

THIRD WORLD NETWORK INFORMATION SERVICE ON CLIMATE CHANGE

13th Meeting of the Board of the Green Climate Fund (Article 6)

GCF Board calls for more funding proposals from direct access entities

Delhi, 12 July (Indrajit Bose) – Several members of the Board of the Green Climate Fund (GCF) at its recent meeting called for more funding proposals from direct access entities. Board members also had a rich exchange of views on matters relating to funding proposals.

[Access to GCF resources is managed through national, regional and international entities and intermediaries that have been accredited by the Board. The Governing Instrument of the Fund allows for direct access (through recipient countries nominating subnational, national and regional implementing entities) and international access for United Nations agencies, multilateral development banks and international financial and regional institutions. Thus far, funding proposals that have been forwarded to the Board for consideration have come mainly from internationally accredited entities via the international access route, with less proposals coming from national or regional accredited entities via the direct access route.]

During the 13th meeting of the Board held in Songdo, Republic of Korea on 28-30 June, Board members raised a number of concerns on there not being enough proposals from direct access entities, and to facilitate their participation in the process.

Developed country Board members expressed concern about the lack of private sector entities and lack of innovative financial instruments, and spoke about boosting the risk policies of the Fund. They stressed the need for projects to be transformative, innovative and sustainable. They also said that the Board needs better explanation for why concessional financing is required.

Several Board members also said that the Board needed to think of instituting a system wherein they could defer projects rather than the binary choice of approving or rejecting projects, which is the case right now. To make the process more efficient, some Board members called for a cut-off date for seeking closure on final assessments of funding proposals. (See highlights of exchanges on this below.)

Explaining the process of what the Secretariat does when it receives a funding proposal by an accredited entity, the Secretariat said that first they acknowledge and check whether all the documents and information requested had been received. If there is something missing they inform the accredited entity. Once the documentation is complete, the Secretariat review team starts the quality review against the investment criteria, and consistency and compliance with GCF policies.

The Secretariat said further that the outcome of the review generates a list of

feedback and comments and questions for clarification, which are sent to the accredited entity. Once the Secretariat's review is completed, the funding proposal is passed on to the independent Technical Advisory Panel (iTAP) for independent assessments. In case they have questions, they send those questions to the Secretariat, which passes them on to the accredited entity. An accredited entity is given the opportunity to respond and with that the iTAP finalises its assessment. The Secretariat then puts its own assessment, the iTAP assessment and the no-objection letter as a package and submits it to the Board for consideration.

In response to comments from Board members, reflecting on observations and lessons learned by the Secretariat, the representative of the Secretariat said that the portfolio needs to be strengthened and further improved from direct access entities. This would require time and effort. The Secretariat also observed a lack of innovative financial instruments and would like to make efforts to improve in this area.

Speaking generally on the funding proposals and how to improve the process, the Chair of the iTAP said that they found the quality of the funding proposals to meet the expectations of the iTAP. "We found some good projects and improvements in terms of presentation and coverage. Nevertheless, some funding proposals require further preparation and refinement. The iTAP assessment is based on the documents provided by the accredited entity, so we do not seek any information, only clarifications," said the iTAP chair.

The iTAP Chair said that the iTAP does not have direct discussions with accredited entities owing to conflict of interest and time constraints. "If we start working with accredited entities, then we are not in a position to decline the project at a later stage. So, we are cautious," said the iTAP Chair further.

(The Board, during its 13th session, approved, with conditions, 9 projects worth USD 256.6 million. See [here](#) for further details.)

(Prior to the approval of these proposals, the Board considered the views expressed by the Secretariat and the iTAP. The iTAP had recommended that two of the proposals not be approved, which were (i) USD 19 million for a project to support the World Bank's Climate Adaptation and Mitigation Program for the Aral Sea Basin in Tajikistan and Uzbekistan, and (ii) USD 38.1 million for strengthening the resilience of smallholder farmers in the dry zone to climate variability and extreme events in Sri Lanka with UNDP as the accredited entity.

Despite these recommendations, the Board nevertheless approved these projects. The Sri Lanka project was also supported by Sri Lankan civil society who sent letters of appeal to the Board members.)

Highlights of exchanges on funding proposals

Omar El Arini (Egypt) said that in the beginning, the Board can be magnanimous, but he was not sure about the future, adding that projects will not be better if we do not give the right direction and send the right signal. "We want to send a positive signal. We do not want to send a signal to the accredited entities

that public finance is drying up and since there is money in the GCF, they should go there. We must be very strict on how this money will be approved,” stressed El Arini.

Jorge Ferrer Rodriguez (Cuba) said while most proposals were from the public sector, these would benefit the private sector entities. He gave the example of farmers benefitting under the private sector umbrella. He asked for information to assess who benefits from the implementation of the projects. To make the process more efficient, he suggested that there was a need for speedy channels for processing proposals and to assign more staff to deal with direct access entities.

