igancio Lorenzo (Uruguay) said that it is highly probable that NAP proposals would come up in 2017 and there should be adequate support for that.

On the evaluation of the readiness programme, **Sally Truong (Australia)** said the Secretariat should focus on disbursements of readiness funds as well as to focus on monitoring and reporting and that there should be an independent evaluation of the readiness next year.

Kate Hughes (UK) added it would be valuable to understand the impact of the programme on the ground and the need to make sure that the readiness programme had the intended impact. She stressed on the importance of an independent evaluation. She also said that there should be a shift in talking from outputs to outcomes and the impact.

In this regard, the Board requested the Secretariat *"to present the results of the*

independent evaluation of the Programme to the Board no later than the last meeting in 2017, and to ensure that the results of the evaluation are taken into account when considering requests for resources for the Programme subsequent to the evaluation".

The Board also requested the Secretariat *"to present the draft terms of reference for the independent evaluation of the Programme for Board consideration at the sixteenth meeting of the Board".*

(Edited by Meena Raman)

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2017 to be year of implementation of Green Fund projects on the ground – says Board Co-chair

11 April, Delhi (Indrajit Bose) — The year 2017 will be a "year of implementation" according to Ayman Shashly (from Saudi Arabia) who is the new Co-chair of the Green Climate Fund (GCF), under the UN Framework Convention on Climate Change (UNFCCC).

The other Co-chair of the GCF is Ewen McDonald from Australia.

Shashly said that the slogan of 2017 being a year of implementation is to set an objective for the Board to see funds coming out of the GCF to approved projects for their execution on the ground. He called on the Board to work towards that objective as he opened the 16th meeting of the Board held in Songdo, South Korea, from 4-6 April.

During the meeting, the Board approved with conditions, 8 projects worth USD 755 million. The projects approved are as follows:

· USD 265 million for the 'GEEREF NeXt programme financing renewable energy and energy efficiency projects' across five regions in Africa; Latin America and the Caribbean; Middle East and North Africa; Non-European Union Eastern Europe / Central Asia; and the Pacific with the European Investment Bank (EIB) as the Accredited Entity (AE);

· USD 154.7 million for the 'Renewable Energy Financing Framework programme' in Egypt with the European Bank for Reconstruction and Development (EBRD) as the AE;

· USD 50 million for the 'Scaling up Hydropower Sector Climate Resilience project' in Tajikistan with the European Bank for Reconstruction and Development (EBRD) as the AE;

· EUR 102.7 million for the 'Simiyu Climate Resilience project' in Tanzania with KfW development bank (KfW) as the AE;

· EUR 20 million for the 'Irrigation Development and Adaptation of Irrigated Agriculture to Climate Change in Semi-arid Morocco project' with Agence Française de Développement (AfD) as the AE;

· EUR 31.97 million for the 'Saïss Water Conservation project' in Morocco with the (EBRD) as the AE;

· USD 86 million for the 'Tina River Hydropower Development project' in the Solomon Islands with the World Bank as the AE; and

· USD 34.35 million for the 'Ground Water Recharge and Solar Micro Irrigation to Ensure Food Security and Enhance Resilience in Vulnerable Tribal Areas of Odisha' in India with the National Bank for Agriculture and Rural Development (NABARD) as the AE.

The Board members were, however, divided on a project from Ethiopia, titled 'Responding to the increasing risk of drought: building gender-responsive resilience of the most vulnerable communities'. There was no consensus to approve it. This is the first time that the Board decided not to approve a project.

The Board discussion on the matter was mired in controversy over the various options the Board had in considering funding proposals. (A separate article on the Ethiopia project will follow.)

With this batch of funding approvals, the total amount of approved funding by the GCF to date stands at USD 2.2 billion to 43 projects and programmes. Prior to this meeting, the number of projects approved was 35.

Board members were informed by the Secretariat that the amount of money disbursed thus far to approved projects was however, only USD 5.5 million. According to the information provided, this was primarily due to the non-fulfillment of conditions that were imposed on the projects when they were approved by the Board, or limited progress made in legal arrangements relating to the Accreditation Master Agreements (AMAs) and Funded Activity Agreements (FAAs) that enable the funds to be transferred to the AEs or the implementing entities.

For instance, the Board was informed that of the 35 projects approved until the 15th GCF Board meeting, 11 AMAs were yet to be executed; 32 FAAs had not been executed; and 30 projects' project-specific conditions were not fulfilled.

Status of the Fund's resources

The Board also discussed the status of the initial resource mobilization and took note of the report prepared by the Secretariat on the matter.

According to the document prepared by the Secretariat, of the total USD 10.3 billion pledged to the GCF by countries, the signed pledges amounted to USD 10.1 billion equivalent.

For 2017, the GCF Secretariat estimates that the total amount of resources available to make funding decisions would be USD 4.3 billion. This includes cash installments, loans and promissory notes.

Sources told TWN that while cash to be disbursed and promissory notes are confirmed, in that they will eventually flow into the GCF, the signed pledges depend on the conditions in the contribution agreement a country signs with the GCF Secretariat.

For instance, in the case of the US contribution agreement, the USD 3 billion pledge is conditioned on the "*availability of funds".* The US has thus far contributed only USD 1 billion, and there are concerns that no further contributions will be made under the Trump Presidency.

Permanent Trustee

The Board also adopted a decision in relation to the 'competitive process' for the selection of the permanent trustee. (The current interim trustee is the World Bank and the Board is supposed to put in place a competitive process for the selection of the permanent trustee.)

The Board established an ad hoc 'Trustee Selection Committee', with Zaheer Fakir (South Africa), Omar El Arini (Egypt), Mikio Mori (Japan), and Larry McDonald (the US), as the members of the ad hoc committee.

The committee met during the sidelines of the 16th Board meeting to discuss the organization of work and programme of activities. Fakir reported back to the Board that the committee would present its work at the 17th meeting and the terms of reference and selection criteria for the permanent trustee would be decided in between meetings.

Independent Redress Mechanism

The Board also took note of the revised terms of reference (ToR) of the Independent Redress Mechanism (IRM), which is a mechanism instituted to receive complaints related to the operations of the Fund and which would evaluate and make recommendations to the Board.

Lalanath de Silva, head of the IRM, informed the Board that following extensive consultations with different stakeholders, the updated terms of reference for the IRM were prepared. Silva also said that no fundamental changes were made to the two functions of the IRM, which are to reconsider rejected proposals; and to address complaints about grievances from people affected by projects of the Fund.

Among other revisions, the modalities for affected persons or groups have been changed. The changes now allow individuals to file complaints; authorized representatives could be appointed by complainants; and the confidentiality of complaints would be maintained.

Several Board members responded to the revised terms of reference of the IRM.

Omar El Arini (Egypt) reminded the Board that the IRM is not going to be a court of appeal and added that the GCF should use structured dialogues and workshops to clearly communicate the functions of the IRM and how it will do its work.

Nauman Bashir Bhatti (Pakistan) said that the ToR did not envisage a modality for a National Designated Authority (NDA) or a government to approach the IRM for issues arising during the project implementation phase and that this should be included in the terms. Just because the government or NDA has issued a no-objection letter during the submission of the proposal should not mean they cannot raise environmental and social safeguard issues should they develop during the life of a project, said Bhatti. This modality should be relevant in redress issues arising in projects having transboundary impacts too, added Bhatti.

Yang Weifeng (China) queried as to whether the IRM could ask the Board to reconsider its decision in the event a proposal was denied due to a lack of consensus on the Board due to political reasons or non-policy related issues.

Diann Black-Layne (Antigua and Barbuda) said that the GCF is not a compensation fund but that was a Fund designed to implement international law (referring to the UNFCCC). She stressed that in the policy discussions it should be underscored that for whatever reasons a project may be rejected, it was the prerogative of the Board to do so, and not the GCF Secretariat or the independent Technical Advisory Panel (iTAP). As long as projects fit the criteria of the Fund, they should come to the Board, she added. "We are a new Fund. Although we would like to say that all our decisions are based on technical reasons and fiduciary standards, it is clear that that is not the case. There are also political reasons we are using to make Board decisions. The quicker we can get the IRM up and running the better it is for us to start acting as a Board that is responsible to and accountable to the Conference of the Parties (COP) (to the UNFCCC). Reconsideration of funding decisions is very important to this Fund and to the COP which it serves and we are hoping that the spirit in which we heavily negotiated the arrangements between the Fund and the COP must be respected at all times," said Black-Layne.

Anton Hilber (Switzerland) said he supports the IRM to be active in all cases of

adverse impacts from GCF activities and not just those related to explicit policies and that the IRM should be able to initiate investigations. As the project cycle evolves, the IRM should be closely linked to project termination/cancellation policy, which the Board did not have and which the Board would need to develop.

Larry McDonald (US) wanted the decision in relation to the IRM to reflect that funding decisions are reconsidered when a denial was based on non-compliance of policies and procedures of the GCF, and not because there was disagreement over the judgement of the Board.

Co-chair Ewen McDonald asked the IRM head to respond to questions and comments of Board members offline. The matter did not come up for discussion again during the meeting.

Besides these matters, the Board decided on the work programme of the Secretariat for 2017 along with the adjusted administrative budget and the interim work plan and interim budget of the Independent Evaluation Unit (IEU).

There are four main elements of the work plan of the IEU for March to June 2017 which covers the following: (1) preparing the outline of the independent evaluation policy; (2) establishing the IEU; (3) building and strengthening evaluation capacity; and (4) identifying key elements of IEU's annual and rolling three-year work plan.

Several crucial matters on the agenda could not be discussed due to time constraints. The items included policy matters related to the approval of funding proposals; policies on the formal replenishment process; update on the GCF risk management framework; update on matters related to accreditation framework and policy; status of accreditation matters; and performance criteria and measurement procedures for Board-appointed officials.

The Board also decided that the 17th meeting of the Board will be held in Songdo, South Korea in July, and that the 18th meeting will be held in Egypt in October.

(*Edited by Meena Raman*)

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GCF Board does not approve funding proposal from Ethiopia

12 April, Delhi (Indrajit Bose) — The Board of the Green Climate Fund (GCF), at its 16th meeting held in Songdo, South Korea, from 4-6 April, could not agree on a project from Ethiopia, titled 'Responding to the increasing risk of drought: building gender-responsive resilience of the most vulnerable communities'.

The Board members did not approve the project as there was no consensus in the Board to do so. This was the first time that the GCF Board did not approve a funding proposal.

The controversial project from Ethiopia, was submitted by the United Nations Development Programme (UNDP) as the accredited entity, which sought USD 99.6 million from the GCF.

According to the proposal, the project aimed to develop an integral assistance for 1.2 million people (over 50 per cent being women) of the most vulnerable population of Ethiopia in 22 "woredas" (regions) by improving their access to water and food, promoting alternative livelihoods, empowering women, improving health and well-being, improving their access to climate information, improving the resilience of ecosystems and the availability of ecosystem services, and introducing improved and climate-smart technologies. The project was presented to the GCF as an adaptation project, justifying that with a diverse number of interventions, the communities would be more resilient to climate change.

The funding proposal of the project provided three components and each component comprised several activities: the first component was to provide technologies and infrastructural solutions for resilient livelihoods to increase the overall productivity of the direct project beneficiaries with gender responsive interventions, including to enhance agricultural and livestock productivity using irrigation and improved inputs, as well as improving the ability of farmers to access appropriate finance and training. The project also aimed to provide groundwater sources to supply water for drinking purposes with solar pump systems. The second component was to promote livelihood diversification and protection to secure the long-term sustainability of landscape ecosystems. The third component was designed to increase cross-linkages among the various thematic activities and to develop appropriate governance mechanisms to reinforce project sustainability and to extract valuable lessons that would help to replicate the project in other woredas.

The GCF's independent Technical Advisory Panel (iTAP) had recommended that the project should not be approved in its existing format and that it should be redesigned to prioritize water-related activities and other sectoral and landscape interventions, besides elaborating on the regeneration of ecosystems through forest and soil conservation activities and the management, maintenance and

appropriation of the climate information system. The iTAP also recommended that a sustainability strategy, including sources of co-financing be developed.

The fact that the iTAP had recommended that the project should not be approved presented a policy conundrum among Board members.

Some Board members were of the view that if the iTAP had recommended that a project not be approved, it should not have been presented to the Board for consideration in the first place. Others felt that the Board had to take the final decision on the project (despite the recommendation of the iTAP).

Responding to some of the comments from the Board, the Secretariat said that completed funding proposals are submitted to the Board for a decision and that the Secretariat did not have the authority to not bring completed and compliant proposals before the Board.

The developed country Board members' objections to the project centred around the disparate components of the project that had no link to each other and the amount of grant funding requested for the project. Some members also stressed that the project was a development project and was not necessarily a climate change project.

While Board members from the **United States, Switzerland, Canada, Sweden, Japan** and **Germany** were not in favour of the project, several developing country Board members were in favour of the project.

Board members from **Antigua and Barbuda, Democratic Republic of Congo (DRC), Pakistan, South Africa, Malawi, Samoa** and **China** supported the project (see highlights of exchange below).

While the Board member from **Denmark, Morten Elkjaer**, supported the project with the recommendations from the iTAP, the **French Board** member **Cyril Rousseau** also supported the project saying that if the Board was not in a position to approve the project, it should look into what was the best way for it to be submitted again.

During the consideration of the proposal, an important question was raised by a member of the Board as to what options the Board had when there is no consensus among members, which led to an intense exchange of views among the Board members.

Omar El Arini (Egypt) too said that the project should be sent back to the UNDP to refine the proposal and consider the revised proposal at the next meeting.

Following the exchange on whether to approve the project or not, Arini said, "I am dismayed about this atmosphere. I made a specific proposal. We have no guidelines, no eligibility criteria…if this project were a USD 10 million project, would we have any discussion on it? At the same time, we have projects that are entirely developmental. An agency has spent money and has expectations; yet we are rejecting it. Why don't we take the accredited entity and the country seriously?" asked Arini and appealed to the members to send the proposal back to the country for elements of resilience to be built into the proposal.

Larry McDonald (US) though said that if the accredited entity and the national authorities came with another proposal, he would be ready to accept it but not the one on the table.

Tosi Mpanu Mpanu (DRC) also appealed for a solution had to be found. "People forget that this institution is not a bank. This is a Fund of the UN Framework

Convention on Climate Change (UNFCCC). Article 4.9 of the Convention is about giving special considerations on finance and technology to the Least Developed Countries (LDCs). It is hard to make a differentiation between climate and development. The low development of Ethiopia makes them more vulnerable to climate change. The project makes a clear link between development and climate. It is from an LDC. It is well justified and should receive climate finance from the GCF," stressed Mpanu.

Towards the end of the discussions, **Co-Chair Ewen McDonald (Australia)** gaveled saying that since there was no consensus to approve the project, the project was therefore not approved.

The matter did not end there.

Evans Davie Njewa (Malawi) sought a clarification that if a project was not approved did it mean it was rejected? "My sense is if we have not had any consensus, can we have it in record that some of us had no consensus to reject it? Some of us supported it too," said Njewa.

Mpanu followed it up by seeking legal clarity on the meaning of "consensus" regarding projects.

In response, the legal counsel of the GCF said that the Board had adopted a decision at its 7th meeting that gave three options to the Board. The three options in considering funding proposals which are: to approve; to approve with conditions; to reject. "Since the Board decides by consensus, each of the three is by consensus. The policy does not say what to do when there is no consensus," said the legal counsel.

(According to decision B.07/03, where the Board adopted the 'Initial Proposal Approvals Process', the Board decided to:

(i) Approve the funding proposal; or

(ii) Provide an approval that is conditional on modifications to project or programme design or subject to availability of funding; or

(iii) Reject the funding proposal.

The decision is recorded by the Secretariat and communicated to the Interim Trustee….)

Mpanu responded by saying that the interpretation then is that there was no consensus in either approving the funding proposal, no consensus on a conditional approval and no consensus in rejecting the project. "So, for me, it is a clear case of no consensus around the table," said Mpanu.

Njewa supported Mpanu and said that it should be recorded in the report of the meeting that there was no consensus to reject the proposal.

At this point **Anton Hilber (Switzerland)** said that the Governing Instrument mandates the Board to come up with a procedure in the case of absence of consensus and that they should explore such options.

(Decision-making in the absence of consensus has been a sticking issue with the Board. During the 8th Meeting of the Board in 2014, there were disagreements on the issue as to what to do in the event decision-making by consensus has been exhausted. Developed country Board members, wanting a voting system in place that is linked to the amount of contributions a country makes to the GCF. Developing country Board members were against such an approach and there were proposals for other methods of voting which did not find consensus. The Board had then decided that it would develop procedures for adopting decisions in the event that all efforts at reaching consensus

have been exhausted, which is still a pending issue).

In response to Mpanu-Mpanu, **Co-chair Ewen McDonald** said that the decision adopted was to approve projects and that there was no consensus to approve the Ethiopian project. "That was the decision. There is nothing else," said the co-chair and added that it was up to the accredited entity and the government of Ethiopia to decide whether to bring the project back for reconsideration.

Rousseau said that his interpretation of the decision was that there was no consensus to approve the proposal and added that the Board must give clear guidance to the accredited entity on how to move forward.

Co-chair McDonald repeated that there was no consensus to approve the project and that decision was gaveled.

Below are further highlights from the discussions that took place.

Mpanu Mpanu said that while the project had weaknesses, these could be strengthened and some of the proposed conditions could be clarified. Mpanu also said that adaptation projects could be addressed more holistically and that there is no seamless differentiation between climate and development. A good adaptation project must address different aspects of vulnerability, he said. The Board has to take a final call on whether a project is approved.

El Arini said that none of the projects should be approved with conditions, as "we know these conditions would not be fulfilled." He lamented that "something was wrong with our process here". Arini said that the iTAP is a Board-appointed panel. In this case, it had a negative recommendation, and yet the Secretariat brought the project to the Board. "If the iTAP or the Secretariat identify some issues with projects, they should come to the Board with the issue," he added.

Zaheer Fakir (South Africa) said he felt sad for Ethiopia and that the Board had failed in the way it communicates to the world. "We sent out a message that these are the projects we want to see. We have not given people the clarity needed (on the type of projects that should seek GCF funding). "We are struggling now with how and what determines what the Fund finances. The struggle we have is manifesting the lack of clarity. Even within us there are such divergent views," said Fakir. "We have not had the courage to say no to a project. We have beautified the 'yes' with conditions, knowing well that those conditions can never be fulfilled," he stressed further, referring to the approval of projects with a list of conditions.

Fakir also said that the Board had decided that there would be a review of the initial proposals approvals process and to strengthen the eligibility criteria but the Board had not done that. "We have not done the review and I do not like to be in a place where one defends and the other tries to kill a project. We need to conclude work on the review. There needs to be clarity on a whole lot of stuff. We are sitting on a conundrum- either to approve or reject a project. So, we will end up with putting conditions, which also does a dis-service. We need to think what is the option we exercise. The situation is rather grave. We have empowered the Secretariat by us not being clear. The Secretariat is left to decide on what gets to the Board or not…We need to empower the Secretariat in a positive way. It is not fair to blame the iTAP or anyone else," he added further.

Nauman Bashir Bhatti (Pakistan) said while the Ethiopian project lacked clarity in its holistic implementation, he was more concerned about the process of considering a project which the iTAP has not recommended for approval. Bhatti also suggested that the Board needed a committee that performed prior due diligence before a project comes to the Board for consideration.

Diann Black-Layne (Antigua and Barbuda) praised the project as it took into consideration the environmental and social management system (ESMS) and gender aspects and said that that was the way a project should be designed. (An ESMS is an overarching framework for achieving improvements in environmental and social outcomes while addressing any unintended adverse impacts in all the GCF-financed activities.) Black-Layne also mentioned that if there is disagreement with the iTAP assessment, the project should be brought to the Board.

Mamdou Honadia (Burkina Faso) said he liked the project and it contributed in striking a relationship between drought and climate change. He added that in developing countries, one could not talk about environmental protection without promoting food security.

Evans Davie Njewa (Malawi) said the project is trying to support communities who have become vulnerable due to climate change, so it was a climate change project.

Larry McDonald (US) said that the relationship among the project components were weak. He said while he was not against multi-dimensional projects, and that it would be good if it was truly programmatic. McDonald was concerned about the size of the grant and the high level of concessionality. He also said that since the iTAP had recommended rejection, he could not "support or join consensus to support this proposal". He said that the practice of identifying conditions was counterproductive.

Caroline Lecrec (Canada) said the Board should consider the implications when the iTAP had recommended that the project is not approved. She also said that with the recommendations of the iTAP, the project would change. "Obviously, we do not want to draw a line between climate change and sustainable development, but we have to be careful. Climate change investments will lead to sustainable development, but not all development investments lead to climate change adaptation. There is already a weak link between these activities and the iTAP has noted that," she said, and added that such a complex project would require enormous institutional oversight for implementation and that it could not be implemented within a specified time period.

Lars Roth (Sweden) said the delegation took the recommendations of the iTAP very seriously. He also recommended that when the iTAP had recommended a project is not approved, it should not come to the Board.

Mikio Mori (Japan) said the size of the grant component was huge in that it reached 100 million USD and in such cases one had to look at the sustainability of the project with stricter consideration. Mori also said that when project proposals are discussed, he would like the Board to discuss how to scrutinize grant projects better. He also said that evaluating in kind co-financing would be very important and there is a need to find a way to characterize in kind co-financing.

Karsten Sach (Germany) said he shared the iTAP's assessment and added that the

project was complex and not well organized. He also said that he did not see the role of the UNDP as it was just being used as a vehicle for higher level of funding.

Anton Hilber (Switzerland) said that while a project that has not been recommended for approval could come to the Board, the Secretariat should present it with compelling reasons why it was being presented. He also said that if the Secretariat is not clear, it was up to the Board to provide the clarity.

Kate Hughes (UK) said that the transformational aspect of the project was minimal, and that the extensive list of actions was to improve rural development. She also said that the climate additionality and incremental cost components were not clear. Hughes also said that it was not clear which activities would be implemented in what context and decision-making was not clear. She was also unclear about the role of the UNDP as the accredited entity and added that the iTAP's comments should be taken seriously. " The iTAP are conscious they are not the decision-making body. They are here to provide technical inputs. If we approve the project, with conditions, does it remain the same project? So, if we approve with conditions, how do we handle that?" asked Hughes.

Morten Elkjaer (Denmark) said the solutions of the needs assessment was not up to the expectations of the Board. "Has the UNDP done a lessons learnt from similar projects and whatever good lessons have been brought here? You have not done enough to make us feel comfortable. Or, is it that we do not have good solutions out there," said Elkjaer and added that there should be policy guidance on what is adaptation and what is not.

A member of iTAP member responded that while he understood that Ethiopia is very vulnerable to climate change, the iTAP was giving a technical opinion. The iTAP member clarified that the iTAP was not suggesting conditions, but giving recommendations instead on how to bring back the project that is more integral and prioritizes the value for money.

Responding to the comments, the accredited entity said that the role of the UNDP was no different in similar projects it managed. "We will manage under the national implementation modality. The project will be executed under our rules and procedure. We have conducted due diligence. That resulted in a low risk rating. It is the same kind of assessment we do with respect to the national implementing modality. The project has been designed with UNDP support. One of the lessons learned is the need to address multidimensional needs of vulnerability," said the representative from UNDP.

The UNDP representative also said that the iTAP recommendations were perfectly do-able and did not suggest a different project and that the recommendations had been discussed with the Government of Ethiopia, which was fine with them.

(*Edited by Meena Raman*)

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Financing for climate technologies available from Green Climate Fund- UNFCCC Technology Committee told

Kuala Lumpur, 17 April (Hilary Chiew) – The current modalities of Green Climate Fund (GCF) is suitable to provide support for the financing of climate technologies, said a representative from the GCF's Secretariat.

Representing the GCF Secretariat at the 14th meeting of the Technology Executive Committee (TEC) in Bonn (28-31 March 2017), **Juan Hoffmaister** said an important signal to send to the GCF's Accredited Entities (AEs) and National Designated Authorities (NDAs) is that there is no need for them to wait further to seek funding for the technology needs that they had identified.

Hoffmaister provided this information at the 14th meeting of the UNFCCC's Technology Executive Committee (TEC14) which met from 28 and 31 March in Bonn, Germany.

"The Board has made it explicit that readiness resources as well as resources for project preparation from the Project Preparation Facility(PPF) are available for facilitating access to environmentally-sound technologies and for collaborative research and development," said Hoffmaister at the meeting.

"Should a country come to GCF to seek support for formulating its Technology Needs Assessment (TNA), it could use resources from the 'Readiness fund' or if it had something from its Technology Action Plan (TAP), the PPF is there. There is no need for countries to wait," stressed Hoffmaister when addressing the TEC meeting that was deliberating on the agenda item on follow-up activities on climate technology financing.

(Following the outcomes of the 22nd Conference of the Parties to the UNFCCC (COP22) on linkages between the Technology Mechanism (TM) and the Financial Mechanism (FM), the TEC and the Climate Technology Centre and Network (CTCN) and the operating entities (OEs) of the FM are encouraged to enhance the involvement of relevant stakeholders as they undertake actions to strengthen the linkages between the TM and FM. The COP also invited the TEC, the CTCN and the OEs of the FM to provide information on their actions in strengthening the linkages between the TM and FM in their annual reports to the COP for guidance on further actions if needed.)

Hoffmaister was referring to the decisions adopted at the GCF Board's 14th meeting in October 2016, which also further requested the GCF Secretariat to prepare a document for consideration by the Board at its 17th meeting (in July 2017) on identifying concrete options on how the GCF can support collaborative research and development on climate technologies in developing countries.

"One important point we (in the GCF) are struggling with is the relationship between the NDA (of the GCF) and the National Designated Entity (NDE of the CTCN) ... there is disconnect. These are

(possibly) entities sitting not too far from each other. We encourage them to work together and we are working with the CTCN to figure this out," he added.

(The NDAs of the GCF and the NDEs of the CTCN are the relevant contact points in the government in developing countries of the respective institutions).

Hoffmaister also said that the 14th GCF Board decision also encourages the NDAs to coordinate with the CTCN's NDEs in order to enhance cooperation. It also requested the Secretariat to provide recommendations on further steps to enhance cooperation and coherence for consideration by the 17th Board meeting, and in the context of the Fund's operational framework on complementarity and coherence and the annual event with the thematic bodies of the UNFCCC.

He also elaborated on the opportunities for consideration of technologies in the GCF Secretariat's programming through its country and entity programmes where it hopes the Nationally Determined Contributions (NDCs), National Adaptation Plans (NAPs) and TNAs are taken on board and translated into what countries are putting forward as their country programming efforts.

"Ultimately, we do not want this effort to be out there for nothing. They need to be oriented towards enriching the pipeline the GCF can invest in," he said.

Citing the example of a funding proposal that was approved by the GCF Board at its 15th meeting in Samoa, in December 2016, Hoffmaister pointed out that the proposed project was developed based on Mongolia's TNA, adding that "it is an example that the collaboration and the linkage between the TM and FM is possible. It is a positive example but it is not a trend (yet)," he added.

Hoffmaister was referring to the approval by the GCF Board of a US$20mil for the funding proposal submitted by XacBank, of Mongolia in relation to investments in energy efficiency and renewable energy projects.

He said the GCF is expecting to have the Chair of the TEC and the CTCN to join the 17th Board meeting (to be held in July this year) in their capacity as experts.

The TEC task force member **Elfriede More (Austria)** reported that the TEC has undertaken a series of activities on climate technology financing.

She said the TEC is considering follow-up activities following the outcomes of COP22 on linkages between TM and FM where the TEC acknowledged the need to achieve coherence and maintain interactions with other relevant institutional arrangements under and outside of the Convention. She said the TEC has identified possible areas of collaboration between the TEC, the GCF, the Global Environment Facility (GEF) and the Standing Committee on Finance based upon their respective work plans.

On possible follow-up activities with the GCF, More said the TEC is undertaking activities on innovation and research, development and demonstration (RD&D) in the form of a technical paper on enhancing RD&D financing for climate technologies and the TEC may wish to present the outcomes of its work on innovation and RD&D to the GCF at its 17th Board Meeting.

On possible follow-up activities with the GEF, she informed that the TEC initiated collaboration with the GEF in evaluating the Poznan Strategic Programme on technology transfer. She said the TEC may

wish to consider providing policy advice on measures to create an enabling environment for technology development and transfer in developing countries and an analysis of the barriers that hamper project/programme implementation; and in providing inputs into the work undertaken by the Scientific and Technical Advisory Panel of the GEF on innovative policy and packages and market initiatives to foster a new range of mitigation actions.

With the SCF, More said the TEC may wish to provide inputs into the review of the FM; provide inputs into preparing a biennial assessment and overview of climate finance flows, building on the analytical work on TNAs and other sources of information, such as national communications; and providing inputs into organising a forum for communication and continued exchange of information among bodies and entities dealing with climate change finance.

Update of the Poznan Strategic Programme on Technology Transfer (PSP) evaluation report

In response to the invitation of the 43rd session of the UNFCCC's Subsidiary Body for Implementation (SBI), the TEC is to update its evaluation report of the PSP to include experiences and lessons learned from the PSP climate technology transfer and finance centres and the pilot projects of the fourth replenishment of the GEF.

The taskforce on climate technology finance is to the prepare terms of reference for updating the PSP evaluation report for consideration by TEC14, building on the previous evaluation undertaken by the TEC in 2015.

Task force member **Elfriede More (Austria)** presented to members the possible process for the evaluation which included inviting the GEF to provide inputs, finalise the evaluation report at TEC 15 (Sept 2017) and submit report to SBI 47 (Nov 2017).

Members deliberated on the matter and decided that the evaluation is to be conducted between Sept 2017 and March 2018; provide an update on its progress in undertaking the evaluation at SBI47 (Nov 2017); prepare the evaluation report for consideration of the TEC at its 16th meeting in March 2018.

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GCF Board adopts host of important decisions

Delhi, 10 July (Indrajit Bose)- The Board of the UNFCCC's Green Climate Fund (GCF) adopted a host of important decisions at its 17th meeting held in Songdo, South Korea, from 6-7 July.

Of crucial importance were decisions related to policy matters related to the approval of funding proposals. These decisions followed discussions from the agenda items on 'review of the initial proposal approval process' and 'matters arising from the informal discussions'.

(The discussions on the gaps in the proposals approval process were held in a closed two-day informal session preceding the formal Board meeting. Since the informal session was not open to observers, nor was the session webcast, observers were not privy to the discussions. However, sources said that the discussions in the informal meeting were smooth and several crucial gaps were addressed and several others were scheduled for discussions at the Board's 18th and 19th meetings.)

The Board also accredited 6 new entities that will be able to access the funds resources for projects. (See further details below.)

Another very significant decisions adopted on matters relating to funding activities in the forestry sector aimed at reducing emissions from deforestation and forest degradation in developing countries known as 'REDD-plus'. (A further article on this will follow.)

Review of the Initial Proposal Approval Process

In the decision on the review of the initial proposal approval process adopted, the Board decided to update the project and programme activity cycle.

The Secretariat was requested to only submit to the Board those funding proposals by entities accredited by the Board that have signed the accreditation master agreements (AMAs); by entities accredited that have not signed accreditation master agreements, provided that such submission to the Secretariat occurs no later than 120 days from the date of the decision by the Board to accredit the relevant entity; funding proposals that have been obtained in response to requests for proposals issued by the GCF; or from those entities who have not yet signed the AMA that have proposals currently at stage 4 of the updated project and programme activity cycle.

(Proposals at stage 4 of the updated project and programme activity cycle refer to the following:
—Full proposal outline, where the Secretariat is expected to update the information on the GCF portfolio prior to each Board meeting and publish it on the GCF website;
—No-objection letter, where the National Designated Authority or the Focal Point has provided a no-objection letter;
—Funding proposal submission to the Secretariat, where the full funding proposal has been submitted to the Secretariat; the

Secretariat has acknowledged such a submission; and where the Secretariat reviews the funding proposals for completeness of documentation and —Information disclosure in accordance with the information disclosure policy of the Fund)

In the past Board members have expressed concerns at the slow rate of disbursement of resources to approved projects and the lack of progress in signing AMAs. The latter has been cited by the GCF Secretariat as one of the reasons for the slow disbursement of resources.

(An AMA is a legal arrangement between the Secretariat and an accredited entity, which facilitates disbursements. According to the AMA template, the number of days to be signed may be specified by the Board in its approval decision, but it is not to exceed 120 days after Board approval.)

(Also under discussion was the granting extension for two accredited entities for signing the AMAs. See below for further details.)

In the decision adopted on the approval process, the Board underscored "the importance of early engagement by accredited entities with national designated authorities and focal points in the preparation and submission of concept notes".

