

CSO Update 1: Green Climate Fund Board Meeting 22 **26 February 2019, Songdo, South Korea**



Dear all,

Greetings from Manila!

Although the APMDD team was not able to fly to Songdo this time, we are still here to bring you the latest from the 22nd Board Meeting of the Green Climate Fund. Through the coordination with our CSO colleagues present in Songdo, and the webcast, we bring you the summary of what happened in the last two days.

Day 0

The day before B22 was dedicated mostly for informal meetings and series of technical workshops among Board advisers and relevant stakeholders including the Accredited Entities (AEs), the independent units, as well as the CSOs through the active observers. These sessions were not available in the webcast, but we are able to get updates and ask questions through our active observers Liane Schalateck and Helen Magata. Key issues were clarified like our concerns with some of the Funding Proposals (FPs), questions on the readiness and results management framework, the Fund's strategic plan and programming, among others.

The Board also went into a brief session at 5:30PM Songdo time to formally open the 22nd Board Meeting, welcome new Board Members and adopt the agenda for the next three days. They also announced the new Executive Director (ED), which was the result of the informal consultations they did in the morning. Mr. Yannick Glemarec, former UN Assistant Secretary-General and Deputy Executive Director for Policy and Programme in UN Women, was proclaimed as the new ED and was welcomed by the Board Members.

There was also a protest action organized by Solutions for Our Climate (SFOC), APMDD, Greenpeace East Asia (Seoul Office), Korea Federation for Environmental Movements (KFEM) and Green Korea, in front of the Korean Development Bank (KDB). Local and international CSOs, including the CSO Observers to the GCF Board Meeting, rallied to oppose the financing of coal power projects in Indonesia and South Korea. Together with KDB, which is an accredited entity to the GCF, the Korean Export Import Bank (KEXIM) and K-Sure are planning to finance the 2GW Jawa 9, 10 project in Indonesia. Our colleague from Aksi! Indonesia shared during the action how the coal plant, to be constructed by Doosan Heavy Industries, will affect vulnerable communities and devastate livelihoods. KEPCO and Euler Hermes will also be involved in the project, while KDB plans to finance another 2 gigawatt coal plant in Samcheok at the east coast of South Korea. The protest action was followed by a delivery of petition letter to the presidents of the banks, signed by Lidy Nacpil, our GCF CSO active observer from the South, and endorsed by various local and international climate justice groups.



Day 1

B22 commenced at exactly 9:00am, and was facilitated by the new co-chairs for 2019 - Josceline Wheatley of UK from the developed country constituency and Nagmeldin Goutbi Elhassan of Sudan from the developing country constituency.

Most of the reports presented in the morning - **Report from the previous board meeting (B21), Reports from Board Committees, Panels and Groups, Reports from the Independent Units** – all of which are information documents, received minimal/no comments from Board Members. It was only Liane Schalateck, our CSO Active Observer from the North, who raised our concerns regarding the report of the Information Appeals Panel and raised how crucial timely information disclosure is in ensuring public participation. Our intervention also welcomed the report's confirmation that our concerns on disclosure of critical environmental and social documents on the Accredited Entities' website was not enough to comply with the project disclosure requirements. We also agreed with the report recommendation about not including in the Board agenda funding proposals that are not able to comply with the Information Disclosure Policy.

When the co-chairs presented the document **Board decisions in between B21 and B22**, they outlined the two decisions that were objected, which were related to the performance of the independent evaluation unit and issues related to FP017 (Climate Action and Solar Energy Development Programme in Chile). Both items are to be taken up in this Board Meeting.

BM from US noted that in relation to FP017, observers were not given copies of changes made. The Secretariat clarified that such move was made based on the request of the Accredited Entity, Corporacion Andina de Formento (CAF) to make the changes confidential and be dealt by the Board only in an executive session. The Secretariat assured that the significant portions of the FP remained the same, particularly the Environmental and Social Safeguards, the project objectives and climate rationale. It is only the Terms and Conditions that incurred changes and as per the Rules of Procedure, these can remain confidential for private sector projects.

