



GREEN
CLIMATE
FUND

Decisions of the Board – Eighth Meeting of the Board, 14-17 October 2014

GCF/B.08/45
3 December 2014

Meeting of the Board
14-17 October 2014
Bridgetown, Barbados
Agenda item 36

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Decisions of the Board – Eighth Meeting of the Board, 14-17 October 2014

Agenda item 1: Opening of the meeting

1. The Co-Chairs opened the meeting on 14 October 2014.

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

2. The Board adopted the agenda as set forth in document GCF/B.08/01/Rev.01 *Agenda*:
 1. Opening of the meeting
 2. Adoption of the agenda and organization of work
 3. Adoption of the report of the seventh meeting
 4. Reports on activities
 - (a) Report on activities of the Co-Chairs
 - (b) Report on activities of the Secretariat
 5. Reports from committees, panels and groups
 6. Guiding framework and procedures for accrediting national, regional and international implementing entities and intermediaries, including the Fund's fiduciary principles and standards and environmental and social safeguards
 - (a) Guidelines for the operationalization of the fit-for-purpose accreditation approach
 - (b) Assessment, including gap analysis, of institutions accredited by other relevant funds
 - (c) Policy on fees for accreditation
 - (d) Identification of relevant potential international private sector best-practice fiduciary principles and standards and environmental and social safeguards
 - (e) Application documents for submissions of applications for accreditation
 7. Initial results management framework of the Fund
 - (a) Mitigation and adaptation performance measurement frameworks of the Fund
 - (b) Logic model and performance framework for ex-post REDD+ results-based payments
 - (c) Additional result areas and indicators for adaptation activities
 - (d) Role and expected impacts of the Fund in initial result areas
 - (e) Board flagship projects cutting across adaptation result areas
 - (f) Indicators for country-driven policies
 - (g) Monitoring and evaluation policy

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- 8. Additional modalities that further enhance direct access, including through funding entities
 - 9. Country ownership
 - (a) No-objection procedure
 - (b) Best practices for the establishment and composition of National Designated Authorities and focal points
 - (c) Best-practice options for country coordination and multi-stakeholder engagement
 - 10. Revised programme of work on readiness and preparatory support
 - 11. Financial terms and conditions of grants and concessional loans
 - 12. Use of other financial instruments
 - 13. Private Sector Facility
 - (a) Potential approaches to mobilizing funding at scale
 - (b) Working with local private entities, including small and medium-sized enterprises
 - 14. Initial resource mobilization
 - (a) Outcome of the first and second meeting of interested contributors to the Initial Resource Mobilization Process of the Green Climate Fund
 - (b) Policies for contributions:
 - (i) Initial Resource Mobilization pledging process
 - (ii) Initial Resource Mobilization period
 - (iii) Date of effectiveness
 - (iv) Trigger for the formal replenishment process
 - (v) Decision making
 - (c) Legal arrangements for contributions
 - 15. Gender policy and action plan
 - 16. Fund's initial investment framework
 - 17. Initial approval process: Draft terms of reference of the independent technical advisory panel
 - 18. Simplified processes for the approval of proposals for certain activities, in particular small-scale activities
 - 19. Legal and formal arrangements with intermediaries and implementing entities, including policies on fees and payments
 - 20. Status of resources and the execution of the administrative budget:
 - (a) Status of resources
 - (b) Status of execution of the administrative budget
 - 21. Budget and staffing:
 - (a) 2015 administrative budget

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- (b) Annual update on the structure and staffing of the Secretariat
 - 22. Terms of reference of the Appointment Committee of the Board
 - 23. Administrative guidelines on human resources
 - 24. Commencement of annual reporting and the external auditing process
 - 25. Work plan of the Board for 2015, including outstanding issues from the 2014 work plan
 - 26. Methodology for decisions taken between meetings, including decisions approved between the seventh and eighth Board meetings
 - 27. Travel policy
 - 28. Administrative guidelines on procurement
 - 29. Fund's initial risk management framework: Survey of methodologies to define and determine risk appetite
 - 30. Trustee arrangements, including the review of the Interim Trustee and the initiation of a process to select the Trustee of the Fund
 - 31. Relationships with relevant United Nations Framework Convention on Climate Change thematic bodies, such as the Adaptation Committee and the Technology Executive Committee, as well as other climate finance entities and external bodies, including corporate and foundational partnerships
 - 32. Report for the Conference of the Parties, including the response to the guidance provided by the Conference of the Parties at its nineteenth session, and the institutional linkage between the United Nations and the Green Climate Fund
 - 33. Date and venue of the ninth Board meeting
 - 34. Election of Co-Chairs
 - 35. Other matters
 - 36. Closure of the meeting

Agenda item 3: Adoption of the report of the seventh meeting

- 3. The Co-Chairs drew the attention of the Board to the draft report of the seventh Board meeting as circulated to the Board (document GCF/B.07/Drf.02 *Report of the Seventh Meeting of the Board, 18-21 May 2014*).
- 4. The Board adopted the following decision:

DECISION B.08/01

The Board:

- (a) *Adopts the report of the seventh meeting contained in document GCF/B.07/Drf.02; and*
- (b) *Agrees to publish it on the Fund's website (document GCF/B.07/12 Report of the Seventh Meeting of the Board, 18-21 May 2014).*

Agenda item 4: Reports on activities

- A. Report on activities of the Co-Chairs
- 5. The Board took note of the information provided by the Co-Chairs.
- B. Report on activities of the Secretariat
- 6. The Board took note of document GCF/B.08/Inf.01 *Report on Activities of the Secretariat*.