The Board also agreed to insert a new stage into the project and proposal activity cycle: "*On receipt of a concept note submission from an accredited entity, the Secretariat will seek confirmation from the national designated authority or focal point that the concept note fits under national priorities and country ownership".*

The Board also requested the Secretariat to prepare a document outlining options for the development of a "two-stage proposal approval process, with stage 1 focusing on concept note approval and stage 2 focusing on the assessments by the Secretariat and the independent Technical Advisory Panel (iTAP). The Board is expected to consider the two-stage approval process at its 19th Meeting.

The Secretariat was also requested "to present to the Board implementation challenges identified in the application of the initial proposal approval process, including policy matters identified during the Secretariat's assessment of funding proposals, for the Board's consideration at the earliest opportunity, including information on budgetary considerations".

The Board decided that the Secretariat "shall only submit to the Board for its consideration those funding proposals…whose approval has been recommended by the independent Technical Advisory Panel and the Secretariat".

(The Board has earlier in the past faced a policy conundrum especially when the Board had to consider funding proposals with the iTAP recommendation that they not be approved for funding. Some members of the Board have been of the view that if the iTAP has recommended that a project not be approved, it should not have been presented to the Board for consideration in the first place. Others have expressed that the Board has to take the final decision on the project, despite the recommendation of the iTAP).

The decision also confirmed that such proposals would continue to be revised by the Secretariat and accredited entities. The Secretariat however, is to inform the Board at each Board meeting of the status of the funding proposals which either the

Secretariat or the iTAP did not recommend for approval.

The Board also requested the Secretariat to develop and publish clear timelines for its assessment of funding proposals to ensure timely consideration of funding proposals and further requested the Co-chairs to explore options for the timely consideration of funding proposals between Board meetings.

The Board requested the Secretariat to "define the nature, scope and extent of second-level due diligence and submit the same to the Board for its consideration no later than April 2018".

In the decision adopted, the Board requested the Secretariat "to develop an interim restructuring and cancellation policy, including further options for decision-making, for consideration by the Board no later than its eighteenth session, and a comprehensive restructuring and cancellation policy no later than April 2018."

Matters related to accreditation

The Board accredited 6 new entities to the GCF.

The entities accredited included Infrastructure Development Company Limited (IDCOL), based in Bangladesh; Small Industries Development Bank of India (SIDBI), based in India; Micronesia Conservation Trust (MCT), based in the Federated States of Micronesia; CDG Capital S.A. (CDG Capital), based in Morocco; Bank of Tokyo-Mitsubishi UFJ Limited (BTMU), headquartered in Japan; and Japan International Cooperation Agency (JICA), also headquartered in Japan.

Another related item on the agenda was the extension of the deadline related to the execution of the AMAs for two projects approved by the Board in the past.

The projects in question were the Global Energy Efficiency and Renewable Energy Fund NeXt (GEEREF NeXt) project covering several countries in Africa, Latin America and the Caribbean, Eastern Europe and Asia Pacific, for which the European Investment Bank is the accredited entity; and the Tina River Hydropower Development Project in the Solomon Islands for which the World Bank is the accredited entity.

During the discussions the Board members were faced with the challenge of whether to grant extension or not to one of the entities.

The Board members were in a quandary because if they did not grant an extension to the accredited entity, it would effectively lead to the cancellation of the project and the country would suffer as a result. While they did not want the country to suffer as a result of the accredited entity not signing the AMA, they wanted to send a strong message to the accredited entity in question.

The problem stemmed from the fact that the Board had no indication of when the entity in question would sign the AMA and yet an extension was being sought for it.

The Board members did not disclose the name of which entity they were talking about. After further discussions, the Board adopted a decision wherein it granted an extension to both the entities.

Also, in line with the discussions, in the decision adopted, the Board "requested the Secretariat to inform all national designated authorities of the risks involved in supporting a project or programme being proposed to the GCF by an accredited entity that has not signed an

accreditation master agreement with the GCF".

The Board is also expected to take up accreditation policy matters at its 18th meeting.

Matters arising from the informal discussions

Following the discussions in the informal session, the Board took a decision in relation to strengthening and scaling up the GCF pipeline as regards establishing strategic programming priorities.

In the decision adopted, the Board requested the Secretariat "to develop a mapping document that identifies all elements related to project and programme eligibility and selection criteria included in previous decisions, conditions imposed by the Board on funding proposals, and the Governing Instrument for the GCF that can contribute to strengthening the eligibility criteria of the GCF, and present this for the Board's consideration at its 18th meeting as part of the ongoing process to simplify and clarify project and programme eligibility and selection criteria and update the policies and procedures of the GCF".

The Board also requested the Secretariat "to develop a proposal for the Board's consideration at its 19th meeting, taking into account best practices from other multilateral funds and other approaches, to address the development and application of an incremental cost calculation methodology and/or alternative methodologies; guidance on the approach to provide support to adaptation activities; a co-financing policy; and options for further guidance on concessionaility."

On the overall strategic programming, the Co-chairs will consult on the issue and present the outcome of the consultations at the 18th meeting of the Board.

GCF portfolio of projects

The Board also adopted a decision on the status of the GCF portfolio in relation to the projects in the pipeline and those that have been approved.

In the decision adopted, the Board requested the Secretariat to "undertake additional analysis…to identify specific results areas where targeted GCF investment would have the most impact."

The Board also requested the Secretariat to "undertake targeted outreach to promote partnerships between accredited entities and those potential non-accredited entities that have the technical expertise to support such results areas… and prepare targeted draft requests for proposals".

Other decisions adopted

Among the other decisions adopted included barriers to crowding-in and maximizing the engagement of the private sector; terms of reference for the independent evaluation of the 'Readiness and Preparatory Support Programme'; the 'Risk Management Framework'; and country ownership guidelines.

Besides these, there were some contentious issues during the course of the Board meeting. These included discussions on the status of the Fund's resources, selection of the permanent trustee, facilitating increase in proposals from direct access entities; and investment policy of the trust fund. (Separate articles on some of the issues will follow.)

The next board meeting is scheduled from 30 September to 2 October in Egypt.

Edited by Meena Raman

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GCF Board grapples with status of Fund's resources due to Trump announcement

Delhi, 11 July (Indrajit Bose)- The actual status of the resources committed to the UNFCCC's Green Climate Fund (GCF) became an issue at the 17th Board meeting which was held on 5-6 July in Songdo, South Korea.

The backdrop of the issue was the announcement in June by United States (US) President Donald Trump that his country was pulling out of the Paris Agreement and that it would not be putting in any more resources to the GCF.

The US under the Obama Administration had pledged USD 3 billion of which, USD 1 billion has been provided to the Fund so far.

Without making any reference to the US announcement, Board members queried about the status of the Fund's resources in view of the US situation.

Zaheer Fakir (South Africa) sought clarification on the total signed amount of GCF pledges, which according to a document issued by the Secretariat, stood at USD 10.1 billion. He referred to the US's contribution agreement with the GCF, which states that the US intends to pay USD 3 billion, but is signed up to provide USD 500 million.

Addressing the Secretariat report on the status of resources, Fakir said that "recent developments have resulted in me looking at this more carefully. In the introduction, you state that you have signed contributions and arrangements amounting to USD 10.1 billion. Given the exchange rate fluctuations, it has reduced virtually to USD 8.75 billion," said Fakir, stressing that this was not the real problem.

The real problem he said was the what was on the GCF website which displays a document on 'resource mobilization' and under the column listed "signed", there is reference to the US contribution being listed as USD 3 billion.

Fakir said he consulted the US contribution agreement and found a problem as the agreement in one part says the contributor "intends" to make a contribution of USD 3 billion available to the trust fund "subject to the availability of funds", and in another part it states that "upon signature of the contribution agreement, the contributor will make available to the trust fund a sum of USD 500 million."

He said the Secretariat was listing USD 3 billion as being "signed" when this is actually only an intention to do so, as what was signed for is only the provision of USD 500 million. Fakir sought clarification regarding whether the GCF was "overstating the actual signed commitment."

Larry McDonald (the **US** Board member) clarified that the US had paid USD 1 billion to the GCF.

Fakir repeated his question saying that while the document says it intends to do something, the signed commitment is something else. "What is the signed commitment that you actually have?" he asked further.

The Secretariat representative responded, saying, "I would not use (the term) 'commitment' because there is no commitment. There is an arrangement. The arrangement is for USD 3 billion. The disbursement has been USD 1 billion."

Unhappy with the response, Fakir said the website referred to "signed" contributions and asked "what is the commitment signed?"

The Secretariat again presented the same response that the contribution arrangement was signed for USD 3 billion.

Ludovica Soderini (Italy) intervened to provide a suggestion and said that in future the Secretariat should not have a table on signed agreements because it did not reflect what was correct.

Omar El Arini (Egypt) said that an intention is an intention, not a payment of contribution and that the GCF should not base its calculations on intentions. "I do not know what kind of an agreement or arrangement exists that says a country intends to (provide something) pending the availability of resources. …These things are important to clarify. I do not want a clarification now but I want the documents to be more accurate in the future," said Arini.

Co-chair **Ayman Shashly (Saudi Arabia)** said that the points were well made and that the Co-chairs and the Secretariat would look into the matter and if need be, the document would be adjusted.

Fakir reiterated that he was not arguing about the figures in there but it was very pertinent in terms of the trigger for replenishment. "Our trigger is based on an IRM (initial resource mobilization) figure and a percentage related to the figure. We need to be accurate in terms of what that figure is," he stressed.

(According to the Board's 'Policies for Contributions', "Once the Fund's cumulative funding approvals exceed 60 per cent of the total contributions, confirmed by fully executed contributions agreements/arrangements, received during the IRM, the Fund will initiate a formal replenishment process. Hence, the issue of what is the 'total contributions' confirmed to trigger the replenishment process.)

With that, Shashly concluded discussions on the matter and noted the report by the Secretariat on the status of the Fund's resources.

Besides this matter, there were other issues that came up during the meeting which drew some controversy. These included facilitating increase in proposals from direct access entities, selection of the permanent trustee and the investment policy of the GCF trust fund.

There was no progress in any of the items due to disagreements among developing and developed country Board members.

Facilitating increase in proposals from direct access entities

The issue of increasing proposals from direct access entities was an outstanding item from the 16th Board meeting where the Board could not take a decision on the matter then and the same prevailed at the current Board meeting due to lack of consensus on two matters in this regard.

The two matters included a proposal to have champions from the Board to take on the work of increasing the number of direct access proposals in the pipeline; and to prioritise the work and consideration of concept notes presented by direct access entities or national designated authorities (NDA) or focal points.

Consultations led by **Ignacio Lorenzo (Uruguay)** and **Frank Fass-Metz (Germany)** happened during the two days of the Board meeting. According to their report back to the Board, there was agreement on a number of issues such as reporting modalities to the UNFCCC Conference of the Parties (COP), elements to support direct access entities in their accreditation and helping develop of concept notes and funding proposals etc, but for the two matters mentioned above.

As a way ahead, **Co-chair Ayman Shashly (Saudi Arabia)** asked Lorenzo and Fass-Metz to continue consultations and to bring back the matter to the Board at its 18th Meeting.

In response, Lorenzo reiterated the importance of the issue and said that it was an issue of COP guidance and that it was of utmost political importance.

(In a decision adopted in Marrakech at COP22, the COP requested the GCF Board to facilitate an increase in the amount of direct access proposals in the pipeline and to report to the COP on progress made in this regard.)

Expressing disappointment at the state of matters in respect of direct access entities, **Fakir** reiterated the importance of direct access as being a critical element of the Fund.

"It is one of the pillars and one of the stars of this Fund. I am rather disappointed that we cannot make progress on such trivial items. Part of the reason the COP raised this is that they recognized this as a problem…So, what is needed from this Board is something that is more proactive than what we currently have," stressed Fakir.

He added that a whole workshop for direct access entities was held in Songdo and that the Secretariat had exposure to all the entities and had identified the gaps. Fakir was astounded that no progress on the matter could be made at the present Board meeting on the matter.

(The GCF Secretariat had convened a workshop from 23-25 May, targeted at direct access entities in Songdo. The Secretariat reported to the Board that the workshop served to enhance the knowledge of the entities as well as to help them accelerate the development of proposals in the pipeline. Twenty-two direct access entities participated in the workshop and shared several project ideas and concepts, which the Secretariat said was being taken forward.)

Weifeng Yang (China) supported Fakir and said that the issue of increasing direct access entities was an urgent matter and that the Board could not take the risk of waiting too long.

Following the interventions, Lorenzo and Fass-Metz were asked to continue consultations. After further consultation, Fass-Metz reported back that they had a compromise and presented a decision to the Board for adoption.

However, with the decision being distributed too close to the scheduled time of the closure of the meeting, some Board members expressed the need for more time to go through the decision and expressed that they would not be able to adopt the decision.

It was then agreed that consultations on the matter would continue and for the issue to be taken up at the 18th Board meeting.

Selection process for the permanent trustee

Reporting back on the progress made in the selection process of the permanent

trustee, Fakir, (who was chair of the ad hoc committee created to look into the selection process of the permanent trustee), said that the committee had been mandated with providing three products: the terms of reference, the timeline and the selection process.

(Omar El Arini [Egypt], Mikio Mori [Japan] and **Larry McDonald [US]** are the other members of the ad hoc committee.)

(The World Bank is the interim trustee of the GCF and a permanent trustee is to be selected.)

Fakir added that there was no consensus on the selection process within the committee.

"During the deliberations the committee was confronted with certain elements such as the institutional requirements that some of the contributors would need to have because we wanted to make sure that we choose a trustee that everybody could work with and we looked at those elements as what that would constitute. When we were looking at the selection process we were conscious of providing the most open, transparent and competitive process and we looked at what best would provide that kind of process," he said further.

Fakir explained that the committee could not find a selection process that they could agree on.

McDonald said that the conundrum was how to do a selection process that would be true to the letter and spirit of open, competitive and transparent process. He added that the committee wanted to take account of the fact that some institutions that have the experience and other characteristics should be able to participate and not be precluded by a procurement process that is open to the universe of all possible participants.

Mori added that hopefully there would be a decision on the issue at the next meeting. **Arini** said that he was hopeful of reaching would take some compromises and that it would be the best of the committee's efforts.

Investment Policy of the GCF's Trust Fund

Another issue that proved quite contentious was the investment policy of the GCF's trust fund.

Lars Roth (Sweden) raised the issue under the agenda item 'Other Matters'.

Elaborating on it, Roth said that he sought the Board's approval to have the trustee investment policy item to be considered as a standalone item at the 18th Board Meeting to allow enough time for Board discussion.

To facilitate such discussions at the next board meeting, Roth proposed that the Secretariat present a paper on possible options for such a policy with the aim to provide guidance to the trustee of the GCF on the financial management of the GCF Funds held in trust.

Board members from **Germany, France, Norway and Denmark** supported Sweden.

Arini said he was not in a position to go along with the need for elaborate studies of different investment portfolios. He added that the Board was in the process of selecting a permanent trustee and that the investment of the Fund resources will continue to be discussed between the trustee and the Board.

He also said that it could not be a condition for the selection of the trustee. "It should be left to the trustee and the Board to

negotiate on a regular basis, but to preempt with a study like this is not a good idea for the investment of uncommitted resources of the Fund," said Arini.

Zaheer Fakir and Nauman Bashir Bhatti (Pakistan) supported Arini.

With no agreement in the room on the study proposed by Roth, **Co-chair Ewen McDonald (Australia)** asked the Board if the investment policy of the trustee could be taken as a separate item at the 18th Board meeting.

Co-chair Ayman Shashly (Saudi Arabia) sought legal advice and responded that they could not commit to bringing the issue raised by Roth as a separate agenda item.

The matter concluded with Co-chair McDonald saying that the Co-chairs will consult regarding bringing the matter to the 18th Meeting of the Board.

Edited by Meena Raman

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GCF discuss funding of projects in the forestry sector

13 July, Delhi (Indrajit Bose) — The Board of the Green Climate Fund (GCF) discussed matters related to funding activities in the forestry sector aimed at reducing emissions from deforestation and forest degradation (REDD-plus) in developing countries during its 17th Board Meeting in Songdo from 5-6 July.

(The funding of REDD-plus activities is seen as a crucial matter for developing countries, with many awaiting finance for such activities in the forestry sector. Progress on the matter in the GCF would be an indication as to whether they are moving any closer to getting funds to protect forests.)

According to a document prepared by the Secretariat on the matter which was presented to the Board on the matter, the Board had at its 14th Board meeting, tasked the GCF Secretariat to develop a request for proposal (RfP) for REDD-plus results-based payments. Thereafter, the Fund proposed to begin with a 'pilot RfP' and test its efficacy and learn from the experience.

The document states that "the current GCF policies and procedures were designed for upfront investments, whereas the REDD-plus RBP (results-based payments) pilot programme will include payments for results from investments which were made in the past."

Discussions at the Board on this matter have been progressing under the two Board members who were selected as 'champions', viz. **Tosi Mpanu Mpanu (Democratic Republic of Congo)** and **Caroline Lecrec (Canada),** who were tasked to lead consultations on the issue.

At the Board meeting, discussions on the issue happened under the agenda items on 'pilot programme for REDD-plus results-based payments', and 'further guidance for national designated authorities (NDAs) and focal points (FPs) on how to engage with the GCF in the early phases of REDD-plus'.

Pilot programme for REDD-plus results-based payments

The discussion under this item centered on how to implement phase 3 of REDD-plus through the GCF modalities.

(REDD-plus has three phases: phase 1 is on providing readiness and preparatory support (PPF); phase 2 relates to implementation and transformation; and phase 3 is results-based actions or payments for the results achieved.)

(According to the document issued by the Secretariat on pilot programme for REDD-plus results-based payments, countries are at different stages of readiness with respect to REDD-plus. Most countries are in the early phases of REDD-plus and the GCF sees a role to support these countries become REDD-plus results-based payments ready. For countries that are in more advanced phases, "timely mobilization of results-based payments for REDD-plus would help to incentivize action, generate lessons and knowledge, and inform a longer-term approach", according to the document.)

In relation to the pilot programme, the matters up for consideration at the Board meeting included:

Size of the pilot programme: According to the Secretariat's document, the proposed size of the pilot programme should be between USD 300 million and USD 500 million.

Eligibility date for results (from actions taken in the forestry sector): This is about defining the start date for eligible results under the pilot programme. According to the Secretariat's paper, "the eligibility date of results, past or future, for payments has implications on the range of countries eligible for results-based, it affects the potential volume of emissions reduction, possible requirements for informing how the GCF environmental and social safeguards and Cancun Safeguards for REDD-plus were considered in the process of achieving the results, the programming process, and timing of payments."

The Secretariat proposed three possible dates as the eligibility period: 2013, the year of the agreement of the Warsaw Framework for REDD-plus under the UNFCCC; 2015, where REDD-plus was recognized in the Paris Agreement; and other dates, which could include "a two-year period prior submission of the concept note or milestone-based according to the achievement of all requirements for accessing results-based payments".

Possible distribution of payments for the verified emission reductions achieved among successfully evaluated proposals: The distribution of payments follows a certain calculation, which ascertains which country will get how much money. The Secretariat's document proposes that that no single country can receive more than 30 per cent of the total available envelope. Here, the size of the pilot will also have a bearing on the distribution. For instance, according to the document, considering that the proposed size of the pilot is USD 300-500 million, and the valuation of per tonne of carbon dioxide equivalent emissions reduction is valued at USD 5 per tonne (5/tCO2eq), the GCF would be able to pay for up to 100 million tCO2eq emission reductions (ERs). (Valuation indicates assigning a price for the results.)

Application of the criteria for evaluating the proposals as described in the scorecard: A scorecard comprises the criteria for evaluating whether a proposal merits funding from the GCF. The proposed scorecard presented in the document is divided into a 'concept note stage' and a 'funding proposal stage', each of which has its own criteria for evaluation.

In its presentation to the Board, the Secretariat reiterated that all of the elements were inter-linked. The eligibility date would have a bearing on the volume of emissions reduction, which along with the size would impact how payments are distributed and how proposals are assessed through the scorecard. The Secretariat stressed that they were only testing a pilot RfP at this stage.

During the discussions at the Board, several differences emerged on the size of the pilot, also called the size of the envelope, the eligibility date and the scorecard.

On the size of the pilot, while some Board members said that it should be a minimum of USD 500 million, some said that they could not agree on a size until other aspects of the RfP were agreed upon.

On the eligibility date, some Board members were of the view that it should

be either 2010 or 2013. (The reference to 2010 is when the Cancun Safeguards on REDD-plus were adopted during the UNFCCC Conference of the Parties (COP) in Cancun in 2010. A set of seven safeguards was agreed to as part of the Cancun Safeguards. The reference to 2013 is when the Warsaw Framework on REDD-plus got adopted during the COP in Warsaw in 2013.) Some Board members, however, were of the view that the eligibility date could be between 2015 and 2018.

Also, some members specifically said that REDD-plus was about ex-post payments or results-based, while some said that the request for proposals for REDD-plus should incentivize future action as well.

These issues could not be resolved at the meeting and the Board decided to pursue the matter at its 18th Meeting and requested the Secretariat to undertake further analysis of existing GCF policies and to finalize the draft request for proposals for the pilot programme for REDD-plus results-based payments at its 18th Meeting.

The draft decision proposed setting the valuation of results at USD 5 per tonne of verified emissions reductions of carbon dioxide equivalent (CO2eq). However, reference to this was removed in the final decision adopted.

According to **Lecrec**, the reason to remove the reference was because size of the RfP, the eligibility dates and pricing were inter-related and it would make sense to take a decision on all of these together.

Framing the discussion, Lecrec said that the discussions had not matured to a stage where all the parts of the RfP could be agreed upon at the 17th Board meeting, but that the Board should give enough clarity to the Secretariat so they could finalize the RfP and the scorecard and assess GCF policies.

She also said that GCF policies and processes were built for traditional activity-based projects but with REDD-plus they would have to do something completely different, which is results-based payments. Lecrec also said that the pilot programme for REDD-plus results-based payments was looking at mobilizing finance for REDD-plus, and to generate lessons for the future.

Mpanu, the other co-champion, in his remarks stressed on the work they were undertaking was a "pilot" and that "the perfect not be made the enemy of the good." The Board should come up with a good decision to help initiate a learning process, said Mpanu. He also said that for the GCF to pay ex-post will demand certain adjustments because, for instance, the accredited entities would not have been involved when the results were produced (at the country level.) He requested that the policy issues (requiring adjustments) should not be held hostage to progress and that the Secretariat should be given the mandate to come up with a revised document and work on the policy issues.

Speaking to the price per tonne of CO2eq, Mpanu said that the price was USD 5, but that they also need to realize that some countries had spent more than that per tonne of CO2eq. He added that even though USD 5 is the price that is in practice in various funds, since the GCF is to be transformational it could think of a price premium.

Mpanu also said that the size of the RfP is important but it would depend on things such as structuring of the RfP, and the Board needs to ensure a certain degree of equity among countries so that not just a small group are eligible but that they need

to include other countries as well, which would require some flexibility.

Azimuddin Bin Bahari (Malaysia) stressed that results-based payment must be results-based payment and not for future payments. On the size of the envelope, Bahari said it should be USD 500 million, and then this could be worked backwards to see how the envelope would be distributed. On the pricing, he said that USD 5 per tonne of CO2eq is something they could look into. He stressed that the emissions reductions generated could not be transferred to any entity but must be for the country itself.

Bahari also said that the results period needed to be fixed. "If you go for 2010 it is because the Cancun Safeguards came into place under the UNFCCC. If we go for 2013 there is a justification for Warsaw Framework on REDD-plus. But apart from that, there is no justification at all for any other date," he said. On the scorecard, Bahari said there is need to relook at the elements of the scorecard to establish equity among the countries.

Larry McDonald (US) said that he could support the Secretariat's paper, contingent upon verifying that the actions that led to the results were consistent with GCF policies, particularly the Environmental and Social Safeguards and Indigenous Peoples' Policy. He added that he foresees the Secretariat to develop a robust methodology for retroactive assessments. McDonald also said that the US was not in a position to agree on the size of an envelope until they saw the RfP and the finalization of the scorecard.

Stephan Kellenberger (Switzerland) said that despite it being a pilot programme, the fundamentals should be in place, which according to him were not to make any concession on safeguards nor on any of the UNFCCC requirements and to ensure equity. He said that it is important to ensure environmental integrity and transparency all through the RfP and added that allocation of funds would not be acceptable if there were only one or two countries eating up the whole cake. He added that Switzerland was fine with the proposed valuation of results at USD 5 per tonne of CO2eq. On the size, he said that they see USD 300 million as the floor. On eligibility, his preference would be to consider future action and help countries move up from the initial phase 1 and 2 to phase 3. He was be prepared to consider ex-post results only if the past actions were recent and thoroughly documented was willing to consider various options on the date, but not beyond 2013.

Silvia Charpentier (Costa Rica) said that the proposed value of the envelope and the value of carbon assigned per tonne were not adequate but that these could be revisited in the future. She also said that the size of the RfP should exceed the size of the previous RfPs issued by the GCF.

Hans Olav Ibrekk (Norway) said he agreed with the suggested valuation of results and that payments for future results should also be included, but that the size of envelope would depend on this. He said the Board could consider an eligibility period from 2015 to 2018. He also said that results-based payments should be used to transition to low greenhouse gas economic development and transformation of the land sector.

He said that he supported the scorecard approach. "For us the volume of funding for the RfP depends on the conservativeness and robustness of the criteria contained in the scorecard," said Ibrekk, and called for an independent assessment of the funding proposal

besides the scorecard. He said that the scorecard should be revised with a view to ensuring high environmental integrity, preference for support to conservative reference levels as well as coherence with other financing entities and mechanisms.

Ludovica Soderini (Italy) said that on the size of the RfP, it should be a maximum of USD 500 million and the range of USD 300 million to USD 500 million would be acceptable. On the eligibility date, she said that it should pay for lower share of past performance and larger share for future performance and the RfP should refer to future payments. She added that she preferred the year 2015 or the year of the submission of the concept note. She also called for equitable and geographical balance in distribution of payments. On the scorecard, she said consultations should happen prior to the 18th Board meeting.

Merete Pedersen (Denmark) said the pilot would not cater for the private sector and had been designed for governments and that at a later stage they need to think through how to engage the private sector in REDD-plus. She also suggested being firmer on the Indigenous Peoples' rights and added that there were references to Cancun Safeguards, which were strong but not as strong enough as the Paris Agreement or the UN Declaration on the Rights of Indigenous Peoples. On the scorecard, she said more of the upfront criteria should not just be about whether there has been information provided on Cancun Safeguards to the UNFCCC but also how the process around some of those elements has been conducted in the countries.

Cyril Rousseau (France) said that he would be ready to go from 2013 to 2018 with respect to the eligibility period. On the volume, he said they would need to assess it once proposals are defined.

Sally Truong (Australia) said she would consider the size of the RfP in the context of the full RfP and would need stronger guarantees of the application of safeguards. She also said that the GCF should not only be supporting past actions or ex-post payments, but should be supporting future results that encourage additional actions.

Kate Hughes (UK) said that she was keen to see the GCF incentivizing further action and the size of the envelope would depend on the scorecard and the eligibility period. She said that she needed to be sure of some of the criteria in the scorecard. She also said that the use of proceeds must be reinvested in activities of the nationally determined contributions (referring to the Paris Agreement obligations) and in line with the GCF investment framework.

Lars Roth (Sweden) said he preferred the timeframe from 2015 to 2020 for the eligibility period because it is important to test the results-based payments as it applies to longer-term forest protection and doing so would open it for a larger geographical spread. On the size of the envelope, Roth said that his preference was USD 500 million. He also underscored the importance of safeguards. Roth said he understood the rationale for the price of USD 5 per tonne of CO2eq but he wanted to know if it would set any precedent for the future RfPs.

Karsten Sach (Germany) called for more discussions on the exact parameters of the scorecard. He also said that he was fine with the fixed price of USD 5 per tonne of CO2eq. The size of the envelope would depend on the quality and the number of countries that qualify, he said, adding the USD 250 million to USD 500 million was

the right size. He also said that the start date of the eligibility should not be set before 2015.

Speaking for the civil society organisations (CSOs), alternate active observer from the south, **Kimaren Oleriamit** (who is an indigenous person), said the draft scorecard would be an important component of the RfP and should be considered in detail in advance of the 18th Board meeting. Highlighting the recommendations from the CSOs, Oleriamit said that having no reference to the forthcoming Indigenous Peoples' (IP) policy, in the (Secretariat) paper was a gap and it must be ensured that the IP policy is integrated in the scorecard.

"The draft scorecard incorporates UNFCCC guidance on REDD-PLUS in a good way, especially the requirements on Cancun Safeguards. However, it suggests rating elements of safeguard compliance…Since the Cancun safeguards are mandatory requirements, reviewing the elements in the scorecard regarding these must be a pass or fail exercise," said Oleriamit. (Some of the criteria in the scorecard have points and some have a 'pass' or 'fail' rating.)

Oleriamit also said that the UNFCCC guidance requires countries seeking support present a summary of information presented by the country seeking results-based payments to show how all of the Cancun Safeguards have been addressed. "To ensure compliance with Cancun Safeguards, an independent third party should assess and verify the summary of information presented," he said further.

Oleriamit also said that the CSOs welcome the recognition in the Secretariat's document that there may be gaps between the Cancun Safeguards and the GCF interim Environmental and Social Safeguard standard, which also applied to REDD-plus results-based payment proposals. When overlaps are identified in assessing these gaps, the highest standard should apply, he added further.

He also stressed that UNFCCC guidance recognizes that the successful implementation of REDD-plus require that non-carbon benefits be incentivized for the long-term sustainability and co-benefit of REDD-plus implementation. This may lead to both increased mitigation potential and in most cases deliver adaptation benefits, he said and added that the CSOs would like to see the scorecard designed in a way that gave more weight to non-carbon benefits in the total score of the project.

He underscored that a benefit sharing plan and clarity on land tenure should be required when REDD-plus would be implemented in indigenous peoples' territories and forest dependent communities, and that this must be included in the scorecard.

Following these exchanges and after further consultations, in the decision adopted, the Board requested the Secretariat to "*undertake a further analysis of existing GCF policies and procedures adopted by the Board and reflect in the draft request for proposals…in…the manner in which such policies and procedures would need to be applied or otherwise considered in order to operationalize GCF REDD-plus results-based payments proposals".*

The Board also requested the Secretariat "*to finalize the draft request for proposals for the pilot programme for REDD-plus results-based payments and the related draft scorecard in the light of the final analysis…and the discussions of the Board at its seventeenth meeting on this matter*

and present it to the Board for its consideration at its eighteenth meeting".

Further guidance for NDA and FPs on how to engage with the GCF in the early phases of REDD-plus

In the decision adopted, the Board encouraged NDAs and FPs *"to access readiness support directly, or to collaborate with readiness delivery partners and accredited entities to submit readiness requests, for the early phases of REDD-plus, using the existing modalities for accessing readiness and preparatory support".*

The Board also encouraged NDAs and FPs "to collaborate with accredited entities to submit concept notes, Project Preparation Facility requests and funding proposals that will facilitate support for the early phases of REDD-plus".

The Board took note of the *"document provided to support efforts by national designated authorities and focal points to engage with the GCF in the early phases of REDD-plus using existing modalities, tools and programmes, and seeking complementarity and coherence for REDD-plus finance with other funds and initiatives".*

(The document in reference is titled Green Climate Fund support for early phases of REDD-plus, which was prepared by the Secretariat.

For instance, for the first phase, the paper states that GCF support could be in the areas of development of a national REDD-plus strategy or action plan and investment plans; designing a national forest reference emission level; designing and establishing the national forest monitoring system; and designing and developing a system for implementing the Cancun REDD-plus Safeguards.

For phase 2, the paper states that the GCF could support preparing REDD-plus strategies and plans as well as analyzing the funding sources and needs from countries in the process of implementing REDD-plus programmes.

For phase 3, in line with the Governing Instrument, the paper states that the GCF will provide financing in the form of grants and concessional lending, and through other modalities, instruments, or facilities as may be approved by the Board.)

The Board also requested the Secretariat to *"prepare appropriate communication material in order to facilitate access to the information…and update the information provided in the light of future decisions when needed".*

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GCF Board approves 11 funding proposals, with no consensus on 2 others

5 October, Cairo (Indrajit Bose) — The Green Climate Fund (GCF) Board at its 18th meeting held in Cairo, Egypt, approved 11 projects worth USD 392.86 million.

The Board met from 30 September to 2 October, 2017 and could not approve two projects that were from Paraguay and Argentina due to opposition from the Board member from the United Kingdom (UK).

The Paraguay project that did not get approved was on 'Poverty, Reforestation, Energy and Climate Change' (referred to as the PROEZA project), while the Argentinian project was on 'Climate Action for Rural Development: community-based adaptation and mitigation.'

