

Summary Report of the 11th Board meeting of the Green Climate Fund (GCF) Board

2-5 November, Livingstone, Zambia



Summary

Between 2-5 November 2015, the 11th meeting of the Green Climate Fund (GCF) Board was held in Livingstone, Zambia. This meeting was a landmark for the GCF as for the first time the Board considered actual funding proposals to be approved and funded by the GCF.

To inform the Board on a number of critical decisions taking place in Livingstone, various civil society organizations mobilized themselves to submit recommendations ahead of the meeting. Carbon Market Watch, together with 27 organizations made a submission on the [lessons learned from the CDM for the approval of GCF's funding proposals](#), which discloses how the GCF can build on the shortcomings of the CDM in order to ensure that project/programmes supported through the GCF deliver positive impacts for people and their ecosystems. Furthermore, with over 120 organizations, Carbon Market Watch released a [statement calling for the rejection of HSBC and Crédit Agricole](#) – two major fossil fuel funders, which were considered to be accredited by the Fund at this meeting.

As expected, the discussion on the approval process of the first funding proposals took the spotlight over the other items on the agenda, and dragged late into the last night. Leading discussions revolved around the concern whether the proposals on the table really embody the Fund's vision for transformational change rather than business as usual action. However, it was evident that the Fund was under the pressure to show that it was ready to approve the first finance before COP21 in Paris in December.

The meeting also included discussion on the initial monitoring and accountability framework for accredited entities, decision on the Fund's strategic plan, status of initial resource mobilization process, and implementation of the readiness programme.

Key outcomes of the 11th meeting include:

1. The Board **approved all 8 funding proposals**, with project-specific conditions and recommendations attached to the first 7 proposals ([B.11/11](#)). The first projects will be implemented in Africa, Asia-Pacific, and Latin America and require a total funding of USD 168 million;
2. The Board **adopted the monitoring and accountability framework** for accredited entities and the interim policy on fees for public sector projects/programmes, which are to range between 7-10% ([B.11/10](#));
3. The Board **agreed to develop a strategic plan for the Fund**, which is to be drafted by an ad hoc group and considered at the 12th meeting of the Board ([B.11/03](#));
4. The Board noted the progress of resource mobilization – so far USD 5.83 billion have been signed out of USD 10.2 billion pledged – and **urged contributing countries to confirm their pledges**, ideally by COP21 ([B.11/05](#));
5. The Board **approved additional USD 14 million for readiness support** ([B.11/04](#)).
6. **No new entities were accredited** due to the time constraint.

Delay of the decision on accrediting new entities raised a lot of disappointment from the institutions awaiting their accreditation at this meeting. As the Board ran out of time, this item, along with the decision on information disclosure policy will be picked up at the 12th meeting of the Board next year.

What's next

Approving the first funding proposals to be supported through the GCF is an important landmark that will move the Fund into full operation. What is expected at COP21 in Paris, is that some governments turn their financial pledges into contributions. Eyes will also be on other countries to come forward with new financial pledges to increase the Fund's resources from the currently USD 10.2 billion pledged.

The next GCF Board meeting will be chaired by delegates from South Africa and Australia and will presumably take place in the week of 7 March 2016 in Songdo, Republic of Korea. The Board expressed an ambition to approve funding proposals worth USD 2.5 billion in 2016.

For more details on specific decisions and associated discussions, please read below:

1. The Board approves first 8 funding proposals

For the first time in the history of the Fund, the Board members were discussing specific funding proposals to receive the GCF's resources. The submitted funding proposals needed to undergo a four-stage review process consisting of: (1) Funding proposal receipt and completeness check; (2) Second-level due diligence by the Secretariat; (3) Independent assessment by the Technical Advisory Panel; and (4) Submission to the Board.

37 funding proposals were submitted, but the majority of these did not fulfil all of the necessary criteria. The GCF selected 8 to be considered at the 11th Board meeting.

No.	Project name	Accredited entity	Country / Region	Mitigation/ adaptation/ cross-cutting	Public/ private	GCF funding requested (in million USD)
FP 001	Building the Resilience of Wetlands in the Province of Datem del Marañón in Peru	Profonanpe	Peru	Crosscutting	Public	6.2
FP 002	Scaling Up the Use of Modernized Climate Information and Early Warning Systems in Malawi	UNDP	Malawi	Adaptation	Public	12.3
FP 003	Increasing the Resilience of Ecosystems and Communities through the Restoration of the Productive Bases of Salinized Lands in Senegal	CSE	Senegal	Adaptation	Public	7.6
FP 004	Climate Resilient Infrastructure Mainstreaming in Bangladesh	KfW	Bangladesh	Adaptation	Public	40
FP 005	KawiSafi Ventures Fund in Eastern Africa	Acumen	Multiple (Africa)	Crosscutting	Private	25
FP 006	Energy Efficiency Green Bond in Latin America and the Caribbean	IDB	Multiple (Latin America)	Mitigation	Private	22
FP 007	Supporting Vulnerable Communities in Maldives to Manage Climate Change-Induced Water Shortages	UNDP	Maldives	Adaptation	Public	23.6
FP 008	Urban Water Supply and Wastewater Management Project in Fiji	ADB	Fiji	Crosscutting	Public	31
Total funding requested (in million USD)						168

