

GREEN  
CLIMATE  
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# Report of the thirteenth meeting of the Board, 28-30 June 2016

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**GCF/B.13/33**

8 September 2016

**Meeting of the Board**

28-30 June 2016

Songdo, Incheon, Republic of Korea

Agenda item 25

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## Report of the thirteenth meeting of the Board, 28-30 June 2016

### Agenda item 1: Opening of the meeting

1. The Co-Chairs, Mr. Zaheer Fakir and Mr. Ewen McDonald, opened the thirteenth meeting of the Board (B.13) on Tuesday, 28 June 2016 at 9:02 a.m.
2. They began by informing the Board of the loss of a national designated authority (NDA) from Somalia, Mr. Bur'i Mohamed Hamza, State Minister of the Prime Minister's Office for the Environment of Somalia, who was killed in an explosion on 25 June 2016 in Mogadishu. Noting that he was an important advocate in the fight against climate change in his country and throughout the world, the Co-Chairs extended the sincere condolences of the Board to his family and to the government and people of Somalia.
3. The Co-Chairs then set out the envisaged programme of work for the first day of B.13, and welcomed all new members of the Board (hereinafter referred to as Board members) and alternate members of the Board (hereinafter referred to as alternate members), as well as those watching remotely via webcast for the first time.
4. They thanked Mr. Yingming Yang, whose term on the Board recently came to an end, for his gifts to the Co-Chairs of wooden boxes inscribed with two phrases: "brotherhood in the same boat", and "harmony in diversity", apt descriptions of the Board.
5. The Co-Chairs noted that the current meeting was taking place at a time of turmoil in the world; but that during times of darkness one should always remember that it is darkest just before the dawn. Light was shining through in some parts of the world, such as Colombia, with the historic signing of a peace agreement bringing decades of conflict to an end. They expressed the hope that this would soon lead to interesting climate-related projects in the region bringing light to yet more people.
6. The Co-Chairs reminded the Board of their duties to their constituencies and the world at large; the honour and privilege of serving the Board came with the responsibility to lead by example and transcend national agendas to meet the needs of developing countries and the global community in the face of climate change. In this respect, the GCF could provide hope, opportunity, freedom, inspiration and transformation.
7. The Co-Chairs chose the Zulu and Xhosa word *ubuntu* as the overarching motto for the meeting, a word meaning humanity towards others or the belief in a universal bond of sharing that connects all humanity. They called on this spirit of *ubuntu*, taken up in post-apartheid South Africa to build respect, helpfulness, community, sharing, caring, trust and unselfishness, to infuse this thirteenth meeting of the Board.

### Agenda item 2: Adoption of the agenda and organization of work

8. The Co-Chairs opened the agenda item and called the attention of the Board to document GCF/B.13/01/Drf.03 titled "Provisional agenda", document GCF/B.13/Inf.02 titled "Annotations to the provisional agenda", and an informal paper on an organization of work for the meeting.
9. They stated that they intended to keep to schedule, in particular in order to allow colleagues observing Ramadan to fulfil their religious duties.

10. The Co-Chairs noted that meetings with observers and accredited entities (AEs) would be held during the Board meeting, and invited the Board to adopt the provisional agenda as contained in document GCF/B.13/01/Drf.03, in accordance with paragraph 20 of the Rules of Procedure of the Board.
11. A Board member requested that the Accreditation Committee be allowed to report on its activities in an open session, and not just report in a closed session on the progress made on appointing a senior technical expert to the Accreditation Panel.
12. Duly taking note of this request, the Board adopted the agenda as set forth in document GCF/B.13/01/Drf.03 and presented below:
  1. Opening of the meeting
  2. Adoption of the agenda and organization of work
  3. Adoption of the report of the twelfth meeting of the Board
  4. Decisions taken between the twelfth and thirteenth meetings of the Board
  5. Report on the activities of the Co-Chairs
    - (a) Update on the revised 2016 Work Plan
    - (b) Update on the Co-Chairs' consultations
  6. Report on the activities of the Secretariat
    - (a) Update on the implementation of the Strategic Plan for the Green Climate Fund
  7. Reports from committees, panels and groups
    - (a) Ethics and Audit Committee
    - (b) Risk Management Committee
    - (c) Investment Committee
    - (d) Budget Committee
    - (e) Private Sector Advisory Group
    - (f) Appointments Committee
    - (g) Accreditation Panel
    - (h) Accreditation Committee
    - (i) Independent Technical Advisory Panel
  8. Matters related to guidance from the Conference of the Parties
    - (a) Fifth report to the Conference of the Parties
    - (b) Adaptation planning processes
    - (c) The GCF and the Paris Agreement
    - (d) Relationship with United Nations Framework Convention on Climate Change thematic bodies
    - (e) Complementarity and coherence with other Funds
  9. The selection process to appoint the Executive Director
  10. Appointment of the Heads of the independent Accountability Units
    - (a) Appointment of the Head of the Independent Redress Mechanism

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- (b) Appointment of the Head of the Independent Evaluation Unit
    - (c) Appointment of the Head of the Independent Integrity Unit
  11. Strategy on accreditation
  12. Funding proposals
    - (a) Update on the status of the Fund's pipeline
    - (b) Simplified procedure for small-scale activities and certain activities
    - (c) Project Preparation Facility
    - (d) Requests for Proposals
    - (e) Funding proposals
    - (f) Matters related to the interim redress procedures
    - (g) Programmatic approach for funding proposals
  13. Communications of the Fund
  14. Status of staffing of the Secretariat
  15. Policies on ethics and conflicts of interest for other Board appointed officials and active observers
  16. Status of the initial resource mobilization process
  17. Consideration of accreditation proposals
  18. Accreditation Master Agreements
  19. Country programming, readiness and preparatory support
    - (a) Readiness and preparatory support
    - (b) Country ownership guidelines
  20. Further development of some indicators in the performance measurement framework
  21. Risk and investment policies
    - (a) Report on the proposed revision of the risk register
    - (b) Interim risk and investment guidelines
  22. Administrative matters
    - (a) Status of the GCF Administrative Tribunal
    - (b) Report on the execution of the administrative budget for 2016
    - (c) Annual report and audited financial statements for 2015
  23. Date of the following meeting of the Board
  24. Other matters
  25. Report of the meeting
  26. Close of the meeting

### **Agenda item 3: Adoption of the report of the twelfth meeting of the Board**

13. The Co-Chairs opened the agenda item and called the attention of the Board to document GCF/B.12/33 titled "Report of the twelfth meeting of the Board, 8-10 March 2016".
14. There being no objections, the report was duly adopted.

### **Agenda item 4: Decisions taken between the twelfth and thirteenth meetings of the Board**

15. The Co-Chairs opened the agenda item and drew the attention of the Board to document GCF/B.13/Inf.04 titled "Decisions proposed and approved in between the twelfth and thirteenth meetings of the Board".
16. Following a summary provided by the Co-Chairs of the decisions proposed and approved between meetings, the Board took note of document GCF/B.13/Inf.04.
17. The civil society organization (CSO) active observer took the floor to comment on the process for taking decisions between meetings, highlighting two of the decisions taken as of particular importance to civil society and other observers: decision B.BM-2016/11 on the terms of reference for the review of observer participation and decision B.BM-2016/12 on updating the GCF Gender policy and Gender action plan. They noted that some consultation had been held on these matters, but that as active observers, they are unable to comment on between meetings decisions and therefore were unable to provide input either prior to or during the Board meeting on these decisions. She expressed the hope that this process might be improved so as to allow increased observer participation, and that for the two above-mentioned matters, civil society would still be allowed to play an active role in the process.
18. The Co-Chairs noted these concerns.
19. The Board took note of document GCF/B.12/Inf.04.

### **Agenda item 5: Report on the activities of the Co-Chairs**

20. The Co-Chairs opened the agenda item which consisted of two sub-items:

#### **(a) Update on the revised 2016 Work Plan**

21. The Co-Chairs drew the attention of the Board to document GCF/B.13/02 titled "Matters related to the work plan of the Board 2016: proposal from the Co-Chairs". This document contained an updated work plan in its annex I, as well as a number of draft decisions in annexes II to VII on matters identified by the Co-Chairs as requiring deferral or inclusion in the work plan. These included:
  - (a) Deferring the review of the independent Technical Advisory Panel (TAP) to the 2017 work plan;
  - (b) Deferring the consideration of indicative benchmarks to no later than the seventeenth meeting of the Board;
  - (c) Postponing to the start of 2017 the evaluation of the Readiness and Preparatory Support Programme;

- (d) Deferring consideration of the pilot programme on mobilizing resources at scale to the fourteenth meeting of the Board (B.14);
  - (e) Requesting the Co-Chairs to present at B.14 a proposal related to identifying opportunities for the GCF to add value by co-financing projects and programmes together with the Global Environment Facility (GEF), the Adaptation Fund or multilateral development banks; and
  - (f) Also requesting an analysis by the Secretariat of the barriers to crowding in and maximizing the engagement of the private sector for presentation at no later than the fifteenth meeting of the Board.
22. The Co-Chairs proposed that the Board agree to the draft decisions as contained in the document. There being no objections, the Board approved the following decisions:

#### **DECISION B.13/01**

*The Board:*

- (a) Decides to defer the review of the independent technical advisory panel to take place in 2017;
- (b) Requests the Co-Chairs, in consultation with the Investment Committee, to include this matter in the Work Plan of the Board for 2017; and
- (c) Requests the Investment Committee to provide the draft terms of reference of the review for consideration by the Board as appropriate.

#### **DECISION B.13/02**

*The Board:*

Decides to defer the consideration of indicative minimum benchmarks to no later than its seventeenth session.

#### **DECISION B.13/03**

*The Board:*

- (a) Decides to defer the independent evaluation of the Fund's Readiness and Preparatory Support Programme to 2017;
- (b) Decides that the independent evaluation of the Fund's Readiness and Preparatory Support Programme will be included in the Work Plan of the Board for 2017; and
- (c) Requests the Secretariat to provide the draft terms of reference of the evaluation for consideration by the Board at its first meeting in 2017.

#### **DECISION B.13/04**

*The Board:*

Decides to defer the consideration of the pilot programme on mobilizing resources at scale to its fourteenth session.



## **DECISION B.13/05**

*The Board:*

- (a) *Requests the Co-Chairs to consult with the Board, with a view to presenting for consideration by the Board at its fourteenth session a proposal related to identifying opportunities for the GCF to add value by co-financing projects and programmes together with the Global Environment Facility, the Adaptation Fund or Multilateral Development Banks;*
- (b) *Requests the Co-Chairs, with the support of the Secretariat, to summarize the outcome of their consultations and to propose a draft decision in a written report to be transmitted to the Board in line with the Rules of Procedure of the Board no later than its fourteenth session;*
- (c) *Requests the Secretariat to undertake an analysis of barriers to crowding-in and maximizing the engagement of the private sector to present to the Board no later than its fifteenth session, and requests the Private Sector Advisory Group to present recommendations for consideration by the Board no later than its sixteenth session; and*
- (d) *Further requests the Private Sector Advisory Group to present recommendation on the development of a private sector outreach plan no later than its seventeenth session.*

### **(b) Update on the Co-Chairs' consultations**

23. The Co-Chairs drew the attention of the Board to document GCF/B.13/Inf.01 titled "Report on activities of the Co-Chairs". They thanked the Executive Director, the Secretariat, observers, Board members, alternate members and advisers for their work, engagement and responsiveness during the intersessional period, and asked for their indulgence and patience in the future as the Co-Chairs and their teams continued to consult with them on several matters.

24. The Board took note of document GCF/B.13/Inf.01.

## **Agenda item 6: Report on the activities of the Secretariat**

### **(a) Update on the implementation of the Strategic Plan for the Green Climate Fund**

25. The Co-Chairs opened the agenda sub-item and drew the attention of the Board to document GCF/B.13/Inf.05/Rev.01 titled "Report on the activities of the Secretariat", and invited a representative of the Secretariat to present the document.

26. The Executive Director outlined the information provided in the report, including information regarding the implementation of the initial strategic plan of the GCF as set out in annex I to decision B.12/20.

27. A Board member asked whether, at following Board meetings, the Secretariat would report specifically on the status of implementation of Board decisions. They also called for the status of implementation of the strategic plan of the GCF to be considered by the Board as a separate, standing agenda item in the future rather than in an annex to a document, as decisions might need to be taken on urgent matters in this regard. The Co-Chairs noted that they would carry out consultations with Board members on this proposed structure.

28. A Board member sought clarification on the section on the initial proposal approval process review in document GCF/B.13/Inf.05/Rev.01, noting that its paragraphs 13–15 stated that "guidelines will need to be developed" and "technical guidance" needed to be developed. They asked whether the Board should now expect this work to be undertaken by the

Secretariat. A representative of the Secretariat clarified that these paragraphs were included as a progress update on the review of the initial proposal approval process, following the Co-Chairs' guidance and in response to requests from Board members. The review of the initial proposal approval process is ongoing and a report will be presented at the fifteenth meeting of the Board.

29. Two Board members commended the format of the report, noting that it provided a good overview of the Secretariat's work. A Board member expressed appreciation for the hard work of the Secretariat as displayed in the report, noting that the Board should keep this in mind when discussing staffing and setting priorities for the Secretariat to follow.

30. The Board took note of document GCF/B.13/Inf.05/Rev.01.

## **Agenda item 7: Reports from committees, panels and groups**

31. The Co-Chairs opened the agenda item and drew the attention of the Board to document GCF/B.13/Inf.03 and Add.01 and Add.02 titled "Reports from committees, panels and groups of the Board of the Green Climate Fund".

32. The Co-Chairs noted that these documents did not contain a report from the ad hoc Executive Director Selection Committee, which had been dissolved intersessionally, and that any matters relating to the selection of the new Executive Director would be covered under agenda item 9, "The selection process to appoint the Executive Director".

### **(a) Ethics and Audit Committee**

### **(b) Risk Management Committee**

33. The Chair of the Risk Management Committee (RMC) took the floor to highlight ongoing deliberation on initial guidelines for risk and investment, encouraging Board members who so wished to contact the committee if they had any input or queries on the report and papers circulated by RMC.

### **(c) Investment Committee**

34. A member of the Investment Committee welcomed the intention of the TAP to draw lessons from the first round of funding proposals, asking for these to be shared with AEs, NDAs and focal points as guidance so they could better prepare their proposals in future.

### **(d) Budget Committee**

### **(e) Private Sector Advisory Group**

35. The Board opened the sub-item in an executive session and took note of document GCF/B.13/Inf.03/Add.04 (limited distribution) titled "Appointment of representatives to the Private Sector Advisory Group".

36. The Board adopted the following decision:

### ***DECISION B.13/06***

*The Board, having reviewed document GCF/B.13/Inf.03/Add/04 titled "Appointment of representatives to the Private Sector Advisory Group":*

- (a) *Appoints Mr. Gerry Lemcke as private sector representative from developed countries to the Private Sector Advisory Group;*

- (b) *Also appoints Mr. Aaron Leopold as civil society representative from developed countries to the Private Sector Advisory Group; and*
- (c) *Notes that the prospective candidates have been informed of the Fund's policy on ethics and conflicts of interest for external members of the Green Climate Fund panels and groups, and that they will be bound by the policy upon the endorsement under paragraph (a) and (b) above.*

**(f) Appointments Committee**

37. The Chair of the Appointment Committee thanked all the members of the committee for their hard work, as well as the executive search firm contracted by the GCF, Perret Laver, for its excellent work in generating over 1,100 applications for the three positions of the heads of the accountability units of the GCF. The Appointment Committee held final interviews with a shortlist of 12 candidates in Songdo, Incheon, Republic of Korea, in March 2016; and this matter would be dealt with in an executive session during the current meeting.

38. The Co-Chairs took note of the comments made and recalled that this item would be reopened in an executive session in order to address confidential matters.

**(g) Accreditation Panel**

**(h) Accreditation Committee**

39. The Chair of the Accreditation Committee (AC) reported that it had met several times since being constituted at the twelfth meeting of the Board to work on the GCF accreditation strategy, consulting with accredited entities and the Accreditation Panel, which had provided detailed recommendations for improvement of the strategy. They noted that AC was making specific recommendations to prioritize some entities for accreditation in order to ensure a more balanced mix rather than continuing to work through the pipeline of 160 entities on a first come, first served basis. They highlighted one area of disagreement within the committee regarding whether to establish an exclusion list and a cap on the number of entities to be accredited; they recommended strategic changes to the accreditation process, and welcomed feedback from Board members.

40. The Co-Chairs reopened the item in an executive session and took note of document GCF/B.13/Inf.03/Add.02 (limited distribution) titled "Reports from committees, panels and groups of the Board of the Green Climate Fund".

41. The Board adopted the following decision:

***DECISION B.13/07***

*The Board, having considered document GCF/B.13/Inf.03/Add.02 titled "Report from committees, panels and groups of the Board of the Green Climate Fund":*

*Endorses the nomination by the Accreditation Committee of the following expert to the Accreditation Panel for one term of three years in accordance with the terms of reference in decision B.07/02, paragraph (h):*

- (i) *Mr. Godfrey Tumusiime.*

**(a) Independent Technical Advisory Panel**

## Agenda item 8: Matters related to guidance from the Conference of the Parties

### (a) Fifth report to the Conference of the Parties

42. The Co-Chairs opened the sub-item and introduced document GCF/B.13/04 titled “Fifth Report of the Green Climate Fund to the Conference of the Parties to the United Nations Framework Convention on Climate Change” containing the fifth annual report of the GCF to the Conference of the Parties (COP) to the United Nations Framework Convention on Climate Change (UNFCCC) at its twenty-second session. They invited Board members to adopt the draft decision as set out in annex I to the document and reminded Board members that the decision also set out the standard process which would be followed in the future.

43. The Co-Chairs opened the floor for comments.

44. A Board member whose country currently holds the COP Presidency stressed that the report’s messaging was very important. All relevant information must be provided to ensure clear communication on the swift operationalization of the GCF in all relevant areas. He looked forward to incorporating all decisions, which would help to signal that the GCF is delivering on its aims.

45. On a procedural point, another Board member requested that the Board be given the opportunity to review the additions to the report once the decisions and comments of the thirteenth meeting of the Board had been incorporated. They noted that a new reporting period would be followed after this year. Consequently, an addendum as proposed in the process set out in the draft decision process was acceptable but should be avoided in future years.

46. Finally, a Board member suggested that it would be useful to highlight milestones in the report, as it improved readability.

47. The Board adopted the following decision:

### ***DECISION B.13/08***

*The Board, having considered document GCF/B.13/04 titled “Fifth report of the Green Climate Fund to the Conference of the Parties to the United Nations Framework Convention on Climate Change”:*

- (a) *Requests the Co-Chairs, assisted by the Secretariat, to finalize the “Fifth report of the Green Climate Fund to the Conference of the Parties to the United Nations Framework Convention on Climate Change” (hereinafter referred to as the fifth report), presented in annex I, taking into consideration the comments made and decisions taken at the thirteenth meeting of the Board, and submit the revised report to the United Nations Framework Convention on Climate Change secretariat, no later than 12 weeks prior to the twenty-second session of the Conference of the Parties to the United Nations Framework Convention on Climate Change, in accordance with United Nations Framework Convention on Climate Change decision 7/CP.20, paragraph 23; and*
- (b) *Also requests the Co-Chairs, assisted by the Secretariat, to issue and submit to the United Nations Framework Convention on Climate Change secretariat an addendum to the fifth report after the fourteenth meeting of the Board and before the twenty-second session of the Conference of the Parties to the United Nations Framework Convention on Climate Change.*

## **(b) Adaptation planning processes**

48. The Co-Chairs opened the sub-item and introduced document GCF/B.13/05 titled “Adaptation planning processes”. In accordance with paragraph 38 of the Rules of Procedure, the Co-Chairs, following consultations with Board members, had invited the Chair of the Least Developed Countries Expert Group and one of the Co-Chairs of the Adaptation Committee to address the Board on the issue of GCF support to national adaptation plans and adaptation planning processes in general. The Chair of the Least Developed Countries Expert Group was unable to attend B.13 and the Co-Chairs of the Adaptation Committee were unable to travel but they nominated Mr. Frederick Kossam to represent them. The Co-Chairs of the Board invited Mr. Kossam to address the Board in accordance with paragraph 38 of the Rules of Procedure and paragraph 70 of the Governing Instrument for the GCF.

49. Mr. Kossam delivered a presentation covering the mandates of the Adaptation Committee, the National Adaptation Plan Task Force (NAP TF) and the Adaptation Committee work plan. The Board were asked to consider how to fund adaptation proposals, and NAP TF requested the GCF to nominate a member to NAP TF and to participate in relevant meetings. The Co-Chairs informed Board members that a hard copy of the presentation had been distributed for their attention.

50. The sub-item was adjourned to enable the Board members’ advisers to consult in order to present a draft decision for Board consideration.

51. Subsequently, two alternate members from the developing and developed country constituencies, Mr. Nagmeldin Goutbi Elhassan and Ms. Kate Hughes were asked to consult further on the matter.

52. The sub-item was reopened and Ms. Hughes briefed Board members on the draft decision text presented. The Co-Chairs thanked both Mr. Goutbi Elhassan and Ms. Hughes for their hard work and opened the floor for comments.

53. Several detailed comments were made, including the following:

- (a) Paragraph (d) should make clear that AEs were invited to consult with respective developing countries in preparing funding proposals;
- (b) Paragraph (e) should be consistent with the Project Preparation Facility (PPF); the word “Secretariat” should be replaced with “the Executive Director”;
- (c) One Board member sought assurance that there would be no duplication of efforts so that countries already receiving national adaptation plan financing from the GEF or the International Development Association would not receive such financing twice – the Co-Chairs assured them that this would be the case; and
- (d) Paragraph (g) should be amended to “the formulation of multi-country national adaptation plans”.

54. With these amendments the Board adopted the following decision:

### ***DECISION B.13/09***

*The Board, having considered document GCF/B.13/05 titled “Adaptation planning processes”:*

- (a) *Decides to expedite support for developing countries for the formulation of national adaptation plans, on the basis of the paragraphs below and consistent with United Nations Framework Convention on Climate Change decisions 1/CP.16, 5/CP.17 and United Nations*

- Framework Convention on Climate Change decision 1/CP.21, paragraph 46, and for the subsequent implementation of projects, policies and programmes identified by them;*
- (b) Recalls the decision B.06/06 aim for a 50:50 balance between mitigation and adaptation over time on a grant equivalent basis; and also recalls paragraph 40 of the Governing Instrument for the GCF that states that the GCF will provide resources for readiness and preparatory activities, including for national adaptation plans; and that paragraph 36 of the Governing Instrument states that the GCF will support developing countries in pursuing project-based and programmatic approaches in accordance with climate change strategies and plans, such as national adaptation plans;*
  - (c) Invites national designated authorities and focal points to collaborate with readiness delivery partners and accredited entities, as appropriate, in order to submit requests for support to formulate their respective national adaptation plans and/or other adaptation planning processes;*
  - (d) Also invites accredited entities to collaborate with respective developing countries in preparing project and programme concept notes, funding proposals, and Project Preparation Facility requests, in order to implement adaptation actions identified in national adaptation plans and/or other adaptation planning processes, as appropriate;*
  - (e) Decides that, given the urgent need to support and expedite the formulation and implementation of national adaptation plans and other adaptation planning processes, the Executive Director can approve up to USD 3 million per country through the GCF Readiness and Preparatory Support Programme modalities, in order to support the formulation of national adaptation plans and/or other national adaptation planning processes based on his/her assessment of country circumstances and needs, and taking into consideration the United Nations Framework Convention on Climate Change national adaptation plan technical guidelines and the importance of coordination and complementarity with other national adaptation plan related initiatives and support;*
  - (f) Also decides that support for the formulation of national adaptation plans or other adaptation planning processes should be established as a separate activity area of the Readiness and Preparatory Support Programme, specifically for the formulation of national adaptation plans and/or other national adaptation planning processes, and that funding for this new activity area is additional to the existing USD 1 million cap per country per year under the Readiness and Preparatory Support Programme (see decision B.13/27);*
  - (g) Recognizes that accredited entities can bring forward programmatic approaches for the formulation of multi-country national adaptation plans and/or other adaptation planning processes under the project approval process, for countries not already in receipt of funding under the activities outlined in paragraph (e) above;*
  - (h) Requests the Secretariat to revise the existing Readiness and Preparatory Support Programme templates and processes for the purposes set out in paragraphs (d)–(f) above;*
  - (i) Takes note of the importance of the GCF in supporting the formulation and implementation of adaptation planning processes and the implementation of actions under the Paris Agreement once it enters into force, in particular in relation to Article 7, paragraph 9, of the Paris Agreement;*
  - (j) Requests the Secretariat to continue to engage with the Adaptation Committee and the Least Developed Countries Expert Group in improving access to financial support for the process to formulate and implement national adaptation plans and/or national adaptation plans; and*

- (k) *Decides to review the progress of expediting support for developing countries for the formulation of national adaptation plans and/or other adaptation planning processes and requests the secretariat to present its findings in its report to the Board on the Readiness and Preparatory Support Programme, including any recommendations for further action.*

**(c) The GCF and the Paris Agreement**

55. The Co-Chairs opened the sub-item and introduced document GCF/B.13/06 titled “The GCF and the Paris Agreement”. The document responded to decision B.12/20, paragraph (i), in which the Board requested the Secretariat to present, for consideration at B.13, a proposal on how the GCF could support the implementation of the Paris Agreement and related UNFCCC decisions.
56. The Co-Chairs informed Board members that following consultations a draft decision was ready for adoption with one minor amendment in paragraph (a): “agrees” should be replaced with “decides”. They opened the floor for comments.
57. A Board member requested that paragraph (a) be amended to read “enable support for the preparation and implementation of the nationally determined contributions and adaptation-related elements of the Paris Agreement”. This proposal was supported by another Board member who noted that this reflected the reality of an evolving landscape which would be further refined by the international community. One of the challenges for those involved in climate negotiations was to translate detailed technical discussions into language which the general public could understand.
58. While supporting the decision, another Board member suggested that it did not reflect the fact that the Paris Agreement should have the effect of sharpening and raising the ambitions of the GCF. The implementation of that agreement must involve setting the highest standards in order to create a paradigm shift. They requested that this be recorded in the report of B.13.
59. Another Board member noted that the Paris Agreement stated that the GCF needed to support developing countries in mitigation and adaptation. They said that the text should be “agrees that current GCF modalities enable support to developing countries for mitigation and adaptation, including for the preparation and implementation of the INDCS”.
60. The Co-Chairs informed Board members that the current focus on this item was to take a decision and not to renegotiate the text. The first Board member who had requested that paragraph (a) be amended requested to withdraw their proposed amendment. Board members were asked by the Co-Chairs if they could accept that the decision would allow the GCF to do what it needed to do in relation to the Paris Agreement.
61. A Board member requested that their concern be noted regarding the submission of country programmes with insufficient information to give an overview of the programme/project, the Secretariat would use the information from the submitted intended nationally determined contributions (INDCs). They proposed that the Secretariat undertake a desk study of available INDCs so that this information could be available. The Co-Chairs stated that this had been noted by the Secretariat and would be reflected in the report of B.13.
62. The decision was adopted as presented below:

***DECISION B.13/10***

*The Board, having reviewed document GCF/B.13/06 titled “The GCF and the Paris Agreement”:*

- (a) *Agrees that current GCF modalities enable support for the preparation and implementation of the nationally determined contributions and adaptation-related elements of the Paris Agreement;*
- (b) *Urges national designated authorities/focal points to work with accredited entities to consider how their national climate priorities can be submitted as concrete proposals, including under the Project Preparation Facility;*
- (c) *Requests the Secretariat to compile an information document, based on the submission of country work programmes in accordance with annex VII to decision B.07/03 (annex VII to document GCF/B.07/11), and accredited entity work programmes, in accordance with the GCF strategic plan, for the Board at its fifteenth meeting;*
- (d) *Reiterates decision B.12/20 to regularly update the core operational priorities of the GCF as defined in the strategic plan and Secretariat work programmes, as appropriate, taking into account evolving priorities, including, inter alia, guidance from the Conference of the Parties to the United Nations Framework Convention on Climate Change and/or guidance from the Conference of the Parties serving as the meeting of the Parties to the Paris Agreement once the Paris Agreement enters into force, and relevant reports from the independent Evaluation Unit;*
- (e) *Decides to consider in its future work-plans, how to support actions related to the implementation of the Paris Agreement, taking into account the business model of the GCF, its strategic impact areas, and guidance from the Conference of the Parties to the United Nations Framework Convention on Climate Change and/or the Conference of the Parties serving as the meeting of the Parties to the Paris Agreement once the Paris Agreement enters into force; and*
- (f) *Notes that guidance, rules, modalities and procedures that are to be developed to implement the Paris Agreement may require later consideration by the Board, in line with guidance received from the Conference of the Parties to the United Nations Framework Convention on Climate Change and/or the Conference of the Parties serving as the meeting of the Parties to the Paris Agreement once the Paris Agreement enters into force.*

**(d) Relationship with United Nations Framework Convention on Climate Change thematic bodies**

63. The Co-Chairs opened the sub-item and introduced document GCF/B.13/07 titled “Relationship with United Nations Framework Convention on Climate Change thematic bodies”, which provided an overview of present and possible future collaboration opportunities between the GCF and relevant UNFCCC thematic and external bodies.

64. Consultations had taken place among advisers to Board members and a revised draft decision was presented.

65. A Board member expressed a number of concerns about the proposed draft decision. They noted that the reality of trying to bring all the relevant bodies together before, during or immediately after a session of the COP was fraught with practical difficulties. Furthermore, the GCF was then required to present a report to the COP and this would not happen for a year. In addition, such events rarely produced tangible outcomes. On the plus side, they noted that consultations with thematic bodies were already taking place with the GCF at various events such as at meetings of the subsidiary bodies and at sessions of the COP. But they emphasized that there needed to be outcomes from these consultations and currently these were absent. Finally, they stated that document GCF/B.13/07, paragraph 12, set out important principles of engagement which should be clearly articulated in the decision.



66. A CSO active observer welcomed the focus on enhancing cooperation and engagement with the UNFCCC thematic bodies. In their view an annual meeting was not enough and a many pronged approach was needed. They requested to have it on record that a decision under this sub-item would not preclude wider consultation in the future.

67. The Co-Chairs confirmed that the comments had been noted and the decision was duly adopted:

### **DECISION B.13/11**

*The Board, having reviewed document GCF/B.13/07 titled "Relationship with United Nations Framework Convention on Climate Change thematic bodies":*

- (a) Decides to hold an annual meeting, in accordance with paragraph 70 of the Governing Instrument for the GCF, in order to enhance cooperation and coherence of engagement between the GCF and United Nations Framework Convention on Climate Change thematic bodies;*
- (b) Also decides that the meeting will be chaired by the Co-Chairs of the GCF Board and organized by the Secretariat on an annual basis to be held in conjunction with the Conference of the Parties to the United Nations Framework Convention on Climate Change;*
- (c) Further decides that the meeting will include the Chairs of the various thematic bodies, and the Chairs of the subsidiary bodies, the Conference of the Parties to the United Nations Framework Convention on Climate Change Presidency, and will be open to all members of the GCF Board and the thematic bodies;*
- (d) Requests the GCF Co-Chairs to propose the agenda for each meeting, in consultation with the GCF Board and the Co-Chairs of the thematic bodies;*
- (e) Decides that the outcome of the meeting shall be a written report to the Conference of the Parties to the United Nations Framework Convention on Climate Change included in the annual report to the Conference of the Parties to the United Nations Framework Convention on Climate Change;*
- (f) Requests the Secretariat to strengthen its current approach to engaging with thematic bodies, including through:*
  - (i) Exchanging relevant information;*
  - (ii) Participating in relevant meetings of the thematic bodies, including technical workshops and other relevant events;*
  - (iii) Identifying components of the programmes and work-plans of the thematic bodies that are related to the GCF, and, where appropriate, updating the work programme of the Secretariat to improve coordination; and*
  - (iv) Reporting the outcome of the Secretariat's engagement with the thematic bodies to the Board in the report on the activities of the Secretariat; and*
- (g) Decides, in accordance with paragraph 38 of the Rules of Procedures of the Board, to invite:*
  - (i) The Chair of the Technology Executive Committee and the Chair of the Advisory Board of the Climate Technology Centre and Network to present to the Board during its consideration of technology matters at the fourteenth meeting of the Board; and*

- (ii) *A representative of the Executive Board of the United Nations Collaborative Programme on Reducing Emissions from Deforestation and Forest Degradation in Developing Countries to present to the Board at the fourteenth meeting of the Board during its consideration of matters related to operationalizing REDD-plus.*

**(e) Complementarity and coherence with other Funds**

68. The Co-Chairs opened the sub-item and introduced document GCF/B.13/08 titled “Complementarity and coherence with other funds”. The Co-Chairs informed Board members that following the twelfth meeting of the Board, they had written to the Co-Chairs of the Standing Committee on Finance (SCF) regarding cooperation and coordination in relation to matters where there is an overlap in their respective mandates. They were planning a teleconference with the Co-Chairs of the SCF and would report back to the Board.

69. Following consultations with advisers, a revised draft decision was ready for consideration by the Board. The Co-Chairs opened the floor for comments.

70. A Board member requested that specific reference be made to the thematic bodies. This would give greater assurance to Parties to the UNFCCC. Such references would include the Least Developed Countries Fund, the GEF, the AF as well as the SCF.

71. A CSO active observer supported the development of a framework. Best practice engagement of a diverse set of stakeholders in national programming and planning and implementation processes must be one key element of such an operational framework. They also wished to note three points from the Paris Agreement that had not been addressed at this meeting and which they wished the Board to consider in its future work.

- (a) In line with the principles recognized in the Paris Agreement, the GCF needed to ensure human rights, the rights of indigenous peoples and local communities, gender equality and intergenerational justice. To this end, the GCF should urgently develop and adopt an indigenous people policy;
- (b) The GCF should not only support the nationally determined contributions (NDCs) as they now exist, but should contribute to enabling the improvement and scaling up of the ambition of the NDCs over time, given that the current aggregate impact of INDCs and NDCs are not in line with the objectives of limiting warming to 1.5 degrees or well below 2 degrees above pre-industrial levels; and
- (c) The GCF should do everything in its power to contribute to the objectives of the Paris Agreement, including Article 2, paragraph 1(c), which has the aim of “making finance flows consistent with a pathway towards low greenhouse gas emissions and climate-resilient development”.

72. The Co-Chairs thanked the observer for the statement and the following decision was duly adopted:

***DECISION B.13/12***

*The Board, having considered document GCF/B.13/08 titled “Complementarity and coherence with other funds”,*

- (a) *Decides to prepare, with the support of the Secretariat, an operational framework on complementarity and coherence to be considered by the Board at its fifteenth meeting, and as a basis for the cooperation of the Board with the Standing Committee on Finance;*

- (b) *Reaffirms* that the following key elements shall form part of the operational framework, in accordance with the Governing Instrument for the GCF:
- (i) Board-level discussions on fund-to-fund arrangements;
  - (ii) Enhanced complementarity at the activity level;
  - (iii) Promotion of coherence at the national programming level; and
  - (iv) Complementarity at the level of delivery of climate finance through an established dialogue;
- (c) *Requests* the Secretariat to prepare a document presenting options for the operationalization of the key elements outlined in paragraph (b) above, and to present it for consideration by the Board at its seventeenth meeting; and
- (d) *Also requests* the Co-Chairs of the Board, with the support of the Secretariat, to initiate an annual dialogue with climate finance delivery channels, commencing at, and in conjunction with, the fifteenth meeting of the Board, and thereafter annually and in conjunction with a Board meeting to be held at GCF Headquarters in Songdo, Incheon, Republic of Korea, with other funds in order to enhance complementarity at the activity level.

## **Agenda item 9: The selection process to appoint the Executive Director**

73. The Co-Chairs opened the agenda item in an executive session and adopted three limited distribution decisions.

74. They reported to the plenary, in an open session, that the Board had discussed the selection of a new Executive Director (ED) and the appointment of a new interim ED for the GCF in an executive session.

75. The Co-Chairs announced that following one expression of interest, Mr. Javier Manzanares, currently the Chief Financial Officer and Director of Support Services of the GCF, would be the interim ED from 9 September 2016 until the permanent ED took up office. They noted that this candidacy received unanimous support from the Board, while acknowledging the considerable effort, expertise and teamwork of the directors as a whole.

76. The Co-Chairs then laid out the process for the selection of the permanent ED, announcing that the selection committee would be comprised of: the Co-Chairs; Ms. Andrea Ledward, Mr. Ayman Shasly, Mr. Jorge Ferrer Rodriguez, Mr. Karsten Sach, Mr. Leonardo Martinez-Diaz and Mr. Omar El-Arini. They stated that they looked forward to working together with colleagues and the executive search firm chosen to ensure a strong and competitive field of candidates leading to a decision at the next meeting of the Board.

### **Tributes to the inaugural Executive Director, Ms. H la Cheikhrouhou**

77. The Co-Chairs then took the opportunity to formally recognize the contribution of the departing ED, Ms. H la Cheikhrouhou. They highlighted that as the inaugural ED of the GCF, she had a significant impact on bringing the organization to its current position through her leadership and management both within and outside the GCF. Building the institution from the ground up, she had worked with governments across the world to fulfil the mandate of the GCF. The Co-Chairs highlighted Ms. Cheikhrouhou's intellect and dedication, acknowledging the personal sacrifices she had made in shouldering the heavy workload required for the role, which she handled commendably, demonstrating impressive resilience. On behalf of the Board,

they thanked her for her contribution, and looked forward to their continued collaboration until the end of her term on 8 September 2016, as well as wishing her good health and every success in the future.

78. After receiving applause from all present in the boardroom, Ms. Cheikhrouhou gave a statement reflecting on her time as ED. She highlighted how seemingly impossible tasks had been completed; her sweat, tears and sacrifices had been her contribution to the disenfranchised across the world, especially women and low-income households, who suffered most from the adverse effects of climate change. She pointed to the role of the GCF as a catalyst for transformational change, and her belief that the GCF was now perfectly positioned to scale up collective efforts to migrate to low-emission and climate-resilient societies everywhere.

79. She evoked the importance of the Paris Agreement and NDCs, which provided the high-level framework that gives clear guidance to contribute to that objective. She pointed to the current need for implementation; identifying, developing and implementing the enabling country-level reforms and investments that were required. She thanked her son Adam, her husband Yassine, her mother Latifa, and her sisters Leila and Sarra, noting that without their love and support, she would not have been able to fulfil her heavy duties. She prayed for collective climate action to succeed in limiting the number of innocent lives that would be lost in the decades to come. She appealed to Board members and partners to reflect on the famous words of the former United States President John F. Kennedy who challenged a generation to take on a monumental task. Paraphrasing this through a climate lens she stated "ask not what climate action can do for you, ask what you can do for climate action". She thanked the Board and all those present for their support and cooperation during the preceding three years. She also thanked all her colleagues in the Secretariat for their tremendous hard work, for their collaboration, support and encouragement — carrying out what was often an unsung, highly demanding role. She stressed her belief in the GCF, and expressed her wish that it succeed in the future.

80. Board members from the United Kingdom of Great Britain and Northern Ireland, Samoa, the United States of America, China, the United Republic of Tanzania, Norway, Egypt, Italy, Belize, Canada, Germany, Bangladesh, Saudi Arabia, Australia, the Netherlands, France, the Democratic Republic of the Congo, Sweden, Cuba, Mexico and Japan took the floor to pay tribute to the ED.

81. Board members praised the many qualities Ms. Cheikhrouhou had displayed during her time as ED. In particular, they singled out her unwavering hard work, competence, passion, commitment, dedication, strength, resilience, stamina, negotiating qualities, efficiency, professionalism, grace under fire, boldness, intelligence and pioneering nature. Some examples of these qualities in action in the Board members' countries were given, highlighting the tangible and wide-ranging impact of the ED.

82. Many Board members also highlighted the great personal sacrifices made by Ms. Cheikhrouhou with regards to her family and private life, and the many challenges she handled during her time as ED: an extremely heavy workload and gruelling travel schedule, considerable pressure given the great ambitions of the fledgling GCF in the face of the pressing threat of climate change, and the many difficulties associated with building up the institution. A few Board members commented on the occasional difference of opinion between the Board and the ED, which ultimately made both the independent Secretariat and the Board stronger.

83. Several Board members highlighted that Ms. Cheikhrouhou had been a trailblazer and role model for women and girls throughout the world during her time in the position; it was noted further that she had achieved this in a male-dominated environment, as could be seen in the composition of the Board. In particular, as a woman from an African developing country,

they believed she had provided inspiration for the poorest and most vulnerable of the world, fighting to address their needs.

84. All those who spoke touched upon Ms. Cheikhrouhou's impact on the GCF, overseeing its journey to operationalization over the course of her mandate and leaving behind a robust legacy for the GCF to continue succeeding in the future. Particular reference was made to the excellent Secretariat staff brought on board and the innovative institution she had helped to build, her contribution through the GCF to the achievement of the historic Paris Agreement, and above all her direct contribution to the lives of millions worldwide with the approval of tangible projects affecting people on the ground. A Board member cited anthropologist Margaret Mead in this regard: "never doubt that a small group of thoughtful, committed citizens can change the world. Indeed, it is the only thing that ever has".

85. A few Board members gave specific statements on behalf of their constituencies, or of a more personal nature.

86. On behalf of the small island developing States (SIDS), the Board member from Samoa placed on record his deepest appreciation and admiration for the way the ED had led the Secretariat, noting that Ms. Cheikhrouhou had become not just a source of inspiration but also a friend. He expressed how reassured those representing vulnerable constituencies had felt with Ms. Cheikhrouhou at the helm of the GCF, seeing her as a pillar of strength who would always fight for the needs of the most vulnerable. His only regret was that the ED would not be able to visit Samoa for the fifteenth meeting of the Board.

87. The Board member from the United Republic of Tanzania, on behalf of the African constituency, commented that Ms. Cheikhrouhou had shown that Africa could deliver a strong woman to spearhead such a great institution, expressing his pride in her appointment and work.

88. The Board member from the Democratic Republic of the Congo, on behalf of the least developed country (LDC) constituency, stressed the great service provided by the ED to these vulnerable countries.

89. The Board member from Norway placed on record his particular appreciation for the excellent cooperation he had enjoyed with the ED during his time as Co-Chair the previous year.

90. The CSO active observers thanked the ED and recognized the crucial role she had played in encouraging observer engagement, especially for civil society, in order to shape the GCF. They noted that she had shared the CSO vision of a strong role for observers and communities in order to enact transformational change on the ground. They praised Ms. Cheikhrouhou as not only a role model for women, but someone who had affected a paradigm shift in many countries by integrating gender-responsiveness throughout the policies of the GCF.

91. The private sector organization (PSO) active observer echoed the comments of the CSO active observer, going on to thank the ED in particular for supporting the Private Sector Facility (PSF) and engaging with private sector actors in the development of the GCF.

92. Finally, Board members expressed their gratitude to Ms. Cheikhrouhou for her work, expressing the hope that their paths would cross again, and wishing the outgoing ED every success and happiness in the future.

93. The Co-Chairs concluded by echoing the sentiments of the Board, noting the high regard in which Ms. Cheikhrouhou and her work were held by all concerned, thanking her and looking forward to their continued collaboration until the conclusion of her term and beyond.

94. Three limited distribution decisions were adopted under this agenda item:

(a) **DECISION B.13/13** and **DECISION B.13/14** on the appointment of the interim Executive Director of the Secretariat; and

- (b) **DECISION B.13/15** on the search process for the appointment of the next Executive Director of the Secretariat

## **Agenda item 10: Appointment of the Heads of the independent Accountability Units**

95. The Board considered the agenda item in a closed session and adopted the following decision:

### **DECISION B.13/16**

*The Board, having considered document GCF/B.13/25 (limited distribution) titled “Contractual arrangements for the Heads of the Accountability Units”:*

- (a) *Notes the appointment of the heads of the independent Redress Mechanism, the independent Evaluation Unit and the independent Integrity Unit (Accountability Units);*
- (b) *Authorizes the Co-Chairs to negotiate and sign, on behalf of the GCF, for up to 45 days, the contracts between each of the Heads of the Accountability Units and the GCF;*
- (c) *Requests the Co-Chairs to develop the performance criteria and evaluation procedure for approval by the Board via a decision between meetings before the fourteenth meeting of the Board in accordance with decision B.10/15, paragraphs (i) and (j); and*
- (d) *Expresses its appreciation for the work of the Appointment Committee, the Ethics and Audit Committee, and the Secretariat in the selection of the Heads of the Accountability Units.*

### **(a) Appointment of the Head of the Independent Redress Mechanism**

### **(b) Appointment of the Head of the Independent Evaluation Unit**

96. The Board took note of document GCF/B.13/10 (limited distribution) titled “Appointment of the Head of the Independent Evaluation Unit”.

97. A limited distribution decision was adopted under this agenda sub-item:

- (a) **DECISION B.13/17** on the appointment of the Head of the Independent Evaluation Unit.

### **(c) Appointment of the Head of the Independent Integrity Unit**

98. The Board took note of document GCF/B.13/11 (limited distribution) titled “Appointment of the Head of the Independent Integrity Unit”.

99. A limited distribution decision was adopted under this agenda sub-item:

- (a) **DECISION B.13/18** on the appointment of the Head of the Independent Integrity Unit.

## **Agenda item 11: Strategy on accreditation**

100. The Co-Chairs opened the item and introduced document GCF/B.13/12 titled “Strategy on accreditation”. They invited the Chair of the AC, Ms. Diann Black-Layne, to make a presentation. Ms. Black-Layne outlined the process by which the AC had worked, which had involved wide consultation with different stakeholders. She summarized the recommendations of the AC under process, reporting and policy themes, including prioritizing more direct access

entities and greater regional coverage; the need for the TAP and the Accreditation Panel (AP) to collaborate on fast-tracking and the need for additional policy guidance from the Board on country ownership, balance, diversity and a fit-for-purpose strategy. In addition, she highlighted the possibility of the AC developing additional policies on interim targets and solutions for a more efficient and effective accreditation process; and of strengthening openness, transparency and the role of observers in relation to the work of the AC. She noted that there was currently no consensus in the AC on matters such as accreditation eligibility principles and limiting the total number of AEs to a specific number. Finally, she summarized the key lessons learned; emphasizing that the time required to clear the current pipeline of entities seeking accreditation was between four and eight years.