The matter was followed by Javier Manzanares, interim Executive Director of the Fund presenting the **Report on the Activities of the Secretariat in 2018**. Some of the pertinent information include:

- Fund reaching USD 2Billion mark for approved FPs, and of these 400 Million were disbursed
- Mongolia, Kazakhstan and Egypt solar projects are now live
- Readiness have progressed as 18 countries have already submitted country programmes
- Structured Dialogue to LDCs, Adaptation Rationale Workshop, Private Investment for Climate Conference were done successfully in 2018
- Further work done towards increased private sector engagement
- Board continue its work to close policy gaps

Comments from the BMs include the US requesting more information about legal arrangements entered by the Secretariat (MOUs) with third party development banks, Germany asking about implementation of programmes approved particularly on status of finalizing Funded Activity Agreements (FAAs), and Tanzania suggesting to include in the next report the privileges and immunities applicable to Board Members.

When the **Report on the activities of 2018 co-chairs and updated workplan of 2019 co-chairs** was up, some Board Members raised a number of concerns. BM from Sweden expressed appreciation to the Secretariat in facilitating the informal consultations regarding options for collaboration between the GCF and the Adaptation Fund (AF), and requested to continue such move and provide room for further discussions in webinars and informal meetings. BM from Nicaragua agreed to continue the effort and shared how the GCF can learn a lot from the AF especially in enhancing support to small-micro sized projects. BM from Liberia proposed to explore similar collaboration with the LDC Fund.

In terms of **Decision-making in the absence of consensus**, many BMs expressed the need to address the matter urgently. BM Seychelles reminded the Board that any decision for this should not delay the delivery of finance. BM from Japan reiterated the urgency to address the matter and added that some policy gaps must

also be dealt with, while BM from China suggested the Fund to be flexible and take a step by step approach in arriving at decisions.

In our CSO intervention, Liane Schalateck reiterated how the current situation – where one Board member has an effective veto – does not serve the interests of the Fund or its stakeholders and has already led to delays in projects and policies. She also raised that voting should NOT to be based on the level of contributions made to the GCF, and that there should be more clarity (than is currently provided) as to the steps the co-chairs should take to reach a consensus decision first. There should also be clear sequence from the attempt to have consensus to triggering the agreed voting steps, and could include attempts to resolve issues in smaller groups and separate constituency deliberations.

BM from Saudi Arabia thought that while the proposal's objective is to ensure the Board follows a democratic process, he believes that the members of the Board as representatives of their respective governments, will never be democratic and will always take positions based on their country's interests. He reminded the Board that the Fund is not an investment institution, but an operating entity to deliver the commitments in the Paris Agreement, and asked them to make judgements and/or decisions not based on the amount of contributions, not based on how policy gaps will be addressed, but rather on the mandate of the Fund and the number of lives that will be transformed. Clearly the BM from Saudi Arabia was not in favor of voting, and believed that such move will eventually impact discussions related to replenishment.

BM from Tanzania asked the committee looking at this matter to come up with options, to which the co-chair agreed and decided to suspend the item to a later time.

When the **Guidelines on decisions without a Board meeting** came up, BM from US raised once again the issue around information disclosure where he proposed to have a mechanism that will allow observers to receive updates on policy documents and submit comments outside Board Meetings.

There were also comments regarding decisions related to Funding Proposals under the Simplified Approval Process (SAP) – that the matter should not affect or compromise the processes agreed under the SAP.

In our CSO Intervention delivered by Julius Ng'oma, alternate Active Observer from the South, we raised important points on transparency and demanded that relevant Board documents be shared at the same time as they are shared with the Board, to guide Active Observers in their interventions during Board Meetings.

The discussion on **Cancellation and restructuring policy**, where the Secretariat emphasized how the item was always deferred at B20 and B21, received no comments from the Board. It was only Liane with our intervention, who delivered inputs and shared the shortcomings of the proposed policy from the CSO's perspective. In cases of a major change or major restructuring of the project, our intervention pointed out that it is not sufficient to assume that a non-response by the NDA/FP within 30 days means that the NDA/FP confirms that the restructuring proposal does not affect the status of the funding proposal's original no-objection letter. This confirmation should be always given explicit, in line with the principle guiding ownership and mimicking the practice of obtaining the original no-objection letter and not by running out the clock.