The request in the Paraguayan project was for a GCF grant of USD 44.5 million, while in the case of the Argentinian project, the grant request was for the sum of USD 22.1 million.

One of the objections raised by the UK Board member, Josceline Wheatley, was over the "level of concessionality sought" and "the rationale for GCF funding" given the "development and income status" of Paraguay and Argentina. (See further details below).

The UK objection drew a storm of objections from several developing country Board members who appealed for the projects to be approved, as both the GCF Secretariat and the Independent Technical Advisory Panel had recommended the projects for approval and that the projects were targeting the poor in these countries.

The UK maintained its opposition to the projects and as the Board's decision-making process requires the consensus of all Board members, the UK's veto prevented the projects from getting GCF support.

In the general discussions during the meeting of the Board, the United States raised concerns over the "level of concessionality" being requested by "middle-income countries," which drew stern remarks from several developing country Board members who emphasized that that the GCF's Governing Instrument entitles all developing countries to access concessional finance from the Fund and that there was no categorization of developing countries according to their income levels.

One other project from Guatemala and Mexico had proved problematic initially given its title that was 'Climate-Smart Agriculture Risk Sharing Facility for micro, small and medium sized enterprises'. The project was approved following a change in its title to 'Low Emissions and Climate Resilient Agriculture Risk Sharing Facility'.

Egyptian Board member, **Omar El Arini** had expressed reservations on the use of the term 'climate-smart agriculture'. (See further details below).

Among the projects that were approved are:

· USD 8.65 million for the 'Renewable Energy Programme #1 – Solar in Mongolia' with XacBank as the accredited entity (AE);

· USD 110 million for the 'GCF-European Bank for Reconstruction and Development (EBRD) Kazakhstan Renewables Framework programme' in Kazakhstan with the EBRD as the AE;

· USD 20 million for 'Low Emissions and Climate Resilient Agriculture Risk Sharing Facility' in Guatemala and Mexico with the Inter-American Development Bank as the AE;

· USD 9.98 million for 'Building the Climate Resilience of Food Insecure Smallholder Farmers Through Integrated Management of Climate Risk project in Senegal with the United Nations World Food Programme as the AE;

· USD 26.56 million for the 'Bhutan for Life project' in Bhutan with the World Wildlife Fund as the AE;

· USD 17.35 million for the 'Scaling-up Investment in Low-Carbon Public Buildings project in Bosnia and Herzegovina' with the United Nations Development Programme (UNDP) as the AE.

· USD 26.91 million for the 'Sustainable and Climate Resilient Connectivity for Nauru project' involving the construction of a port in Nauru, with the Asian Development Bank as the AE;

· USD 31.39 million for 'Enhancing Climate Change Adaptation in the North Coast and Nile Delta Regions' in Egypt project with UNDP as the AE;

· USD 58.53 million for the 'Implementation Project for the Management Plan of the Lujan River Basin' in Argentina with the Development Bank of Latin America as the AE;

· USD 38.5 million for the 'Scaling up Climate Resilient Water Management Practices for Vulnerable Communities in La Mojana,' project in Colombia with UNDP as the AE; and

· USD 45 million for the 'Responding to the Increasing Risk of Drought: Building Gender-responsive Resilience of the Most Vulnerable Communities project', in Ethiopia with the Ethiopian Ministry of Finance and Economic Cooperation as the AE.

The Paraguayan project

The Food and Agriculture Organisation (FAO) was the accredited entity that submitted the PROZEA project. The objective of the project was to achieve mitigation and adaptation results, while reducing poverty of the poor and extreme poor communities in eastern Paraguay. The project had a number of proposed activities under three components, targeting three different groups viz. socially vulnerable populations and their involvement in a programme to reduce deforestation; private farmers and strengthening the sustainability of their involvement in the afforestation process; and the public sector for strengthening the country's capacity to implement climate change related programmes and projects at the local level.

Josceline Wheatley (UK) among other things, said that it was not clear "why the Paraguayan government who has a stated development and income status rather different from some of the other projects we are considering here… are not in a position to take on this burden themselves."

He said further that the UK's understanding of "concessionality" is that "the subsidy element provided through grants or concessional lending be the

minimum amount necessary to make the project or programme viable. Viability for us encompasses the people for whom the project is designed to serve, and their government…We are not persuaded that the GCF needs to be involved in this project," said Wheatley.

Following this, developing country board members made interventions stressing that the project is to help the poorest of the poor and that country ownership and replicability aspects of the project were quite strong.

Diann Black-Layne (Antigua and Barbuda) further said that the project satisfied the GCF criteria and that both the Secretariat and the ITAP had recommended that the project be approved.

Board members from **Democratic Republic of Congo, Uruguay** and **Malawi** also echoed similar views.

However, after further consultations when the project was presented for the Board's consideration, Wheatley objected to its approval.

Following the decision not to approve the funding proposal, **Co-chair Ayman Shashly (Saudi Arabia)** said the proponent could resubmit the proposal or approach the Independent Redress Mechanism of the GCF.

The Argentinian project

The objective of the proposed project, with Unidad Para El Cambio Rural (Unit for Rural Change, UCAR) as the accredited entity, was to promote the low-carbon and resilient development of the northern region of Argentina by promoting the incorporation of adaptation and mitigation measures in planning. The programme was expected to benefit about 5,750 families (around 28,750 beneficiaries. The proposal was submitted in response to the GCF request for proposal (RFP) on enhanced direct access, which was launched by the Fund in July 2016.

Wheatley (UK) among other things said that the GCF resources sought did not reflect the overall economic situation in Argentina and added that he did not agree with the concessionality sought, especially since some components of the project were revenue generating.

Other board members, both from developed and developing country constituencies, expressed support for the project and stressed on the importance of the project being an enhanced direct access (EDA) project which arose through an RFP by the GCF.

(An EDA project refers to decision-making on the specific projects/ programmes to be funded that will be made at the country/entity level, and such direct access is a means to increase the level of country ownership.)

Zaheer Fakir (South Africa) said that part of the idea for the RFP was to present to the world an understanding that the GCF would do things differently. "So we are looking at sub national levels, rural communities. We are looking at working with direct access entities who, potentially for the first time, engage with a multilateral fund…We (should) support and implement the project. It has the potential to embark on an area that has not been traditionally touched by multilateral funds," stressed Fakir.

Black-Layne (Antigua and Barbuda) also emphasized on the RFP aspect of the proposal and urged the Board to take risks and learn lessons.

Ignacio Lorenzo (Uruguay) said that the GCF would learn from the experiences that direct access entities would bring and the idea of the EDA RFP was to take a more riskier approach.

Despite all the clarifications by the Secretariat and the ITAP and further consultations, when the project was placed for the consideration of the Board, Wheatley said that he was unable to join the consensus.

Various Board members expressed disappointment as a result of the project not being approved.

Ludovica Soderini (Italy) said she was very disappointed that the funding proposal was not approved and even if they had serious concerns about the project, they did not oppose it in the spirit of consensus. She also urged the Board to look into an outstanding policy matter on decision-making in the absence of consensus.

She also said that the two funding proposals that could not be approved should be considered again once the issues raised by members had been addressed.

Fakir also expressed his displeasure and said it was "a sad day".

"This proposal was done as an RFP for EDA. The idea of doing this proposal was to show that we can engage at a level these funds don't engage much, and that is at rural areas, the so-called poorest of the poor. It's a proposal that is dealing with a direct access entity. It is part of priorities and pillars of this Fund and it is rather tragic that this is the kind of message we are sending. I don't think this will enthuse or motivate other direct access entities to want to do EDA. It's a wrong signal we are sending," said Fakir.

In response, **Wheatley** asked the Board to "get on with having a voting procedure, as the UK has also requested repeatedly from the beginning of this institution".

Co-chair Shashly also said that the Board needs to resolve the issue of decision-making when there was no consensus. He added that it may not be voting necessarily, but that they could explore other mechanisms.

The Mexico-Guatemala project – contention over 'climate smart agriculture'

Arini (Egypt) in his general remarks on the funding proposals, said that the Board should not be engaged in negotiating issues that are under negotiations in the United Nations Framework Convention on Climate Change (UNFCCC) or are controversial in the Convention.

He said he was alarmed to see a reference to "climate-smart agriculture". He said that there was no universal definition for what is climate-smart agriculture and it can mean different things to different people. Arini called on the Secretariat to remove references to this term in the funding proposal.

Following the intervention, in the proposal that got approved, all references to climate smart agriculture were removed, and the project was renamed.

Contention over level of concessionality to middle-income countries

Referring to the funding proposals that came before the Board, **Larry McDonald (US)** said he was concerned about the issue of the level of concessional finance to middle-income developing countries. He noted that a number of requests for pure grants from the GCF particularly for middle income countries. He hoped that the Board would do better to achieve its

mandate of ensuring least concessionality for funding proposals, and for a greater focus on poorer countries.

Karsten Sach (Germany) also expressed concerns regarding the principle of minimum concessionality not being adhered to and that the Fund was focusing a lot on grants.

References to market distortion were made by **Merete Pedersen (Denmark), Cyril Rousseau (France),** and **Sally Truong (Australia).** Pedersen said that the Fund needs to exercise caution while providing technical assistance to accredited entities, in particular to private players, and ensure that the Fund was not distorting the market as such by developing the technical capacity of only one private player.

Rousseau also said that the Board should carefully evaluate proposals that seek concessional financing for the private sector and not distort markets. Truong in her remarks said that the Fund should support market based approaches and not distort markets.

Responding to comments on these, **Zaheer Fakir (South Africa)** said that on the issue of "middle-income" countries, this was a definition coined by the World Bank, for its own purposes. There is no reference to middle-income countries in the Governing Instrument of the Fund, the Convention, the Kyoto Protocol or the Paris Agreement. Fakir cautioned the Board from going into such political discussions and remain "politically neutral" as this is for Parties under the UNFCCC and not for the GCF, which is an operating entity of the financial mechanism of the Convention.

On the issue of market distortion, Fakir said they were trying to create an environment within which projects or investments or programmes get implemented because these programmes will have a meaningful contribution towards addressing climate change and this objective took priority over distorting the market. "The issue of distorting the market should not take precedence over dealing with the climate challenge that we need to address," said Fakir.

Weifeng Yang (China) also said that the GCF is an operating entity of the financial mechanism of the Convention. "It is not a development bank. Differentiated financing based on the countries' development stages is not consistent with the principles of the Convention, nor the Governing Instrument," emphasized Yang.

He also said that concepts around minimum concessionality are also misleading. "The Fund is not a private sector agency. Its aim is not to minimize the cost and maximize the financial returns. Its aim is to achieve high transformational global impact and to enhance climate resilience. To achieve this, the Fund has to provide adequate grant and concessional financing to meet the incremental and full costs of climate activities. Some high-impact projects may not go forward without high or adequate grant financing. The Fund should consider what is the appropriate concessionality in its funding decisions," said Yang.

Responding to the comments, **McDonald (US)** clarified that his comments on concessionality and middle-income countries was in "no way intended as a political statement or as favouring one set of countries over another".

"I absolutely do not consider the GCF to be a bank, nor a profit-making institution by any means…We live in a world of some limited resources and to do the most we can with those resources. At some point,

funding for one set of countries at least has an opportunity cost or implications for others," added McDonald.

5 new entities accredited to the GCF

The Board also approved five new national entities as accredited entities, who will be able to access and disburse the Funds resources.

They were as follows: China Clean Development Mechanism Fund Management Centre, Department of Environment of Antigua and Barbuda, Fiji Development Bank, Palli Karma-Sahayak Foundation based in Bangladesh; and Sahara and Sahel Observatory (OSS) based in Tunisia.

The Board also took a number of key policy decisions in the areas of a process to simply approvals of funding proposals for certain small-scale activities; and approved an RFP for REDD+ projects (reducing emissions from deforestation and forest degradation). Matters such as the Readiness and Preparatory Support Programme, the selection of the permanent trustee for the GCF and the first formal replenishment process for the Fund proved contentious. (Further articles will follow).

The Board also agreed that it will meet next in Songdo, South Korea, from 27 February to 1 March 2018.

(Edited by Meena Raman)

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Third World Network

GCF Board approves USD 500 million for REDD-plus pilot programme

Delhi, 17 October (Indrajit Bose) — The Board of the Green Climate Fund (GCF) has decided to allocate up to USD 500 million for a request for proposals (RFP) for the pilot programme for REDD-plus results-based payments.

(REDD-plus refers to 'reducing emissions from deforestation and forest degradation' in developing countries that includes the role of conservation, sustainable management of forests and enhancement of forest carbon stocks in developing countries)

The Board agreed to initiate the RFP pilot programme for REDD-plus results-based payments.

It also decided to set the valuation of results at USD 5 per tonne of verified emission reductions of carbon dioxide equivalent (tCO2 eq). (Valuation indicates assigning a price for the results for per tonne of emission reduction.)

These decisions were taken at the 18th Board meeting in Cairo which met from 30 September to 2 October.

The Board also approved a further USD 50 million under the 'Readiness and Preparatory Support Programme' to support the preparation of National Adaptation Plans (NAPs) and/or other adaptation planning processes.

It also decided on a simplified approvals process for certain small-scale activities.

It also adopted a policy on 'Anti-Money Laundering and Countering the Financing of Terrorism' at the Cairo meeting.

Further details are provided below.

Request for proposals for REDD-plus results-based payments

The funding of REDD-plus activities is seen as a crucial matter for developing countries, with many awaiting finance for such activities in the forestry sector.

Prior to agreeing on the RFP pilot, several contentious issues had to be resolved in previous Board meetings such as the size of the pilot programme; eligibility date for results (this is about defining the start date for eligible results under the pilot programme); possible distribution of payments for the verified emission reductions achieved among successfully evaluated proposals, (this is about the distribution of payments which follows a certain calculation, and which ascertains how much money will a country get); application of the criteria for evaluating the proposals as described in the scorecard; (a scorecard comprises the criteria for evaluating whether a proposal merits funding from the GCF).

For more, see TWN Update on the funding of projects in the forestry sector.

Considering a valuation of USD 5/tCO2eq, the GCF would be able to pay for up to 100 million tCO2eq emission reductions (ERs). The maximum amount of payments per country would be set at 30 per cent of the

total payable volume (30 MtCO2eq) during the length of the pilot.

The eligibility period for results, another area of contention, was also agreed upon. Under the pilot programme, the GCF would accept for consideration the results between 31 December 2013 and 31 December 2018.

The scorecard that was agreed is divided into a 'concept note stage' and a 'funding proposal stage', each of which has its own criteria for evaluation.

According to the draft terms of reference for the pilot programme for REDD-plus results-based payments, the RFP will comprise two stages: in the first stage, the GCF receives concept notes on a rolling basis, allowing any interested countries to apply.

In the second stage, countries that are notified of their eligibility are invited to submit a funding proposal to the GCF. A country could submit more than one proposal provided that the total amount of GCF payable volume of emission reduction will not exceed more than 30 per cent of the size of the total envelope, according to the details of the pilot phase.

The submission of REDD-plus results-based payments funding proposals should be through existing accredited entities to the GCF, in coordination with the REDD-plus national entity/focal point to the UNFCCC, and following the procedures defined by their corresponding National Designated Authority (NDA). A no-objection letter from the NDA/focal point is required for all REDD-plus results based payments funding proposals.

According to the terms of reference for the pilot programme, the RFP will run from its launch in October 2017 until the last meeting of the Board in 2022.

A minimum of 3 Concept Notes from 3 different countries needs to be submitted to initiate the RFP evaluation process. The assessment of the concept notes will occur in the order in which they were received by the Secretariat.

The pilot programme will continue until the last meeting of the Board in 2022 and a minimum of three concept notes from three different countries will trigger the RFP evaluation process.

The terms of reference also mandate that countries receiving REDD-plus results-based payments through the accredited entities must reinvest the proceeds in activities that are aligned to their nationally determined contributions (under the Paris Agreement), their REDD-plus strategies or low-carbon development plans.

In the decision adopted, the Board requested the Secretariat to develop all corresponding templates and guidance for NDAs and accredited entities for applying to the RFP no later than two months after its adoption by the Board.

Readiness and Preparatory Support Programme

Discussions on the readiness and preparatory support programme were contentious around a request by the Secretariat to approve USD 190 million for funding National Adaptation Plans (NAPs).

According to the Secretariat, the requested amount would enable them to approve 18 NAPs by the end of 2017 and 40 NAPs in 2018. The Secretariat also informed the Board that they need at least USD 50 million to approve the NAPs in 2017, which was covered in the USD 190 million request.

Several Board members said that while they were ready to consider approving

additional resources, these were also linked to a review of the programme.

Karsten Sach (Germany) said he would like to see the results of the review before committing to the "huge sum" requested by the Secretariat.

Zaheer Fakir (South Africa) also said that the Secretariat should make it clear as to what results it was seeking through the substantial increase it had put on the table.

Omar El Arini (Egypt) said without auditing or thorough evaluation, he was not in a position to support the request.

Tosi Mpanu Mpanu (Democratic Republic of Congo) though was supportive of the request.

After further consultations, the Board adopted a decision, where it agreed to conclude the terms of reference for the independent evaluation of the programme by adopting a decision on the terms of reference in between the 18th and the 19th meetings of the Board.

The Board also agreed that the evaluation should conclude by the 21st meeting and a progress update on the evaluation should be provided at the 20th meeting.

The Board also decided to approve USD 50 million for the execution of the Readiness and Preparatory Support Programme to address immediate requests for the funding of national adaptation planning and/or other adaptation planning processes.

The Board also requested the Secretariat to present at its 19th meeting, a revised work programme for the programme, including a request for funding for 2018.

Simplified approval process for certain small-scale activities

The Board approved a simplified approval process pilot scheme at the meeting.

The pilot will focus on projects and programmes that are ready for "scaling up and have the potential for transformation, promoting a paradigm shift to low-emission and climate-resilient development"; "whose total size is no greater than USD 50 million, provided that the GCF participation in such project or programme is capped at USD 10 million"; and "whose environmental and social risks and impacts are classified as mild or minimal to none".

With reference to activities, the pilot scheme includes activities such as "capacity development, planning support, institutional development, advisory services, communication and outreach, household-level facilities and production within an already built-up area and with no additional footprint (basic post-harvest processing, rainwater harvesting, pico- to micro-scale renewable energy, retrofit renewable energy systems and energy efficiency and conservation, agroforestry and other small-scale climate smart agriculture), early warning and other monitoring systems, response planning support, in-situ rehabilitation of existing public facilities including maintenance and upgrading where waste will not be an issue, small-scale rural and urban community projects, small-scale watershed management and rehabilitation, climate smart agriculture, forest management activities and agroforestry among others".

The pilot also says that the activities would be project and context specific and would be assessed on a case-by-case basis.

Only those entities that are accredited to the GCF can submit proposals under the pilot scheme. The pilot scheme also lays out that the Secretariat would take measures to "encourage direct access

entities to submit projects or programmes under this pilot scheme with the aim of ensuring that submissions from such entities constitute at least 40 per cent of all approved projects."

The pilot would require the submission of a concept note along with "a pre-feasibility study and the results of the environmental and social risk screening that identify project-related environmental and social risks and impacts and their proposed mitigation measures".

"An Environmental and Social Action Plan (ESAP) will also be required that will describe the actions necessary to carry out the mitigation measures including timelines for their implementation, continuing consultations and engagement, monitoring and reporting, and actions to develop further the institutional environmental and social management system where gaps are identified," reads the pilot scheme.

Under the project review criteria of such proposals, the pilot scheme states that while the entity submitting a proposal would conduct all relevant due diligence for the project prior to the submission of a funding proposal, the GCF would convene a second-level due diligence where it would "validate the risk category of the project/programme activity".

Proposals under this pilot will also be subject "to a limited or streamlined review" by the independent Technical Advisory Panel of the GCF.

According to the pilot, "the entity proposing the project will need to provide a summary of consultations and a stakeholder engagement plan".

In the decision adopted, the Board also decided that the scheme is to be reviewed in two years of its operationalization, or when the approvals under the scheme amount to USD 80 million in GCF financing.

The Board also requested the Secretariat to operationalize the pilot scheme expeditiously and to develop a proposal for funding proposals under the pilot between meetings of the Board.

Policies related to prohibited practices

The Board adopted the Anti-Money Laundering and Countering the Financing of Terrorism Policy (AML/CFT) during the meeting, which essentially aims to safeguard the GCF against money laundering (ML) and financing terrorism (FT).

The policy outlines the principles and minimum standards of internal AML/CFT controls which should be adhered to by the GCF to mitigate any "reputational, regulatory, legal and financial loss risks".

According to the policy adopted, its "purpose is to provide principles and guidance regarding AML/CFT requirements and risks and to meet the following objectives:
(a) Prevent the abuse of the GCF's resources for ML and/or FT;
(b) Meet applicable legal requirements and international standards in jurisdictions where the GCF and its counterparties operate;
(c) Mitigate any reputational risk;
(d) Support the establishing and/or strengthening of capacities in countries to meet the GCF's fiduciary standards regarding AML/CFT;
(e) Guard against establishing any relations or undertaking any transaction that may relate to or may facilitate ML and/or FT or any other illicit activity;
(f) Exercise due diligence when dealing with Counterparties, persons appointed to act on behalf of Counterparties and connected parties of the Counterparties; and

(g) Continuously review and update its AML/CFT Policy and its corresponding AML/CFT Standard as threats and international standards evolve to prevent and detect ML and/or FT."

The policy adopted also states that for its operationalization, a detailed AML/CFT Standard would be developed which would define the implementation procedures.

In the decision adopted, the Board also requested the head of the Independent Integrity Unit, under the supervision of the Ethics and Audit Committee of the GCF, to develop the standards for the implementation of the AML/CFT Policy for consideration by the Board by its 20th meeting.

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Third World Network

GCF Board agrees on replenishment process

Songdo, 5 March (Indrajit Bose) — The Board of the Green Climate Fund (GCF) agreed on a process for the replenishment of its resources after much wrangling. It also adopted a host of decisions and approved over USD 1 billion for 23 funding proposals at its 19th meeting, held in Songdo, South Korea, from 26 February to 1 March.

The Board also elected **Paul Oquist (Nicaragua)** and **Lennart Båge (Sweden)** as its new Co-chairs for 2018.

The matter of the process for the first formal replenishment of the Fund's resources was among the most contentious issues at the meeting, with developing country Board members wanting a process instituted.

(According to the Board's 'Policies for Contributions', "Once the Fund's cumulative funding approvals exceed 60 per cent of the total contributions… received during the initial resource mobilisation (IRM), the Fund will initiate a formal replenishment process." The IRM period was 2015 to 2018)

During the discussions, the Secretariat informed the Board that the replenishment process would take about 18 months, comprised of a preparation stage involving policy decisions and terms and conditions that would take six months, followed by a second stage of meetings and negotiations for 12 months. This would then be followed by a pledging session, informed the Secretariat.

Developing country Board members said they did not want to be in a situation where they arrived at the 'trigger' for the replenishment process to be initiated, but without such a process in place. They called for a committee to be formed and the commissioning of a paper based on certain agreed parameters.

Developed country Board members however, were not in favour of the suggestions and wanted the Secretariat to continue to present options to the Board in terms of the replenishment process.

Board members were also divided on the target for the replenishment.

Developing countries referred to the needs of developing countries to be taken into account in the replenishment process. They underscored that the GCF is the financial arm of the UN Framework Convention on Climate Change (UNFCCC) and its Paris Agreement and that developing countries' contributions under the Paris Agreement were conditional upon predictable financing.

Developed countries, however, said that any replenishment amount would be a political decision and would be the sovereign decision of a country's Parliament. Following the discussions, the decision proposed to the Board comprised three options.

The first option was that the Secretariat prepare some documents (listed in an annex) for the Board's consideration at its 20th meeting. The annex comprised three documents: a paper outlining options for

the format, structure and governance of the replenishment process; terms of reference for an analysis of needs and the potential for GCF resources to support a paradigm shift towards low-emissions, climate-resilient development in developing countries; and the terms of reference for a review of the performance of the Fund.

The second option was that the Co-chairs oversee preparations of necessary policies and procedures for the replenishment process, including the documents listed in the annex, for the Board's consideration at its 20th Meeting.

The third option was that the Board establishes an 'ad hoc replenishment procedures committee', appointing four members, and for the committee to begin work, with the assistance of the Secretariat, including in preparing the documents in the annex.

The Board members continued to be divided on which option to select, with the United States explicitly saying that there was no need to rush for a decision on the issue.

"There are actual triggers for the replenishment process to begin. Any process now should be consultative in nature," said **Geoffrey Okamoto (US).** He further added that a list may be counter productive at this stage and that some countries may not agree with the terms of reference for an analysis of needs.

The Board finally decided to drop the list of documents referred to in the annex, and requested the "Co-Chairs, with the support of the Secretariat, and in consultation with members of the Board, to oversee the preparation of necessary policies and procedures for the formal replenishment process.

In the decision adopted, the Board also decided to "advance work under its 2018 work programme to conclude the essential preparatory arrangements for the first formal replenishment process of the GCF, noting this is without prejudice to the timing of a decision to initiate replenishment". The Board also reiterated its intention to review the Strategic Plan as part of the formal replenishment process.

Highlights of exchange on replenishment

Zaheer Fakir (South Africa) said that since the Fund was in the final year of the IRM, it would be prudent for it to begin discussions on how to deal with the issue of replenishment. He added that he did not want the Board to be in a situation where they arrive at the trigger but without a process on replenishment. He also said that a lot of work lay ahead in terms of having a discussion on procedures, policies of the Fund and assessment of needs of developing countries before the trigger set in. He also said that the Board should mull over questions on financing requirements, such as should there be a minimum financing requirement for replenishment.

Omar El Arini (Egypt) stressed on agreeing on a process on replenishment and emphasized that the GCF is a fund for developing countries, which need the resources to implement commitments under the Convention and its Paris Agreement. He also said that the Paris Agreement talks about the need of developing countries and for an assessment of those needs. Arini proposed that the Board should commission a study to assess the replenishment amount based on certain parameters, which the Board should discuss and agree on. He suggested

that a Board committee be formed to carry out the work.

Ignacio Lorenzo (Uruguay) supported Arini's proposal of having an indicative understanding of the needs of developing countries.

Jorge Ferrer Rodriguez (Cuba) stressed on the need to speed up the replenishment process, and pointed to projects worth USD 23 billion in the GCF's pipeline, which the Fund's existing resources could not meet.

(During the IRM, the GCF had a collective pledge of USD 10.2 billion for the period 2015-2018. However, in 2017, US President Donald Trump, had announced its intention of not contributing to the GCF anymore.)

Rodriguez clarified that the Board was not deciding on the amount of contributions, but the principles and procedures involved, failing which they would be in a situation a year down the line where the Secretariat would not have the money to run GCF projects. He also added that mitigation and adaptation commitments by developing countries in the Paris Agreement had been a great concession for developing economies, which were conditional upon availability of financial resources. Rodriguez also stressed that the GCF is a financial arm of the Convention and if the Fund did not deliver, the Paris Agreement would fall apart, especially in terms of temperatures exceeding thresholds. "Here, it is not a question of charity, but a moral, political and legal obligation of countries," said Rodriguez.

Ayman Shashly (Saudi Arabia) called for a committee to be established with clear terms of reference with an expected outcome and understanding of how the replenishment system would work. He also called for a concrete replenishment plan and said a number of indicators could be used by referring to the GCF's project pipeline and the nationally determined contributions (NDCs) of developing countries under the Paris Agreement.

Azimuddin Bin Bahari (Malaysia) also said that there should be a guiding body of the Board to oversee work on the replenishment process.

Tosi Mpanu Mpanu (Democratic Republic of Congo) said that at the 24th meeting of the UNFCCC's Conference of the Parties to be held later this year, it was important to create a positive momentum, through progress on replenishment. He also said that while developed countries should provide the bulk of the resources, developing countries must have a say in the matter. He stressed that the only way to raise the ambition under the Paris Agreement was for developing countries to be able to access funding that is predictable and sustainable, and called for the instituting of a process for replenishment.

Karsten Sach (Germany) said that if countries wanted to contribute, they would need justification to do so in their Parliaments. In response to Arini's proposal of a study, Sach said that he did not think such a study would yield any results since the Board members had no competence to decide what Germany or any other country would contribute, since that would be the sovereign decision of Parliaments. "One may like it or not, but that is the fact," said Sach. He added that the Fund had not disbursed much money and that there were political limitations to see what design was convincing to the outside world (to contribute).

Tamaki Tsukada (Japan) called on the Secretariat to furnish basic information on how other financial mechanisms, both

multilateral development banks and other UN systems operate.

Satu Santala (Finland) said that replenishment negotiations are about making a case for taxpayers to contribute to the Fund and added that needs would always be greater than what they could contribute. She added that the performance and capacity of the institution as well as the policy foundation needed to be studied to present where the Fund stands. She also said that they must arrive at a financial package which could include broadening the "donor base" and said that she did not support the idea of commissioning a study.

Cyril Rousseau (France) said he was not sure if the best way to begin work would be by establishing a committee. **Esther Gonzalez Sanz (Spain)** and **Geoffrey Okamoto (US)** supported Rousseau. Okamoto further added that it was the job of the Secretariat and the Co-chairs to brainstorm.

Besides the replenishment issue, other contentious matters included matters related to the trustee, policy matters related to funding proposals, such as concessionality, incremental cost and investment criteria indicators. (Further articles to follow on these issues).

Decisions adopted

The Board also adopted decisions on the Fund's 'Environment and Social Policy,' and the 'Indigenous Policy'.

Besides these, among some of the Board decisions adopted included the risk management framework, review of the structure and effectiveness of the independent Technical Advisory Panel, revised policy on fees for accredited entities, revised readiness and preparatory support work programme, terms of reference for the independent evaluation of the readiness programme, private sector outreach plan, modalities to support activities enabling private sector involvement in least developed countries and small island developing states and matters related to accreditation.

On funding proposals, the Board approved over USD 1 billion to 23 projects, which brings the Fund's portfolio to a total of 76 projects and programmes, amounting to USD 3.7 billion in GCF funding. Among the funding proposals approved includes the first project submitted under the simplified approval process.

Following is the list of the funding proposals approved:

· Under the simplified approval process: USD 9.30 million for 'Improving rangeland and ecosystem management practices of smallholder farmers under conditions of climate change' in Sesfontein, Fransfontein, and Warmquelle areas of the Republic of Namibia with the Environmental Investment Fund (EIF), as the accredited entity (AE);

· USD 42.16 million for the 'Climate-Resilient Water Sector' in Grenada, with Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) GmbH, as the AE;

· USD 27.61 million for the 'Water Sector Resilience Nexus for Sustainability' in Barbados with the Caribbean Community Climate Change Center (CCCCC) as the AE;

· USD 20 million for the 'Integrated physical adaptation and community resilience through an enhanced direct access pilot in the public, private, and civil society sectors' of three Eastern Caribbean small island developing states in Antigua and Barbuda, Dominica, and Grenada, with the Department of Environment, Ministry

of Health and Environment, Government of Antigua and Barbuda as the AE;

· USD 25.06 million for the 'Poverty, Reforestation, Energy and Climate Change Project (PROEZA)' in Paraguay with the Food and Agriculture Organization of the United Nations (FAO) as the AE;

· USD 23 million for 'Promoting private sector investments in energy efficiency in the industrial sector' in Paraguay with the Inter-American Development Bank (IDB) as the AE;

· USD 103 million for 'Promoting risk mitigation instruments and finance for renewable energy and energy efficiency investments' in Argentina with the Inter-American Development Bank (IDB) as the AE;

· USD 195 million for 'Financial Instruments for Brazil Energy Efficient Cities' in Brazil with the World Bank as the AE;

· USD 25 million for the 'Pacific Resilience Project Phase II' in the Marshall Islands with the World Bank as the AE;

· USD 9.27 million for 'Building climate resilience of vulnerable and food insecure communities through capacity strengthening and livelihood diversification' in mountainous regions of Tajikistan with the World Food Programme as the AE;

· USD 27.05 million for 'Scaling-up Multi-Hazard Early Warning System and the Use of Climate Information' in Georgia with the United Nations Development Programme (UNDP) as the AE;

· USD 24.98 million for 'Enhancing adaptive capacities of coastal communities, especially women, to cope with climate change induced salinity' in Bangladesh with UNDP as the AE;

· USD 20 million for the 'Global Clean Cooking Program,' in Bangladesh with the World Bank as the AE;

· USD 86.30 million for 'Scaling Up Energy Efficiency for Industrial Enterprises' in Vietnam with the World Bank as the AE;

· USD 32 million for S'trengthening climate resilience of agricultural livelihoods in Agro-Ecological Regions I and II' in Zambia with UNDP as the AE;

· USD 32.79 million for 'Strengthening climate resilience of rural communities' in Northern Rwanda with the Ministry of Environment of Rwanda (MOE) as the AE;

· USD 22.50 million for the 'Africa Hydromet Program - Strengthening Climate Resilience in Sub-Saharan Africa: Burkina Faso Country Project' with the World Bank as the AE;

· USD 5 million for the 'Institutional Development of the State Agency for Hydrometeorology' of Tajikistan with the Asian Development Bank (ADB) as the AE;

· USD 40 million for 'Climate-Friendly Agribusiness Value Chains Sector Project' in Cambodia with the Asian Development Bank (ADB) as the AE;

· USD 145 million for the 'Ulaanbaatar Green Affordable Housing and Resilient Urban Renewal Project' in Mongolia with the Asian Development Bank (ADB) as the AE;

· USD 26 million for the 'Acumen Resilient Agriculture Fund' in Ghana, Nigeria, Uganda, with the Acumen Fund Inc as the AE;

· USD 52.50 million for the 'Zambia Renewable Energy Financing Framework' with the African Development Bank (AfDB) as the AE; and

· USD 100 million for the 'Line of Credit for Solar rooftop segment for Commercial, Industrial and Residential Housing sectors' in India with the National Bank for Agriculture and Rural Development (NABARD) as the AE.