101. The Co-Chairs opened the floor for comments and asked Board members to focus on gaps in the strategy and the way forward so these could be fed into the work of the AC after the meeting.

102. Board members thanked the AC for its hard work, commended it on the quality of the document and thanked its Chair for her presentation. They noted that the process had been successful and many were in broad agreement with the draft strategy and the recommendations of the AC. Members of the AC also commended Ms. Black-Layne for her leadership. They also thanked the AP and the Secretariat for their inputs. A number of Board members made interventions around several themes covered below.

## Progress

103. A Board member and member of the AC wished to record the tremendous achievement of the GCF in a short period of time. The GCF had been innovative in its fit-for-purpose and fast-tracking policies for accreditation. In record time, it had put together a range of 33 high-quality, innovative AEs. They highlighted that it had taken on average just 7.3 months for these applicant entities to go from the start of the process to approval by the Board, and that the process had been undertaken with quality and rigour. This had taken years in other institutions. They noted that a key question was the choices countries have when they want to finance a project or programme in their national plans or investment strategies, noting that countries should be able to look at a range of choices. Document GCF/B.13/12, annex I, table 1, sought to provide a summary of this indicating that whether countries wanted blended finance, large- or small-scale projects or a variety of other categories, they had choices. The strategic thrust should now change from the first come, first served basis to allow the GCF to move to a second phase focused on considerations of how entities could contribute to the overall coverage and capabilities of the GCF. Furthermore, for the first time, the strategy on accreditation also addressed costs, particularly the costs for entities seeking accreditation and those incurred by the GCF. They also noted that an important statistic provided in the document was that the Secretariat needed one accredited entities specialist for every 10 AEs in order to manage and support those relationships. They also noted that, following a meeting between the AC and the AP, the AP was in agreement with the AC that the focus now for the AP should be on those AEs seeking to upgrade their accreditation types. A second priority for the AP was to ensure that AEs that have accreditation conditions can fulfil and close those conditions.

104. On the role of the AP, this Board member noted that it had been a significant asset to the GCF and had delivered in record time. There was now a need for it to ensure that it put in place the architecture for the AP with institutionalized rules and procedures so it could be an established feature of the GCF.

## Priorities

105. Several Board members stated that increasing the number of national direct access entities from developing countries was a major priority. It would be necessary to incentivize these institutions to become part of the accreditation process. While strongly supporting this as a priority, another Board member urged that the process be streamlined in order to limit transaction costs for smaller direct access entities while at the same time ensuring there were no deviations from current standards to avoid reputational issues for the GCF. Another Board member urged that the strategy should focus on clearing the existing pipeline of entities seeking accreditation first, before prioritizing calls for more applicants.

106. Other Board members also highlighted geographic regions, such as Asia, the Pacific and Eastern Europe, as priorities along with thematic coverage where focus needed to be placed on direct access entities. Furthermore, another high priority was the private sector, particularly in developing countries. Another Board member noted that the Readiness and Preparatory Support Programme had been critical in supporting the accreditation of national implementing entities and should be enhanced as matter of priority.

107. Regarding the maintenance of high standards among AEs, another Board member stated that the GCF should strongly encourage AEs to mainstream GCF guiding principles across their operations. AEs should be encouraged to align their investment portfolios with the GCF, including through the monitoring and accountability framework. The GCF should establish a baseline for the portfolio and practices of AEs and the degree to which they are aligned. The “greening” of AEs portfolios over time should be monitored as required by the Paris Agreement.

## Country ownership

108. A Board member suggested that country ownership needed to be highlighted more in the strategy document. It is not the same as government ownership. Therefore, the strategy should reflect an inclusive process in the selection of AEs, including the involvement of civil society, municipal governments and other stakeholders.

## Role of accredited entities

109. A Board member highlighted the need for the Board to consider the future role of AEs so that they moved beyond being Project Managers for the GCF. As partners in achieving the GCF goal of being a transformative institution, AEs should be encouraged to develop objectives to this effect.

## The number of accredited entities and their management

110. A number of views were expressed on whether to cap the number of AEs. Those supporting some kind of limit noted that the Board needed to be strategic in approaching this subject and, that without any limit, the numbers would become unmanageable and that, in any case, setting a limit need only be temporary. A Board member observed that in large countries, such as India, there may be a case for more than one AE notwithstanding the cost and management implications. The overall intention should be to have as many AEs as possible aligned with the goals and objectives of the GCF. Another Board member noted that it was important to consider how the GCF would manage, nurture and strengthen relationships with the existing 33 AEs. Another Board member wondered if in the context, for example of the LDCs, whether seeking funding via the AE route was the right approach. There were many ways to work with the GCF. It is important to be clear with partners on the purpose of accreditation, the potential value added and the most appropriate options for each one.



111. Others stated that there was no need to cap the number of AEs at the present time. A Board member noted that the GCF was recovering the costs associated with the 33 AEs and strongly opposed changing the rules midway through the process. There was a danger that developing countries would perceive that one set of rules was applied to developed country entities, and another to developing country entities. The need for consistency of approach was underlined by another Board member. They noted that the Governing Instrument stated that all regional, national and international institutions would be on an equal footing. Finally, another Board member emphasized that the ultimate goal for almost all developing countries was to have a national AE. They did not want any particular group to have a monopoly on accessing resources.

### **Eligibility**

112. A Board member and member of the AC noted that the AP had asked for guidance on export credit agencies (ECAs). There was no consensus within the AC on this. The Board member stated that ECAs were very important entities to work with on climate finance. They had a role to play in the GCF through co-financing and other means. They stated that it would be inappropriate to channel public funds through the GCF to entities such as ECAs. ECAs differed from development finance institutions (DFIs) in that DFIs had development mandates, open and competitive procurement systems and fully untied aid.

113. There were some divergences among Board members on the role of certain institutions. A Board member stated that some of the 33 entities already accredited had ECA elements and it would not be good for the image or reputation of the GCF if there appeared to be different standards and approaches applied to different institutions. A Board member cited an Organisation for Economic Co-operation and Development (OECD) report which demonstrated that a lot of multilateral and bilateral institutions were trying to untie aid. Given that fact, the Board member asked whether all developing country institutions would be requested to untie aid before they could partner with the GCF. The Board member requested the Board to be consistent in its approach to considering future potential AEs as compared to those already accredited. Another Board member noted that commercial banks had profit as their number one priority as compared to sustainable development, and that the Board still decided to accredit those entities. The Board member also stated that each application should be considered on merit with no exclusion criteria.

### **Accreditation process**

114. A Board member supported the recommendation of the AC for further work on setting interim targets for AE coverage in terms of accreditation type, geography, thematic areas and other key factors, as well as on approaches to improving process, transparency and openness of observers in the work of the AC. On the efficiency and effectiveness of the accreditation process, they suggested that it might be useful to think about options to increase the AP capacity and to streamline the accreditation process. Another Board member suggested that, in terms of possible policy guidance to be developed, an interim approach to improving efficiency and effectiveness was the most pressing. In the context of decision-making on applications from potential AEs, another Board member expressed concern that there appeared to be different standards at work when comparing the recommendations of AEs. It would be important for the AP to come forward with proposals to address this. The Board should request that AE work programmes that are aligned to NDCs are in place.

## New accredited entities

115. Another Board member wondered if there should be a cut-off date by which new AEs should submit funding proposals otherwise effectively they were taking a place which other AEs could use, if they did not intend to submit funding proposals. They suggested further that more funding proposals from national AEs were needed.

## Specific feedback

116. Another Board member provided feedback on several specific points in annex I to document GCF/B.13/12:

- (a) Paragraph 18: This should not only refer to geographic and thematic balance but should also mention direct versus international access, particularly in terms of funding volumes that can be accessed. This was the practice in the Adaptation Fund under the Kyoto Protocol;
- (b) Paragraph 25: Fit-for-purpose should also encompass the opportunity to simplify and streamline the accreditation process for small entities especially those from the LDCs and SIDS;
- (c) Paragraph 48: It was suggested that this paragraph sent the wrong message by implying that the LDCs and other similarly constrained countries should rely on the service of regional and international entities; and
- (d) Paragraph 49: Cost-effectiveness should, if at all, only play a subordinate role when assessing the most suitable channels for accessing funds for the LDCs. It was far more important to emphasize the building of institutional capacity by giving AEs the opportunity to work for their own country on climate change adaptation and mitigation.

## Living document

117. A Board member requested that the strategy be updated once decisions had been taken on PPF and readiness.

## Conclusion

118. The Co-Chairs thanked Board members for a rich discussion. They asked the AC to take note of all the comments from Board members and to build these into their future work. They closed the session and apologized to the active observers for not being able to provide an opportunity to make an intervention owing to the scheduled reception that evening.

119. The Board adopted the following decision:

### ***DECISION B.13/19***

*The Board, having considered document GCF/B.13/12 titled "Strategy on accreditation":*

- (a) *Takes note of the work of the Accreditation Committee on document GCF/B.13/12; and*
- (b) *Requests the Accreditation Committee to take into consideration feedback received at the thirteenth meeting of the Board and to continue to revise document GCF/B.13/12 for presentation at the fourteenth meeting of the Board.*

## Agenda item 12: Funding proposals

### (a) Update on the status of the Fund's pipeline

120. The Co-Chairs opened the agenda sub-item and drew the attention of the Board to document GCF/B.13/Inf.10 and Add.01 and Add.02 (the addenda being limited distribution documents) titled "Status of the Fund's portfolio: pipeline and approved projects".

121. A representative of the Secretariat presented an update on the status of the project and programme pipeline, provided a regional and sectoral breakdown of projects and a list of concept notes. They informed the Board of the progress made towards the implementation of the eight funding proposals that were approved at the eleventh meeting of the Board.

122. The Co-Chairs opened the floor for comments from Board members.

123. Several Board members praised the quality of the document, as a considerable improvement on previous pipeline status updates which contained comprehensive information on the status of the pipeline and, in particular, the portfolio of concept notes. Others urged the Secretariat to be even more analytical in the report to B.14, identifying gaps between the pipeline and the project/programme aspirations of the GCF, with actions proposed to deal with them, including decisions they recommended that the Board needed to take.

124. Various Board members raised concerns over the imbalance between the mitigation and adaptation portfolios, the shortage of proposals from direct access entities and the current slow progress towards the signing of accreditation master agreements. The Secretariat was urged to continue its efforts to establish accreditation master agreements with organizations that had projects that had been approved or were in the pipeline.

125. Some Board members stressed the need for closer collaboration with NDAs in order to facilitate their involvement in projects as early as possible, and to find ways to ensure that funded activities had a transformational impact.

126. A number of Board members expressed a desire for the Board to provide greater direction to countries instead of relying solely on spontaneous proposals over which the Board had little control. For example, the Board could consider posting requests for proposals in certain areas or regions, or targeting certain vulnerable communities. Another suggestion was for the Board to provide advice to the AP on how to prioritize proposals from entities. Clearer messages needed to be provided to countries and AEs on the kind of projects and programmes sought by the GCF. The Secretariat could also take a more proactive and analytical approach to attracting the desired quality, range and quantity of project proposals.

127. Particular efforts should be made to establish AEs and NDAs in countries where they were still lacking, and to make NDAs aware of projects as early as possible so as to obtain their endorsement and to ensure country ownership of projects throughout the pipeline process. A Board member suggested that it was important for the Secretariat to strengthen its capacity to help countries which were unable to identify an AE but which had suitable projects.

128. A number of Board members drew attention to the low volume of projects currently in the pipeline and expressed concern that the GCF would fail to meet its ambitious target of disbursing USD 2.5 billion worth of funding in 2016. Suggestions on how to accelerate pipeline development and increase the proportion of direct access entities in the portfolio included: strengthening readiness and the PPF; increasing the capacity of the Secretariat; taking a more proactive approach to sourcing requests for proposals in priority areas; exploiting the potential for co-financing; developing programmatic approaches; and simplifying the proposal approval process.

129. A Board member stressed that the quality and transformational impact of projects was of the utmost importance. Several Board members requested the Secretariat to establish a more thorough definition of the term “transformational”, to find ways in which the GCF could achieve maximum transformational impact, and to transmit relevant guidance to AEs and NDAs.
130. Concern was expressed over the insufficient involvement of the private sector in view of its critical role in delivering innovative outcomes and funding at scale. Board members called on the Secretariat to promote the involvement of private sector entities in developing countries.
131. A Board member requested clarification on the geographical distribution of cross-regional projects, which comprised 36 per cent of the current portfolio. The Secretariat explained that the figure corresponded to two large global programmes which had been labelled as “cross-regional” because no detailed breakdown by recipient countries or regions was available.
132. Another Board member highlighted the need to inform NDAs of projects as soon as they arose so that no-objection letters could be issued as soon as possible and clarification was requested on the exact procedure for the timing of no-objection letters.
133. A number of Board members and a CSO active observer expressed concern at the ambiguous definition of the term “cross-cutting”, which may lead to incorrect labelling of some interventions. Clear criteria were needed for the classification of projects.
134. The PSO active observer said that the considerable up-front costs of developing project proposals could only be justified if GCF processes and procedures were sufficiently clear, transparent and predictable. The private sector was also in need of guidance on the definition of terms such as “market transformation”, “innovative” and “paradigm shift”. The observer expressed concern over the catalytic role of the GCF and its participation in funding structures with other public and private sector financiers. It had been hoped that the GCF could assume that role both in terms of instrument (for example through subordinated or first loss structures) as well as amount (assuming the role of an anchor investor to enable a speedy time to market of new financial instruments). The observer noted that the absence of an internal risk management capacity at the Secretariat constituted an obstacle to the progression of private sector projects through the pipeline. To conclude, the observer requested a copy of concept notes, which they had not received.
135. The CSO active observer expressed concern over the low proportion of projects submitted by direct access entities, as well as the insufficient proportion of projects on adaptation, and highlighted the risk that adaptation projects would continue to be underfunded as in the past. While the inclusion of agenda item 12(d), “Requests for proposals”, on the agenda of the current meeting was a welcome step, the decision to cover that agenda item in a closed session was regrettable.
136. In response to the comments made by the Board, a representative of the Secretariat clarified the apparent imbalance between mitigation and adaptation noting that there were 24 adaptation projects in total, while mitigation projects accounted for 21 of the funding proposals currently in the pipeline. Furthermore, for the funding proposals approved at the eleventh meeting of the Board and those presented at B.13, the total funding assigned to adaptation was in fact higher than that assigned to mitigation. It was also more likely that a balance would be achieved once grant equivalency was taken into consideration – such figures were currently unavailable due to the absence of a calculation methodology.
137. The Secretariat took note of the guidance offered by the Board on improving the pipeline status report and on setting out clearer definitions of certain key terms. The representative clarified that each proposal submitted to the Secretariat must be accompanied

by a no-objection letter and that the Secretariat was making efforts to ensure compliance with that rule.

138. Regarding concept notes, the Secretariat had advised AEs to engage with NDAs as early as possible in the process and to notify them of any potential projects. It should nevertheless be noted that many of the concept notes in the list contained in document GCF/B.13/Inf.10 were at the preliminary stage and may not materialise.

139. Another representative of the Secretariat said that a number of good-quality projects in the PSF pipeline were close to approval and could be accelerated once the relevant policy guidance had been received.

140. The Co-Chairs called for a pro-active approach to shaping the pipeline and stressed the need to further increase transparency by making more information available to stakeholders, including through the website. Regarding the issuance of documents, they noted that certain documents were not distributed to all meeting participants because of their confidential nature.

141. The Co-Chairs invited the Board to take note of document GCF/B.13/Inf.10. There being no objections, the Board duly took note of the document.

#### **(b) Simplified procedure for small-scale activities and certain activities**

142. The Co-Chairs opened the sub-item and drew the attention of the Board to document GCF/B.13/13/Rev.01 titled “Simplified processes for approval of proposals for certain activities, in particular small-scale activities: recommendations from the Co-Chairs”.

143. A Board member took the floor to express their delight that this item had come to the Board for approval, and though noting that it is an “in-principle” decision, urged the Board to approve the draft decision now.

144. Many Board members believed that it was critical to support and facilitate the development of direct access entities proposals by applying simplified processes, and ultimately to strengthen their pipeline development. They felt the draft decision text was not strong enough on this point, and suggested different approaches to correct this. Some Board members proposed assigning priority to proposals from direct access entities. The discussion led to the suggested inclusion, in paragraph (c) of the draft decision, of a specific reference that simplified processes would apply “especially” to proposals from direct access entities, in order to reflect the emphasis that the Board places on these entities.

145. Two Board members suggested placing an emphasis on recipient countries and their specific needs, rather than a one-size-fits-all simplified approach. They argued that countries such as SIDS, the LDCs or African States might have capacity limitations and therefore be unable to undergo the complex standard process. A Board member proposed using simplified procedures for funding proposals from international entities in these countries only when no direct access entity was present, but another Board member suggested that the priority should be to support these countries, regardless of the kind of AEs available in the countries.

146. A Board member opined that the decision should also include proposals from NDAs and contribute to their empowerment, but it was clarified that funding proposals are not submitted by NDAs. Another Board member responded that the objective of empowering NDAs was already covered by the Readiness and Preparatory Support Programme, and would not be relevant to this decision.

147. A Board member suggested including some language linking this decision to the decision on the PPF, but this was deemed unnecessary by others, as the two items were being considered separately at the present Board meeting.

148. Finally, several Board members suggested issues for future consideration. Two Board members argued that procedures should be simplified throughout, rather than only at the funding approval stage. Another Board member urged the Board to consider in greater detail the operationalization of procedures, and to include elements such as the delegation of decision-making authority from the Board to the Secretariat for proposal approvals, or intersessional approvals for micro- and small-scale activities, in future discussions.

149. The Co-Chairs briefly adjourned the meeting to allow for constituency consultations, before reopening the sub-item.

150. A Board member called for the review of the proposal approval process to be moved forward to B.14. The Co-Chairs noted that this review was currently planned for the fifteenth meeting of the Board, and recommended keeping to the current work plan, but stated that they would look into the suggestion.

151. The Board adopted the following decision with the suggested amendment in paragraph (c) placing an emphasis on direct access entities:

### **DECISION B.13/20**

*The Board, having considered document GCF/B.13/13/Rev.01 titled “Simplified processes for approval of proposals for certain activities, in particular small-scale activities: recommendations from the Co-Chairs”,*

- (a) *Takes note of the convergence and matters raised during the consultations undertaken by the Co-Chairs;*
- (b) *Decides that a simplified process for small-scale activities will apply to both micro-scale and small-scale funding proposals that are assessed to fall under the low/no risk Category C/Intermediation 3;*
- (c) *Also decides that the simplified process will apply to proposals from all accredited entities, including subnational, national, regional and international entities, especially direct access entities;*
- (d) *Further decides that the simplified process will include a revised full funding proposal template for micro- and small-scale activities, and the Board’s agreement on simplifying the level of detail required in terms of feasibility studies and other supporting documentation for these proposals;*
- (e) *Decides that the simplified process will operate in accordance with GCF policies;*
- (f) *Also decides to review the simplified process following the completion of the Initial Resource Mobilization period, based on experience gained and lessons learned;*
- (g) *Further decides that in the context of overall budget and staffing decisions, adequate support will be allocated within the Secretariat for the consideration and implementation of the simplified processes for the approval of proposals for certain activities, in particular for small-scale activities, and requests the Budget Committee to provide guidance to the Secretariat on this matter; and*
- (h) *Requests the Secretariat to present to the Board, for consideration and approval at its fourteenth meeting, guidelines on the simplified processes for the approval of proposals for certain activities, in particular small-scale activities, taking into account the views expressed in the Co-Chairs’ consultations related to:*
  - (i) *The proportion of GCF contribution to the total project size;*

- (ii) *The level of details required for full proposal development; and*
- (iii) *The addressing of project risks.*

### **(c) Project Preparation Facility**

152. The Co-Chairs opened the agenda sub-item and drew the attention of the Board to document GCF/B.13/14 titled “Operational guidelines for the Project Preparation Facility”. They opened the floor for comments.

153. Many Board members highlighted that the PPF should, as a priority, focus on national and regional direct access entities, and projects and programmes in SIDS and the LDCs.

154. A Board member suggested that although the PPF could primarily target micro- and small-scale projects and programmes, it should not exclude larger ones.

155. Several Board members questioned the complementarity and division of labour between the PPF and the Readiness and Preparatory Support Programme, as there could be activities such as feasibility studies which could be supported by both.

156. Some Board members called for greater country ownership for the PPF, with the suggestion of advisory services being provided to AEs in order to contribute to the financial structure of proposed activities, ensuring consultation with NDAs and focal points for the development of PPF proposals. Other Board members asked how the no-objection procedure could be applied, especially regarding the timing of the no-objection letter from NDAs and focal points.

157. Regarding the delegation of approval authority to the Executive Director, one Board member asked for more information on the implementation plan and timeline for such a delegation, and wondered whether the Board should be delegating authority on funding decisions. However, several other Board members were comfortable with this delegation of authority, which they believed would speed up the process, as long as the Secretariat reported regularly to the Board on the PPF.

158. A Board member pointed out that the funding cap of 10 per cent with a ceiling of USD 1.5 million seemed too inflexible to meet the financial needs of different types and sizes of projects and programmes.

159. Many Board members recognized that the PPF would play an important role in shaping a strong project/programme pipeline for the GCF, and a Board member added that the success of the PPF should be measured by the improved quality of funding proposals.

160. The CSO active observer stated that the document did not provide enough clarity on the difference between the PPF and activity area 4 of the Readiness and Preparatory Support Programme. They emphasized that the PPF should only support direct access entities, for the development of projects and programmes aligned with country priorities. They also asked the Secretariat to work more closely with NDAs and focal points throughout the process, going beyond financial support to proactively share information, reach out to and follow up with NDAs.

161. The Co-Chairs invited the representative of the Secretariat to address the points raised.

162. The representative of the Secretariat explained that some PPF activities were embedded in readiness, including feasibility studies. However, they added that in some cases readiness could support more upstream activities for large programmes or country-level project scoping. They acknowledged the importance of the involvement of countries in PPF operations and the priority assigned to direct access entities, recalling decision B.08/11. They also emphasized that such concerns could be addressed in operations by proactively reaching out to entities and

countries underrepresented in the pipeline. They took note of the concerns regarding the approval process and no-objection procedure.

163. The Co-Chairs suggested creating a small adviser group to finalize the draft decision text and the agenda sub-item was adjourned.

164. The Co-Chairs reopened the agenda sub-item and invited Board members to comment on the revised draft decision text.

165. A Board member asked for the approval of PPF requests to be conducted in consultation with the Investment Committee. However other Board members stated that the Investment Committee was already overburdened with work and was not mandated to make funding decisions, and that this would create an additional bottleneck in the process.

166. Following concern expressed by a Board member that referring to “especially direct access entities” would exclude other entities and potentially disadvantage countries without direct access entities such as SIDS, it was pointed out that the decision text still referred to the PPF applying to “all accredited entities”, and that the added emphasis on direct access entities was necessary to ensure balance and diversity in the portfolio of the GCF.

167. A Board member suggested that each PPF request be disclosed on the GCF website upon approval.

168. Another Board member suggested that the independent Evaluation Unit be tasked with reviewing the implementation of the operational guidelines and effectiveness of the PPF.

169. The Co-Chairs asked the small group to finalize the draft decision text with these final two amendments and readjourned the agenda item.

170. The Co-Chairs reopened the agenda sub-item for the final time and presented the revised draft decision. There being no additional comments, the Board adopted the following decision:

### ***DECISION B.13/21***

*The Board, having considered document GCF/B.13/14 titled “Operational guidelines for the Project Preparation Facility”:*

- (a) Recalls decision B.11/11, paragraph (l), and decision B.12/25;*
- (b) Decides that the Project Preparation Facility will support project and programme preparation requests from all accredited entities, especially direct access entities, especially for projects in the micro-to-small size category in accordance with decision B.10/17, with a view to enhancing the balance and diversity of the project pipeline;*
- (c) Also decides that the Project Preparation Facility will support the following activities:*
  - (i) Pre-feasibility and feasibility studies, and project design;*
  - (ii) Environmental, social and gender studies;*
  - (iii) Risk assessments;*
  - (iv) Identification of programme- and project-level indicators;*
  - (v) Pre-contract services, including the revision of tender documents;*
  - (vi) Advisory services and/or other services to financially structure a proposed activity;*  
*and*



- (vii) *Other project preparation activities, where necessary, and with sufficient justification;*
- (d) Further decides the following operating modalities:
- (i) *The Secretariat will develop a Project Preparation Facility request template by also modifying the concept note template to request information on the underlying project/programme;*
- (ii) *Project Preparation Facility requests will be developed by accredited entities in consultation with the national designated authorities or focal points and with support from the Secretariat;*
- (iii) *Project Preparation Facility requests will be submitted by accredited entities in conjunction with a no-objection letter consistent with the initial no-objection procedure approved by decision B.08/10;*
- (iv) *For the initial phase, the Board authorizes the Executive Director to approve the Project Preparation Facility requests based on an assessment of the request against the investment criteria of the GCF as defined in decision B.07/06, a justification of needs, and consistency with relevant GCF policies taking into consideration paragraph (b) above;*
- (v) *Each approved Project Preparation Facility request will be disclosed on the GCF website upon approval;*
- (vi) *An amount of USD 40 million will be made available for the implementation of the initial phase of the Project Preparation Facility;*
- (vii) *Support for each Project Preparation Facility request will be provided commensurate with the activities listed in paragraph (c) above in the Project Preparation Facility request and the funding proposal being developed, limited to a maximum amount of USD 1.5 million;*
- (viii) *Support for Project Preparation Facility requests will be in the form of grants and repayable grants, and equity may also be considered for private sector projects;*
- (ix) *The Secretariat will report at each Board meeting on the pipeline of Project Preparation Facility requests received, approved and under implementation;*
- (x) *The Secretariat will also report on the conversion of concept notes receiving Project Preparation Facility support to funding proposals submitted and approved by the Board;*
- (xi) *Funding proposals developed with Project Preparation Facility resources should be submitted to the Board within two years of the approval of a Project Preparation Facility request unless sufficient justification for an extension is provided; and*
- (xii) *Sufficient staffing and resources will be provided to the Secretariat to ensure the Project Preparation Facility operates effectively;*
- (e) Decides that the independent Evaluation Unit will review the implementation of operational guidelines and the effectiveness of the Project Preparation Facility in order to draw lessons learned no later than the end of the initial resource mobilization period; and
- (f) Also decides to review funding for the Project Preparation Facility at its seventeenth meeting or once the funds made available through this decision are fully committed, whichever is earlier.

## **(d) Requests for Proposals**

171. The Board considered the agenda sub-item in closed session and adopted the following decision:

### ***DECISION B.13/22***

*The Board, having reviewed document GCF/B.13/15 titled “Establishing a programmatic framework for engaging with micro-, small- and medium-sized enterprises”,*

- (a) Recalls decision B.10/16 that established a pilot programme to support micro-, small-, and medium-sized enterprises of up to USD 200 million;*
- (b) Endorses the draft request for proposals for the micro-, small-, and medium-sized enterprise pilot programme materially in the form set out in annex II;*
- (c) Requests the Secretariat to issue the request for proposals to solicit responses from accredited entities and potential accredited entities in order to establish and manage the pilot projects/programmes;*
- (d) Decides to limit participation of the GCF in the first pilot programme to USD 100 million;*
- (e) Also decides to consider funding proposals that are submitted in response to the request for proposals as part of the wider portfolio of the GCF, and through the same modalities as spontaneous proposals;*
- (f) Requests the Secretariat to prepare terms of reference for one or more requests for proposals for the remainder of the micro-, small-, and medium-sized enterprises pilot programme, taking into account lessons learned from this first phase, and to present this for Board consideration; and*
- (g) Also requests the Secretariat to provide a status update on the progress of the micro-, small-, and medium-sized enterprise pilot programme at the fourteenth meeting of the Board.*

## **(e) Funding proposals**

172. The Co-Chairs opened the sub-item and drew the attention of the Board to document GCF/B.13/16/Rev.01 titled “Consideration of funding proposals”, as well as its addenda 01-12.

### **Presentations by the Secretariat and independent Technical Advisory Panel**

173. A representative of the Secretariat was invited to take the floor to explain the proposal review process following a request from a Board member. The representative presented the different stages of review by the Secretariat and the TAP, and the opportunities for interaction with AEs at each of these stages. The Co-Chairs noted that representatives of the AEs submitting funding proposals during the present Board session would be available to respond to any questions the Board may have, making the process more transparent and interactive.

174. Following this, the representative of the Secretariat presented key data on the portfolio of nine funding proposals under consideration at the Board meeting, as well as on the prospective total portfolio of the GCF of 17 projects and programmes, if the nine funding proposals under consideration at the present Board meeting were to be approved.

175. The Chair of the TAP then provided some remarks on the portfolio, noting some improvements in the quality of the funding proposals, as well as the need in some cases for

further preparation and refinement. They noted that, since the TAP review occurs at the final stage in the process, it would only seek clarification, and that it was useful for the Secretariat to improve preparatory work to ensure the quality of incoming projects. They believed that overall the Secretariat and the TAP could do more to make the funding proposal review process more concrete, efficient and transparent, ensuring that AEs fully understood the entire process and were kept abreast of developments, rather than seeing the Secretariat and the TAP as a black hole into which information disappeared. They also thought that the TAP should be involved in aspects such as benchmark setting further upstream.

### **General comments**

176. The Co-Chairs opened the floor for general comments relating to funding proposals.

177. A Board member raised a procedural issue, noting that a reply to the TAP from an AE had been circulated to the Board that morning, which did not allow for consultation with advisers; they asked for all relevant information to be circulated sooner. The Co-Chairs explained that this communication had arrived late, and they had taken the decision to circulate it as a non-paper in the name of transparency, but would strive to ensure more timely distribution of all relevant documents in future.

### **Proposal review process**

178. Two Board members enquired about possible procedural challenges and ways to improve the current process of the TAP obtaining information from the Secretariat, and in particular whether the TAP should interact directly with AEs. The Chair of the TAP responded that currently, in order to avoid any conflicts of interest and due to potential time constraints, the TAP did not interact directly with the AEs.

179. A few Board members welcomed reporting on co-financing, which they considered helpful in illustrating the leveraging power of GCF financing, though a Board member questioned the reliability of the methods used currently to calculate co-financing.

180. Many Board members suggested process improvements in order to allow the Board to consider funding proposals with more comprehensive information, including the views from AEs. They agreed it would be desirable to include a step by which AEs had a chance to address the comments of the TAP. A Board member also proposed holding a teleconference between interested Board members and the TAP before assessments were made public so as to improve understanding of the main issues with funding proposals. Others were wary of adding too many extra steps given time constraints, and also urged the Secretariat and the TAP to avoid duplicating work.

181. In cases where insufficient information was available or major changes needed to be made to funding proposals, two Board members asked for an option to defer decisions and reconsider projects at subsequent Board meetings after improvements were made, rather than the current process of either approving or rejecting funding proposals.

182. A Board member expressed concern about additional reporting requirements for the Secretariat being set for projects over long periods of time, which might have implications in terms of the capacity required from the Secretariat.

183. Several Board members agreed that it would be helpful for the Secretariat and the TAP to keep track of lessons learned in order to improve several aspects, among them the review process, project distribution (for example, fostering direct access participation) and quality.

## Conditions and recommendations

184. In relation to the approval process, there was confusion among some Board members regarding the system of conditions and recommendations, and provided by the TAP and Secretariat for funding proposals.

185. A Board member expressed concern regarding the recommendations of the TAP, asking why they could not include conditions for proposals they proposed to reject, in the event the Board took the decision to approve with certain caveats. The Chair of the TAP explained that if it felt a proposal was fundamentally lacking, it would recommend that the Board would not approve it; this was based on its opinion that no conditions could rectify a fundamentally flawed project. If it felt that certain changes could allow a proposal to reach a satisfactory level, then it might recommend approval with conditions.

186. A representative of the Secretariat explained the conditions set out for proposals, noting that they consisted of three parts: the first of a general, legal nature which were relatively straightforward; the second, conditions recommended by the Secretariat on material aspects of a proposal, which took into account AE comments, suggestions and feedback; and the third, which were the conditions proposed by the TAP which were not discussed with AEs.

## Balance in the portfolio

187. There was general appreciation for the balance in geographical distribution and between mitigation and adaptation, and particularly the importance given to adaptation. There were, however, concerns from many Board members about the shortage of direct access entities and private sector projects, although a Board member added the caveat that most proposals, even if implemented through public sector institutions, did include strong involvement of the private sector.

188. A Board member enquired as to whether such a balance had been achieved by design through cherry-picking certain proposals. The representative of the Secretariat clarified that that was not the case, as the Secretariat followed the proposal approval process as decided by the Board; indeed, some imbalances (the low number of direct access entities, lack of diversity of financial instruments, etc.) still existed.

189. A few Board members requested clarification on how the Secretariat determined a project to be cross-cutting, and whether mainly mitigation-based projects were being placed in this category, potentially skewing the data to show a better balance between mitigation and adaptation. The representative of the Secretariat clarified that the classification was made on the basis of the results areas, noting that there was scope for further improvement in terms of methodology.

## Quality and ambition of funding proposals

190. Board members expressed appreciation for the progress made in improving the quality of funding proposals with respect to the eleventh meeting of the Board.

191. Several Board members expressed dissatisfaction with the lack of scale and innovation in projects, in particular following the historic Paris Agreement. They expressed the need to increase ambition both from the technical and the financial sides, increasing the transformational nature of projects, using a wider variety of financial instruments and an appropriate level of concessionality, particularly for revenue-generating proposals.

192. To go beyond 'business as usual', a Board member felt that further defining investment criteria and establishing minimum benchmarks would help to signal the Board's ambition to

countries and AEs. Several decisions to be considered at B.13 could contribute to the objective – for example, the programmatic approach could help to scale up the speed of delivery of the funds, the risk framework could enable more risky and innovative projects, and an increase in Secretariat capacity could speed up these improvements.

193. There was an emphasis from Board members on the importance of carefully considering sustainability and the enabling environment, gender outcomes and GCF added value in funding projects.

194. A Board member called for the Private Sector Advisory Group to become active again, as well as urgently appointing a new director of the Private Sector Facility, to generate a pipeline of ambitious private sector proposals.

195. Another Board member suggested that the TAP hold a retreat or strategic session similar to that held by the Accreditation Panel in order to reflect on and improve the process.

196. A representative of the Secretariat noted that they shared the Board's ambition to increase the level of innovation and ambition of the portfolio and would make efforts to improve, but highlighted that a paradigm shift was complex to assess, and that the Secretariat already looked closely at the innovation, sustainability, replicability, enabling environment and knowledge and learning dimensions of projects/programmes.

### **Country ownership**

197. In order to speed up the pipeline, while promoting a country-driven approach, several Board members highlighted the urgent need to scale up the direct access entity portfolio, stressing the need to devote resources in order to support such entities and to improve the Readiness and Preparatory Support Programme and the PPF. Another Board member stressed that the accreditation strategy was critical in this regard, since many countries had no option but to rely on large international entities which were not always fully aware of the realities on the ground. A Board member suggested strengthening Secretariat capacity in terms of regional advisers and supporting NDAs to more effectively help countries to identify a potential pipeline of projects and programmes.

198. In their responses, the representative of the Secretariat agreed with the Board's comments on the need to improve the direct access entity portfolio and welcomed guidance on increasing the resources of the Secretariat to deliver such outcomes.

### **Statement by the General Counsel**

199. The General Counsel took the floor to explain that some funding proposals incurred additional costs due to a need for further due diligence and legal documentation. He proposed, in order for transparency, bringing these costs to the Board's attention whenever they arose in relation to a funding proposal.

### **Civil society organization statement**

200. The CSO active observer called for further scrutiny on financial additionality, in order to ensure that the GCF was not providing funding which could have been offered by the AE submitting the project. They urged the GCF to avoid approving proposals which would lead to the lock-in of fossil fuel use, and to introduce clear guidelines for energy efficiency. Finally, they called on the GCF to address several issues in pipeline development, including assessing the extent and quality of stakeholder participation throughout the design and implementation stages, and looking closely at co-financing and its associated conditions in order to ensure that this did not put an unfair burden on countries.

201. The Co-Chairs closed this section of the discussion, thanking Board members for their constructive comments, which touched on important aspects of the proposal approval process, which was scheduled for further discussion as a separate agenda item at the fifteenth meeting of the Board.

202. They concluded that these points would be compiled and used as inputs for the document on the proposal approval process to be considered at that time.

### **Individual funding proposals**

203. The Co-Chairs then invited the Board to comment on each proposal under consideration in turn, encouraging Board members to be succinct and mainly take the floor to flag issues rather than signal their approval.

### **Funding proposal 009: Energy savings insurance for private energy efficiency investments by small and medium-sized enterprises**

204. The Co-Chairs introduced the first funding proposal, titled “Energy savings insurance (ESI) for private energy efficiency investments by small and medium-sized enterprises (SMEs)” in El Salvador, submitted by the Inter-American Development Bank (IDB).

205. The proposal received praise from all Board members who took the floor. Among its strengths, Board members highlighted its alignment with investment criteria, strong results in the priority area of energy efficiency, its innovative design of instruments based on extensive stakeholder consultations, its flow of funds through national development banks and local financial institutions, and the adequate use of financial instruments and the level of concessionality. They also highlighted the fact that it applied lessons learned in Mexico to a business model with strong replication potential. A Board member encouraged the IDB to ensure that concessionality flowed as intended through all layers of the financial system.

206. Some Board members asked the IDB for more information on emission reduction results and the disposal process, and encouraged the IDB to better implement gender in the logical framework, in particular with regards to the target proportion of jobs for women and consultation with women-owned micro-, small- and medium-sized enterprises. The representative from the IDB clarified that validators who verified the successful installation of equipment also checked that old equipment was disposed of according to the laws of El Salvador, which were consistent with the Montreal Protocol on Substances that Deplete the Ozone Layer. They also agreed to include the gender target in the logical framework, and clarified the figures for annual and lifetime emission reductions, and the replication potential.

207. The CSO active observer expressed concern that this project would in effect support the continued use of slightly less polluting fossil fuel, and called for these kinds of proposals to be avoided in future.

208. The Board took note of document GCF/B.13/16/Add.01 and approved funding proposal 009 contingent on the fulfilment of the conditions as contained in annex III to this report.

### **Funding proposal 010: De-risking and scaling up investment in energy efficient building retrofits**

209. The Co-Chairs introduced the funding proposal titled “De-risking and scaling up investment in energy-efficient building retrofits” in Armenia, submitted by the United Nations Development Programme (UNDP).

210. There was praise from several Board members that the proposal addressed the energy efficiency sector, which had high emission reduction potential, while benefitting low-income populations, and presenting the opportunity for de-risking, drawing in further investment, and capacity-building for Armenian institutions.

211. A few Board members expressed a desire for greater ambition regarding the financing for the project, and thought there was no clear justification for requesting a grant rather than a loan, taking into account that there were good models for revenue generation in the sector. However, others felt the low gross domestic product of Armenia and the low income of the populations targeted justified the use of grants. Some Board members noted that their concerns regarding concessionality had been addressed through interactions with the AE, and therefore called for this interaction to take place earlier on in the process, and for the AE to provide information more comprehensively in future.

212. A Board member criticized the lack of a clear exit strategy that ensured sustainability. Another Board member suggested that the proposal should build the capacity of the national implementing entity to implement such projects alone in the future.

213. The CSO active observer supported the use of GCF funds for de-risking energy efficiency retrofits in Armenia, but expressed some concerns regarding the proposed switch from electrical to natural gas heating in public buildings; they called for efforts to be made to avoid the lock-in of fossil fuel approaches. On gender, they noted that the programme did not seem to make any special provisions to prioritize access for women nor to provide for sex-disaggregated data collection in the proposed monitoring framework and indicators.

214. In response to these comments, the representative of UNDP noted that the environmental project implementation unit of the Armenian Government planned to seek accreditation with the GCF, and that UNDP hoped to build up its capacity to become accredited. They argued that, while energy efficiency investments had a positive net present value, in some contexts, grants for the target beneficiaries were a very effective tool in removing psychological barriers to making such investments. They added that since the use of fossil fuels in the country was high, energy efficiency investments would reduce consumption needs and create preconditions for the move to renewable energy, while already contributing to mitigation in a very cost-effective way.

215. The Board took note of document GCF/B.13/16/Add.02 and approved funding proposal 010, contingent on the fulfilment of the conditions and due consideration of the recommendations as contained in annex III to this report.

### **Funding proposal 011: Large scale ecosystem-based adaptation in the Gambia – developing a climate-resilient, natural resource-based economy**

216. The Co-Chairs introduced the funding proposal titled “Large scale ecosystem-based adaptation in the Gambia – developing a climate-resilient, natural resource-based economy”, submitted by the United Nations Environment Programme (UNEP).

217. Several Board members welcomed the fact that the proposal addressed ecosystem adaptation, which had been so far relatively underrepresented. A Board member was pleased to see a forest-related project coming to the Board.

218. A few Board members expressed concerns regarding the ability of the Government of the Gambia to implement this project without additional oversight, and suggested the addition of a condition: the inclusion of a fiduciary risk plan outlining the measures UNEP would take for enhanced oversight and monitoring of project funding, including in-country.

219. Several Board members viewed the AE fee, overheads and budget for equipment as too high, and asked UNEP to clarify how much of the budget would be spent in the country and how much would cover overheads.
220. A Board member opined that the proposal did not clearly reflect how the landscape would be managed, and asked whether a co-management approach had been considered, as it could provide benefits for a large number of people.
221. Another Board member wondered which experts had been consulted on the effects of the rainy and dry seasons for the project, especially relating to food security.
222. The CSO active observer reported that they had received positive comments from civil society in the Gambia on this proposal, but stressed that proper monitoring and implementation responding to the needs of affected communities would be essential. They noted that this project could serve as a testing ground for participatory monitoring approaches.
223. The representative of UNEP expressed their commitment to addressing the conditions and recommendations of the Secretariat. With regard to food security, they explained that the issue of hunger before the rainy season had been highlighted during consultations in the design phase. They noted that this aspect would be addressed with the help of food security officers.
224. With regard to the perceived high costs, the representative of UNEP explained that the project would deal with 125 communities. This would require, in addition to the main office in the capital, Banjul, four satellite offices to be set up in four regions, as well as travelling costs and the purchase of vehicles. They requested that AE fees of 9 per cent of total project costs would be used to provide supervision and oversight from UNEP staff, as well as for the evaluation of the project, while additional funds would be dedicated to increasing the fiduciary capacity of the executing entity.
225. Regarding the comments on co-management, they explained that one of the strengths of the project was the fact that communities participating in the project had been granted management rights, which would lead to benefits from the co-management of forests.
226. Finally, a Board member asked how knowledge would be disseminated at the community level in order to promote best practices, and how the project would deal with the restoration of different types of forests. The representative of UNEP clarified that these activities were part of the training packages provided.
227. A representative of the TAP took the floor to place on record the opinion of the TAP that this was a very high-quality project, and the type of paradigm shift project which it was happy to see applying for GCF funding.
228. The Co-Chairs suggested approving the proposal with the inclusion of the condition suggested by a Board member.
229. The Board took note of document GCF/B.13/16/Add.03 and approved funding proposal 011, contingent on the fulfilment of the conditions as contained in annex III to this report which include an additional condition as approved by the Board.

**Funding proposal 012: Africa Hydromet program – strengthening climate resilience in sub-Saharan Africa: Mali country project**

230. The Co-Chairs introduced the funding proposal titled “Africa Hydromet program – strengthening climate resilience in sub-Saharan Africa: Mali country project”, submitted by the World Bank.



231. Most Board members expressed support for the proposal, noting its transformational and replicable potential as it addresses prominent infrastructure needs, and the fact that the project was focused on prevention, the most efficient way to tackle climate issues.

232. A Board member encouraged the World Bank to engage closely with the United States Agency for International Development during implementation, noting substantive synergies between the two in this area of work. The AE representative explained that they already enjoyed excellent collaboration with the United States Agency for International Development, and that this would continue.

233. A Board member questioned why the AE was only contributing USD 2.5 million, less than 10 per cent of the overall cost. The AE representative explained that the level of contribution from the World Bank was due to the Malian Government not being eligible for grant-funded resources from the World Bank International Development Association as a result of the current situation in the country, and that concessional credit was not deemed appropriate for this type of activity. They noted, however, that the World Bank had invested USD 125 million in the wider Africa Hydromet programme.

234. The CSO active observer voiced concern that civil society groups in Mali did not seem to have been aware of wider consultation with civil society on the project, and called for more direct and sustained engagement, for example with executing national entities. The AE representative noted the concern around consultation and clarified that they had tried to reach out to all stakeholder groups, with the assistance of the government, but stated their intention to reach out to more stakeholder groups outside the government to ensure the shared goal of long-term sustainability.

235. The Board took note of document GCF/B.13/16/Add.04 and approved funding proposal 012, contingent on the fulfilment of the conditions and due consideration of the recommendations as contained in annex III to this report.

### **Funding proposal 013: Improving the resilience of vulnerable coastal communities to climate change related impacts in Viet Nam**

236. The Co-Chairs introduced the funding proposal titled “Improving the resilience of vulnerable coastal communities to climate change related impacts in Viet Nam”, submitted by UNDP.

237. Most Board members expressed support for the project, noting its strong country ownership, the sustainability of its co-financing, positive social outcomes, community-based and integrated approach, and its responsiveness to real needs, given coastal Viet Nam’s vulnerability to extreme weather patterns induced by climate change.

238. A Board member sought assurance that the planning process was good value for money, requesting additional detail on the budget for a storm-resilient design.

239. Several Board members asked how implementation would take place, and how the project would interact with and build on other projects such as the World Bank’s mangrove restoration and rehabilitation work, the work of Mangroves for the Future, or the work United Nations Human Settlements Programme and similar entities may have carried out in the field. The AE was encouraged to explore synergies in this regard.