Agenda item 5: Reports from committees, panels and groups

- 7. The Board took note of the verbal reports of the Risk Management Committee, Investment Committee, Ethics and Audit Committee, Private Sector Advisory Group and the Accreditation Committee.

Agenda item 6: Guiding framework and procedures for accrediting national, regional and international implementing entities and intermediaries, including the Fund's fiduciary principles and standards and environmental and social safeguards

- A. Guidelines for the operationalization of the fit-for-purpose accreditation approach
- 8. The Board adopted the following decision:

DECISION B.08/02

The Board, having considered document GCF/B.08/02 Guidelines for the Operationalization of the Fit-for-purpose Accreditation Approach and recalling decision B.07/02, paragraph (r):

- (a) *Recalls that all entities, including international, regional, national and subnational entities,¹ can apply for accreditation to the Green Climate Fund;*
- (b) *Stresses the fundamental importance for the accreditation process to contribute to building the capacities of entities in developing countries;*
- (c) *Approves the guidelines for the operationalization of the fit-for-purpose accreditation approach set out in Annex I;*
- (d) *Requests the Secretariat to finalize the relevant accreditation application documents and open a call for submissions of accreditation applications from implementing entities and intermediaries within four weeks after the eighth meeting of the Board, and use best efforts to have applications ready for consideration and possible decision on accreditation by the Board at its ninth meeting;*
- (e) *Requests the Secretariat to develop a monitoring and accountability framework, which will include policies on the suspension and cancellation of accreditation to complement the operational guidelines approved in Annex I to document GCF/B.07/11 and the Fund's other*

¹ Governing Instrument.

relevant accountability mechanisms, for consideration by the Board at its ninth meeting; and

- (f) *Requests the Secretariat to prepare a document on additional guidelines of the Fund with regard to non-multilateral international entities, in particular on their role with respect to the Fund's objectives and modalities, and following a country-driven approach, for consideration by the Board at its ninth meeting.*
- B. Assessment, including gap analysis, of institutions accredited by other relevant funds
- 9. The Board adopted the following decision:

DECISION B.08/03

The Board, having reviewed document GCF/B.08/03 Assessment of Institutions Accredited by Other Relevant Funds and Their Potential for Fast-track Accreditation:

- (a) *Recalls that all entities, including subnational, national, regional and international entities,² can apply for accreditation to the Green Climate Fund;*
- (b) *Takes note of the assessment of institutions accredited by other relevant funds and their potential for eligibility to apply under the fast-track accreditation process presented in Annex II to this document;*
- (c) *Decides that the purpose of the fast-track accreditation is to expedite the accreditation of entities, including subnational, national, regional, and international entities, that have already been accredited by a relevant fund or institution that has an accreditation process, and whose fiduciary and environmental and social standards are found to be comparable to the Fund's fiduciary standards and environmental and social safeguards (ESS);*
- (d) *Decides that in the fast-track accreditation process, the Accreditation Panel shall:*
 - (i) *Identify, with the support of the Secretariat, the extent to which the fiduciary and environmental and social standards of the relevant fund or institution are comparable to those of the Fund and where gaps may exist;*
 - (ii) *Rely on the assessment of the relevant fund or institution with respect to the fiduciary and environmental and social standards that are comparable to those of the Fund when accrediting an entity to the Fund;*
 - (iii) *Assess whether the applicant adequately meets the Fund's fiduciary standards and ESS where there are gaps, consistent with the application of the fit-for-purpose approach,³ and*
 - (iv) *Recommend to the Board whether an applicant entity shall be granted accreditation and indicate conditions, if any;*
- (e) *Decides that entities⁴ accredited by the GEF up to the time of this Board decision and in full compliance with the GEF's Minimum Fiduciary Standards and Minimum Standards on Environmental and Social Safeguards (ESS) are eligible to apply under the fast-track accreditation process for the Fund's basic fiduciary standards, the specialized fiduciary standard for project management, and ESS. The assessment for accreditation will focus on the following gaps (see paragraphs (e) (i) and (ii) below) insofar as they are relevant to the entity's intended activities, which are to be addressed by the entity. The entity will be*

² Governing Instrument.

³ See Annex I.

