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13th Meeting of the Board of the Green Climate Fund (Article 1)

GCF Board approves nine projects worth USD 256.6 million

Songdo, 4 July (Indrajit Bose) — The Board of the Green Climate Fund (GCF) approved, with conditions, nine projects worth USD 256.6 million, at its 13th meeting, held in Songdo, Republic of Korea, from 28-30 June.

The Board approved the following projects:

- USD 21.7 million for energy savings insurance for private energy efficiency investments by small and medium-sized Enterprises in El Salvador with the Inter-American Development Bank (IDB) as the accredited entity (AE);
- USD 20 million for de-risking and scaling-up investment in energy efficient building retrofits in Armenia with United Nations Development Programme (UNDP) as the AE;
- USD 20.5 million for large-scale ecosystem-based adaptation in The Gambia with United Nations Environment Programme (UEEP) as the AE;
- USD 22.8 million for an Africa Hydromet Programme for the strengthening of climate resilience in Sub-Saharan Africa based in Mali with the World Bank as the AE;
- USD 29.5 million for improving the resilience of vulnerable coastal communities to climate change related impacts in Vietnam with UNDP as the AE;
- USD 19 million for a project to support the World Bank's Climate Adaptation and Mitigation Program for the Aral Sea Basin in Tajikistan and Uzbekistan;
- USD 36 million for the Tuvalu coastal adaptation project with UNDP as the AE;
- USD 38.1 million for strengthening the resilience of smallholder famers in the dry zone to climate variability and extreme events in Sri Lanka with UNDP as the AE; and
- USD 49 million for the climate action and solar energy development programme in the Tarapacá Region in Chile with Corporacion Andina de Fomen (CAF) as the AE.

Besides approving funding for the nine projects, the Board also adopted several decisions related to funding proposals. These include decisions on a simplified procedure for small-scale activities and certain activities; the project preparation facility (which enables funding for the preparation of proposals); requests for proposals to support micro, small and medium-sized enterprises in order to address adaptation and mitigation; matters related to the interim redress procedures; and a programmatic approach for funding proposals.

One of the most contentious issues in the meeting was the consideration of accreditation proposals. Five applicants were presented for accreditation at the meeting. These entities were the Export-Import Bank of Korea (KEXIM), the West African Development Bank based in Togo, the Caribbean Development Bank in Barbados, the XacBank based in Mongolia, and the GIZ of Germany.

The Board could not decide on the accreditation of the five entities at the meeting, and decided to defer the matter to the next Board meeting, scheduled for October in Quito, Ecuador.

Discussions could not proceed beyond the accreditation of KEXIM as there were strong views and wide differences among developing and developed country Board members over whether export credit agencies (ECAs) should be accredited to the GCF. While the developing country Board members were in favour of accrediting KEXIM, developed countries were opposed to it.

Several developed country Board members, led by the United States, said the nature of KEXIM being an ECA and its practice of providing tied assistance did not render it appropriate to be accredited as an entity to the GCF. Developing country Board members, however, opposed this and said that there was no policy in place to reject KEXIM on these grounds and said that GCF's existing policies would be a strong safeguard to keep a check on the accredited entities. (See below for exchanges on this issue.)

Given that the Fund's current Executive Director's (ED) term ends in September this year, the Board decided to appoint Javier Manzanares, as the interim ED, pending the selection of the next ED for the GCF. Manzanares is currently the Chief Financial Officer and Director of Support Services of the GCF.

The discussions on appointing the new ED took place behind closed doors. Speaking on the issue, **Co-chair** of the Board, **Ewen McDonald (Australia)** said that the ED Selection Committee would be co-chaired by him and **Zaheer Fakir (South Africa)** (who is the other Board Co-chair), and the committee would comprise Board members from the **United Kingdom, the US, Germany, Cuba, Egypt** and **Saudi Arabia**.

The Board also decided, behind closed doors, on the appointments of the Head of the Independent Evaluation Unit, and the Head of the Independent Integrity Unit.

In addition, the Board adopted decisions under matters related to guidance from the United Nations Framework Convention on Climate Change's (UNFCCC) Conference of the Parties (COP), on communications and outreach, readiness and preparatory support, and risk and investment policies of the Fund.

A set of five decisions were taken under matters related to guidance from the COP in Paris last year which are: the 5th report to the COP; adaptation planning processes; the GCF and the Paris Agreement; relationship with the UNFCCC's thematic bodies; and complementarity and coherence with other Funds.

Highlights of exchanges over accreditation

Jorge Ferrer Rodriguez (Cuba) supported the accreditation of KEXIM. “We cannot bar ECAs as a whole. We need to take them on a case-by-case basis,” said Rodriguez adding that KEXIM provided development cooperation and it is also referred to as a development finance institution. He urged Board members to examine the bank based on its track record.