The Board will meet next from 1-4 July, 2018, for the 20th Board meeting in Songdo, South Korea.

(Edited by Meena Raman)

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Third World Network

World Bank to continue as Green Climate Fund interim trustee

Kuala Lumpur, 6 Mar (Hilary Chiew) – The Green Climate Fund (GCF) Board extended the term of the World Bank as its interim trustee for an additional period of one year or until such time when a successor trustee is selected, whichever occurs earlier.

At its 19th meeting, held in Songdo South Korea, from 26 February to 1 March, the Board reached the decision to ensure that there will be no discontinuity in the service of the trustee as the existing contract with the World Bank terminates on 30 April while the process of selecting the permanent trustee has yet to be launched. The process to appoint the permanent trustee was supposed to conclude by the end of 2017.

The Board decision also confirmed that "the selection of the permanent trustee of the GCF shall be undertaken through an open, transparent and competitive bidding' process."

Deliberations on the selection process hit a roadblock at the 18th meeting of the Board as members differed on how to treat the World Bank, which, according to sources, was against an open bidding system.

The Board further adopted the terms of reference (TOR) of the permanent trustee, the selection process and the timeframe for the selection process. The Board's ad-hoc 'Trustee Selection Committee' will present a recommendation of the final nominee for approval at the 21st meeting of the Board (to be held in October 2018 in Manama, Bahrain).

The selection process, as set out in the decision adopted by the Board, will consider all public international financial institutions that meet the criteria of the terms of reference (TOR). The GCF Secretariat will also solicit expressions of interest, by way of public advertisement and by invitation, the participation by any other public international financial institutions, through the publication of the process and the TORs for the permanent trustee on the GCF website, and advertising in appropriate international publications.

Several developing countries' Board members argued passionately to uphold the principles of a transparent selection process while developed countries' Board members expressed deep concern on consequences of the imminent discontinuity of service of the trustee, without an extension of the service of World Bank as an interim way forward.

Highlights of exchange on 'matters related to the Trustee'

Zaheer Fakir (South Africa) recalled that at the last Board meeting, consensus on the selection process was not reached as the sticking point was that "a certain institution" (in an apparent reference to the World Bank) did not want to be subjected to an open bidding process, and that it should be automatically considered

irrespective of whether it responds to the advertisement placed by the GCF.

He said further that he could not consider the extension of the tenure of the interim trustee without solving the issue of the permanent trustee. Fakir questioned what the principles of the Fund were and whether the Board was "prepared to forgo the principle of fairness, equity and competitiveness because of an institution's (demands)."

Omar El-Arini (Egypt) expressed unhappiness that the Secretariat presented the case for the extension of the interim trustee instead of concluding the process for the selection of the permanent trustee. He said it was up to the Board to choose the trustee, adding that he did not like to be threatened with the bleak scenarios of an eventual discontinuation of the service of the interim trustee. "I am not prepared to bend backwards or over in order for one institution to make up its mind whether it wants to apply or not. We have the TOR and the text for the advertisement; so I propose to go ahead to post the announcement. If we had done that (last) October, we would have the selection completed and not landed in this situation of having to extend (the interim trustee's contract)," he lamented.

Ayman Shasly (Saudi Arabia) said it's not a matter of extension of the interim trustee services versus selection of the permanent trustee). "We do not want to hold the operations of the Fund hostage but we want to adhere to the guidance from the COP (referring to the meeting of the Conference of Parties to the UN Framework Convention on Climate Change)."

"It is clear that we have to do it (the selection process) in an open and transparent manner. We are simply doing just that to make sure that nobody can say that this Fund is selective about principles," he stressed further. Shasly also wished to hear directly from the World Bank that it was not ready to go through a formal bidding process, as there was no formal communication from the institution.

Jorge Ferrer (Cuba) also said that there was need to agree to the selection process according to the rules and mandate of the COP and to renew the services of the interim trustee for some time, "as a way out of this difficult situation."

Geoffrey Okamoto (United States) said that he was not optimistic that the matter can be resolved any time soon but an arrangement is needed for the Fund to function after April this year. "The consequence is critical ... the inability of the Board to resolve this issue will present legal and reputational risks," he cautioned.

Tamaki Tsukada (Japan) recalled having heated discussions around the principles but urged Board members to be responsible as projects and other important things were at stake. "We need to take a two-step approach ... take a decision on extension first but this does not mean we do not discuss the issue of permanent trustee. It can happen in parallel," he added.

Presiding over the discussions, co-Chair **Lennart Bage (Sweden)** said the issue was contentious and he did not want to be in a situation where there was no agreement.

Following consultations among Board members, among other matters, a decision was taken to "invite the World Bank to continue serving as the interim trustee until a permanent trustee is appointed." (*Edited by Meena Raman*)

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Proposal by GCF Secretariat on seeking funding proposals put on hold

Kuala Lumpur, 7 Mar (Hilary Chiew) – A proposal prepared by the Green Climate Fund (GCF) Secretariat to launch a pilot on 'project-specific assessment approach' (PSAA) in seeking funding proposals, did not gain full support from its Board during its 19th meeting that concluded at Songdo, South Korea on 1 March.

Several board members from both developed and developing countries registered their concerns over the merits of the proposal while a review of the existing accreditation framework is on-going, and preferred to "wait for the full review" of the accreditation framework.

The proposal was presented by the Secretariat as a complementary modality to accreditation in order to accelerate proposals submitted under the Simplified Approval Process (SAP) and Request for Proposals (RFPs) approved by the Board.

It was in response to the 18th Board meeting request for the Secretariat to present a proposal for the revision of the accreditation framework that includes other modalities for institutions to work with the GCF as early as the 19th Board meeting.

In the document titled *'Further development of the accreditation framework*' for consideration of the Board, the Secretariat explained that the PSAA entails assessing a project and the entity (or entities) submitting a funding proposal for its ability to effectively undertake the proposed project. The approach could be applied to entities that have responded to the SAP pilot scheme and the entities that respond to and are selected for the RFPs issued by the GCF, for example including a pilot phase for enhancing direct access (EDA); a pilot scheme to support micro-, small-, and medium-sized enterprises (MSMEs); and a pilot programme to mobilise resources at scale (MFS) in order to address adaptation and mitigation.

In the draft decision attached to the document for the Board's consideration, the Secretariat proposed that the Board implement the PSAA on a pilot basis and operationalise the pilot within three months with the objective of submitting funding proposals which are within the scope of the PSAA for the Board's consideration as early as possible.

During its oral presentation at the meeting, the Secretariat said 109 organisations have sought to engage with the GCF specifically on the RFPs and SAP. The Secretariat said that to enable the GCF to meet the fit-for-purpose aim, the it was proposing to work with entities to undertake a single project, rather than through the accreditation process where the entity may engage over a long term with GCF on multiple projects. The Secretariat further proposed that each entity be limited to a maximum of three proposals for both non-accredited entities and accredited entities (AEs), where their funding proposals go beyond their accreditation scope.

After considerable exchanges, the Board decided to take note of "the project-specific assessment approach that combines assessments undertaken during the existing accreditation and proposal approval processes in a fit-for-purpose manner" and requested the Secretariat "to further develop the approach ... taking into account the views of Board members and as part of the proposals from the full review of the accreditation framework, for the Board's consideration at its 20th meeting."

The decision also took note of "the progress report on the review of the accreditation framework". It also noted "that the full report of the review of the accreditation framework with further recommendations will be presented to the Board as early as its 20th meeting" and also decided "to extend the prioritisation of entities applying for accreditation ... until the end of the 20th meeting of the Board'.

The Board also adopted a decision revising the management fee structure for AEs for public sector grants for projects/programmes as follows: For micro projects that are not more than US $10 million, the fee cap is up to 8.5%; for small projects that are between US$ 10-50 million, the fee cap is up to 7%; while for medium projects between US$ 50-250 million, it is 8% and for large projects above US$ 250 million, the fee cap is 7 %. Fees for private sector projects/programmes and fees for non-grant public sector projects/programmes will be negotiated on a case-by-case basis, as required.

Highlights of intervention on the PSAA approach

Jorge Ferrer (Cuba) said that the idea of the pilot PSAA was good but he was not sure if it was appropriate when the Board had yet to carry out an independent review of the accreditation framework.

"We need the full picture and not adding further layers without being sure what is the most appropriate way to address the problem," he cautioned. He added that despite the fact that there are a good number of direct access entities, they were only getting the small and micro projects, pointing out that international AEs accounted for 74% of the projects approved. "So the pilot should focus on direct access entities ... if it goes to international AEs, the imbalance will be further deepened," Ferrer added.

Omar El-Arini (Egypt) expressed surprise over the proposal of the Secretariat, and said that some Board members were not convinced yet that the present accreditation process is working well and having the PSAA "will not make it better".

Karma Tshering (Bhutan) cautioned that the introduction of the PSAA signalled a departure from the approach prescribed by the Governing Instrument of the GCF which explicitly states that access will be through the National Designated Authority and the AEs. He added that the review of the accreditation framework is not yet finalised and that it was premature to approve this PSAA at this meeting and preferred deferring a decision until the next meeting pending the full review of the accreditation framework.

Ignacio Lorenzo (Uruguay) also expressed concerns with the proposed PSAA "as it is a major change to our policy that comes at this time in the middle of the review (of the accreditation framework). There are implications for staff, budget and diverting the resources of staff that

have to deal with existing AEs in the pipeline.'

May Gicquel (France) found the proposal interesting but agreed with others that "it might be better to wait for the full review before changing the way we do things here as this is a rather substantial change."

Karsten Sach (Germany) was grateful for the proposal but reckoned that it should be taken up in the realm of the overall review (of the accreditation framework). He noted that going to full-fledged implementation of the pilot proposal was immature given that other entities had been waiting for a long time.

Sally Truong (Australia) recognised the need to be flexible to accommodate the private sector which operates in a speedier timeframe but stressed the need to do it in a way that safeguards the integrity of the Fund and the investments being made.

Tosi Mpanu Mpanu (Democratic Republic of Congo) supported the proposal with the need for assurance that the projects meet the fiduciary standards and safeguards and apply to SAP and RFPs, noting that the review of the accreditation framework should explore all options and modalities to streamline the accreditation process.

Esther Gonzalez (Spain) felt it was time for the Board to find solution to the bottleneck and agreed with the proposed pilot for the PSAA that is limited to the entities that respond to the SAP and RFP.

Lars Roth (Sweden) supported the proposed PSAA but said that the decision should include the timeframe. He said the review of the accreditation framework should look into the number of AEs that the Fund is able to deal with and if there is need to set a time limit for aspiring AEs to produce a funding proposal.

Feturi Elisaia (Samoa) viewed the PSAA as a pilot scheme "so we can learn from challenges and can respond more effectively.".

Roelof Buffinga (Netherlands) saw merit with the proposed PSAA but cautioned against approving projects by entities that have yet to shift their portfolio in support of low carbon and climate resilience activities.

Satu Santala (Finland) also supported the proposal and would like the pilot phase to report back to the Board on an annual basis. On the review of the accreditation framework, she said the fundamental question was whether there should be a limit on the numbers of AEs and whether the number of AEs per country should also be looked at.

The Board also adopted a number of other decisions: Risk Management Framework and Private Sector outreach plan and modalities to support activities enabling private sector involvement in least developed countries (LDCs) and small island developing states (SIDS).

The Board considered the RMF proposed by the Risk Management Committee of the Board and adopted the second set of the RMF components in three annexes dealing with policies on investment risk, non-financial risk and on funding risk.

During the discussion, **Zaheer Fakir (South Africa)** expressed concerns that the RMF was more concerned with protecting the money of the Fund rather than spending it and questioned if this was in line with the Fund's high risk appetite.

He also pointed out that there is an overreach on the risk management as "everything in the Fund is subjected to risk

management including the readiness programme which is supposed to have limited risk." "It is fine to say in your mission statement that you want a high risk appetite but the devil is in the details. We are saying one thing (on one side) but extremely conservative on the other side," lamented Fakir.

"You aspire to be a trapeze artist but suffer from a fear of height" cautioned Fakir and said that this was being "schizophrenic." He said further that he fully understood the need for the GCF to manage risks but "felt that the document lost the essence of the GCF and it would sit well within a financial or commercial institution."

Ayman Shasly (Saudi Arabia) raised the inclusion of the World Bank's definition of income level in one of the footnotes in the annex of the document on funding risk policy and wanted the sentence deleted as he could not approve a document that differentiate countries based on income level.

The footnote reads: *"It should be noted that extent of solvency risk exposure arising from investment commitments in non-holding currencies is limited by the diverse set of currencies the GCF may invest in, which provides a natural hedge to the GCF against investment currency appreciation. An equally-weighted currency basket from low-income and lower-middle income countries (as defined by the World Bank) depreciated by 49% against the SDR basket from 1995 to 2016."*

The decision was adopted after the reference to the World Bank income definition was removed from the footnote.

Private sector matters

The Board adopted two decisions pertaining to the private sector.

On the development of the private sector outreach plan, the Board requested the Secretariat "to incorporate the recommendations from the Private Sector Advisory Group (PSAG) into the strategic road map of the Secretariat for leveraging, mobilising and engaging domestic and international private sector actors, the communications strategy of the GCF, and other relevant policies, processes and programmes". It also requested the Secretariat to consider including a private sector outreach focus as part of the regional GCF structured dialogues.

On the PSAG recommendations on the development of modalities to support activities enabling private sector involvement in LDCs and SIDS, the Board requested the Secretariat to develop modalities, to support activities to enable domestic and international private sector actors to engage in GCF activities in LDCs and SIDS for consideration by the Board at its 20th meeting.

It also requested the Secretariat, in cooperation with private and public sector entities, AEs, NDAs and focal points, to identify and facilitate the development of funding proposals targeting LDCs and SIDS, which involve innovative financing structures or modalities, such as project and small-scale solution aggregation, public-private insurance structures, and on-lending and risk capital investments through climate-oriented financial intermediaries.

Edited by Meena Raman

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Lively debate at GCF Board on differentiated treatment of developing countries

Delhi, 8 March (Indrajit Bose) — The Board of the Green Climate Fund (GCF) discussed several policy matters in relation to funding proposals at its 19th meeting held in Songdo, South Korea, from 26 February to 1 March.

Among the most contentious were discussions on potential approaches for further guidance on the concessionality of the financial instruments and the investment criteria indicators.

Central to the contention were references to differentiation among developing countries based on their income status and their vulnerability levels, as was indicated in the documents prepared by the Secretariat on the respective topics presented to the Board for its consideration.

Responding to the differentiation among developing countries, several developing country Board members reiterated that the only differentiation in the United Nations Framework Convention on Climate Change (UNFCCC) is between developed and developing countries. Several Board members stressed that the GCF, being an operating entity of the Financial Mechanism of the Convention, should refrain from categorizing developing countries in categories that do not exist under the Convention, its Paris Agreement or the Governing Instrument (GI) of the GCF. (See highlights of interventions on the topics below.)

They cited paragraphs 35 of the GI on eligibility which states that *"all developing countries are eligible to receive resources from the Fund*" and paragraph 52 on the allocation of resources for adaptation, which states that "*the Board will take into account the urgent and immediate needs of developing countries that are particularly vulnerable to the adverse effects of climate change, including the Small Island Developing States (SIDS), Least Developed Countries (LDCs) and African States."*

Some developing country Board members also said that it was wrong to interpret paragraph 52 of the GI as espousing differentiation among developing countries.

(At the 23rd meeting of the Conference of the Parties to the UNFCCC last year, in its guidance to the GCF requested "*the (GCF) Board to ensure that all developing country Parties have access to all the financial instruments available through the GCF…"* See related TWN Update).

Several developing country Board members also reiterated the nature of the institution and said that the GCF is a Fund, and not an investment bank.

One developing country Board member from South Africa also pointed out that 80 per cent of the poor lived in "middle-income" countries and the GCF must also respond to all the poor in developing countries.

Some Board members also said that several of the policy issues were inter-

linked and a number of other policy issues remained to be addressed in an integrated manner. These included policies on co-financing and minimum benchmarks, which were also linked to the financial terms and conditions of the Fund's instruments, investment framework and the risk management framework.

Towards the end of the discussions, the Board felt that more time was needed to flesh out these issues and for them to be considered together. The decision adopted reflects this consensus.

In the decision adopted on 'incremental cost and concessionality', the Board noted the linkages between incremental costs and concessionality and policy gaps such as project eligibility criteria and co-financing. It further noted that addressing the policy gaps requires an integrated approach, which addressed the inter-linkages.

The Board requested the Secretariat to develop an integrated approach to resolve the inter-related issues for the Board's consideration at its 20th meeting and to include "steps to enhance the climate rationale of GCF-supported activities" and "policies on the review of the financial terms and conditions of GCF instruments and concessionality, incremental costs, full costs, and co-financing".

The Board also requested the Secretariat to take into account the views expressed by the Board members at the meeting, and any further written comments before 30 March, the while developing the integrated approach.

The Board also requested the Secretariat to include in the approach "a capacity-building strategy to support national designated authorities/focal points, and accredited entities, particularly direct access entities, to incorporate these policies into their interactions with GCF….".

In the decision on the 'investment criteria indicators', the Board also requested the Secretariat to further develop a proposal on the indicators based on the feedback received at the Board meeting, and for the Secretariat to bring back a revised version for the Board's consideration at its next meeting.

Highlights of exchange on concessionality of financial instruments

In the proposed approach for adoption by the Board, the Secretariat informed that in some cases, funding proposals would not require justification for seeking concessionality from the GCF.

For non-revenue generating projects in LDCs and SIDS for instance, the Secretariat said that the maximum concessionality instrument not requiring further justification would be grants. This did not mean that others would not be eligible for grants but that they would have to provide a justification as to why they seek grants, it added. Elaborating further on the approach, the Secretariat said that for revenue generating projects in LDCs and SIDS, the maximum concessionality instrument not requiring further justification would be high concessional loans; and for revenue generating projects that are not in LDCs and SIDS, the maximum concessionality instrument not requiring further justification would be would be low concessional loans.

Zaheer Fakir (South Africa) said he was struck by the Secretariat's presentation wherein the approach to looking at countries from the vulnerability perspective as well as distinction of countries based on some notion of income were both reflected. He stressed that the GI talked about vulnerability of all

developing countries, particularly SIDS, LDCs and Africa.

Yang Weifeng (China) called for further refinement of the overall approach on concessionality, and that he had reservations on the approach espoused by the Secretariat, and that it contravened the GI and the UNFCCC. He added that the overall approach of the UNFCCC and the GI is two-fold; any rule applies to all developing countries and some flexibility or consideration is given to those that are particularly vulnerable to the impacts of climate change.

Ayman Shashly (Saudi Arabia) said that the document presented gave the Fund the identity of a multilateral development bank, whereas the Fund was an operating entity of the Financial Mechanism of the Convention, meant to support developing countries. He also added that he did not recognize the storyline in the document, which segregated developing countries. Shashly said that countries in their nationally determined contributions (NDCs) (under the Paris Agreement) had included the amount of money they need to unlock their mitigation potential, only to realize that if they came to the GCF, it would be in the form of loans (should the document be accepted).

Jorge Ferrer Rodriguez (Cuba) said that concessionality was linked to the incremental cost policy and the terms and conditions of the Fund's instruments. Rodriguez further added that the paper presented looked like it belonged to a bank. He stressed that nowhere in the Convention is there is a list of vulnerable nations, adding that every country is vulnerable.

Ignacio Lorenzo (Uruguay) said that the document's approach focused more on the characteristics of countries rather than that of projects. The Board, he said needs to see what degree of concessionality is to be delivered, regardless of country characteristics. He also cautioned against using terms that are not part of the GI, Convention and its Paris Agreement and added that a much more preferred approach on concessionality would be one that deals with the success of an instrument in terms of paradigm shift of a developing country.

Responding to comments, **Josceline Wheatley (UK)** asked who authorized the use of concessionality. "Is this some contrivance of OECD countries or the like? No, it is not. It comes from the Convention in Article 11. Concessional finance is mentioned there. It is in the GI, paragraph 54, and it is in numerous Board decisions." (*Paragraph 54 states that the Fund will provide financing in the form of grants and concessional lending.*)

He said further that the Board had decided that there would be concessional finance but had not decided on how it was going to be applied. He also said that during the deliberations on the issue, he had a heard a problem regarding differentiation among developing countries and the suggestion that the corresponding part in the Board decision could be removed. He said that if there was no consensus on this approach, there could be a decision on how to tackle the issue.

Geoffrey Okamoto (US) spoke in favour of the proposed policy and said that the Board will find it very difficult to justify funding future projects, till clarity is achieved on the policies.

Omar El Arini (Egypt) said it was premature to discuss the issue, especially in isolation of other crucial policy issues. He also reiterated that the GCF was a Fund, not a bank. In response to Wheatley, Arini

responded that concessionality is not included in the GI and that the GI only states that funds will be given on grant or concessional basis, whereas the Board was discussing the basis on which concessional finance would be effective in the Fund. He also said that if not for the letter of no objection (where accredited entities require a no objection from the NDA to submit a proposal to the GCF), there was no way for a government to know the interest rate on a loan. He suggested discussing eligibility criteria and incremental costs instead, which were priority. Arini also underscored that concessionality is important to developing countries for the sake of transparency and to know if the accredited entities are providing loans at or above market rate.

Highlights of exchange on investment criteria indicators

Introducing the issue, **Kate Hughes (UK),** the chair of the investment committee, said that the mandate for the work meant taking into account various national circumstances of countries and the "evidence review" pointed to having different indicators in SIDS, LDCs and Africa on some of the quantitative elements and different national circumstances underpinned each of the investment criteria.

The indicators proposed, for example, included expected change in losses of lives and direct economic losses under the impact potential investment criterion for adaptation. Then, for the needs of the recipient investment criterion, the adaptation indicator proposed was a vulnerability-based approach where vulnerability components such as exposure, sensitivity and adaptive capacity would have to be identified. For country ownership, alignment with the NDC was proposed as an indicator.

Responding to the paper, **Yang Weifeng (China)** said the approach seemed to divide developing countries into two groups and how national circumstances would be reflected was not very clear.

Zaheer Fakir (South Africa) said a lot of the things in the document were presented by breaking it into LDCs, SIDs and Africa. "The notion of LDCs, SIDS and Africa needs to be contextualized in the GI. It was based around adaptation, and it was not limited to SIDS, Africa and LDCs. It talked of all developing countries and those particularly vulnerable," said Fakir. He said the paper requires a lot more work.

Jorge Ferrer Roriguez (Cuba) referred to the indicator of expected change in loss of lives and said that his country was hit by the worst possible hurricane last year, which resulted in economic losses to the tune of billions of dollars and damaged thousands of houses but only 10 lives were lost. He cautioned against using such an approach and said that the situation in developing countries was very diverse. He also used another example of country ownership indicator (alignment with NDCs) and said that some countries did not have NDCs, as they are for the post-2020 period (under the Paris Agreement.) He wanted to know how projects would be assessed in such cases. On classifying countries on their vulnerability levels, he said everyone is vulnerable, even the developed countries. "The difference is they have the technical capacity and money to deal with this but we don't, unfortunately," he added.

Satu Santala (Finland) said she could support the proposed approach as a pilot, even through the indicators were far from

perfect. Regarding analyzing countries, she said she was puzzled (with interventions on country classifications) because the proposed indicators made it abundantly clear that countries' varying national circumstances had to be taken into account. "I cannot help thinking of the many reports we get on the grave impacts on climate change but I am not hearing concerns or solidarity for those that suffer the most and those countries that have fewer means…in these conversations. We have the responsibility to think about that too," she stressed.

Responding to Santala, **Fakir** said that every intervention they were making in the Board was with the poor in mind. "If you recall, 80 per cent of the world's poor are in countries that will be prejudiced by the policies we take in this Fund. The World Bank will tell you that 80 per cent of the world's poor live in 'middle-income' countries," which are viewed to be much more capacitated and should not therefore receive the same levels of privilege as other countries. "The reality is we want to do something for all the poor around the world and in the countries that are vulnerable, like the SIDS, we want to do more, but we do not want to do more by prejudicing the others. It is with that approach we approach these things. We are trying to create a better life for all," said Fakir.

(Edited by Meena Raman)

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Climate Fund fails to reach agreement on replenishment process

Songdo, 9 July (Indrajit Bose and Meena Raman) — Attempts to arrive at consensus on the first formal replenishment process of the UNFCCC's Green Climate Fund (GCF) came to a naught at the 20th meeting of the Board of the GCF, held in Songdo, South Korea, from 1-4 July.

A decision on the process for replenishment of the GCF's resources was seen as a critical outcome for the Board meeting, given the state of its existing resources, where there is a gap of about USD 3 billion between resources pledged and committed, and resources realized.

This gap includes nearly USD 1 billion in foreign exchange losses and USD 2 billion due to the United States not fulfilling its pledge. (The US had made a pledge of USD 3 billion, "subject to the availability of resources" and only USD 1 billion has been transferred to the GCF thus far.)

According to the GCF Secretariat as reported at the Board meeting, the initial resource mobilization (IRM) period of 2015-2018 would yield only USD 7.2 billion by the end of the year, as opposed to USD 10.2 billion in signed commitments by countries.

The document also revealed that of the USD 6.5 billion received so far, cumulative funding decisions of USD 4.5 billion have been made, which includes the approval of funds for 76 projects thus far.

The Fund therefore has about USD 2 billion left for funding decisions and with an expected USD 790 million to be made available by end of the year, about USD 2.8 billion can be committed for spending. Of this money available, more than USD 300 million has to be allocated for the administrative budget of the Secretariat and other expenses including those related to the operations of the Fund.

For the 20th Board meeting, nearly USD 1 billion worth of funding proposals were expected to be considered for approval. However, the Board did not get to discuss the funding proposals due to a number of process related deadlocks and disagreements among Board members at the meeting, which drew much frustration and disappointment all around. (See further details below.)

The Board also noted the growing demand for GCF funds. According to the Secretariat, as of June 2018, the GCF pipeline comprised 87 funding proposals requesting USD 5.1 billion of GCF funding.

Given the need for more resources, the urgency in getting the replenishment process in order was stressed particularly by developing country Board members. (See more details below.)

In this regard, there were substantive areas of disagreement related to the replenishment process, which were three-fold: (i) whether or not certain policies and procedures needed to be in place before the process of replenishment could begin; (ii) whether and what type of review of the GCF should be conducted for the

replenishment to happen; and (iii) whether the replenishment process should be driven by the GCF Board or contributors who contribute to the GCF. (See further details below.)

In relation to the review of the GCF, according to sources, developed countries just wanted to allocate USD 830,000 to the Independent Evaluation Unit (IEU) of the GCF without any defined scope of the review and they did not want any Board approved Terms of Reference for the review, which developing countries could not agree to.

Status of the financial resources

Upon the presentation of the status of the financial resources, developing country Board members raised concerns on the USD 3 billion gap and the amount of resources left.

Some developing country Board members also said that the figure of USD 10.2 billion (which includes the US contribution), should not be bandied about anymore because it was clear that the amount could not be realized, (given the position of US President Donald Trump who made clear last year his government did not intend to put in any more resources to the Fund.)

Developed country Board members, however, focused on the need to manage the pipeline with some prioritization and change the practice of "first-come-first-serve" basis in relation to funding projects.

Developing countries cautioned that changing the rules of engagement mid-way might rock the boat, and it would be difficult for the Board to agree on a new set of criteria for the use of the remaining funds at this stage. They stressed on the need of sound financial planning for the remaining resources of the Fund.

After further discussions, the Board adopted a decision on financial planning, in which it requested *"the Secretariat to prepare an analysis of options for the financial planning of the GCF commitment authority for the IRM with a view to managing the GCF pipeline to balance commitments and diversity among accredited entities and across the initial results areas of the GCF based on confirmed contributions…and present this to the Board for consideration and adoption at its 21st meeting."*

Issues in relation to replenishment

During the 19th Board meeting, in relation to the replenishment issue, developing countries had proposed that the process be based on the needs of developing countries, but developed countries led by the US had objected to this. (See related TWN update).

The disagreements further widened at the 20th meeting, which led the Board to be deadlocked, with no decision possible.

In the initial draft decision for the meeting on replenishment presented for consideration, the Board was asked to consider agreeing to initiate the process "in line with the policies for contributions, with such process to commence following the adoption of the essential policies and procedures for the first formal replenishment."

These included policies related to the following matters: gender policy, environmental and social safeguards standards, options for further guidance on concessionality, incremental and full costs, policy on co-financing and further options for decision-making, which included decision-making without a Board meeting and decision-making in the absence of consensus.

The draft decision presented to the Board also proposed a "forward-looking review" of the performance of the Fund during the IRM and for the review to be carried out by the Fund's IEU.

Developing country Board members raised concerns against making these policies "conditional" to initiating a process on replenishment. They referred to a sense of "*déjà vu*", where prior to the IRM process, the Board was faced with similar discussions about fulfilling essential requirements before launching the IRM (see related TWN Update).

Zaheer Fakir (South Africa) recalled the discussions during the IRM process and said that the Board then was tasked to fulfill eight essential requirements, which the members agreed to after prolonged discussions and the pledging process began. At the 17th Board meeting (in July 2017), members said that decisions on projects should be stopped because of policy gaps.

"Many of the things being raised as policy gaps now were policy gaps even then," stressed Fakir, adding that there was no consensus on how the Board is to address the issue of voting. Yet he recalled that the Board had taken difficult decisions before and had found ways of getting consensus. "If the policies were not concluded, would there be no replenishment?" he questioned further.

As regards the review of the Fund, Fakir said that the majority of the GCF's portfolio had not gone into the implementation stage yet. In this regard, he asked what was going to be reviewed. (So far, in terms of actual disbursements for the approved projects, the GCF has only given out USD 274 million due to various reasons.)

Fakir lamented that the Fund lacked ambition. "We do not have any strategic targets of what we want to achieve," he said further, explaining that the Board does not know what the contribution it wishes to make in terms of reducing emissions."

On the quantum of resources, he said any evaluation will tell us that with the resources in hand, it is not possible to achieve the targets going into the future. Fakir said that what the Board should be discussing is about the issue of the ambition of the Fund and how to get there.

Another issue he said which was yet to be discussed was the role of the Board in the replenishment process. "Do we want the replenishment process to be endorsed by the Board and welcomed by the COP (referring to the meeting of the Conference of Parties to the UNFCCC)?" asked Fakir, adding that the Fund is an operating entity of the financial mechanism of the Convention.

Ayman Shasly (Saudi Arabia) said that the process put forth in the draft decision was loaded with irrelevant policies linked to replenishment. He said that the policies on gender and environmental and social safeguards are currently in place, and while they may not be perfect, he asked developed country members if they really required "the reshaping (of) the Fund to be an institution that complies with very high standards of gender and social safeguards," before contributions are made.

Shasly also wanted to know how the issue of decision-making in the absence of consensus is linked to the replenishment of resources. "We are being told that money is scarce and yet you are saying that we cannot have replenishment without these policies," he lamented further. He also stressed the importance of discussing the needs and requirements of

the GCF to achieve the results that it wants to see for mitigation and adaptation.

Omar El Arini (Egypt) also urged the Board to think of having an ambitious target in terms of reducing the amount of greenhouse gases. "There are metrics to achieve this. Here comes the evaluation, to check whether there is enough absorptive capacity (of the GCF) present to achieve the target," he said, adding that then, if the Fund goes to the world and communicates its ambition, governments will take it seriously.

Jorge Ferrer Rodriguez (Cuba) was concerned about the Fund running out of money very soon and added that the IRM was an exceptional process, with its own flaws and that model should not be followed for the replenishment process. He was also concerned about some of the policies being put forth as conditions for replenishment. He also underscored the importance of the Board's role in the replenishment process. Ferrer also said that the GCF's replenishment was a legal obligation and a moral duty since the Fund was related to the Convention.