We also argued that the policy lacks information on how major changes or major restructuring proposals are shared to the broader public, potentially affected communities and in-country stakeholders. These cover cases where projects affect indigenous peoples and local communities to ensure that the restructured project also has the Free Prior and Informed Consent of project affected people.

The Secretariat also presented the **Updated gender policy and action plan** and outline the major changes made based on submissions and inputs from various stakeholders since B19. The item also received minimal reaction from the Board, which allowed Liane Schalateck to take the time and deliver our intervention. We raised how we are not happy with the new policy because it does not offer anything new, and the revisions are only made to weaken the rights-based language and undermine other relevant human-rights based GCF policies, such as the Environmental and Social Policy (ESP) and the Indigenous Peoples' Policy. The emphasis on national

contextualization, with inclusion of references requiring an alignment with national policies and priorities on gender, we believe undermines human rights.

We also pointed out how the new policy no longer has a time bound revision. A review and update of the policy in the context of lessons learned from the implementation period and articulating new priorities for the next phase of time-bound implementation commitments is essential, enabling the Fund to fulfil its promise of ensuring that gender-responsive approach is fully integrated and stays relevant into all its operations, projects and programmes.

The new policy has also removed the section of definitions that appear in the B19 document. We argued that excluding definitions would set the GCF's policy back in comparison to the clarity of gender definitions provided in the gender policies of other climate funds operating like the Adaptation Fund and the GEF.

BM from Tanzania argued that the updated action plan must not impose conditionalities or add another burden to funding proposals already approved. He is also concerned about the additional cost that might be incurred in the implementation of the new gender action plan.

The Secretariat then presented the **Status of GCF resources and portfolio performance**. Key findings are below:

- USD 10.2Billion total GCF resources received in cash and promissory notes
- As of B21 the Board has approved USD 4.6Billion equivalent of funding proposals (93 projects), of them USD 2.3Billion equivalent are now under implementation. Of the approved FPs:
 - o 60% are from the public sector while 40% from the Private Sector
 - o 34% come from Asia, 39% from Africa, 22% from Latin America and Caribbean, and 6% from Eastern Europe
 - o 60% are under Mitigation and 40% under Adaptation
 - o 86% are channeled through International Accredited Entities (IAEs,) and 14% through Direct Access Entities (DAEs)
- As of B21, there are USD 4.2Billion equivalent FPs in the pipeline, USD 500Million to be considered at B22. Of these:
 - o 60% are from the public sector, 40% from private sector
 - o 44% are categorized as cross cutting, 35% under Mitigation, and 21% under Adaptation
 - o 72% are channeled through IAEs, and 28% through DAEs
- As of B21, there are 4 FPs approved under the Simplified Approval Process (SAP), equivalent to USD 30Million, all are under FAA negotiations; There are also USD 456Million equivalent FPs under SAP in the pipeline

The Board Members raised concerns primarily on the overwhelming dominance of mitigation over adaptation projects, as well as the big gap between International Accredited Entities (IAEs) and Direct Access Entities. BM from Saudi urged that the category 'cross cutting' must not be used and that the Secretariat must stick to the Mitigation-Adaptation categories so as to easily illustrate the balance/imbalance of funding proposals. He and BM from Senegal were also alarmed about the participation of IAEs and suggested to continue working on increasing the involvement of DAEs. BM from Tanzania asked the Secretariat to be specific in showing the ratio of FPs coming from LDCs and SIDS, while BM from Brazil requested the co-chairs to provide an opportunity to discuss status of projects in the pipeline.

In our CSO Intervention delivered by Julius Ng'oma, alternate CSO Active Observer from the South, we reiterated the large proportion mitigation projects take and how the Fund accommodated FPs coming mostly from IAEs. We even noted the 4 IAEs that took up most of the Fund's portfolio and also sought clarification on processes in cases where the project has elapsed.