Guo Wensong (China) expressed concern over the lack of direct access entities submitting proposals. He said of the 33 accredited entities (which have been accredited to the GCF thus far), there was a shortage of institutions from developing countries. He highlighted that balance, both geographic and between mitigation and adaptation activities, is very important.

He also said that the implementation of the Paris Agreement is a common target for all the partners. All developing countries will have to be covered to benefit, especially those that have great challenges in terms of poverty, development and climate change. It is important to ensure how every country gets resources, especially since, unlike the Global Environment Facility (GEF), the GCF did not have a country allocation system.

Kamal Uddin Ahmed (Bangladesh) called to the attention of members the lack of funding proposals by national entities.

Colin Young (Belize) called for clarity on how the projects are assessed as being crosscutting between adaptation and mitigation, saying that in some of the projects, even though the adaptation link was not integral, the projects were classed as crosscutting.

Richard Muyungi (Tanzania) wanted to know what were the lessons learned and how they should be used to improve the distribution of projects in the future.

Leonardo Martinez-Diaz (the United States) said it would be useful for the iTAP to have a strategic session to reflect on the lessons learned. He added that there was an urgent need to get communication right, which he felt was not working out. He said a better system is needed to ensure that the Board is able to raise questions with the iTAP and for more time to digest the information provided from the iTAP and the accredited entities.

On the quality of the proposals presented, Martinez-Diaz said he was pleased to see that the proposals were balanced, in that there were geographically distributed. He said that although direct access proposals were lagging behind, the Board needed to support such projects. On the private sector, he said there was only one in the batch under consideration. He added that the Board needed to ensure that the risk management capacity of the Secretariat is built up and for the appointment of a private sector facility director.

Sally Truong (Australia) suggested strengthening regional advisors that GCF has to provide a fillip to direct access entities. She also suggested that it would be important to defer projects or reconsider them.

Karsten Sach (Germany) said that there was a lack of innovative financial instruments and that a high percentage of grants could not be used to redirect GCF flows. This underlines the need to establish minimum benchmarks and programmatic approaches, he said. He too was concerned that of the 9 funding proposals for approval, there was only one private sector proposal. He also said that there were not enough proposals from direct access entities and there was a need to focus efforts in that area. Sach added that a message should be sent to all accredited entities that the Board did not want “business as usual” projects. “We are a specific Fund, in a post-Paris world (referring to the Paris Agreement), and we want to drive transformation,” he said.

Anton Hilber (Switzerland) said he wished to see in the funding proposals coming to the Board more innovation, sustainability, transformational effect, more policy effect and more private sector involvement. He urged the Board to think of risk and investment decisions that would help them get there. He called for clarity in national entities in producing proposals. He stressed on the importance of interactions between the iTAP, the accredited entity and the Secretariat, and asked if it is possible for the iTAP and the accredited entity to interact directly.

Morten Elkjaer (Denmark) said if the nationally determined contributions (under the Paris Agreement) would assist in developing projects, those would be more transformative. He said that he would like to see more private sector projects and that was one area where the Fund could leverage private sector funding. He also said that the Board should monitor whether the projects result in anything innovative. He called for greater ambition in gender responsiveness.

Cyril Rousseau (France) asked if there could be a system to reconsider a project subject to improvement rather than accepting or rejecting projects, which is the current practice.

Anders Wallberg (Sweden) also said that he would like to see more direct access and innovation in the proposals. He said it is important to look at how work progresses on capacity building support for readiness and the project preparation facility. Wallberg was of the view that the binary approach of approving or rejecting the projects was not optimal and that there should be a way of procedurally allowing for the projects to be considered at a later stage, with improvements. He said that co-financing is useful in that it would allow the Fund to display the leverage factor on how much they are able to mobilize.

Henrik Harboe (Norway) said a better way has to be found to respond to accredited entities and he would like to see more innovation, private sector, transformative projects and proposals from direct access entities. He said much of these go back to the Board in that the Board must be willing to take risks. He also said that programmatic approaches, stress on innovation, staffing and co-financing are all important elements in the funding proposals process.

Andrea Ledward (United Kingdom) said that while she welcomed attention to adaptation projects in the funding proposals, she was concerned that there was only one private sector proposal and this has to be accelerated. She said that the proposals should better articulate theory of change; why GCF financing is sought; and why concessional financing is sought. She said that co-financing is helpful. Ledward also said that what members would really want to hear is what the added value of a project is. She outlined the importance of sustainability and called for better monitoring and evaluation plans. She stressed that the gender component needed to be better reflected in the proposals.

Edited by Meena Raman