He said that he was “amazed” to hear references to tied or untied funding. “That is one of the problems of Official Development Assistance of all donors,” he stressed, adding further that although there is a decision of the Organization for Economic Co-operation and Development (OECD) to delink aid from conditions, “none of the donors are there yet”. “We cannot reject applicants based on tied or untied aid. KEXIM is a developing country bank and involved in providing assistance to many developing countries. I see this as discrimination to refuse accreditation based on very subjective grounds,” Rodriguez said further.

Guo Wensong (China) also supported the accreditation of KEXIM, and said that the bank was prioritizing sustainable development and had “a green dream”. Referring to the 33 entities that have been accredited previously by the Board, he said that some of those entities were similar to that of KEXIM, as they had the “elements” of an ECA. “We should give KEXIM an equal opportunity,” said Guo. On tied aid, he stressed that KEXIM had made a serious commitment that it would do 100 per cent untied funding for GCF business. He added that he could not block the accreditation of KEXIM as this would be hard to justify to his constituency (referring to developing countries in the Asia-Pacific region). He explained further that this was a matter of principle for him.

Omar El Arini (Egypt) said he was concerned about a process where policies were being changed mid-way. If KEXIM was excluded for certain reasons, then the Board must look at all the 33 entities that have been previously accredited. Referring to the accreditation of entities which were linked to anti-money laundering cases in the past, El Arini said that he was surprised with the current discussion. He added that the rules could not be changed on an *ad hoc* basis, and supported the accreditation of KEXIM.

Tosi Mpanu Mpanu (Democratic Republic of Congo) said that in the past, the Board had accredited entities linked to funding fossil fuel projects and money laundering. “We should consider KEXIM in the same spirit. We have very stringent rules, fiduciary standards and gender sensitive policies. We should be consistent. Many around the table have fought for fit for purpose accreditation to be in place, so that means there will be diversity of accredited entities. We need to ensure that accredited entities comply with stringent rules we have set. If we change the rules while the games have been played, there may not be consensus,” said Mpanu Mpanu.

Richard Muyungi (Tanzania) said that accreditation was not a blank cheque and there were ways to ensure credibility in the process and called for accrediting KEXIM.

Ayman Shasly (Saudi Arabia) said it was a sticky situation they were in and that the Board members should hear from the Accreditation Panel on why KEXIM should be approved. He said that it is extremely unethical that in the process of deliberating on an applicant, harm may be caused to the applicant. “These are commercial entities. The world is watching. What we say can disadvantage them against their competitors. We need to be sensible. We don’t want to cause harm to those applying. This can be prohibitive for future applicants,” said Shashly, and called for a break to resolve the matter offline.

Leonardo Martinez-Diaz (the US) said that while the US believes the ECAs are valuable partners in climate finance architecture, they are not suitable partners to the GCF via the accreditation process. “ECAs have a core mission and corporate culture aimed at promoting exports in their own country. This is no crime. It is their job. We do not think this is an appropriate role of channeling finance. We heard from the Accreditation Panel that this entity has the ability to segregate GCF funding and have it untied. Our concern is this is exception to the rule. We do not want to accredit an entity that will make special exceptions for GCF finance. This will be difficult for the GCF to monitor,” said Martinez-Diaz. He also said it would be very difficult “politically” to accredit KEXIM.

Andrea Ledward (the UK) said that Korea Economic Development Cooperation Fund (EDCF) is part of KEXIM and that it operates with high levels of tied aid, which benefits Korea and not GCF funding. Ledward said that the institution was not an appropriate partner for the GCF. She also said that since the UK offers fully untied aid, it would be illegal for UK money to be spent in a tied manner. She suggested that KEXIM could make some changes in their presentation for EDCF governance arrangements and asked whether they could defer the issue and bring it back with clarity on governance arrangements.

Anders Wallberg (Sweden) too said that ECAs as accredited entities would not be appropriate. He added that ECAs do not have sustainable development or local sustainable development benefits as their core mandate. “This is inconsistent with the objectives and goals of this Fund,” said Wallberg. He further added that he had concerns about tied aid. “We will see great difficulty in monitoring even if there were a policy on this. It will not be in the interest of the Fund. We cannot agree to this proposal of accrediting KEXIM. This is a principled position and is not directed to any individual institution,” said Wallberg.

Karsten Sach (Germany) said that certain institutions had been accredited in the past with the objective of changing them. “We put conditions. We should exert all options to come to a consensus. While I have my preference, we need to consider all possible avenues,” said Sach.

Following the deliberations, the Board members took a break and after they resumed discussions, **Co-chair Zaheer Fakir (South Africa)** announced that they would take up the issue of accreditation of entities at the 14^{th} meeting. In the decision issued on the matter, the Board also requested the Accreditation Committee to present at the 14^{th} meeting "a policy document that addresses the current policy gaps in the accreditation framework, in particular matters related to the types of entities to be accredited to the GCF".

There were also interesting exchanges on policies such as the Fund's accreditation strategy and funding proposals during the meeting. (Separate articles on these issues will follow.)

Edited by Meena Raman