⁴ See Annex V.

assigned a risk category⁵ for funding proposals for projects and activities commensurate with its track record if and when the entity is approved for accreditation:

- (i) *Fiduciary gap: Anti-money laundering and anti-terrorist financing (basic fiduciary criteria for the purpose of transparency and accountability) (see Annex III); and*
- (ii) *ESS gap: Have the capacity to assess and manage relevant elements of Performance Standards 1-4 and 6 environmental and social risks and impacts, per Table 1 in Annex IV, in line with the Fund's ESS through an ESMS (see Annex IV);*
- (f) *Decides that entities⁶ accredited by the Adaptation Fund (AF) up to the time of this Board decision and in full compliance with the AF's fiduciary standards are eligible to apply under the fast-track accreditation process for the Fund's basic fiduciary standards, the specialized fiduciary standard for project management, and ESS. The assessment for accreditation will focus on the following gaps (see paragraphs (f) (i)-(iv) below) insofar as they are relevant to the entity's intended activities, which are to be addressed by the entity. The entity will be assigned a risk category⁷ for funding proposals for projects and activities commensurate with its track record if and when the entity is approved for accreditation:*
 - (i) *Fiduciary gap: Have publicly available terms of reference that outline the purpose, authority and accountability for the investigation function (basic fiduciary criteria for the purpose of transparency and accountability and scope of investigation) (see Annex III);*
 - (ii) *Fiduciary gap: Ensure functional independence by having the investigations function headed by an officer who reports to a level of the organization that allows the investigation function to fulfil its responsibilities objectively (basic fiduciary criteria for the purpose of transparency and accountability and scope of investigation) (see Annex III);*
 - (iii) *Fiduciary gap: Publish guidelines for processing cases, including standardized procedures for handling complaints received by the function and managing cases before, during and after the investigation process (basic fiduciary criteria for the purpose of transparency and accountability and scope of investigation) (see Annex III); and*
 - (iv) *ESS gap: Have the capacity to assess and manage relevant Performance Standards 1-8 environmental and social risks and impacts in line with the Fund's ESS through an ESMS (see Annex IV);*
- (g) *Decides that entities⁸ accredited by the Directorate-General for Development and Cooperation – EuropeAid of the European Commission (EU DEVCO) up to the time of this Board decision and in full compliance with EU DEVCO's fiduciary standards are eligible to apply under the fast-track accreditation process for the Fund's basic fiduciary standards, the specialized fiduciary standard for grant award and/or funding allocation mechanisms, and ESS. The assessment for accreditation will focus on the following gaps (see paragraphs. (g) (i) and (ii) below), insofar as they are relevant to the entity's intended activities, which are to be addressed by the entity. The entity will be assigned a risk*

⁵ Risk categories are identified in Annex I of document GCF/B.07/11. Risk categories include Category A/Intermediation 1 (high), Category B/Intermediation 2 (medium), and Category C/Intermediation 3 (low).

⁶ See Annex V.

⁷ Risk categories are identified in Annex I of document GCF/B.07/11. Risk categories include Category A/Intermediation 1 (high), Category B/Intermediation 2 (medium), and Category C/Intermediation 3 (low).

⁸ See Annex V.

category⁹ for funding proposals for projects and activities commensurate with its track record if and when the entity is approved for accreditation:

- (i) *Fiduciary gap: anti-money laundering and anti-terrorist financing (basic fiduciary criteria for the purpose of transparency and accountability) (see Annex III); and*
- (ii) *ESS gap: Have the capacity to assess and manage relevant Performance Standards 1-8 environmental and social risks and impacts in line with the Fund's ESS through an ESMS (see Annex IV).*
- (h) *Decides that any entity¹⁰ accredited by funds referred to in paragraphs (e), (f) and (g) must address any remaining gaps identified in relation to those funds. The entity will be assigned a risk category¹¹ for funding proposals for projects and activities commensurate with its track record if and when the entity is approved for accreditation;*
- (i) *Recommends that those entities referred to in paragraphs (e), (f) and (g) to apply for fast-track accreditation once the application process is open;*
- (j) *Recommends that international entities who apply for fast-track propose, as an important additional consideration of their fast track accreditation application, how they intend to strengthen capacities of or otherwise support potential subnational, national and regional implementing entities and intermediaries to meet, at the earliest opportunity, the accreditation requirements of the Fund in order to enhance country ownership; and*
- (k) *Requests the Secretariat, in consultation with the Accreditation Panel, to identify other entities applying fiduciary and environmental and social principles or standards found to be comparable with the Fund's fiduciary standards and ESS, and to propose to the Board that the eligibility to apply under the fast-track accreditation process be extended to those entities.*

C. Policy on fees for accreditation

10. The Board adopted the following decision:

DECISION B.08/04

The Board, having reviewed document GCF/B.08/04 Policy on Fees for Accreditation of the Fund:

- (a) *Approves the policy on fees for accreditation of the Green Climate Fund set out in Annex VI; and*
- (b) *Requests the Secretariat to initiate, no later than three years from the date of approval of the policy, a review, based on lessons learned, of the policy on fees for accreditation of the Fund.*

D. Identification of relevant potential international private sector best-practice fiduciary principles and standards and environmental and social safeguards

11. The Board adopted the following decision:

⁹ Risk categories are identified in Annex I of document GCF/B.07/11. Risk categories include Category A/Intermediation 1 (high), Category B/Intermediation 2 (medium), and Category C/Intermediation 3 (low).

