THIRD WORLD NETWORK

Compilation of articles on the Meetings of the Board of the Green Climate Fund

(October 2012 to November 2015)

and

on GCF's Transitional Committee in 2011

Part 2

From B07 Meeting of the Board in Songdo, Republic of Korea
to B11 Meeting of the Board in Livingstone, Republic of Zambia

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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.

TWN Info Service on Climate Change (May14/06)
27 May 2014
Third World Network

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.)
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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".

TWN Info Service on Climate Change (May14/07)
28 May 2014
Third World Network

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

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.)

TWN Info Service on Climate Change (Mar15/02)
31 March 2015
Third World Network

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

TWN Info Service on Climate Change (Mar15/03)
31 March 2015
Third World Network

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.

TWN Info Service on Climate Change (Apr15/01)
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.

TWN Info Service on Climate Change (Apr15/02)
1 April 2015
Third World Network

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.

TWN Info Service on Climate Change (Jul15/01)
13 July 2015
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).

TWN Info Service on Climate Change (Jul15/02)
14 July 2015
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.

TWN Info Service on Climate Change (Jul15/03)
14 July 2015
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).

TWN Info Service on Climate Change (Jul15/04)
15 July 2015
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 individal 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.

TWN Info Service on Climate Change (Jul15/05)
16 July 2015
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**ɋ**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)

TWN Info Service on Climate Change (Nov15/04)
11 November 2015
Third World Network

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)

TWN Info Service on Climate Change (Nov15/05)
12 November 2015
Third World Network

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)

TWN Info Service on Climate Change (Nov15/07)
12 November 2015
Third World Network

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 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)

TWN Info Service on Climate Change (Feb16/01)
1 February 2016
Third World Network

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. El- 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.