240. A Board member suggested using the project to build capacity in the Vietnamese Ministry of Agriculture and Rural Development, with a view to future accreditation with the GCF and integrating this project into its future long-term plans, thereby making the project more sustainable and easily replicable.

241. Two Board members sought assurance that appropriate technology transfer would take place; one went further in calling for local production facilities to be set up and used to ensure the sustainability of these kinds of projects within countries in the future.
242. Some Board members asked whether the project was putting in place the necessary legal and regulatory frameworks, and encouraged the AE to make better use of risk planning to maximize transformational potential and sustainability.
243. Several other Board members emphasized the potential for improvement on gender integration, and requested more information on how gender considerations would be mainstreamed during implementation by UNDP.
244. Some Board members asked for justification of what they saw as a relatively high project management fee requested by UNDP.
245. The CSO active observers, though supportive of the project, pointed out the limited engagement of vulnerable groups in coastal populations, and echoed the need to further elaborate on the role of women and the benefits they would receive from the project.
246. In response, the UNDP representative clarified that the gender assessment and action plan were included in the document and assured the Board that its concerns would be reflected in the logical framework before implementation. They also confirmed that GCF funds would complement an ongoing government lending programme for housing, facilitating the replicability of its results under the wider umbrella of the programme, and that there were measures in place to ensure coordination with existing initiatives, including a project steering committee. They finally clarified that the 9 per cent AE fee would cover financial and technical oversight, in line with GCF guidance.
247. The Board took note of document GCF/B.13/16/Add.05 and approved funding proposal 013, contingent on the fulfilment of the conditions and due consideration of the recommendations as contained in annex III to this report.

**FP014: Project to support the World Bank's Climate adaptation and mitigation program for the Aral Sea basin (CAMP4ASB)**

248. The Co-Chairs introduced the funding proposal entitled "Project to support the World Bank's climate adaptation and mitigation program for the Aral Sea basin (CAMP4ASB)" in Tajikistan and Uzbekistan, submitted by the World Bank.
249. A Board member noted that perhaps including "World Bank" in the title of the project was not particularly politically sensitive when the GCF was trying to promote country ownership.
250. Several Board members expressed concerns regarding different parts of the proposal. More Board members argued that the project was not transformational and questioned the theory of change of the project, and the capacity of the proposed actions to remove barriers such as legal and regulatory frameworks.
251. A Board member placed on record their opposition to the project, feeling it was not climate change related, though they noted that they would not stand in the way of consensus.
252. The efficiency and financial sustainability of the proposal were also questioned by some Board members; in particular, its use of grant financing when more innovative financing structures may have been available. Gender integration, risks, complementarity with other interventions, and an understatement of the complex political economy of the area were other weaknesses noted by various Board members.

253. A Board member stressed that finalization of the grant operational manual, definition of the eligibility criteria, and the development of a sustainability plan were critical for the project to move forward.

254. However, several Board members felt that this was an important project for the region, based on clear needs, and could be replicated. A Board member noted that the project adequately targeted the poorest and most vulnerable households in the region, thus providing adaptation benefits to recipients with high needs, and that regional cooperation was very necessary in the area.

255. The CSO active observer noted that, while not fully satisfied with the proposal, they did not agree with the recommendation of the TAP not to approve it. They believed that the lack of contributions from the host governments should not be seen as an inherently negative factor, especially in the context of very low-income countries. They also believed that the use of grants in this case was entirely appropriate given that the project was aimed at the poorest and most vulnerable populations, though they did question why the World Bank was not using its own resources for this component.

256. The representative of the AE highlighted the high level of national ownership of the proposal, which had been designed in close collaboration with a regional group of country-nominated experts and the relevant ministries in the two countries, as well as non-governmental organizations such as Oxfam. They felt that the use of grants was appropriate given that the ultimate beneficiaries in communities would be matching grants with a small contribution of their own, and given the large number of barriers to the uptake of climate-resilient practices that they faced. On the use of other instruments, they commented that this structure was the one the governments in question felt most comfortable with. They also noted that the World Bank was providing around double the amount of funding requested from the GCF. Regarding the theory of change, they stressed that this was a particularly climate-vulnerable part of the world, with struggling communities; through the dissemination of practices and learning, and support for regional centres, they felt real change could be enacted on a wider scale. On gender, they noted that all World Bank operations underwent gender marking. They thanked the Board for the valuable advice and feedback, which would be duly taken on board.

257. The Co-Chairs noted the concerns of the Board, and expressed the desire to raise the quality of proposals in general, but suggested approval avoiding the addition of an excessive number of conditions in this instance. They suggested that further guidance should be issued by the Board for future proposals.

258. A Board member, however, stated that there were some major issues to be addressed and proposed that the Board defer the decision until the World Bank could improve the quality of the project and address the concerns raised by the Board. Others stated that, while they were ready to approve it, they would not object to such a deferral. Two other Board members, on the other hand, suggested taking note of the concerns but going ahead with the approval, leaving it to the World Bank and the Secretariat to address these concerns at a later date. A Board member felt that there was no modality in Board procedures for deferral of a proposal; rather they had to adopt or reject the proposal as it came to the Board for consideration; they did feel that such a modality should be developed for similar cases in the future.

259. The Co-Chairs suggested approving funding proposal 014 with the inclusion of an “omnibus” condition covering the concerns raised by Board members during present discussions.

260. The Board took note of document GCF/B.13/16/Add.06 and approved funding proposal 014, contingent on the fulfilment of the conditions as contained in annex III to this report, including an additional condition as approved by the Board.

### **Funding proposal 015: Tuvalu coastal adaptation project**

261. The Co-Chairs introduced the funding proposal titled “Tuvalu coastal adaptation project” submitted by UNDP.

262. Several Board members strongly supported the project, given the impact on the recipient country, a vulnerable SIDS, the fact that such a high proportion of the country’s population would benefit and the strong country ownership displayed.

263. On the lack of co-financing, some Board members felt that this should not be an obstacle for such projects, as in this instance the GCF would be showing the courage required for adaptation projects.

264. A Board member flagged the lack of confirmed costing for ecosystem-based adaptation, and suggested that the GCF should not fund the disaster risk response subcomponent in component 3 of document GCF/B.13/16/Add.07. Two other Board members sought clarification as to whether GCF funding would be used for disaster risk reduction.

265. A Board member asked for clarification on how capacity would be built in the host country if the UNDP was directly implementing the project.

266. The CSO active observer noted that although the project was considered small in the portfolio of the GCF, its impact would be massive for Tuvalu; they felt that TAP assessments of impact potential should be made on that basis. They supported the suggestion that the project should be directly implemented by national partners with support from UNDP, as they believed learning by doing was a good way of working and that this would increase country ownership. In general, they suggested applying a subsidiarity rule to proposals by using the most local implementation partners wherever possible, with a targeted approach to strengthening and building their capacity in cases where they were not yet entirely ready. In particular, they stressed that communities and community-based organizations, including those for indigenous peoples, must be involved from the beginning.

267. The AE representative clarified that the Government of Tuvalu had its own mechanism for directing resources from the central island to outer islands; and that GCF resources would be used by building on existing community systems and structures, but would focus on longer-term adaptation, not disaster risk reduction. On the execution modality, they argued that UNDP would be directly implementing, in close cooperation with the climate change unit of Tuvalu; national execution in this case was not possible because the unit had only recently been created and therefore did not have a track record of managing finance, and as a result UNDP could not advance financing through this mechanism. But the AE representative clarified that the entire process was led by the national entity.

268. The Board took note of document GCF/B.13/16/Add.07 and approved funding proposal 015, contingent on the fulfilment of the conditions and due consideration of the recommendations as contained in annex III to this report, slightly amended with respect to the list of conditions and recommendations presented by the Secretariat.

### **Funding proposal 016: Strengthening the resilience of smallholder farmers in the Dry Zone to climate variability and extreme events through an integrated approach to water management**

269. The Co-Chairs introduced the funding proposal titled “Strengthening the resilience of smallholder farmers in the Dry Zone to climate variability and extreme events through an integrated approach to water management” in Sri Lanka, submitted by UNDP.

270. While recognizing that the TAP recommended that this proposal be rejected, the many Board members who took the floor expressed support for it, noting that they saw it as an adaptation project. They noted that the differing opinions expressed in the assessments of the TAP and the Secretariat demonstrated the truly independent nature of the TAP, which they thanked for its thorough and objective work.

271. A Board member argued that, in many countries, the lack of data availability was a stark reality, making it difficult to establish climate baselines and climate change effects.

272. A few Board members noted that their initial concerns around sustainability or consultation with civil society had been addressed by discussions with the AE during the Board meeting, thus highlighting the added value of having them present during this process.

273. A Board member suggested that it should be mandatory for proposals to make a contribution to ensuring project sustainability, while another Board member stated that revenue-generating projects should develop some kind of funding mechanism that helped ensure their sustainability.

274. The Board took note of document GCF/B.13/16/Add.08 and approved funding proposal 016, contingent on the fulfilment of the conditions as contained in annex III to this report.

### **Funding proposal 017: Climate action and solar energy development programme in the Tarapacá region in Chile**

275. The Co-Chairs introduced the funding proposal titled “Climate action and solar energy development programme in the Tarapacá region in Chile”, submitted by *Corporación Andina de Fomento* (CAF – Andean Development Corporation) – *Banco de Desarrollo de América Latina* (Development Bank of Latin America). They noted that this had only been submitted three days prior to the Board meeting, a point also stressed by a Board member who requested that the Rules of Procedure regarding the submission of documents 21 days before the meeting be respected.

276. Many Board members expressed a range of concerns about this funding proposal. Several Board members felt that it was a ‘business as usual’ project, and did not reflect the transformational, paradigm shifting agenda of the GCF. As a one-off investment to counter commodity price issues in Chile, they felt that the project did not address structural issues, was not replicable or scalable, and that GCF funding was being requested due to a lack of long-term financing. A Board member noted that rather than being a pioneer in this instance, the GCF seemed to be lagging behind.

277. However, Board members expressed flexibility on approval given that it was being brought to the Board at an early stage in the development of the GCF and did not present insurmountable issues.

278. Several Board members highlighted the positive aspects of the proposals as well, noting that it was aligned with the NDCs of Chile, would help them to engage with the private sector to generate cleaner energy, while mobilizing private equity, and that funding was needed given the drop in oil prices and concomitant reduction in investment in renewables. All Board members

who took the floor agreed that the mitigation, climate and emissions reduction impacts were clear.

279. However, several calls were made to learn from this project and process, and to set out a clearer message in future regarding exactly what kind of proposals the Board would like to receive, and a clear strategy on how the GCF could be consistent in supporting large private sector projects.

280. A Board member asked the AE representative to explain the cost of the project, as it seemed high. Another Board member sought a contractual assurance that the 45-kilometre-long grid connection would be secured before any funding began to flow.

281. The CSO active observer echoed the feeling that the project was not transformational, noting that the project proponents acknowledged as much. They felt that the GCF should avoid this kind of large-scale commercial project, which should be viable without the financial support of the GCF. They also disagreed with labelling the project as cross-cutting, as there did not seem to be an adaptation impact. They noted issues with the environmental and social safeguards; in particular, the demographic impacts of project development on the two small towns where the project would take place.

282. The PSO active observer supported the project, which they believed could act as a catalyst by supporting governmental programmes and the development of the renewable energy industry in Chile, including the development of the northern power grid. They agreed that projects needed to show more ambition over time, but in the short term welcomed the clarity associated with this project. They felt that GCF involvement directly addressed a barrier to long-term financing in Chile – the limited ability of local banks to bear electricity spot market risk.

283. The Board took note of document GCF/B.13/16/Add.09 and approved funding proposal 017, contingent on the fulfilment of the conditions and due consideration of the recommendations as contained in annex III to this report, slightly amended with respect to the list of conditions and recommendations presented by the Secretariat.

284. The Board adopted the following decision:

### ***DECISION B.13/23***

*The Board, having considered document GCF/B.13/16/Rev.01 titled “Consideration of funding proposals”,*

(a) *Takes note of the following funding proposals:*

- (i) *Funding proposal 009 titled “Energy savings insurance (ESI) for private energy efficiency investments by small and medium-sized enterprises (SMEs)” by the Inter-American Development Bank, as contained in document GCF/B.13/16/Add.01;*
- (ii) *Funding proposal 010 titled “De-risking and scaling-up investment in energy efficient building retrofits” by the United Nations Development Programme, as contained in document GCF/B.13/16/Add.02;*
- (iii) *Funding proposal 011 titled “Large-scale ecosystem-based adaptation in the Gambia: developing a climate-resilient, natural resource-based economy” by the United Nations Environment Programme, as contained in document GCF/B.13/16/Add.03;*

- (iv) *Funding proposal 012 titled “Africa Hydromet program – strengthening climate resilience in sub-Saharan Africa: Mali country project” by the World Bank, as contained in document GCF/B.13/16/Add.04;*
- (v) *Funding proposal 013 titled “Improving the resilience of vulnerable coastal communities to climate change related impacts in Viet Nam” by the United Nations Development Programme, as contained in document GCF/B.13/16/Add.05;*
- (vi) *Funding proposal 014 titled “Project to support the World Bank’s Climate adaptation and mitigation program for the Aral Sea Basin (CAMP4ASB) in Tajikistan and Uzbekistan” by the World Bank, as contained in document GCF/B.13/16/Add.06;*
- (vii) *Funding proposal 015 titled “Tuvalu coastal adaptation project (TCAP)” by the United Nations Development Programme, as contained in document GCF/B.13/16/Add.07;*
- (viii) *Funding proposal 016 titled “Strengthening the resilience of smallholder farmers in the dry zone to climate variability and extreme events through an integrated approach to water management” by the United Nations Development Programme, as contained in document GCF/B.13/16/Add.08; and*
- (ix) *Funding proposal 017 titled “Climate action and solar energy development programme in the Tarapacá Region in Chile” by Corporación Andina de Fomento, as contained in document GCF/B.13/16/Add.09;*
- (b) *Approves funding proposal 009 for the amount of USD 21,700,000, submitted by the Inter-American Development Bank, contingent on the fulfilment of the conditions as contained in annex III;*
- (c) *Also approves funding proposal 010 for the amount of USD 20,000,000, submitted by the United Nations Development Programme, contingent on the fulfilment of the conditions and with due consideration of the recommendations as contained in annex III;*
- (d) *Further approves funding proposal 011 for the amount of USD 20,546,756, submitted by the United Nations Environment Programme, contingent on the fulfilment of the conditions as contained in annex III;*
- (e) *Approves funding proposal 012 for the amount of USD 22,750,000, submitted by the World Bank, contingent on the fulfilment of the conditions and with due consideration of recommendations as contained in annex III;*
- (f) *Also approves funding proposal 013 for the amount of USD 29,523,000, submitted by the United Nations Development Programme, contingent on the fulfilment of the conditions and with due consideration of the recommendations as contained in annex III;*
- (g) *Further approves funding proposal 014 for the amount of USD 19,000,000, submitted by the World Bank, contingent on the fulfilment of the conditions as contained in annex III;*
- (h) *Approves funding proposal 015 for the amount of USD 36,010,000, submitted by the United Nations Development Programme, contingent on the fulfilment of the conditions and with due consideration of the recommendations as contained in annex III;*
- (i) *Also approves funding proposal 016 for the amount of USD 38,084,000, submitted by the United Nations Development Programme, contingent on the fulfilment of the conditions as contained in annex III;*

- (j) *Further approves funding proposal 017 for the amount of USD 49,000,000, submitted by Corporación Andina de Fomento, contingent on the fulfilment of the conditions and with due consideration of the recommendations as contained in annex III;*
- (k) *Reaffirms that pursuant to annex VII to decision B.07/03 (annex VII to document GCF/B.07/11), the Executive Director or her designee is authorized to negotiate and enter into legal agreements on behalf of the GCF with accredited entities and other parties involved in respect of funding proposals approved by the Board, taking into account any condition set by the Board in this decision and in the decision accrediting the relevant accredited entity; and*
- (l) *Authorizes the Secretariat to disburse fees for each funded project/programme approved by the Board as per the disbursement schedule to be agreed in the funded activity agreement in accordance with the interim policy on fees for accredited entities adopted by the Board pursuant to decision B.11/10.*

**(f) Matters related to the interim redress procedures**

285. The Co-Chairs opened the sub-item and drew the attention of the Board to document GCF/B.13/17 titled “Interim procedures for redress: reconsideration of funding decisions”. They noted that the Head of the Independent Redress Mechanism had been appointed through a decision taken between meetings.

286. A representative of the Secretariat was invited to take the floor. They presented the interim procedures set out in the above-mentioned document, noting they would allow the newly appointed Head of the Independent Redress Mechanism to implement them in line with international best practice.

287. Several Board members congratulated the new Head of the Independent Redress Mechanism on their appointment.

**Process**

288. Several Board members expressed satisfaction with the document as it stood and the exchanges that had taken place with the Secretariat during its preparation, though some asked for clarification on the process for establishing a redress mechanism and proposed amendments to the document and decision.

289. In order to strengthen the accountability of the GCF, a Board member believed it would be important to think more generally about dissatisfaction with the proposal approval process before proposals came to the Board.

290. A Board member noted the urgent need for a permanent mechanism, suggesting that one should be adopted no later than the sixteenth meeting of the Board. They also encouraged the Head of the Independent Redress Mechanism to report back to the Board before that meeting on the status of the detailed guidelines and procedures for the independent Redress Mechanism being developed by them with the support of the Secretariat.

291. A Board member thought that decision B.06/09 setting out the terms of reference for the independent Redress Mechanism should be revisited.

292. Another reminded those present that the SCF had been given the task of making the GCF consistent with other operating entities of the COP, and that this should be taken into account.

293. On process matters, the Secretariat representative noted that the Head of the Independent Redress Mechanism had been recruited on the strength of their extensive knowledge of redress mechanisms, and therefore suggested placing trust in their expertise to



develop specific guidelines for each step set out in the proposed interim procedures. They took note of the comments on decision B.06/09 and the arrangements with the COP, noting that they would look into both matters.

### **Amendments**

294. A Board member asked what was meant by “date of communication” in document GCF/B.13/17, annex II, paragraph 4, and called for an addition in paragraph 7 referring to the fact that the head of the mechanism could request further information if required. In paragraph 11 of the same annex, they also suggested allowing the Head of the Independent Redress Mechanism to notify the applicant if further time was needed to consider the request. The representative of the Secretariat took note of these suggestions and stated that they would strive to reflect them in the decision text.

295. A Board member proposed amending the decision to read that prior to the full operationalization of the independent Redress Mechanism, any complaints should be addressed to the institutional grievance mechanism of the AE implementing the projects and programmes. This was supported by two other Board members and was duly noted by the representative of the Secretariat.

### **Costs**

296. A Board member enquired as to the reasons for the costs associated with the filing of a request for reconsideration being borne by the applicant, suggesting this could be a prohibitive measure. This was echoed by several others, who noted that affected parties would tend to be developing countries. A Board member expressed interest in hearing how costs were handled in other AEs.

297. The representative of the Secretariat responded that the Board could decide for the GCF to bear the cost of applications, but would have to consider the budgetary implications as fees could become very high, for example if the NDA engaged external legal counsel.

### **Civil society organization statement**

298. The CSO active observer asked the Board to provide guidance to the Head of the Independent Redress Mechanism in order to expedite the development of an interim procedure on providing redress to communities affected by GCF projects, calling for a participatory process for these policies.

### **Conclusion**

299. The Co-Chairs took note of all comments, in particular highlighting that the usual practice for costs in legal proceedings was for complainants to pay these up front and be reimbursed if they were successful in their claim. They suggested that the Secretariat look into best practices on this matter in the context of redress mechanisms, incorporate other comments and revise the document and decision with Board advisers and then bring both back to the Board for consideration, and adjourned the agenda sub-item.

300. The Co-Chairs reopened the sub-item and presented a revised draft decision and annex to the Board for consideration.

301. A representative of the Secretariat presented the changes made, in particular related to costs incurred by applicants; how to deal with grievances prior to the full operationalization of the independent Redress Mechanism; reviewing the terms of reference adopted in decision

B.06/09; the references to the arrangements between the GCF and the COP, and clarifications on process and transparency. They felt that this revised draft was fair and balanced.

302. Following a question from a Board member, the Secretariat representative explained the process for costs in more detail, noting that the cost of filing a complaint would be borne by the applicant, but that if the Head of the Independent Redress Mechanism requested additional information entailing third-party costs or expenses, these would be borne by the GCF.

303. The Board adopted the following decision:

### **DECISION B.13/24**

*The Board, having reviewed document GCF/B.13/17 titled “Interim procedures for redress: reconsideration of funding decisions”,*

- (a) *Adopts the interim procedures for the reconsideration of funding decisions, as set out in annex IV;*
- (b) *Requests the Head of the Independent Redress Mechanism to prepare, with the support of the Secretariat, for consideration by the Board no later than its sixteenth meeting, the detailed guidelines and procedures for the independent Redress Mechanism referred to in the terms of reference of the independent Redress Mechanism (decision B.06/09, annex V, para. 14 (document GCF/B.06/18, annex V, para. 14)) in close consultation with similar or equivalent mechanisms of accredited entities and other stakeholders;*
- (c) *Also requests the Head of the Independent Redress Mechanism, when preparing such detailed guidelines and procedures:*
  - (i) *To consider how the GCF should contribute to the third-party costs and expenses incurred by those who are entitled to seek redress from the GCF and make a recommendation to the Board in this regard, including in respect of the circumstances under which such costs may be claimed and the modalities pursuant to which such costs will be assessed; and*
  - (ii) *To include, if possible, guidelines on the categories of information that the Head of the Independent Redress Mechanism may reasonably request from those who are entitled to seek redress from the GCF;*
- (d) *Affirms that prior to the full operationalization of the GCF independent Redress Mechanism, grievances and complaints from communities and people should be addressed by the institutional grievance mechanism of the relevant accredited entity; and*
- (e) *Invites the Head of Independent Redress Mechanism, following consultation with relevant stakeholders, to recommend any necessary updates to the terms of reference of the independent Redress Mechanism for the Board’s consideration no later than the fifteenth meeting of the Board.*

### **(g) Programmatic approach for funding proposals**

304. The Co-Chairs opened the agenda sub-item and introduced document GCF/B.13/18 titled “Programmatic approach to funding proposals”. They reminded Board members that there had been intensive discussions on this topic during the informal session on Monday, 27 June 2016. They highlighted two key messages which had emerged. Firstly, the importance of providing clarity and procedures on programmatic approaches, regional programmes and country programmes in order to advance these types of funding proposals. Secondly, the need to adopt a cautious approach to the further discussion needed on this matter. Linked to this

there were concerns relating to the need to ensure country ownership and access of direct access entities. Furthermore, there was a need to avoid any potential precedent-setting on new allocation parameters for programmatic approaches and devolved authority.

305. The Co-Chairs recalled paragraph 36 of the Governing Instrument, decision B.07/03, paragraph (e), and decision B.07/02 and summarized the profiles of the 33 accredited entities in this context.

306. The Co-Chairs informed the Board that they had asked two Board members, Mr. Sachs and Mr. El-Arini to look at the way forward and report back. If the Board had further views, they were invited to provide these to the two Board members.

307. The sub-item was adjourned.

308. The Co-Chairs reopened the sub-item on 30 June 2016 and a revised decision was circulated.

309. A Board member expressed thanks to the teams who had worked to prepare the new draft decision. The same Board member sought clarification on the coverage and activities of the programmatic approach regarding paragraph (b)(iv) and expressed concern over the use of the phrasing “global” which, while it might be appropriate for the Global Fund, was not appropriate for the GCF. This mixed “geography” with “themes”. They suggested that wording be found reflecting “global, regional and national” referring to coverage, while the activities would address “sectoral and thematic” areas. The Co-Chairs suggested changing the word “global” to “multi-regional” in order to bring clarity. Another Board member noted that the suggested change of wording might limit the activities to sectors and themes and not to global (or multi-regional) areas/markets, which may result in the loss of regional activities.

310. A Board member provided some practical examples of how the Pacific island country partners would like to apply the programmatic approach at the country, regional and global levels. At the country level, these could be plans in the energy or environment sectors, where they might want to take a programmatic approach across a number of areas within that sector or in a cross-sectoral manner; at the regional level, they may wish to work with regional AEs in order to set up a regional facility to fund renewable energy activities in different countries or pilot renewable energy or adaptation measures in one country and then replicate this in other countries in the region. At the global level, an AE may want to come forward with an approach they want to pilot in a region, such as Africa, and then take that approach elsewhere so it becomes a multi-regional programme. The same Board member pointed out that the word “global” would not include developed countries such as the United States of America or Australia as paragraph 2 of the Governing Instrument stated that the support will be provided to developing countries towards low-emission and climate-resilient development pathways.

311. Another issue raised was whether the programmatic approach would ensure country ownership as programmatic approaches must comply with the GCF guiding principles. A Board member noted that countries had established their nationally driven country programmes and submitted INDCs that were nationally driven. The same Board member stated that it would not be acceptable to require countries to submit programmes again to comply with the GCF guidelines as this would make it a top-down approach. This would negate the Paris Agreement and INDCs (bottom-up approach). In addition, the same Board member expressed concern at the use of the sectoral approach as it was not mentioned when countries made contributions towards the Paris Agreement.

312. The same Board member had proposed that paragraphs (b) and (c) of the draft decision would need to be amended to make it clear that the initial overarching principles and the revised guidelines referred to “shall not prejudice nor hinder the eligibility and funding of any programmatic funding proposals submitted by an AE, even the uniqueness of the key features

and circumstances of each proposal” in order to safeguard against imposing certain guidelines but noted that this language was not reflected in the revised decision. They also suggested changing paragraph (d) to read “compliance with the guidelines would be up to those who wished to do so and would not prejudice or be a prerequisite for funding from the GCF”.

313. A Board member noted that the programmatic approach would ensure country ownership as the programmatic funding proposals would come from NDAs/focal points and stressed the need to avoid programmes being owned at the international level.

314. The same Board member indicated that paragraph (b)(vi) demonstrated country ownership and addressed the concern of developing countries. Paragraph (b)(vii) required the consent of the NDA in the implementation of the programmes. However, they believed that paragraph (b)(ii) was not fully aligned with the principle of country ownership and therefore required further work.

315. Another Board member wanted to ensure that the proposed programmes would be developed at the national level and would reflect a country’s needs as demonstrated by no-objection letters. They did not wish to see international accredited entities develop programmes first and then ask NDAs for no-objection letters afterwards.

316. The clarification on modalities was also discussed regarding paragraph (b)(v). Some Board members requested clarification on what types of modalities should be taken into account in order to distinguish between the private and public sectors. One Board member noted that: (i) there was no distinction between the private and public sectors in the implementation of INDCs; and (ii) programmes would combine the private and public sectors when it comes to the implementation of the programme.

317. A Board member stated that the Board was spending too much time on standards, principles and policies at the expense of concrete progress on the ground. They wished to stress that Board members should now prioritize productivity and efficiency. They suggested that it would be useful to look at the practices of the GEF which had placed additional burdens on the Secretariat and the Board by implementing integrated programmes.

318. There were divergent views on a case-by-case basis in paragraph (a). A Board member agreed to take decisions on a case-by-case basis noting the unique circumstance of each country and programme, while ensuring that higher-level principles would be applied to each case.

319. Another Board member was not ready to make a decision on a case-by-case basis without guidelines and requested the Secretariat to carry out further work on the guidelines.

320. The Co-Chairs recalled that paragraph 36 of Governing Instrument explicitly mentions the programmatic approach.

321. After discussion, the Co-Chairs noted the comments of the Board and proposed two options:

- (a) Revise the draft decision by removing paragraph (b), taking paragraph (a) as it is and amending (c) to state that the Board “Requests the Secretariat to further develop detailed guidelines on programmatic approaches for consideration by the Board at its fifteenth meeting, taking into account the views and discussions from B.13”; or
- (b) Defer the decision until the fifteenth meeting of the Board.

322. As there was no consensus, the Co-Chairs stated that this item would be taken up in the agenda for the next meeting.

323. The Board took note of document GCF/B.13/18.

## Agenda item 13: Communications of the Fund

324. The Co-Chairs introduced the item and reminded the Board that the matter was raised at the informal meeting on Monday, 27 June 2016. In the context of outreach, they highlighted the need for a strategic approach to communications in the future, as well as the importance of ensuring that the website provided factual information to debunk myths about the GCF.

325. In the light of this, the Co-Chairs stated that the draft decision included text articulating the need for greater communications capacity in the Secretariat. This would require the Secretariat to present a proposal for an additional staff position which could be an Information Officer or a Director of Strategic Communications.

326. The Co-Chairs briefed Board members on a draft decision that was as presented on the Boardroom screen and opened the floor for discussion. A printed copy of the draft decision was then distributed.

327. A Board member requested a wording change to paragraph (c) replacing “should” with “shall”. This Board member suggested that another point the Board should bear in mind was that the communications strategy should be owned by the communications team.

328. A Board member noted that this matter was constantly being pushed back. Communications needed to be managed at the senior management level, and while a draft communications strategy existed, it lacked clear objectives. Rather than waiting for the sixteenth meeting of the Board, it was proposed to incorporate a statement of interim objectives as follows:

- (a) To provide clear and accessible information on the GCF, in order to prompt the generation of high-quality funding proposals that will trigger clear transformational changes;
- (b) To encourage and support all key stakeholders to access and engage with the GCF;
- (c) To ensure broad coverage of developing countries so as to highlight how beneficiary countries will benefit from their relationship with the GCF; and
- (d) To enhance transparency.

329. Another Board member requested inserting a new paragraph after (b) reaffirming the Board decision to develop a communications strategy and asked that the text be amended to stress that the capacity of the Secretariat needed to be “developed” rather than “increased”. Furthermore, they proposed that the decision should request the Budget Committee meeting on 1 July 2016 to urgently address this matter as part of its consideration of the structure of the Secretariat and report on progress made at B.14. The same Board member wished to see the Co-Chairs oversee GCF communications beyond the B.14.

330. Another Board member stated that the Board was in danger of micro-managing the Secretariat. They requested that the text also emphasize the need for communication and outreach, not only by the Secretariat and Board, but also by Board-appointed officials. They underlined that the new Executive Director should have a key role in the communications strategy.

331. A Board member asked that the website be made even more user friendly to enable users to access documents as easily as possible.

332. The Co-Chairs stated that they would take these suggestions on board and refine the text.

333. On reopening the item, the Co-Chairs took the Board through the amendments to the draft decision.

334. A number of further refinements were suggested by Board members.

335. The Co-Chairs stated that the draft decision text would be amended to reflect the comment made by a Board member regarding the oversight of communications and outreach until the commencement of the new Executive Director. They would also clarify if a more recent Board decision than decision B.04/14 could be referenced.

336. The following decision was presented at the meeting and was duly adopted:

### **DECISION B.13/25**

*The Board:*

- (a) *Recognizes the importance of effective communication and outreach in supporting the objectives and guiding principles of the GCF;*
- (b) *Also recognizes the need for strategic, clear and consistent communication and outreach by the Secretariat, including Board-appointed officials, and the Board;*
- (c) *Recalls decision B.04/14, paragraph (c), which requested the Secretariat, under the guidance of the Co-Chairs, to develop a communications strategy for the consideration of the Board;*
- (d) *Decides that the Secretariat's capacity for strategic communications and outreach shall be further developed;*
- (e) *Requests the Secretariat as a matter of urgency and in consultation with the Budget Committee, in considering the structure of the Secretariat, to present for consideration by the Board at its fourteenth meeting a proposal on Secretariat staffing for communications and outreach;*
- (f) *Decides to prioritize the development of a GCF communications strategy for presentation to the Board no later than its seventeenth meeting;*
- (g) *Requests the Co-Chairs to oversee communications and outreach, including the development and revision of material until the commencement of the new Executive Director; and*
- (h) *Decides that, until a communications strategy is adopted, the objectives of communications and outreach are:*
  - (i) *To provide clear and accessible information on the GCF, in order to prompt the generation of high-quality funding proposals that will trigger clear transformational changes;*
  - (ii) *To encourage and support all key stakeholders to access and engage with the GCF;*
  - (iii) *To ensure broad coverage of developing countries so as to highlight how beneficiary countries will benefit from their relationship with the GCF; and*
  - (iv) *To enhance transparency.*

## Agenda item 14: Status of staffing at the Secretariat

337. The Co-Chairs opened the agenda item and drew the attention of the Board to document GCF/B.13/20 titled "Status of staffing of the Secretariat – a progress report". They invited a representative of the Secretariat to take the floor.

338. A representative of the Secretariat presented the above-mentioned document, noting that positive progress had been made on staffing since the last Board meeting. A total of 54 priority posts had been identified as necessary for the Secretariat to continue its work towards meeting the GCF objectives for the current year. Having opened 36 vacancies and received over 900 applications to date, the Secretariat was now in the process of making eight offers of employment. It was planning to recruit 80 new staff by September 2016, putting it on track for the 100 positions to be filled by the end of the year, across all functions of the Secretariat.

339. The Secretariat was continually striving to achieve equitable geographical distribution, ethnic diversity and gender balance among its staff; though difficult to achieve, this objective remained a key focus of the ongoing recruitment process.

340. Despite the large number of high-quality employment applications that had been received, a number of challenges remained in terms of recruitment and retention. For example, staff and their families often experienced difficulties integrating into South Korean society, partly as a result of cultural differences and spouse unemployment. In response, and with practical and technical support from the City of Incheon, the Secretariat had created a family working group made up of staff and their family members, launched social initiatives, held networking events, run language classes and introduced flexible working arrangements, while constantly seeking feedback from staff and taking follow-up action where necessary.

341. A further problem related to staff compensation: with pay scales remaining at 2014 levels, the GCF was struggling to compete with comparable positions offered at higher salaries by competitor organizations such as multilateral development banks, the United Nations and the World Bank.

342. Staff retention had proved difficult; reasons for this included the policy of recruiting all staff at the minimum pay grade, and the absence of pay progression or performance-based pay, all of which had resulted in a lack of motivation among staff and increased staff turnover.

343. In order to address the above-mentioned concerns, the Secretariat recommended the increase of GCF salaries in line with its comparator organizations, the Asian Development Bank (ADB) and the World Bank Group Korea Office (WBGKO), and the establishment of a system of performance-based pay predicated on rigorous criteria for performance assessment, noting that the financial implications of that proposal had already been assumed in the approved 2016 administrative budget.

344. The Co-Chairs invited the Chair of the Budget Committee to take the floor.

345. The Chair of the Budget Committee echoed the views expressed by the representative of the Secretariat and stressed that it was important to have an appropriate level of qualified, dedicated and motivated staff with various skills, as acknowledged by the Board at its previous meetings. She mentioned that the compensation packages being offered were not facilitating the recruitment of qualified and dedicated staff, and could even be hindering the retention of current staff, which was a matter of concern.

346. To respond to such concerns, the Chair recalled the Board's stated commitment to offering competitive salaries and highlighted the decreasing value of GCF salaries as a result of inflation, noting that the pay scales used by the World Bank and the Asian Development Bank were, in contrast, periodically adjusted to take inflation into account. In the meantime, the GCF

should continue using the pay scales of ADB as a reference point for international staff salaries, and those of WBGKO for administrative staff salaries. The GCF budget for 2016 had the capacity to absorb the proposed salary increases, and the associated budget implications for following years should be taken into account. In addition, the GCF should introduce performance-based salary progression and investigate other potential solutions, including the outsourcing of certain functions.

347. Many Board members expressed support for the decision, acknowledged the various difficulties faced by Secretariat staff and recognized the urgent need to address the staffing issue.

348. A Board member asked the Secretariat what efforts were being made to collaborate with the local authorities in Incheon in order to address the language barrier faced by staff when dealing with administrative issues in the host country.

349. Several Board members highlighted the need for an innovative, flexible and holistic approach when dealing with spouse unemployment and staff recruitment and retention. Some asked the Secretariat to investigate sustainable solutions such as secondments, outsourcing, a satellite office in Seoul and flexible working arrangements, and to report back to the Board on these matters at future meetings.

350. A Board member, who was also a member of the Ethics and Audit Committee, encouraged the Board to consider the option of employing spouses and partners at the GCF and requested the Ethics and Audit Committee, with support from the Office of the General Counsel, to offer advice on how best to safeguard against any potential conflicts of interest associated with such employment policies.

351. Another Board member wondered about the policy basis which dictated that new staff be appointed at the bottom of the relevant salary scale. The Executive Director noted that this was a result of decisions at the sixth meeting of the Board and subsequent discussions in closed session at the seventh meeting of the Board, along with a written document from a constituency. The consequence of these events was clear guidance to the Secretariat to offer candidates the minimum but with the flexibility to move above the minimum in exceptional circumstances.

352. A number of Board members underlined that all future pay scale revisions must be approved by the Board and not implemented automatically. Some Board members underlined that salaries should not only be adjusted for inflation but also revised based on other variables.

353. A Board member underscored the fact that based on current staffing levels, and looking at the accreditation strategy, the length of time required to process the NDA applications currently in the pipeline was up to nine years, which they noted was excessive. This would prevent the timely processing of applications from direct access entities. The Budget Committee was therefore requested to investigate, for B.14, the option of recruiting additional GCF staff on a regional basis as needed, possibly with salaries lower than international staff salaries, until the pipeline could be brought down to a manageable level.

354. The Board member from the Dutch/Danish constituency said that the issue of salary increases remained under discussion by the authorities in their constituency. He would report back to the Board upon the conclusion of those discussions.

355. A Board member expressed concern at the high proportion of resignations among female staff.

356. The representative of the Secretariat confirmed that collaboration with the local authorities to tackle administrative and language barriers was under way and would be further enhanced, and that a system of performance-based pay would be incorporated into the GCF Human resources guidelines.



357. The Executive Director said that one key obstacle to the solution of the GCF staffing problems was the absence of procedures (the annual salary review procedure and performance based in situ promotion procedure) for the implementation of an annual salary review and which meant that the existing recommendations for staff promotions had not yet been implemented. The decision should therefore include a request to the Secretariat to establish those procedures as soon as possible.

358. With regard to replicating the salary scales used by WBGKO for administrative staff, she requested the Budget Committee and human resources staff to take into account the WBGKO practice of paying 89 per cent of the midpoint of the salary scale to administrative staff, which stood in contrast with the current GCF standard policy of offering the minimum rate for administrative staff, which was paid in Korean won and had dropped significantly in value over the last two years.

359. The Co-Chairs emphasized the need to address staff compensation as one element of a more holistic approach to staffing issues and requested the Board members and Budget Committee to carry out further consultations before presenting a revised draft decision to the Board.

360. The item was adjourned.

361. The item was reopened and a representative of the Budget Committee was invited to take the floor.

362. The Chair of the Budget Committee presented the revised draft decision to the Board and highlighted the changes, which included the removal of the reference to automatic pay scale adjustment and the addition of a subparagraph clarifying the GCF policy on salary progression. Given that staff compensation formed part of a broader issue, the draft decision also included a request to the Budget Committee to propose additional measures to the Board at its next meeting. The Board member from the Dutch/Danish constituency highlighted that the Dutch and Danish governments had strict guidelines on salary increases for staff at international organizations, including funds such as the GCF. Having been persuaded, following extensive discussions, of the specific challenges faced by the GCF, both governments had granted the Board member the flexibility to support the draft decision. They wished to emphasize, nevertheless, that current salary levels were not a core factor in the GCF recruitment and retention challenges, which must instead be addressed through sustainable solutions such as the establishment of a satellite office in Seoul and regional offices in other parts of the world, and continuous efforts by the Secretariat to introduce flexible working arrangements and address the issues of spouse unemployment and work–life balance.

363. The Board took note of the information provided in document GCF/B.13/20 and adopted the following decision:

### ***DECISION B.13/26***

*The Board, having considered document GCF/B.13/20 titled “Status of staffing of the Secretariat – a progress report”,*

- (a) Takes note of the report;*
- (b) Agrees that the salary scales of the International Staff in the Secretariat shall be updated to align with the salary scales of the Asian Development Bank in 2016;*
- (c) Also agrees that the salary scales of the Administrative Services staff in the Secretariat shall be updated to align with the salary scale of the World Bank Group Korea Office in 2016;*

- (d) *Requests that future revisions will be based on an annual review of salary scales by the Secretariat that considers elements such as inflation and practices in relevant institutions, including in the Republic of Korea and the region, and subject to Board approval;*
- (e) *Agrees that any budgetary implications resulting from salary adjustments, shall be considered by the Budget Committee in line with its mandate to review and make recommendations on the budget implications of staffing changes, and be referred to the Board for its consideration of the budget;*
- (f) *Authorizes the Secretariat to offer individual salary progression, based on a satisfactory annual review of performance;*
- (g) *Notes section E, paragraph 10(1), of the Administrative guidelines on human resources, which states that: "The Executive Director sets the guidelines for the distribution of salary increases during the first quarter of each year. The guidelines include the levels of authority responsible for making salary increase recommendations for the various levels of staff"; and*
- (h) *Requests the Secretariat, in consultation with the Budget Committee, to present to the Board at its fourteenth meeting, additional measures to strengthen Secretariat capacity.*

## **Agenda item 15: Policies on ethics and conflicts of interest for other Board appointed officials and active observers**

364. The Co-Chairs opened the agenda item and drew the attention of the Board to document GCF/B.13/21 titled "Policies on ethics and conflicts of interest for other Board appointed officials and active observers".

365. They noted that the document presented an overview of the main aspects of these policies, and invited the Chair of the Ethics and Audit Committee (EAC) to address the Board on this agenda item.

366. The Chair of the EAC stressed the importance of adopting the policy presented as it applied to Board-appointed officials that had already been appointed, such as the Head of the Independent Redress Mechanism, or were soon to be appointed, such as the Head of the Independent Integrity Unit and the Head of the Independent Evaluation Unit.

367. They explained some of the modalities of the policy, noting that it was similar to the ethics policy for the Executive Director, with the addition of some key elements from the GCF staff code of conduct. They explained that any issues of ethics or conflicts of interest would be handled by the independent Integrity Unit, and any issues directly pertaining to the head of that unit would be handled by the EAC.

368. They made a procedural request, asking that the draft decision contained in annex I to document GCF/B.13/21 request the Head of the Independent Integrity Unit to develop administrative guidance on the implementation of the GCF policies on ethics and conflicts of interest, including definitions of terms used in the policies, as soon as possible.

369. With the inclusion of this amendment, the Board adopted the following decision:

### **DECISION B.13/27**

*The Board, having reviewed document GCF/B.13/21 titled "Policies on ethics and conflicts of interest for other Board appointed officials and active observers",*

- (a) *Adopts the Policy on ethics and conflicts of interest for Board-appointed officials of the Green Climate Fund set out in annex V;*
- (b) *Requests the Ethics and Audit Committee, with the support of the Secretariat, to continue its work on recommended policies on ethics and conflicts of interest for active observers; and*
- (c) *Also requests the Head of the Independent Integrity Unit to develop administrative guidance on the implementation of the GCF policies on ethics and conflicts of interest, including definitions of terms used in the policies, as soon as possible.*

## **Agenda item 16: Status of the initial resource mobilization process**

370. The Co-Chairs opened the agenda item and drew the attention of the Board to document GCF/B.13/Inf.06 titled “Status of the Initial Resource Mobilization process”. They invited the Secretariat to provide an update on the Initial Resource Mobilization process.

371. A representative of the Secretariat stated that since the last Board meeting, Belgium, the Walloon region, Lithuania, the United States of America, Romania, Malta and Australia had signed their contribution agreements and/or arrangements, bringing the total amount in signed agreements to USD 9.9 billion. The total commitment authority, as at 31 March 2016, stood at USD 2.3 billion. The representative presented a table illustrating additional forecast of commitment authority and projections of additional funds available for disbursement, noting that the reference exchange rate for the figures displayed was that of the first Green Climate Fund Pledging Conference, held in 2014.

372. The Co-Chairs thanked the representative of the Secretariat for their presentation and invited the representative of the Interim Trustee to present their report.

373. The representative of the Interim Trustee drew the Board’s attention to the GCF Trust Fund report contained in annex I to document GCF/B.13/Inf.06 showing total resources received in the GCF Trust Fund as at the end of March 2016, amounting to USD 2.55 billion, of which USD 2.02 billion were grants and USD 529 million was in the form of capital. Real-time information on contributions and cash transfers was available on the Interim Trustee’s website, which could be accessed through a link on the GCF website.

374. The Interim Trustee also noted that USD 1.16 million of the total funds received was in the form of promissory notes denominated in euros, pounds sterling, yen and Swedish krona. Some Board members expressed an interest in hedging the associated foreign exchange risk; others highlighted the natural hedge already offered by the four holding currencies for the Trust Fund. The Executive Director stated that the Secretariat was now automatically exchanging all received cash contributions into United States dollars, and that it would consider the currency management issue and present a document for consideration by the Board at a future Board meeting, further noting the need for a decision on the matter by the Board. She also highlighted the need to communicate clearly to beneficiaries that they could borrow from the GCF in currencies other than United States dollars. In addition, she noted that other similar institutions, such as the Global Alliance for Vaccines and Immunization, have been implementing hedging strategies which the GCF could learn from, but reassured Board members that the Secretariat would not be able to buy hedging products, such as forwards and options, until the Board approved them. She stressed that, for now, the GCF should start with natural hedging and then, in the near future, consider other strategies for foreign exchange risks.

375. The Interim Trustee reported that the amounts held in cash were invested in a short term, high-quality fixed-income portfolio with an investment horizon of one year, reflecting, in part, the expiry of the mandate of the Interim Trustee mandate by April 2018.

376. A Board member enquired as to whether contribution agreements contained conditions such as earmarking which could prohibit the GCF from spending the full contribution. A CSO active observer expressed concern over an exchange of letters between the United Kingdom and the Executive Director in which the United Kingdom had stated that one third of its contributions should be earmarked for the PSF. Noting that such actions undermined the spirit and intent of Board decisions and the longstanding position of civil society on that issue, they proposed that earmarking of GCF resources should be explicitly prohibited in future.