¹⁰ See Annex V.

¹¹ Risk categories are identified in Annex I of document GCF/B.07/11. Risk categories include Category A/Intermediation 1 (high), Category B/Intermediation 2 (medium), and Category C/Intermediation 3 (low).

DECISION B.08/05

The Board, having reviewed document GCF/B.08/05 Relevant International Private Sector Best-Practice Fiduciary Principles and Standards and Environmental and Social Safeguards:

- (a) *Recalls decision B.07/02 in which the Board decided to adopt the initial guiding framework for the Fund's accreditation process as contained in Annex I to document GCF/B.07/11, recognizing that it also applies to private sector entities;*
 - (b) *Reaffirms that the fiduciary standards and environmental and social safeguards (ESS) will apply to all applicant entities, regardless of their public or private sector status;*
 - (c) *Invites institutions with a track record of engaging with the private sector, in particular those in areas that are relevant to the Fund's objectives, to apply for accreditation to the Fund; and*
 - (d) *Requests the Secretariat, in consultation with the Accreditation Panel, to provide recommendations on their potential accreditation or fast-tracking for decision by the Board at its first meeting in 2015.*
- E. Application documents for submissions of applications for accreditation
12. The Board adopted the following decision:

DECISION B.08/06

The Board, having reviewed document GCF/B.08/06 Application Documents for Submissions of Applications for Accreditation and recalling decision B.07/02, paragraph (r):

- (a) *Adopts the content of the application for accreditation to the Green Climate Fund set out in Annex VII;*
- (b) *Requests the Secretariat to finalize the relevant accreditation application documents and open a call for submissions of accreditation applications from implementing entities and intermediaries within four weeks after the eighth meeting of the Board, and use best efforts to have applications ready for consideration and possible decision on accreditation by the Board at its ninth meeting; and*
- (c) *Requests the Secretariat, recognizing that applications and supporting information will be initially submitted in English, to work on a way to allow for the submission of applications in other United Nations official languages with due consideration of implications in terms of cost and complexity.*

Agenda item 7: Initial results management framework of the Fund

- A. Mitigation and adaptation performance measurement frameworks of the Fund
- B. Logic model and performance framework for ex-post REDD+ results-based payments
- C. Additional result areas and indicators for adaptation activities
- D. Role and expected impacts of the Fund in initial result areas
- E. Board flagship projects cutting across adaptation result areas

- F. Indicators for country-driven policies
- G. Monitoring and evaluation policy
- 13. The Board adopted the following decisions:

DECISION B.08/07

The Board, having considered GCF/B.08/07 Further Development of the Initial Results Management Framework,

Regarding agenda item 7 (a), (f) and (g):

- (a) *Adopts the proposed mitigation and adaptation performance measurement frameworks (PMFs) as outlined in Annex VIII, that decides on certain indicators as identified, and takes note of other indicators that require further refinement;*
- (b) *Requests the Secretariat to further develop those indicators that need refinement for Board consideration;*
- (c) *Takes note that the Secretariat will further develop methodologies for the indicators in consultation with the relevant experts and thematic bodies and will refine them as necessary based on experience gained and lessons learned over time;*
- (d) *Takes note that the Secretariat will further develop the PMF's gender-sensitive approach;*
- (e) *Affirms that any national, economic, and sector-wide indicators will be used only at the discretion of the recipient countries;*
- (f) *Takes note of the initial approach to the monitoring and evaluation policy contained in Annex IX;*
- (g) *Reiterates that the Fund, as a continuous learning institution, will maintain the flexibility to refine its PMFs, including indicators;*

Regarding agenda item 7 (c), (d) and (e):

- (h) *Takes note of the initial overview of the role and expected impact of the Fund's initial results areas as contained in document GCF/B.08/07;*
- (i) *Also notes the Board's decision GCF/B.04/04 that countries will identify their priority results areas in line with their national strategies and plans;*
- (j) *Further notes the Board's decision that the initial approvals process recognizes the importance of the Board approving programmes and projects that best meet the Fund's objectives as contained in decision GCF/B.07/08 paragraph (b);*
- (k) *Decides that the Board will aim to start taking decisions on programme and project proposals no later than its third meeting 2015;*
- (l) *Requests the Secretariat to complete the analysis of the expected role and impact of the Fund's initial results areas and present for consideration by the Board options for determining Board level investment portfolios across the structure of the Fund based on the resource level outcomes of the initial resource mobilization process; and*
- (m) *Requests the impact analysis of the Fund's initial results areas to focus on, inter alia:*

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- (i) *The identification of appropriate type of investment opportunities in the Fund's results areas that can achieve paradigm shift towards low-emission and climate-resilient pathways; and*
 - (ii) *What impacts the Fund can/will generate in (each of) the initial result areas that would advance the Green Climate Fund's initial investment criteria and sub-criteria, and are not currently being adequately supported by existing finance channels.*

DECISION B.08/08

The Board, having considered document GCF/B.08/08/Rev.01 Initial Logic Model and Performance Measurement Framework for REDD+ Results-based Payments,

Regarding agenda item 7 (b):