Other developing country Board members, including **Mamadou Honadia (Burkina Faso)** and **Ignacio Lorenzo (Uruguay)** also underscored the importance of the GCF being an operating entity of the financial mechanism of the Convention and the need for new, additional and predictable financing for developing countries to tackle climate change and the urgency to start a process on replenishment.

Developed country Board members, however, stressed on the need to see the entire set of policies referred to in the draft decision to be in place before getting into the replenishment and focused their interventions largely on the review of the Fund, which they said should be carried out by the IEU.

Karsten Sach (Germany) said that the Board needs to ensure a complete set of policies since the first thing the contributors would be asked would be what has the Fund done in the past. "There are important policy gaps and we do not have an answer to that," he said.

Sue Szabo (Canada) also spoke about policy gaps and supported a review by the IEU. **Cyril Rousseau (France)** said it was obvious that people would ask questions about policy gaps. **Lars Roth (Sweden)** spoke about governance crises ailing the Fund, which would make putting in money only more difficult.

Satu Santala (Finland) said before commencing any serious work, there needs to be a review of the achievements of the Fund and added that the remaining policy gaps needed to be addressed so that the contributors could build a convincing case for replenishment.

Chris Tinning (Australia) spoke about gaps in the governance and operational model of the GCF and called for a review.

Geoffrey Okamoto (US) said he agreed on comments made on governance failures of the Fund, and that he would add policies related to integrity to the list of proposed policies. He also said that it would be important to answer questions about the results of the past six years.

After further discussions, a revised draft decision on replenishment was presented to the Board on 4th July, amidst confusion over addressing the items on the agenda (details below). Disagreements over the review of the GCF as a precondition to replenishment and the Board's role in the replenishment process continued.

Rousseau (France) said the replenishment process should be a contributor-driven process, and if that was not reflected in the decision, it would be difficult to go along. (Rousseau was responding to a paragraph in the draft decision, which read: "*Decides that the first formal replenishment process will be driven by and implemented under the guidance and oversight of the Board."*

Santala (Finland) said she too could not go along with the proposed paragraph on board-driven replenishment process, and called for the decision to be focused only on review. **Okamoto (US)** also said that that replenishment is a donor-driven process; so that would be at odds with the proposed paragraph on a Board-driven process.

Sach (Germany) said that the Fund was running dry and if there was one thing the Board needed to decide, that was the review, which was a "precondition for replenishment processes".

While these discussions were going on, **Arini (Egypt)** raised a point of order that the work on the draft decision (by a small group of four Board members who were tasked to support the Chair) was unfinished and the agreement was that the respective constituencies would have a chance to look at the text before it came to the Board. The meeting was suspended for the constituencies to consult.

After further consultations, two separate draft decisions were presented to the Board, one dealing with the replenishment process, the other dealing with the review.

One of the draft decisions was focused on the scope of the review to be carried out and the second draft decision was about starting the preparation for the first formal replenishment and concluding such arrangements by the next meeting of the Board. The paragraph concerned read: "*Decides to start the preparation for the first formal replenishment and conclude the preparatory arrangements for replenishment, **including the role of the Board,** for consideration by the Board at B.21 (emphasis added)."*

Responding to the draft decisions, **Tinning** proposed that only those paragraphs pertaining to the review should remain and everything else related to replenishment should be deleted.

Fakir (South Africa) explained that the Board was discussing the replenishment process and not about the review of the performance of the Fund. He also said that he was concerned about hearing terms such as "donor-driven" or "contributor-driven" processes. The GCF is an equal fund, he said, referring to developed and developing countries having an equal say on the Board. He also reiterated the expectations of developing countries on the replenishment process. He added that developing countries were not opposed to a review, but that the replenishment process should not be contingent on a review.

At the end of the meeting though, there was no consensus on the draft decisions proposed.

It did not help that the atmosphere was riddled with further confusion over how to proceed with the agenda, with the developed countries blaming developing countries for delaying the adoption of the agenda of the meeting. (See details below.)

Procedural difficulties at B.20

Several procedural difficulties surfaced during the commencement of the meeting, especially in relation to the adoption of the agenda.

Lennart Bage (Sweden) chaired the meeting alone, as the developing country Co-Chair **Paul Ooquist (Nicaragua)** could not make it and developing countries did not nominate a replacement Co-Chair to replace Ooquist for the duration of the meeting. The Board decided that this was "in light of the exceptional circumstances and without setting a precedent, that the Co-Chair from developed country Parties shall discharge the duties of both Co-Chairs for the duration of the 20th meeting of the Board only."

According to several developing country Board members, the developing country Co-Chair had not adequately consulted the constituency prior to the 20th meeting, including on the agenda and the documents for the meeting, which was the usual practice. Hence, they wanted to raise their concerns at the Board meeting.

Several developing country Board members wanted to add issues such as matters related to the permanent trustee to the agenda (given that the open competitive process did not yield any eligible candidates, including from the current interim Trustee, which is the World Bank). They also wanted to prioritize certain issues such as guidance from the COP, status of the GCF's portfolio and status of the IRM before discussing the replenishment issue.

It took two days to finalize the agenda, which was finally adopted late afternoon of the second day of the meeting on 2nd July.

On 3 July, with two remaining days, and a long agenda to navigate through, **Co-Chair Bage** informed the Board that he has asked a group of four Board members, comprising **Arini (Egypt), Fakir (South Africa), Sach (Germany) and Wheately (UK)**, to advise him on the prioritization of outcomes for B.20 and to complete the business of the Board in the limited time available.

The group was given the task of discussing the core outcomes of the meeting and which outcomes were unlikely to enjoy consensus. According to sources, the small group tasked their advisers with preparing a scenario for securing outcomes and the group arrived at an agreement on prioritizing the issues for discussions on the morning of July 4, the last day of the meeting. Sources also said that the issues listed included replenishment, gender policy and action, consideration of accreditation proposals, funding proposals, along with certain core procedural outcomes such as report of the Co-Chairs, matters related to the independent technical advisory panel, dates and venue of the following meetings of the Board and administrative matters. The agreement, it seems, was communicated to **Bage**.

Later that morning of 4 July, the developing country constituency had a meeting where the proposed agreement in the small group was explained, which agreed to the proposed prioritization of issues.

However, when the meeting opened, the Chair proposed the prioritized outcomes for the meeting, which were supported by developing countries. However, the developed countries did not agree and preferred to continue with the agenda items, with no prioritization. They wanted to conclude on the agenda items already opened before moving to other agenda items.

According to sources, there was no agreement in the developed country constituency about the prioritization of the issues on the agenda, even though

their members had worked and agreed on the approach of how discussions should proceed on the final day.

After the morning session and the Chair's proposal was rejected, Bage continued with the replenishment discussion, and then broke early for lunch. According to sources, he then consulted with the four Board members who tasked their advisers to continue drafting a decision on (a) financial planning and (b) replenishment. This work continued on till at least 4pm.

Following the adoption of the financial planning decision (as reported above under the status of resources), the Board went on to discuss the draft decision on replenishment which could not be adopted due to a lack of consensus, as reported above.

Even though some of the developed country Board members said that they could go through the agenda as agreed, **Okamoto (US)** cautioned against decisions to be taken in a "non-deliberative manner". **Tinning (Australia)** said that he was prepared to go through the agenda only after a decision on the "review of the Fund" was taken even though it was clear that there was no agreement in the Board on focusing the replenishment contingent on the review.

Following the frustration from many quarters over the deadlock in the Board in making progress on matters, **Bage** announced that Howard Bamsey, the Executive Director of the GCF, had resigned from the Fund with immediate effect due to "personal reasons," raising further concerns among observers as to what was going on. Sources said that the resignation had nothing to do with the procedural issues at the Board meeting.

The Board will meet next from 17-20 October, 2018.

TWN Info Service on Climate Change (Oct18/03)
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Third World Network

Green Climate Fund should not be hijacked by politics - say developing country members

Manama, 23 October (Prerna Bomzan+) — Developing country Board members of the Green Climate Fund (GCF) called on developed countries not to play politics when making decisions over funding proposals, at the 21st meeting held in Manama, Bahrain that took place from 17-20 October.

While the Board approved 19 funding proposals that involved a contribution of a little over USD 1 billion from the GCF, a funding proposal from China was deferred for approval to the next Board meeting, after intense and considerable wrangling in the Board, with the United States (US) Board member in particular opposing its approval.

Another funding proposal from the host country, Bahrain, was also contentious, but was finally approved when the grant contribution from the GCF was reduced and with conditions attached.

Given the spat over the China proposal by the US, developing country Board members firmly denounced the "politicisation" of the GCF.

Several members reminded the Board that the GCF is a "fund" established under the United Nations Framework Convention on Climate Change (UNFCCC) for delivering on the "financial obligations" by the developed countries to "all" developing countries, adding that the GCF is accountable to the "higher body" which is the Conference of Parties (COP) to the UNFCCC and is also to serve the Paris Agreement (PA).

Following long-drawn negotiations of "closed-door consultations" and failure to reach consensus on the final day of the Board meeting on the China funding proposal, Chinese Board member Wenxing Pan requested for postponement of a decision, "in the spirit of cooperation". He expressed regret about approval being "unfortunately blocked by only one member," (referring to the US) and when China was "even willing to accept unfair conditions" adding that decision-making on funding proposals should not require consensus but some voting procedure.

The Chinese Board member denounced the "politicisation of the GCF" and said "we cannot accept political considerations." He appealed for the GCF not to be hijacked by political considerations, adding that China "very cautiously" uses its "veto power" and that there has been "abuse of power" in this case, which has caused "suspicion, tension and confrontation" in the Board. He stated that its request was for a loan and not a grant from the GCF, and that it was not competing for funds with Least Developed Countries (LDCs) and other developing countries. Pan lamented further that the situation has led to a "negative impact of China with the GCF" which was a "loss for China and a loss for the GCF."

The controversial project proposal from China titled 'Catalyzing Climate Finance: Shandong Green Development Fund' was submitted by the Asian Development Bank (ADB) and proposed to establish a mechanism to mobilize and channel

funding from investors to promote climate change mitigation and adaptation interventions. The ADB sought a loan of USD 180 million from the GCF, and the programme aims to reduce 50 metric tonnes of carbon dioxide and build the resilience of 10 million people directly. (See further exchanges below on the China proposal).

The Board also approved several other decisions, including a key decision to launch the first formal replenishment of the Fund. Other decisions taken included the accreditation of 16 new entities to access resources from the Fund, instituting a process for the selection of a new Executive Director of the Fund and performance review of the GCF. Some other controversial issues included decision-making in the absence of consensus, and selection of permanent trustee for the Fund. (Further articles to follow).

Exchanges over the China proposal

Mathew Haarsager (US) expressed concerns about the proposal, emphasizing the aspect of research and development in high-tech commercial products as being "broad in scope", adding that this "does raise some intellectual property rights considerations that we think need to be addressed much more fully." He further focused on "disclosure" enquiring about the mechanism for "environmental disclosure" as well as better clarity on the mechanism for "feedback from the Board, civil society and other impacted stakeholders." He also said that the US did not see a compelling case for the GCF to finance the programme in addition to other financiers.

Hiroshi Maatsura (Japan) welcomed the project but had concerns about the sub-projects of the proposal, the additionality of the GCF contribution, the research and development scope being general and broad lacking clarity on the climate impact. Although expressing reservations, Maatsura said there is "room for further improvement" to "satisfy the investment criteria" of the Fund.

Despite the comprehensive responses and explanation by the Secretariat and the ADB to the concerns expressed by the US and Japan, when **Co-chair Lennart Bage (Sweden)** tabled the funding proposal for adoption by the Board, the two members were not satisfied and wanted more consultations with the Secretariat and the ADB.

Ayman Shasly (Saudi Arabia) in welcoming the proposal said that it had a huge potential for unlocking a great deal of mitigation and adaptation actions and could be a role model for regional green financing. Shasly further stressed on how this could help "south-south cooperation" and asked Board members to "not to look at whether this project is coming from China." He called on members to "think of the long-term benefits of unlocking such a regional cooperation and not to be fixated on who is going to take this project."

Zaheer Fakir (South Africa) fully supported the project as being "transformative" and drew attention to the fact that "this one proposal will generate more tonnes of emissions reductions than our entire portfolio" and also has "leveraging potential". Referring to the concern over the lack of clarity over the sub-projects referred to in the proposal, he said that a number of GCF proposals in the past have been approved with much higher amounts where such sub-projects were not identified; hence this "has not been a benchmark" for approving proposals.

Tosi Mpanu Mpanu (Democratic Republic of Congo) strongly encouraged the Board to support the project as it would bring a wealth of knowledge and lessons learnt that can be shared in the context of South-South cooperation. He also said that while 25% of the funds of the GCF are for LDCs, SIDS and Africa, all developing countries are eligible for the rest of the Fund's resources.

Jorge Ferrer (Cuba) stressed on the need for "coherence" in decision-making, referring to many projects in the past with similar concerns which had been approved. He said the project is from a "developing country with more than 50 million poor people" for a financing facility for energy efficiency that is very related to the mandate of the Fund.

Rajasree Ray (India) in strongly supporting the proposal said that when discussing climate finance in the multilateral regime (referring to the UNFCCC process), "we are often told that we have to catalyse and mobilise private capital and private sector finance," and yet in the GCF concerns are being raised. She added that "here we have an opportunity with an innovative project in front of us with substantial mitigation and also adaptation benefits".

Ignacio Lorenzo (Uruguay) said that "this project is fully aligned with the mission of the GCF to make a significant ambitious contribution and is a good example of what the Fund can achieve in terms of the scaling up of finance and the results possible where the "numbers are indeed impressive."

On the final day of the Board meeting, the Japanese Board member was willing to go along in support of the proposal, following conditions it had negotiated. However, the US Board member still expressed its objections and did not support the proposal.

Ferrer (Cuba), referred to the conditions being imposed for funding approval such as "no support for research and development" in the China proposal and said that this was in violation of the Governing Instrument of the GCF, which refers to technology development and transfer, an important component of "paradigm shift". He further requested for his reservations to be recorded as he did not want a "precedent set" in this regard.

Shasly (Saudi Arabia), echoing similar concerns said the Board cannot ask the GCF not to finance research and development as this "is the essence of dealing with climate change which is about innovation and technology," and having such a condition "is killing the potential to address climate change," and is contrary to the UNFCCC, the Paris Agreement and the Governing Instrument.

In this regard, Shasly asked pointedly if there was something that the developed countries were worried about which had to do with competing with developing countries on technology advancement and innovation which reflected their "national interests." He made clear that such a conditionality cannot be allowed in the GCF and set a precedent. Shasly also proposed that if there was no agreement, Board members could record their objections but not block the consensus on the proposal as a practical way forward.

Fakir (South Africa) said that the function of the Board is to take decisions on funding proposals. After having explored for four days and many hours over the China proposal, "we have exhausted efforts to reach consensus," adding that previously when there had been no consensus on certain matters, the

Board had developed procedures to resolve them. Fakir was referring to the previous practice in relation to the appointment of the Executive Director of the Board and the selection of the headquarters of the Fund, and requested the Co-chairs to employ the same practice for the China project again.

Developed country Board members could not accept the proposal by Fakir and other developing country members on following the previous practice of adopting decisions in the absence of consensus. Several of them said that there needed to be a clear decision-making procedure in the absence of consensus and they could not go along with voting on an ad hoc basis. (Decision-making in the absence of consensus was another item on the agenda on which discussions were happening separately. However, there was no consensus among the Board members on the issue.)

When some developing country Board members asked the Co-chairs to use their prerogative to go for a vote by asking who was in favour and who was not in favour of the proposal, Co-chair Oquist disclosed frankly that there was "no consensus" among the Co-chairs, "which reflects our differences in our (respective) consistencies, adding that the Board was in a "lamentable situation." Although there was precedence before, the Co-chairs were divided in opinion (in following this) and hence, there was an impasse over the issue.

Even the GCF's legal counsel was summoned to give his view and he said that "if the Board could not reach consensus, procedures for voting can take place but the Board needs to agree on procedure. He also said that a one-off procedure may not be possible.

At this juncture, the Chinese Board member intervened to say that he would like to propose for a postponement of decision on the China project, since there was no consensus on voting and made a strong statement, reflected above.

Mpanu-Mpanu (DRC) lamented that the members have "shot" themselves "in the foot," over this matter, which did not give any incentive to China to contribute to the Fund.

Bahrain proposal

The second controversial project proposal was from Bahrain titled 'Enhancing climate resilience of the water sector' and was submitted by the UN Environment Programme. It sought USD 9.8 million. It was a simplified approval process (SAP) funding proposal, the SAP pilot scheme supporting projects and programmes with a GCF contribution of up to USD 10 million with minimal to no environmental and social risks.

The proposal says that "the project will facilitate transformational change within Bahrain's water sector by building technical and institutional capacity to monitor and model climate change impacts on water resources, mainstreaming climate resilience into sectoral water management planning, developing new policy and legislative frameworks (including water tariff reforms), and designing new financial instruments. It will also raise public awareness of the need for managing water resources under climate change conditions through demand management and re-use of greywater. The project interventions will directly benefit 130,500 people, including small scale farmers and low-income groups who are the most vulnerable to the climate change impact of reduced availability of water".

Developed country board members **Satu Santala (Finland), Frank Fass-Metz (Germany), Hans Olav Ibrekk (Norway), Sue Szabo (Canada), Lars Roth (Sweden), Roelof Buffinga (Netherlands), Haarsager (US), Cyril Rosseau (France)** raised concerns about "weak climate rationale" and little change "directly related to climate change" with "development issues" rather than mitigation and adaptation actions and hence the lack of "paradigm shift". Concerns also revolved around whether to provide "grant financing" rather than loans and additionally, "doubts" were expressed about the accredited entity as well as the executing entity, the department of the National Oil and Gas Authority.

Ferrer said that the climate rationale was that the country is a "small island" with increased contmination of water resources and "not an oil-exporting country". He said that grants had been given to the private sector and not to "apply double standards in our decisions". He further requested the Secretariat not to bring host country proposals to the table.

Mpanu supported the proposal coming from a small island development state (SID) and expressed concern about biased reading by the independent advisory technical panel (IATP) on assessment of adaptation and on climate impacts. He stated that the project is indeed an adaptation project in line with mainstreaming climate change so "for me it is a climate change project". He further added that if the proposal does not qualify then "obviously we're not giving right guidance" given so much of rigorous work by the IATP and the Secretariat.

Ray said that the project is enhancing climate resilience in the water sector and "in climate change, water sector is important and impacted" as well as "adaptation in this sector is clearly focused". "When looking at the national circumstances, it is a challenge and climate rationale has to be looked at national circumstances which is well anchored in Article 2 of the Paris Agreement". She said "we strongly support and appeal approval" of the project.

Omar El-Arini (Egypt) said that Bahrain had been water stressed for thousands of years, and that developing countries were well aware what is development and what is climate change. Responding to comments that the project did not achieve paradigm shift, Arini reminded the Board that the objective of the GCF is to "promote" and not to "achieve" paradigm shift. He also asked if the developed country members have a "list" of paradigm shift since "we don't have any matrix and without matrix and examples, it is judgmental". "Please don't come with the mindset that it is your money and do not call our embassies and ministries before you come here", he added. "Developing countries will no longer accept this condescending attitude" and "all developing countries to the Convention have the right to access this Fund and our job is to enable to access their Fund," he said.

Fakir also echoed Arini and said that "we never defined the paradigm shift" and that the project was "clearly" an adaptation project. He stressed on the USD 1 billion loss in foreign exchange saying "no one talks about it and we talk about USD 9 million" expressing dismay by "doublespeak or bipolarness". He also expressed concerns on questions raised by developed country Board members on a country's right to choose an accredited entity.

Pan, Lorenzo, Teimuraz Murgulia (Georgia), Ali'ioaiga Feturi Elisaia (Samoa), Karma Tshering (Bhutan), echoed support to the project.

Shasly underscored "not to politicise the proposal" and "not to dictate sovereign governments". He notified expressing regret that "there are some serious intimidation happening" inside the closed-door negotiations".

The project proposal after a negotiated compromise was finally approved with the requested amount of grant reduced from about USD 10 million to USD 2 million, to "finance exclusively the activities under output 1.1 of component 1" on "enhanced institutional capacity and knowledge management to mainstream climate resilience into sectoral water management planning, with a focus on demand-side management".

Funding proposals approved

Following is the list of the other funding proposals approved:

- Under the SAP: USD 8.6 million for "Climate services and diversification of climate sensitive livelihoods to empower food insecure and vulnerable communities in the Kyrgyz Republic" with the World Food Programme (WFP) as the accredited entity (AE);
- Under the SAP: USD 10 million for "Energy Efficient Consumption Loan Programme" in Mongolia with XacBank, as the AE;
- USD 100 million for "Indonesia Geothermal Resource Risk Mitigation Project" with the World Bank (WB), as the AE;
- USD 43.4 million for "Enhancing climate resilience of India's coastal communities" with the United Nations Develop Programme (UNDP), as the AE;
- USD 49 million for "Green BRT Karachi" in Pakistan with the ADB, as the AE;
- USD 101.4 million for "Green Cities Facility" in Albania, Armenia, Georgia, Jordan, Moldova, Mongolia, Serbia, The Former Republic of Macedonia and Tunisia with the European Bank for Reconstruction and Development (EBRD), as the AE;
- USD 22 million for "Building livelihood resilience to climate change in the upper basins of Gautemala's highlands" with the International Union for Conservation of Nature (IUCN), as the AE;
- USD 35.8 million for "Upscaling climate resilience measures in the dry corridor agroecosystems of El Salvador (RECLIMA)" with the Food and Agriculture Organization (FAO), as the AE;
- USD 29.9 million for "Tonga Renewable Energy Project under the Pacific Islands Renewable Energy Investment Program" with the ADB, as the AE;
- USD 28.6 million for "South Tarawa Water Supply Project" in Kiribati with the ADB, as AE;
- USD 67.8 million for "Programme for integrated development and adaptation to climate change in the Niger Basin (PIDACC/NB)" in Benin, Burkina Faso, Cameroon, Chad, Cote d'Ivoire, Guinea, Mali, Niger and Nigeria with the African Development Bank (AfDB), as AE;
- USD 28.3 million for "Yeleen Rural Electrification Project in Burkina Faso" with AfDB, as AE;

- USD 41.9 million for "Ensuring climate resilient water supplie in the Comoros Islands" with the UNDP, as AE;
- USD 279.7 million for "Transforming Financial Systems for Climate" in Benin, Burkina Faso, Cote d'Ivoire, Ecuador, Egypt, Kenya, Madagascar, Mauritius, Morocco, Namibia, Nigeria, Senegal, South Africa, Tanzania, Togo and Uganda with the Agence Francaise de Developpement (AFD), as AE;
- USD 21 million for "DRC Green Mini-Grid Program" in the Democratic Republic of the Congo with the AfDB, as AE;
- USD 15.5 million for "Productive Investment Initiative for Adaptation to Climate Change (CAMBio II) in Costa Rica, Dominican Republic, El Salvador, Gautemala, Honduras, Nicaragua and Panama with the Central American Bank for Economic Integration (CABEI), as AE;
- USD 55.6 million for "DBSA Climate Finance Facility" in Eswatini, Lesotho, Namibia and South Africa with the Development Bank of Southern Africa (DBSA), as AE;
- USD 100 million for "Climate Investor One" in Burundi, Cameroon, Djibouti, Indonesia, Kenya, Madagascar, Malawi, Mongolia, Morocco, Nigeria and Uganda with the Nederlandse Financierings-Maatschappij voor Ontwikkelingslanden N.V. (FMO), as AE;

Accredited entities approved

The list of new accredited entities approved are:

- Caixa Economica Federal (CEF) based in Brazil
- Fondo para la Acción Ambiental y la Niñez (Fondo Acción), Colombia
- IDFC Bank Limited (IDFC Bank), India
- Ministry of Finance and Economic Management (MFEM), Cook Islands
- National Rural Support Programme (NRSP), Pakistan
- Nordic Environment Finance Corporation (NEFCO), Finland
- Pegasus Capital Advisors (PCA), US
- Austrian Development Agency (ADA), Austria
- Compañía Española de Financiación del Desarrollo S.A. S.M.E. (COFIDES), Spain
- Financiera De Desarrollo Territorial S.A. (Findeter), Colombia
- Fundo Brasileiro para a Biodiversidade (Funbio), Brazil
- LandBank of the Philippines (LandBank), Philippines
- Protected Areas Conservation Trust (PACT), Belize
- BNP Paribas S.A. (BNP Paribas), France
- Consortium of International Agricultural Research Centers (CGIAR), France
- Inter-American Investment Corporation (IDB Invest), US

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Third World Network

Green Climate Fund's first formal replenishment process launched

Kathmandu, 29 October (Prerna Bomzan) – The Board of the UNFCCC's Green Climate Fund (GCF) decided to launch a process for the Fund's first formal replenishment at its 21st meeting held in Manama, Bahrain from 17-20 October.

According to the decision adopted by the Board to launch the process, the Co-Chairs will issue an open invitation to all potential contributors and a series of meetings will take place, starting with an organizational meeting and concluding with a high-level pledging conference. The replenishment meetings will be open to potential contributors, with the Executive Director (ED)/ or the interim ED, active observers from civil society and the private sector observing the process. (The GCF is in the process of selecting its new ED).

The decision on the replenishment process was an important outcome, given the urgency to refill the Fund's dwindling coffers.

Documents prepared by the Secretariat for the Board's consideration revealed that the actual total amount of contributions received by the Fund under its initial resource mobilization (IRM) period as at end June 2018 was US$ 6.6 billion, with a remaining US$ 0.7 billion to be received during the year. There is also a shortfall of US$ 2 billion of the outstanding United States' contribution from the total of US$ 10.2 billion of signed contributions from all contributors.

A sum of US$ 4.2 billion has been approved for funding as at end Aug. 2018, and at the 21st Board meeting, another US$ 1 billion was approved for funding proposals from developing countries.

Arriving at the decision on launching the replenishment process was not easy, with disagreements among developed and developing country Board members on a host of issues. Key contentious issues included the role of the Board in the replenishment process; the "period" of the replenishment cycle; and whether to have a timeline for replenishment process or to leave it open-ended. Discussions on most of these areas took place behind closed doors.

When the draft decision on the matter was presented to the Board for adoption, developing country Board members said that the proposed decision did not provide any role for the Board to have oversight of the replenishment process, adding that this was not acceptable.

Dr. Omar El-Arini (Egypt) expressed strongly that he could not agree to a draft decision which did not have any role for the GCF Board, stressing that it was an "absolute minimum" requirement. **Zaheer Fakir (South Africa)** echoed **El-Arini**, saying that the absence of the role of the Board in the process was rather strange.

The proposed draft decision was then amended to reflect the Board's role; after which it was adopted.

The decision adopted requested "the group of Board members and alternate

Board members, consisting of the Co-Chairs and five representatives of developing countries and three representatives of developed countries, to represent the Board and the GCF and actively engage in the replenishment process, including to present the outcomes of the Board's deliberations…and to report back to the Board on a regular basis".

The Board also agreed that the first and successive replenishments of the GCF should "take into account the stated ambitions, actions and contributions of developing countries to reduce their greenhouse gas emissions by meaningful mitigation actions and to adapt to the impacts of climate change, and that the Board will provide the replenishment process with strategic guidance".

It was agreed that the period of first replenishment will be decided in 2019. The decision also stressed the urgency to reach pledges for replenishment, "aiming to conclude the process in October 2019, recognizing that further pledges may be received during the replenishment period".

In the decision adopted, the Board also reaffirmed "the objectives of the GCF to channel new, additional, adequate and predictable financial resources and catalyze climate finance, both public and private, for developing countries, and promote a paradigm shift towards low-emission and climate resilient development."

The Board also tasked the Secretariat with the preparation of certain documents for its consideration for the replenishment process, and asked of the Co-chairs to consult with members in this regard. The documents to be prepared include a "comprehensive report on the implementation of the Fund's initial Strategic Plan over the initial resource mobilization period (2015–2018); a document outlining areas in the policies for contributions…including the conditions necessary to trigger subsequent replenishments; and a strategic programming document outlining scenarios for the Fund's replenishment guided by ambitious mitigation and adaptation scenarios based on the Fund's implementation potential, taking into account the needs of developing countries, including actions based on nationally determined contributions, national adaptation plans, country programmes and other sources."

Besides replenishment, other contentious issues at the Board meeting included decision-making in the absence of consensus and selection of the permanent trustee.

Decision-making in the absence of consensus

The Board had difficult discussions on the issue of decision-making in the absence of consensus. The mandate for a policy on the issue stems from paragraph 14 of the Governing Instrument (GI), which states that "decisions of the Board will be taken by consensus of the Board members. The Board will develop procedures for adopting decisions in the event that all efforts at reaching consensus have been exhausted."

(In 2014, when the Board had discussed the issue at its 8th meeting, the discussions had become contentious since developed country Board members were of the view that when decision-making by consensus had been exhausted, the Board could resort to voting linked to contributions to the GCF. However, developing country Board members were unanimous in rejecting the approach).

During the discussions at the Bahrain meeting, it emerged that developing country Board members were concerned about voting being linked to contributions, which they said was a non-starter. Some Board members also reminded the Board that in previous difficult issues where there was no consensus, such as on the selection of the host country of the Fund and the selection of the two previous Executive Directors, the Board had found ways of arriving at decisions. They were also of the view that the voting mechanism if any should apply to only funding proposals and not to policy issues, and that the Board should focus on the consensus approach. Developed countries, however, were not willing to accept this separation and while they clarified that they were not calling for voting to be linked to contributions, they insisted on having a system of voting.

Discussions on the issue moved to a small group, which met informally on the sidelines of the meeting. Sources said that in the closed-door discussions, the group could not agree on four key issues: the effectiveness of the policy and its application (to answer the question that if a decision is adopted, when does it apply or take effect); who determines and how to determine that all efforts to reach consensus have been exhausted; what should the scope of the policy be, i.e. whether it should it apply to policy matters or to funding proposals only; and whether and how to vote viz. what constitutes a quorum, and what would be the combinations for voting. No agreement could be reached on these issues and hence, there was no decision on the matter.

Matters related to the selection of the permanent trustee

The Board at its meeting, selected and appointed the World Bank as the "trustee" of the GCF, subject to the finalization of the terms and conditions of the legal and administrative arrangements between the Fund and the World Bank. (The Bank had been the interim trustee since the establishment of the GCF).

An ad-hoc Trustee Selection Committee had been instituted to oversee the selection process. As the Chair of the Committee, **Zaheer Fakir (South Africa),** apprised the Board of the selection process, saying that the Secretariat had started out with an "open and transparent" process, issued an advertisement requesting for expression of interest to candidates and the terms of reference were also posted on the GCF website. However, even after deadline was extended, there were "no real responses"; so the committee was tasked to do a "limited tender process" in line with GCF procurement procedure that involved "inviting" 11 international multilateral institutions to tender for or express interest in becoming the permanent trustee. "No responses" were received except from the World Bank to "confirm" that it was prepared to "continue" providing "existing" trustee services.

Fakir then spoke in his capacity as a Board member and stressed that "for the record, just so that the Board is alert to the facts" the World Bank was not interested in being the permanent trustee but only for a "period" of time and the committee was tasked to appoint a "permanent trustee" and hence, the Board needs to think about how to deal with the matter.

Fakir also said that since the terms of reference were amended for the selection of the permanent trustee, in issue was whether the Bank was prepared to engage on the revised terms since they were different from the existing arrangements. He added that all these fundamental matters need to be accurately reflected in the report of the GCF to the UNFCCC's Conference of Parties (COP).

Ayman Shasly (Saudi Arabia) asked about the conformity of the trustee appointment with the guidance provided by the COP for an open and transparent bidding process. He added that the report to the COP needs to reflect how "we arrived at this decision without an open and transparent bidding process."

Performance review of the GCF for the initial resource mobilisation period

The proposed performance review of the GCF is expected to be undertaken by the Fund's Independent Evaluation Unit (IEU), with the overall objective to assess the extent to which it has delivered on its objectives and has responded successfully to the needs of developing countries.

An issue of contention was over the proposed budget allocation of US$ 830,000 for the review as set out in the initial draft decision, while the working group tasked with the issue of review had proposed a lower figure of US$ 750,000.

El-Arini (Egypt) was not in favour of a higher allocation for the review and said that "since the GCF was running out of money, every dollar saved will go to helping developing countries in their efforts to combat climate change."

Sue Szabo (Canada) said that based on her previous experience, the budget allocation for the review was on the "very slim" side given the terms of reference, and added that "looking at best practice, driving it (the budget) down to a number that's picked out of the air is highly problematic". **Frank Fass-Metz (Germany)** said that the members should rely on the advice of the Board's Budget Committee.