377. The Board member from the United Kingdom stated that no mechanism existed to formally earmark GCF contributions and that the United Kingdom had merely set out a policy position consistent with the formal investment policies of the GCF and the decisions taken by the Board. The policy position stated the expectation that the contribution of the United Kingdom would be split equally between adaptation and mitigation, and that a significant part of that contribution would be used to support the PSF. For accounting purposes, the United Kingdom had calculated that proportion to be approximately one third; this was entirely consistent with the Board's discussions on the investment framework.

378. The Interim Trustee noted that the agreements were signed by three parties: the GCF, the contributor and the Interim Trustee. The Interim Trustee had accepted no earmarking and would not be in a position to implement or track any such condition given that all contribution receipts were pooled in the GCF Trust Fund and that the Interim Trustee transferred funds solely on the instruction of the Board. The Secretariat also confirmed that there had been no earmarking.

379. A Board member noted that the strength of the GCF is in its transparency, where all contribution agreements and side letters are published on the GCF website. This transparency provided clear reassurance that there was no earmarking or any other condition on the agreements.

380. A Board member wished to know whether it was necessary for both the Secretariat and the Interim Trustee to submit a report to the Board on the current agenda item, particularly given the Secretariat's heavy workload. A representative of the Secretariat replied that while the Interim Trustee reported on a quarterly basis, the Secretariat did so on a weekly basis. The Secretariat was also better placed to work with contributors on the encashment of promissory notes, as well as providing a second set of figures useful for comparison and layer of control.

381. The Board member from Australia clarified that Australia had disbursed an additional USD 60 million to the GCF, bringing their total contribution to USD 130 million in cash. They also noted a further contribution of USD 100,000 for a regional Asia-Pacific meeting held in Suva, Fiji.

382. The Board member from Italy underlined that Italy had pledged contributions of USD 250 million, of which USD 50 million had already been paid in cash. A budgetary decision had already been taken on the remainder of the amount, which would be released following the conclusion of the procedure for the appropriation of budgetary funds by the relevant ministry.

383. On behalf of SIDS in the Asia-Pacific region, the Board member from Samoa and SIDS expressed appreciation to the GCF for its facilitation of the Board meeting to be held in Samoa in December 2016. He requested advice on empowering NDAs in the region in order to ensure they played a proactive and leading role in the project approval process. He also highlighted that the meeting would promote the stated objective of bringing the GCF closer to the public.

384. Another Board member noted the key role of the new GCF webcast in improving GCF outreach.

385. The Board took note of document GCF/B.13/Inf.06.

## Agenda item 17: Consideration of accreditation proposals

386. The Co-Chairs opened the item and introduced document GCF/B.13/23 titled “Consideration of accreditation proposals”.
387. They invited a representative of the Secretariat to present the item.
388. The Secretariat noted that the 33 public and private sector entities had been accredited, including 9 national entities. They also noted that readiness was key to ensuring a balance in the entities coming forward for accreditation, mentioning the self-assessment tool on the GCF website for entities seeking to apply in order to gauge their ability to meet to the GCF accreditation standards. In that regard, 15 entities had received readiness and preparatory support for accreditation and 3 of those entities had submitted their accreditation applications.
389. Furthermore, the Secretariat informed the Board that as at 31 May 2016, there were 168 entities at various stages of the accreditation process. Of the 12 entities in the Stage II review, they also informed the Board that the AP had recommended five entities with different accreditation types for consideration by the Board. They noted that the Secretariat and the AP were continuing to work together to improve the accreditation process.
390. Lastly, the Secretariat announced amendments to the above-mentioned document, namely a correction in annex VII, paragraph 2(a), from “national” to “regional” and in annex X, table 2, the addition of the Nordic Environment Finance Corporation to the list of entities under the Directorate-General for International Development and Cooperation that may be eligible to apply under the fast-track accreditation process.
391. The Chair of the AP was then invited to present the recommendations of the AP. The Chair provided general remarks with respect to the five entities that the AP recommended for consideration by the Board for accreditation. They noted that the AP spent a significant amount of its time reviewing information provided by AEs in order to address their accreditation conditions, recommendations and remarks. The conditions were mainly related to the GCF fiduciary standards that have proven to be more difficult to satisfy than the environmental and social safeguards, and gender requirements. In addition, they noted that time would also be needed to review requests for upgrading accreditation types, for translating documents, and site visits, and that the part-time nature of the work of the AP was also delaying application reviews.
392. The Chair also noted that the AP was adapting its review process to recently adopted GCF policies such as the Information disclosure policy. They expressed the appreciation of the AP for the question and answer process held between the AP and the Board prior to the Board meeting, and emphasized the need to clarify its review process in an effort to reduce the number of questions. They also expressed the appreciation of the AP for the incorporation of their recommendations to the Accreditation Committee’s strategy on accreditation (document GCF/B.13/12). They informed the Board that the AP was continuing to review applications in the Stage II review, and that it expected six applications to be recommended for accreditation at B.14, of which three would be direct access entities.
393. The Co-Chairs then asked the Board to consider each proposal in the order that they had been recommended and that a no comment response from a Board member would be taken as support for the accreditation of an applicant.

### Applicant 0034

394. Board members discussed at length the question of accrediting ECAs.
395. Some Board members considered that their mandate of promoting their countries’ exports made them unsuitable to channel GCF resources as AEs. One such Board member stated

that ECAs were very important entities with which to collaborate on climate finance. They had a role to play in GCF through co-financing and other means. This view was echoed by another of these Board members who also noted that the focus of ECAs risked reputational damage for the GCF. For their constituency, this was a policy issue rather than an issue concerning this particular applicant.

396. Some of these Board members also raised concerns regarding tied aid, indicating that there was now a clear norm against tied aid and that even if there were policy statements from applicants stating that the aid was fully untied, it would be difficult for the GCF to monitor this. This was not seen by these Board members as a concern about the country in which the entity was situated, but rather reflected a general policy point. One of these Board members noted that the Economic Development Cooperation Fund (EDCF) was a legal part of the Export-Import Bank of Korea (KEXIM), and that EDCF operated considerable volumes of tied aid. The same member informed the Board that for their country it was unlawful to tie any aid monies.

397. The Co-Chairs wished to make clear for the record that while each Board member was sovereign, the consideration of this applicant should be focused on the recommendation from the AP rather than on matters surrounding tied or untied aid.

398. In response to a request from a Board member to ensure that the active observers had an opportunity to make statements during this agenda item, the Co-Chairs clarified that on the previous day (29 June 2016), during the Board's discussion on agenda item 11, "Strategy on accreditation", owing to the planned executive session and the pre-scheduled evening event, there had not been time to invite them to make statements. This had also been the case for some Board members. They apologized to the active observers.

399. The CSO active observer stated that civil society groups in the Democratic People's Republic of Korea and the Republic of Korea were opposed to the accreditation of KEXIM and that Korean civil society was also opposed to this applicant. GCF should not accredit any ECA as their mission was not congruent with that of the GCF. Furthermore, they noted that KEXIM was a major financier of fossil fuels and existed in a country which was the second largest OECD country in terms of export credit support for coal projects. While lamenting the accreditation of certain entities, they could not support the replication of these mistakes by the GCF. Finally, they queried why KEXIM would be accredited as a direct access entity unless its mandate was only to finance projects in the Republic of Korea. They wished the Board to urgently define national, regional and international access. They proposed that national direct access entities be defined as domestic institutions based in developing countries that focused on implementing activities in those same countries, while regional direct access entities should be limited to specific circumstances such as SIDS where it was not feasible to have national implementing entities in individual countries.

400. Several Board members stated that the application from this entity should be approved. One such Board member noted that a number of developing country members had concerns about previously approved entities because of their involvement, for example, in fossil fuels, or alleged money laundering, but they had shown flexibility in order to urgently build a wide network of AEs to support GCF goals. The GCF had stringent standards and safeguards and it was important to be consistent in assessing each applicant. Furthermore, they and another Board member were also of the view that not approving this entity meant that the Board was changing its policies midway through, and noted that if this were the case it would be necessary to look at all 33 AEs to see if they met the evolving policy.

401. Another of these Board members noted that the Board had no policy for not accrediting ECAs and, as such, each applicant needed to be treated on a case-by-case basis. They noted that according to the OECD (February 2015), this applicant was classified as a DFI. Document GCF/B.13/23 indicated that the EDCF arm of the applicant had invested over USD 10 billion in

357 projects in 52 countries, including 19 LDCs and 2 SIDS. As such, this applicant was a developing country bank involved in development assistance, including green development, so there was no clear case for rejecting their application other than on grounds of discrimination. This Board member also noted that although there was a decision by the OECD to untie aid, all OECD institutions were not there yet. This bank, according to publicly available information, had increased its ratio of untied to tied aid from 30 per cent in 2010 to 50 per cent in 2015, and this trend was expected to continue.

402. Another of these Board members noted three reasons to support this applicant: they were involved in sustainable development, there were clear precedents in earlier Board decisions, and this entity had made clear commitments that GCF funds would be 100 per cent untied. This Board member also noted that some of the AEs have ECA elements. For this Board member, blocking this entity created both political and technical issues and so as a matter of principle for their constituency the applicant needed to be accredited. They requested their concerns be recorded in the report of the meeting. An issue concerning ethics was raised by another Board member. In discussions about applicants, which were now webcast, they noted the importance for Board members and active observers to be careful in their statements as it would be unethical to cause reputational damage to potential AEs, and may also discourage future applicants.

403. A Board member raised a point of order regarding consensus or lack thereof and reminded the Board that there was still a pressing need to find a mechanism for decision-making in the absence of consensus. Another Board member stated that the Board made decisions on the basis of consensus and had delegated due diligence to the TAP. The same Board member also noted the importance of exploring all avenues to find solutions, as had been done by the Board on previous occasions. It was possible for Board members to impose conditions when accrediting entities as a way to trigger positive changes in organizations whose goals were not a perfect fit with the mandate of the GCF. In this spirit, another Board member suggested that perhaps the applicant could take their application away and refine it further, especially to clarify the governance arrangements between KEXIM and EDCF.

404. A Board member raised a point of order concerning the Co-Chairs' request that Board members only raise flags if they did not support the accreditation of the entity. They stated that by using this approach the discussion would be one-sided as only comments against the accreditation of the entity would be voiced. It was important, even if supporting it, to be able to make their arguments in order to have the opportunity to convince other Board members. The same Board member indicated that the Board had adopted policies with respect to the accountability of AEs. These included the no-objection procedure for ensuring country ownership and the monitoring and accountability framework for AEs.

405. Some Board members stated that if the process was to consider each entity one-by-one, it would make the consideration of other entities difficult.

406. Another Board member stated that they had wished to hear from the Chair of the AP on why the AP recommended the applicant for accreditation by the Board. The Board member requested an adjournment for consultations.

407. On reopening the item, the Co-Chairs informed Board members that following extensive consultations, a number of policy gaps had been identified. As a result, they proposed deferring this item, including the consideration of all five entities that had been recommended for accreditation, to B.14.

408. The Board adopted the following decision:

## **DECISION B.13/28**

*The Board, having considered document GCF/B.13/23 titled “Consideration of accreditation proposals”,*

- (a) Decides to defer the consideration of applicants 034 to 038, as contained in document GCF/B.13/23, until the fourteenth meeting of the Board; and*
- (b) Requests the Accreditation Committee to present for consideration by the Board at its fourteenth 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.*

## **Agenda item 18: Accreditation Master Agreements**

409. The Board considered the agenda item in closed session and adopted the following decisions:

### **DECISION B.13/29**

*The Board, having considered document GCF/B.13/19 (limited distribution) titled “Accreditation master agreements and funded activity agreements”,*

- (a) Takes note with appreciation of the progress made by the Executive Director in executing accreditation master agreements;*
- (b) Notes the progress made by the Secretariat in negotiating changes to the accreditation master agreement template so as to meet the unique circumstances and requirements of specific accredited entities, and notes in particular the specific issues it has highlighted for the Board in document GCF/B.13/19 as potential “substantive changes” from the accreditation master agreement template;*
- (c) Recognizes the need to conclude the outstanding accreditation master agreements with urgency, and notes the flexibility provided by the Board in decision B.12/31 in that regard, in which it noted that the template accreditation master agreement was a basis for negotiations and provided a process for the resolution and Board approval of “substantive changes” from the template accreditation master agreement with recourse to the Board, where appropriate;*
- (d) Reiterates the process as set out in decision B.12/31 for addressing substantive changes from the template accreditation master agreement, clarifies that provisions which contradict a Board-approved policy are substantive changes, and further clarifies that other changes that, in the judgment of the Executive Director, materially affect the terms of the template accreditation master agreement are to be addressed through the process set out in such a decision;*
- (e) Requests that the Secretariat, on behalf of the GCF, conclude pending accreditation master agreements as a matter of urgency, recognizing the potential contribution of each agreement towards approved projects and the functioning of the project pipeline;*
- (f) Decides, in this regard, that pending agreements for which negotiations are concluded prior to the fourteenth meeting of the Board and for which recourse to the Board is required under decision B.12/31 should be promptly submitted for approval by the Board under the no-objection procedure established for decisions between meetings as set out in paragraphs 41–44 of the Rules of Procedures of the Board;*



- (g) *Urges* the Secretariat to consider how to expedite the approval of outstanding accreditation master agreements, and to report to the Board at its fourteenth meeting with any requests for Board action in this regard; and
- (h) *Also urges* all relevant parties to continue to work in good faith taking into consideration Board approved policies to finalize negotiations on outstanding accreditation master agreements.

### **DECISION B.13/30**

The Board, having considered document GCF/B.13/19 (limited distribution) titled “Accreditation master agreements and funded activity agreements”,

- (a) *Decides* to approve the amendments from the accreditation master agreement with Acumen Fund, Inc. in respect of the implementation of FP005, as set out in annex VI;
- (b) *Requests* the Executive Director or her designee to conclude negotiations with Acumen Fund, Inc., on the funded activity agreement and its related legal arrangements for the implementation of FP005 and to execute these in such form and substance as she deems appropriate, and expresses its full support for the outcome of the negotiations on the relevant legal arrangements; and
- (c) *Decides*, with reference to decision B.BM-2016/07 (limited distribution), to extend the deadline up to 180 days after the date of effectiveness of the relevant accreditation master agreement or the date of this decision, whichever is later, for entering into the funded activity agreements for the following funding proposals:
  - (i) FP001 (Profonanpe, Peru);
  - (ii) FP002 (United Nations Development Programme, Malawi);
  - (iii) FP003 (Centre de Suivi Ecologique, Senegal);
  - (iv) FP005 (Acumen Fund, Inc., East Africa); and
  - (v) FP007 (United Nations Development Programme, Maldives).

410. The Board also adopted a limited distribution decision under this agenda item:

- (a) **DECISION B.13/31** on accreditation master agreements.

## **Agenda item 19: Country programming, readiness and preparatory support**

### **(a) Readiness and preparatory support**

411. The Co-Chairs opened the agenda sub-item and drew the attention of the Board to document GCF/B.13/24 titled “Progress and outlook report of the Readiness and Preparatory Support Programme”.

412. One Board member requested clarification from the Secretariat on annex IV to the document regarding whether “strengthening institutional capacities so that the NDA or focal point can effectively fulfil its role” included providing funds for tangibles such as communications equipment and technology. A representative of the Secretariat replied in the affirmative, noting this was set out in decision B.08/11 mentioned in the document.

413. Another Board member requested an amendment to paragraph (i) of the draft decision, changing “are not applicable” to “may not be applicable”.

414. With this amendment, the Board adopted the following decision:

### **DECISION B.13/32**

*The Board, having considered document GCF/B.13/24 titled “Progress and outlook report of the Readiness and Preparatory Support Programme”,*

- (a) *Reaffirms the resource allocation framework for the Readiness and Preparatory Support Programme as contained in decision B.08/11;*
- (b) *Also reaffirms decision B.06/06 on the initial parameters and guidelines for allocating resources during the initial phase of the GCF, that decided that sufficient resources should be provided for readiness and preparatory support activities;*
- (c) *Further reaffirms the important role of the GCF Readiness and Preparatory Support Programme in the development of country programming frameworks;*
- (d) *Welcomes the simplification of the readiness support template and encourages the Secretariat to continue to expedite the approval and disbursement of readiness and preparatory support resources;*
- (e) *Adopts the revised indicative list of activities that can be supported by the Readiness and Preparatory Support Programme as contained in annex VII;*
- (f) *Requests the Secretariat to present, in their report to the Board at its fourteenth meeting, analysis of the challenges identified so far in the effective and efficient implementation of the Readiness and Preparatory Support Programme, and an assessment of actions taken as well as progress achieved to date on the implementation and outcomes of approved readiness activities;*
- (g) *Notes difficulties that have been encountered in the conclusion of readiness grant agreements;*
- (h) *Agrees to simplify the readiness grant agreement with a view to developing an arrangement for country programme framework agreements in order to expedite the disbursement of readiness resources;*
- (i) *Decides that the terms of the accreditation master agreement template may not be applicable to the readiness programme; and*
- (j) *Amends decision B.12/31, paragraph (h), to add the following sentence: “Paragraph 7(b) of Exhibit A of the accreditation master agreement shall not apply to readiness delivery partners that have immunities under international law”.*

### **(b) Country ownership guidelines**

415. The Co-Chairs opened the agenda sub-item. They noted that this item was not yet ready for consideration by the Board, and proposed deferring it to the fourteenth meeting of the Board and asking the Secretariat to continue preparing country ownership guidelines as per decision B.10/10, incorporating appropriate elements of the strategic plan of the GCF.

416. The Board adopted the following decision:

## **DECISION B.13/33**

*The Board,*

- (a) Decides to defer the issue of country ownership guidelines for consideration at its fourteenth meeting;*
- (b) Requests the Secretariat to prepare the guidelines on country ownership based on the elements of decision B.10/10, paragraph (c), and to include appropriate elements of the strategic plan into the guidelines related to country ownership; and*
- (c) Also requests the Secretariat to ensure the guidelines include guidance for the operationalization of all Board decisions related to country ownership.*

## **Agenda item 20: Further development of some indicators in the performance measurement framework**

417. The Co-Chairs opened the agenda item and drew the attention of the Board to document GCF/B.13/26 titled “Further development of some indicators in the performance measurement frameworks”. They invited a representative of the Secretariat to present the item.

418. A representative of the Secretariat outlined that the document responded to a Board request through decision B.08/07 to revise some indicators within the performance measurement frameworks (PMFs) and decision B.12/33 through which the Board invited submissions, for the refinement of those indicators, from Board members, alternate members and active observers, and requested the Secretariat to facilitate technical consultations around them. They explained that during this process they had also carried out consultations with experts from academia, civil society, the private sector and climate institutions. They took into account guidance provided in COP recommendations, considered a gender-responsive approach, and previous decisions and adopted policies such as the initial monitoring and accountability framework of the GCF. They welcomed any feedback from the Board.

419. The Co-Chairs proposed that given that they understood that further time was needed to address issues, this item be deferred to B.14, amending the draft decision put to the Board to this effect.

420. While a Board member was reluctant to defer the item and others would have agreed to reach a decision on the document, other Board members thought the document would benefit from further work.

421. A Board member requested that the Secretariat clarify the process of consultation with institutions and stressed the need to take a balanced view, pointing out that it seemed that a limited number of institutions based in Africa were consulted. A representative of the Secretariat responded that the consultations’ sampling was determined based on individuals rather than institutions. The Secretariat consulted those who are recognized as subject-matter experts in the relevant climate areas covered by the indicators. In addition, the Secretariat clarified that experts working in African institutions had been consulted during the process.

422. A Board member underscored the need to ensure compatibility and a harmonized approach in measuring the quality and quantity of adaptation benefits and asked the Secretariat to change indicator A1.1 back to the original form presented in document GCF/B.12/13 titled “Further development of indicators in the performance measurement frameworks”. Furthermore, they disagreed with setting “increased resilience of infrastructure” as an additional core indicator.

423. Another Board member appreciated that the concerns of SIDS had been taken into account for adaptation indicator A1.3 and highlighted again that the percentage of the population affected was also an important measurement for small countries.
424. Two Board members stated that the initial evaluation policy required a forward-looking and strategic approach, looking at the extent to which a paradigm shift was successfully achieved through and beyond GCF interventions.
425. A few Board members requested clarification on the process of drawing on lessons learned. One asked how often these lessons would be presented to the Board and how the Board would proactively be involved in the development of indicator methodologies, while another Board member emphasized that evaluation should be conducted across GCF operations in countries and lessons should be fed back into country programming work.
426. Another Board member was keen to see further elaboration of the evaluation policy clarifying the division of labour between the Secretariat and the independent Evaluation Unit.
427. A Board member emphasized that indicators should reflect the outcomes of the Paris Agreement, requesting that the indicators be updated to reflect the commitments set out in NDCs.
428. A Board member stressed that the PMFs were living frameworks and that upcoming milestones may require them to be updated further. For instance, an Intergovernmental Panel on Climate Change report on the 1.5-degree target is set to be released in 2018, with a global stocktaking publication due from the same institution by 2023. It was recommended that performance measurement frameworks reflect what Parties to the COP could realistically achieve.
429. A Board member raised an issue in the ease of understanding this technical document. They highlighted that the PMFs should not be too complicated and burdensome for GCF stakeholders, but should be pragmatic. This was supported by another Board member.
430. A Board member underlined the need to simplify and streamline the indicators and suggested setting up a task force to go through all indicators one by one in order to ensure that they were measurable in practice and to define which indicators would really provide an accurate overview for the Board, the Secretariat and the COP.
431. The CSO active observer supported a deferral of a decision, calling for the initial evaluation policy to not just narrowly focus on improving climate change projects but rather learn how climate interventions supported by the GCF could contribute to a paradigm shift. They also suggested that NDAs should play a key role in GCF evaluation, not only for country portfolio evaluation but also at the project/programme level. Furthermore, it was underscored that learning and knowledge management systems should not be limited to databases and the online platform; the processes for applying lessons learned needed to be specified.
432. The Co-Chairs took note of these comments and the Board adopted the following decision:

#### ***DECISION B.13/34***

*The Board, having considered document GCF/B.13/26 titled “Further development of some indicators in the performance measurement frameworks”,*

*Decides to defer consideration of further development of some indicators in the performance measurement frameworks as contained in document GCF/B.13/26 to the fourteenth meeting of the Board.*

## Agenda item 21: Risk and investment policies

### (a) Report on the proposed revision of the risk register

433. The Co-Chairs opened the agenda sub-item and drew the attention of the Board to document GCF/B.13/29 titled “Report on the proposed revision of the risk register”. They thanked the RMC for its excellent work and expressed the opinion that the guidelines struck a good balance between the ambition of the GCF and the capacity in the Secretariat, noting that recruitment of key people in the area of risk should be a priority for the GCF.

434. The Chair of the RMC presented the draft decision on this sub-item; on behalf of the RMC, they advised the Board to adopt this decision, which provided a good basis for the risk management framework. They noted that although the document stated a review would be conducted every three years, in practice, once a Risk Manager was in place in the Secretariat, the RMC may ask for this to occur annually.

435. The Board adopted the following decision:

### ***DECISION B.13/35***

*The Board, having reviewed document GCF/B.13/29 titled “Report on the proposed revision of the risk register”:*

- (a) Notes that the Risk Management Committee reviewed the proposed revision of the risk register and concluded that the revision was reasonable; and*
- (b) Decides that the risk register will be updated as frequently as the Risk Management Committee deems necessary, but no less frequently than once every three years.*

### (b) Interim risk and investment guidelines

436. The Co-Chairs opened the agenda sub-item in an executive session.

437. The Co-Chairs reopened the agenda sub-item in an open session and presented a draft decision to the Board for consideration. They specified an addition to the annex to the draft decision stating that if third-party, independent, expert advice was required, that this would be selected by the Secretariat rather than an AE.

438. A Board member asked for clarification on paragraph (b) of the draft decision.

439. The Chair of the RMC noted that they unanimously believed that risk management was a core Secretariat function, which required the right staff as a matter of urgency. They explained that even for this interim period, they wanted the GCF to be ambitious and risk-taking, and the intention of the draft decision was therefore to signal that the GCF was serious in building up risk management capacity in the Secretariat in order to meet these goals. However, the more time that went by without sufficient Secretariat capacity, the less manageable the risk became. In all likelihood, the RMC believed that this capacity would be on board soon, but in the unlikely event this was not the case by the sixteenth meeting of the Board, then the GCF would revert back to being more prudent until this capacity was brought up to standard.

440. The Board adopted the following decision:

## **DECISION B.13/36**

*The Board, having reviewed document GCF/B.13/27/Rev.02 titled “Interim risk and investment guidelines: Risk Management Committee proposal”:*

- (a) Adopts the Interim risk and investment guidelines as contained in annexes VIII and IX. These guidelines will expire the earlier of (i) the sixteenth meeting of the Board, or (ii) at the adoption of an updated set of risk policies and guidelines as determined by decision B.12/34;*
- (b) Decides that, in case these interim guidelines expire and the Secretariat cannot yet confirm that adequate in-house risk management capacity is in place, the GCF will only be able to participate in a tranche aligned with the accredited entity on all terms and conditions other than pricing and must not be the largest contributor or financier in a tranche or any whole project, in order to mitigate GCF risk exposure;*
- (c) Reiterates that the GCF intends to be an institution that takes risks that other institutions or funds are not willing or able to take; and*
- (d) Requests the Secretariat to develop the necessary methodologies and internal procedures, hire a permanent Risk Manager and additional staff to enhance the Secretariat’s risk management capacity as a matter of urgency, and report to the Board, as part of the report on the activities of the Secretariat at each meeting, on the status of this process.*

## **Agenda item 22: Administrative matters**

### **(a) Status of the GCF Administrative Tribunal**

441. The Co-Chairs opened the agenda sub-item and drew the attention of the Board to document GCF/B.13/28 titled “Administrative Tribunal of the Green Climate Fund (status update)”.

442. A representative of the Secretariat was invited to present the item. They explained that the document outlined the work carried out by the Secretariat since the twelfth meeting of the Board. They noted that since much of this work depended on the responses of partner organizations, they had been unable to fully set out all viable options for the GCF, and asked for additional time to continue engagement with other organizations.

443. A Board member asked what obstacles were preventing the process from moving along. The Secretariat representative responded that the organizations which the GCF was engaging with were busy undertaking their own analysis of whether the GCF met their criteria to be eligible for access to their administrative tribunals.

444. A Board member called for the cost of each option presented to be set out in the document as this would be an important factor in the decision taken. The Secretariat representative explained that cost information was shared with the Secretariat on a confidential basis, but that this could be shared confidentially with Board members and alternate members if needed.

445. Another Board member highlighted the fact that the administrative policies of the GCF mentioned the establishment of a staff association, and wondered whether this was being developed. The representative of the Secretariat explained that though staff had a right to establish a staff association, none was currently in place; this had to be initiated by staff themselves rather than the Board or management.

446. Another Board member asked what measures could be taken in the interim until an Administrative Tribunal for the GCF was identified or created, so that staff could enjoy protection. They suggested linking up with another tribunal on an interim basis, further suggesting that of the ADB. The representative of the Secretariat explained that linking up with another organization's tribunal as an interim measure presented the same issues as linking up on a more permanent basis, and was therefore not viable, though they suggested that perhaps ad hoc arbitration using the systems of Singapore or Hong Kong could be considered. Regarding ADB, they noted that its administrative tribunal's policies did not provide for it to extend to other organizations.

447. A few Board members wondered what course of action a staff member currently had if a problem were to arise – they wondered whether the legal system of the Republic of Korea would be applicable to staff contracts. The representative of the Secretariat explained that, currently, staff matters were dealt with informally, as no fixed procedure was in place; issues were escalated through human resources and the relevant directors and senior management. They noted that an administrative review and appeals procedure for internal Secretariat staff grievances was being finalized, though this did not provide for independent third-party adjudication. Regarding whether the legal system of the Republic of Korea would be applicable, they noted that staff contracts did not have a national basis, but envisaged that disputes go to the as yet unestablished administrative tribunal. That being said, and notwithstanding GCF privileges and immunities in the Republic of Korea, they explained that it was possible that an aggrieved staff member could bring an employment matter to courts in that jurisdiction and that such courts may exercise jurisdiction over the matter on the grounds that the GCF did not yet have an adequate means of redress for staff.

448. Two Board members expressed concern at these replies, highlighting that the present system was unclear for staff and did not provide adequate protection. They hoped the headquarters agreement between the GCF and the Government of the Republic of Korea would not impede an impartial legal decision should a staff member have recourse to the legal system of that country in the event of a dispute with the GCF. They wondered what the procedure would be in terms of lifting privileges and immunities in this case, though noted that the risk of a dispute reaching this level before the Board took a decision establishing a permanent administrative tribunal was low. A Board member expressed doubts over whether the legal system of the Republic of Korea could handle such a case. They called for the matter to be resolved urgently.

449. The Secretariat took note of the concerns expressed, and on that basis the Board adopted the following decision:

### ***DECISION B.13/37***

*The Board, having reviewed document GCF/B.13/28 "Administrative Tribunal of the Green Climate Fund (status update)",*

- (a) Takes note of the progress made to date with respect to the arrangements for the Administrative Tribunal of the GCF; and*
- (b) Requests the Secretariat to prepare a document for consideration by the Board as soon as is possible, and no later than at its fifteenth meeting, setting out the options for the Administrative Tribunal of the GCF, which should include an estimate of the related costs.*

## **(b) Report on the execution of the administrative budget for 2016**

450. The Co-Chairs opened the agenda sub-item and drew the Board's attention to document GCF/B.13/Inf.08 titled "Report on the execution of the 2016 administrative budget of the Green Climate Fund at 30 April 2016". They asked Board members if they had any questions on the report. In the absence of any questions, the Board took note of the document.

## **(c) Annual report and audited financial statements for 2015**

451. The Co-Chairs opened the agenda sub-item and drew the Board's attention to document GCF/B.13/22 titled "Audited financial statements of the Green Climate Fund for the year ended 31 December 2015". They noted that the Ethics and Audit Committee had reviewed the financial statements for 2015. They explained that no annual report for 2015 was being presented to the Board as the report for 2014-2015 had already covered the first 10 months of 2015 and was published less than a year ago; the Co-Chairs suggested another annual report at this stage was therefore unnecessary. Furthermore, they noted that annual reports corresponding with the calendar year would be ideal and consistent with other GCF reporting; they therefore suggested that the 2016 annual report be submitted to the sixteenth meeting of the Board, covering all of 2016 and the final months of 2015 not covered in the previous report.

452. The Secretariat presented an update on the 2015 financial statements. In the absence of any questions, the Board approved the financial statements of the GCF for the year ended 31 December 2015, adopting the following decision:

### ***DECISION B.13/38***

*The Board, having considered document GCF/B.13/22 titled "Audited financial statements of the Green Climate Fund for the year ended 31 December 2015",*

*Approves the financial statements of the GCF for the year ended 31 December 2015 as contained in annex X.*

## **Agenda item 23: Date of the following meeting of the Board**

453. The Co-Chairs opened the agenda item and drew the attention of the Board to document GCF/B.13/31 titled "Date and venue of the following meeting of the Board", noting that an updated draft decision text was being circulated proposing that the next meeting be held from 18 to 20 October 2016 in Quito, Ecuador.

454. Another Board member asked for confirmation of the dates for the fifteenth meeting of the Board. The Co-Chairs stated that the fifteenth meeting of the Board was planned to be held in Apia, Samoa, from 13 to 15 December 2016.

455. A Board member, while expressing gratitude to the Government of Ecuador for its gracious offer to host B.14, expressed a preference for holding the meeting at the GCF Headquarters in Songdo as the Board planned to take a decision at that time on the appointment of the next Executive Director. They flagged that they had unsuccessfully tried to contact the Government of Ecuador on this matter, and asked the Board member from Latin America and the Caribbean whether they could explain the reasons for the change of location from Guayaquil to Quito. This Board member responded that they were unaware of the reasons for this change, and suggested that if the appropriate authorities in Ecuador could not be reached perhaps a decision could be taken between meetings on the location.



456. The Co-Chairs suggested adopting the decision as presented to the Board, with any potential future changes arising during the ongoing discussions with Ecuador subject to a decision taken between meetings.

457. There being no objection, the Board adopted the following decision:

### ***DECISION B.13/39***

*The Board, having reviewed document GCF/B.13/31 titled "Date and venue of the following meeting of the Board",*

- (a) Affirms that the fourteenth meeting of the Board will take place from Tuesday, 18 October 2016, to Thursday, 20 October 2016;*
- (b) Decides that the fourteenth meeting of the Board will take place in Quito, Ecuador, as suggested by the host country; and*
- (c) Requests the Secretariat to continue its consultations with Ecuador with a view to concluding the required legal agreement and to making the necessary arrangements.*

### **Agenda item 24: Other matters**

458. There being no other matters, the Board did not open this agenda item.

### **Agenda item 25: Report of the meeting**

459. The Co-Chairs opened the agenda item and informed the Board that the compendium of decisions taken at the thirteenth meeting of the Board would be made available within the space of two hours and circulated to the Board by e-mail, with the full report circulated to them prior to B.14.

460. The decisions as adopted and their corresponding annexes are included in that document.

### **Agenda item 26: Close of the meeting**

461. The Co-Chairs opened the agenda item.

462. They commended the positive, cooperative and collegiate spirit of the meeting, expressing their delight in chairing such a productive and smooth Board meeting which resulted in the adoption of a record number of decisions.

463. They thanked all Board members, alternate members, advisers, active and other observers for their contributions.

464. A few Board members thanked the Co-Chairs and their colleagues for the positive manner in which the meeting had taken place, congratulated the Secretariat on its outstanding work, and thanked the Executive Director again for the great role she played in laying the foundations of a successful GCF.

465. The Co-Chairs thanked outgoing Board member Mr. Jacob Waslander and alternate member Mr. Masaaki Iizuka for their contributions to the GCF during their terms, expressing how highly appreciated and respected they were within the Board. They wished them every success in their new roles in Washington D.C.

466. Mr. Waslander thanked the Co-Chairs for their kind words, noting that it had been a pleasure to be part of the Board and expressing full confidence in the capacity of the Risk Management Committee and its new Chair to move forward decisively. He stated that he would continue to follow developments at the GCF with interest.

467. Mr. Ali'ioaiga Feturi Elisaia stated that Samoa and the Pacific region as a whole was looking forward to hosting the fifteenth meeting of the Board, recommending that Board members plan for less formal wear for the meeting.

468. The Co-Chairs then thanked their own teams of advisers for their unwavering commitment to the GCF.

469. Finally, the Co-Chairs thanked the Secretariat for their hard work leading up to and during the meeting, in particular acknowledging the outstanding contributions of departing members of the Secretariat: Ms. Cheikhrouhou, the Executive Director, and Mr. Tao Wang, Director of Mitigation and Adaptation.

470. The Co-Chairs closed the thirteenth meeting of the Board at 8:06 p.m. on 30 June 2016.

## Annex I: Fifth report of the Green Climate Fund to the Conference of the Parties to the United Nations Framework Convention on Climate Change

### Executive summary

1. The following points include some of the progress achieved by the Green Climate Fund (GCF) from November 2015 to 1 June 2016 with respect to guidance received from the Conference of the Parties (COP) to the United Nations Framework Convention on Climate Change (UNFCCC):
  - (a) The Board, in decision B.12/20, welcomed the decision reached at the twenty-first session of the COP (COP 21) that the GCF, as an operating entity of the Financial Mechanism of the Convention, will serve the Paris Agreement. To this end, the Board will, pursuant to decision B.12/20, consider at its thirteenth meeting (B.13) how the GCF can support the implementation of the Paris Agreement and related COP decisions;
  - (b) By decision B.12/20, the Board adopted the initial Strategic Plan for the GCF, which sets out the Board's strategic vision of the GCF that centres on "promoting the paradigm shift towards low-emission and climate-resilient development pathways" and "supporting the implementation of the Paris Agreement within the evolving climate finance landscape". Consequently, the operational priorities and action plan defined by the strategy primarily point to the contribution of the GCF to the ultimate objective of the Convention as per the Governing Instrument for the GCF and to supporting the implementation of the Paris Agreement. The Strategic Plan is to guide the Board in addressing policy gaps and in programming at scale GCF resources of the Initial Resource Mobilization period, which extends to 2018;
  - (c) Of the approximately USD 10.3 billion in pledges mobilized to date, out of 48 countries, regions and cities, 38 had as at 1 June 2016 converted all or part of their pledges to contribution agreements and arrangements, bringing the total of signed contribution agreements to approximately USD 9.9 billion, representing just over 96 per cent of pledged resources;
  - (d) A total of 141 countries have selected national designated authorities (NDAs) and focal points to the GCF. As at 1 June 2016, readiness support proposals for 49 countries had been approved. The proposals focus on helping to strengthen NDAs and develop projects and programmes in line with national climate strategies and the GCF mandate. More than USD 13 million had been committed to support these areas of work. At this date, nearly 30 additional proposals were under development. As per decision B.12/32, the Board is scheduled to consider at B.13 the improvement and simplification of the process to access the readiness programme;
  - (e) Rwanda's "Rural Green Economy and Climate Resilient Development Programme" submitted by the Ministry of Natural Resources of Rwanda became the first to benefit from the Project Preparation Facility (PPF), with the Board having approved at its twelfth meeting (B.12) a total amount of USD 1.5 million for the preparation of the programme. The Board will at B.13 define the scope and functioning of the PPF, which is targeted at direct access entities and small-scale activities in supporting developing countries to generate climate projects and programmes; and will consider further applications under the PPF once the guidelines for the facility are adopted;
  - (f) At B.12 the Board approved 13 new accredited entities, bringing the total number of GCF accredited entities to 33 (of which 13 are direct access entities), representing a diversity

of national, regional, private, non-governmental and international organizations from all over the world that can operate at various levels of scale and can undertake a range of financial instruments. The Board is to consider further applications for accreditation as part of its workplan for 2016. Additionally, the Board is scheduled to consider pursuant to decision B.12/30 the activities to be covered by the readiness programme in relation to support for accredited direct access entities; and

- (g) B.12 was dedicated to addressing policy gaps and taking key decisions that will help the Board to take further decisions on funding proposals. As per the 2016 Board workplan, the Board is scheduled to meet three more times in 2016, and will consider funding proposals at each of these meetings.
2. An addendum to the fifth report of the GCF to the COP will be issued in advance of the twenty-second session of the COP when the Board will have held three out of four meetings in 2016, to report on further progress in addressing COP guidance.

## I. Introduction

3. The GCF was established at COP 16 to support projects, programmes, policies and other activities in developing country Parties. The GCF was designated as an operating entity of the Financial Mechanism of the Convention at the seventeenth session of the COP (COP 17) where its Governing Instrument was also approved. In accordance with its Governing Instrument, the GCF is to play a key role in channelling new, additional, predictable and adequate financial resources to developing countries so as to promote the paradigm shift towards low-emission and climate-resilient development pathways towards attaining the goals set by the international community to combat climate change. Pursuant to Article 9, paragraph 8, of the Paris Agreement and paragraph 58 of UNFCCC decision 1.CP/21, the GCF as an operating entity of the Financial Mechanism of the Convention is also to serve the Paris Agreement, which was adopted at COP 21.

4. Pursuant to Article 11, paragraph 3, of the Convention, the COP provides guidance annually to the GCF on its policies, programme priorities and eligibility criteria as an operating entity entrusted with the operation of the Financial Mechanism of the Convention. The Board therefore takes appropriate action on guidance received from the COP on an ongoing basis and submits annual reports to the COP for its consideration and to receive further guidance.

5. This document presents the fifth annual report of the GCF to the COP. It provides an overview of milestones reached by the GCF from November 2015 to 1 June 2016, a period during which the Board held its twelfth meeting,<sup>1</sup> with respect to guidance received from the COP.

6. An addendum to the fifth report will be issued in advance of the twenty-second session of the COP when the Board will have held three out of four meetings in 2016, to report on progress in addressing COP guidance.

## II. Actions taken by the GCF pursuant to guidance received from the Conference of Parties

7. This section provides an overview of actions taken by the GCF pursuant to specific guidance received from the COP. It is organized into three sub-sections as follows:

- (a) Overview of actions taken by the GCF in response to guidance received from COP 21 (presented in table 1);
- (b) Overview of guidance from the COP at its seventeenth, eighteenth, nineteenth and twentieth sessions that is still relevant for action and reporting (presented in table 2); and
- (c) Report on the implementation of the arrangements between the COP and the GCF (presented in table 3).

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<sup>1</sup> The twelfth meeting of the Board was held on 28 – 30 March 2016 in Songdo, Incheon, Republic of Korea.

## 2.1 Overview of actions taken by the GCF in response to guidance received from the Conference of Parties at its twenty-first session

8. UNFCCC decision 7/CP.21, paragraph 28, requests the Board of the GCF to report to the COP on the steps it has taken to implement the guidance provided in that decision. Table 1 addresses this request.