- (a) *Adopts the initial logic model for REDD+ results-based payments and the performance measurement framework (PMF) for REDD+ results-based payments, as presented in Annex X and Annex XI, respectively;*
- (b) *Acknowledges that the initial logic model and PMF are prepared in accordance with the methodological guidance in the Warsaw Framework for REDD+ and in response to decision B.07/04, paragraph (k);*
- (c) *Notes that:*
 - (i) *This model shows the way in which results-based payments for REDD+ contribute to the achievement of the Fund's overall mitigation objectives at the levels of the paradigm shift and impacts; and*
 - (ii) *The Warsaw Framework specifies that results are to be expressed in tCO₂e (UNFCCC decisions 9-15/CP.19) and this initial logic model is therefore designed in line with this definition of results;*
- (d) *Further notes that methodologies for the indicators in the PMF will be aligned with methodological guidance provided by the Conference of the Parties to the United Nations Framework Convention on Climate Change;*
- (e) *Also notes that the operationalization of REDD+ results-based payments needs to be considered in the context of the Fund's investment framework and in line with its allocation policy; and*
- (f) *Notes that this initial logic model and PMF may be updated as decided by the Board.*

Agenda item 8: Additional modalities that further enhance direct access, including through funding entities

- 14. The Board adopted the following decision:

DECISION B.08/09

The Board, having considered document GCF/B.08/09 Additional Modalities that Further Enhance Direct Access, Including through Funding Entities:

- (a) Requests the Secretariat, under the guidance of the Accreditation Committee and in consultation with relevant stakeholders, to prepare terms of reference for modalities for the operationalization of a pilot phase that further enhances direct access, which will include relevant readiness support if requested by subnational, national and regional entities, for approval by the Board at its ninth meeting; these terms of reference will launch the pilot phase; and
- (b) Clarifies that the terms of reference will specify, *inter alia*:
 - (i) The objective of the pilot phase;
 - (ii) The type of entities to be involved;
 - (iii) The specialized fiduciary standards required;
 - (iv) The type of activities to be undertaken;
 - (v) The timeframe of the pilot phase; and
 - (vi) The financial volume of the pilot phase.

Agenda item 9: Country ownership

- A. No-objection procedure
 - B. Best practices for the establishment and composition of national designated authorities and focal points
 - C. Best-practice options for country coordination and multi-stakeholder engagement
15. The Board adopted the following decision:

DECISION B.08/10

The Board, having considered document GCF/B.06/07 Country Ownership:

- (a) Decides that the Board will only consider funding proposals that are submitted with a formal letter of "no-objection", in accordance with the procedure approved in this decision;
- (b) Approves the initial no-objection procedure for funding proposals contained in Annex XII;
- (c) Endorses the initial best-practice guidelines for the establishment of national designated authorities and focal points as contained in Annex XIII, noting their relevance for the implementation of the programme of work on readiness and preparatory support;
- (d) Endorses the initial best-practice options for country coordination and multi-stakeholder engagement, set out in Annex XIV noting that the specific guidance on multi-stakeholder engagement in the context of the development of funding proposals will be included in the Fund's environmental and social safeguards;
- (e) Urges developing countries, as well as entities in a position to provide readiness and preparatory support, to take into account the best-practice guidelines for the establishment of national designated authorities and focal points and the best-practice options for country coordination and multi-stakeholder engagement endorsed in this decision;
- (f) Reiterates its invitation to developing countries to nominate and register with the Fund, through the Secretariat, their respective national designated authority or focal point as soon as possible and no later than March 2015; and

(g) Requests the Secretariat to:

- (i) *Communicate the no-objection procedure to developing countries and to make it available on the Fund's website;*
- (ii) *Publish on the Fund's website the list and contact details of registered national designated authorities and focal points and present to the Board an update on their nomination and registration at its next meeting; and*
- (iii) *Communicate and publish the recommended best-practice guidelines for the establishment of national designated authorities and focal points, as well as the best-practice options for country coordination and multi-stakeholder engagement, for their use in accordance with this decision.*

Agenda item 10: Revised programme of work on readiness and preparatory support

16. The Board adopted the following decision:

DECISION B.08/11

The Board, having reviewed document GCF/B.08/10 Revised Programme of Work on Readiness and Preparatory Support, and in alignment with decisions B.05/14 and B.06/06:

- (a) Reaffirms that Fund-related readiness and preparatory support is a strategic priority for the Fund to enhance country ownership and access during the early stages of its operationalization, and may help countries to meet the Fund's objectives;
- (b) Takes note of the overview of national designated authority (NDA) or focal point designations and requests for readiness support presented in Annex XV;
- (c) Recalls that, in accordance with decision B.06/11, the Secretariat shall report in detail twice a year on activities undertaken by the readiness and preparatory support programme, and the progress of committing and disbursing available funds;

Allocation

- (d) Recalls decision B.05/14 paragraph (d) (iii);
- (e) Decides that all developing countries will have access to readiness support and that the Fund will aim for a floor of 50% of the readiness support allocation to particularly vulnerable countries, including small island developing States, least developed countries and African States;
- (f) Also decides that readiness commitments to individual developing member countries will be capped at US\$ 1 million per calendar year;
- (g) Affirms that readiness requests will be assessed to ensure complementarity with existing readiness activities, if any;
- (h) Decides that this interim readiness funding allocation system will be reviewed in 2016, taking into consideration the bi-annual reporting referred to in paragraph (c);

Objectives and activities

- (i) Decides that the core objectives of the readiness programme shall be consistent with the Governing Instrument and prior Board and Conference of the Parties (COP) decisions.