The afternoon session started with discussion on the **Strategic Plan for the GCF related to the formal replenishment of the Fund**. The Secretariat presented the document and shared that they have opened the

submission process until November of 2018. There were 8 submissions received from Board Members since then.

BM from Armenia raised the need to consider engagement of stakeholders and suggested to highlight what makes GCF different from other funds. She also proposed to create an adhoc working group that will look into the Strategic Plan closely.

Liane Schalateck in our CSO Intervention raised a number of challenges and areas that we thought require further work and/or reform, particularly in giving clearer vision that directs the GCF on a pathway aligned with the IPCC special report on 1.5 degrees. We also propose the strategic plan to reflect a direction that is innovative and truly transformational, and can catalyze the current growing trend in private sector disinvestment in fossil fuels, as stated in various board members comments.

The development of the Fund's strategic plan must also include an iterative engagement process with stakeholders. While we appreciate the opportunity given to us to submit written comments by the close of April, we thought that the time-frame between now and when the draft will be presented at the 24th Board meeting should be utilized for more extensive and iterative engagement to ensure that the voices of civil society and therefore the climate-affected peoples and communities are sufficiently integrated.

BM from Germany raised a number of gaps and hopes to see linkages between the proposed strategic plan with country ownership and NDC targets of countries. He, together with BMs from Tanzania and Switzerland, added that reviews made by the independent units and outcomes from the replenishment meetings must be considered in the development of the revised strategic plan, which BM from Netherlands propose to revisit at B23.

BM from Italy added the need to underscore the comparative advantage of the Fund in the overall financing architecture and feature the positive aspects that the Fund has accomplished in the past years. BM from France said that the strategic plan needs to focus on the processes simpler and efficient and that the Fund should work more towards better governance and transparency.

Recognizing the need to incorporate results of replenishment meetings to the Strategic Plan, BM from Saudi Arabia expressed concerns in terms of the timeline of the pledging session, which was scheduled after B24. He insisted in having the pledging session either before B24 or to be followed by another Board Meeting this year.

The co-chairs then decided to take note of the comments and defer this agenda item for deliberation in the next days.

The Board also had a lengthy discussion when the **Strategic programming document outlining scenarios for the GCF replenishment** was presented. The Secretariat presented the information document and highlighted the Fund's unique mandate – that Climate Finance is key to address climate crisis and achieve goals of the Paris Agreement, and underscored the urgency to address developing country needs, which can only be attained through ambitious mitigation and adaptation actions. It also presented the current work the Secretariat is undertaking to improve the programme by conducting performance reviews, analysis of its impact potential and assessment of its operational capabilities.

BM from Japan was the first to comment and gave the Secretariat commendation in reflecting the aspiration and ambition of the Fund towards starting the replenishment process. However, as indicated in the presentation, he believed that significant progress in the replenishment process will also entail increase in the capacity of the secretariat, therefore he suggested to revise the document and incorporate adjustment in secretariat capacity.

BM from Cuba on the other, argued against concepts mentioned in the document that he believed the Board has not reached consensus on. These include climate rationale, markets, and good governance. He believes the term good governance is very political and may imply controversy and debate on what is 'good' and 'bad'. He also opposed the references to co-financing, business model and restructuring of the secretariat.

BM from Saudi Arabia agreed with the use of these motherhood concepts and reiterated how the document is skewed towards mitigation. He added that being mitigation centric only means the Fund intervenes with the country's sovereignty and could dictate what projects will be supported by the Fund. He reminded the Board about the Fund's aim to balance mitigation and adaptation projects and asked the Secretariat to use the Paris Agreement and the Climate Convention as references. He also requested to add references to Carbon Capture and Storage in the energy sector.

BM from Egypt was also concerned about the language on co-financing, which he believed remains a contentious issue not only in the Fund but in the GEF as well. The same goes for him in other financial mechanisms such as the use of bonds.