**Table 1. Overview of actions taken pursuant to guidance received from COP 21**

Guidance received from the Conference of the Parties	Action by the Green Climate Fund
<b>UNFCCC decision 1/CP.21- Adoption of the Paris Agreement</b>	
<p>Reiterates its call to developed country Parties, the operating entities of the Financial Mechanism and any other organizations in a position to do so to provide support for the preparation and communication of the intended nationally determined contributions of Parties that may need such support</p> <p><i>Decision 1/CP.21, paragraph 15</i></p>	<p>Paragraph 40 of the Governing Instrument provides that “the Fund will provide resources for readiness and preparatory activities and technical assistance, such as the preparation or strengthening of low-emission development strategies or plans [...]”. Activity area 2 of the Green Climate Fund (GCF) readiness programme seeks to establish and strengthen “strategic frameworks, including the preparation of country programmes”</p> <p>Therefore intended nationally determined contribution (INDC) preparation can be supported within the frame of paragraph 40 of the Governing Instrument and activity area 2 of the readiness programme</p>
<p>Further requests the Green Climate Fund to expedite support for the least developed countries and other developing country Parties for the formulation of national adaptation plans, consistent with decisions 1/CP.16 and 5/CP.17, and for the subsequent implementation of policies, projects and programmes identified by them</p> <p><i>Decision 1/CP.21, paragraph 46</i></p>	<p>By decision B.08/11, the Board agreed to use readiness resources to develop country strategic frameworks for engagement with the GCF, building on existing strategies and plans, including national adaptation plans (NAPs) and national adaptation programmes of action (NAPAs), in accordance with decision B.08/10 and paragraph 37 of the Governing Instrument</p> <p>Pursuant to decision B.12/ 07, paragraph (c), the Board is scheduled to consider how the GCF may wish to support the Cancun Adaptation Framework (CAF) at its thirteenth meeting (B.13) and relevant adaptation planning articles of the Paris Agreement, where the matter of support for the formulation and implementation of NAPs is expected to be discussed</p>
<p>Recognizes the importance of adequate and predictable financial resources, including for results-based payments, as appropriate, for the implementation of policy approaches and positive incentives for reducing emissions from deforestation and forest degradation, and the role of conservation, sustainable management of forests and enhancement of forest carbon stocks; as well as</p>	<p>The GCF Strategic Plan outlines the operationalization of REDD-plus as one of the key actions that the Board will take in promoting pipeline development. Building on the REDD-plus logic model and performance measurement framework for ex post REDD-plus results-based payments adopted at its eighth meeting, the Board in decision B.12/07, paragraph (d), requested the</p>

Guidance received from the Conference of the Parties	Action by the Green Climate Fund
<p>alternative policy approaches, such as joint mitigation and adaptation approaches for the integral and sustainable management of forests; while reaffirming the importance of non-carbon benefits associated with such approaches; encouraging the coordination of support from, inter alia, public and private, bilateral and multilateral sources, such as the Green Climate Fund, and alternative sources in accordance with relevant decisions by the Conference of the Parties</p> <p><i>Decision 1/CP.21, paragraph 54</i></p>	<p>preparation of a document allowing for the operationalization of results-based payments REDD-plus activities (i.e. activities referred to in UNFCCC decision 1/CP.16, para. 70, consistent with UNFCCC decision 9/CP.19 and in accordance with decision B.08/08) for its consideration at its fourteenth meeting (B.14)</p> <p>The Board also requested in decision B.12/07, paragraph (e), a document regarding alternative policy approaches, such as joint mitigation and adaptation approaches for the integral and sustainable management of forests consistent with UNFCCC decision 16/CP.21, paragraph 6, and UNFCCC decision 7/CP.21, paragraph 25, also for its consideration at B.14</p> <p>In responding to UNFCCC decision 7/CP.21, paragraph 24, decision B.12/07, paragraph (e), also sets the Board to consider the mobilization of private sector finance to progress the GCF forestry-related result areas at its fifteenth meeting (B.15)</p> <p>These decisions hence provide a platform for the Board to further consider and decide how the GCF will support forestry-related activities vis-à-vis the Paris Agreement</p>
<p>Urges the institutions serving the Agreement to enhance the coordination and delivery of resources to support country-driven strategies through simplified and efficient application and approval procedures, and through continued readiness support to developing country Parties, including the least developed countries and small island developing States, as appropriate</p> <p><i>Decision 1/CP.21, paragraph 64</i></p>	<p>“Enhancing accessibility and predictability” is a key strategic measure that the Board intends to promote, with the Strategic Plan noting that GCF resources should be made accessible at reasonable upfront cost and low risk. In this regard, the Strategic Plan outlines the intention of the GCF to enhance predictability through more transparent planning of its resources; signal more clearly the kinds of project and programme it is seeking to finance; simplify its processes and templates particularly for microscale activities on the least developed countries (LDCs) and small island developing States (SIDS); and revise and simplify as appropriate the proposal approval process and procedures</p> <p>The Board is already set to consider at B.13 simplified processes for the approval of proposals for certain activities, in particular small-scale activities; and simplification of the process to access the readiness programme, in line with Article 9, paragraph 9, of the Paris Agreement. Also scheduled for consideration in 2016 in aiming to enhance accessibility and predictability are the approvals process review, further development of the initial approvals process and indicative minimum benchmarks. Furthermore, following the Board’s mandate</p>

Guidance received from the Conference of the Parties	Action by the Green Climate Fund
	<p>in decision B.11/11, paragraph (o), the process to simplify the funding proposals template is ongoing</p> <p>Issuance of requests for proposals for the three pilots on (i) funding micro-, small- and medium-sized enterprise activities that are climate sensitive, (ii) mobilizing funding at scale, and (iii) enhancing direct access to the GCF, established by the Board through decisions B.10/04 and B.10/11, will further facilitate access to GCF resources and climate finance</p>
<p>Encourages the operating entities of the Financial Mechanism of the Convention to engage in the technical expert meetings and to inform participants of their contribution to facilitating progress in the implementation of policies, practices and actions identified during the technical examination process</p> <p><i>Decision 1/CP.21, paragraph 110</i></p>	<p>During the forty-fourth sessions of the UNFCCC subsidiary bodies, the GCF provided information on the thematic areas of the technical expert meetings (TEMs) session on the financing of transport, and facilitated a discussion on monitoring and evaluation of adaptation</p> <p>Participation of the operating entities of the Convention in those meetings was valued by the participants, some of whom raised the need to have dedicated sessions on financing of climate action to help Parties to understand the action on the ground with regard to funding of mitigation and adaptation</p> <p>As per this guidance from the Conference of the Parties (COP), the GCF will pursue engagement in TEMs and to incorporate emerging lessons learned into its work</p> <p>There will be further follow-up to this work</p>
<b>Decision 7/CP.21 – Report of the Green Climate Fund to the Conference of the Parties and guidance to the Green Climate Fund</b>	
<p>Welcomes the aspirations of the Board of the Green Climate Fund to approve proposals in 2016 to a value of USD 2.5 billion</p> <p><i>Decision 7/CP.21, paragraph 5</i></p>	<p>The twelfth meeting of the Board (B.12) was dedicated to addressing policy gaps and taking key decisions that will help the Board to take further decisions on funding proposals. As per the 2016 Board workplan, the Board is scheduled to meet three more times in the year, and will consider funding proposals at each one of these meetings (B.13, B.14 and B.15)</p>
<p>Also welcomes the establishment of a project preparation facility that will be targeted to small-scale activities and direct access entities, and requests the Board of the Green Climate Fund to consider lessons learned from other relevant facilities</p> <p><i>Decision 7/CP.21, paragraph 6</i></p>	<p>At B.12, Rwanda’s “Rural green economy and climate resilient development programme” submitted by the Ministry of Natural Resources of Rwanda became the first to benefit from this facility, with the Board having approved at B.12 a total amount of USD 1.5 million for the preparation of the programme</p> <p>The Board will at B.13 define the scope and functioning of the Project Preparation Facility and will consider further applications under the facility once the guidelines are adopted</p>



Guidance received from the Conference of the Parties	Action by the Green Climate Fund
<p>Urges Parties that made pledges under the initial resource mobilization process of the Green Climate Fund but have not yet confirmed them to the Green Climate Fund through fully executed contribution arrangements or agreements to do so as a matter of high priority</p> <p><i>Decision 7/CP.21, paragraph 8</i></p>	<p>Pledges to the GCF in the Initial Resource Mobilization (IRM) period to date amount to USD 10.3 billion equivalent (using the historical reference exchange rates established for the November 2014 GCF High-level Pledging Conference). The pledges emerged from 48 countries, regions and cities, 39 of which are developed and 9 are developing countries. As at 30 April 2016, about USD 9.9 billion of the pledges had been converted into contribution agreements/arrangements, representing just over 96 per cent of the total pledged amount. The GCF continues to work expeditiously with the relevant contributors on the conversion of the remaining pledged amount into signed contributions or arrangements</p> <p>Annex III provides details on the status of pledges and contributions as at 1 June 2016</p>
<p>Reiterates the invitation for financial inputs from a variety of sources, public and private, including alternative sources, throughout the initial resource mobilization process</p> <p><i>Decision 7/CP.21, paragraph 9</i></p>	<p>As per decision B.11/05, paragraph (d), the Board is to consider at B.14 policies and procedures for contributions from philanthropic foundations and other non-public and alternative sources</p>
<p>Requests the Board of the Green Climate Fund to agree on the arrangements for the first formal replenishment process of the Green Climate Fund as soon as feasible</p> <p><i>Decision 7/CP.21, paragraph 10</i></p>	<p>The Board is scheduled to consider the process for the first formal replenishment of the Fund at B.14</p>
<p>Welcomes the decision of the Board of the Green Climate Fund to develop a strategic plan for the Green Climate Fund and to adopt it as soon as possible</p> <p><i>Decision 7/CP.21, paragraph 11</i></p>	<p>By decision B.12/20, paragraph (a), the Board endorsed the initial Strategic Plan of the GCF, which sets out the GCF vision and operational priorities, and is to guide the Board in addressing policy gaps and programming at scale the GCF resources of the IRM period, which extends to 2018</p> <p>“Promoting the paradigm shift towards low-emission and climate-resilient development pathways” and “Supporting the implementation of the Paris Agreement within the evolving climate finance landscape” constitute the two strategic visions of the GCF. Consequently, the operational priorities and action plan as defined by the strategy primarily point to the contribution of the GCF to the ultimate objective of the Convention as per the Governing Instrument and to supporting implementation of the Paris Agreement</p>

Guidance received from the Conference of the Parties	Action by the Green Climate Fund
	<p>The Strategic Plan identifies developing countries' INDCs under the Paris Agreement as an important reference point for GCF programming, as are NAPAs, NAPs, technology needs assessments and nationally appropriate mitigation actions. The Strategic Plan outlines the intention of the GCF to provide support in terms of finance, capacity-building and technology transfer, by taking a holistic approach and by offering countries a menu of choices both in terms of delivery channels and instruments – a task the GCF is well placed to undertake</p> <p>The Board has resolved to swiftly implement the Strategic Plan in order to meet the Board's aspirational funding approvals target for 2016 and to scale up GCF investment in ambitious climate action</p> <p>Implementation of the Strategic Plan's operational priorities and action plan will be guided by the Governing Instrument for the GCF as approved by the COP in decision 3/CP.17</p> <p>The Board is to review the Strategic Plan as part of each replenishment process with a view to revising the strategic vision, if and as needed, and to update the core operational priorities and underlying action plan for the coming replenishment cycle, taking into account evolving priorities, including guidance from the COP and relevant reports from the independent evaluation unit</p>
<p>Requests the Board of the Green Climate Fund to ensure that the revised funding proposal template and concept note template are designed to facilitate the application process</p> <p><i>Decision 7/CP.21, paragraph 13</i></p>	<p>"Enhancing accessibility and predictability" is a key strategic measure that the Board intends to promote, with the Strategic Plan noting that GCF resources should be made accessible at reasonable upfront cost and low risk. In this regard, the Strategic Plan outlines the intention of the GCF to enhance predictability through more transparent planning of its resources; signal more clearly the kinds of project and programme it is seeking to finance; simplify its processes and templates, particularly for microscale activities on LDCs and SIDS; and to revise and simplify as appropriate the proposal approval process and procedures</p>
<p>Also requests the Board of the Green Climate Fund to adopt a simplified process for approval of proposals for certain activities, in particular for small-scale activities, as soon as possible in 2016, to reduce complexities and costs involved in project proposal development</p> <p><i>Decision 7/CP.21, paragraph 14</i></p>	<p>Scheduled for consideration in 2016 in aiming to enhance accessibility and predictability, are the approvals process review and further development of the initial approvals process. Furthermore, following the Board's mandate in decision B.11/11, paragraph (o), the process to simplify the funding proposals template is ongoing</p>

Guidance received from the Conference of the Parties	Action by the Green Climate Fund
<p>Urges the Board of the Green Climate Fund to streamline the accreditation modalities and to seek a balance of diversity in accredited entities</p> <p><i>Decision 7/CP.21, paragraph 16</i></p>	<p>As at 1 June 2016, 33 entities had been accredited to the GCF and of these, 13 are direct access (national and regional) entities, 5 are private sector entities and 15 are international access entities</p> <p>Since the launch of the online accreditation system in November 2014, 168 entities in total have begun the process to get accredited (i.e. they have gained access to the online accreditation system), 106 of these have already submitted applications for accreditation, of which 33 have already been approved (status as at 1 June 2016). These institutions represent a diversity of national, regional, private, non-governmental and international organizations from all over the world that can operate at various levels of scale and can undertake a range of financial instruments</p> <p>For the latest status of the accreditation status play, please visit the GCF website<sup>2</sup></p> <p>The Board is scheduled to consider the accreditation strategy of the GCF at B.13</p>
<p>Takes note of the progress achieved to date in the implementation of the readiness and preparatory support programme of the Green Climate Fund and stresses the importance of improving the approval process and timely disbursement of readiness resources to facilitate readiness programme implementation pursuant to Green Climate Fund Board decision B.11/04</p> <p><i>Decision 7/CP.21, paragraph 17</i></p> <p><i>Linked with decision 7/CP.20, paragraph 12</i></p>	<p>As at 1 June 2016, readiness support proposals for 49 countries focused on helping to strengthen national designated authorities and develop projects and programmes in line with national climate strategies and the GCF mandate had been approved. More than USD 13 million had been committed to support these areas of work. At this date, nearly 30 additional proposals were under development</p> <p>In addition to all of the other ongoing efforts to enhance accessibility to GCF resources outlined in the response to UNFCCC decision 7/CP.21, paragraph 13, the Board is scheduled to consider at B.13 simplification of the process to access the readiness programme</p>
<p>Requests the Board of the Green Climate Fund to prioritize the development of its initial risk management framework</p> <p><i>Decision 7/CP.21, paragraph 18</i></p>	<p>By decision B.12/34, the Board adopted a risk register and is to consider interim risk and investment guidelines at B.13. The decision sets out plans to adopt an updated set of risk policies and guidelines that include internal risk ratings methodologies and other elements of the initial risk management framework by the end of 2016, in defining the initial risk appetite of the GCF</p>

<sup>2</sup> <[http://www.greenclimate.fund/documents/20182/114261/20160430\\_-\\_GCF\\_Accreditation\\_State\\_of\\_Play.pdf/0633426a-4d41-4648-a09b-e0cfe2bb552e](http://www.greenclimate.fund/documents/20182/114261/20160430_-_GCF_Accreditation_State_of_Play.pdf/0633426a-4d41-4648-a09b-e0cfe2bb552e)>.

Guidance received from the Conference of the Parties	Action by the Green Climate Fund
<p>Also requests the Board of the Green Climate Fund to enhance transparency and stakeholder engagement</p> <p><i>Decision 7/CP.21, paragraph 19</i></p> <p><i>Linked with decision 7/CP.20, paragraph 17</i></p>	<p>By decision B.12/35, the Board adopted the information disclosure policy for the GCF, which reaffirms the Fund’s commitment to transparency and accountability in all aspects of its operations. It is therefore based on the following principles: (i) Maximize access to information; (ii) Limited exceptions; (iii) Simple and broad access to information; and (iv) Explanations of decisions and right to review</p> <p>Among others, the policy lays out procedures for accessing information. These include the GCF website, where the Fund routinely discloses a wide range of information and documents. This includes but is not limited to decisions of the Board, Board documents and Board proceedings; policy papers; and project-related public information that provides details on all types of GCF-funded projects and programmes without duplicating what is to be published by accredited and/or executing entities on their websites</p> <p>The Policy also provides for project and programme funding proposals to be disclosed on the GCF website simultaneously with submission to the Board, with “exceptions to presumed disclosure” outlined in the policy, where such information is protected in order to allow for the effective functioning of the GCF</p> <p>In addition to use of the GCF website, other means of dissemination will, as required, also be used by the GCF to reach its intended audiences</p> <p>The policy also provides that for project and funding proposals with an environmental or social impact, the accredited entity shall announce and disclose to the public via the GCF Secretariat, as well as the Board and active observers, the appropriate environmental and social reports</p> <p>The policy mandates for meetings of the Board are to be webcast live. The GCF is also to make available on its website, video recordings of meetings of the Board, excluding any executive sessions, through registration only. The Board is set to consider the review of the webcasting service no later than March 2018</p> <p>As per the Information disclosure policy, the Board will continue its practice of soliciting inputs for certain policies and strategies under discussion by the Board for at least 30 days through the GCF website. The Secretariat may be contacted in writing to request any document or information that is not accessible on the GCF website</p>

Guidance received from the Conference of the Parties	Action by the Green Climate Fund
	<p>The policy also provides for the establishment of an Information Appeals Panel to consider appeals under the Information disclosure policy to consist of the heads of the three accountability units of the GCF namely; the independent Redress Mechanism; the independent Evaluation Unit; and the independent Integrity Unit</p> <p>The Information disclosure policy is available on the GCF website<sup>3</sup></p> <p>Pursuant to decision B.12/14, the process to conduct a comprehensive review of the participation of observers in activities of the Board is ongoing, with the Board set to consider the terms of reference for the review no later than B.13; and for the review to be undertaken for consideration by the Board at B.15</p> <p>The GCF has conducted a number of consultations with the stakeholders through calls for inputs and regular meetings/conference calls. Among others, call for inputs were launched on the review of the initial proposal approval process, and the further development of indicators in the performance measurement framework and accreditation strategy</p>
<p>Urges the Board of the Green Climate Fund to operationalize the Independent Evaluation Unit, Independent Redress Mechanism and Independent Integrity Unit as a matter of urgency and to make public the procedures Parties and affected individuals should follow when seeking redress until the Independent Redress Mechanism is operationalized</p> <p><i>Decision 7/CP.21, paragraph 20</i></p>	<p>As per the workplan of the Board for 2016, the Board is scheduled to consider in 2016 the appointment of the heads of the independent Evaluation Unit, the independent Redress Mechanism and the independent Integrity Unit as a step forward in setting up the GCF accountability units. Also included in the workplan are the consideration of the work programmes and budgets of the three units; and of an evaluation policy and a three-year rolling evaluation workplan</p>
<p>Invites the Board of the Green Climate Fund to take into account in its programmatic priorities the Cancun Adaptation Framework, in particular the principles referred to in decision 1/CP.16, paragraph 12, and the activities referred to in decision 1/CP.16, paragraph 14</p> <p><i>Decision 7/CP.21, paragraph 21</i></p>	<p>As per decision B.12/07, paragraph (c), the Board is to consider at B.13 how the GCF may wish to support CAF and relevant adaptation planning articles of the Paris Agreement</p>
<p>Also invites the Board of the Green Climate Fund, in line with paragraph 38 of the governing instrument of the Green Climate Fund, to consider ways to provide support, pursuant to the modalities of the Green Climate Fund, for facilitating access to environmentally sound technologies in developing</p>	<p>The GCF Strategic Plan identifies the ability to take on risks that other funds/institutions are not able or willing to take, including risks associated with deploying innovative climate technologies as key for the GCF to achieve maximum impact</p>

<sup>3</sup> See annex XXIX to decision B.12/35.

Guidance received from the Conference of the Parties	Action by the Green Climate Fund
<p>country Parties, and for undertaking collaborative research and development for enabling developing country Parties to enhance their mitigation and adaptation action</p> <p><i>Decision 7/CP.21, paragraph 22</i></p>	<p>As per decision B.12/07, the Board is set to consider at B.14 ways to provide support pursuant to the existing GCF modalities, for facilitating access to environmentally sound technologies in developing countries, and for undertaking collaborative research and development for enabling developing countries to enhance their mitigation and adaptation actions</p>
<p>Urges the Board of the Green Climate Fund to operationalize results-based payments for activities referred to in decision 1/CP.16, paragraph 70, consistent with decision 9/CP.19, and in accordance with Green Climate Fund Board decision B.08/08</p> <p><i>Decision 7/CP.21, paragraph 23</i></p>	<p>The GCF Strategic Plan outlines operationalization of REDD-plus as one of the key actions that the Board will take in promoting pipeline development. Building on the REDD-plus logic model and performance measurement framework for ex post REDD-plus results-based payments adopted at its eighth meeting, the Board as per decision B.12/07, paragraph (d), is scheduled to consider the operationalization of results-based payments for REDD-plus activities (i.e. activities referred to in UNFCCC decision 1/CP.16, para. 70, consistent with UNFCCC decision 9/CP.19 and in accordance with Board decision B.08/08) at B.14</p>
<p>Encourages the Board of the Green Climate Fund to consider the mobilization of private sector finance to progress the Green Climate Fund's forestry-related result areas</p> <p><i>Decision 7/CP.21, paragraph 24</i></p>	<p>As per decision B.12/07, paragraph (e), the Board is to consider the mobilization of private sector finance to progress the GCF forestry-related result areas at B.15</p>
<p>Requests the Board of the Green Climate Fund to take into account decision 16/CP.21, in particular paragraph 6, referring to support for alternative policy approaches, such as joint mitigation and adaptation approaches for the integral and sustainable management of forests, as appropriate, in its funding decisions</p> <p><i>Decision 7/CP.21, paragraph 25</i></p>	<p>Pursuant to decision B.12/07, paragraph (e), the Board is to consider at B.15 the matter regarding alternative policy approaches, such as joint mitigation and adaptation approaches for the integral and sustainable management of forests, consistent with UNFCCC decisions 16/CP.21, paragraph 6, and 7/CP.21, paragraph 25</p>
<p>Encourages the Board of the Green Climate Fund to improve complementarity and coherence with other institutions, per paragraphs 33 and 34 of the governing instrument of the Green Climate Fund, including by engaging with relevant bodies of the Convention, such as the Standing Committee on Finance</p> <p><i>Decision 7/CP.21, paragraph 26</i></p> <p><i>Linked with decision 7/CP.20, paragraph 16</i></p>	<p>Pursuant to decision B.12/07, the Board is to consider at B.13 the approach of the GCF for ensuring complementarity and coherence with other institutions in accordance with paragraphs 33 and 34 of the Governing Instrument for the GCF and relevant guidance from the COP</p>
<p>Urges the Board of the Green Climate Fund to develop appropriate mechanisms to support the fund through appropriate expert and technical advice, including from thematic bodies, as appropriate</p> <p><i>Decision 7/CP.21, paragraph 27</i></p>	<p>As per the workplan of the Board for 2016, the Board is set to consider the matter of the relationship with UNFCCC thematic bodies within the year</p>

Guidance received from the Conference of the Parties	Action by the Green Climate Fund
<p>Requests the Board of the Green Climate Fund to report to the Conference of Parties on the steps it has taken to implement the guidance provided in this decision and other relevant decisions of the Conference of the Parties</p> <p><i>Decision 7/CP.21, paragraph 28</i></p>	<p>This report herein addresses this request</p>
<p><b>Decision 13/CP.21 – Linkages between the Technology Mechanism and the Financial Mechanism of the Convention</b></p>	
<p>Invites the Board of the Green Climate Fund to provide its recommendations, in accordance with decision 1/CP.18, paragraph 62, for consideration by the Conference of the Parties at its twenty-second session (November 2016)</p> <p><i>Decision 13/CP.21, paragraph 4</i></p>	<p>The Board is yet to consider the recommendations hereby requested</p>
<p>Requests the Technology Executive Committee, the Climate Technology Centre and Network and the operating entities of the Financial Mechanism to continue to consult on and further elaborate, including through an in-session workshop at the forty-fourth sessions of the subsidiary bodies (May 2016), the linkages between the Technology Mechanism and the Financial Mechanism</p> <p><i>Decision 13/CP.21, paragraph 8</i></p>	<p>The GCF actively engaged in the in-session workshop at the forty-fourth sessions of the UNFCCC subsidiary bodies, both at the Board and the Secretariat levels. The GCF has also engaged with the Technology Executive Committee and the Climate Technology Centre and Network during 2016, including by participating in their meetings</p>
<p>Invites the Board of the Green Climate Fund, in line with paragraph 38 of the governing instrument of the Green Climate Fund, to consider ways to provide support, pursuant to the modalities of the Green Climate Fund, for facilitating access to environmentally sound technologies in developing country Parties, and for undertaking collaborative research and development for enabling developing country Parties to enhance their mitigation and adaptation action</p> <p><i>Decision 13/CP.21, paragraph 10</i></p>	<p>Pursuant to decision B.12/07, paragraph (c), the Board is scheduled to consider at B.14 ways to provide support pursuant to the existing GCF modalities, for facilitating access to environmentally sound technologies in developing countries, and for undertaking collaborative research and development for enabling developing countries to enhance their mitigation and adaptation action</p>
<p><b>Decision 4/CP.21 – National adaptation plans</b></p>	
<p>Invites the Green Climate Fund, as an operating entity of the Financial Mechanism, in accordance with paragraphs 36 and 40 of its governing instrument, to consider how to improve access to financial support for the process to formulate and implement national adaptation plans</p> <p><i>Decision 4/CP.21, paragraph 6</i></p>	<p>See response to UNFCCC decision 1/CP.21, paragraph 46</p>

## 2.2 Overview of guidance from the Conference of the Parties at its seventeenth, eighteenth, nineteenth and twentieth sessions that is still relevant for action and reporting

9. The guidance provided to the GCF at COP 20, COP 19, COP 18 and COP 17 that is still relevant has been consolidated in table 2. Similar guidance from these three sessions has been grouped together in order to aid reading and understanding of the corresponding action by the GCF.

**Table 2. Overview of actions taken pursuant to guidance received from COP 20**

Guidance received from the Conference of the Parties	Action by the Green Climate Fund
<b>Decision 7/CP.20 – Report of the Green Climate Fund to the Conference of the Parties and guidance to the Green Climate Fund</b>	
<p>Requests the Board of the Green Climate Fund [...] to ensure adequate resources for capacity-building and technology development and transfer, consistent with paragraph 38 of the Governing Instrument (annex to decision 3/CP.17)</p> <p><i>Decision 7/CP.20, paragraph 8</i></p>	<p><b><u>Capacity-building</u></b></p> <p>The readiness programme of the Green Climate Fund (GCF), as demonstrated by the focus of its activity areas,<sup>4</sup> is principally oriented to build capacity of countries (and as articulated in Article 11 of the Paris Agreement), in particular with respect to facilitating access to climate finance, and aspects of education and communication of information. The readiness programme also facilitates GCF support to be country-driven, based on and responsive to national needs and fosters country ownership by developing countries</p> <p>Beyond readiness, the GCF can consider further support for capacity-building under its current thematic windows where such activities are identified by countries as their priority areas in programme implementation</p> <p><b><u>Technology development and transfer</u></b></p> <p>See the response to UNFCCC decision 13/CP.21, paragraph 10</p>
<p>Also requests the Board of the Green Climate Fund</p> <ul style="list-style-type: none"> <li>• To accelerate the operationalization of the private sector facility by aiming to ensure that private sector entities and public entities with relevant experience in working with the private sector are accredited in 2015</li> <li>• Expediting action to engage local private sector actors in developing country Parties, including small- and medium-sized enterprises in the least developed</li> </ul>	<p>Of the 33 entities accredited to the GCF as at May 2016, five are private sector entities</p> <p>By decision B.10/11, the Board established two pilot programmes on: (i) funding micro-, small- and medium-sized enterprise activities that are climate sensitive (allocated USD 200 million); and (ii) mobilizing funding at scale</p>

<sup>4</sup> Activity area 1: Establishing and strengthening the national designated authority or focal point;  
Activity area 2: Strategic frameworks, including the preparation of country programmes;  
Activity area 3: Selection of intermediaries and implementing entities and support for accreditation;  
Activity area 4: Initial pipelines of project and programme proposals; and  
Activity area 5: Information-sharing, experience exchange and learning.



Guidance received from the Conference of the Parties	Action by the Green Climate Fund
<p>countries, small island developing States and African States, emphasizing a country-driven approach, expediting action to mobilize resources at scale, and developing a strategic approach to engaging with the private sector</p> <p><i>Decision 7/CP.20, paragraph 9</i></p>	<p>(allocated USD 500 million). Work is ongoing to issue requests for proposals for these pilot programmes</p> <p>Maximizing the impact of the GCF by supporting projects and programmes that catalyse climate finance at the international and national levels, including by maximizing private sector engagement is an operational priority of the GCF Strategic Plan. The GCF Strategic Plan lays out an action plan for maximizing engagement with the private sector, which outlines the intention of the GCF:</p> <ul style="list-style-type: none"> <li>• To analyse barriers to crowding-in and maximizing the engagement of the private sector and subsequently develop a private sector outreach plan; and</li> <li>• To analyse recommendations made by the Private Sector Advisory Group to the Board pertaining inter alia to the need to enhance capacity within the Secretariat to assess the accreditation procedures for private sector entities, to enhance private sector involvement within the readiness programme, and to spell out the ability of the GCF to reduce currency risk</li> </ul>
<p>Requests the Board of the Green Climate Fund to consider ways by which to further increase the transparency of its proceedings</p> <p><i>Decision 7/CP.20, paragraph 11</i></p>	<p>By decision B.12/35, the Board adopted the Information disclosure policy of the GCF. Among others, the policy mandates for meetings of the Board to be webcast live until the end of 2017. The Board is set to consider the review of the webcasting service no later than March 2018</p> <p>On additional actions taken to enhance transparency and stakeholder engagement, see the response to UNFCCC decision 7/CP.21, paragraph 19</p>
<p>Encourages the timely implementation of the accreditation framework and requests the Board of the Green Climate Fund, in its implementation, to pay adequate attention to the priorities and needs of developing country Parties, including the least developed countries, small island developing States and African States, emphasizing the need to provide readiness support to those national and regional entities eligible for fast tracking that request it</p> <p><i>Decision 7/CP.20, paragraph 13</i></p>	<p>See the response to UNFCCC decision 7/CP.21, paragraph 16</p>
<p>Requests the Board of the Green Climate Fund, when deciding its policies and programme priorities, to consider the information and lessons learned through engagement with other relevant bodies under the Convention, and other relevant international institutions</p> <p><i>Decision 7/CP.20, paragraph 15</i></p>	<p>The GCF has been continuously conducting consultations and engagement with existing funds such as the Adaptation Fund, the Global Environment Facility (GEF) and the Multilateral Fund to learn from their country-driven approach when developing and implementing all key operational areas of the GCF, covering accreditation, readiness and project development. The Secretariat has been participating in various meetings, events and workshops held by existing funds to actively learn from the existing lessons</p>

Guidance received from the Conference of the Parties	Action by the Green Climate Fund
<p>Requests the Board of the Green Climate Fund [...] to consider decisions relevant to REDD-plus (Policy approaches and positive incentives on issues relating to reducing emissions from deforestation and forest degradation in developing countries; and the role of conservation, sustainable management of forests and enhancement of forest carbon stocks in developing countries), including decisions 1/CP.16, 2/CP.17, 12/CP.17 and decisions 9/CP.19, 10/CP.19, 11/CP.19, 12/CP.19, 13/CP.19, 14/CP.19 and 15/CP.19</p> <p><i>Decision 7/CP.20, paragraph 18</i></p> <p><i>Linked with decision 9/CP.19, paragraph 8</i></p>	<p>Building on the REDD-plus logic model and performance measurement framework for ex-post REDD-plus results-based payments adopted at its eighth meeting, which took this guidance into consideration, the Board is, pursuant to decision B.12/07, paragraph (d), scheduled to consider at its fourteenth meeting (B.14) a document allowing for the operationalization of activities referred to in UNFCCC decision 1/CP.16, paragraph 70, consistent with UNFCCC decision 9/CP.19 and in accordance with Board decision B.08/08 (i.e. of results-based payments REDD-plus activities). This guidance from the Conference of the Parties (COP) therefore continues to be taken into consideration</p>
<p>Urges the Green Climate Fund to ensure that staff selection is open, transparent and based on merit without discrimination, taking into account geographical and gender balance, in accordance with the administrative policies of the Green Climate Fund (Green Climate Fund Board decision B.06/03, annex I)</p> <p><i>Decision 7/CP.20, paragraph 19</i></p>	<p>Decision B.12/27 approved an increase to the number of staff to 100 by the end of 2016 and a further increase to 140 by the end of 2017, up from the previous 56 permanent staff positions</p> <p>The GCF will in accordance with annex I to decision B.06/03 continues to ensure that staff selection is open, transparent and based on merit without discrimination, taking into account geographical and gender balance</p>
<p>Urges developing country Parties to enter into bilateral agreements with the Green Climate Fund based on the template to be approved by the Board of the Green Climate Fund, in order to provide privileges and immunities for the Fund, in accordance with Green Climate Fund Board decision B.08/24, paragraph (b)</p> <p><i>Decision 7/CP.20, paragraph 21</i></p>	<p>The Secretariat is actively pursuing negotiation both with developed and developing countries and has sent draft agreements on the privileges and immunities of the Green Climate Fund to well over 100 countries. Four agreements have been signed as at 1 June 2016 and good progress is being made in the negotiations with a number of other countries</p>
<p>Requests the Board of the Green Climate Fund to report biennially to the Conference of the Parties on the status of existing privileges and immunities with regard to its operational activities, starting at the twenty-first session of the Conference of the Parties</p> <p><i>Decision 7/CP.20, paragraph 22</i></p>	<p>In accordance with this guidance, the GCF delivered its first biennial report on privileges and immunities in the addendum to the fourth report of the GCF to the COP (see annex I to document FCCC/CP/2015/3/Add.1)</p> <p>The GCF will in line with this guidance provide a second update on privileges and immunities to the COP at its twenty-third session</p>
<p>Also requests the Board of the Green Climate Fund to make available its annual report in a timely manner and no later than 12 weeks prior to a session of the Conference of the Parties in accordance with decision 6/CP.18, paragraph 15, for due consideration by Parties</p> <p><i>Decision 7/CP.20, paragraph 23</i></p> <p><i>Linked with decision 6/CP.18, paragraph 15</i></p>	<p>This report herein complies with this request</p>

Guidance received from the Conference of the Parties	Action by the Green Climate Fund
<p>Further requests the Green Climate Fund to include in its annual report to the Conference of the Parties the recommendations of its independent redress mechanism, if any, and any actions taken by the Board in response to those recommendations (In accordance with the annex to decision 5/CP.19, paragraph 9) <i>Decision 7/CP.20, paragraph 24</i> <i>Linked with decision 5/CP.19, annex, paragraph 9</i></p>	<p>As a step forward in setting up the independent Redress Mechanism of the GCF, the Board, as per its workplan for 2016, is set to consider the appointment of the unit head at its thirteenth meeting (B.13)</p>
<b>Decision 9/CP.20 Fifth review of the Financial Mechanism</b>	
<p>The GCF could build on the experience of and lessons learned from the GEF in terms of stakeholder involvement. In this regard, the GCF may consider establishing a robust consultative process with its observers in order to ensure that adequate and timely consultation is undertaken with respect to the development of its policies, procedures, guidelines, and, later on, during the implementation of programmes and projects of the Fund <i>Decision 9/CP.20, annex, paragraph 14</i></p>	<p>Following decision B.12/14, the process to conduct a comprehensive review of the participation of observers in activities of the Board/GCF is ongoing, with the Board set to consider the terms of reference for the review no later than B.13; and for the review to be undertaken for consideration by the Board at its fifteenth meeting (B.15)  During the reporting period, the GCF has conducted a number of consultations with stakeholders through calls for inputs, regular meetings and conference calls. Among others, calls for inputs were launched on the development of the Strategic Plan for the GCF; the review of the initial proposal approval process; further development of indicators in the performance measurement frameworks; and on the accreditation strategy for the GCF</p>
<p>In developing its own approach to gender mainstreaming, the GCF could build on the experience of the GEF. It is recommended that gender equality be integrated in the structure and organization of the GCF itself, and that gender-sensitive criteria be taken into account in funding approvals of the Fund <i>Decision 9/CP.20, annex, paragraph 18</i></p>	<p>Pursuant to decision B.12/16, the Board is scheduled to consider the review of the GCF gender policy and action plan at B.15, with the terms of reference for the review to be considered at B.13</p>
<p>As the GCF is developing its own environment and social safeguards, it should consider consistency with the safeguards of the GEF <i>Decision 9/CP.20, annex, paragraph 21</i></p>	<p>As per decision B.07/02, paragraph (d), the GCF will aim to complete the process of developing the GCF's own environmental and social safeguards within a period of three years of the GCF having become operational</p>
<p>As it monitors the use of its initial fiduciary standards and reviews those standards within the next three years, the GCF should consider maintaining consistency with the standards of the GEF <i>Decision 9/CP.20, annex, paragraph 25</i></p>	<p>Pursuant to decision B.07/02, the GCF adopted its initial fiduciary standards, which include basic fiduciary standards and three specialized fiduciary standards for project management, grant award and/or funding allocation mechanisms, and on-lending and/or blending. In decision B.08/03 and related decisions, the GCF accreditation process allows for entities that have undergone an accreditation process at the GEF (as well as the Adaptation Fund and the Directorate-General for International Development and Cooperation-(DG DEVCO)) and are in full compliance with their requirements to be fast-tracked in the GCF accreditation process</p>

Guidance received from the Conference of the Parties	Action by the Green Climate Fund
<p>The GEF and the GCF may consider collaborating in the use of funding pathways that may include the LDCF and the SCCF</p> <p><i>Decision 9/CP.20, annex, paragraph 51</i></p>	<p>Pursuant to decision B.12/07, the Board is to consider at B.13 the approach of the GCF for ensuring complementarity and coherence with other institutions in accordance with paragraphs 33 and 34 of the Governing Instrument for the GCF and relevant guidance from the COP</p>
<p>The GCF would benefit from lessons learned on the accreditation process from other funds, particularly the GEF. In the case of the GEF, the goal of accreditation of 10 project agencies was only partially achieved. The GCF may consider building on existing systems of GEF intermediaries and implementing entities, and may in the process also consider providing financial assistance to support the accreditation of national entities in recipient countries that may need it</p> <p><i>Decision 9/CP.20, annex, paragraph 58</i></p>	<p>As at 1 June 2016, 33 entities (that includes 13 direct access (national and regional) entities) had been accredited to the GCF representing a diversity of national, regional, private, non-governmental and international organizations from all over the world that can operate at various levels of scale and can undertake a range of financial instruments</p> <p>As per decision B.08/03, institutions accredited by and in full compliance with the standards of the GEF (in addition to those accredited by the Adaptation Fund and DG DEVCO) are eligible to apply for accreditation to the GCF under the fast-track accreditation route, thus building on the existing systems of such intermediaries and implementing entities</p> <p>Pursuant to decision B.12/32, the Board is scheduled to consider the activities to be covered by the readiness programme in relation to support for accredited direct access entities</p>
<p>There is ample room for the GCF to learn from the experiences of other funds in terms of improving the enabling environments in recipient countries. It can do this by linking investments with focused efforts to engage stakeholders within countries in programming, and by providing technical assistance and capacity-building so as to strengthen enabling environments – institutions, policies, and regulations – that support mitigation and adaptation actions in developing countries</p> <p><i>Decision 9/CP.20, annex, paragraph 69</i></p>	<p>The Readiness and Preparatory Support Programme is a strategic priority for the GCF and was established to strengthen and build enabling environments to allow developing countries to access GCF resources. It provides support to national designated authorities (NDAs)/focal points to prepare their strategic frameworks, including country programmes, and to develop GCF programme pipelines on mitigation, adaptation/cross-cutting in a coherent approach</p> <p>By decision B.08/11, the Board decided to use readiness resources to develop country strategic frameworks for engagement with the GCF, building on existing strategies and plans, including nationally appropriate mitigation actions, national adaptation plans of action, national adaptation plans and intended nationally determined contributions</p> <p>As at 1 June 2016, readiness support proposals for 49 countries had been approved. The proposals focus on helping to strengthen NDAs and develop projects and programmes in line with national climate strategies and the GCF mandate. More than USD 13 million had been committed to support these areas of work. At this date, nearly 30 additional proposals were under development</p>

Guidance received from the Conference of the Parties	Action by the Green Climate Fund
<p>The GEF and the GCF may consider collaborating to harmonize impact indicators and set new norms around reporting practice, especially in the context of adaptation finance. Furthermore, the operationalization of the GCF results-based management framework presents an opportunity to make progress in this regard</p> <p><i>Decision 9/CP.20, annex, paragraph 76</i></p>	<p>Pursuant to the Board request contained in decision B.08/07, paragraph (b), the Secretariat has further developed the GCF performance measurement frameworks (PMFs), which set the indicators that the GCF and its accredited entities are to use to measure the climate results envisaged in the initial results-based management framework. The draft PMFs were developed in consultation with 35 institutions, including the GEF. The proposed PMFs are to be discussed and considered by the Board at B.13</p>
<b>Decision 4/CP.20: Report of the Adaptation Committee</b>	
<p>Requests Parties, operating entities of the Financial Mechanism and other relevant entities working on adaptation to consider the recommendations contained in chapter V of the report of the Adaptation Committee, as included in the annex</p> <p><i>Decision 4/CP.20, paragraph 4</i></p>	<p>See the responses to UNFCCC decision 4/CP.20, annex, paragraph 3, UNFCCC decision 4/CP.20, annex, paragraph 4, and UNFCCC decision 4/CP.20, annex, paragraph 6(b) below</p>
<p>In supporting the monitoring and evaluation of adaptation, the AC recommends that the COP invite Parties, operating entities of the Financial Mechanism and relevant entities working on adaptation to take into account the following recommendations:</p> <ul style="list-style-type: none"> <li>(a) Monitoring and evaluation frameworks need to be appropriate, relevant to needs and tailored to country circumstances. A common set of global indicators is not useful, owing to the context-specific nature of adaptation;</li> <li>(b) National-level assessments can play a different role in measuring adaptive capacity from subnational or project-based assessments. National-level assessments could, for example, measure the degree of coordination and integration of adaptation in national priorities;</li> <li>(c) A positive learning environment, which encourages formal and informal learning, including peer-to-peer learning, and which encourages learning from negative as well as positive experiences, is important;</li> <li>(d) Planning and allocation of resources, both technical and financial, are key for effective monitoring and evaluation systems</li> </ul> <p><i>Decision 4/CP.20, annex, paragraph 3</i></p>	<p>Pursuant to the Board request contained in decision B.08/07, paragraph (b), the GCF Secretariat has further developed the indicators for the GCF performance measurement frameworks. This work was developed taking into account the report of the Adaptation Committee to COP at its twenty-first session (COP 21).</p> <p>Several refinements to the proposed indicators were developed based on the Adaptation Committee recommendations</p> <p>The proposed PMF indicators are to be discussed and considered by the Board at B.13</p>
<p>In the context of the monitoring and evaluation of adaptation, the AC also recommends that the COP invite the Board of the GCF, with respect to its Results Management Framework, to consider:</p> <ul style="list-style-type: none"> <li>(a) Keeping indicators simple;</li> </ul>	

Guidance received from the Conference of the Parties	Action by the Green Climate Fund
<p>(b) Designing indicators that are qualitative as well as quantitative;</p> <p>(c) Designing indicators in such a way as to capture the progress that countries are able to make in integrating adaptation into their development and sectoral planning, policies and actions;</p> <p>(d) Giving countries sufficient flexibility to define their indicators in line with their national and local planning, strategies and priorities</p> <p><i>Decision 4/CP.20, annex, paragraph 4</i></p>	
<p>[...] Inviting the Board of the GCF to engage with institutions that have started initiatives on countries' readiness to access GCF funding and exploring how more countries can benefit from such initiatives</p> <p><i>Decision 4/CP.20, annex, paragraph 6(b)</i></p>	<p>The GCF Secretariat has initiated a Readiness Coordination Mechanism (RCM), a group which consists of institutions providing dedicated readiness support to access GCF funding. Core members include the African Development Bank, the Commonwealth Secretariat, Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ), KfW Development Bank, the United Nations Environment Programme, the United Nations Development Programme and the World Resources Institute; and in addition a number of observer institutions. The aim of the RCM is to strengthen coordination among readiness providers in order to avoid duplication of efforts and to maximize collaborative opportunities to ensure harmonized approaches at the country level and globally</p> <p>The fifth meeting of the RCM was held on 28 April 2016, on the margins of the GCF Readiness Week that took place at the GCF Headquarters in Songdo, Incheon, Republic of Korea. The day-long retreat focused on partners' reflections from Readiness Week engagement with countries and direct access entities, experience sharing across readiness programmes and development of a shared action plan for the 2016-2018 period. Key outcomes included the prioritization of joint development of tools, information products, events and expert rosters, among other activities</p>
<b>Guidance from COP 17, COP 18 and COP 19 that is still relevant for action and reporting</b>	
<p>Requests the Board of the Green Climate Fund:</p> <p>(a) To consider important lessons learned on country-driven processes from other existing funds</p> <p><i>Decision 4/CP.19, paragraph 16</i></p>	<p>As a continuously learning institution and in line with COP guidance, the GCF has conducted technical consultations and assessments of existing practices at other relevant bodies and funds under the Convention, in order to build on their experience and seek best practices, in the process of developing among others GCF policies on accreditation; gender; financial risk management framework; investment framework; and the results management framework</p>

Guidance received from the Conference of the Parties	Action by the Green Climate Fund
<p>[...] To select the trustee of the Green Climate Fund through an open, transparent and competitive bidding process in a timely manner to ensure that there is no discontinuity in trustee services</p> <p><i>Decision 6/CP.18, paragraph 7(e)</i></p> <p><i>Linked with decision 3/CP.17, paragraph 16</i></p>	<p>In decision B.12/36, the Board mandated the commissioning of a third party to implement the review of the Interim Trustee of the GCF as set out in the Governing Instrument</p> <p>As per decision B.08/22, the process to appoint the Permanent Trustee should be finalized no later than the end of 2017</p>
<p>[...] To initiate a process to collaborate with the Adaptation Committee and the Technology Executive Committee, as well as other relevant thematic bodies under the Convention, to define linkages between the Fund and these bodies, as appropriate</p> <p><i>Decision 6/CP.18, paragraph 7(f)</i></p> <p><i>Linked with decision 3/CP.17, paragraph 17</i></p>	<p>As per the Board workplan for 2016, the Board is set to consider its relationship with United Nations Framework Convention on Climate Change thematic bodies at B.13</p>

## 2.3 Report on the implementation of the arrangements between the Conference of the Parties and the Green Climate Fund

10. Paragraph 6 of the Governing Instrument for the GCF provisioned for arrangements to be concluded between the COP and the GCF, consistent with Article 11 of the Convention, to ensure that the GCF is accountable to and functions under the guidance of the COP. Such arrangements were adopted by the COP at its nineteenth session in UNFCCC decision 5/CP.19. The arrangements specify elements to be included in the annual report of the GCF to the COP starting from COP 20. Table 3 responds to this requirement, and provides and maps out the requested reports.

**Table 3. Arrangements between the Conference of the Parties and the GCF: overview of reports on actions by the GCF**

Guidance received from the Conference of the Parties	Action by the Green Climate Fund
<p>Requests the Board of the Green Climate Fund to report on the implementation of the arrangements referred to in paragraph 4 above in its annual reports to the Conference of the Parties, starting at the twentieth session of the Conference of the Parties (December 2014)</p> <p><i>Decision 5/CP.19, paragraph 5</i></p>	<p>This report addresses this request</p>
<p>The GCF will include in its annual reports to the COP the recommendations of its independent redress mechanism, and any action taken by the Board of the GCF in response to those recommendations</p> <p><i>Decision 5/CP.19, annex, paragraph 9</i></p>	<p>As a step forward in setting up the independent Redress Mechanism of the Green Climate Fund (GCF), the Board as per its workplan for 2016, is set to consider the appointment of the unit head and work programme and budget of the unit in 2016</p>

Guidance received from the Conference of the Parties	Action by the Green Climate Fund
<p>The GCF is to submit annual reports to the COP for its consideration. Such annual reports shall include information on the implementation of policies, programme priorities and eligibility criteria provided by the COP, including information on the extent to which the COP guidance has been adhered to by the Board of the GCF</p> <p><i>Decision 5/CP.19, annex, paragraph 11</i> <i>Linked with decision 6/CP.18, paragraph 5</i></p>	<p>This report addresses this request</p>
<p>The GCF will include in its reports a synthesis of the different activities under implementation and a listing of the activities approved, as well as a financial report</p> <p><i>Decision 5/CP.19, annex, paragraph 12</i></p>	<p>See annex VI, which lists the activities approved to receive GCF funding as at 1 June 2016, and annex VII, which contains the financial report</p>
<p>The GCF will also include in its reports information on all activities financed by the GCF</p> <p><i>Decision 5/CP.19, annex, paragraph 13</i></p>	
<p>The GCF will indicate in its reports actions it has undertaken to balance the allocation of resources between adaptation and mitigation activities under the Fund</p> <p><i>Decision 5/CP.19, annex, paragraph 14</i> <i>Linked with:</i> <i>Decision 4/CP.19, paragraph 9(a)</i> <i>Decision 6/CP.18, paragraph 7(b)</i> <i>Decision 3/CP.17, paragraph 8</i></p>	<p>Of the eight projects and programmes approved by the Board at its eleventh meeting (decision B.11/11), five with combined GCF funding of USD 115 million are under the adaptation window; one with funding of USD 22 million is under the mitigation window, while two projects with combined funding of USD 31 million cut across both windows</p> <p>The Board is to consider additional projects and programmes at upcoming meetings and will aim to maintain a balance between mitigation and adaptation over time in accordance with the Governing Instrument for the GCF and decision B.06/06</p>
<p>The GCF will also include information on the development and implementation of mechanisms to draw on appropriate expert and technical advice, including from the relevant thematic bodies established under the Convention, as appropriate</p> <p><i>Decision 5/CP.19, annex, paragraph 15</i></p>	<p>As per the workplan of the Board for 2016, the Board is scheduled to consider at its thirteenth meeting the engagement approach of the GCF with the United Nations Framework Convention on Climate Change (UNFCCC) thematic bodies</p>
<p>The GCF is to provide information on resource mobilization and the available financial resources, including any replenishment processes, in its annual reports to the COP</p> <p><i>Decision 5/CP.19, annex, paragraph 17(b)</i> <i>Linked with:</i> <i>Decision 7/CP.20, paragraph 5</i> <i>Decision 4/CP.19, paragraph 9(a)</i> <i>Decision 6/CP.18, paragraph 7(c)</i></p>	<p>See response to UNFCCC decision 7/CP.21, paragraph 8, and annex III for an update on resource mobilization</p> <p>See the status of available financial resources in the financial report contained in annex VII</p>



<b>Guidance received from the Conference of the Parties</b>	<b>Action by the Green Climate Fund</b>
<p>The reports of the GCF should include any reports of the independent evaluation unit, including for the purposes of the periodic reviews of the financial mechanism of the Convention</p> <p><i>Decision 5/CP.19, annex, paragraph 20</i></p>	<p>As a step forward in setting up the independent Evaluation Unit, the Board as per its workplan for 2016, is set to consider the appointment of the unit head, the work programme and budget of the unit; an evaluation policy; and a rolling three-year evaluation plan, in 2016</p>

### III. Other activities of the GCF

11. The GCF is accountable to and functions under the guidance of the COP. It is governed and supervised by a 24-member Board, composed of an equal number of members from developed and developing country Parties to the Convention, each with an alternate member. Participants in meetings of the Board also include advisers to the Board members and alternate members, and four active observers, representing civil society organizations and private sector organizations from developed and developing countries. The GCF Secretariat, which is accountable to the Board, carries out the day-to-day operations of the GCF and services the Board through the implementation of Board decisions and work programmes.