Readiness funding will be used to support the indicative activities listed in Annex XVI, and in accordance with decision B.08/10, and will include:

- (i) *Supporting the NDA or focal point in accordance with decision B.08/10, to engage with regional, national and sub-national government, civil society and private sector stakeholders with regard to the priorities of the Fund, taking a gender sensitive approach;*
 - (ii) *Developing strategic frameworks for national engagement with the Fund (including country programmes, in accordance with decision B.08/10 and decision B.07/03 (initial proposal approval process), building on existing strategies and plans, including low-emission development strategies, Nationally Appropriate Mitigation Actions, National Adaptation Plans, and National Adaptation Programmes of Action. Annex XVII provides initial general guidelines for the preparation of country programmes;*
 - (iii) *Enabling regional, national and sub-national institutions to meet the accreditation standards of the Fund, including for the fast-track accreditation process in coordination with the NDA or focal point; and*
 - (iv) *Supporting the development of initial pipelines of programme and project proposals, including the identification of appropriate financial instruments, that are aligned with the objectives and initial investment framework of the Fund and that will support a paradigm shift to low-emission and climate-resilient development;*
- (j) *Decides that progress in meeting these objectives will be subject to an independent evaluation after two years to assess lessons learned;*
- (k) *Also decides that the Fund can provide up to US\$ 300,000 of direct support to help establish an NDA or focal point and meet the costs of delivering on the Fund's requirements for activities in accordance with Annex XVIII on the basis of needs and actual demand;*
- (l) *Further decides that the Fund, in coordination with and with the approval of the relevant NDA(s) or focal point(s), will:*
- (i) *Deploy readiness funding to potential sub-national, national or regional implementing entities (IEs) and intermediaries who wish to be accredited to the Fund, consistent with the fit-for-purpose accreditation approach of the Fund; and*
 - (ii) *Prepare sub-national, national, and regional IEs and intermediaries to apply for accreditation;*
- (m) *Decides that the Fund, in close coordination with the relevant NDA(s) or focal point(s), will deploy readiness funding to accredited IEs or intermediaries to develop project and programme pipelines, consistent with the Fund's objectives;*
- (n) *Requests the Private Sector Advisory Group to provide recommendations for the deployment of readiness funding aimed at fostering private sector engagement in climate change financing and activities;*
- (o) *Decides that, from the resources available or to be made available in the GCF Trust Fund, US\$ 15 million is to be made available for the execution of the readiness and preparatory support programme, and authorizes the Interim Trustee to commit and transfer such funds from the GCF Trust Fund to the Secretariat subject to the availability of resources, with a view to making available a further US\$ 14 million after reviewing the bi-annual report referred to in paragraph (c) above;*

Modalities and approach

- (p) Decides that all deployment of readiness and preparatory support funding will be led by the NDA or focal point. The NDA or focal point will either be the direct beneficiary of readiness support funding and/or will select delivery partners, including international organizations, and other international, regional, national and sub-national, public or private institutions well-versed in readiness activities. The delivery partners will have to demonstrate relevant expertise, experience, and ability to implement. This process will be supported by the Secretariat and the disbursement of funds will be based on agreed milestones;
- (q) Requests the Secretariat to coordinate, collaborate, and enter into partnerships, where appropriate, through framework cooperation agreements such as Memorandums of Understanding, with other national, regional and international institutions involved in the delivery of readiness support. This may include, inter alia, information-sharing and multi-stakeholder dialogues, to maximize complementarity and coherence with existing readiness initiatives. At national level, these efforts will be undertaken in coordination with the NDA or focal point;
- (r) Decides that funding proposals for readiness support will have information on the objectives, activities, outputs, implementation approach, and estimated costs. Each activity will be monitored using appropriate indicators;
- (s) Requests that results, emerging lessons learned and global experiences of the programme be included in the bi-annual report referred to in paragraph (c) above;
- (t) Further decides that readiness support will be implemented in conformity with the administrative policies of the Fund, including its procurement guidelines, and will address any conflicts of interest; and
- (u) Decides that, after reviewing the bi-annual report referred to in paragraph (c) above, the Board may authorize the allocation of additional funds for the execution of additional approved readiness and preparatory support activities.

Agenda item 11: Financial terms and conditions of grants and concessional loans

- 17. This agenda item was not considered by the Board.