Comments from developed country BMs revolve around improving Private Sector engagement, consideration of country needs and addressing policy gaps. Unlike the developing country BMs, they mentioned the need to carry on with projects that have strong paradigm shift potential, ensure country ownership, and that such features serve as the primary purpose of the Fund. BM from Norway thought that the document is a work in progress and that the Board should incorporate the recommendations and outcome of IEU review. He added that the Fund's initiatives on Readiness and its coherence with other Funds must be reflected in the document. BM from Sweden added that policy gaps that have been an outstanding issue for every Board Meeting in the last three years must be addressed. The Fund's work on accreditation – providing incentives to AEs in their efforts to shift to a low-carbon development – must be highlighted.

BM from Tanzania thought the replenishment process is a crucial factor in shaping the document and suggested to have a Board decision – which he agreed to formulate and circulate to the Secretariat and the Board for adoption. The co-chair agreed to look at the draft and see how it can be used in the course of the meeting. In our CSO intervention delivered by Liane Schalateck, we recognized how the document is crucial in exploring the GCF's implementation potential and its global impact ambitions in line with the urgent and immediate needs of developing countries. However we noted some good and not so good or even dangerous ideas in the document for the future directions of the Fund. We are happy that the document includes a strong focus on iterative investment in institutional and human capacity and recognizes that country ownership and country-driven programming must remain at the core of the Fund. However, a number of the proposed new programming options would fundamentally alter the nature of the GCF as a fund and therefore need thorough and inclusive deliberation. We believed that it is important to involve a larger set of stakeholders other than the potential contributors to the Fund's first replenishment and the Board have an opportunity to weigh in developing version 2 and 3 or 4 as needed of this document. This includes civil society observers to the Fund, but ideally must include efforts to have the voices, needs and priorities of Indigenous Peoples, women and other often marginalized groups and local communities in Fund recipient countries reflected in a strategic planning document that take aims to future GCF funding .

We also requested more clarity regarding the processes that will happen between now and the various stages of the replenishment process and reiterated our interest and willingness to contribute to its further development.

After hearing all comments from the Board, the co-chairs decided to suspend the discussion and agreed to deal with it in the next days.

The Board also tackled the **Report from the group of Board members and alternate Board members representing the Board in the replenishment process**. BM from Norway shared the outcome of the first meeting done in November 2018 in Bonn, which formally marked the start of the replenishment process. He expressed appreciation to all BMs who participated and announced that the next Replenishment Meeting will happen in Oslo, Norway by April 2019.

He shared how the Bonn meeting focused on organizational matters and how the rules of conduct especially in making decisions were adopted. The meeting also allowed them to set minimum threshold for contributions and welcomed all contributors. They also agreed on the scope and timetable of replenishment and recognized the increase in contributions. So far, Germany and Norway announced the amount of their contributions, to which

the participants to the replenishment process hope such move could amp up the momentum of the replenishment process.

BM from Liberia added that the Bonn meeting also mentioned having a political champion tasked to scale up ambition and contribution and suggested the Board to explore the idea further. He also said one of the consultative meetings must be done in a developing country to send a strong message about the process, and then expressed interest in hosting.

BM from Saudi Arabia sought clarity in terms of the representation and role of BMs invited to the Bonn meeting. He believed the decision related to replenishment is still with the Board, but the mandate of the participants to the Bonn meeting was unclear. He also raised the issue related to the openness of the meeting to observers as it was reported that the GEF was invited, but not the Adaptation Fund (AF).

These questions were answered by BM from Nicaragua, who was the co-chair from developing country at that time. He clarified that the participants at the Bonn meeting were part of the adhoc group of contributors together with 8 members of the Board (4 from developing countries, 4 from developed countries). He also added that discussions about potential 'replenishment champion' have already started and that the Secretariat have already facilitated conversations with the potential candidates. The Secretariat responded and confirmed that consultations with the champion will commence as soon as the Global Facilitator comes on board.