Following further exchanges, the adopted decision approved a budget allocation of US$ 500,000 for the review by the IEU and also requested the Budget Committee to review the allocation with the head of the Unit.

+With inputs from Meena Raman

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GCF Board approves projects worth USD 440 million

5 March, Songdo (Indrajit Bose)- The Board of the Green Climate Fund (GCF) approved, with conditions, nine projects worth USD 440 million at its 22nd meeting in Songdo, Republic of Korea, from 26 to 28 February.

It also appointed French national, Yannick Glemarec, as the new Executive Director of the Fund's Secretariat.

Glemarec was reportedly selected from a final shortlist of three candidates who were interviewed by the Board at the Songdo meeting. In his previous role, Glemarec was Deputy Executive Director of UN Women.

On the funding proposals, the Board approved the following projects:

- USD 96.5 million for reducing emissions from deforestation and forest degradation (REDD-plus) for results achieved by Brazil in the Amazon biome in 2014 and 2015 with United Nations Development Programme (UNDP) as the accredited entity (AE);
- USD 8.0 million for a climate resilient agricultural practices project titled 'Resilient Rural Belize' (Be-Resilient) with International Fund for Agricultural Development (IFAD) as the AE;
- USD 29.6 million for Mali solar rural electrification project with Banque Ouest Africaine de Developpement (BOAD) as the AE;
- USD 18.8 million for Promotion of Climate-Friendly Cooking: Kenya and Senegal, with Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) as the AE;
- USD 100 million for Nigeria Solar IPP Support Program for the financing of long-term financing Solar IPP projects, with Africa Finance Corporation (AFC) as the AE;
- USD 69.6 million for a climate finance facility to scale up solar energy investments in Francophone West Africa LDCs in Benin, Burkina Faso, Guinea-Bissau, Mali, the Niger, and Togo with West African Development Bank (BOAD) as the AE;
- USD 100 million for the generation of renewal energy projects in South Africa with Development Bank of Southern Africa (DBSA) as the AE;
- USD 9.0 million for enhancing climate resilience of rural communities in central and north Benin through the implementation of ecosystem-based adaptation in forest and agricultural landscapes with UNDP as the AE; and
- USD 8.9 million for building the resilience of communities living in landscapes threatened under climate change through an ecosystems-based adaptation approach in Namibia with Environmental Investment Fund (EIF) as the AE

The Board also discussed a document on scenarios for the GCF's first formal replenishment. Following the discussions

on the document which saw many concerns raised, developing country members proposed that there be a decision adopted to help the Secretariat and the Board to understand better some of the key elements that they wanted to see in relation to the replenishment issue. However, there was no agreement on the matter and further discussions will take place at the next meeting of the Board. (See further details below).

(Under the GCF's replenishment process, an initial organizational meeting was held in Nov. 2018 in Bonn, Germany. The first consultation meeting is scheduled for April in Norway, with a second consultation in August, followed by a pledging conference in October 2019).

The Board also accredited nine new entities, to access the GCF funds. (Access to the Fund's resources is managed through national, regional and international entities and intermediaries that have been accredited by the Board.) The new entities accredited are:

- Alternative Energy Promotion Centre (AEPC) based in Nepal;
- Environmental Project Implementation Unit of the Ministry of Nature Protection of the Republic of Armenia;
- Fondo Mexicano para la Conservación de la Naturaleza A.C. based in Mexico;
- National Fund for Environment and Climate of Benin;
- Pacific Community in New Caledonia;
- JS Bank Limited based in Pakistan;
- Attijariwafa Bank based in Morocco;
- Macquarie Alternative Assets Management Limited based in Australia and
- Luxembourg Agency for Development Cooperation based in Luxembourg.

Accreditation of the Nepali entity, AEPC, proved controversial as Board members from Norway and Denmark said that the entity would have to return outstanding liabilities to these countries before it could get GCF resources and also wanted this condition to be met prior to the signing of the accreditation agreement between the GCF and the entity.

Developing country board members led by Saudi Arabia strongly objected to this. **Ayman Shasly (Saudi Arabia)** said that he would not accept any sort of mixing of the accreditation process with a particular case of a country and an entity. After further consultations, the condition was removed and AEPC's accreditation came through.

The Board also adopted a host of policy decisions at the meeting. These included decisions on readiness and country programming; cancellation and restructuring policy; investment criteria indicators; and policy on the protection from sexual exploitation, sexual abuse and sexual harassment (separate articles to follow on some of the issues).

A few issues such as decision-making in the absence of consensus, guidelines on decisions without a Board meeting and updated gender policy and action plan proved contentious and no agreement could be reached on these issues. These were deferred to the next meeting of the Board.

During the Board meeting, Co-Chairs **Nagmeldin Goutbi El Hassan Mahmoud**

(Sudan) and Josceline Wheatley (UK) opened the agenda items and tasked small groups to work on the issues along the side lines of the meeting. These issues have been on the Board's agenda for a while now, and discussions especially on the decision-making in the absence of consensus have happened in the Board in the past, but with no resolution.

According to sources, the scope of the decision-making policy and the voting mechanism proved contentious. Several developing country Board members were of the view that the guidelines on decision-making in the absence of consensus should apply to only funding proposals, whereas developed country Board members were of the view that the guidelines should apply to both policies and funding proposals. It was also not clear what type of voting procedures should be applied. Some of these disagreements continue from previous deliberations on the issue (See related TWN update).

Replenishment issue

A document on strategic programming outlining scenarios for the GCF replenishment was prepared by the Secretariat for the Board meeting. The document comprises sections on needs of developing countries, ambitious mitigation and adaptation scenarios and GCF's implementation potential as well as programming scenarios for GCF's replenishment.

Some of the key messages that emerged from the document include the following: that the needs of developing countries are urgent and significant; there is significant potential for the GCF to raise ambition to deliver greater impact; and learning and evolution of the Fund is needed for it to deliver its full potential.

During the discussions on the subject, it emerged that developed countries, while acknowledging the growing needs of developing countries, said that the focus must be, among other matters, on the Secretariat's capacity to deliver; to review feedback on implementation and results of the GCF's investments; improving requests for proposals; involving more private sector and diversified use of instruments.

Developing country Board members raised substantive issues with the document, such as concerns on the use of several terms and concepts that were not clear or did not enjoy consensus in the Board. These included terms such as 'climate rationale', 'good governance', 'markets', and 'co-financing'. They also stressed on the need to have references to science, adaptation impact potential and reducing the risk of loss and damage, and how the GCF can support countries articulate their needs. Several developing country members also said that attention must be given to adaptation and not just mitigation.

Jorge Ferrer Rodriguez (Cuba) said the document referred to 'climate rationale' several times and clarified that there is no agreement in the Board on the definition of 'climate rationale'. He also said that the document referred to 'markets' several times and reminded the Board that "this is not the World Trade Organisation" and that "we are not here to open up to markets". Rodriguez also raised concerns on the use of the term 'good governance' and asked members what they mean by the use of that term and who defined it. He urged members to "refrain from using political concepts that are not clear" or that have not been agreed to.

(In the past, developed country Board members have raised "governance" issues with the Fund and held hostage progress on replenishment as a result of lack of "good governance". See related TWN Update.) Rodriguez also said that repeated references to 'co-financing' in the document were not helpful and that for the public sector projects, co-financing should be there where possible instead of it becoming a condition for a project to be brought to the GCF.

Shasly (Saudi Arabia) said the document "skewed the storyline" and considered the Fund as a mitigation-only fund. He stressed that the Fund is here to support developing countries in mitigation and adaptation.

Wael Aboul-Magd (Egypt) also raised concerns with references to co-financing. He also said that the objective of the Fund is to be transformational; hence, efficiency is not a dollar per tonne matter only. Referring to references to insurance and bonds in the document, Aboul-Magd said that the issues must be deliberated upon very carefully first. He also said that the sense of a mitigation-centric approach from the document was very clear and while the document mentions several times that there should be balance between mitigation and adaptation finance, in practice, the principles in the document did not quite reflect the balance.

Nauman Bashir Bhatti (Pakistan) said the document should have an enhanced focus on what are the actual needs of developing countries and that the Fund should not be moving away from its Strategic Plan, which certain elements in the document reflected. He also said that country driven transformation were confined to only "catalytic investments", which should not be the case. He also added that there should be more focus on the additionality, enablement and how the Fund can enhance the risk appetite for both public and private sector. Bhatti also said the guidance from the UNFCCC's Conference of the Parties (COP) should be taken into account in the replenishment process.

Ali Gholampour (Iran) said technology needs assessment was missing from the document, which the Secretariat should focus on.

Following the discussions, developing countries proposed a draft decision on the issue.

On behalf of the developing country constituency, **Richard Muyungi (Tanzania)** said that replenishment needs guidance and because of the importance of the process and the many ideas, there may be need for guidance on how to shape the document. "We should provide a decision based on document to help the Secretariat and the Board to understand better some of the key elements that we want to see," said Muyungi.

While the draft decision was not made public, sources revealed to TWN that the draft decision outlined the urgency of the first formal replenishment process, spoke to the needs and priorities of developing countries, balancing financing for mitigation and adaptation, and outlined potential programming and managing capacities of the Secretariat and the increasing needs of developing countries, among other matters.

Following closed door consultations on the issue by Co-chairs on the draft decision, **Co-Chair Wheatley** delivered a long statement to the Board, saying that many important points were raised in the discussions and the draft decision.

He added that "There is agreement that replenishment is a critical matter for the Fund this year. We took a critical decision on this last year in which we all stressed the importance and urgency of the GCF conducting a successful and ambitious first replenishment. The Board also agreed that replenishment should take into account the stated ambitious actions and contributions of developing countries. It also stressed the urgency to reach pledges by October 2019. It also agreed that replenishment would be informed by a strategic programming document which would be guided by ambitious mitigation and adaptation scenarios, which take into account the needs of developing countries."

He said further that "Given that the Board had already expressed an opinion on those items, Co-Chairs consulted on the proposed decision. There is not a shared view to have a decision on this matter at this time in view of the fact that principle notions proposed in the draft had already been taken up through previous decisions and will continue to be taken up through the Board's ongoing consideration, including in the updated Strategic Plan. That document will reflect the Fund's mandate as an operating entity of the financial mechanism of the UNFCCC and the Paris Agreement. It will also reflect the Fund's more mature stage of operations and it will set out how to achieve continuous improvement of the GCF's accessibility, efficiency, effectiveness, impact, scale and reach. So, as we have agreed the Board will have a discussion on updated Strategic Plan and the next step is for all stakeholders to make submissions by 30 April 2019 in that connection. And we will have further discussion on these issues at B.23 (the next board meeting). At this point in time, and given the previous decisions of the Board and the ongoing mandates of the Board, we could not find convergence that it was best to arrive at a new decision at this point but rather to continue under the mandate of existing decisions."

It is expected that another version of the document, taking into account the views expressed during the meeting, will be issued and discussed at the next board meeting, which is scheduled from 6-8 July in Songdo, South Korea.

(More articles to follow).

+ Edited by Meena Raman

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Interesting findings in evaluation of Green Fund's readiness programme

Kathmandu/New Delhi, 8 March (Prerna Bomzan and Indrajit Bose) – At the 22nd Board meeting of the Green Climate Fund (GCF) held in Songdo, South Korea from 26-28 February, the findings and recommendations by the Fund's Independent Evaluation Unit (IEU) of the GCF's Readiness and Preparatory Support Programme (RPSP) was taken note of.

The findings and recommendations of the RPSP evaluation, which were contained in a report by the IEU, revealed several interesting findings, in terms of what has worked and what has not worked in relation to the programme.

The RPSP launched in 2014 is a "strategic priority" for the GCF in terms of enhancing country ownership and access to the Fund and the Board had invited the IEU to undertake an independent evaluation at its 17th meeting in 2018.

One of the primary findings that was glaring is that "about one-quarter of eligible countries have not yet accessed RPSP grant support, for a variety of different reasons," and that "if GCF wants to harness them, it needs more tailored approaches and a better understanding of the political, economic and social context of the individual countries if it wants to galvanize (a subset of) these countries to actively participate in the RPSP."

It further states that "three quarters of eligible countries have so far received RPSP grant approvals" and that "demand from countries and potential DAEs (direct access entities- meaning national entities who are accredited to the GCF to receive and disburse the Fund's resources) has also been fairly uniform across different groups of countries". It adds further that "about 77 per cent of Small Island Developing States (SIDS), 74 per cent of Least Developed Countries (LDCs), 80 per cent of African countries, and 72 per cent of other countries (those which fall into none of the aforementioned categories) have so far received RPSP support.

The report also states that "35 of 148 eligible countries do not have approved RPSP grants" and revealed that 40% of those countries that accessed the readiness programme did not have projects that were funded by the GCF.

It further shows that the "one-size-fits-all paradigm" of the readiness programme did not meet the "differentiated needs" of countries.

The evaluation also showed that although 70% of the approved readiness programme proposals were working towards the objective of strengthening the national designated authorities (NDAs), the RPSP was still "disproportionately resource and time intensive". It also showed that "priority" countries (defined by the IEU as Africa, SIDS and LDCs), showed "least effect on strengthening NDAs" and majority of countries do not push for direct access entities to be accredited and favour international accredited entities in accessing the Fund.

Another finding was that "CSO (civil society) participation was rudimentary" in relation to country ownership.

The overall objective of the evaluation was to "assess the effectiveness" of the RPSP as well as the "objectives of country ownership" and to "review approaches in the implementation" of the RPSP as well as "recommend gains in effectiveness, efficiency, country ownership and the likelihood of sustained impact".

In operational terms, the evaluation aimed to contribute to "improving the approval process and timely disbursement of resources to facilitate the RPSP's implementation" as well as to informing "deliberations about additional support for the programme".

The reported provided three groups of recommendations for a "rethink" of the RPSP strategy. The first group focuses on "immediately required changes" towards "ensuring access, decreasing financial costs and improving the overall efficiency of the RPSP" in relation to capacity building, outreach and support as well as strengthening country programmes. The second group suggests that going forward, the RPSP must "define its vision, strategy, niche and overall targets and expected results clearly". The third is a "strong recommendation" that the "current business-as-usual pathway discontinues" suggesting that the "new phase" of the RPSP is "customised to country needs and provide for differentiated needs while being ready-for-scale".

The Secretariat management response was that it found "agreement or partial agreement to 95% of the IEU's findings". It shared that it had included the development of "Readiness Programme Phase 2" in its 2019 work programme which envisions a "fit-for-purpose" RPSP that is "outcome focused while retaining flexibility for country-specific support based on their actual needs".

During the Board discussions, **Paul Oquist (Nicaragua)** emphasized on "capacity building as the core mission" of the RPSP with "more focus on the GCF" rather than a "plethora of objectives". He underlined that "separation of accreditation (of direct access entities) from project formulation is a design flaw" so "if we could approve accreditation with project (funding), then that would help very much in overcoming the asymmetry between what it takes to do direct access entities and to do international accredited entities".

Ayman Shasly (Saudi Arabia), in response to the evaluation, pointed out that the usage of references to the categorisation of countries as "eligible" and "priority" countries are "not something we are familiar with" since all developing countries are eligible for RPSP and urged the use of the normal jargon.

Paola Pettinari (Italy) supported the recommendations in the IEU report and agreed on the "need to rethink" the RPSP with more focus on capacity building and in-country coordination.

Christopher Tinning (Australia) stressed on making "direct access, the key focus of the GCF" and echoed Oquist's remarks on "clearly linking" direct access accreditation with a specific proposal.

Cheikh Sylla (Senegal) said that the recommendations will not properly address the problem of a lack of in-country coordination due to multiple focal points such as focal points for the UNFCCC, the GCF and the Adaptation Fund. He proposed the need for "one focal point" like in the Montreal Protocol, to overcome the in-country coordination problem.

Jeremiah Garwo Sokan (Liberia) welcomed the recommendations of the evaluation and for highlighting "capacity building" which is key at the NDA level in terms of increasing absorptive capacity, national coordination, developing funding proposals and helping national institutions begin the process of accreditation.

RPSP revised work programme and forward budget

In order to address the core IEU recommendations, the GCF Secretariat proposed that the revised RPSP incorporate the following features:
(i) A strategic vision for the Readiness Programme based on enhancing countries ability to successfully programme and implement climate finance supported actions;
(ii) An outcome-based orientation that focuses on sustainability of impact over a longer term, and;
(iii) A work programme that improves the effectiveness of Readiness support by setting targets and measuring results.

The vision for the revised RPSP aspires to "ensure that by 2025 all GCF recipient countries have developed the necessary enabling environment, including increased institutional capacity and robust country strategies, to implement transformational projects and programmes in line with national climate change priorities and GCF result areas, including as elaborated in updated NDCs (nationally determined contributions) and NAPs (national adaptation plans)".

The proposed five objectives supporting that vision are as follows:
(i) Capacity building for climate finance coordination: Countries established human, technical and institutional capacity to drive low-emission and climate resilient development, including through direct access to the GCF;

(ii) Strategies for climate finance implementation: Ambitious strategies implemented to guide GCF investment based on analyses of emissions reduction potential and climate vulnerability and risk and in complementarity with other sources of climate finance;

(iii) National adaptation plans and/or adaptation planning processes: National adaptation plan (NAP) and/or other adaptation planning processes formulated to catalyse public and private adaptation finance at scale;

(iv) Paradigm-shifting pipeline development: Country priority-aligned and paradigm-shifting concept notes and funding proposals submitted by countries with least capacity, including LDCs, and direct access accredited entities, and;

(v) Knowledge sharing and learning (cross-cutting): Increased levels of awareness, knowledge sharing and learning that contribute to countries developing and implementing transformational projects in low-carbon and climate-resilient development pathways.

The proposed new or improved operational modalities included (i) country readiness assessments and country readiness plans (ii) multi-year allocation grants (iii) standardized packages of readiness support (iv) direct support to NDAs (v) enhanced institutional support to direct access accredited entities and (vi) sector-specific planning and project preparation technical clinics.

The current status of RPSP portfolio and pipeline included 244 approved proposals with 103 requests in the pipeline.

The Board allocated USD 190 million to date, out of which USD 9 million was remaining with the current pipeline amounting to USD 130 million. The 2019 budget request proposed was USD 122.5 million for 25 new NAP/adaptation planning requests; 50 new readiness requests (40 for single year, 10 for multi-year); 5 structured dialogues; 1 global NDA/direct access entity conference and for technical assistance and trainings.

Paul Oquist (Nicaragua) reiterated the importance of "results" with regard to "strengthening of the NDAs" recalling the IEU findings of 40% of the RPSP "not leading to projects", further suggesting for "policy changes" in that direction.

Sue Szabo (Canada) stressed that countries should be "ready" with a "wider climate rationale" and "climate finance in general". She expressed concerns on "overly standardized processes" and the need for taking a look again at the "outcomes and outputs in the shorter and medium term sense".

Mathew Haarsager (United States) welcomed the updated RPSP strategy.

Ronald Jumeau (Seychelles) said that "getting proposals into the GCF pipeline remains a substantive challenge" pointing out that "in the current pipeline, only 4.2% of the requested amount of funding is for SIDS". He expressed support for "multi-year programming" and "direct support to NDAs and direct access entities".

Roelof Buffinga (Netherlands) said that the strategy and vision was "ambitious" enquiring whether the "Secretariat sees any capacity constraints in its implementation".

Stefan Schwager (Switzerland) welcomed the "envisaged outcome-based orientation" and stressed the "importance of a monitoring framework". He believed that the programme "should be revised upon conclusion of the replenishment of the GCF's resources because it might set some slightly new strategic objectives to the Fund", further suggesting an evaluation of the programme so that it is "ready for each replenishment cycle" .

Hans Olav Ibrekk (Norway) commented on a "stronger emphasis" towards "creating an "enabling environment for investments from the private sector".

Wenxing Pan (China) questioned about "what is the better approach to be adopted" given the issue of there not being even a single direct access entity in some countries on the one hand, hence requiring more assistance, while on the other hand, there are "limited resources". He said that therefore, more focus is probably required on already accredited entities to "bring more tangible results".

Ayman Shasly (Saudi Arabia) enquired about the amount of money disbursed, given complaints about delays in release of funds.

The decision on the revised RPSP work programme and the 2019 budget was adopted on the last day of the Board meeting, following incorporation of comments received.

The Board decided that the "Secretariat may accept multiple-year readiness requests, allocating up to USD 3 million for three years, while committing no more than USD 1 million per country per year, which is in addition to the national adaptation plans and/or other adaptation planning processes allocation". It further approved "an additional amount of USD 122.5 million to be made available for the execution" of the RPSP.

Other policies adopted by the Board included a policy on the restructuring and cancellation of funding proposals which have been approved and criteria indicators for the GCF investments. These are elaborated below.

Cancellation and restructuring policy

The policy on restructuring and cancellation sets out the mechanism for decision-making in relation to an approved funding proposal in certain circumstances. These circumstances include situations where there has been failure to fulfil the conditions to be met prior to the execution of the funded activity agreement (FAA) within the time frame established by the accreditation master agreement (AMA); a request for an extension of the time frame established by the AMA to fulfil the conditions to be met prior to the execution of the FAA; a request for a waiver of a condition imposed in the approval decision; and a request for a change to an approved funding proposal or restructuring of a funded activity.

The policy states that in the case of failure to fulfill the conditions within the required period, the approval of the relevant funding proposal (FP) shall no longer be valid upon the expiration of such period. However, an accredited entity (AE) may request an extension of the period to fulfil the conditions. If extension is sought, "the ED (GCF's Executive Director) shall be entitled to approve such an extension except in circumstances where the Board has explicitly reserved the right to grant such extension in the relevant approval decision," the policy stipulates. Also, the ED may grant only one extension. The Board is to consider requests for any subsequent extensions requested by the AE. In cases where the ED does not approve the extension request, the AE has the option to request the Board to consider its extension request.

In cases where an AE proposes a change to an FP, after approval and before the signing of the FAA, the AE is required to notify the Secretariat in writing of the relevant change, and the written notification must include written evidence of consultations with the national designated authority (NDA) or focal point.

The policy sets out what could be a major change or a change other than a major change. The policy tasks the Secretariat to determine whether a change is a major change and outlines procedure for approval of a major change and other changes. For changes that are not major, the ED shall have the authority to approve such changes, the policy states.

For major changes, it is mandatory for the AE to consult with the NDA or Focal Point and seek written confirmation from them whether the restructuring proposal affects the status of the funding proposal no-objection letter.

The policy adopted applies to all funding proposals approved by the Board, and not to activities financed under the Readiness and Preparatory Support Programme and the Project Preparation Facility.

Investment criteria indicators

The Board adopted the following investment criteria indicators for a pilot period of one year, with the caveat that all the indicators would take into consideration the different country contexts and that the idea behind the proposed indicators was not a "pass-fail" test, but rather to see how a project is trying to deliver impact and make a paradigm shift:-

Mitigation impact potential indicator: project lifetime emission reductions (in

tonnes of carbon dioxide equivalent). Under this, project proposals should describe the expected reductions in emissions resulting from the GCF intervention.

Adaptation impact potential indicator: Project proposals should accompany a description of "the expected change in loss of lives, value of physical assets, livelihoods, and/or environmental or social losses due to the impact of extreme climate-related disasters and climate change in the geographical area of the GCF intervention". Proposals should also refer to the number of direct and indirect beneficiaries of the project.

Paradigm shift potential indicator: Necessary conditions indicator. Under this, project proposals are expected to "identify a vision for paradigm shift as it relates to the subject of the project. The vision for paradigm shift should outline how the proposed project can catalyse impact beyond a one-off investment. This vision for longer-term change should be accompanied by a robust and convincing theory of change for replication and/or scaling up of the project results, including the long-term sustainability of the results, or by a description of the most binding constraint(s) to change and how it/they will be addressed through the project".

Sustainable Development Potential Indicator: Co-benefits indicator. Under this, the proposals must identify at least one positive co-benefit in at least two of the four coverage areas. The coverage areas include economic co-benefits, social co-benefits, environmental co-benefits; and gender empowerment co-benefits.

Needs of the recipient indicator: Barriers to climate-related finance. Under this, project proposals should "describe the country's financial, economic, social and institutional needs and the barriers to accessing domestic (public), private and other international sources of climate-related finance. The proposal should outline how the proposed intervention will address the identified needs and barriers."

Country Ownership Indicator: Two indicators were adopted under country ownership: Alignment with NDCs, relevant national plans indicator, and/or enabling policy and institutional frameworks; and explanation of engagement with relevant stakeholders, including NDA indicator.

Efficiency and effectiveness indicator: For mitigation projects, the indicators adopted included cost per tonne of carbon dioxide equivalent (where projects should give the cost per tonne of carbon dioxide equivalent of the GCF intervention); ratio of co-financing (where projects should indicate the ratio of co-financing mobilized relative to the GCF contribution); and expected rate of return (where projects should provide an estimate of the expected rate of return). For mitigation and adaptation projects, the indicator adopted was 'application of best practices' (where projects are expected to describe how the proposal applies and builds on the best practices in the sector).

The Board also agreed on some ground rules in relation to the indicators: the indicators will initially apply to the "projects under implementation"; by the next meeting of the Board, the Secretariat will "create guidelines to assist AEs in implementing the indicators"; and by the 25th meeting of the Board, the indicators will be used as part of the information related to the consideration of funding proposals.

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Green Fund Board agrees on procedure for decision-making in the absence of consensus

Songdo, 11 July (Indrajit Bose) — The Board of the UNFCCC's Green Climate Fund (GCF) adopted a key decision on how the Board will make decisions in the event consensus could not be reached at its 23rd meeting in Songdo, South Korea from 6-8 July.

In what several Board members termed as a "historic" decision, the Board adopted the decision at 3 am on 9 July, well past the scheduled close of the meeting after long and intense wrangling.

According to sources who spoke to TWN, the decision was "a condition" for developed countries in order for them to replenish the GCF with additional resources. (The GCF Board launched the process for the first formal replenishment of the Fund which will take place sometime in October or November this year in order to secure additional resources for a four-year period from January 2020 to December 2023).

(The Governing Instrument of the GCF was adopted in 2011 and provides for decisions of the Board to be taken by consensus. It also provided for the Board to develop procedures for adopting decisions in the event that all efforts at reaching consensus have been exhausted).

The decision on the procedures for decision-making includes: (i) the steps to be followed to achieve consensus; (ii) to determine whether all efforts at reaching consensus in respect of a particular draft decision have been exhausted; (iii) the scope of the policy, i.e. areas where the policy would not apply; (iv) the voting procedure; and (v) procedure for confidential balloting.

The voting procedure was most contentious, besides other issues such as how to determine whether all efforts to reach consensus are exhausted and what would be the scope of the policy.

The Board eventually decided that "If at least a four-fifths majority of Board members present and voting, vote in favour of the draft decision, the draft decision shall be considered adopted, unless four or more developed country Board members or four or more developing country Board members vote against it". (Further detailed article to follow on the issue.)

Besides the decision on decision-making, the Board also approved USD 267 million to be allocated for 10 funding projects and accredited four new entities to the Fund. The Board also adopted a host of important policy decisions.

Funding Proposals approved

The following funding proposals were approved:

- USD 25.3 million for 'Supporting Climate Resilience and Transformational Change in the Agriculture Sector' in Bhutan, with United Nations Development

Programme (UNDP) as the accredited entity (AE);

- USD 35 million for 'Transforming the Indus Basin with Climate Resilient Agriculture and Water Management' in Pakistan, with the Food and Agriculture Organization (FAO) as the AE;
- USD 22.4 million for 'Safeguarding Rural Communities and their Physical and Economic Assets from Climate Induced Disasters' in Timor-Leste, with UNDP as the AE;
- USD 18.6 million for Ecuador for 'Reducing emissions from deforestation and forest degradation' (REDD-plus) results-based payments' for the 2014 results period with UNDP as the AE;
- USD 35 million for 'Promoting Climate-Resilient Forest Restoration and Silviculture for the Sustainability of Water-related Ecosystem Services' in Honduras, with Inter-American Development Bank (IDB) as the AE;
- USD 18.6 million for 'Addressing Climate Vulnerability in the Water Sector' in the Marshall Islands, with UNDP as the AE;
- USD 23.1 million for 'TWENDE – Towards Ending Drought Emergencies: Ecosystem-Based Adaptation in Kenya's Arid and Semi-Arid Rangelands', with International Union for Conservation of Nature (IUCN) as the AE;
- USD 20 million for 'Program on Affirmative Finance Action for Women in Africa: Financing Climate Resilient Agricultural Practices in Ghana', with the African Development Bank (AfDB) as the AE;
- USD 60 million for Espejo de Tarapacá in Chile, with MUFG Bank as the AE for an innovative project comprising a pumped storage hydroelectric plant and a photovoltaic solar plant for energy access and power generation;
- USD 8.9 million for 'Integrated Climate Risk Management for Food Security and Livelihoods in Zimbabwe focusing on Masvingo and Rushinga Districts', with World Food Programme (WFP) as the AE. This project was approved under the GCF's simplified approvals process track.

The Board deliberated at some length on the Ghana project, especially in relation to the financial instrument sought for the project, before approving it.

The AfDB had sought USD 18.5 million in loan and USD 1.5 million in grants from the GCF for the Ghanaian project. According to the funding proposal, the programme's objective is to empower those vulnerable women groups in the most vulnerable agro-ecological zone through lines of credit and through technical assistance to participate in low-emission climate resilient agricultural practices in Ghana, where the women-led farmer-based organisations and micro, small, medium-sized enterprises would be given "affordable loans".

Board members **Ayman Shasly** (**Saudi Arabia), Richard Muyungi (Tanzania)** and **Jeremiah Garwo Sokan (Liberia)** raised questions as to why a project meant for vulnerable women from a highly vulnerable region involved loans and recommended that the project be given grants.

Sue Szabo (Canada), Stefan Schwager (Switzerland), Kate Hughes (United Kingdom) wanted to know if changing the financial instrument sought by the accredited entity would constitute a major change to the project and whether this

would require the consent of the national designated authority (NDA) of Ghana. They also wanted to know what kind of precedent the Board was setting by changing the financial instrument in a funding proposal.

Sokan (Liberia) responded that this was not the first time the Board was proposing a change to a funding proposal. He gave a recent example from the 21st meeting of the Board in Bahrain, where developed country Board members had expressed concerns around providing "grant financing" rather than loans to the project and had reduced the USD 9.8 million grant sought by the project and had approved USD 2 million. (See related TWN Update).

Following deliberations, the Ghana project was approved with a recognition that the grant component of GCF funding could be increased and that the options should be explored to benefit the most vulnerable women. In the decision adopted by the Board, it also encouraged the AE to consult with the NDA to consider using the GCF's policy on restructuring and cancellation to amend the funding proposal accordingly.

Accreditation matters

The Board also accredited the following four entities to the Fund:

- Banco Nacional de Desenvolvimento Econômico e Social (BNDES, the Brazilian Development Bank), based in Brazil;
- Ministry of Water and Environment (MWE) of Uganda;
- Ecobank Ghana Limited (EGH), based in Ghana; and
- Enabel, based in Belgium

The Board also discussed the updated the accreditation framework where prioritization of direct access entities became contentious.

In accordance with a previous decision, the Board had decided to prioritize entities that fulfilled the mandate on balance, diversity and coverage and those that advanced the objectives of the GCF. This included direct access entities, some private sector entities and entities responding to requests for proposals, among others. It was also decided that prioritization would continue until the 23rd meeting of the GCF Board.

During the discussions in Songdo, the Accreditation Committee informed the Board that the committee had discussed whether to extend the prioritization decision. There was no consensus in the Committee as some members were not in favour of including a proposal to extend the prioritization in the proposal under the updated accreditation framework.

(In relation to the updated accreditation framework, the Board was requested to approve the framework, which according to the GCF Secretariat, contained improvements to the existing accreditation process, established a pilot project-specific accreditation approach (PSAA) as a new and complementary modality of accreditation for institutions to work with GCF as well as steps for the re-accreditation of entities).

Under the PSAA, the focus was on an organisation's ability to implement a proposed project/programme presented to the GCF rather than a set of "hypothetical" projects or programmes that an entity may bring forward in the future.

During the discussions, several developing country Board members, including **Muyungi (Tanzania), Sokan (Liberia), Shasly (Saudi Arabia)** and **Ignacio**

Lorenzo (Uruguay), highlighted the importance of prioritizing direct access entities in the updated accreditation framework, but no agreement could be reached in the first round of the discussions. (The GCF channels its lion share of resources through international entities.)

Developed country Board members on the other hand wanted to adopt the updated accreditation framework and said it was urgent to streamline the accreditation process given that it takes a long time for an entity to be accredited to the Fund.

Lars Roth (Sweden), Hans Olav Ibrekk (Norway) and **Frank Fass-Metz (Germany)** though said they supported the prioritization of direct access entities. However, **Esther Gonzalez-Sanz, (Spain)** said she was not comfortable including the prioritization of entities in the decision, and that she could at the most go along with extending prioritization until the next meeting of the GCF Board.