Agenda item 12: Use of other financial instruments

- 18. The Board adopted the following decision:

DECISION B.08/12

The Board, having considered document GCF/B.08/12 Use of Other Financial Instruments:

- (a) Notes that the use of other financial instruments to support the objectives of the Fund is in line with the Fund's allocation criteria contained in the investment framework;
- (b) Decides that accredited entities shall list, as part of their application for accreditation, the range of financial instruments that they have the capacity and expertise to deploy;

- (c) *Decides that the Fund will work through accredited implementing entities and intermediaries, who may deploy the resources in approved projects and programmes by using financial instruments, focusing on grants, concessional loans, equity, and guarantees;*
- (d) *Requests the Risk Management Committee to assess and monitor risks related to the implementation of the Fund's projects or programmes by accredited implementing entities or intermediaries, in accordance with the Fund's Risk Management Framework; and*
- (e) *Requests the Secretariat to carry out a review of lessons learned from the deployment of additional financial instruments within 36 months, under the oversight of the Risk Management Committee.*

Agenda item 13: Private Sector Facility

- A. Potential approaches to mobilizing funding at scale
- 19. No decision was taken under this agenda item.
- B. Working with local private entities, including small and medium-sized enterprises
- 20. No decision was taken under this agenda item.

Agenda item 14: Initial resource mobilization

- A. Outcome of the first and second meeting of interested contributors to the Initial Resource Mobilization Process of the Green Climate Fund
- 21. The Board took note of document GCF/B.08/15.
- B. Policies for contributions:
 - I. Initial Resource Mobilization pledging process
 - II. Initial Resource Mobilization period
 - III. Date of effectiveness
 - IV. Trigger for the formal replenishment process
- 22. The Board adopted the following decision:

DECISION B.08/13

The Board, having considered document GCF/B.08/16 Policies for Contributions to the Green Climate Fund: Recommendations by Interested Contributors:

Endorses the policies for contribution to the Green Climate Fund set out in Annexes XIX, XX, XXI, XXII and XXIII hereto.

- V. Decision making
- 23. The Board adopted the following decision:

DECISION B.08/14

The Board, having considered document GCF/B.08/17 Decision-making Procedures for the Board in the Absence of Consensus:

- (a) Reaffirms paragraph 14 of the Governing Instrument for the Green Climate Fund that decisions of the Board will be taken by consensus of the Board members and that the Board will develop procedures for adopting decisions in the event that all efforts at reaching consensus have been exhausted; and
- (b) Requests the Secretariat to develop options for procedures for adopting decisions in the event all efforts at reaching consensus have been exhausted for consideration by the Board at its first meeting in 2015 taking into consideration document GCF/B.08/44 (Limited Distribution) Co-Chairs Non-paper: Voting Procedures.

C. Legal arrangements for contributions

24. The Board adopted the following decision:

DECISION B.08/15

The Board, having considered document GCF/B.08/18 Legal Arrangements for Contributions:

- (a) Decides to approve the Amended and Restated Agreement on the Terms and Conditions for the Administration of the Green Climate Fund Trust Fund ("The Amended and Restated Interim Green Climate Fund Trust Fund Agreement"), attached hereto as Annex XXIV;
- (b) Authorizes the Executive Director of the Fund to finalize with the Interim Trustee the terms and conditions of the annexes and attachments to the Amended and Restated Interim Green Climate Fund Trust Fund Agreement, as well as the templates for contribution agreements/arrangements reflecting the Policies for Contributions endorsed by the Board under agenda item 14 (b);
- (c) Authorizes the Executive Director of the Fund to execute on behalf of the Fund:
 - (i) The Amended and Restated Interim Green Climate Fund Trust Fund Agreement; and
 - (ii) Any contribution agreements/arrangements to be entered into with the Interim Trustee and a Contributor;
- (d) Authorizes the Executive Director to act as the Authorized Designee under the Interim Green Climate Fund Trust Fund Agreement, as amended, with the right of delegation.

Agenda item 15: Gender policy and action plan

25. No decision was taken under this agenda item.

Agenda item 16: Fund's initial investment framework

26. This agenda item was not considered by the Board.

Agenda item 17: Initial approval process: Draft terms of reference of the independent technical advisory panel

27. This agenda item was not considered by the Board.

Agenda item 18: Simplified processes for the approval of proposals for certain activities, in particular small-scale activities

28. This agenda item was not considered by the Board.

Agenda item 19: Legal and formal arrangements with intermediaries and implementing entities, including policies on fees and payments

29. No decision was taken under this agenda item.

Agenda item 20: Status of resources and the execution of the administrative budget:

A. Status of resources

30. The Board took note of document GCF/B.08/Inf.03.

B. Status of execution of the administrative budget

31. The Board took note of document GCF/B.08/Inf.04.

Agenda item 21: Budget and staffing:

A. 2015 administrative budget

32. The Board adopted the following decision:

DECISION B.08/16

The Board, having reviewed document GCF/B.08/24 Administrative Budget of the Fund for 2015:

- (a) *Notes that of the proposed administrative budget of the Green Climate Fund for the period from 1 January 2015 to 31 December 2015 of US\$ 19,266,866, as set out in Annex XXV; US\$ 12,042,101 of this amount in staff costs was approved under Board decision B.05/20;*
- (b) *Approves an additional allocation of US\$ 7,224,765 making the total allocation for 2015 up to US\$ 19,266,866; and*
- (c) *Authorizes the Interim Trustee to make cash transfers from the Green Climate Fund Trust Fund to the Secretariat, and to the World Bank, as the Interim Trustee, in accordance with the administrative budget of the Fund approved by the Board, subject to adjustment based upon revised costs and expenditures to be incurred.*

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- B. Annual update on the structure and staffing of the Secretariat
 - 33. The Board took note of document GCF/B.08/Inf.05.