Source: Consideration of funding proposals, GCF/B.11/04, 15 October 2015

The total funding requested for the 8 projects is USD 168 million. Six of these are public sector proposals worth USD 121 million, and two are private-sector proposals requesting USD 47 million of the GCF funding.

Each funding proposal obtains a no-objection letter for that project/programme, as issued by the national designated authorities (NDAs).

The debate on the approval of the first funding proposal was complex, intense and comprised many different views on the approval process and the funding proposals. The GCF secretariat was under the political pressure to approve the projects before the climate conference in Paris as a signal that finances are flowing. However, the independent technical advisory panel (ITAP) raised a number of issues with the submitted projects and declared projects FP007 in Maldives and FP008 in Fiji not to be climate projects but rather development projects.

Following the presentation of projects from the Secretariat and the assessment from ITAP, the Board members discussed the approval process. Firstly, they pointed out that many policies are still missing, such as the policy on co-financing and incremental costs. Some expressed that the amount of funding for the first batch of proposals is rather low considering the USD 10.2 billion pledged so far, and does not reflect the scale of the Fund's ambition.

From there, the Board members moved on to discussing the funding proposals and considered the following options: a) approve, b) approve with conditions, or c) reject the proposal. A number of Board members raised the issue that the process in which the funding proposals were put on the table was too rushed and that more time would be required to properly form the proposals and address certain gaps. Respectively, Board members from Egypt, Saudi Arabia and India were suggesting to introduce an option d) to defer the process, until conditions are met.

Some concerns from the ITAP, Board members and civil society organisations (CSOs) were raised with the following funding proposals:

- [FP001](#) Building the Resilience of Wetlands in the Province of Datem del Marañón in Peru; CSOs raised concerns about lack of adequate consultation with affected communities, in particular indigenous peoples.
- [FP005](#) KawiSafi Ventures Fund in Eastern Africa; the CSOs and some Board members have raised the issue that the accredited entity Acumen has not been accredited for this size of the project. CSOs also underlined that the GCF should encourage onshore investment instead of off-shore in this case.
- [FP007](#) Supporting Vulnerable Communities in Maldives to Manage Climate Change Induced Water Shortages; ITAP commented that the project is not related to climate-related vulnerabilities and thus does not qualify as a climate project.
- [FP008](#) Urban Water Supply and Wastewater Management Project in Fiji; ITAP commented that it is a development project and does not qualify as an adaptation project.

Following a lengthy deliberation, a small group was formed to make further revision. After a long night and based on a new draft decision, the Board decided to accredit all 8 funding proposals, with conditions applying to the first 7. More specifically, the decision [B.11/11](#) determines that the first 7 funding proposals were approved, contingent on the fulfilment of the conditions and due consideration to recommendations contained in Annex I of the document.

Carbon Market Watch welcomes the decision of the Board to set the conditions *inter alia* on obtaining clear consent from all indigenous peoples groups affected by the projects and to provide the opportunity for the participating indigenous organizations to take part in project design in dialogue with accredited entity. This in part upholds the recommendations in the Carbon Market Watch

submission to the Board to ensure fulfilment of human rights for all, including the rights of indigenous peoples and to provide a stakeholder process that allows meaningful commentary and input.

The Board also made recommendation (FP001) to follow the national legislation and available guidance for REDD+ on the consultation process and safeguards implementation with indigenous communities.

The approval decision acknowledges existing policy gaps in the GCF's approval process, including project eligibility criteria, calculation of incremental costs, and risk investment criteria. Furthermore, the Board decided to establish a project preparation facility which will provide funding for each proposal, specifically targeting small-scale activities and Direct Access entities.

The Board also acknowledged that the Fund is a learning institution and the further approval processes will draw from the lessons learned from this first round in order to improve the process.

2. Board adopts initial monitoring & accountability framework

The secretariat presented the document [GCF/B.11/05](#) as a basis to discuss the initial Monitoring and accountability framework for accredited entities. The document took into consideration a number of recommendations from the CSOs inputs.