Another issue that needed to be addressed was the re-accreditation of entities that were accredited five years ago. (The GCF accredits entities for five years). In the proposed updated accreditation framework, the Secretariat requested that the five-year term begins upon completion of the effectiveness of the accreditation master agreement (AMA) between the GCF and the AE, rather than the current practice of the five-year term beginning upon Board approval of an AE. Not having a decision on the updated accreditation framework at the Songdo meeting would render the Secretariat unable to begin work on the re-accreditation process, which would affect seven entities up for re-accreditation in 2020.

Following further consultations, the Board adopted a decision, addressing matters related to prioritization and re-accreditation of entities. The decision adopted extends the prioritization of entities, including direct access entities, up to the end of the next meeting of the Board and also states that the accreditation process would be considered complete upon the effectiveness of the AMA, which would be considered as the start-term for an entity, and that this applies to entities accredited previously as well.

The Board also decided to defer its consideration of the updated accreditation framework and the implementation arrangements and budget for the PSAA until its 24th meeting.

Other decisions approved

Among the other policy decisions approved included decisions on the performance evaluation of the heads of the three independent units viz. the Independent Evaluation Unit, Independent Integrity Unit, and the Independent Redress Mechanism, where the heads of the respective units were reappointed to the GCF.

The GCF Board also adopted decisions on policies regarding ethics and conflicts of interest for active observers; updated policy on the 'Protection from Sexual Exploitation, Sexual Abuse and Sexual Harassment Compliance Risk'; and 'Standards for the Implementation of the Anti-Money Laundering and Countering the Financing of Terrorism (AML-CFT)' policy.

In relation to the AML-CFT and compliance risk policies, **Ali Gholampour (Iran)** wanted to ensure that all developing countries have access to the Fund's resources and should not be subject to unilateral sanctions and coercive measures.

"Flow of the Fund's resources should not be denied to any developing country by resorting to unilateral sanctions/embargoes or financial sanctions by the United Nations Security Council, which have been placed and enforced due to political reasons and reasons other than anti-money laundering or anti-financing terrorism. We should exercise our wisdom and diligence to avoid moving in a direction leading to politicizing the GCF and transform the nature of the GCF from being an operating entity of the Financial Mechanism of the UNFCCC and (serving) the Paris Agreement to an implementing body of some specific countries' foreign policies," said Gholampour.

In the decision on the AML-CFT policy, the following was reflected to address the concern expressed by the Board member from Iran:

The decision requests *"the Secretariat to implement the GCF AML-CFT Policy, the Standards for the Implementation of the AML-CFT Policy, the Policy on Prohibited Practices and other integrity-related matters in a coherent manner while fully respecting the scope and provisions of the respective policies, and further requests the Secretariat* to amend the accreditation master agreement template,*…to ensure consistency with the scope of the AML-CFT Policy such that…*(the GCF) *apply its own …AML/CFT, and financial sanctions imposed by the United Nations Security Council,…..*". The decision also states that *"…unless prohibited by law applicable to the Accredited Entity, not use GCF Proceeds or Other GCF Funds for the purposes of any payment to individuals or entities, or for the import of goods, if such payment or import is prohibited by a Decision as may be adopted from time to time by the Board or by a financial sanction of the United Nations Security Council."*

The GCF Board also adopted decisions on the performance review of the GCF and the period of the first replenishment, besides having in depth discussions on the Fund's first replenishment. (Further articles to follow)

The next meeting of the Board will take place from 12-14 November in Songdo.

Edited by Meena Raman

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Great work of the Climate Fund should be narrative for doubling resources

Kathmandu, 12 July (Prerna Bomzan): Developing country Board members of the UNFCCC's Green Climate Fund (GCF) emphasized that the great work of the Fund thus far in supporting climate actions in developing countries and its impacts, should be the main narrative in replenishing its resources, at least to double that of the USD 10 billion amount of what was pledged in the initial resource mobilization (IRM).

They added that "the tremendous work done by the GCF" should be the "main narrative", for securing more resources, instead of the "negative narrative" revolving around "one particular issue of governance", (in an apparent reference on the need for procedures for voting in the absence of consensus on the Board in its decision-making process).

(According to sources, a decision on voting was a conditionality imposed by developed countries in making contributions to the Fund. The GCF Board had long and intense discussions over this in Songdo, and managed to adopt a decision that included procedures for voting).

Several developing country Board members also highlighted the need for the GCF to have a strategy to ensure that the UN-Secretary-General's Climate Summit to be held in September in New York also shows "ambition" in the area of financial support from developed to developing countries and not just focus on ambition in mitigation actions.

These views were expressed during the discussion on matters related to the first formal replenishment of the GCF at its 23rd Board meeting in Songdo, South Korea, held from 6-8 July.

(The first formal replenishment process was launched at the Board's meeting in October 2018 in Manama, Bahrain, given the Fund's decreasing resources and the conclusion of its IRM programming period between 2015-2018).

At its recent 23rd meeting, the Board discussed the following matters: (a) a report on the replenishment process; (b) the period of the first replenishment; (c) update to the policies for contributions, and (d) the strategic programming document outlining scenarios for the GCF replenishment.

Report from the replenishment process

Board **Co-Chair Nagmeldin Goutbi Elhassan Mahmoud (Sudan)** invited **Johannes Linn**, (the Global Facilitator appointed by the GCF to help oversee the first formal replenishment process, and who is from the Brookings Institution), to provide an update to the Board.

Linn reported that the first consultation meeting was held on 4-5 April in Oslo, Norway, where the participants consisted of "27 potential contributors" along with a Co-Chair from the GCF Board, 8 Board members, one observer each from the

UNFCCC, the Global Environment Facility and civil society organisations, the GCF Executive Director, staff and trustee. The meeting was opened by Norway's State Secretary for International Development, Aksel Jacobsen, who announced that his country will double its contribution to the GCF.

Linn reported that "contributors stressed the importance of filling policy gaps including decision-making in the event that all efforts to reach consensus have been exhausted".

He also reported that participating Board members at the Oslo meeting noted that improving the capacity and delivery of the GCF needed to be matched by the urgency and scale of financial resources contributed to the Fund. They also added that the policy gaps in the GCF should not be a hindrance to the replenishment process, said Lin further. It was also noted that the track record of the IRM phase demonstrated that the Fund was ready to deliver.

On the strategic programming for the first replenishment, Linn reported that "potential contributors stressed that the business-as-usual scenario was not an acceptable option and that the Fund needed urgently to pursue the more ambitious scenarios (identified in the programming document) commensurate with global climate goals and the latest science," and added that "several Board members commented on the need for a sizeable GCF-1 (first) replenishment in this context".

The Global Facilitator also said that participants agreed that the second consultation meeting, to be hosted by Canada, will take place on 29-30 August. He also said that the dates of the pledging conference for the replenishment and the Board meeting that will endorse the outcome remains to be considered and decided.

Following the report provided, Board member, **Ayman Shasly (Saudi Arabia)** said that the first consultation meeting (in Oslo) was an "eye opener" on the issues surrounding the contributions. He said that participants were "not in a positon whatsoever to be able to have a target" in terms of the sufficiency of the financing needed "even after considering that the Secretariat has the capacity of executing projects worth USD 3-5 billion per year which would roughly amount to USD 15 billion when multiplied by 4 years." Shasly further mentioned that the "clarity on threshold of the trigger for the second replenishment" was also not addressed and lamented that with "no target and no trigger, we are not sure of how the process will be going forward."

Shasly, also said that said that "all the good work" of the GCF demonstrated until now in terms of "impact on adaptation and mitigation" and how the IRM was "utilised in the right way" should be the "storyline" to drive the replenishment process.

Wael Aboul-Magd (Egypt) said that it was important to highlight the role of the GCF in the enhanced climate regime under the Paris Agreement (PA), with the Fund being the "main channel to support the implementation of the PA". Referring to the UNS-G Summit, he reminded the need for "increasing ambition across the board," including that of "support". He added that there was a clear need to indicate the "doubling" of the resources from that of the IRM. (During the IRM, USD 10 billion was pledged). The Egyptian member also highlighted the importance of "facilitating access" of the resources, saying that this

was stressed by the African heads of states at their latest summit.

Aboul-Magd echoed Shasly and said that "the tremendous work done by the GCF should be the main narrative", expressing concerns about the "negative narrative" revolving around the replenishment process with "linkages and conditionalities to one particular issue of governance" (in an apparent reference to the decision on decision-making in the absence of consensus).

Richard Muyungi (Tanzania) underlined the need to "link" the replenishment process to the UN Secretary-General's Climate Summit to encourage heads of states and governments to give priority to the replenishment." He seconded Shasly on the good work done by the GCF and that the "link" to the September Summit should be based on "this storyline".

Paul Oquist (Nicaragua) also flagged the need to have a "strategy" for the September Summit. **Jeremiah Garwo Sokan (Liberia)** said that the first phase of replenishment "needs to be ambitious," which must take into consideration the needs of developing countries. **Ali Gholampour (Iran)** also said that "ambition is important not only for mitigation actions but also for support," adding that it is a "legal and political commitment by the developed countries" to provide sufficient resources for the replenishment.

Hans Olav Ibrekk (Norway) said it Linn's report was "comprehensive and balanced" report and underscored that Norway is "doubling" its "contribution" in its own national currency. **Sue Szabo (Canada)** expressed "strong commitment of Canada for climate finance" and looked forward to hosting the second consultation meeting (to be held end of August).

Linn in response, assured members about the "important linkage" between the various meetings and further stated that the "review of the Fund" demonstrates that "further steps will be very helpful to help the Fund be effective on the ground". He added that "further improving the effectiveness is a win-win for recipient countries" and will also "result in more money available to deliver".

In response, **Shasly (Saudi Arabia)** took the floor again stating that there was "an implied notion that the contributions will be conditioned" and stressed that developing countries "will not accept conditioned contributions".

GCF **Executive Director Yannick Glemarec** in his response said that the Secretariat has developed an outreach strategy for the New York Summit including a series of briefings with heads of state.

Strategic programming document outlining scenarios for the GCF replenishment

Co-Chair Josceline Wheatley (United Kingdom) invited the Secretariat to present the latest strategic progamming document which incorporated inputs from the 22nd Board meeting and views provided in the first replenishment consultation in Oslo, including the initial findings of the Independent Evaluation Unit's (IEU) performance review of the GCF.

The document presented by the Secretariat recommended a 'pursuit of impact scenario' with the following elements: strive for more ambitious impact scenario; capture the GCF's unique focus on paradigm shift; strengthen the approach to adaptation; refine outcome areas and programming directions. The scenario was underpinned by a "theory of

change" with "four key outcome areas" applied across mitigation and adaptation actions: viz. (1) transformational planning and programming; (2) catalyzing climate innovation; (3) mobilizing climate investments at scale and (4) expanding and replicating knowledge. The focus areas of the adaptation and mitigation actions were on the following: built environment (infrastructure); energy and industry; livelihoods; land-use, forests and ecosystems.

Lars Roth (Sweden) welcomed the "focus on maximising the effectiveness" of the Fund and the need to address the "strengthening of the operations of the Fund". He stressed on GCF's "added value in the wider landscape" urging for "catalysing climate finance, both, public and private at national and international levels".

Roelof Buffinga (Netherlands) welcomed the "theory of change" and stated that the "GCF funding needs to be additional to private finance". **Hiroshi Matsuura (Japan)** welcomed the theory of change and hoped the document overtime would be useful in realising the "quality of GCF's investments".

Hans Olav Ibrekk (Norway) said that the focus on adaptation was important. **Stefan Schwager (Switzerland)** said that the performance review should be reflected in the document and welcomed the theory of change to "unlock" the GCF's potential. He expressed concerns that "mobilisation should be aspirational with no undue pressure".

Frank Fass-Metz (Germany) supported the proposed key outcomes and the programming directions. He wanted "focus much more on institutional transformation" and supported the GCF "taking more risks". He also added to preserve the 50:50 ratio in allocation of resources between mitigation and adaptation actions.

Cyril Rousseau (France) supported the 'pursuit of impact' scenario and added that there was need to "further build on the performance review" by the IEU and to "fill the policy gaps to give clear guidance on funding proposals". He supported "institutional transformation" as well as an increase in the share of adaptation to vulnerable countries beyond the present 50 per cent allocation.

Nauman Bhatti (Pakistan) highlighted that the risk taking by the GCF was very low in the document and he "did not see a clear reference on how to enhance direct access". He also stressed the need for "clarity on balance" between mitigation and adaptation.

Jorge Ferrer Rodriguez (Cuba) referred to the struggle of the smaller economies which have "low-chances" of securing finance. In this regard, he called for caution on ideas which would exclude the smaller economies automatically. He also reiterated that any concepts which were previously rejected by the Board should not be brought back into the document, referring to the issue of co-financing which was not accepted by the Board in the past.

Wael Aboul-Magd (Egypt) welcomed the "strengthened approach on adaptation needs". and sought "clarity" on the "instruments" to be used, recalling that "many countries in the developing world are heavily indebted", and therefore, the GCF should not be increasing the indebtedness of already indebted countries.

Ayman Shasly (Saudi Arabia) cautioned that the theory of change and the 'pursuit of impact' scenario would "endanger the character and objective of this Fund". He

did not support the suggested scenario and urged for the continuance of the current approach. He added that the focus of the document was on a "mitigation-centric programming," that can change the 50:50 allocation between mitigation and adaptation. He said further that the document changes the nature of the instruments to be used with "no more grants".

The Secretariat in response, clarified that the scenarios are "not for decision here" but were presented as "proposals for deliberations". **Shasly** questioned about the timing of the decision on the document.

Co-Chair **Wheatley** clarified that the current version is to serve as input and to "incentivise contribution" and will come back as part of the replenishment report.

Shasly underlined that the "storyline has to be set right" and "the way document is written now, it is hard to accept it". Co-Chair **Wheatley** said that there will be some variation in the next version.

Period of the first replenishment of the GCF

The Board also agreed in a decision which was adopted that the period of the first replenishment would be for a four-year period from 1 January 2020 to 31 December 2023.

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Intense discussions at GCF Board prior to adoption of decision on voting

15 July, Delhi (Indrajit Bose) — Intense wrangling and exchanges happened at the most recent meeting of the Green Climate Fund (GCF) Board prior to the adoption of a decision on decision-making in the absence of consensus, that included procedures on voting.

The decision was adopted early morning at 3 am on 9 July, a day later than the scheduled closure of the 23rd meeting which began on 6 July in Songdo, Korea, and was deemed "historic", given that the Board had failed in the past to agree to a decision on voting.

In adopting the decision, the Board confirmed that the procedures for adopting decisions in the event that all efforts at reaching consensus have been exhausted shall only be used as a "last resort".

The decision adopted by the Board on the procedures for decision-making includes: (i) efforts to exhaust consensus; (ii) determination of whether all efforts at reaching consensus in respect of a particular draft decision have been exhausted; (iii) the scope of the policy, i.e. areas where the procedures would not apply; (v) the voting procedure (referred to as threshold during the discussions); and (vi) procedure for confidential balloting process.(See further below for highlights of decision adopted).

Discussions on the determination of when and how all efforts at reaching consensus are exhausted as well as the threshold level as regards the voting saw major disagreements among the Board members. Some developing country Board members wanted to ensure that the scope of the application of the procedures exclude certain key areas, including the eligibility of all developing countries to access all financial instruments offered by the GCF.

One of the primary reasons for the disagreement among Board members was the stance of developed countries in making their contributions for replenishment conditional on the adoption of a decision on voting. Several developed country members also characterized the lack of the decision on the matter as a "governance crisis" in the GCF. This perspective and narrative was countered vehemently by developing country members.

(The GCF Board is comprised of 24 members, with 12 from developed and 12 from developing countries. The Governing Instrument [GI] provides for decisions of the Board to be taken by consensus. It also provides for the Board to develop procedures for adopting decisions in the event that all efforts at reaching consensus have been exhausted. For some time until the most recent Songdo meeting, the GCF Board has been deadlocked over the issue. During the 8th GCF Board meeting in 2014, when processes for the initial resource mobilization (IRM) were being put in place, developed country members wanted decisions to be made according to

voting linked to their share of the contributions. This idea was expressly rejected by developing country members who said that the GCF is an equal Board and every member has an equal say on an issue. The IRM period was from 2015-2018). [See related TWN Update]

(When processes were being put in place for the first formal replenishment in 2018, developed countries again pushed for a decision on decision-making and a few other policies to be in place before the replenishment process could begin. The 20th Board meeting in this regard was especially contentious, and several disagreements in relation to conditionalities and other procedural difficulties that led to the Board not agreeing on a replenishment process). (See related TWN Update).

(Thereafter emerged a view from some developed countries and their media that the GCF was going through a "governance crisis" and unless the crisis was resolved, developed countries would find it difficult to justify contributing resources to the Fund).

The alleged "governance crisis" also surfaced at the Songdo meeting as well, with Board members referring to the issue in response to a proposal on the procedures crafted by Co-chairs **Nagmeldin Goutbi Elhassan Mahmoud (Sudan)** and **Josceline Wheatley (UK)** for the consideration of the Board.

The Co-chairs had been tasked with consulting with Board members on the issue and a series of consultations had taken place. Prior to the Board meeting, the Co-chairs presented a proposal to members detailing procedures on the determination of whether all efforts to reach consensus were exhausted, the scope of the application of the procedures, the threshold level as regards the voting and a balloting process.

In the proposal by the Co-chairs, determination of whether all efforts to reach consensus are reached or not rested with the Co-chairs. In relation to the threshold, the Co-chairs had proposed that if at least a two-thirds majority of Board members present and voting and two-thirds of Board members present and voting in each constituency voted in favour of a draft decision, the decision would be adopted. In reacting to the proposal by the Co-chairs there were several interventions.

Sue Szabo (Canada) said the need for the procedure became all clearer as was evident from "external evidence". She said that if one did a search on the GCF on the internet, what they would see in the media is about "governance and crisis" in the Fund. She also added that the "governance challenge" had also "become a point of discussion for a number of our senior leaders…who ask us what are we doing to fix it." She said further that a decision on "decision-making is a necessary but not sufficient step" and that more needed to be done to "address governance" issues.

Mathew Haarsager (United States) said effective and appropriate governance was crucial for the Fund. He said further that any procedure for decision-making in the absence of consensus should be implementable, fair and consistent with the GI, including the principle that all Board members have equal governance rights and have the opportunity to participate in decisions. He also said that the determination of whether all efforts have been exhausted to reach consensus should be a Board decision rather be left to the Co-chairs. In respect of the voting, he

called for a higher voting threshold level of 75 per cent of the Board members.

On the governance issue, **Aboulmagd (Egypt)** said that developing countries were not presented with enough evidence to substantiate the point that a lack of procedure on decision-making in the absence of consensus was a significant governance issue facing the GCF. He said developing country members were engaging in "good faith" given the mandate from the GI. On the Co-chairs' proposal, he said that determining efforts to exhaust consensus must follow an objective check list and with step-by-step procedures. On the threshold issue, he said that a constituency collectively (referring to the developed and developing country constituencies respectively) should have a say. He also said that three members of a particular constituency members should be able to prevent a policy decision from moving forward. Aboulmagd also highlighted the importance of excluding issues such as the eligibility of developing countries to finance, the concessionality that should be provided and the access to all financial instruments from the scope of the application of the procedures.

Reinaldo Salgado (Brazil) also said that not having the procedures was not the central governance matter of the GCF, but added that having one single Board member veto decisions was also not desirable. In relation to the scope of the procedures, Salgado said that there was precedence in other institutions and led by some of the same developed country Board members in not giving access to grants to a certain group of developing countries, adding that this was not viewed as an eligibility issue by developed countries. He said that the procedures should not apply to any decision that may affect the access or eligibility of all developing countries to all financial instruments and all concessionality modalities available in the GCF, adding that all the rights of developing countries under the GI, the UNFCCC and the Paris Agreement must be taken care of.

Ayman Shasly (Saudi Arabia) said that the Board should be under no pressure to resolve the decision-making issue, adding that when it comes to governance, contributors should look at the systems in place in the GCF rather than focusing only on one issue. Shasly also wanted the scope of the procedures to not apply to the eligibility of developing countries to access the Fund's resources, the arrangements between the GCF and the UNFCCC Conference of the Parties (COP), amendments of the rules of procedure, or any policies to do with earmarking the contributions of the Fund

Wenxing Pan (China) said on the determination of whether efforts to reach consensus have been exhausted should rest with the Board and that on the threshold question, he would prefer it to be a lower rather than higher.

Cyril Rousseau (France) said that decision-making in the absence of consensus was the most important decision the Board needed at the meeting. He also said that he was in favour of a lower threshold but was willing to show flexibility on the matter. Regarding the issue of scope, he said that everything should be done to show that they would not go against the Paris Agreement or the GI in terms of eligibility of countries to access the Fund's instruments.

Other developed country Board members, **Frank Fass-Metz (Germany)** and **Hiroshi Matsuura (Japan)** said they had heard the concerns and could work on the text to address those concerns.

Following the interventions, the Co-chairs presented another draft for the Board's consideration, but divergences on the threshold issue remained.

The Co-chairs then tasked a group of 8 board members to come up with a resolution. The 8 members, **Aboulmagd (Egypt), Shasly (Saudi Arabia), Ignacio Lorenzo (Uruguay), Irina Ghaplanyan (Armenia), Rousseau (France), Frank Fass-Metz (Germany), Kate Hughes (United Kindgom) and Haarsager (United States)** worked through the night of 8 July and came up with a resolution around 3 am the following day on 9 July.

Reflecting on the resolution reached, Co-chair Wheatley said that on the threshold, the proposed revised decision stated that if there was an objection to a determination by the Co-chairs that all efforts at reaching consensus were exhausted, then "it shall be put to a vote in accordance with the voting procedures and shall be deemed to be confirmed if at least four-fifths of the Board members present and voting vote in favour of such determination". He said this would address those who had called for an "objective" manner of arriving at the determination.

On the scope of the procedures, Wheatley said that the decision excludes the following areas: "any policy decision on financial instruments and/or financial terms that excludes a certain developing country or countries from accessing any financial instruments and/or financial terms available through the GCF"; any decision to recommend an amendment to, or that conflicts with, the arrangements between the GCF and the COP; any decision to amend the rules of procedure; and any contribution policy that allows for geographic or sectoral restrictions". He said the last point referred to "earmarking" but that they did not want to use the word in the decision.

On the voting procedure, Wheatley said the draft decision now contained a "double lock" and the decision text says: "four-fifths majority of Board members present and voting vote in favour of the draft decision, the draft decision shall be considered adopted, unless four or more developed country Board members or four or more developing country Board members vote against it".

Following the presentation of the draft decision **Jeremiah Sokan (Liberia)** referred to the threshold issue and added that the LDCs were in a very difficult position, because by the composition of the Board, while it would take any group less effort to block a decision, it would take the LDCs four times the effort (given that the LDCs have only one seat on the Board).

Following an exchange of views, the Board adopted the decision. According to some developing country members who spoke to TWN, the final decision adopted provided comfort to them, as their concerns had been addressed. Another member commented that the atmosphere during the closed-door consultations was apparently "amiable and gentlemanly", with due consideration given to the views of all members.

Highlights of the decision adopted

Below is a summary of the decision adopted in respect of the specific elements.

On Efforts to reach consensus -

Under the steps to be followed to reach consensus, Board members and alternate members are to be consulted on draft decisions and related documents prior to the publication of documents. The Co-chairs or the Board could also request a

small group of members to consult between meetings of the Board on a specific matter to develop or refine a relevant draft decision.

Other processes include consultations during a Board meeting; Board members stating their reservation with a particular decision without preventing consensus from being reached; Board members disassociating from a particular decision by stating their reservation therewith, without preventing consensus from being reached; Board members requiring that their position on the relevant matter be formally recorded in the report of the relevant meeting; and Board members electing not to join the consensus by being absent from the Board-room.

On the determination of whether all efforts at reaching consensus has been exhausted -

In this regard, the Co-chairs have to determine "in good faith" whether all efforts at reaching consensus have been exhausted after consultations with all Board members and alternate members. To make such a determination, the Co-chairs are to consider: whether consultations have been carried out between and during Board meetings; whether the subject matter of the draft decision has been considered at prior Board meetings without consensus being reached; and whether, and how many members of the Board have indicated that they cannot join consensus on an issue.

The procedures also lay down that "when making such determination, the Co-Chairs shall take into account whether a decision on the relevant matter is urgent or necessary to safeguard the interests or reputation of the GCF, or to ensure the continued operations of the GCF".

The procedures also lay down that, "if a question arises as to whether all efforts at reaching consensus in respect of a particular draft decision have been exhausted, in accordance with these procedures, the Co-chairs will, acting jointly, make a determination. If there is an objection to such determination, the matter shall be put to a vote in accordance with the voting procedures and shall be deemed to be confirmed if at least four-fifths of Board members present and voting vote in favour of such determination."

Scope of the application of the procedures –

The Board also decided that the procedures shall not apply to:

"(a) any policy decision on financial instruments and/or financial terms that excludes a certain developing country or countries from accessing any financial instruments and/or financial terms available through the GCF;

(b) any decision to amend these procedures;

(c) any decision to recommend an amendment to, or that conflicts with, the arrangements between the GCF and the COP;

(d) any decision proposed for approval between meetings …(on decisions between meetings) of the rules of procedure, unless otherwise permitted pursuant to those rules;

(e) any decision related to moving and/or selecting the headquarters of the GCF;

(f) any decision regarding the termination of the Fund;

(g) any decision to amend the rules of procedure; and

(h) any policy on contributions that allows for geographic or sectoral restrictions.

Voting Procedure

The voting procedure is open to Co-chairs and the members of the Board. The Board decided that, "if at least a four-fifths majority of Board members present and voting vote in favour of the draft decision, the draft decision shall be considered adopted, unless four or more developed country Board members or four or more developing country Board members vote against it."

Procedure for confidential balloting

The Board decided that "balloting shall take place as soon as practicable following the determination that all efforts at reaching consensus have been exhausted…in a closed setting".

All Board members are entitled to participate in the balloting process and a member would be entitled to one ballot in each round of balloting. Prior to the balloting exercise, the Co-chairs are to propose and seek agreement on how the rounds of balloting shall take place.

The procedures adopted also state that "balloting shall continue until at least two-thirds of all ballots cast in a single round of balloting support one of the options being considered by the Board".

The Board also requested "the Co-chairs to continue to enhance the effectiveness of pre-Board meeting consultations in an open, inclusive, consultative and transparent matter" and present to the Board a proposal regarding the next steps in the event any Board member expresses the view that they are unable to join consensus regarding the outcome of the confidential balloting process.

(Edited by Meena Raman)

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GCF Board discusses its first performance review

Kathmandu, 16 July (Prerna Bomzan): The Board of the UNFCCC's Green Climate Fund (GCF) discussed the Fund's first performance review at its 23rd meeting in Songdo, South Korea which took place 6-9 July.

At its 21st meeting in October 2018, the Board had requested the GCF's Independent Evaluation Unit (IEU) to conduct a 'forward-looking performance review (FPR) of the GCF', focusing on its progress, performance and portfolio. The FPR will also inform the first replenishment of the GCF, which is currently on-going.

The FPR was undertaken between October 2018 and July 2019 and was prepared by a team led by the GCF IEU consisting of IEU staff, consultants, interns and a consortium of two external firms.

Board **Co-chair Josceline Wheatley (United Kingdom)** invited the head of the IEU **Jyotsna Puri** to make a presentation on the FPR, following which the Board members were also invited to share their views.

Puri reported that the FPR was done with a "focus on informing how the GCF can be faster, smarter and better". She acknowledged at the outset that the "GCF has achieved much in a very short time (five years or so)" with a USD 7.1 billion committed capital, 147 national designated authorities (NDAs), work in 120 countries and USD 5.3 billion committed on the ground. "These are really big achievements for the Fund to show", she said, adding that the Fund was "very ambitious with its paradigm shift potential objective" and has an "extremely influential Board with equal representation (between developing and developed countries) and a strong voice".

Puri however noted that since the Fund's inception, "the world has changed" in different ways with not only the "needs of developing countries increasing exponentially" but also, with many actors, "bilateral and multilateral, especially in the mitigation space". Against this background, she said that it was "more important" for the GCF to "focus on impact and speed".

She further informed that the FPR looked at the key meta question of whether the "GCF is ready to deliver a paradigm shift in the climate change space" with four sub-questions addressing whether the Fund has an appropriate structure; is able to deliver large financial flows; whether it makes an impact on the needs of developing countries; and what could be its potential focus going forward.

Some of the key concerns highlighted by the IEU head included the following: overall strategy for accreditation of entities to access the Fund's resources (given that it takes about 1000 days to be effective); a long delay in accessing resources (given more than 1000 days for the first disbursement to take place); reducing the burden on entities relating to compliance with policies of the GCF; creating a differentiated model for different access modalities, capacities and

needs; financing still being very small (less than 1 %) to meet developing country needs for both mitigation and adaptation; re-emphasis on adaptation (give that twice the amount of GCF resources are provided to mitigation projects in comparison to adaptation projects); new strategic plan for delivery of impact and innovation; and delegated authority to the secretariat.

Puri then presented the IEU's key recommendations, highlighting that for the GCF to "deliver better", it should "transition from one-size-fits-all, compliance-driven and reactive processes" to "a proactive, strategic phase that emphasizes differentiation, impact and innovation".

Among the recommendations for the GCF to deliver better for developing countries and climate, included: a "new" strategic plan with the GCF as a global thought leader, with a niche in addressing climate impact needs; a business model to deliver better for "transparency, speed and predictability"; focus to be re-emphasized on adaptation and innovation; and a re-examination of the enabling environment for better decision-making and separate supervision and management of the GCF via delegated authority.

Board **Executive Director Yannick Glemarec** also presented the GCF management's response on the FPR. He noted that the IEU "recognized the achievements of the Fund in the last four years" and informed that by the end of year, "70% of its resources will be under implementation" which he said was a "major achievement". He also agreed with the IEU on the need to "sharpen" the strategic focus, business model, operational mode and integrated results and resource framework of the Fund.

Glemarec further mentioned about "increasing efficiency" in relation to "policy and governance", suggesting to have an annex of the "policy agenda" for the next four years in order to implement the strategic plan, such as, political policies that require the Board's consensus as well as operational modalities that do not go to the Board. He added that "we will definitely like to put in place a compact with the Board" in relation to delegation of authority to the secretariat.

Board member, **Ayman Shasly (Saudi Arabia)** in his remarks reflected on some issues which he said were not in the evaluation. He underlined that the Fund is an operation entity of the Convention (UNFCCC) and therefore, there is a "commitment" by Annex 1 Parties to provide financing to developing countries without "shifting" the financing liability to developing countries, with ideas such as "co-financing and leveraging."

He recalled the "historical responsibility" of developed countries responsible for climate change and said that as a "public Fund" "grants" must be the basis of the GCF, which he did not see as the "storyline" in the evaluation report.

Shasly also explained that the great deal of attrition in the secretariat staff in the last three years had resulted in actual delay of the results, adding that there was a need to "stabilise" this by creating a better environment in the secretariat to deliver results. He hoped that the IEU's future assessments carry a "different storyline", clearly linked to and rooted in the Convention.

Wael Aboul-Magd (Egypt) echoed Shasly and "prefaced" his remarks regarding the main objective of the GCF, as being part of the global effort under the UNFCCC to address the needs of developing countries,

particularly, in terms of "receiving finance". He therefore cautioned about the notions of "co-financing and leveraging". Responding to the fact that twice the amount of money goes to mitigation rather than adaptation, he underscored that developing countries did not cause the climate problem in the first place but "are paying a very high price," and despite this, mitigation actions are being prioritized. He added that Egypt "gives utmost prioritization to adaptation", referring to the 'adaptation and resilience' track that Egypt co-chairs with the United Kingdom in relation to the UN Secretary-General's Climate Summit in September, New York.

Richard Muyungi (Tanzania) focused on the fact that the Fund is currently providing "less than 1% of the needs of developing countries" and urged to "probe" further on how to "improve" more resources to developing countries given the replenishment process.

Jeremiah Garwo Sokan (Liberia) stressed on the "efficiency" of "readiness support" in terms of access to resources especially for least developed countries (LDCs) and small island developing states (SIDS). He encouraged for an increase in public finance, especially the "grant component".

Paul Oquist (Nicaragua) stressed the need for an "indicative time management system" and was pleased to see the "mapping" of the processes in that direction.