The last agenda item for the day was the **Report of the independent evaluation of the Readiness and Preparatory Support Programme, including the Secretariat management response**. The Head of the Independent Evaluation Unit (IEU) presented the report and underscored that the objective of the review is to look at the effectiveness of the Fund's readiness programme, and provide recommendations towards its efficiency and enhancement of country ownership.

Key findings of the report are as follows:

- **Readiness** of the GCF, compared to other Funds, reflected greater ambition. Its design design reflects the country's climate needs especially on areas like capacitating NDAs.
 - o However, 1/4 of the countries eligible are not accessing readiness, and those accessing do not have funded projects
 - o The 'one size fits all' paradigm espoused by the program does not work
 - o There is great need to build capacity for developing quality proposals
- On **Country ownership** – 70% of the FPs aim to strengthen NDAs and in-country consultation is good
 - o But readiness is disproportionately and time intensive.
 - o Priority countries (LDCs and SIDS) show least effect on strengthening NDAs.
 - o Climate rationale in country programmes remain vague and participation remain limited.
- On **Effectiveness** – DAE accreditation remains slow, there are a lot of other actors to galvanize the accreditation which explains why majority of countries don't push for DAEs and favor IAEs
- On **Efficiency** – secretariat did a good job in getting proposals going, but there is lack of Standard Operating Procedures (SOPs) and processes have been very long. Regional advisers are not currently empowered to support in the best way possible
- **Recommendations** – need to rethink of the readiness strategy, must clarify the what, when and how. Thus the Fund must:

- Do more capacity building, outreach and support
- Strengthen country programmes
- Implement changes in secretariat – flexibility in the post approval process, clarify roles and responsibilities, develop SOPs and open databases so the countries are able to see where their proposals are
- Refrain from business as usual arrangements
- Customize country needs and provide the differentiated needs while being ready for scale

BM from Nicaragua agrees with the recommendations of the IEU and believed that the Readiness Programme suffers from mission over reach and has been doing too much. The program had a plethora of objectives related

to the NDAs, NDCs, NAPs, DAEs, Country Programmes among others. He thinks that it must stick to its core mission and that is on capacity building. The Program according to him also suffers from design flaws that stems out of the separation between accreditation and project formulation/development, and is one of the reasons why countries favor IAEs. He believes this should be combined so that AEs – especially DAEs – go through the rigorous process of preparing for both accreditation and project development requirements.

BM from Italy agreed and suggested that the the Readiness 2.0 must focus on the vision, targets and management of the Fund. BM from Australia reiterated the need to strengthen effectiveness and efficiency, while BM from Senegal proposed to reorganize the system similar to the Montreal Protocol that had single focal points for project proposals and accreditation.

Other BMs agreed with the specific recommendation on capacity building. BM from Liberia pointed out that readiness should focus capacitating NDAs in developing good country programs, developing FPs and facilitating accreditation of national institutions.

In our CSO Intervention delivered by Helen Magata, we commended the IEU in reflecting our observation and experiences from the ground, and has considered the Country Coordination Mechanisms set up by the Global Fund to Fight AIDS, Tuberculosis, and Malaria as a good example for country coordination. We urged the Secretariat to explore this option in the Readiness Version 2.0. We also agreed with the IEU recommendations of strengthening the capacity of countries to better understand and implement necessary policies (such as the gender and indigenous peoples' policy stemming out from the ESP).

The co-chairs allowed the IEU and the Secretariat to respond to questions raised. On questions regarding providing context and presenting what does not work instead of highlighting what worked – the IEU explained that they presented the headlines and constructive recommendations to direct the Board towards rethinking of the Readiness Program. As to the questions directed to the Secretariat about the design flaws, they explained that the primary flaw is the lack of country programme. They admitted that without it, the Fund is left with no choice but to guess which are priority issues and entities are forced to submit FPs just to access resources without being certain whether these projects reflect the needs of the country.

The information document was then noted and adopted by the Board. It was also the last item before the Board adjourned the meeting at exactly 6:00PM.

The 22nd Board Meeting will run until 28 February 2019, starting at 9:00AM Songdo time. You can watch via webcast here: www.greenclimate.fund/live.

-- APMDD GCF Team