The document is twofold and addresses principles for monitoring and accountability, and principles for a policy on fees for accredited entities. Most of the comments from the Board members addressed the issue of fees rather than the principles for monitoring accountability. Respectively, some suggested that the latter issue could be deferred to the next meeting. However, the United States (US) board member argued that they will not adopt one without the other.

The representative of the CSOs underlined that accountability is essential throughout the whole life cycle of a project or program implementation and that the presented document:

- relies too much on self-reporting by the accredited entities,
- lacks the mandate for participatory monitoring as devised by the governing instrument and
- misses clarity on the relationship between the Fund's integrity mechanisms and those of the Accredited entities, particularly in relation to grievance mechanisms.

Based on the comments from the Board members and the active observers, the accreditation committee put together a revised draft decision, which was adopted. The decision [B.11/10](#) consists of adopting the monitoring and accountability framework for accredited entities and the interim policy on fees for accredited entities.

Carbon Market Watch welcomes the decisions that accredited entities should include participatory monitoring as well as involving communities, local stakeholders and civil society organizations at all stages of the activity cycle. It also supports the decision that the national designated authorities (NDAs) or focal points are encouraged to organize an annual participatory review for local stakeholders. However, the decisions are too loose and should endorse mandatory participatory monitoring on the part of accredited entities.

One of the key decision in the new framework determines that consideration for re-accreditation of accredited entities will take place after 5 years and will be based not only on the assessment of the accredited entity's activity funded by the GCF, but the assessment of the overall portfolio of its activities in this period. Carbon Market Watch embraces this decision, as it provides that all actions of accredited institution will be evaluated, including their potential investments in technologies or practices with high GHG emissions, such as fossil fuels.

Furthermore, in line with the recommendations by Carbon Market Watch, materials for stakeholder consultations will be provided in local languages in order to be effective and meaningful, in a timely manner and in advance of the participatory review.

The decision on the interim policy on fees determines that fees for public sector projects/programmes will range between 7-10% based on the size of the activity.

3. Board agrees to develop strategic plan

The GCF Board has approved an important decision on the process to develop a strategic plan, with input from observers. The aim of the strategic plan is to further operationalize the governing instrument for the GCF, clarify the future role of the Fund and guide the Fund forward as a continuously learning institution. The strategic plan is to be a living document to be reviewed and updated on a regular basis.

With the decision [B.11/03](#) the Board decided to establish an ad hoc group of six Board/alternate members to oversee and guide the Secretariat's preparation of the strategic plan. The initial draft will be presented at the informal meeting to the Board members and active observers before the next meeting in March 2016, and will be considered for approval by the Board at its 12th meeting. The Board also invites Board/alternate members, active observers and observer organizations to make submissions to the Secretariat on the elements contained in the document by 1 December 2015.

4. Slow pace of resource mobilization

The Board was presented with the document [GCF/B.11/Inf.05](#) on the status of the initial resource mobilization process, which revealed that of the USD 10.2 billion pledged, only USD 5.83 billion have been signed. There are 14 countries that have not signed the contribution agreements for part or all of their pledges (Belgium, Canada, Colombia, Finland, France, Hungary, Italy, Mongolia, Panama, Portugal, Peru, Spain, Switzerland and the US). One of the main challenges is pressing the US congress to release the USD 3 billion pledged last year.

The secretariat underlined that that COP 20 pledges not being signed by COP 21 might pose a risk of credibility to the Fund. With the decision [B.11/05](#), the Board urges contributing countries to confirm their pledges to the Fund. However, no decision was made on putting end-date on signing the pledges.

5. Board approves additional USD 14 million for readiness support

The secretariat presented a progress report on the readiness programme implementation ([GCF/B.11/06](#)), which demonstrated that readiness support was provided to 10 countries during the reporting period in order to strengthen their NDAs or focal points and to develop their strategic frameworks. In total, 17 countries have been supported through the programme, with USD 4.6 million.

Some Board members raised concern with the slow progress of providing readiness support for countries. The CSOs expressed concerns with lack of transparency in the process and insufficient stakeholder engagement at the country level.

The Board acknowledged that readiness and preparatory support is key for enhancing country ownership and ensuring a strong pipeline for Fund's finance. With the decision [B.11/04](#), the Board decided that additional USD 14 million is to be made available for readiness and preparatory support. The Board also requested the secretariat, in consultation with NDAs and focal points and readiness delivery partners, to present at its twelfth meeting a proposal to improve and simplify the process to access these funds.

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