Lars Roth (Sweden) said that in terms of impacts, he would like to see how can the GCF "contributes to shifting the billions to the trillions which is essentially needed", to accomplish the paradigm shift and was "concerned" about the numbers presented, with USD 5 billion invested so far in mobilizing additional financing of about USD 17 billion. He further said that "it is the private sector essentially which has to contribute" and that "it is not about co-financing but shifting the financial flows". He added that to accomplish this, there was need for "a clear definition of what paradigm shift means," referring to this as "a policy gap". He also lamented that the current investment criteria of the GCF lacked "a clear climate dimension".

Frank Fass-Metz (Germany) said that "we need to be very clear that the GCF is an instrument of the Convention to achieve its objectives" and that it was critical to raise sufficient resources for the replenishment of the Fund as this was the "means of implementation" (for climate actions). He further added that the GCF was "still working below its potential" and therefore, "the task ahead is to bring it up to what it can deliver in order to achieve the transformation in line with the objectives of the Convention, the Paris Agreement and the GCF's Governing Instrument". He also said that there was "room for much more improvement through engaging with the private sector in leveraging resources for achieving a higher impact for the public resources that the GCF is providing". **Cyril Rousseau (France)** seconded Fass-Metz's intervention.

Wenxing Pan (China) said that despite being an effective organization, one major problem was "efficiency" and this was closely related to the "prioritization" of issues. He also pointed out the need for a "delegation of power" to the secretariat on operational issues while the Board sticks to "political decisions". Regarding the issue of "paradigm shift," he said that on the scale of resources provided, current figures show an average of only USD 2-3 billion annually, which was less than 1% of the total needs, adding that this was

"alarming". In this regard, he said there was need for a "more realistic and more meaningful comparison" of the total support of the GCF with that of other financial institutions, including multilateral development banks, since part of the Fund's resources are in loans. Pan also said that when talking about paradigm shift, "we need to be cautious about introducing more and more policy requirements".

Cheick Sylla (Senegal) stressed the importance of a country-driven approach and the need to push the accreditation of direct access entities. He also commented that analysis on small-, micro- and medium-size applicant entities was missing in the key findings of the IEU evaluation.

Following the interventions, Co-chair **Wheatley** invited the Board to consider the draft decision for approval.

However, **Shasly (Saudi Arabia)** objected to the use of the term "welcoming" the evaluation report and instead suggested to "take note" of it. **Roelof Buffinga (Netherlands)** countered that he will "not block consensus on a different language" but remarked that he had not heard anybody not welcoming the report and found it strange to not do so.

Given **Shasly's** suggestion, the draft decision was adopted by taking note "of the first review of the performance of the GCF Board by the IEU" as well as the "findings and recommendations presented." The decision also requested the secretariat to "provide a management response to the …performance review of the GCF to the Board at its twenty-fourth meeting"; and also decided to continue the consideration of this matter at the next Board meeting.

Edited by Meena Raman

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USD 407 million approved for climate projects, including from China and Palestine

Songdo, 18 Nov (Indrajit Bose) — The Board of the UNFCCC's Green Climate Fund (GCF) approved USD 407.8 million to 13 new projects at its 24th meeting in Songdo, South Korea, which included two projects from China and Palestine that saw controversy.

The Songdo meeting was historic, in that the Board for the first time, in relation to the China proposal (which was eventually approved), resorted to using its voting procedure (which was adopted at its last meeting in July this year). This was because there was no consensus to approve the proposal, given objections from the United States (US) and Japan. When put to a vote, 19 Board members were in favour of approving the project, with US and Japan opposing and Australia abstaining. The proposal was for catalyzing climate finance for a fund in the Shandong province, which sought a USD 100 million loan from the GCF.

In relation to Palestine, while the US objected to the funding proposal, it did not block the proposal from being approved as it abstained from participating in the decision. USD 26.3 million for the project was subsequently approved by the Board for a water and adaptation project in Northern Gaza.

Among the proposals which were approved included several projects relating to reducing emissions from deforestation and forest degradation (REDD-plus). (See details below on the funding proposals).

The Board met from 12-14 Nov, following a successful meeting of contributors held in Paris in late October, which saw 28 countries pledge resources to replenish the Fund for an amount of USD 9.7 billion, for the period 2020-2023.

In other decisions approved, the GCF Board accredited new entities who will be able to access the funds resources after an intense discussion on the matter, adopted an updated gender policy and gender action plan and a policy on co-financing. The Board also discussed at length the strategic plan for the 2020-2023 programming period.

The China and Palestine projects

The China proposal was submitted by the Asian Development Bank (ADB) as the accredited entity (AE) to the GCF, and was titled 'Catalysing climate finance (Shandong Green Development Fund)' for a loan of USD 100 million from the GCF.

According to the proposal, the project aims to catalyse and leverage finance by blending government finance, concessional donor finance and private finance. The Shandong fund intends to undertake investments that maximise climate change impacts across the whole province. About 75 per cent of the sub-projects are expected to support mitigation action such as renewable energy, energy efficiency, sustainable transport and solid waste management,

while the remaining 25 per cent would focus on people's resilience building, in particular, infrastructure.

The GCF Secretariat informed the Board that Shandong ranks the highest in energy consumption among the provinces in China and is one of the most carbon intensive provincial economies driven by substantial use of coal, as a traditional energy source for its large industrial base. The Shandong government received a mandate from the central government to green its economy to meet its climate goal of peaking its emissions by 2027, but sources of public finance were limited, said the Secretariat further.

(The China project was first submitted to the Board for approval at its 21st meeting in Bahrain in 2018, but it was objected to by the US, thus leading to the proposal being deferred. See related TWN update.).

Japan and the US objected to approving the proposal on grounds that they did not see the proposal fit for GCF funding, and questioned the eligibility criteria of China to seek funding, saying that the GCF should focus on most vulnerable countries instead. Further, the US also objected to the technology development component in the proposal, raising concerns over intellectual property rights. (See below for further details).

Developing countries responded sharply to such comments and clarified that the eligibility criteria mentioned in the Governing Instrument (GI) of the Fund states that all developing countries to the UNFCCC are eligible for financing.

Expressing his objection to the proposal, **Masahiro Takasugi (Japan)** said that the GCF resources should be allocated preferentially to developing countries where climate change measures cannot be taken by their countries and also where mobilization of private finance is difficult. "This project is expected to be financed by development financial institutions such as ADB and a large amount of self-finance by the local government will also be injected. So, it is difficult to consider as a project that cannot be achieved without GCF finance". He added further that the Board "should be very cautious about depriving vulnerable developing countries with higher needs of opportunities to support."

Holly Kirking Loomis (US) said that **"**this proposal was approved on September 25 by the ADB Board based on a financing scenario that did not include GCF financing. Since the project is implementable without GCF financing, we question the necessity of GCF's engagement here."

She also added that the US had concerns about the "R&D and transparency aspects of this project, which also appears to not have carefully considered intellectual property rights considerations". There are a number of references in the proposal to technology development, with very little transparency on what exactly will be financed, said Loomis. "What we do see in the proposal is the development of advanced technologies such as artificial intelligence, robotics, microgrids, solar roads and hydrogen cells. The GCF should prioritise financing proposals to the benefit of the most vulnerable populations, (and) not finance technology development and other activities that could and in fact will be financed and supported through other sources of finance. This project does not seem like an efficient use of limited GCF resources," she added further, clarifying that the US would continue to oppose the proposal and would not join a consensus to approve it.

In a sharp response, **Paul Ooquist (Nicaragua)** said "China is sitting at this table (the Board) as a developing country and according to the Convention and its rules, China is eligible for projects in the GCF". He also said the technology transfer issue was lagging in the UNFCCC process and the Board should applaud when the technology development component is present in the projects. "We would in fact applaud if this project was not from China, but this is blatant political discrimination that has no place in this organization or in any other international climate change organization," retorted Ooquist strongly. He added that it was clear that all efforts at achieving consensus had been exhausted and the Board should swiftly move to vote as per the procedures on decision-making in the absence of consensus adopted at the previous meeting.

Ayman Shasly (Saudi Arabia) said the situation was such that it was not about China anymore, nor about the funding proposal. It is about how we as governments sitting around the table are fulfilling the mandates from the UNFCCC Parties and the GI, said Shasly, adding that the Board must not determine which countries need finance or not, and to leave it to the sovereign governments to determine for themselves whether or not they need financing. He said that the project was "transformational" and that it is the GCF's role to "bring everyone to the table to play a role in addressing climate change."

Despite the pleas from developing country Board members, the US and Japan continued to oppose the project. The Board then went to vote with a show of hands, which was visible to all observers in the overflow room as well as those who were following the webcast of the Board proceedings. While Australia abstained from voting, 19 Board members voted in favour of the project. The project was thus approved.

Following the decision, **Xia Lyu (China)** thanked Board members, the Secretariat team and the project staff on reaching a decision and added that the project was a good one, with strong climate impact potential. She also said that the project had all the merits of emissions reduction, private sector mobilization and climate resilient technology amplification, besides the potential for good practices from the project to be shared. She added that "China, as a major developing country, would continue to take action to combat climate change, deepen cooperation with all Parties and promote the multilateral governance process, including the GCF".

On the Palestinian project, The US also expressed its reservation. The funding proposal was titled "Water Banking and Adaptation of Agriculture to Climate Change in Northern Gaza" submitted by Agence Française de Developpement (AFD).

Expressing her reservation, **Loomis** said, "Under the GCF's GI, only developing country Parties to the UNFCCC are eligible to receive resources from this fund." The US noted that it does not believe that the State of Palestine is qualified to accede to the Convention and said that it took the position that it was also therefore not eligible under the GI to designate a national designated authority or receive resources from the Fund.

Loomis added further that the US would not be able to support the project, but due "to significant potential for the positive impact of the proposal", the US would not stand in its way. She said that the US objected to the funding proposal and "abstains from participating in the

consensus decision to finance this proposal," and requested her statement to be recorded in the report of the Board meeting.

Responding to the US, Shasly, on behalf of the Asia-Pacific constituency said that Palestine is a member of the constituency; that it was a full member of the UNFCCC and it had signed and ratified the Paris Agreement in April 2016. He also stressed that Palestine is leading all developing countries and is the Chair of G77 and China and it will lead the negotiations in the up-coming UNFCCC talks in Madrid, Spain. He added that Palestine was eligible for funding under the Convention, Paris Agreement and the GI of the GCF.

The Board approved USD 407.8 million to 13 new projects. Besides the China and Palestine projects, the Board also approved the following projects:

- USD 30 million for 'Carbon Sequestration through Climate Investment in Forests and Rangelands' in Kyrgyz Republic, with Food and Agriculture Organization (FAO) as the AE;
- USD 16.8 million for 'Implementation of the Lao PDR Emission Reductions Programme through improved governance and sustainable forest landscape management' with GIZ as the AE;
- USD 39.3 million for 'Building a Resilient Churia Region' in Nepal with FAO as the AE;
- USD 63.6 million for 'Chile REDD-plus results-based payments for results period 2014- 2016' with FAO as the AE;
- USD 50 million for 'REDD+ Results-based payments in Paraguay for the period 2015-2017' with United Nations Environment Programme (UNEP) as the AE; and
- USD 33.3 million for 'GCF Ecosystem Based Adaptation Programme in the Western Indian Ocean (Madagascar, Mozambique, South Africa and United Republic of Tanzania)' with Kreditanstalt für Wiederaufba (KfW) as the AE.

The following projects were approved under the simplified approval process (SAP) –

- USD 9.7 million for 'Extended Community Climate Change Project-Flood' with Palli Karma-Sahayak Foundation (PKSF) as the AE;
- USD 10 million for 'Building resilience of urban populations with ecosystem-based solutions in Lao PDR' with the United Nations Environment Programme (UNEP) as the AE;
- USD 10 million for 'Multi-Hazard Impact-Based Forecasting and Early Warning System' for the Philippines with Landbank as the AE;
- USD 9.3 million for 'Climate-resilient food security for women and men smallholders' in Mozambique through integrated risk management with World Food Programme (WFP) as the AE;
- USD 9.4 million for 'Inclusive Green Financing for Climate Resilient and Low Emission Smallholder Agriculture' in Niger, with International Fund for Agricultural Development (IFAD) as the AE.

Replenishment

The Board also discussed the outcome of the first formal replenishment of the GCF. The Board took note of the summary of the replenishment process and adopted a

decision on the outcomes of the first formal replenishment process, which proved contentious.

In contention was how to reflect in the decision of the Board, the recommendations contained in the replenishment summary report.

According to sources, developing country Board members were uncomfortable endorsing straightaway the recommendations in the summary report since it contained policy options and concepts that had not been proposed, discussed or agreed to by the Board and which appeared to them to be inconsistent with the GI.

"The Fund will be governed and supervised by the Board, not the contributors," a Board member told TWN.

In the draft decision presented to the Board for approval, the language in the paragraph concerned read:

"Agrees to take up the recommendations in the Replenishment Summary Report…during its development of the updated Strategic Plan and other items on its work plan".

A discussion ensued on what "take up" meant, and how the Board "takes up" the recommendations when the concepts in the recommendations had not been considered. Some Board members felt "take up" was akin to "accepting" the recommendations, while others did not think so. Following deliberations, the language was changed to:

"*Agrees that it will consider the recommendations in the Replenishment Summary Report …during its development of the updated Strategic Plan and other items on its work plan."*

In the decision adopted, the Board welcomed *"the successful conclusion of the first formal replenishment process of the GCF"; welcomed "the pledges made by 28 contributors totalling USD 9.66 billion (Special Drawing Rights (SDRs) 6.97 billion) equivalent (as of 14 November 2019), and the credit earned due to early payment encashment, which brings the outcome of the pledging session to USD 9.78 billion (SDR 7.05 billion) equivalent".*

(SDRs are supplementary foreign exchange reserve assets maintained by the International Monetary Fund. During the initial resource mobilization period, the GCF lost nearly USD 1 billion in foreign exchange losses).

In the decision adopted, the Board *encouraged "further pledges and/or contributions during the replenishment period"* and *"contributing countries to confirm their pledges to the GCF in the form of fully executed contribution agreements/arrangements as soon as possible*".

Prior to the adoption of the decision, a report on the replenishment process and its outcome was presented by **Johannes Linn**, the facilitator for the replenishment process.

In relation to the outcome, Linn said that even though a few countries that had pledged in the initial resource mobilization (IRM) period of the GCF did not pledge for the first formal replenishment, the total pledge was USD 9.78 billion, which was about USD 500 million more than what was pledged in the pledging conference for the IRM in November 2014. "This result was achieved by three-quarters of the contributors increasing their pledges in national currency terms and nearly half of them doubling or more than doubling their pledges. Had all countries that pledged at Paris merely pledged the same amounts

they contributed in domestic currency terms during the IRM, the replenishment total would have amounted to only about USD 5.9 billion. The actual outcome at Paris was thus 66 per cent higher than this important benchmark," said Linn. (Paris was where the pledging conference took place in late October this year).

Linn also added that the GCF first replenishment period was for four years, compared to the IRM, where contributions were for 5 years in effect, and therefore, "the GCF would be able to programme annually 70 per cent more during the GCF-1 period than it did during the IRM period". Linn further added that additional pledges could be expected in the coming months and years.

Responding to the report, **Shasly (Saudi Arabia)** congratulated Linn for ensuring a smooth process. Shasly also acknowledged the contributions from developed countries, and added that in comparing with the IRM, "what we have in our books is USD 10.3 billion, not USD 7.3 billon. If you take the foreign exchange rates since the IRM, the figures will be different". He also said that the replenishment figures are short of the USD 100 billion target (referring to the promise by developed countries in Cancun under the UNFCCC in 2010 to mobilise USD 100 per year by 2020) and hoped in future replenishments there would be more ambitious contributions. "Developing countries have a lot of potential to act on climate change but they need support. If we have to increase our ambition…we need to increase ambition for finance support because there is a mismatch between what is being asked from developing countries and what is being put on the table for that action," said Shasly.

Jorge Ferrer Rodriguez (Cuba), while thanking contributors, said despite an increase from the IRM pledging process, "we are far from meeting the needs of developing countries; far from the potential of contributors; far from the Paris Agreement ambition in all areas – mitigation, adaptation and finance."

Speaking on the issue, **alternate active observer Helen Biangalen-Magata** (from the **Philippines**), representing the civil society voice, added that developed countries were far from the USD 100 billion a year target and the commitments were "staggeringly low" compared to the actual requirements of "equity, fair shares and keeping temperature rise below 1.5°C (since the pre-industrial period". "We challenge the developed countries who have not given any contributions to the Fund or very little contributions as compared to their fair share in climate change obligations to do so," said Magata.

Accreditation of entities

The Board also accredited 7 entities to the Fund, after an intense discussion around some of the entities, following issues raised by civil society as to their past conduct, and also as to whether adequate due diligence processes were undertaken by the GCF's Accreditation Panel.

The entities who were accredited and who will be able to access GCF resources were:

National Committee for Sub-National Democratic Development Secretariat (NCDDS) based in Cambodia;

- CRDB Bank based in Tanzania;
- Finanzas y Negocios Servicios Financieros Limitada (FYNSA) based in Chile;
- IL&FS Environmental Infrastructure and Services Limited (IEISL) based in India;

- Yes Bank Limited (Yes Bank) based in India;
- Cassa Depositi e Prestiti S.p.A. (CDP) based in Italy and
- Save the Children Australia (SCA) based in Australia.

(Further articles to follow).

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Third World Network

GCF Board to update Strategic Plan for Fund

Songdo, 19 Nov (Prerna Bomzan)- Among the many issues discussed at the Green Climate Fund's (GCF) 24th Board meeting, was the development of its updated Strategic Plan for the period 2020-2023.

The meeting was held at the GCF's headquarters in Songdo, South Korea from 12-14 November.

Co-Chair Josceline Wheatley (United Kingdom) informed that in launching the first replenishment of the GCF (GCF-1) process at its 21st meeting, the Board had reiterated its intention to review the Fund's initial strategic plan (covering the initial resource mobilisation period from 2015-2018), inviting submissions from Board members and alternates. After having considered the report on the implementation of the initial strategic plan at its 22nd meeting, the Board then requested the Secretariat, under the guidance of the Co-Chairs, to develop an updated strategic plan for 2020-2023 (GCF-1 period) inviting members, national designated authorities, accredited entities and observers to submit inputs.

At the meeting in Songdo, the Board held an informal discussion on the draft strategic plan on 11 November, prior to commencement of the formal board meeting.

The current draft document sets out "eight results area" as programming directions for GCF-1: energy access and power generation; transport; buildings, cities and industries; forestry and land use; the most vulnerable people, communities and regions; health and well being, food and water security; infrastructure and built environment results area; ecosystems and ecosystem services.

The draft Strategic Plan for 2020-2023 was opened for comments with a view to adopting a procedural decision, to consider agreement on the final strategic plan at the Board's next meeting in March 2020.

Several Board members intervened to provide their views on the draft plan.

Jeremiah Garwo Sokan (Liberia) said that there is an "urgency for a new plan" given the latest scientific findings and the need for initiating "transformational changes" towards emissions reduction. Although a good beginning, he said that some work still needs to be done on the draft plan and hoped for an "opportunity to find a comfortable and non- pressurised environment" to come out with significant and substantive improvements on the document.

Paul Oquist (Nicaragua) stated that on the issue of the value-add of projects being funded by the Fund, "the problem is not implementing" paragraph 35 of the Governing Instrument (GI) which deals with technology development and transfer. He called for more projects in this regard.

Lars Roth (Sweden) said that the "role and added value" of the Fund needs to be clarified with greater priority on the "leverage effect" of the Fund in mobilising funding, not least from the private sector.

He stressed on increasing the efficiency of the Board as well as increased delegation of authority to the Secretariat. Further, he suggested improving the structure of the strategic plan by building on the proposed structure of the integrated results and management framework, including by integrating its principles into the described theory of change.

Sue Szabo (Canada) called for greater focus and attention on country ownership and on "science-based sectoral advice". "We must do better in ensuring that the GCF can be strategic in its choices and priorities in developing a pipeline of projects and of partners", she added.

Chang Huh (South Korea) said the strategic plan should be "flexible" and suggested a review its progress annually, which would also be helpful to "sharpen the comparative advantage" of the Fund.

Karina Ramirez Arras (Mexico) considered the draft document a "good basis" for discussions and looked forward to "an efficient and structured discussion that ensures a productive consensus process and guarantees the participation of all members and alternates". She further underlined that the "eight different key areas" should not be as detailed and "prescriptive", as the way it is presented "limits the scope of action" of the Fund and does not take into account "domestic" priorities and sensitivities. "We do not support setting specific targets for achieving higher co-financing from private sector investments as this is not in line with the spirit of the revised co-financing policy expected to be approved in this Board meeting", she concluded.

Frank Fass-Metz (Germany) expressed views that "the GCF should support the ambition of developing countries and in implementing the goals of Article 2 of the Paris Agreement. "Country programming should promote countries' increased ambition to enhance their nationally determined contributions (NDCs) within the NDCs cycle and ensure that the programming goes beyond business-as-usual", he added.

Tobias Von Platen-Hallermund (Denmark) asked for "more specific information on how the Fund will collaborate with other global climate financing institutions which are also supporting paradigm-shifting outcomes". He stressed on increased private sector involvement being critical especially for adaptation and resilience programmes and further sought "more balance between the eight result areas".

Hans Olav Ibrekk (Norway) highlighted the need to distinguish between strategic choices and operational priorities that do not really come out clearly (in the draft), and called for clear definitions of 'climate rationale' and 'paradigm shift'. He also underlined the need to "focus and elaborate more on actions to stimulate private sector investments".

Tlou Emmanuel Ramaru (South Africa) said that the vision of the Strategic Plan should not be limited to just the four-year programming period. He elaborated that "determining adequate resource level for the Fund should not be an exercise of merely matching the resources required with what developed countries are prepared to contribute; rather the focus ought to be on what difference the Fund can, and will make in the result areas with what amount of funding over what time period". He further underscored the need for predictability of adaptation support and urged for an "informal session" to further develop the plan.

Ronald Jumeau (Seychelles) underlined the need to "continue to simplify, streamline and speed up our delivery and the way we do things". "In keeping with the urgency of the climate crisis we are in, we need to get the financial pledges into the Fund as soon as possible and get the money out again to the countries and communities who need them as quickly as possible without adding to the burden of the developing countries especially Small-Island Developing States (SIDs), Least-developed Countries (LDCs) and Africa", he added.

Xia Lyu (China) said that the GCF should put more attention on the long-term and evolving needs of developing countries for adaptation actions, and to ensure balanced financial support for adaptation and mitigation. She added that developing countries' needs, priorities and ownership should be fully respected in selecting and implementing projects.

Esther Gonzalez Sanz (Spain) expressed strong support for agriculture and food security as one of the impact areas as well as for adaptation while stating strong disagreement on stabilising the number of accredited entities at this stage.

Kate Hughes (United Kingdom) stressed the need to "improve results impact" and "work in a meaningful way with the private sector" to amplify the impacts even further. She called on to "keep up our support for the most vulnerable countries" and concluded with the need to "enhance key policies and continue to improve the efficiency of processes" highlighting the accreditation process.

Alison Carlin (New Zealand) underlined that the "countries most at risk and most vulnerable and most at risk as a priority" and expressed support for increase in "focus on results management".

Ayman Shasly (Saudi Arabia) stated that "we would like to see the Fund remain a public Fund, run by governments, focused on grants and concessional loans". He cautioned that the Fund should delve into the private sector in a "minimalist" way, to ensure that "we do not shift climate financing to developing countries through the private sector" since they do not do business for charity or do not provide grants nor concessional loans. "This Fund should be in the context of climate change, guided by and be accountable to the UNFCCC Parties", he stressed. He further clarified that "the Fund is to help developing countries adapt and enhance resilience and then, if there is room, voluntarily contribute to mitigation".

Shasly reiterated that it is the developed countries problem to focus on limiting temperature rise to 1.5 or 2°C due to their inaction in the pre-2020 timeframe, while the developing countries are "victims of the negative impacts of climate change". This he said should be the "focus and storyline" of the current document. Referring also to the "forward-looking" performance review done by the GCF's Independent Evaluation Unit which fed into the strategic plan, Shasly clearly stated that "we do not subscribe" to the evaluation as "it changes the identity of the Fund". He also urged for an informal Board meeting to further work on the strategic plan.

In the draft procedural decision presented to the Board for approval, **Shasly** expressed concern about the word "endorsement" in the first paragraph which following deliberations, was changed to "approval" thus finally reading *"Requests the Secretariat, under the guidance of the Co-Chairs, to continue developing the updated Strategic Plan for 2020-2023, with a view to presenting it for*

consideration and approval by the Board at its twenty-fifth meeting….".

The adopted decision invites Board members and alternates, as well as active observers, to *"submit written comments"* to the Secretariat on the draft updated Strategic Plan by *"20 December 2019".*

In the adopted decision, the Board also decided *"to hold an informal Board meeting, open to active observers, well before the twenty-fifth meeting of the Board, with a view to present a final draft of the updated Strategic Plan for 2020-2023"* and to hold the informal meeting from 5 to 7 February 2020 in Monrovia, Liberia.

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GCF Board adopts policy on co-financing and updated gender policy

Songdo, 20 Nov (Prerna Bomzan): The Green Climate Fund (GCF) adopted two key decisions relating to the policy on co-financing and an updated gender policy at its 24th Board meeting in held Songdo, Korea from 12-14 November.

Policy on co-financing

The draft policy on co-financing was introduced to the Board, by **Co-Chair Josceline Wheatley (United Kingdom)**. A draft decision was also prepared by the Secretariat for the consideration of the Board for adopting the policy.

The draft policy developed by the Secretariat sets out the objectives, definitions, principles, scope and methodology to determine, account for, track and report on co-financing as well as additional resources invested alongside GCF resources. The proposed policy takes into consideration, the experience and lessons learned of similar policies from other climate finance delivery channels.

In the policy drafted by the Secretariat (which was adopted by the Board later after deliberations), 'co-financing' was defined as "the financial resources required, whether public finance or private finance, in addition to the GCF proceeds, to implement the funded activity for which a funding proposal has been submitted."

In explaining the policy to the Board members, the Secretariat said that the objective of the policy is to provide greater clarity and transparency to both developing countries and the accredited entities (AEs) to prepare funding proposals.

The Secretariat underlined that the "policy does not impose any conditions or restrictions on GCF funding based on co-financing, but rather intends to improve its consistency and alignment with the mandate of the GCF".

One of the key principles as set out in the policy document is that "there is no minimum amount of co-financing required for a funded activity, and no specific sources of co-financing that must be complied with".

The policy also states that "whenever possible, funded activities should seek to incorporate appropriate levels of co-financing to maximize the impact of GCF proceeds, as determined on a case-by-case basis, cognizant that while desirable to demonstrate alignment of interests between the GCF and AEs, and country ownership by developing countries, co-financing may not always be achievable or realistic".

In the draft decision prepared by the Secretariat for the consideration of the Board, the decision requested the Secretariat *"to report mobilized private finance, as defined in the Policy on co-financing, to the Organisation for Economic Co-operation and Development (OECD) beginning with calendar year 2021".* This drew concerns from **Ayman Shasly**

(Saudi Arabia), who questioned the need to report to the OECD.

Shasly also welcomed the proposed co-financing policy stating that it was "flexible enough" for developing countries to enable themselves to contribute to climate action. He commented that "no specific targets" on co-financing with "no upfront limits" was encouraging.

Revisions were made to the draft decision following from Shasly's comments by the deletion of references to the OECD.

In the final decision adopted, the Board *"requests the Secretariat to report relevant financial data defined in the Policy on co-financing no later than 2021 on the basis of 2020 data to inform relevant processes and relevant institutions collecting international development finance data, including those informing assessments by the Standing Committee on Finance and the reporting for the Biennial Reports under the UNFCC, as appropriate".*

The Board also requested *"the Secretariat to continue to work on the collaboration with relevant bilateral and multilateral institutions as well as on capacity-building with a view to introduce an instrument-based methodology to report mobilized public finance".*

The Board decided that the policy will apply to funding proposals approved at the 26th meeting of the Board and thereafter.

Updated Gender Policy and Gender Action Plan 2020-2023

At its preceding 23rd meeting, the Board had requested the Secretariat to present a revised updated Gender Policy and an updated Gender Action Plan, building on the progress made in the consultations so far and the assessment of the Secretariat on implementation considerations.

Co-Chair Nagmeldin Elhassan Mahmoud (Sudan) informed members that a number of comments were received on the circulated draft document prepared by the Secretariat, coming from the African Group members, France, Germany, the UK, Canada and Sweden.

Following consultations on the matter, he said that the Co-Chairs' were presenting a draft decision for consideration, stating that "significant efforts have been made to reach convergence" on the draft proposal with a view to "find consensus on the policy and action plan".

Elhassan Mahmoud said that a new paragraph was introduced in the draft decision which confirms both readiness and preparatory support as well as support from the project preparation facility to implement the updated gender policy.

On the guiding principles in the Gender Policy, the Co-chair said that principle 1 reflects "agreed language" from the existing Fund policy and is consistent with its environmental and social safeguards (ESS) policy.

He elaborated that principle 1 also recalls the preambular language of the Paris Agreement (PA) which states that *"acknowledging that climate change is a common concern of humankind, Parties should, when taking action to address climate change, respect, promote and consider their respective obligations on human rights, the right to health, the rights of indigenous peoples, local communities, migrants, children, persons with disabilities and people in vulnerable situations and the right to development, as well as gender equality, empowerment of women and intergenerational equity".*

Further, principle 1 in the updated policy also states that the policy is also guided by

Article 7(5) of the PA where "*Parties acknowledge that adaptation action should follow a country-driven, gender-responsive, participatory and fully transparent approach, taking into consideration vulnerable groups, communities and ecosystems, and should be based on and guided by the best available science and, as appropriate, traditional knowledge, knowledge of indigenous peoples and local knowledge systems, with a view to integrating adaptation into relevant socioeconomic and environmental policies and actions, where appropriate".*

Elhassan Mahmoud also gave an "assurance" of respect for the "national circumstances" of countries in the covering decision, with a proposal in this regard for consideration. (See further details on the decision below).

When the floor was open for comments, **Sue Szabo (Canada)** highlighted that 90 per cent of survey respondents on costs versus benefits, consider the GCF gender-related requirements as "beneficial". However, she expressed concern that almost half of the AEs had limited capacity for implementation while 40 per cent of national designated authorities (NDAs) and focal points communicated technical capacity constraints. She concluded that she was ready to approve the policy although it was "not a perfect update".

Tlou Emmanuel Ramaru (South Africa) fully supported the updated policy and action plan stating that it represents a "balanced approach" that provides support to both NDAs and direct access entities (DAEs).

Karina Ramirez Arras (Mexico) looked forward to "reaching a consensus" on the important matter and for its approval.

Ali Gholampour (Iran) said there should not be any further delay to take action on the policy and stressed the need to work on a "consensus basis". He cautioned about the policy being used on "exclusionary grounds to deny (countries from) accessing resources".

Jeremiah Garwo Sokan (Liberia) recognised the importance of the policy and the need for it to be concluded as an integral policy of the Fund.

Richard Muyungi (Tanzania), Janine Felson (Belize), Irina Ghaplanyan (Armenia) also supported the approval of the updated gender policy.

Frank Fass-Metz (Germany) hoped of reaching a decision finally on the policy and looked forward to "achieving a consensus".

Ayman Shasly (Saudi Arabia) reiterated that the focus of the policy should be solely on "women and girls" and sought further clarity on the definition of "vulnerable groups". He said its reference in Art 7(5) of the PA is different and "(is) definitely not in a gender policy context". Further, he added that the reference to "national circumstances" in the covering decision should also be reflected in the policy itself, urging that the "decision must be attached to the policy" to avoid it being prescriptive or intrusive.

Executive Director Yannick Glemarac responded that there has not been a single case of the existing gender policy acting as a barrier to accessing GCF resources. He also confirmed that the decisions and policies will be definitely treated as part of the package.

Ali Gholampour (Iran) requested to put "on record" that the gender policy shall not be implemented for "denial of access to resources" and that "it should not be taken as a conditionality".

After consultations on the comments made by Board members, **Co-Chair Elhassan Mahmoud** presented the revised policy document and covering decision for approval, highlighting the changes made in the texts.

In the decision adopted, the Board confirmed that *"in order to support capacity-building to access GCF resources:*

(i) National designated authorities and focal points may request readiness and preparatory support from GCF to develop and/or strengthen their capacities, policies, procedures and competencies to meet the requirements of the updated Gender Policy of the GCF and the Gender Action Plan of the GCF 2020–2023; and

(ii) Direct access entities may request support from the Project Preparation Facility to support the project-level requirements of the updated Gender Policy of the GCF and Gender Action Plan 2020–2023."

The decision also adopted the updated Gender Policy *"acknowledging the progress made in advancing gender balance and gender equality within the context of climate change policies and in line with individual country circumstances when applying (the) said policy."*

The Board also adopted the Gender Action Plan.

(Edited by Meena Raman)