#### 3.1 Term of Board membership

12. The Board by decision B.12/36 decided to align the term of Board membership to the calendar year. Effectively, the second term of Board membership, which commenced in August 2016, will end on 31 December 2018 and the next term will start on 1 January 2019. Paragraph 7 of the Rules of Procedure of the Board were also amended so that “the term of the two Co-Chairs is for one year starting on 1 January of the calendar year immediately following their election by the Board”, and that the Co-Chairs “shall continue their functions until the term of their successors has commenced or, if later, once they have been elected”. The revised consolidated Rules of Procedure are available on the GCF website.<sup>5</sup>

13. By the same decision, the current two-year term for active observers representing the civil society organizations and private sector organizations formally commenced on 1 January 2016 and will end on 31 December 2017.

#### 3.2 Staffing of the Secretariat

14. Decision B.12/27 taken by the Board at B.12 approved an increase in the number of staff to 100 by the end of 2016 and a further increase to 140 by the end of 2017, up from the previous 56 permanent staff positions. The boost will serve to strengthen the Secretariat and will provide the needed enhancement in capacity as the GCF continues to scale up its operations.

#### 3.3 Participation of observers in processes of the GCF

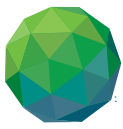
15. To date, the GCF has over 300 organizations from all over the world accredited as observers to the GCF, encompassing civil society organizations, private sector organizations, international entities and Parties and observer States to the Convention. A total of 124 representatives of observer organizations attended B.12.

16. The GCF continues to work on ensuring the participation of observers in GCF processes, including through engaging observers in developing GCF policies and procedures by inviting and considering their inputs, and up to this point in the GCF operations, has deepened engagement with civil society and other stakeholders to facilitate their inclusion in readiness processes led by NDAs and focal points.

17. Pursuant to decision B.12/14, the process to conduct a comprehensive review of the participation of observers in activities of the Board is ongoing, with the Board set to review the

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<sup>5</sup> <[http://www.greenclimate.fund/documents/20182/56440/Rules\\_of\\_Procedure.pdf/9d55fae7-f4df-45fe-a3f3-754bc0d98e67?version=1.0](http://www.greenclimate.fund/documents/20182/56440/Rules_of_Procedure.pdf/9d55fae7-f4df-45fe-a3f3-754bc0d98e67?version=1.0)>.



terms of reference for the review no later than B.13; and for the review to be undertaken for consideration by the Board at B.15. This is a process on which observer organizations were invited to submit their views, and were actively consulted.

## ANNEXES

### I. List of members and alternate members to the Board of the Green Climate Fund as at 1 June 2016

**Table 4. Members and alternate members of the Board of the Green Climate Fund as at 1 June 2016**

Constituency/ regional group	Members	Alternate members
Developing countries, Africa	Mr. Tosi Mpanu Mpanu (Democratic Republic of the Congo) Former Chair the African Group of climate negotiators	Mr. Cheikh Sylla Senior Technical Adviser Office of Prime Minister Senegal
	Mr. Omar El-Arini (Egypt) Member of Board, Egyptian Environmental Affairs Agency, International consultant on ozone layer and climate issues	Mr. Richard Muyungi (United Republic of Tanzania) Assistant Director Office of the Vice President
	Mr. Zaheer Fakir (South Africa) Head International Relations and Governance, Department of Environmental Affairs	Mr. Nagmeldin Goutbi Elhassan (Sudan) Climate Change Negotiator Higher Council for Environment and Natural Resources
Developing countries, Asia-Pacific	Mr. Yingming Yang (China) Deputy Director General International Department, Ministry of Finance	Mr. Amjad Abdulla (Maldives) Director General Department of Climate Change Ministry of Environment and Energy
	Mr. Ayman M. Shasly (Saudi Arabia) International Policies Consultant Ministry of Petroleum and Mineral Resources	Mr. Nauman Bashir Bhatti (Pakistan) Counsellor Permanent Mission of Pakistan to the United Nations, New York
	Mr. Dinesh Sharma (India) Additional Secretary Department of Economic Affairs Ministry of Finance	Mr. Azimuddin Bin Bahari (Malaysia)

<b>Constituency/ regional group</b>	<b>Members</b>	<b>Alternate members</b>
Developing countries, Latin America and the Caribbean	Mr. Jorge Ferrer Rodriguez (Cuba) Minister Counsellor Multilateral Affairs and International Law General Division, Ministry of Foreign Affairs	Ms. Diann Black-Layne (Antigua and Barbuda) Director Department of Environment Ministry of Health and Environment
	Mr. Colin Young (Belize) Chief Executive Officer Ministry of Agriculture, Forestry, Fisheries, Environment, Sustainable Development and Climate Change	Mr. Ramón Méndez (Uruguay) Secretary of Climate Change Ministry of Environment
	Mr. Carlos Raúl Delgado Aranda (Mexico) Assistant Director-General International Financial Organizations Ministry of Finance	Mr. Cristian Salas (Chile) Advisor for International Affairs to the Minister Ministry of Finance
Developing countries, Least developed countries	Mr. Kamal Uddin Ahmed (Bangladesh) Secretary Ministry of Environment and Forests	Mr. Evans Njewa (Malawi) Principal Environmental Officer/ Climate Change Finance Negotiator Environmental Affairs Department
Developing countries, Small island developing States	Mr. Ali'ioaigi Feturi Elisaia (Samoa) Ambassador Extraordinary and Plenipotentiary, Permanent Representative Permanent Mission of Samoa to the United Nations	Mr. Ronald Jumeau (Seychelles) Ambassador Ministry of Foreign Affairs and Transport
Developing countries <sup>6</sup>	Mr. Teimuraz Murgulia (Georgia) Former Minister Ministry of Environment Protection	Mr. Mamadou Honadia (Burkina Faso)
Developed countries, Australia on behalf of Australia and New Zealand	Mr. Ewen McDonald (Australia) Deputy Secretary Department of Foreign Affairs and Trade	Ms. Sally Truong (Australia) Director Multilateral Finance Australian Agency for International Development (AUSAID)

<sup>6</sup> Rotating seat.

<b>Constituency/ regional group</b>	<b>Members</b>	<b>Alternate members</b>
Developed countries, Denmark and the Netherlands	Mr. Jacob Waslander (Netherlands) Head Climate and Energy Division, Ministry of Foreign Affairs	Mr. Morten Elkjær (Denmark) Director Green Growth Department Ministry of Finance
Developed countries, France	Mr. Cyril Rousseau (France) Deputy Assistant Secretary Multilateral Financial Affairs and Development Division, Directorate-General of the Treasury	Ms. May Gicquel (France) Head Official Development Assistance and Multilateral Development, Directorate-General of the Treasury
Developed countries, Germany	Mr. Karsten Sach (Germany) Deputy Director General for European and International Policy Federal Ministry for the Environment, Nature Conservation, Building and Nuclear Safety	Mr. Frank Fass-Metz (Germany) Deputy Director General, Commissioner for Climate Federal Ministry of Economic Cooperation and Development
Developed countries, Japan	Mr. Koichi Aiboshi (Japan) Ambassador & Assistant Vice- Minister/Director-General for Global Issues Ministry of Foreign Affairs	Mr. Masaaki Iizuka (Japan) Director Development Issues International Bureau Ministry of Finance
Developed countries, Norway and Austria	Mr. Henrik Harboe (Norway) Director of Development Policy Ministry of Foreign Affairs	Mr. Jose Delgado (Austria) Senior Climate Policy Officer Ministry of Finance
Developed countries, Canada, Belgium and Poland	Ms. Caroline Leclerc (Canada) Director-General Global Affairs Canada	Mr. Liesbeth Loddewyckx (Belgium) Attaché Director General Development Cooperation Ministry of Foreign Affairs
Developed countries, Spain and Italy	Ms. Ludovica Soderini (Italy) Senior Advisor International Financial Relations, Treasury Department, Ministry of Economy and Finance	Ms. Esther González Coordinator of Climate Funds, Ministry of Economy and Competitiveness, Spain
Developed countries, Finland, Hungary and Switzerland	Mr. Anton Hilber (Switzerland) Head of Division, Global Program Climate Change	Mr. Juha Pyykkö (Finland) Director Ministry of Foreign Affairs



<b>Constituency/ regional group</b>	<b>Members</b>	<b>Alternate members</b>
	Swiss Agency for Development and Cooperation Federal Department of Foreign Affairs	
Developed countries, Sweden	Mr. Anders Wallberg (Sweden) Head Section for Global Environment and Climate Change Ministry of Environment	Mr. Lars Roth (Sweden) Senior Adviser Section for Global Environment and Climate Change Ministry of Environment
Developed countries, United Kingdom of Great Britain and Northern Ireland	Ms. Andrea Ledward (United Kingdom of Great Britain and Northern Ireland) Head DFID's Climate and Environment Department	Ms. Kate Hughes (United Kingdom of Great Britain and Northern Ireland) Deputy Director DFID's Climate and Environment Department
Developed countries, United States of America	Mr. Leonardo Martinez-Diaz (United States of America) Deputy Assistant Secretary Environment and Energy Office, Department of the Treasury	Mr. Daniel Reifsnyder (United States of America) Deputy Assistant Secretary of Environment Department of State

## II. References to decisions taken by the Board of the Green Climate Fund between December 2015 and 1 June 2016

**Table 5. Compendium of decisions taken at a meeting of the Board**

<b>Document Number</b>	<b>Document Title</b>
GCF/B.12/32	Decisions of the Board – twelfth meeting of the Board, 8–10 March 2016

**Table 6. Decisions approved between meetings as at 1 June 2016**

<b>Decision Number</b>	<b>Decision Title</b>
B.BM-2015/11	Decision of the Board on the appointment of members to the ad hoc group for the strategic plan for the Green Climate Fund
B.BM-2016/01	Decision of the Board on the appointment of members to committees of the Board
B.BM-2016/02	Accreditation of observer organizations
B.BM-2016/03	Dates and venue for the fifteenth meeting of the Board
B.BM-2016/04	Appointment of members to committees of the Board
B.BM-2016/05	Decision of the Board on the clarification of decision B.11/11 with respect to deadlines for general conditions
B.BM-2016/06 (limited distribution)	Decision of the Board for authorizing the acceptance of an award by the Executive Director of the Green Climate Fund Secretariat
B.BM-2016/07 (limited distribution)	Revised clarification of decision B.11/11 with respect to deadlines for general conditions

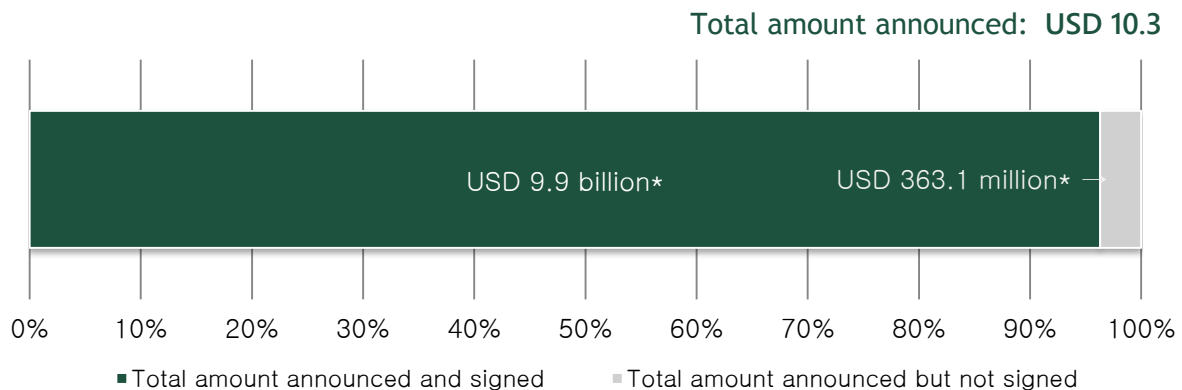


### III. Status of pledges and contributions made to the GCF

Status date: **1 June 2016**<sup>7</sup>

A total of 48 state governments, regions and cities have made a pledge to the Green Climate Fund to date, including 9 representing developing countries. The objective is for all pledges to be converted into contribution agreements within one year from the time at which they are made. The combined pledges and contributions made to the Fund are indicated in the table below.

GCF's Initial Resource Mobilization period continues to be in progress, and the Fund accepts new pledges on an ongoing basis.



\* Amounts indicated are in United States dollar equivalent (USD eq) using the historical reference exchange rates established for the November 2014 GCF High-level Pledging Conference.

A detailed overview of pledges and contributions by amount is shown on the following pages.

<sup>7</sup> The latest update on the status of pledges and contributions made to the GCF is available on the GCF website at <<http://www.greenclimate.fund/contributions/pledge-tracker>>.

Governments	Pledges				Grant Equivalent <sup>1</sup>			
	Announced		Signed	Disbursed cash and deposited PNs	Announced per capita	Of pledged amount	Of signed amount	Of pledged amount
	In currency*	USD eq.* <sup>2</sup>	USD eq.* <sup>2</sup>	In currency*	USD eq. <sup>2</sup>	USD eq.* <sup>2</sup>	USD eq.* <sup>2</sup>	Current FX* <sup>3</sup>

Amounts announced, signed and disbursed									
Australia	AUD	200.1	<b>187.0</b>	<b>187.0</b>	<b>70.6</b>	7.92	187.0	187.0	152.1
Austria <sup>4</sup>	USD	25.0	<b>25.0</b>	<b>26.8</b>	<b>11.6</b>	2.94	25.0	26.8	28.6
Belgium	EUR	50.0	<b>66.9</b>	<b>66.9</b>	<b>50.0</b>	6.22	66.9	66.9	57.3
Belgium (Brussels Capital Region)	EUR	1.1	<b>1.5</b>	<b>1.5</b>	<b>1.1</b>	1.30	1.5	1.5	1.3
Belgium (Flanders)	EUR	3.5	<b>4.7</b>	<b>4.7</b>	<b>3.5</b>	0.70	4.7	4.7	4.0
Belgium (Wallonia) (1)	USD	1.5	<b>1.5</b>	<b>1.5</b>	<b>1.5</b>	3.00	1.5	1.5	1.5
Belgium (Wallonia) (2)	EUR	7.0	<b>9.4</b>	<b>9.4</b>	<b>7.0</b>		9.4	9.4	8.0
Bulgaria	EUR	0.1	<b>0.1</b>	<b>0.1</b>	<b>0.1</b>	0.02	0.1	0.1	0.1
Canada (Grant)	CAD	168.0	<b>155.1</b>	<b>155.1</b>	<b>168.0</b>	7.80	155.1	155.1	133.8
Canada (Loan)	CAD	110.0	<b>101.6</b>	<b>101.6</b>	-		20.0	20.0	17.3
Canada (Cushion)	CAD	22.0	<b>20.3</b>	<b>20.3</b>	-		-	-	-
Chile	USD	0.3	<b>0.3</b>	<b>0.3</b>	<b>0.3</b>	0.02	0.3	0.3	0.3
Czech Republic	CZK	110.0	<b>5.3</b>	<b>5.3</b>	<b>110.0</b>	0.50	5.3	5.3	4.7
Denmark	DKK	400.0	<b>71.8</b>	<b>71.8</b>	<b>200.0</b>	12.82	71.8	71.8	61.5
Estonia	EUR	1.0	<b>1.3</b>	<b>1.3</b>	<b>1.0</b>	1.00	1.3	1.3	1.1
Finland	EUR	34.7	<b>46.4</b>	<b>46.4</b>	<b>34.7</b>	19.82	46.4	46.4	39.7
France (Grant)	EUR	432.0	<b>577.9</b>	<b>577.9</b>	<b>104.0</b>	16.03	577.9	577.9	494.7
France (Loan)	EUR	285.0	<b>381.3</b>	<b>381.3</b>	-		105.1	105.1	90.0
France (Cushion)	EUR	57.0	<b>76.3</b>	<b>76.3</b>	-		-	-	-
Germany	EUR	750.0	<b>1,003.3</b>	<b>1,003.3</b>	<b>187.5</b>	12.13	1,003.3	1,003.3	858.8
Iceland	USD	0.3	<b>0.3</b>	<b>0.3</b>	<b>0.3</b>	0.50	0.3	0.3	0.3
Indonesia <sup>5</sup>	USD	0.3	<b>0.3</b>	<b>0.3</b>	<b>0.2</b>	0.00	0.3	0.3	0.3

<b>Italy</b>	EUR	50.0	<b>66.9</b>	<b>66.9</b>	<b>50.0</b>	5.47	66.9	66.9	57.3
<b>Japan</b>	JPY	154,028.7	<b>1,500.0</b>	<b>1,500.0</b>	<b>38,507.2</b>	11.81	1,500.0	1,500.0	1381.9
<b>Latvia</b>	EUR	0.4	<b>0.5</b>	<b>0.5</b>	<b>0.4</b>	0.23	0.5	0.5	0.4
<b>Liechtenstein</b>	CHF	0.1	<b>0.1</b>	<b>0.1</b>	<b>0.1</b>	1.50	0.1	0.1	0.1
<b>Lithuania</b>	EUR	0.1	<b>0.1</b>	<b>0.1</b>	<b>0.1</b>	0.04	0.1	0.1	0.1
<b>Luxembourg</b>	EUR	25.0	<b>33.4</b>	<b>33.4</b>	<b>10.0</b>	93.60	33.4	33.4	28.6
<b>Malta</b>	EUR	0.1	<b>0.1</b>	<b>0.1</b>	<b>0.1</b>	0.20	0.1	0.1	0.1
<b>Mexico</b>	USD	10.0	<b>10.0</b>	<b>10.0</b>	<b>10.0</b>	0.08	10.0	10.0	10.0
<b>Monaco</b>	EUR	0.3	<b>0.3</b>	<b>0.3</b>	<b>0.3</b>	8.80	0.3	0.3	0.3
<b>Netherlands</b>	EUR	100.0	<b>133.8</b>	<b>133.8</b>	<b>6.7</b>	7.96	133.8	133.8	114.5
<b>New Zealand</b>	NZD	3.0	<b>2.6</b>	<b>2.6</b>	<b>3.0</b>	0.56	2.6	2.6	2.1
<b>Norway</b>	NOK	1,600.0	<b>257.9</b>	<b>257.9</b>	<b>400.0</b>	50.56	257.9	257.9	198.7
<b>Panama</b>	USD	0.5	<b>0.5</b>	<b>0.5</b>	<b>0.5</b>	0.26	0.5	0.5	0.5
<b>Poland</b>	PLN	0.4	<b>0.1</b>	<b>0.1</b>	<b>0.4</b>	0.00	0.1	0.1	0.1
<b>Portugal</b>	EUR	2.0	<b>2.7</b>	<b>2.7</b>	<b>2.0</b>	0.30	2.7	2.7	2.3
<b>Republic of Korea<sup>5</sup></b>	USD	100.0	<b>100.0</b>	<b>100.0</b>	<b>24.7</b>	2.02	100.0	100.0	100.0
<b>Spain<sup>6</sup></b>	EUR	120.0	<b>160.5</b>	<b>160.5</b>	<b>1.0</b>	3.40	160.5	160.5	137.4
<b>Sweden</b>	SEK	4,000.0	<b>581.2</b>	<b>581.2</b>	<b>4,000.0</b>	60.54	581.2	581.2	498.0
<b>Switzerland</b>	USD	100.0	<b>100.0</b>	<b>100.0</b>	<b>65.0</b>	12.20	100.0	100.0	100.0
<b>United Kingdom<sup>7</sup></b>	GBP	720.0	<b>1,211.0</b>	<b>1,211.0</b>	<b>240.0</b>	19.07	1,211.0	1,211.0	1,052.0
<b>United States of America<sup>8</sup></b>	USD	3,000.0	<b>3,000.0</b>	<b>3,000.0</b>	<b>500.0</b>	9.30	3,000.0	3,000.0	3,000.0
<b>Total</b>			<b>9,899.0</b>	<b>9,900.8</b>			<b>9,444.8</b>	<b>9,446.5</b>	<b>8639.7</b>

**Notes:**

<sup>1</sup> Grant equivalent is calculated based on the terms in Policies for Contributions.

<sup>2</sup> United States dollars equivalent (USD eq.), based on the reference exchange rates established for GCF's High-Level Pledging Conference (GCF/BM-2015/Inf.01).

<sup>3</sup> USD eq., based on the foreign exchange rate as at 29 April 2016. Depending on the rate at the time of conversion, the USD eq. amount will fluctuate accordingly.

<sup>4</sup> The pledge from Austria was announced in USD but signed in EUR (20 million). The amount shown as signed is calculated in accordance with <sup>2</sup>.

<sup>5</sup> Signed amount includes contributions made prior to GCF's High-Level Pledging Conference.

<sup>6</sup> The total amount pledged is EUR 120 million, but EUR 78 million will be paid after the Initial Resource Mobilization (IRM) period (2015-2018).

<sup>7</sup> Out of the United Kingdom's announced pledge of GBP 720 million, GBP 144 million is signed as a grant and GBP 576 million is signed as a capital contribution, as defined in its agreement.

<sup>8</sup> Subject to the availability of funds. USD 500 million provided to date.

Governments	Pledges				Grant equivalent <sup>1</sup>			
	Announced		Signed	Disbursed cash and deposited PNs	Announced per capita	Of pledged amount	Of signed amount	Of pledged amount
	In currency*	USD eq.* <sup>2</sup>	USD eq.* <sup>2</sup>	In currency*	USD eq. <sup>2</sup>	USD eq.* <sup>2</sup>	USD eq.* <sup>2</sup>	Current FX* <sup>3</sup>
<b>Amounts Announced but Not Yet Signed</b>								
Colombia	USD	6.0	6.0		0.12	6.0		6.0
Cyprus	EUR	0.4	0.5		0.40	0.5		0.4
Finland	EUR	45.3	60.6		19.82	60.6		51.9
France (Paris) <sup>9</sup>	EUR	1.0	1.3		0.10	1.3		1.1
Hungary	HUF	1,000.0	4.3		0.40	4.3		3.7
Iceland <sup>10</sup>	USD	1.0	1.0		5.00	1.0		1.0
Ireland	EUR	2.0	2.7		0.59	2.7		2.3
Italy	EUR	200.0	267.5		5.47	267.5		229.0
Luxembourg <sup>11</sup>	EUR	10.0	13.4		93.60	13.4		11.5
Mongolia	MNT	90.0	0.0		0.02	0.0		0.0
Panama	USD	0.5	0.5		0.26	0.5		0.5
Peru	USD	6.0	6.0		0.19	6.0		6.0
Viet Nam <sup>12</sup>	USD	1.0	1.0		0.01	1.0		1.0
<b>Total</b>			<b>364.8</b>			<b>364.8</b>		<b>314.4</b>
<b>Grand total</b>		<b>10,263.9</b>	<b>9,900.8</b>			<b>9,809.6</b>	<b>9,446.5</b>	<b>8,954.1</b>
<b>EU Member States (Total)</b>	USD		<b>4,814.4</b>	<b>4,464.9</b>		<b>4,462.0</b>	<b>4,112.5</b>	<b>3,843.2</b>

**Notes:**

- <sup>9</sup> The total amount pledged is EUR 1 million, but EUR 0.4 million is planned to be paid after the IRM.  
<sup>10</sup> The total amount pledged is EUR 1 million, but EUR 0.4 million is planned to be paid after the IRM.  
<sup>11</sup> The EUR 10 million is planned to be paid after the IRM.  
<sup>12</sup> The total amount pledged is USD 1 million, but USD 0.4 million is planned to be paid after the IRM.

## **IV. List of countries with national designated authority and focal point designations to the Green Climate Fund**

As at 1 June 2016, the 141 countries listed below have selected national designated authorities (NDAs) and focal points to the Green Climate Fund. NDAs and focal points are selected by governments to act as the core interface between a developing country and the GCF.

- |                                      |                                       |
|--------------------------------------|---------------------------------------|
| 1. Afghanistan                       | 72. Malaysia                          |
| 2. Albania                           | 73. Maldives                          |
| 3. Algeria                           | 74. Mali                              |
| 4. Antigua and Barbuda               | 75. Marshall Islands                  |
| 5. Argentina                         | 76. Mauritania                        |
| 6. Armenia                           | 77. Mauritius                         |
| 7. Bahamas                           | 78. Mexico                            |
| 8. Bangladesh                        | 79. Micronesia (Federated States of)  |
| 9. Barbados                          | 80. Moldova                           |
| 10. Belarus                          | 81. Mongolia                          |
| 11. Belize                           | 82. Montenegro                        |
| 12. Benin                            | 83. Morocco                           |
| 13. Bhutan                           | 84. Mozambique                        |
| 14. Bolivia (Plurinational State of) | 85. Myanmar                           |
| 15. Bosnia and Herzegovina           | 86. Namibia                           |
| 16. Botswana                         | 87. Nauru                             |
| 17. Brazil                           | 88. Nepal                             |
| 18. Burkina Faso                     | 89. Nicaragua                         |
| 19. Burundi                          | 90. Niger                             |
| 20. Cambodia                         | 91. Nigeria                           |
| 21. Cameroon                         | 92. Niue                              |
| 22. Central African Republic         | 93. Oman                              |
| 23. Chad                             | 94. Pakistan                          |
| 24. Chile                            | 95. Palau                             |
| 25. China                            | 96. Panama                            |
| 26. Colombia                         | 97. Papua New Guinea                  |
| 27. Comoros                          | 98. Paraguay                          |
| 28. Cook Islands                     | 99. Peru                              |
| 29. Costa Rica                       | 100. Philippines                      |
| 30. Côte d'Ivoire                    | 101. Republic of Congo                |
| 31. Cuba                             | 102. Rwanda                           |
| 32. Democratic Republic of the Congo | 103. Saint Kitts and Nevis            |
| 33. Djibouti                         | 104. Saint Lucia                      |
| 34. Dominica                         | 105. Saint Vincent and the Grenadines |
| 35. Dominican Republic               | 106. Samoa                            |
| 36. Ecuador                          | 107. Sao Tome and Principe            |
| 37. Egypt                            | 108. Saudi Arabia                     |
| 38. El Salvador                      | 109. Senegal                          |
| 39. Equatorial Guinea                | 110. Serbia                           |
| 40. Eritrea                          | 111. Seychelles                       |
| 41. Ethiopia                         | 112. Sierra Leone                     |
| 42. Fiji                             | 113. Singapore                        |
| 43. Gabon                            | 114. Solomon Islands                  |
| 44. Gambia                           | 115. Somalia                          |
| 45. Georgia                          | 116. South Africa                     |
| 46. Ghana                            | 117. Sri Lanka                        |
| 47. Grenada                          | 118. South Sudan                      |
| 48. Guatemala                        | 119. Sudan                            |
| 49. Guinea                           | 120. Suriname                         |



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- |     |                 |      |              |
|-----|-----------------|------|--------------|
| 50. | Guinea-Bissau   | 121. | Swaziland    |
| 51. | Guyana          | 122. | Syria        |
| 52. | Haiti           | 123. | Tajikistan   |
| 53. | Honduras        | 124. | Tanzania     |
| 54. | India           | 125. | Thailand     |
| 55. | Indonesia       | 126. | Timor-Leste  |
| 56. | Iran            | 127. | Togo         |
| 57. | Jamaica         | 128. | Tonga        |
| 58. | Jordan          | 129. | Tunisia      |
| 59. | Kazakhstan      | 130. | Turkey       |
| 60. | Kenya           | 131. | Turkmenistan |
| 61. | Kiribati        | 132. | Tuvalu       |
| 62. | Korea           | 133. | Uganda       |
| 63. | Kosovo          | 134. | Ukraine      |
| 64. | Kyrgyz Republic | 135. | Uruguay      |
| 65. | Lao PDR         | 136. | Uzbekistan   |
| 66. | Lebanon         | 137. | Vanuatu      |
| 67. | Lesotho         | 138. | Viet Nam     |
| 68. | Liberia         | 139. | Yemen        |
| 69. | Libya           | 140. | Zambia       |
| 70. | Madagascar      | 141. | Zimbabwe     |
| 71. | Malawi          |      |              |

\* The list of NDAs and focal points designated to the GCF, including their names and contact information is available on the GCF website<sup>8</sup>

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<sup>8</sup><[http://www.greenclimate.fund/documents/20182/46516/NDA\\_and\\_Focal\\_Point\\_nominations\\_for\\_the\\_Green\\_Climate\\_Fund.pdf/eeace75b-aa59-489c-8914-c0940debe01f](http://www.greenclimate.fund/documents/20182/46516/NDA_and_Focal_Point_nominations_for_the_Green_Climate_Fund.pdf/eeace75b-aa59-489c-8914-c0940debe01f)>.

## V. List of entities accredited to the Green Climate Fund

**Table 7. List of accredited entities of the Green Climate Fund as at 1 June 2016**

	<b>Legal entity name (contact information linked)</b>	<b>Acronym</b>	<b>Country</b>	<b>Entity type</b>
1	Acumen Fund, Inc.	Acumen	United States of America	Regional
2	Africa Finance Corporation	AFC	Nigeria	International
3	African Development Bank	AfDB	Côte d'Ivoire	International
4	Agence Française de Développement	AFD	France	International
5	Agency for Agricultural Development of Morocco	ADA	Morocco	National
6	Asian Development Bank	ADB	Philippines	International
7	Caribbean Community Climate Change Center	CCCCC	Belize	Regional
8	Centre de Suivi Ecologique	CSE	Senegal	National
9	Conservation International Foundation	CI	United States of America	International
10	Corporación Andina de Fomento	CAF	Venezuela	Regional
11	Crédit Agricole Corporate and Investment Bank	Crédit Agricole CIB	France	International
12	DBSA	DBSA	South Africa	Regional
13	Deutsche Bank AktienGesellschaft	Deutsche Bank AG	Germany	International
14	Environmental Investment Fund	EIF	Namibia	National
15	European Bank for Reconstruction and Development	EBRD	United Kingdom	International
16	European Investment Bank	EIB	Luxembourg	International
17	HSBC Holdings plc and its subsidiaries	HSBC	United Kingdom	International
18	Inter-American Development Bank	IDB	United States of America	International
19	International Bank for Reconstruction and Development and International Development Association	World Bank	United States of America	International
20	International Finance Corporation	IFC	United States of America	International
21	International Union for Conservation of Nature	IUCN	Switzerland	International
22	Kreditanstalt für Wiederaufbau	KfW	Germany	International
23	Ministry of Finance and Economic Cooperation of the Federal Democratic Republic of Ethiopia	MOFEC	Ethiopia	National
24	Ministry of Natural Resources	MINIRENA	Rwanda	National
25	National Bank for Agriculture and Rural Development	NABARD	India	National
26	National Environment Management Authority of Kenya	NEMA	Kenya	National
27	Peruvian Trust Fund for National Parks and Protected Areas	Profonanpe	Peru	National



	<b>Legal entity name</b> (contact information linked)	<b>Acronym</b>	<b>Country</b>	<b>Entity type</b>
28	Secretariat of the Pacific Regional Environment Programme	SPREP	Samoa	Regional
29	Unidad Para el Cambio Rural (Unit for Rural Change) of Argentina	UCAR	Argentina	National
30	United Nations Development Programme	UNDP	United States of America	International
31	United Nations Environment Programme	UNEP	Kenya	International
32	World Food Programme	WFP	0	International
33	World Meteorological Organization	WMO	0	International

\* The list of accredited entities with more details relating to their accreditation is available on the GCF website.<sup>9</sup>

<sup>9</sup> <[http://www.greenclimate.fund/documents/20182/114261/20151119\\_-\\_GCF\\_List\\_of\\_Accredited\\_Entities.pdf/e09bb9b3-9730-4adc-bca9-ff32739ecae8](http://www.greenclimate.fund/documents/20182/114261/20151119_-_GCF_List_of_Accredited_Entities.pdf/e09bb9b3-9730-4adc-bca9-ff32739ecae8)>.



## VI. List of activities approved to receive GCF funding

**Table 8. The initial batch of projects and programmes approved to receive GCF funding as at 1 June 2016**

	Project name	Accredited entity	Country/region	Mitigation/adaptation/cross-cutting	Public/private	GCF funding approved (millions USD)
1	Building the Resilience of Wetlands in the Province of Datem del Marañón in Peru	Profonampe	Peru	Cross-cutting	Public	6.2
2	Scaling Up the Use of Modernized Climate Information and Early Warning Systems in Malawi	UNDP	Malawi	Adaptation	Public	12.3
3	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
4	Climate-resilient Infrastructure Mainstreaming in Bangladesh	KfW	Bangladesh	Adaptation	Public	40
5	KawiSafi Ventures Fund in Eastern Africa	Acumen	Multiple (Africa)	Cross-cutting	Private	25
6	Energy Efficiency Green Bond in Latin America and the Caribbean	IDB	Multiple (Latin America)	Mitigation	Private	22
7	Supporting Vulnerable Communities in Maldives to Manage Climate Change-Induced Water Shortages	UNDP	Maldives	Adaptation	Public	23.6
8	Urban Water Supply and Wastewater Management Project in Fiji	ADB	Fiji	Adaptation	Public	31
<b>Total funding approved (in millions of USD)</b>						<b>168</b>

*Abbreviations:* ADB = Asian Development Bank, CSE = Centre de Suivi Ecologique, KfW = Kreditanstalt für Wiederaufbau, IDB = Inter-American Development Bank, UNDP = United Nations Development Programme.

**Table 9. Project preparation funding approved as at 1 June 2016**

	Project/programme name	Submitted by	Country/region	Mitigation/adaptation/cross-cutting	Public/private	GCF funding approved (millions USD)
1	Rural Green Economy and Climate Resilient Development Programme	Ministry of Natural Resources of Rwanda	Rwanda	Adaptation	Public	1.5
<b>Total funding approved (in millions of USD)</b>						<b>1.5</b>

**Table 10. Readiness activities approved as at 1 June 2016**

	Country	Activity area	Delivery partner/service provider	Access type	Amount (USD)	Duration (months)
1	Antigua and Barbuda	1+2	Ministry of Health and Environment	Direct	300,000	12
2	Bangladesh	2	UNDP	International	150,000	12
3	Benin	1	UNEP	International	150,000	24
		3	PwC	na	37,000	-
4	Bolivia (Plurinational State of)	1+2	Ministry of Development Planning	Direct	300,000	24
5	Brazil	3	PwC	na	37,000	-
6	Cambodia	3	PwC	na	37,000	-
7	Central African Republic	1+2	UNDP	International	300,000	12
8	Chad	1+2	UNDP	International	300,000	24
9	Chile	1+2	CAF	International	300,000	12
10	Colombia (2 entities)	3	PwC	na	74,000	-
11	Comoros	1+2	UNEP	International	300,000	24
12	Cook Islands	1	Ministry of Finance and Economic Planning	Direct	150,000	12
13	Costa Rica	1+2	UNDP	International	300,000	12
14	Côte d'Ivoire	1+2	UNDP	International	300,000	24
15	Democratic Republic of the Congo	1+2	CSE	Direct	300,000	24
16	Djibouti	1+2	CSE	Direct	300,000	24
17	Dominican Republic	1+2	UNDP	International	300,000	12
18	El Salvador	1+2	Deputy Ministry for Development Cooperation, MoFA	Direct	300,000	18
19	Ethiopia	1+2	Ministry of Finance and Economic Planning	Direct	300,000	24
20	Gabon	1+2	CDC-Gabon	Direct	300,000	12
21	Guatemala	1+2	Food and Agriculture Organization	International	300,000	12
22	Guyana	1+2	Caribbean Community Climate Change Centre	Direct	300,000	6
23	Guinea	1+2	UNDP	International	300,000	24
24	Honduras (2 entities)	1+2	UNDP	International	300,000	12
		3	PwC	na	74,000	-
25	India	1+2	UNDP	International	300,000	12
26	Kenya	1	Kenya National Treasury	Direct	150,000	12
		3	PwC	na	37,000	-

27	Liberia	1+2	UNDP	International	300,000	24
28	Mali	1+2	Sahel Eco	Direct	300,000	24
29	Mauritius	1+2	Ministry of Finance and Economic Planning	Direct	300,000	12
30	Mexico	3	PwC	na	37,000	-
31	Micronesia (Federated States of) (2 entities)	1+2	Secretariat of the Pacific Community	Direct	300,000	24
		3	PwC	na	74,000	-
32	Mongolia	1+2	GIZ	International	300,000	12
33	Niue	3	PwC	na	37,000	-
34	Pakistan	1+2	GIZ	International	300,000	6
		3	PwC	na	37,000	-
35	Palau	3	PwC	na	37,000	-
36	Peru	1+2	GIZ	International	300,000	6
37	Philippines	1+2	Climate Change Commission	Direct	300,000	12
38	Republic of Congo	1+2	UNDP	International	300,000	24
39	Rwanda	1+2	Environment and Climate Change Fund	Direct	300,000	12
40	Senegal	1+2	CSE	Direct	300,000	18
		4	IFC	International	600,000	12
41	Seychelles	3	PwC	na	37,000	-
42	Swaziland	1+2	UNDP	International	300,000	18
43	Thailand	1	GIZ	International	102,000	6
44	Timor-Leste	1+2	UNDP	International	300,000	24
45	Togo	1+2	CSE	International	300,000	24
46	Tunisia	1+2	The Sahara and Sahel Observatory	Direct	300,000	24
47	United Republic of Tanzania	1+2	UNDP	International	300,000	12
48	Vanuatu	1+2	GIZ	International	300,000	24
		4	SPREP	Direct	137,000	5
49	Zambia	1+2	Ministry of Finance	Direct	300,000	24
				<b>Total</b>	<b>13,094,000</b>	

*Abbreviations:*

Activity area 1: Strengthening of the institutional capacity of NDAs or focal points;

Activity area 2: Development of strategic frameworks/country programmes for engagement with the Fund;

Activity area 3: Support for accreditation of direct access entities;

CSE = Centre de Suivi Ecologique;

GIZ = Deutsche Gesellschaft für Internationale Zusammenarbeit GmbH;

MoFA = Ministry of Foreign Affairs, na = not applicable;

NDA = national designated authority;

PwC = PricewaterhouseCoopers;

UNDP = United Nations Development Programme;

UNEP = United Nations Environment Programme.

## **VII. Audited financial statements 2015/Statements of financial position and of comprehensive income**

[See annex X to this document at page 147.]

## Annex II: Draft request for proposals

# GREEN CLIMATE FUND

## PRIVATE SECTOR FACILITY

Micro-, small- and medium-sized enterprise pilot programme

Request for proposals from qualified financial institutions

### I. Introduction

1. At its tenth meeting, the Board established a pilot programme to support micro-, small- and medium-sized enterprises (hereinafter referred to as the Programme) in order to address adaptation and mitigation.
2. The Board allocated up to USD 200 million for the Programme over the course of the Initial Resource Mobilization period, in several tranches. The Secretariat will seek to allocate at least USD 100 million for developing countries that are particularly vulnerable to the adverse effects of climate change, including the least developed countries, small island developing States and African States, over the course of the Programme. This first request for proposal (RFP) issuance will be limited to USD 100 million as a first allocation under the Programme.
3. This RFP seeks to identify organizations that will undertake the design, implementation and management of strong, high-impact projects and programmes in support of micro-, small- and medium-sized enterprises (MSMEs) in the climate space.

### II. Scope and focus of the assignment

4. The GCF invites existing and potential accredited entities, or qualified<sup>1</sup> financial institutions that have the capacity to work with an entity accredited by the GCF, to propose approaches that deploy financial solutions for MSMEs in support of mitigation and adaptation activities in developing countries. Proposals should be consistent with the GCF investment criteria and in accordance with the GCF mandate to mobilize funding at scale towards developing countries and to contribute to the paradigm shift towards low-emission and climate-resilient development.
5. Proposals should be submitted through the existing channels of the GCF. Submissions should be in the form of a concept note (to be submitted by the closing date, see below). The submitters of concept notes that score well will be invited to develop a fully-fledged funding proposal.
6. Proposals should meet the evaluation criteria and the special considerations listed below (section 2.1) in addition to meeting the six GCF investment criteria with special emphasis on gender and country ownership.
7. **Time frame and closing date.** The deadline for the receipt of concept notes for the first MSME RFP is 30 August 2016.

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<sup>1</sup> These are non-accredited financial institutions that have a track record of proposed MSME activities and a network with local MSMEs.

## 2.1 Project/programme

8. The GCF aims to provide financing for MSMEs at all stages of growth. The RFP is open to projects/programmes supporting MSMEs that fit within national climate priorities for the given geographic region, and that fit within the eight GCF strategic impact areas (see appendix I). This includes MSMEs that work in any area of the supply chain for climate goods and services (from production and service, to distribution or retail), in both mitigation- and adaptation-related activities. This can include MSMEs at any stage in their business life cycle.

9. The GCF is therefore seeking MSME proposals that establish the following:

- (a) Private equity projects/programmes;
- (b) Guarantee projects/programmes;
- (c) Debt projects/programmes; or
- (d) Grant projects/programmes.

10. This list is by no means comprehensive, and the GCF encourages the submission of other innovative solutions to assist MSME development such as an ecosystem-based approach for MSMEs, for example an incubator or accelerator that provides technical and strategic support, a staged finance model to build a pipeline of bankable projects/programmes or innovation funds and prizes.

11. The proposed MSME programme may allocate a grant component in order to amplify the climate impact and to promote development impact such as adopting a gender-sensitive approach.

12. Proposals must demonstrate in their concept notes that they will meet the following project/programme criteria:

- (a) Appropriate activity:
  - (i) The activity proposed in the project/programme must foremost fit the needs and stated priorities of the country, in line with their national strategies and plans, including nationally determined contributions. National designated authorities or focal points shall be consulted on the proposed activity in their respective countries;
  - (ii) The activity must fall within at least one of the eight GCF strategic impact areas (see appendix I); and
  - (iii) The activity must fall within the relevant definition of MSMEs within a specific country or region (i.e. the International Finance Corporation's definition of MSMEs)<sup>2</sup>
- (b) Programme design:
  - (i) A detailed strategy, backed by industry and market research that outlines the rationale for the target sector and life-cycle stage of the targeted pool of MSMEs;

<sup>2</sup> The International Finance Corporation's definition of MSMEs is as follows:

Indicator	Micro enterprises	Small enterprises	Medium enterprises
Employees	<10	10 <50	50 <300
Total assets	<USD 100,000	USD 100,000 <USD 3 million	USD 3 million <USD 15 million
Total annual sales	<USD 100,000	USD 100,000 <USD 3 million	USD 3 million <USD 15 million

- (ii) Defined financial support that will be provided for in the project/programme (e.g. venture capital for start-ups or growth capital for the growth stage);
  - (iii) Robust eligibility criteria tailored to the project/programme strategy (e.g. proven technology for growth capital versus proof of concept for venture capital) and in compliance with GCF investment criteria; and
  - (iv) Evidence of robust integrity standards (e.g. an anti-money laundering check for entrepreneurs, senior management, board members and existing investors) of the portfolio company must be included;
- (c) Implementing entity readiness:
- (i) Implementing entities must be accredited with the GCF or work in partnership with entities accredited with the GCF. Their accreditation must include the fiduciary functions, size of project/activity and environmental risk category suitable for the undertaking of the proposed activity. If the activity proposed exceeds the level of accreditation, the entity can include an application to increase its accreditation accordingly;
  - (ii) The implementing entity must demonstrate an existing relationship with local institutions or markets with which it will be working, as well as an existing avenue for supporting targeted MSMEs, and must provide track records for its activities in targeted MSMEs; and
  - (iii) The implementing entity must show evidence of successful investment or debt management; and
- (d) Minimum concessionality:
- (i) The implementing entity must demonstrate that its request for GCF support entails the minimum concession required to render the project feasible; and
  - (ii) The implementing entity must indicate the GCF co-financing ratio, vis-à-vis other private sector investors. The GCF should not be the only investor.
13. Proposals will be further evaluated for their ability to positively impact MSMEs. Proposals should articulate how they meet the following MSME RFP special considerations:
- (a) Market reform or development and institutional capacity-building:
- (i) Will the project/programme prompt a positive change in the market or regulatory environment that will enable future investment in climate-related MSME activity? and
  - (ii) Will the project/programme develop institutional capacity in local markets for further investment in climate-related MSME activity?
- (b) Innovation and new technology:
- (i) Will the project/programme encourage innovative climate solutions and the deployment of new technologies to developing countries?
- (c) Replicability and regional reach:
- (i) Can this or a similar project/programme be replicated in the future without GCF participation? and
  - (ii) Does the project/programme have regional impact?

- (d) Crowding in new investors:
    - (i) Does the project/programme attract first-time investors to climate, MSMEs or the country?
  - (e) Benefits to MSME clients:
    - (i) How many clients will benefit from the services of the MSMEs supported by the project/programme? and
    - (ii) Is the project/programme gender-sensitive and balanced? and
  - (f) Benefits to the bottom of the pyramid:
    - (i) Does the project/programme benefit developing countries and communities that are particularly vulnerable to the adverse effects of climate change, including the least developed countries, small island developing States and African States? and
    - (ii) Does the project/programme target micro-sized enterprises and the informal sector?
14. For a complete scorecard, see appendix II. Any concept note scoring less than 75 points out of 100 in total will not be invited to submit a full funding proposal.

## 2.2 Eligible entities

15. The GCF is seeking proposals from existing and potential accredited entities or qualified financial institutions that have the capacity to work with an entity accredited by the GCF, that are able to demonstrate the following:
- (a) A track record of working successfully with and financing MSMEs;
  - (b) The ability to monitor the results; and
  - (c) The ability to use GCF resources to create a significant climate impact.
16. As the GCF requires that its resources be channelled through accredited entities, respondents to this RFP must either become accredited in due course by the GCF or work through an accredited entity.
17. Proposals from direct access entities with an established track record will be considered favourably as local market expertise and knowledge on climate change is key to success for MSME projects/programmes.

## III. Monitoring and progress controls, including reporting requirements

18. Entities are required to monitor the implementation of the Programme in line with the GCF results management framework. These monitoring processes should feed back into the programming and future RFPs of the Private Sector Facility.



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## Appendix I: GCF strategic impact areas and investment criteria

### I. GCF strategic impact areas

1. The GCF aims to have an impact within eight strategic impact areas, half of which are related to mitigation and half to adaptation impacts.
2. The strategic mitigation impacts of the GCF are to reduce emissions from:
  - (a) Energy generation and access;
  - (b) Transport;
  - (c) Buildings, cities, industries and appliances; and
  - (d) Forests and land use.
3. The strategic adaptation impacts of the GCF are to increase the resilience of:
  - (a) Health, food and water security;
  - (b) The livelihoods of people and communities;
  - (c) Ecosystems and ecosystem services; and
  - (d) Infrastructure and the built environment.
4. More information can be found on the GCF initial results management framework on the GCF website.

### II. GCF Investment guidelines

5. The GCF evaluates a proposed activity against six investment criteria, which are as follows:
  - (a) Impact potential;
  - (b) Paradigm shift potential;
  - (c) Sustainable development potential;
  - (d) Needs of the recipient;
  - (e) Country ownership; and
  - (f) Efficiency and effectiveness.
6. More information can be found on the GCF investment framework on the GCF website.

## Appendix II: Draft micro-, small- and medium-sized enterprise request for proposal scorecard

Project/programme evaluation criteria (65 %)	Evaluation	Score
<b>Appropriate activity (pass/fail)</b>		
(i) The activity proposed in the project/programme must foremost fit the needs and stated priorities of the country, in line with their national strategies and plans, including Nationally Determined Contributions. National Designated Authorities or focal points shall be consulted on the proposed activity in their respective countries;	<b>Pass/fail</b>	<b>Pass/Fail</b>
(ii) The activity must fall within at least one of the eight GCF strategic impact areas (see appendix I); and		
(iii) The activity must fall within the relevant definition of MSMEs within a specific country or region.		
<b>Programme design (30%)</b>		
(i) (A detailed strategy, backed by industry and market research that outlines the rationale for the target sector life-cycle stage of the targeted pool of MSMEs;	<b>Score (1=min; 30=max)</b>	<b>/30</b>
(ii) Defined financial support that will be provided for the project/programme (e.g. venture capital for start-ups or growth capital for the growth stage);		
(iii) Robust eligibility criteria tailored to the project/programme strategy (e.g. proven technology for growth capital versus proof of concept for venture capital), and in compliance with GCF investment criteria; and		
(iv) Evidence of robust integrity standards (e.g. an anti-money laundering check for entrepreneurs, senior management, board members and existing investors) of the portfolio company.		
<b>Implementing entity readiness (20%)</b>		
(i) Implementing entities must be accredited with the GCF, or work in partnership with entities accredited with the GCF;	<b>Score (1=min; 20=max)</b>	<b>/20</b>
(ii) The implementing entity must demonstrate an existing relationship with local institutions or markets with which it will be working, as well as an existing avenue for supporting targeted MSMEs, and must provide track records for its activities in targeted MSMEs; and		
(iii) The implementing entity must show evidence of successful investment or debt management.		
<b>Minimum concessionality (15%)</b>		
(i) The implementing entity must demonstrate that its request for GCF support entails the minimum concession required to render the project feasible; and	<b>Score (1=min; 15=max)</b>	<b>/15</b>
(ii) The implementing entity must indicate the GCF co-financing ratio, vis-à-vis other private sector investors. The GCF should not be the only investor.		
<b>Total programme standards score</b>		<b>/65</b>

<b>Micro-, small- and medium-sized enterprise request for proposal special considerations (35%)</b>	<b>Evaluation</b>	<b>Score</b>
<b>Market reform or development and institutional capacity-building (5%)</b>		
(i) Will the project/programme prompt a positive change in the market or regulatory environment that will enable future investment in climate-related MSME activity?	<b>Score (1=min; 5=max)</b>	<b>/5</b>
(ii) Will the project/programme develop institutional capacity in local markets for further investment in climate-related MSME activity?		
<b>Innovation and new technology (5%)</b>		
(i) Will the project/programme encourage innovative climate solutions and the deployment of new technologies to developing countries?	<b>Score (1=min; 5=max)</b>	<b>/5</b>
<b>Replicability and regional reach (5%)</b>		
(i) Can this or a similar project/programme be replicated in the future without GCF participation?	<b>Score (1=min; 5=max)</b>	<b>/5</b>
(ii) Does the project/programme have regional impact?		
<b>Crowding in new investors (5%)</b>		
(i) Does the project/programme attract first-time investors to climate, MSMEs or the country?	<b>Score (1=min; 5=max)</b>	<b>/5</b>
<b>Benefits to MSME clients (7%)</b>		
(i) How many clients will benefit from the services of the MSMEs supported by the project/programme?	<b>Score (1=min; 7=max)</b>	<b>/7</b>
(ii) Is the project/programme gender-sensitive and balanced?		
<b>Benefits to the bottom of the pyramid (8%)</b>		
(i) Does the project/programme benefit developing countries and communities that are particularly vulnerable to the adverse effects of climate change, including least developed countries, small island developing States and African States? and	<b>Score (1=min; 8=max)</b>	<b>/8</b>
(ii) Does the project/programme target micro-sized enterprises and the informal sector?		
<b>Total impact criteria score</b>	<b>/35</b>	

<b>Total score</b>	<b>Evaluation</b>	<b>Score</b>
<b>Appropriate activity</b>		<b>Pass/Fail</b>
<b>Project/Programme evaluation criteria score</b>		<b>/65</b>
<b>Special considerations score</b>		<b>/35</b>
<b>Total score</b>	<b>/100</b>	

Abbreviations: LDCs = least developed countries, MSME = micro-, small- and medium-sized enterprise, SIDS = small island developing States.

## Annex III: List of conditions and recommendations

**Table 1. General conditions applicable to all funding proposals**

Funding proposal number	Conditions
All proposals	<p><u>Conditions to be met prior to the execution of the funded activity agreement:</u><sup>1</sup></p> <ul style="list-style-type: none"> <li>(i) Finalization of legal documentation in form and substance satisfactory to the GCF within 180 days of the date of Board approval or the date when all internal approvals by the accredited entity are obtained, whichever is later;</li> <li>(ii) Completion of the legal due diligence to the satisfaction of the GCF; and</li> <li>(iii) Confirmation by the accredited entity, within 120 days of Board approval, that all its internal approvals were obtained;<sup>2</sup> and</li> </ul> <p><u>Conditions for disbursement under the funded activity agreement:</u></p> <ul style="list-style-type: none"> <li>(iv) Fulfilment of any conditions precedent specified in the funded activity agreement to the satisfaction of the GCF.</li> </ul>

**Table 2. Project-specific conditions and recommendations**

Funding proposal number	Conditions
<p><b>FP 009</b> (IDB El Salvador)</p>	<p><u>Conditions for the effectiveness of the funded activity agreement:</u></p> <ul style="list-style-type: none"> <li>(i) A certificate which has been issued by an authorized legal officer of the Inter-American Development Bank (IDB), confirming that the funded activity agreement (FAA) entered into by IDB has been duly authorized, duly executed and delivered on behalf of IDB, and is binding upon IDB in accordance with its terms;</li> </ul> <p><u>Conditions for disbursement under the funded activity agreement:</u></p> <p><i>For the first disbursement:</i></p> <ul style="list-style-type: none"> <li>(ii) IDB shall provide the GCF with the legal opinions it shall receive from BANDESAL and El Salvador, addressed to IDB and the GCF, which shall establish, with citations of the pertinent constitutional, legal and regulatory provisions, that the obligations undertaken by BANDESAL in the loan agreement, and those of El Salvador in the guarantee contract, are valid and enforceable;</li> <li>(iii) Development of the methodologies to: (1) apply the concessionality of GCF resources to local financial institutions and small- and medium-sized enterprises (SMEs) to ensure that SMEs sufficiently benefit from the project, and (2) apply success fees to incentivize the SMEs, in form satisfactory to the GCF;</li> <li>(iv) Development of the operational regulations of the project, which shall incorporate: (1) the methodologies in relation to item (ii) above with regard to concessionality and success fees; (2) the production of audited reports on the financial activities of the project using the GCF reimbursable funds, in accordance with relevant financial reporting standards; (3) the prevention of access to financing in case of failure to comply with items (1) and (2); and (4) the definition of corrective measures to be applied in case of non-compliance with items (1) and (2); and</li> </ul>

<sup>1</sup> The funded activity agreement embodies the legal arrangements between the GCF and the accredited entity, as defined in decision B.07/03, annex VII, section 6.1.

<sup>2</sup> According to the accreditation master agreement template.

	<p>(v) Approval of the operational regulations by the Board of Directors of BANDESAL, and the non-objection of IDB to the operational regulations.</p> <p><i>For subsequent disbursements:</i></p> <p>(vi) Delivery by IDB of annual performance reports (APRs) and audited annual financial statements for the previous period, in accordance with the accreditation master agreement and as agreed by the parties in the term sheet;</p> <p>(vii) Delivery by IDB of semi-annual reports, as agreed by the parties in the term sheet;</p> <p>(viii) Confirmation by IDB that BANDESAL is applying the corrective measures in accordance with the operational regulations relative to the appropriate application of concessionality and success fees;</p> <p>(ix) Delivery of a request for disbursement by IDB, signed by the person or persons authorized to do so, within thirty (30) calendar days prior to the expected date of disbursement; and</p> <p>(x) Delivery of evidence, satisfactory to the GCF, of the authority of the person or persons authorized to sign the request for disbursement and the authenticated specimen signature of each such person;</p> <p><u>Conditions for the disbursement of the reimbursable resources:</u></p> <p><i>For the first disbursement:</i></p> <p>(xi) The setting up of a revolving account by BANDESAL;</p> <p><i>For subsequent disbursements:</i></p> <p>(xii) Delivery of a confirmation by IDB that the expected pipeline subprojects in the subsequent quarter comply with the project eligibility criteria and correspond to the requested disbursement amount;</p> <p><u>Conditions for Board approval:</u></p> <p>(xiii) In case of inconsistency, the English version of the no-objection letter shall prevail; and</p> <p><u>Additional conditions:</u></p> <p>(xiv) The annual progress report must include regular reporting on terms and conditions of loans made to small- and medium-sized enterprises (SMEs) for comparative assessment with loans normally made to SMEs in El Salvador outside this energy savings insurance mechanism for energy efficiency projects. This will ensure that the concessionality of GCF funds is not majorly appropriated by BANDESAL and the local financial institutions and that a reasonable proportion of the starting loan concessionality is passed on to the SMEs; and</p> <p>(xv) In addition, the annual progress report should also include knowledge-sharing and emission reduction results.</p>
<p><b>FP 010</b> (UNDP Armenia)</p>	<p><u>Conditions for the effectiveness of the funded activity agreement:</u></p> <p>(i) Delivery of a certificate issued by the accredited entity's senior legal officer, in a form that is satisfactory to the GCF, certifying that the FAA entered into by the accredited entity has been duly authorized or ratified by all necessary corporate actions, duly executed and delivered on behalf of the accredited entity, and is legally binding and enforceable upon the accredited entity in accordance with its terms;</p> <p><u>Conditions for disbursement under the funded activity agreement:</u></p> <p><i>For the first disbursement:</i></p> <p>(ii) Completion of the detailed evaluation of the financial management capacity of the Municipality of Yerevan and the Environmental Project Implementation Unit of the Ministry of Nature Protection under the United</p>



	<p>Nations Development Programme (UNDP) Framework for Cash Transfer to Implementing Partners as satisfactory to implement the project;</p> <p><i>For the second disbursement (for year two activities):</i></p> <p>(iii) Completion and submission to the GCF in form and substance satisfactory to the GCF and the UNDP of an operational manual for the implementation of financial incentives under Output 4 identifying eligibility and selection criteria for the targeted beneficiaries;</p> <p><u>Additional conditions:</u></p> <p>(iv) The accredited entity shall provide evidence of commitment from financial institution(s) (such as the European Investment Bank which is referred to in the funding proposal), with the aim of confirming the financing of energy efficiency retrofitting for private individual buildings and multiple flat housing complexes;</p> <p>(v) In order to encourage synergy between the components and the successful implementation of component 4, a GCF-led independent technical review of components 1, 2 and 3 should be carried out by using the proponent's co-financing no later than 24 months after the commencement of project implementation. Positive results of this review should be a condition for the disbursement of funds for component 4;</p> <p>(vi) The accredited entity shall submit a fully developed exit strategy in manner and substance satisfactory to the GCF; and</p> <p><u>Recommendation:</u></p> <p>(vii) The independent Technical Advisory Panel (iTAP) recommends a revision of the allocation of the budget earmarked for component 4, giving greater emphasis and priority on public buildings especially hospitals, schools and kindergartens.</p>
<p><b>FP 011</b> (UNEP Gambia)</p>	<p><u>Conditions for the effectiveness of the funded activity agreement:</u></p> <p>(i) A certificate in a form that is satisfactory to the GCF, which has been signed by the duly authorized, most senior officer of the United Nations Environment Programme (UNEP) confirming that the FAA entered into by UNEP has been duly authorized by all necessary corporate actions, duly executed and delivered on behalf of UNEP, and is binding upon UNEP, in accordance with its terms;</p> <p>(ii) Delivery by UNEP to the GCF of a letter informing the GCF that the relevant legal agreements for project co-financing by the Government of the Gambia are in place;</p> <p><u>Conditions for disbursements under the funded activity agreement:</u></p> <p><i>For the first disbursement:</i></p> <p>(iii) Develop and submit to the GCF a fiduciary risk plan, that, inter alia, outlines the measures that UNEP will take for enhanced oversight and monitoring of project funding, including in-country funding;</p> <p>(iv) Delivery of a letter by UNEP confirming that the management rights of the 78 forests where the project will be implemented were transferred to community management in the Gambia;</p> <p><i>For the second disbursement:</i></p> <p>(v) Complete a detailed baseline study that will allow for monitoring and assessment of the proposed expected impacts of the project.</p> <p><i>General conditions for all disbursements:</i></p> <p>(vi) Report, in the APRs, the actual contributions to the national forest fund generated by the project for each reporting period;</p>



	<p><u>Additional conditions to be fulfilled during the first year of implementation:</u></p> <ul style="list-style-type: none"> <li>(vii) Deliver a vision of change with specific impact targets of the project and expected short-, medium- and long-term changes;</li> <li>(viii) Provide a complete market study of the community forest enterprises, including supply and demand opportunities, and possible value chains that could ensure better prices to local communities; and</li> <li>(ix) Provide a long-term financial prospect, including expected revenues for the national forest fund and expected revenues from forest enterprises.</li> </ul>
<p><b>FP 012</b> (WB Mali)</p>	<p><u>Conditions for effectiveness of the funded activity agreement:</u></p> <ul style="list-style-type: none"> <li>(i) Delivery of a certificate issued by the World Bank’s Legal Officer, in a form that is satisfactory to the GCF, confirming that the FAA entered into by the World Bank has been duly authorized or ratified by all necessary corporate actions, duly executed and delivered on behalf of the World Bank, and is binding upon the World Bank in accordance with its terms;</li> </ul> <p><u>Conditions for disbursement under the funded activity agreement:</u></p> <p><i>For the first disbursement:</i></p> <ul style="list-style-type: none"> <li>(ii) Delivery by the World Bank to the GCF of a letter confirming that the relevant legal agreements for project co-financing by the World Bank (Global Facility for Disaster Reduction and Recovery – GFDRR) and the Government of Mali have become effective;</li> </ul> <p><i>For the second disbursement:</i></p> <ul style="list-style-type: none"> <li>(iii) Submission of the final environmental and social management plan, and if applicable, the resettlement action plan;</li> </ul> <p><u>Recommendations:</u></p> <ul style="list-style-type: none"> <li>(iv) GCF funding is dedicated for climatic change-related aspects, in particular for funding component 2.3;</li> <li>(v) The TAP also recommends to plan for community engagement in keeping the equipment (i.e. gauges, etc.) in place and secure throughout the life cycle of the project;</li> <li>(vi) The TAP recommends the inclusion of operation and maintenance requirements in procurement agreements with suppliers and after-sales service contracts to ensure the availability of spare parts over the economic life of the project.</li> </ul>
<p><b>FP 013</b> (UNDP Viet Nam)</p>	<p><u>Conditions for the effectiveness of the funded activity agreement:</u></p> <ul style="list-style-type: none"> <li>(i) Delivery of a certificate issued by the accredited entity’s Senior Legal Officer, in a form that is satisfactory to the GCF, certifying that the FAA entered into by the accredited entity has been duly authorized or ratified by all necessary corporate actions, duly executed and delivered on behalf of the accredited entity, and is legally binding and enforceable upon the accredited entity in accordance with its terms;</li> </ul> <p><u>Conditions for disbursement under the Funded Activity Agreement:</u></p> <p><i>For the second disbursement (year two activities):</i></p> <ul style="list-style-type: none"> <li>(ii) Completion of the detailed evaluation of the financial management capacity of the MARD and the responsible parties under the UNDP Framework for Cash Transfer to Implementing Partners as satisfactory to implement the project;</li> </ul> <p><u>Additional conditions to be fulfilled during the first year of implementation:</u></p> <ul style="list-style-type: none"> <li>(iii) Providing further elaboration of component 3, related to the disaster database and information related to the system, including: <ul style="list-style-type: none"> <li>(a) The type of information that will be included in the system;</li> <li>(b) Management arrangements to develop and maintain the information system; and</li> </ul> </li> </ul>



	<p>(c) Ways to maintain information flows with relevant stakeholders, including affected communities and provinces;</p> <p><u>Recommendation:</u></p> <p>(iv) Completing an examination of additional retrofit requirements for making the houses equally resilient to cyclonic winds (of cyclone categories 1 and 2) as to flooding risks, and integrate those lessons into the implementation of component 1 before the release of the year 2 allocation.</p>
<p><b>FP 014</b> (WB Tajikistan and Uzbekistan)</p>	<p><u>Condition for the execution of the funded activity agreement:</u></p> <p>(i) The accredited entity provides to the Board, through the Secretariat, satisfactory evidence of the following:</p> <ul style="list-style-type: none"> <li>(a) Details on how the project intends to achieve transformational change and provide a theory of change, including long-term sustainability criteria;</li> <li>(b) Further details on how the long-term financial sustainability of the project will be secured, including an assessment of the opportunities for the mobilization of future finances;</li> <li>(c) Details on the key barriers, including legal and regulatory frameworks, which may impact project effectiveness and efficiency;</li> <li>(d) Details on the selection criteria that will be used to inform approval or otherwise of subinvestments;</li> <li>(e) Details on how the accredited entity will ensure that the project activities will complement and not overlap with existing projects in the region, as well as the project's intended interaction with other projects financed by the World Bank Group;</li> <li>(f) An overview of the local political context and a detailed assessment of political and governance risks in each of the project's host countries;</li> <li>(g) Details on how the project will fully integrate gender considerations into the project's approach and its results targets;</li> <li>(h) Details on the rationale behind the project's use of grant funding by the GCF as opposed to other instruments (e.g. loans); and</li> <li>(i) Details on the stakeholder groups consulted by the accredited entity during the design of the project;</li> </ul> <p><u>Conditions for the effectiveness of the funded activity agreement:</u></p> <p>(ii) Delivery of a certificate issued by the World Bank's Legal Officer, in a form that is satisfactory to the GCF, confirming that the FAA entered into by the World Bank has been duly authorized or ratified by all necessary corporate actions, duly executed and delivered on behalf of the World Bank and is binding upon the World Bank in accordance with its terms;</p> <p><u>Conditions for disbursement under the funded activity agreement:</u></p> <p><i>For the first disbursement:</i></p> <ul style="list-style-type: none"> <li>(iii) Provision of a certificate by the accredited entity to the GCF confirming that the legal agreements for Project co-financing by the International Development Association have become effective;</li> <li>(iv) Finalization of the Grant Operational Manual for Component 2 that has been previously consulted with relevant communities for its viability and purpose, including long-term sustainability plans, detailed eligibility and selection criteria, a detailed application process, application formats, the terms and conditions of the grants, the approval process, and the roles of the various parties by the executing entities satisfactory to the World Bank;</li> </ul> <p><u>Additional conditions for first disbursement:</u></p> <ul style="list-style-type: none"> <li>(v) A selection of concrete transboundary ecosystems that will be targeted with the project interventions, including community arrangements and possible impacts;</li> </ul>





	<p>(vi) An agreement with the Governments of Tajikistan and Uzbekistan in order to develop the project in a way that could be appropriated in the long term by the country institutions in charge of agriculture and rural development or related institutions; and</p> <p>(vii) A detailed list of possible locally based organizations that could be contracted to assist beneficiaries in the preparation and implementation of rural investments, with demonstrated capacities on community engagement, project development and management and with experience in delivering climate change adaptation.</p>
<p><b>FP 015</b> (UNDP Tuvalu)</p>	<p>(i) The GCF proceeds shall not be used for financing activities related to disaster response and relief under Output 3; <u>Conditions for the effectiveness of the funded activity agreement:</u></p> <p>(ii) Delivery of a certificate issued by the accredited entity’s Senior Legal Officer, in a form that is satisfactory to the GCF, certifying that the FAA entered into by the accredited entity has been duly authorized or ratified by all necessary corporate actions, duly executed and delivered on behalf of the accredited entity, and is legally binding and enforceable upon the accredited entity in accordance with its terms; <u>Conditions for disbursement under the funded activity agreement:</u> <i>For the second disbursement:</i></p> <p>(iii) Provision of a detailed operational manual for the performance-based fiscal transfer under Output 3 to the GCF specifying financial flow, financial mechanism structure and governance, and eligibility criteria prior to the second disbursement (for year-two activities) by the GCF to the accredited entity; <u>Recommendations:</u></p> <p>(iv) Support maximum involvement and use of national institutions in all components of the project implementation as all of them are equally important with regard to increasing the sustainability of the project in the long run; and</p> <p>(v) Implement the project under the national implementation modality instead of direct implementation from UNDP weakening the country’s sustainable development process, which is the key contribution of the project. National implementation with strong support and quality assurance from the UNDP side would be a real demonstration of country ownership.</p>
<p><b>FP 016</b> (UNDP Sri Lanka)</p>	<p><u>Conditions for the effectiveness of the funded activity agreement:</u></p> <p>(i) Delivery of a certificate issued by the accredited entity’s senior legal officer, in a form satisfactory to the GCF, certifying that the FAA entered into by the accredited entity has been duly authorized or ratified by all necessary corporate actions, duly executed and delivered on behalf of the accredited entity, and is legally binding and enforceable upon the accredited entity in accordance with its terms; and <u>Conditions for disbursement under the funded activity agreement:</u> <i>For the second disbursement (year-two activities):</i></p> <p>(ii) Completion of the detailed evaluation of the financial management capacity of the Ministry of Mahaweli Development and Environment and the responsible parties (the Departments of Agrarian Development, Agriculture and National Community Water Supply, the National Water Supply and Drainage Board, and the Ministry of Disaster Management), under the UNDP Framework for Cash Transfer to Implementing Partners as satisfactory to implement the project.</p>
<p><b>FP 017</b> (CAF Chile)</p>	<p><u>Condition for the effectiveness of the funded activity agreement:</u></p> <p>(i) The loan agreement executed with the executing entity for the implementation of the project shall contain the following with respect to any carbon credits existing or future in relation to the project: (a) a covenant on</p>



	<p>the prohibition of the use of such carbon credits by the executing entity; and (b) the undertaking by the executing entity to cancel/retire such carbon credits;</p> <p><u>Conditions to be fulfilled before first disbursement:</u></p> <p>(ii) Firm contracts pertaining to the 45-kilometre transmission line construction should have been entered into;</p> <p><u>Recommendations:</u></p> <p>(iii) It is recommended that debt disbursements be made in the same proportion as equity; and</p> <p>(iv) The funding proposal is classified by Banco de Desarrollo de América Latina (CAF) as a cross-cutting project. However, only mitigation core indicators and mitigation relevant impact and outcome indicators are reported against the GCF performance measurement frameworks. Given the fact that the climate adaptation contribution of the project is mainly related to a potential longer term co-benefit, it is recommended that CAF classifies this investment as a mitigation project rather than a cross-cutting one by the time of effectiveness of the FAA. At that time, if the project is still considered to be a cross-cutting intervention, CAF shall report on the GCF core indicator for adaptation and applicable adaptation results and indicators in accordance with the GCF adaptation performance measurement framework, this condition shall be fulfilled within three months of the first disbursement;</p> <p>(v) The TAP recommends that the Secretariat receives evidence from CAF that the proposed project is part of the national alternative energy plan, including its relationship with other relevant current projects and its contribution to the nationally determined contribution; and</p> <p>(vi) The TAP recommends that the project team develops a knowledge-sharing programme in order to disseminate information on the project impacts and lessons learned through project implementation and operation in order to assist stakeholders, such as local and international businesses and banks, to promote their involvement in developing solar power generation in Chile. In this context, relevant information should be gathered and reported periodically to the Secretariat in order for it to be effectively used in the programme. The programme may consider funding under a separate project or modality, as appropriate.</p>
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## Annex IV: Draft interim procedures for the reconsideration of funding decisions

### I. Purpose and scope

1. The purpose of this annex is to operationalize Article 11, paragraph 3(b), of the Convention, United Nations Framework Convention on Climate Change decision 5/CP.19, annex, paragraphs 6-10, and paragraph 2(a) of the terms of reference of the independent Redress Mechanism (hereinafter referred to as the IRM ToR)<sup>1</sup> and, accordingly, to establish interim procedures for dealing with requests for reconsideration of a funding decision<sup>2</sup> pursuant to which the Board has denied funding to a specific project or programme (hereinafter referred to as Requests).
2. These interim procedures for dealing with Requests (hereinafter referred to as Interim Procedures) set out the sole entitlement that applicants have with respect to projects and programmes which have been denied funding by the Board, to the exclusion of any other right whatsoever.
3. These Interim Procedures shall apply until revoked by the Board.

### II. Interim Procedures

4. **Filing a Request:** Within sixty (60) calendar days from the date on which the Secretariat informs the relevant national designated authority (NDA) or focal point of the relevant Board decision denying funding to a specific project or programme, the relevant NDA or focal point of the developing country concerned (hereinafter referred to as the Applicant) may file a Request, in English, with the Head of the Independent Redress Mechanism (hereinafter referred to as the Head of the IRM).
5. **Acknowledging receipt of the Request:** The Head of the IRM shall, within fourteen (14) days of receipt of a Request, acknowledge receipt of the Request.
6. **Eligibility of the Request:** The Head of the IRM shall assess the eligibility of the Request by reference to paragraph 3 of the IRM ToR. If the Request is ineligible, the Head of the IRM shall notify the Applicant, and take no further action with respect to such a Request.
7. **Addressing the Request:** If the Request is eligible, the Head of the IRM shall investigate the substance of the Request, and discuss it informally with the Applicant. If such an approach does not lead to a satisfactory and amicable resolution of the Request, then the Head of the IRM shall address the Request formally. In addressing the Request, the Head of the IRM shall consider, amongst others, any issues raised by the Applicant in the Request, the original funding proposal as submitted to the Board, including the assessments of the Secretariat and the independent Technical Advisory Panel, the decision of the Board and other relevant aspects of the Fund's operations. The Head of the IRM shall be entitled to request such other relevant information from the Applicant as he or she, acting reasonably, deems necessary in order to address the Request and shall be entitled to stipulate an associated time frame within which the Applicant should provide such information or a reason as to why such information cannot be provided.

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<sup>1</sup> Annex V to decision B.06/09 (annex V to document GCF/B.06/18).

<sup>2</sup> For the purpose of these Interim Procedures, a "funding decision" means a decision by the Board with respect to a funding proposal for a specific project or programme as envisaged in decision B.07/03 and annex VII to decision B.07/03 (annex VII to document GCF/B.07/11).

8. **Determination of the Head of the IRM:** Following such considerations, the Head of the IRM shall determine, consistent with paragraph 4(c) of the IRM ToR, whether the Fund was inconsistent with its policies, programme priorities and eligibility criteria when denying funding to a specific project or programme.
9. **Report to the Board:** Promptly after (a) a determination by the Head of the IRM that a Request is ineligible pursuant to paragraph 6 above, (b) a satisfactory and amicable resolution of a Request, or (c) the determination referred to in paragraph 8 above, the Head of the IRM shall prepare a report for the Board setting out a summary of the relevant Request, whether it was deemed eligible (and if not, why not), the steps taken to resolve the Request in a satisfactory and amicable manner and, if applicable, the determination of the Head of the IRM as to whether the Fund was inconsistent with its policies, programme priorities and eligibility criteria when denying funding to a specific project or programme. Such a report shall also contain the recommendation of the Head of the IRM on possible further remedial actions. In accordance with the Fund's Information disclosure policy, such a report shall be made publicly available on the GCF website upon submission of the report to the Board, unless one of the exceptions set out in the Information disclosure policy apply with respect to the disclosure of such a report.
10. **Consideration by the Board:** The Board may, at its next meeting following receipt of the report, consider the Request in view of the report and the recommendation of the Head of the IRM, and may take such steps as it considers appropriate. The outcome of the Board's considerations shall be proactively communicated to the Applicant and shall be included in the report of the relevant Board meeting.
11. **Time frame:** The Head of the IRM shall aim to conclude the steps as set out in paragraphs 6 to 9 above within sixty (60) days of the date on which the acknowledgement of receipt referred to in paragraph 5 was sent to the Applicant. If the Head of the IRM considers that additional time is required in order to complete such steps, he or she shall notify the Applicant of the additional time that he or she considers is required.

### III. Implementation of the Interim Procedures

12. The Head of the IRM shall operationalize the above-mentioned procedures in a manner that is consistent with international best practice and may, for this purpose, issue guidelines with respect to each of the steps set out above.
13. The Head of the IRM shall promptly notify the Board, via the Co-Chairs, each time a Request has been received, and shall keep the Board, via the Co-Chairs, regularly updated on how such a Request is being addressed and the determinations made in connection with it.

### IV. Costs

14. The Head of the IRM shall submit a budget request to the Board as soon as possible and no later than its fifteenth meeting for the costs associated with the implementation of these Interim Procedures.
15. Subject to paragraph 16 below, all expenses associated with preparing, drafting and filing requests for reconsideration, including the provision of any further information that may be required by the Head of the IRM and/or the Board, shall be borne by the Applicant.
16. To the extent that any request by the Head of IRM for further information pursuant to paragraph 7 above requires the Applicant to incur third-party costs or expenses, such costs and expenses shall be borne by the Fund.

## **V. Review and amendment of these Interim Procedures**

17. The Board may amend and/or revoke these Interim Procedures at any time. Amendments to the Interim Procedures shall only apply to Requests filed after the date of entry into force of such an amendment. Termination or revocation of these Interim Procedures shall not affect Requests which remain under consideration as at the date of such a termination or revocation.

## **VI. Entry into force**

18. These Interim Procedures shall enter into force on the date of their adoption by the Board.

## Annex V: Policy on ethics and conflicts of interest for Board-appointed officials

### I. Scope, purpose and applicability

1. This policy on ethics and conflicts of interest for Board-appointed Officials (hereinafter referred to as the Policy) sets forth principles and ethical standards for the Covered Individuals in connection with, or having a bearing upon, their status and the discharge of their responsibilities in the Green Climate Fund. As these Covered Individuals are entrusted with responsibilities as prescribed in the Governing Instrument for the Green Climate Fund and relevant decisions and policies of the Fund, their personal and professional conduct must comply with the standards and procedures set forth herein.
2. The Policy is in furtherance of the general principles set out in the Governing Instrument that the Fund shall operate in a transparent and accountable manner guided by efficiency and effectiveness.
3. Should a Covered Individual have any doubt as regards to her/his proper course of action in any matter related to this Policy, they shall seek the advice of the Independent Integrity Unit; except, when the Covered Individual is the Head of the Independent Integrity Unit, who in that case shall seek the advice of the Ethics and Audit Committee.
4. Throughout this Policy, when it is stated that any ethical and/or conflict of interest matter concerning a Covered Individual shall be reported, referred, submitted or disclosed by others or by the Covered Individual herself/himself, to the Independent Integrity Unit for guidance, review, investigation, decision or other actions specified in the provision, and when the Covered Individual in question is the Head of the Independent Integrity Unit, the relevant provision should be construed to mean that the matter shall be reported, referred, submitted or disclosed to the Ethics and Audit Committee for guidance, review, investigation, decision or other actions specified in the provision.

### II. Definitions

5. For the purposes of this Policy, the following terms shall have the meaning set out below:
  - (a) The **Administrative Tribunal** means the tribunal established by the Fund referred to in the Administrative guidelines on Human Resources of the GCF;
  - (b) The **Board** means the Board of the Fund;
  - (c) **Board-appointed Officials** mean the Heads of the Independent Evaluation Unit, the Independent Integrity Unit and the Independent Redress Mechanism, respectively, appointed by the Board;
  - (d) The **Ethics and Audit Committee** means the committee of the Board established by decision B.05/13, paragraph (e);
  - (e) **Covered Individuals** mean the Board-appointed Officials;<sup>1</sup>
  - (f) The **Fund** means the Green Climate Fund;

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<sup>1</sup> This Policy applies to Board-appointed Officials other than the Executive Director to whom the Policy on ethics and conflicts of interest for the Executive Director of the Green Climate Fund Secretariat applies.

- (g) A **Gift** means any gratuity, favour, discount, entertainment, hospitality, loan, forbearance, honorarium or other item having monetary value. These include services as well as gifts of training, transportation, local travel, lodgings and meals, whether provided in-kind, by purchase of a ticket, payment in advance or reimbursement after the expense has been incurred;
- (h) The **Governing Instrument** means the Governing Instrument for the GCF;
- (i) The **Headquarters Agreement** means the Agreement between the Republic of Korea and the Green Climate Fund concerning the Headquarters of the Green Climate Fund;
- (j) **Immediate Family Members** mean the Covered Individuals' spouse, partner under applicable legislation, child, mother, father, brother or sister and persons primarily dependent on such an individual for financial support;
- (k) The **Independent Evaluation Unit** means the "independent evaluation unit" referred to in paragraph 60 of the Governing Instrument;
- (l) The **Independent Integrity Unit** means the "independent integrity unit" referred to in paragraph 68 of the Governing Instrument;
- (m) The **Independent Redress Mechanism** means the "independent redress mechanism" referred to in paragraph 69 of the Governing Instrument;
- (n) The **Policy** means this policy on ethics and conflicts of interest for Board-appointed Officials of the Green Climate Fund;
- (o) **Prohibited Practices** means any of the following practices:
- (i) A "corrupt practice" is the offering, giving, receiving or soliciting, directly or indirectly, anything of value to influence improperly the actions of another entity and/or individual;
  - (ii) A "fraudulent practice" is any act or omission, including a misrepresentation, that knowingly or recklessly misleads, or attempts to mislead, an entity and/or individual to obtain a financial or other benefit, or to avoid an obligation;
  - (iii) A "coercive practice" is impairing or harming, or threatening to impair or harm, directly or indirectly, any entity and/or individual or the property of that entity and/or individual to influence improperly the actions of an entity and/or individual;
  - (iv) A "collusive practice" is an arrangement between two or more entities and/or individuals designed to achieve an improper purpose, including to improperly influence the actions of another entity and/or individual;
  - (v) An "obstructive practice" includes deliberately destroying, falsifying, altering or concealing evidence material to an investigation; making false statements to investigators in order to materially impede an investigation; threatening, harassing or intimidating any entity and/or individual to prevent it and/or him or her from disclosing its and/or their knowledge of matters relevant to the investigation or from pursuing the investigation; or materially impeding the Fund's rights of audit or access to information; and
  - (vi) "Harassment" means unwelcome verbal or physical behaviour that unreasonably interferes with work or creates an intimidating, hostile or offensive work environment;
- (p) The **Secretary to the Board** means the staff member of the Secretariat of the Fund serving as Secretary to the Board;

- (q) The **Secretariat** means the independent Secretariat of the Green Climate Fund referred to in section E of the Governing Instrument; and
- (r) **Short-term trading** means any combination of the buying or selling of securities within a period of six months; and buying or selling of a right or obligation to buy or sell such securities shall be treated as buying or selling the securities.

### III. Basic standard of conduct

6. Covered Individuals shall carry out their responsibilities as prescribed in their terms of reference, their contracts with the Fund and relevant decisions and policies of the Fund, to the best of their ability and judgment, and shall maintain the highest standards of integrity in their personal and professional conduct and observe principles of good governance.
7. In order to reflect the importance of the Policy and the obligations contained in it, Covered Individuals shall, upon their appointment and at the start of each new term of office, read and sign the Declaration of Impartiality and Confidentiality, a template of which is contained in the appendix to the Policy, to be deposited with the Secretary to the Board.
8. Covered Individuals shall not interfere in the political affairs of any State. In the discharge of their duties, Covered Individuals shall not seek or receive instructions from any government.
9. The privileges, immunities, exemptions and facilities which Covered Individuals enjoy under the Headquarters Agreement and any other agreement entered into between the Fund and the governments of other countries are granted in the interest of the Fund and not for the personal benefit of the individuals. Therefore, these privileges, immunities, exemptions and facilities offer no excuse for non-performance of private obligations or failure to observe laws and police regulations.
10. Covered Individuals shall observe the laws of each jurisdiction in which they are present pursuant to their official duties and responsibilities so as not to be perceived as abusing the privileges and immunities conferred upon the Fund and upon them. This provision does not abrogate or waive any privileges and immunities which they may enjoy.
11. Covered Individuals shall, in their interactions with others, act with tolerance, sensitivity and respect for cultural differences. Any form of discrimination based on any ground, such as gender, race, colour, national, ethnic or social origin, genetic features, language, religion or belief, political or any other opinion, membership of a national minority, property, birth, disability, age or sexual orientation shall be against the Policy.
12. Covered Individuals shall abide by the following standards of conduct:
  - (a) Covered Individuals must not act in any manner that will undermine public confidence and trust in the Fund's governance. Covered Individuals will refrain from engaging in Prohibited Practices;
  - (b) Covered Individuals must not encourage anyone to take any actions listed under paragraph 12(a) above; and
  - (c) Covered Individuals must disassociate from, and report to the Independent Integrity Unit, any suspected misconduct by other Covered Individuals, including those actions listed under paragraph 12(a) above, when it comes to their attention, in accordance with the procedure set out in section XIII below, and must refrain from retaliation against an individual who provides information in good faith about suspected misconduct.



13. In the discharge of their office, Covered Individuals owe their duties entirely to the Fund and no other authority. In implementing decisions of the Fund, Covered Individuals will only take into account considerations relevant to the Fund's objective, functions and operations. Their considerations shall be taken impartially in order to achieve and carry out the purpose and functions of the Fund as set out in the Governing Instrument and the decisions of the Board.

#### **IV. Conflict of interest**

14. A conflict of interest arises when the personal interests of a Covered Individual interfere in any way with her/his official duty or with the interests of the Fund. A conflict of interest may arise when the Covered Individual takes actions or has interests that make it difficult to perform her/his work objectively and effectively, or when the Covered Individual takes actions that intentionally result in improper benefits for herself/himself, Immediate Family Members or other persons or entities. An actual conflict of interest involves a conflict between the official duties of the Covered Individual and her/his personal interests that could improperly influence the performance of those official duties. An apparent conflict of interest arises when it could reasonably be perceived that the Covered Individual's personal interests could improperly influence the performance of her/his official duties even if this is not in fact the case.

15. In performing her/his duties, the Covered Individual shall carry out her/his responsibilities to the exclusion of any personal advantage.

16. Covered Individuals shall endeavour to avoid any situation involving an actual conflict of interest, or the appearance of a conflict of interest. If an actual conflict arises, a Covered Individual shall promptly refer the matter in writing to the Independent Integrity Unit and shall withdraw from attendance or participation in deliberations or decision-making connected with that matter pending guidance from the Independent Integrity Unit. If an appearance of conflict arises, or if there is doubt as to whether a conflict, actual or apparent, exists, the Covered Individual shall promptly refer the matter in writing to the Independent Integrity Unit and/or the Ethics and Audit Committee where relevant, for guidance.

#### **V. Personal financial affairs**

17. Except within the limits specified in this section, during her/his employment with the Fund, a Covered Individual and her/his Immediate Family Members shall avoid having any financial interest in the transactions of the Fund or in projects or enterprises involving the Fund. A Covered Individual shall not use any information not generally available to the public to further her/his private interests or those of any other person or entity.

18. In particular, Covered Individuals or Immediate Family Members must refrain from:

- (a) Short-term trading in securities issued by the Fund;
- (b) Making investments in securities of an entity known by them to be an actual or prospective recipient of the Fund's financing, investment or guarantee; or
- (c) Making investments in securities of any company or other entity upon whose board of directors or trustees the Covered Individual served.

19. If a Covered Individual or an Immediate Family Member has or comes into possession of any securities referred to in paragraph 18 above, the Covered Individual must make immediate arrangements for her/his prompt divestiture.

20. However, the foregoing shall not include the management of any private investments of the Covered Individual provided that such investments do not constitute substantial control in

the enterprise or enterprises concerned and that the Covered Individual conducts her/his private business affairs in such a manner as to avoid a conflict of interest between her/him and the interest of the Fund.

21. Covered Individuals shall seek the guidance of the Independent Integrity Unit prior to undertaking financial transactions that may be restricted by this section (section V) or provisions of this Policy. In the event that the Covered Individual is the Head of the Independent Integrity Unit, the matter shall be referred to the Chair of the Ethics and Audit Committee.

## VI. Disclosure of financial and business interests

22. A Covered Individual shall promptly disclose to the Independent Integrity Unit any financial or business interest that she/he or an Immediate Family Member has, which might reflect unfavourably on the Fund or which might be in actual or perceived conflict with her/his duties. Upon such disclosure, the Covered Individual shall refrain from taking any action as a Board-appointed Official that might affect such an interest, except as otherwise directed by the Board.

23. Covered Individuals must file annually until separation from the Fund, a financial interest disclosure form in a form and manner to be proposed by the Chief Financial Officer of the Fund and approved by the Ethics and Audit Committee. In the event that a financial disclosure reveals a conflict of interest, the Independent Integrity Unit will provide advice on how to obviate or mitigate the conflict.

## VII. Outside activities and other employment

24. Covered Individuals, upon joining the Fund, shall devote themselves to the activities of the Fund on a full-time basis and dissociate from any other public or private position that they may hold. The Covered Individual shall not, without the prior written approval of the Ethics and Audit Committee, accept any position or obligation or have any interest directly or indirectly in any activity which is incompatible with the discharge of her/his duties in the Fund other than positions related to pro bono activities unrelated to the Fund.

25. **Previous Association:** A Covered Individual shall not be personally involved in a Fund transaction involving a former employer, as:

- (a) A recipient or beneficiary of the Fund's financing, investments or guarantees;
- (b) A guarantor of any such financing; or
- (c) A supplier of goods or services to the Fund, except as authorized by the Ethics and Audit Committee.

26. **Prospective employment:** When seeking, negotiating for, or entering into an arrangement concerning, prospective employment outside the Fund for herself/himself or for Immediate Family Members, Covered Individuals shall not allow such circumstances to influence the performance of their duties and must not exercise any responsibility with respect to a Fund transaction in which a prospective employer has or may have an interest.

27. **Subsequent Employment:** A Covered Individual shall not be eligible, within one year after her/his separation from the Fund, to seek, apply or take up appointment as a Fund staff member, engagement as a Fund consultant, or any other work remunerated by the Fund. The Ethics and Audit Committee may waive this provision in exceptional circumstances. A request for such waiver must be submitted to the Ethics and Audit Committee before she/he or her/his Immediate Family Member applies for employment with the Secretariat.

## **VIII. Publications and public speaking**

28. Covered Individuals during the term of her/his appointment may not, outside her/his official duties:

- (a) Publish, cause to be published, or assist in the publication of any book, pamphlet, article, letter or other document relating to the policies or activities of the Fund or on any national political questions;
- (b) Deliver any speech or presentation, broadcast through radio, television or other electronic media or hold press conferences or grant press interviews on such policies, activities or questions; or
- (c) Speak on behalf of the Fund or state its policies as a participant in any seminar or conference.

29. When speaking in public, Covered Individuals shall make clear in what capacity they are speaking and comply with the requirements of section IX of this Policy.

## **IX. Disclosure of information**

30. Covered Individuals shall at all times observe the applicable policies of the Fund regarding disclosure of information.

31. A Covered Individual shall protect the security of any information obtained in the performance of her/his duties that is not otherwise available to the public and, except as required to perform her/his duties, the Covered Individual shall not use such information or disclose it to others who she/he knows or should know are not authorized by the Fund to receive such information. The provisions of this paragraph shall continue to apply to Covered Individuals after their term of service has expired.

32. Covered Individuals shall not use, or allow the use of, unpublished and/or confidential information known to them by reason of their official position with the Fund to private advantage, directly or indirectly, or for any interest contrary to the interests of the Fund.

## **X. Political and external activities and interests**

33. Covered Individuals may exercise their political rights, but shall refrain from participation in political activities that may interfere or conflict with their duties or status as Covered Individuals. A Covered Individual must resign her/his position immediately if such a Covered Individual becomes a candidate for any national public office of a political character or accepts a nomination for such an office.

## **XI. Gifts and awards**

34. Covered Individuals and their Immediate Family Members are prohibited from accepting gifts under circumstances where it could reasonably be construed that the gift is motivated by a Covered Individual's position in relation to the Fund and interests that could be substantially affected by the Fund, except when such gifts are allowable under the provisions referred to in paragraph 35 below.

35. Covered Individuals may accept unsolicited gifts when refusal to do so would embarrass the gift provider or the Fund or otherwise would not be in the interest of the Fund, such as

when a refusal to accept would be considered impolite, provided that such gifts over USD 100 shall be reported to the Independent Integrity Unit. Except when impractical (such as in the case of meals), gifts accepted on behalf of the Fund will be turned over to the Secretariat and handled in accordance with the procedures developed for that purpose.

36. Covered Individuals shall not accept, without authorization by the Board, any honours, decorations or favours from any government, or from any other authority or person external to the Fund in connection with services rendered during their term of office with the Fund.

## **XII. Conduct within the institution**

37. Covered Individuals shall treat their colleagues and other staff of the Fund with courtesy and respect.

38. Covered Individuals shall exercise adequate control and supervision over matters for which they are individually responsible and the resources for which they are entrusted, and shall know and observe the budgetary standards and restrictions prescribed under relevant Fund policy. A Covered Individual shall ensure that the property and services of the Fund are used by herself/himself and persons in her/his offices only for the official business of the Fund.

## **XIII. Procedures for handling allegations of misconduct**

39. Allegations of misconduct and/or breach of this Policy made by another official of the Fund, or by any individual or entity, against a Covered Individual, shall be submitted in writing and in confidence to the Independent Integrity Unit which shall bring any such allegation to the attention of the Ethics and Audit Committee for its consideration in accordance with the procedures set forth in this Policy.

40. The Covered Individual shall not be presumed to have engaged in the alleged misconduct until such time as the Independent Integrity Unit determines that there is sufficient evidence to establish, on a balance of probabilities, that the alleged misconduct did occur.

41. As soon as is practicable, the Independent Integrity Unit shall review the allegations and determine whether they are credible and whether it is appropriate for the Independent Integrity Unit to take action. If the Independent Integrity Unit determines the allegations do not appear credible and do not warrant further investigation, it will decide to take no further action.

42. If the Independent Integrity Unit determines that the allegation of misconduct is credible and warrants further investigation, it will conduct such an investigation and inform the Board, through a confidential document thereof. Based on the findings of the investigation, the Independent Integrity Unit shall prepare and submit a confidential report to the Board, with a recommendation on whether the facts indicate that misconduct occurred, and if so, what action may be appropriately taken by the Board. The Independent Integrity Unit may also appoint an outside investigator of high professional standing and experience to assist it in gathering facts and evidence after informing the Board. Any outside investigator appointed by the Independent Integrity Unit shall comply with the policy on disclosure of information. Any outside investigator shall have access to all pertinent records, documents and officials of the Fund, as it determines necessary to perform its investigations.

43. Based on the findings of the Independent Integrity Unit and after having heard and duly considering representations from the Covered Individual, it is for the Board to decide what action should be taken with respect to such a Covered Individual. Appropriate measures may include written censure, suspension from duties pending investigation, termination of employment or any other appropriate action by the Board.

44. The Covered Individual shall be provided immediately with notice of any allegation of misconduct. The Covered Individual shall also be provided with all relevant documentation and the opportunity to present his or her views within 15 working days, regarding the allegations to the Independent Integrity Unit before it makes its determination, and to the Board, before it takes any decisions, as set out in these procedures:

- (a) Whether to conduct an investigation; or
- (b) Whether the facts indicate that misconduct occurred, and if so, what action may be appropriately taken by the Board.

45. The Covered Individual, if alleged to have committed misconduct, shall have the duty to cooperate fully with the Board, the Independent Integrity Unit, and any outside investigators appointed by the Independent Integrity Unit in all stages of the consideration and investigation of the allegations of misconduct. The Covered Individual, if alleged to have committed misconduct, shall be allowed to be accompanied by up to two advisers of her/his choice at her/his own cost.

46. Upon initiation of an investigation, the Covered Individual shall follow such recusal or other measures as the Independent Integrity Unit may determine, on a temporary basis pending a Board decision, as necessary to prevent irreparable harm to the Fund.

47. The Covered Individual may submit an appeal to the Board within 30 days with respect to any action taken by the Independent Integrity Unit against her/him, which shall be decided promptly, and may seek further consideration by the Administrative Tribunal against any decision taken by the Board against her/him.

48. The process and internal deliberations of the Independent Integrity Unit and the Board, involving allegations of misconduct by the Covered Individual, shall be kept strictly confidential. However, in line with Board practices any decision by the Board, based on the outcome of such a process and deliberation, will be made public.

#### **XIV. Effective date of application**

49. This Policy shall take effect on the date of adoption by the Board.

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## Appendix: Declaration of impartiality and confidentiality of Board-appointed officials of the Green Climate Fund

I solemnly declare that I will perform my duties and responsibilities as the Head [of the Independent Integrity Unit] [of the Independent Evaluation Unit] [of the Independent Redress Mechanism] of the Green Climate Fund honourably, faithfully and conscientiously.

I solemnly declare and promise that I shall have no personal financial interest in any matters which I am involved in performing my duties for the Green Climate Fund.

I solemnly declare that I accept and will be bound by the Policy on ethics and conflict of interest for Board-appointed official of the Green Climate Fund.

I explicitly acknowledge that I may have access to information regarding the Fund and its operations that is deemed confidential according to the Fund's Information disclosure policy and agree that at all times I shall respect the confidentiality of such information and shall not use such information for the purpose of furthering my personal interest or the personal interest of any other person or entity for whom or which such information is not intended. I shall comply with the Information disclosure policy of the Fund.

I shall disclose to the [Independent Integrity Unit] [Ethics and Audit Committee], as the case may be, any interest in any matter which may constitute a conflict or potential conflict of interest or which might be incompatible with the requirements of integrity and transparency in my role as the Head [of the Independent Integrity Unit] [of the Independent Evaluation Unit] [of the Independent Redress Mechanism].

---

Name of the Board-appointed official

---

Signature

## **Annex VI: Amendments to the template accreditation master agreement for Acumen Fund, Inc.**

1. Reporting:

**Table 1. Deviations from reporting requirements in the accreditation master agreement**

<b>Report</b>	<b>AMA clause</b>	<b>Description of change</b>
Annual performance report	15.02(a)	The obligations set out in clause 15.02 of the accreditation master agreement (AMA) will be covered in the annual report submitted by the KawiSafi Fund pursuant to the fund documentation, supplemented by additional information requested in clause 15.02(a) to be provided by the accredited entity
Disbursement report	17.02(a)(i)	The obligations set out in Clause 17.02(a)(i) of the AMA will be covered in the quarterly and annual reports submitted by the KawiSafi Fund pursuant to the fund documentation
Reflowed funds report	17.02(a)(iv)	The obligations set out in Clause 17.02(a)(iv) of the AMA will be covered in the quarterly and annual reports submitted by the KawiSafi Fund pursuant to the fund documentation
Statement of investment income	17.02(a)(v)	The obligations set out in Clause 17.02(a)(v) of the AMA will be covered in the quarterly and annual reports submitted by the KawiSafi Fund pursuant to the fund documentation
Unaudited annual financial statement	17.02(b)	Quarterly unaudited financial statements will be provided within two months of the end of each quarter for the first three quarters, and within three months after the end of the GCF fiscal year for the fourth quarter

2. Accredited entity fee and definition of “GCF Proceeds”:

- (a) In relation to Clause 12 of the accreditation master agreement (AMA), the accredited entity acknowledges and agrees that it shall not receive any fees from the GCF in connection with the funded activity. The only fees that have been approved in connection with the funded activity are the fees payable to the KawiSafi Manager, as set out in the funding proposal; and
- (b) For the avoidance of doubt, the definition of “GCF Proceeds” shall not be deemed to include the fees payable to the KawiSafi Manager.

3. Definition of “GCF Account”: The “GCF Account” shall be the Mauritius-based HSBC bank account set up by the KawiSafi Fund to receive investor capital calls, including from the GCF, in connection with the funded activity, subject to the provisions of section 6(g) of the AMA.

4. For the purposes of the funded activity, the executing entity shall be the KawiSafi Fund, represented by the KawiSafi Manager. The KawiSafi Manager shall enter into a subsidiary agreement with the accredited entity pursuant to the AMA, whereby the accredited entity shall delegate to the KawiSafi Manager, and the KawiSafi Manager shall accept, the responsibilities

and obligations with respect to the funded activity as required under the AMA (the “Subsidiary Agreement”). For the avoidance of doubt, the KawiSafi Manager acknowledges and accepts the privileges and immunities of the GCF in the terms set out in clause 27.01 of the AMA.

5. Clause 23.05 of the AMA shall be revised to read as follows:

“The Accredited Entity shall, to the extent permitted by applicable laws and regulations, use its best efforts to ensure (including in any agreement with the KawiSafi Manager) that any greenhouse gas emission reduction (e.g. in emissions by sources or an enhancement of removal by sinks) counted as having been achieved by the Funded Activity shall not be converted into any offset credits or units generated thereby, or if so converted, will be retired without allowing any other emissions of greenhouse gases to be offset.”



## **Annex VII: Indicative list of activities to be included in the readiness programme**

### **Establishing and strengthening national designated authorities or focal points**

- Enabling national designated authority (NDA) coordination mechanisms with accredited entities to identify and prioritize national priorities for country programming;
- Strengthening institutional capacities so that the NDA or focal point can effectively fulfill its role;
- Developing national arrangements for promotion, consideration and facilitation of funding proposals;
- Funding for training of NDA or focal point staff members in areas relevant to the objectives of the GCF such as project and programme development, international procurement, accounting, oversight, planning and monitoring and evaluation processes;
- Supporting the ongoing engagement of stakeholders at national and subnational levels, including government, civil society and private sector actors;
- Engaging in and holding dialogues with existing and prospective implementing entities (IEs)/intermediaries;
- Extracting lessons learned from other countries (including through exchange visits, workshops, etc.);
- Supporting the appropriate oversight of GCF activities at the national level; and
- Developing and disseminating informational and awareness-raising materials.

### **Strategic frameworks, including the preparation of country programmes**

- Developing a country programme that identifies strategic priorities for engagement with the GCF, disseminating information and engaging stakeholders in the country programme;
- Identifying strategic investment priorities and taking stock of existing strategies, policies, and needs assessments, including intended nationally determined contributions, low-emission development strategies, nationally appropriate mitigation actions, national adaptation plans, and national adaptation programmes of action;
- Identifying programmes and projects that advance national priorities and align with the results management framework of the GCF, including support for ensuring an appropriate enabling environment for projects or programmes;
- Developing tools, methods and templates to scale up successful models through programmatic approaches and across geographies;
- In the context of country programmes, formulating concept notes, drawing on intended nationally determined contributions and other climate strategies and plans;
- Activities that would crowd in private and capital market financing for the implementation of country programmes; including providing institutional support to enhance the efficiency of the procurement and tendering processes; and
- Enabling private sector participation, including by supporting the preparation of preliminary studies, tender documents or advisory services for the establishment of public-private partnerships.

### **Support for accreditation and accredited direct access entities**

- Raising awareness of the GCF accreditation process, fiduciary standards and environmental and social safeguards (ESS);
- Understanding the roles of existing institutions and identifying potential IEs and intermediaries;

- Conducting an institutional gap analysis of potential applicants against the fiduciary standards and ESS;
- Developing and implementing a personalized readiness and preparatory support plan that will support applicant institutions to address identified gaps in order to comply with the fiduciary standards and ESS (may include the development of new policies and procedures);
- Enabling lesson-learning from other institutions that have been through similar accreditation processes; and
- Building the capacity of accredited direct access entities in relation to the GCF activities, in areas such as environmental and social safeguards, gender, and monitoring and evaluation.

#### **Information sharing, experience exchange and learning**

- Conducting regional workshops with NDAs or focal points, existing and potential IEs, civil society and other stakeholders to raise awareness of the emerging modalities of the GCF and opportunities to engage;
- Convening of stakeholders at the regional level to share lessons and experiences from their readiness activities; and
- Distilling lessons from the experience of readiness programming to support practical implementation at the national level and facilitating access to these knowledge products and those of other actors in the international climate finance space (e.g. through online platforms, webinars, etc.).

#### **Formulation of national adaptation plans and/or other adaptation planning processes**

## **Annex VIII: Proposed interim risk and investment guidelines for the public sector**

1. Grants: The GCF can finance up to 100 per cent of agreed full costs and agreed incremental costs as per the Governing Instrument for the GCF.
2. Loans: Co-financing is highly recommended whenever feasible.

## **Annex IX: Proposed interim risk and investment guidelines for the private sector**

1. The private sector may involve more complex structures of projects/programmes than those of public sector. Considering that the Secretariat's control and monitoring capabilities and infrastructure are not yet fully developed, the GCF will set the following interim guidelines as a stopgap measure.
2. To bridge the Secretariat's temporary capacity gap in terms of risk management, the Secretariat shall seek an independent and reputable third party's opinion on a case-by-case basis.
3. The Board can approve exceptions to the guidelines with review by the Risk Management Committee on a case-by-case basis and the Secretariat is encouraged to take such high-impact/transformational projects forward.

<b>Consideration for the private sector</b>		
<b>Instrument</b>	<b>Parameters</b>	<b>Comment</b>
Grant with repayment contingency, or without repayment contingency <sup>a</sup>	<p>Component of the Private Sector Facility (PSF) project/programme consisting of 100% grants should be limited to 5% of total project cost and should benefit the end beneficiaries such as through providing technical assistance and capacity building.</p> <p>Notwithstanding the above, in some instances the 5% limit may not be appropriate in such cases as small size projects or transformational private sector projects which have large non-revenue generating components, particularly in SID's/LDC's/Africa.</p> <p>Similarly, innovative high impact use of grants beyond technical assistance and capacity building on a case-by-case basis is encouraged, but must always be properly justified and focused on mobilizing additional private sector investment.</p>	<p>In line with the spirit of prior Board decisions that the GCF will work through minimal concessionality with the private sector. Grants needs to minimize market distortion and should not to give the wrong signal to the market that the GCF is grant focused in its PSF funding grant, therefore grants need to be restricted (annex III to decision B.05/07 (annex III to document GCF/B.05/23) and the need to employ them must be justified on a case-by-case basis. In addition to technical assistance and capacity building, innovative financing structures might require grants to address certain barriers. Such use of grants however must address specific barriers hindering the mobilization of private investments, which can't be addressed otherwise.</p>
Loan, equity, guarantee	<p>At this early stage, where GCF is building up its Risk Management capacity, GCF's participation in a tranche will be subject to an independent third party advice on risk, except when GCF's participation in a tranche is aligned with all terms and conditions of the AE other than pricing.</p>	<p>It is understood and recognized that the GCF needs to take on the requisite risk to make a transformational impact, provide added value and will have the necessary in house risk assessment capacity to ensure appropriate due diligence.</p> <p>While developing in house risk assessment capacity, the GCF will temporarily need to rely on the expertise and experience of AEs and independent and reputable third party experts, selected by the</p>

		<p>Secretariat in line with the GCF's procurement policy.</p> <p>Where the GCF participates in a tranche aligned with the AE on all terms and conditions other than pricing, the interests of the AE and the GCF are fully aligned and as the GCF is not exposed to more risk than the AE it can fully rely on the AE's risk analysis.</p>
	<p>At this early stage, where GCF is building up its Risk Management capacity, in case the GCF takes the position of the largest contributor (e.g. is the largest debt holder) or the largest financier in its tranche, the Secretariat shall seek an expert opinion from an independent and reputable third party on the risks of the investment decision. This advice will also include an assessment of the capacity that will be needed to manage such a position.</p> <p>In the exceptional case that an investment decision leads to a default situation and the GCF is the largest contributor/financier in its tranche, the Secretariat shall seek service from an independent and reputable third party in order to handle the workout situation.</p>	<p>The GCF does not currently have the workout team to handle a workout situation, being the single largest financier creates the risk of the GCF being the lead in the event of a workout. Before investing into a situation where this sort of capability might be needed, it must be clear how such an event will be handled.</p>

<sup>a</sup> 'Grant with repayment contingency' expects repayment based on predefined milestones and targets which are to be negotiated for each case. Grant without repayment contingency does not expect repayment.

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## Annex X: Green Climate Fund report of audits of financial statements



# Green Climate Fund Report on Audits of Financial Statements

for the years ended December 31, 2015

Prepared under International Financial Reporting Standards

**REPORT ON AUDIT OF FINANCIAL STATEMENTS**  
GREEN CLIMATE FUND

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## INDEPENDENT AUDITOR'S REPORT

To the Board of the Green Climate Fund

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### **Report for the financial statements**

We have audited the accompanying financial statements of the Green Climate Fund ("the Fund"), which comprise the statements of financial position as at December 31, 2015 and 2014, and the statements of comprehensive income, changes in funds and cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information

### **Board's and Secretariat's responsibility for the financial statements**

The Board and Secretariat are responsible for the preparation and fair presentation of the financial statements in accordance with the International Financial Reporting Standards (IFRS). This responsibility includes designing, implementing and maintaining an internal control system relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error. The Board and the Secretariat are further responsible for selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

### **Auditor's responsibility**

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our

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judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.

An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

#### **Opinion**

In our opinion, the financial statements give a true and fair view of the financial position of the Fund as at December 31, 2015 and 2014, and its financial performance and cash flows for the years then ended in accordance with International Financial Reporting Standards.

June 29, 2016

Seoul, Korea

This report is effective as of June 29, 2016, the audit report date. Certain subsequent events or circumstances, which may occur between the audit report date and the time of reading this report, could have a material impact on the accompanying financial statements and notes thereto. Accordingly, the readers of the audit report should understand that there is a possibility that the above audit report may have to be revised to reflect the impact of such subsequent events or circumstances, if any.

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REPORT ON AUDIT OF FINANCIAL STATEMENTS

GREEN CLIMATE FUND | PAGE 5 OF 30

STATEMENTS OF FINANCIAL POSITION

As of December 31, 2015 and 2014

(In '000 USD)	Note	2015	2014
<b>Assets</b>			
Cash and cash equivalents	5, 6	637,682	108,102
Other receivables	6	-	252
Prepayments	-	-	62
Contributions Receivable	6,7	470,538	-
<b>Total current assets</b>		<b>1,108,220</b>	<b>108,416</b>
Contributions Receivable	6,7	740,115	-
Property and equipment, net	8	785	433
<b>Total non-current assets</b>		<b>740,900</b>	<b>433</b>
<b>Total assets</b>		<b>1,849,120</b>	<b>108,849</b>
<b>Liabilities</b>			
Accounts payable	6	1,651	60
Accrued expenses	-	1,087	678
Payable to employees	5,6	1,436	332
<b>Total current liabilities</b>		<b>4,174</b>	<b>1,070</b>
<b>Total liabilities</b>		<b>4,174</b>	<b>1,070</b>
<b>Funds</b>			
Temporarily restricted funds	9	1,210,653	681
Unrestricted funds	9	634,293	107,098
<b>Total Funds</b>		<b>1,844,946</b>	<b>107,779</b>
<b>Total liabilities and funds</b>		<b>1,849,120</b>	<b>108,849</b>

See accompanying notes to the financial statements.



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STATEMENTS OF COMPREHENSIVE INCOME

For the years ended December 31, 2015 and 2014

(In '000 USD)	Note	2015	2014
<b>Income</b>			
Contributions	10	1,757,626	88,750
Foreign currency gain/(loss)	6	(2,786)	(118)
Other income	6	1,424	-
Interest and investment income	6	1,046	140
<b>Total income</b>		<b>1,757,310</b>	<b>88,772</b>
<b>Expenditure</b>			
Operating expenses	11,12	20,143	10,727
<b>Total expenditure</b>		<b>20,143</b>	<b>10,727</b>
<b>Increase in fund for the year</b>		<b>1,737,167</b>	<b>78,045</b>
<b>Other Comprehensive Income (loss)</b>		<b>-</b>	<b>-</b>
<b>Total comprehensive income for the year</b>		<b>1,737,167</b>	<b>78,045</b>

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**STATEMENTS OF CHANGES IN FUNDS**

For the years ended December 31, 2015 and 2014

(In '000 USD)

	Temporarily restricted funds	Unrestricted funds	Total
<b>As at 1 January 2014</b>	<b>1,400</b>	<b>28,334</b>	<b>29,734</b>
Fund released from restriction	(719)	719	-
Comprehensive income	-	78,045	78,045
<b>As at 31 December 2014</b>	<b>681</b>	<b>107,098</b>	<b>107,779</b>
<b>As at 1 January 2015</b>	<b>681</b>	<b>107,098</b>	<b>107,779</b>
Fund released from restriction	(681)	681	-
Comprehensive income	1,210,653	526,514	1,737,167
<b>As at 31 December 2015</b>	<b>1,210,653</b>	<b>634,293</b>	<b>1,844,946</b>

See accompanying notes to the financial statements.

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**STATEMENTS OF CASH FLOWS**

For the years ended December 31, 2015 and 2014

(In '000 USD)	2015	2014
<b>Cash flows from operating activities</b>		
Cash receipts from Contributors	541,870	88,750
Bank and Trust Fund Income	578	140
Other income	1,424	-
Cash paid to suppliers and personnel	(16,272)	(9,645)
Realised Foreign currency gain (loss)	2,789	(118)
<b>Net cash provided by (used in) operating activities</b>	<b>530,389</b>	<b>79,127</b>
<b>Cash flows from investing activities</b>		
Acquisition of property and equipment	(809)	(563)
<b>Net cash provided by (used in) investing activities</b>	<b>(809)</b>	<b>(563)</b>
<b>Cash flows from financing activities</b>	<b>-</b>	<b>-</b>
<b>Net increase in cash and cash equivalents</b>	<b>529,580</b>	<b>78,564</b>
<b>Cash and cash equivalents at beginning of the year</b>	<b>108,102</b>	<b>29,538</b>
<b>Cash and cash equivalents at end of year</b>	<b>637,682</b>	<b>108,102</b>

See accompanying notes to the financial statements.

## REPORT ON AUDIT OF FINANCIAL STATEMENTS

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## NOTES TO THE FINANCIAL STATEMENTS

For the years ended December 31, 2015 and 2014

### 1. Reporting entity

The Green Climate Fund (Fund) has been established by 196 Parties to the United Nations Framework Convention on Climate Change (UNFCCC). The Fund was established by a decision of the Conference of the Parties (COP) to the UNFCCC on 11 Dec 2011. Its headquarter is based in Songdo, the Republic of Korea. It will contribute to the achievement of the ultimate objective of the Convention. In the context of sustainable development, the Fund will 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, taking into account the needs of those developing countries particularly vulnerable to the adverse effects of climate change. The Fund will be guided by the principles and provisions of the Convention.

The Fund will play a key role in channeling new and predictable financial resources to developing countries. GCF will catalyze climate finance – both public and private, and at the national, regional and international levels. The Fund is intended to operate at a larger scale than other comparable funds to promote the paradigm shift towards low-emission and climate-resilient development pathways.

GCF was designated as an operating entity of the UNFCCC's financial mechanism, which it is ultimately accountable to. The COP provides guidance to the Board, including on matters related to policies, programme priorities and eligibility criteria. The Board takes appropriate actions in response to this guidance and reports to the COP annually.

The Fund is governed and supervised by a Board that has full responsibility for funding decisions and that receives the guidance of the COP. The Fund established the Secretariat. The Board oversees the operation of all relevant components of the Fund, approving specific operational policies and guidelines, and approving funding for projects and programmes. The Board is composed of 24 members, and 24 alternate members with equal representation from developing and developed country Parties. In accordance with the Fund's Governing Instrument, the World Bank (IBRD) provides trustee services to the Fund, on an interim basis.

## REPORT ON AUDIT OF FINANCIAL STATEMENTS

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## NOTES TO THE FINANCIAL STATEMENTS

### 2. Basis of Preparation

The principal accounting policies applied in the preparation of these financial statements are set out below. These accounting policies have been applied by the Fund consistently to all periods presented.

#### STATEMENT OF COMPLIANCE

The financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRSs). Where the IFRS are silent or do not give guidance on how to treat transactions specific to the non-profit sector, accounting policies have been based on the general IFRS principles, as detailed in the IASB Framework for the Preparation and Presentation of Financial Statements.

These financial statements were approved by the Board of the Green Climate Fund on 29 June 2016.

#### BASIS OF MEASUREMENT

The financial statements have been prepared on the historical cost basis.

#### FUNCTIONAL AND PRESENTATION CURRENCY

The accompanying financial statements are presented in United States Dollars ("USD"), the Fund's functional currency. All financial information has been rounded off to the nearest thousands, unless otherwise indicated.

#### USE OF ESTIMATES AND JUDGEMENTS

The preparation of the financial statements in accordance with IFRSs requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expense. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

**REPORT ON AUDIT OF FINANCIAL STATEMENTS**

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## NOTES TO THE FINANCIAL STATEMENTS

### 3. Application of new and revised IFRS

#### NEW STANDARDS, INTERPRETATIONS AND AMENDMENTS ADOPTED DURING 2015

The accounting policies adopted in the preparation of the financial statements are consistent with those followed in the preparation of the financial statements for the year ended 31 December 2014.



## REPORT ON AUDIT OF FINANCIAL STATEMENTS

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### NOTES TO THE FINANCIAL STATEMENTS

During 2015 several new standards and amendments became applicable for the first time in 2015. However, these do not impact the financial statements of the Fund.

#### Standards issued but not yet effective

A number of new standards, amendments to standards and interpretations have been issued but are not yet effective for the year ended 31 December 2015, and have not been applied in preparing the financial statements. The Fund plans to adopt these pronouncements when they become effective. Only those new or amended standards that may have an impact on the Fund reporting are listed below, with their potential effect on the financial statement:

Changes in IFRS to be applied in 2017 - IFRS 15 "Revenue from Contracts with Customers" (May 2014): Based on its current sources of income, the Fund expects a limited impact on its financial statements.

Changes in IFRS to be applied in the 2018 - IFRS 9 "Financial Instruments" (July 2014): The Fund expects a limited impact on the classification and measurement of its financial assets and liabilities. The application of the new impairment requirements might result in possible changes of current accounting and systems.

#### 4. Summary of significant accounting policies

##### CASH AND CASH EQUIVALENTS

Cash and cash equivalents include cash on hand, deposits held at call with banks, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of change in value.

##### RECEIVABLE

All receivable balances are valued at their net realizable value, that is, the gross amount of receivable minus, if applicable, allowances provided for doubtful debt. Any receivable or portion of receivable judged to be uncollectable is written off. Write offs of receivables are done via allowances for doubtful accounts after all efforts to collect have been exhausted.

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**NOTES TO THE FINANCIAL STATEMENTS**

**PROPERTY AND EQUIPMENT**

Property and equipment are measured initially at cost. Subsequent to initial recognition as an asset, property and equipment are carried at cost less any accumulated depreciation and any accumulated impairment losses.

The cost of property and equipment comprises its purchase price and all other incidental costs in bringing the asset to its working condition for its intended use.

Subsequent costs are recognized in the carrying amount of property, plant and equipment at cost or, if appropriate, as separate items if it is probable that future economic benefits associated with the item will flow to the Fund and the cost of the item can be measured reliably. The costs of the day-to-day servicing are recognized as expenses.

Property and equipment are depreciated on a straight-line basis over the estimated useful lives of each part of an item of property and equipment.

The estimated useful lives for the current period are as follows:

Plant and equipment	Useful life
Computer equipment and IT infrastructure	3–5 years

Depreciation methods, useful lives and residual values are reviewed at the end of each reporting date and adjusted, if appropriate.

Depreciation is made in the year the asset is placed in operation and continued until the asset is fully depreciated or its use is discontinued.

**Foreign currency transactions and translations**

Foreign currency-denominated transactions are translated to US Dollars for reporting purposes at rates which approximate the exchange rates prevailing at the dates of the transactions.

Exchange differences arising from the: (a) settlement of foreign currency-denominated monetary items at rates which are different from which they were originally booked, and (b) translation of balances of foreign currency-denominated monetary items as at reporting date, are credited or charged to operations during the year.

Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

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## NOTES TO THE FINANCIAL STATEMENTS

### ACCOUNTING FOR CONTRIBUTIONS

#### Revenue recognition

Contributions, including unconditional promise for the use of the contributions, are recognized as revenue at the earlier of when there is reasonable assurance that the contributions will be received or such contributions are received.

Contributions, including conditional promise to support specified projects or activities mutually agreed upon by the Fund and the contributor, are fully recognized as revenue at the earlier of when there is reasonable assurance that the contributions will be received or such contributions are received unless there is doubt that the Fund will not be able to use the contributions for intended purposes, in which case the revenue is recognized only to the extent of the expenditures incurred during the year.

#### Contributions receivable

The Fund recognizes contributions receivable where there is reasonable assurance that the contributions will be received but the cash has not been received. Contributions receivable is stated at their cost net of a provision for uncollectible contributions.

The promissory notes receivables are measured initially at fair value by discounting the future cash flows with the appropriate discount rates, which reflects the duration and the credit risk of the issuer and presented at amortized cost using the effective rate method at each reporting date. The Fund assesses at the end of each reporting period whether there is any objective evidence that the promissory notes are impaired. If any such evidence exists, the Fund determines the amount of any impairment loss.

#### Deferred contributions revenue

The Fund recognizes deferred contributions revenue where there is doubt that the Fund will be able to use the contributions for intended purposes and any unused portion of the contribution received will need to be refunded to the contributor. The revenue recognition for such contributions is deferred to future periods in order to match the underlying related expense. The revenue is realized in the statement of comprehensive income on a systematic basis in the period during which the underlying related expenses are incurred.

## REPORT ON AUDIT OF FINANCIAL STATEMENTS

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### NOTES TO THE FINANCIAL STATEMENTS

#### FINANCIAL INSTRUMENTS

Financial assets and financial liabilities are recognized when the Fund becomes a party to the contractual provisions of the underlying instruments.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets at fair value through the consolidated statement of income) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through gains or losses are recognized immediately in the statement of comprehensive income.

Financial assets are classified into the following specified categories: Cash and cash equivalents within the Trust Fund, contribution receivables and other receivables.

Financial liabilities of the Fund include the accounts payable and payable to employees.

#### FINANCE INCOME AND FINANCE COSTS

Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable.

#### TAXATION

Under an agreement between the Republic of Korea and the Green Climate Fund (GCF) concerning the Headquarters of the Green Climate Fund, signed on 10 June 2013, the GCF is exempt from all direct taxes, except those which are, in fact no more than charges for public utility services; and exempt from all indirect taxes, including any value-added and or/similar tax and excise duties levied on important purchase of goods and services for official purposes.

#### FINANCIAL RISK MANAGEMENT

The Fund will be exposed to various kind of financial risk (credit risk, market risk, operational risk etc.). The fund has its Financial Risk Management and Investment framework. The Board adopted a risk appetite methodology and risk registers to manage its exposure to various risk categories. The Fund will continue establishing risk policies and guidelines to further improve risk management tools in financial and non-financial risk management. Funds held in trust by the interim Trustee are

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**NOTES TO THE FINANCIAL STATEMENTS**

invested in accordance with the World Bank's policies and procedures for the investment of trust funds administered by the World Bank.

**EVENTS AFTER THE REPORTING DATE**

Post year-end events that provide additional information about the Funds financial position at the reporting date (adjusting events) are reflected in the financial statements when material. Post year-end events that are not adjusting events are disclosed in the notes to the financial statements when material.

**5. Cash and Cash Equivalents**

(a) Cash and cash equivalents as of December 31, 2015 and 2014 are summarized as follows:

<i>(In '000 USD)</i>	2015	2014
Balance held in the GCF Trust Fund (at the World Bank)	633,221	107,280
Balances held in Commercial Banks	4,460	819
Cash on Hand	1	3
<b>Total</b>	<b>637,682</b>	<b>108,102</b>

The International Bank for Reconstruction and Development is serving as the interim trustee ("Trustee") of the fund. The Trustee administers the Contributions received in the Trust Fund in accordance with the Amended and Restated Agreement on the Terms and Conditions for the Administration of the Green Climate Fund Trust Fund (including all Annexes and Attachments attached thereto, which constitute an integral part thereof), dated April 22, 2015 between the Fund and the Trustee (the "GCF Trust Fund Agreement").

Pending the selection of the service provider the employees and employers contribution towards the post-employment benefit plan is held under a separate bank account. These restricted cash of USD 1,436 thousands is included under Balances held in Commercial Banks. The corresponding liability is shown under payable to employees in the Statement of Financial Position.

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**NOTES TO THE FINANCIAL STATEMENTS**

- (b) Cash and cash equivalents denominated in foreign currencies as of December 31, 2015 and 2014 are as follows:

<i>(In '000 USD)</i>	2015		2014	
	Foreign currency amount (in '000)	Translation into '000 USD	Foreign currency amount (in '000)	Translation into '000 USD
KRW	130,365	113	158,070	144
EUR	1,200	1,367	-	-
		1,480		144

- (c) Currency exchange rates as of December 31, 2015 and 2014 are as follows:

<i>(In 'USD)</i>	2015	2014
Currency	Ending exchange rate	Ending exchange rate
KRW	0.0009	0.0009
EUR	1.10	-

**6. Financial Instruments by Categories**

- (a) Categories of financial assets as of December 31, 2015 and 2014 are summarized as follows:

<i>(In '000 USD)</i>	2015		2014	
	Cash and cash equivalents	Loans and receivables	Cash and cash equivalents	Loans and receivables
Cash and cash equivalents	637,682	-	108,102	-
Contributions receivable	-	1,210,653	-	-
Other receivable	-	-	-	252
<b>Total</b>	<b>637,682</b>	<b>1,210,653</b>	<b>108,102</b>	<b>252</b>

The contributions receivable in 2015 represents promissory notes deposited by contributors. IBRD, as the interim trustee of the fund is holding these promissory notes on behalf of the fund. These are non-interest-bearing promissory notes issued by the contributors and payable at par value. Promissory notes encashable within one year from the end of reporting



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NOTES TO THE FINANCIAL STATEMENTS

period are classified as current assets- receivables. Promissory notes encashable after more than one year from the balance sheet date are classified as non-current assets- receivables. Promissory notes are denominated in Euro, Japanese Yen, Swedish Krona and Pound Sterling and were revalued to USD at the end of reporting period at the prevailing exchange rates.

The other receivable in 2014 represents the balance with UNFCCC as at the end of the year. Pending the establishment of the permanent secretariat during 2014 UNFCCC had acted as the interim secretariat for the Fund.

- (b) Categories of financial liabilities as of December 31, 2015 and 2014 are summarized as follows:

<i>(In '000 USD)</i>	2015	2014
	Financial liabilities measured at amortized cost	Financial liabilities measured at amortized cost
Accounts payable	1,651	60
Payable to employees	1,436	332
<b>Total</b>	<b>3,087</b>	<b>392</b>

As stated in note 5 to the financial statements, Cash and Cash Equivalents and the payable to employees includes the fund withheld for post-employment benefit plan of \$ 1,436 and \$ 306 thousands in 2015 and 2014 respectively. The 2014 figure also includes an amount of \$ 26 thousand in respect of a delayed salary payment to a staff member.

- (c) Detail of finance income (costs) by categories for the years ended December 31, 2015 and 2014 are summarized as follows:

<i>(In '000 USD)</i>	2015			2014		
	Cash and cash equivalents	Loans and receivables	Financial liabilities measured at amortized cost	Cash and cash equivalents	Loans and receivables	Financial liabilities measured at amortized cost
Bank and trust fund income	1,046	-	-	140	-	-
Foreign currency gain (loss) on contribution	(79)	(2,707)	-	(118)	-	-
<b>Total</b>	<b>(967)</b>	<b>(2,707)</b>	<b>-</b>	<b>22</b>	<b>-</b>	<b>-</b>

The foreign currency loss in 2015 is primarily due to exchange gain/loss at the time of encashment of promissory notes and on year end revaluation of promissory notes received in currency other than USD.

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**NOTES TO THE FINANCIAL STATEMENTS**

On balance sheet date the promissory notes held by the interim trustees were revalued at the year-end exchange rate.

Other income of USD 1,424 thousands represents fee income received from the accreditation process

**7. Contributions Receivable**

In accordance with signed arrangements/ agreements a number of contributors have deposited promissory notes. IBRD, as the interim trustee of the fund is holding these promissory notes on behalf of the fund. These are non-interest-bearing and payable at par value. Promissory notes encashable within one year from the end of reporting period are classified as current assets- receivables. Promissory notes encashable after more than one year from the end of reporting period are classified as non-current assets- receivables.

The promissory notes receivables are measured initially at fair value by discounting the future cash flows with the appropriate discount rates, which reflects the duration and the credit risk of the issuer and presented at amortized cost using the effective rate method at each reporting date. The Fund assesses at the end of each reporting period whether there is any objective evidence that the promissory notes are impaired. If any such evidence exists, the Fund determines the amount of any impairment loss.

As at the end of reporting period, encashment schedule and details of present value on promissory notes are as follows;

Encashment	Amount (In '000 USD)
In 2016	470,539
In 2017	412,491
In 2018	76,305
In 2019	66,430
In 2020	52,195
In 2021	47,450
In 2022	45,078
In 2023	42,705
Nominal value of promissory notes	1,213,193
Unamortized present value discount	(2,540)
Present value of promissory notes	1,210,653





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NOTES TO THE FINANCIAL STATEMENTS

8. Property and Equipment

(a) Details of property and equipment as of December 31, 2015 and 2014 are as follows:

(i) December 31, 2015			
<i>(In '000 USD)</i>	Acquisition cost	Accumulated depreciation	Carrying amount
Computer/IT equipment	1,372	(587)	785
<b>Total</b>	<b>1,372</b>	<b>(587)</b>	<b>785</b>
(ii) December 31, 2014			
<i>(In '000 USD)</i>	Acquisition cost	Accumulated depreciation	Carrying amount
Computer/IT equipment	563	(130)	433
<b>Total</b>	<b>563</b>	<b>(130)</b>	<b>433</b>

(b) Changes in property and equipment for the year ended December 31, 2015 and 2014 are summarized as follows:

*(In '000 USD)*

	January 1, 2015	Acquisition	Disposals	Depreciation	December 31, 2015
Computer/IT equipment	433	809	-	(457)	785
<b>Total</b>	<b>433</b>	<b>809</b>	<b>-</b>	<b>(457)</b>	<b>785</b>
	January 1, 2014	Acquisition	Disposals	Depreciation	December 31, 2014
Computer/IT equipment	-	563	-	(130)	433
<b>Total</b>	<b>-</b>	<b>563</b>	<b>-</b>	<b>(130)</b>	<b>433</b>

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**NOTES TO THE FINANCIAL STATEMENTS**

**9. Funds**

All contributions received where the use is limited by statutory restrictions, contributor-imposed purpose or time restrictions have been classified as temporarily restricted funds. All other funds are recognized as unrestricted funds.

Details of temporary restricted funds by type of restriction as of December 31, 2015 and 2014 are as follows:

*(In '000 USD)*

	2015	2014
Time restriction	917,684	-
Contributor imposed restriction	292,969	681
<b>Total</b>	<b>1,210,653</b>	<b>681</b>

Time restriction represents the funds to be collected in future years (i.e. promissory note) that were recorded as the present value of the future collection as at the end of reporting period. This type of fund will be reclassified into unrestricted funds in the year of receipt.

Contributor-imposed restriction represents the funds where the use of the funds is limited by contributor-imposed purpose. This type of fund will be reclassified into unrestricted funds when the contributor-imposed purpose is met or the fund is released from such restriction.

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**NOTES TO THE FINANCIAL STATEMENTS**

**10. Incomes on Contribution**

- (a) Details of contributions received for the year ended December 31, 2015 and 2014 are as follows:



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NOTES TO THE FINANCIAL STATEMENTS

Contributors	Instrument type	Contribution type	Currency	2015		2014	
				in currency of contribution	In USD Eq *	in currency of contribution	In USD Eq
				Amounts (in '000)	Amounts (in '000)	Amounts (in '000)	Amounts (in '000)
<b>Grant Contributions</b>							
Australia	Cash	Grant	AUD	70,075	54,005	-	-
Austria	Cash	Grant	EUR	6,000	6,565	-	-
Belgium	Cash	Grant	EUR	-	(998)	40,000	48,622
Belgium - Brussels Capital Region	Cash	Grant	EUR	500	529	600	730
Bulgaria	Cash	Grant	EUR	100	109	-	-
Chile	Cash	Grant	USD	300	300	-	-
Czech Republic	Cash	Grant	USD	-	-	-	-
Czech Republic	Cash	Grant	CZK	50,000	2,038	10,000	450
Denmark	Cash	Grant	DKK	100,000	14,655	103,600	16,979
Estonia	Cash	Grant	EUR	800	898	-	-
Finland	Cash	Grant	EUR	34,700	37,608	-	-
France	Cash	Grant	EUR	104,000	114,119	1,000	1,276
Germany	Cash	Grant	EUR	-	(124)	1,000	1,375
Germany	Promissory Note	Grant	EUR	187,500	207,369	-	-
Iceland	Cash	Grant	USD	150	150	-	-
Indonesia	Cash	Grant	USD	244	244	-	-
Italy	Cash	Grant	EUR	50,000	55,250	500	621
Japan	Cash	Grant	USD	-	-	1,000	1,000
Japan	Promissory Note	Grant	JPY	38,507,164	313,576	-	-
Korea	Cash	Grant	KRW	-	-	-	-
Korea	Cash	Grant	USD	10,500	10,500	11,000	11,000
Latvia	Cash	Grant	EUR	-	(8)	350	425
Luxembourg	Cash	Grant	EUR	5,000	5,390	-	-
Malta	Cash	Grant	EUR	50	55	-	-
Mexico	Cash	Grant	USD	10,000	10,000	-	-
Monaco	Cash	Grant	EUR	250	280	-	-
Netherlands	Cash	Grant	USD	-	-	-	-
Netherlands	Cash	Grant	EUR	6,700	7,493	-	-
New Zealand	Cash	Grant	NZD	3,000	2,198	-	-
Norway	Cash	Grant	NOK	400,000	48,523	500	71
Panama	Cash	Grant	USD	500	500	-	-
Poland	Cash	Grant	PLN	-	-	350	103
Portugal	Cash	Grant	EUR	2,000	2,167	-	-
Sweden	Cash	Grant	SEK	-	-	10,000	1,404
Sweden	Promissory Note	Grant	SEK	4,000,000	468,024	-	-
Switzerland	Cash	Grant	CHF	-	-	500	562
Switzerland	Cash	Grant	USD	30,000	30,000	-	-
United Kingdom	Cash	Grant	GBP	-	-	2,500	4,132
United Kingdom	Promissory Note	Grant	GBP	48,000	73,242	-	-
<b>Sub- total - Grants</b>					<b>1,464,657</b>		<b>88,750</b>
<b>Capital Contributions</b>							
United Kingdom	Promissory Note	Capital	GBP	192,000	292,969	-	-
<b>Sub- total - Capital</b>					<b>292,969</b>		<b>-</b>
<b>Total</b>					<b>1,757,626</b>		<b>88,750</b>

\* Includes the forex fluctuation on 2014 receipts converted to USD during 2015.

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**NOTES TO THE FINANCIAL STATEMENTS**

**11. Employee Benefits**

(a) Defined contribution plans

A defined contribution plan is a post-employment benefit plan under which an employer and employees pays fixed contributions and the employer will have no legal obligation to pay further amount. The Fund operates a defined contribution plan for employees. Employee benefits relating to employee service rendered will be based on the contributions and the investment earnings on the plan assets which will be managed separately from the Fund's assets. Fund's Contributions to the defined contribution plan are recognized as an expense in the year in which they are incurred. Employees' contribution to the retirement fund was \$ 377 thousands and \$ 102 during the year 2015 and 2014 respectively.

The expenses related to post-employment benefit under defined contribution plans for the year ended December 31, 2015 and December 31, 2014 are as follows:

<i>(In '000 USD)</i>	2015	2014
Expense related to post-employment benefit under defined contribution plan	753	204

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**12. Operating Expenses**

Details of operating expenses for the year ended December 31, 2015 and December 31, 2014 are as follows:

<i>(In '000 USD)</i>	<b>2015</b>	<b>2014</b>
Salaries and Benefits	7,769	2,830
Consultants Fees	4,928	3,822
Contractual Services	1,874	790
Supplies and Services	3,308	1,775
Travel	1,807	1,380
Depreciation	457	130
<b>Total</b>	<b>20,143</b>	<b>10,727</b>

Included in the total of USD 20,143 thousands of operating expenditures is an amount of USD 1,412 thousands related to the 'Readiness & Preparatory Support Programme' as follows:

<i>(In '000 USD)</i>	<b>2015</b>	<b>2014</b>
Consultants Fees	569	355
Regional workshops & NDA visits	640	-
Grants	161	-
Travel	42	43
<b>Total</b>	<b>1,412</b>	<b>398</b>

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## NOTES TO THE FINANCIAL STATEMENTS

### 13. Commitments & Funding Decisions

In addition USD 1,639 thousands relating to seven signed readiness grant agreements have been committed but not yet disbursed. The expenditures of USD 1,412 thousands and commitments of USD 1,639 thousands are funded out of the Board approved total budget of up to US\$ 30 million for the 'Readiness and Preparatory Program'. The Board at its 11<sup>th</sup> meeting in Livingstone in November 2015 approved amounts of US\$ 167.823 million in projects & programme funding.

### 14. Lease

Under the agreement between the Ministry of Strategy and Finance of the Republic of Korea, The Incheon Metropolitan City of the Republic of Korea and The Green Climate Fund signed on 8<sup>th</sup> October 2013 Incheon City provides to the Fund the use of premises free of payment of rental for the entire duration of the Fund's operations in Songdo.

### 15. Related Parties

Related parties include the members of the Board, Board committees, senior management and close family members of the Board, Board committees and senior management. There was no loan to or from related parties outstanding as at 31 December 2015 and 2014. The Fund does not remunerate its Board members.

Remuneration of key management consists of basic salary, health insurance benefit, other benefits and contribution to post-employment pension plan. The remuneration of key management, comprising the Executive Director and members of senior management team, amounted to \$ 2,248 thousand and \$1,191 thousand for the years ended December 31, 2015 and 2014, respectively.

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