Agenda item 22: Terms of reference of the Appointment Committee of the Board

- 34. This agenda item was not considered by the Board.

Agenda item 23: Administrative guidelines on human resources

- 35. The Board adopted the following decision:

DECISION B.08/17

The Board, having considered document GCF/B.08/26 Administrative Guidelines on Human Resources, which was circulated to the Board as a limited distribution document:

- (a) Approves the Administrative Guidelines on Human Resources for a period to last until the end of 2015;
- (b) Authorizes the Executive Director to promulgate the guidelines for a period to last until the end of 2015;
- (c) Requests the Secretariat to seek further written comments from the Board on the guidelines until the end of 2014;
- (d) Requests the Secretariat to present, at the first Board meeting of 2015, an information note with the changes to be incorporated into the guidelines on the basis of the comments from the Board; and
- (e) Decides that the Board will review the guidelines, on the basis of the information note, at its last Board meeting of 2015.

Agenda item 24: Commencement of annual reporting and the external auditing process

- 36. The Board adopted the following decision:

DECISION B.08/18

The Board, having reviewed document GCF/B.08/27 Commencement of Annual Reporting and the External Auditing Process and based on the recommendations of the Ethics and Audit Committee:

- (a) Approves the adoption of the International Financial Reporting Standards as the accounting standard for the Fund;
- (b) Approves the terms of reference of the External Auditor as set out in Annex XXVII; and
- (c) Authorizes the Secretariat to commence work on the annual report for 2014, which will be presented at the second Board meeting held in 2015.

Agenda item 25: Work plan of the Board for 2015, including outstanding issues from the 2014 work plan

37. The Board adopted the following decision:

DECISION B.08/19

The Board, having reviewed document GCF/B.08/28 Work Plan of the Board for 2015:

Requests the Co-Chairs to streamline the Work Plan of the Board for 2015, taking into consideration the comments made and decisions taken at the meeting.

Agenda item 26: Methodology for decisions taken between meetings, including decisions approved between the seventh and eighth Board meetings

38. No decision was taken under this agenda item. However, the Board adopted the following decision on the Accreditation Panel:

DECISION B.08/20

The Board:

- (a) *Endorses the nomination by the Accreditation Committee of the following experts to the Accreditation Panel for one term:*
- (i) *Mr. Peter Carter (United Kingdom of Great Britain and Northern Ireland);*
 - (ii) *Mr. Wolfgang Diernhofer (Austria);*
 - (iii) *Ms. Penelope Herbst (South Africa/United Kingdom of Great Britain and Northern Ireland);*
 - (iv) *Ms. Isna Marifa (Indonesia); and*
 - (v) *Ms. Anastasia Northland (Russian Federation/United States of America).*
- (b) *Decides that, in view of the withdrawal of one nominated member, the sixth expert to the Accreditation Panel will be nominated by the Accreditation Committee after the eighth Board meeting and the decision for endorsement by the Board will be taken between meetings;*
- (c) *Further decides that consideration of the sixth expert to the Accreditation Panel will take into account fiduciary expertise and representation from developing countries;*
- (d) *Emphasizes, for future additions and appointments, the importance of balance between developing and developed countries, gender and language diversity; and*
- (e) *Recommends strengthening these elements of balance in future recruitments and in the subsequent term of the Accreditation Panel, with the aim of reaching a 50%-50% balance between developing and developed countries, and ensuring that no two members will be from the same country.*

Agenda item 27: Travel policy

39. This agenda item was not considered by the Board.

Agenda item 28: Administrative guidelines on procurement

40. The Board adopted the following decision:

DECISION B.08/21

The Board, having reviewed document GCF/B.08/31 Administrative Guidelines on Procurement:

- (a) Approves the Corporate Procurement Guidelines on the Use of Consultants and the Corporate Procurement Guidelines for Goods and Services, contained in Annexes XXVIII and XXIX, respectively, for a period to last until the third Board meeting of 2015;
- (b) Authorizes the Executive Director to promulgate the guidelines for a period to last until the end of 2015;
- (c) Requests the Secretariat to seek further written comments from the Board on the guidelines until the end of 2014;
- (d) Requests the Secretariat to present, at the second Board meeting of 2015, an information note with the changes to be incorporated into the guidelines on the basis of the comments from the Board; and
- (e) Decides that the Board will review the guidelines, on the basis of the information note, at its last Board meeting of 2015.

Agenda item 29: Fund's initial risk management framework: Survey of methodologies to define and determine risk appetite

41. This agenda item was not considered by the Board.

Agenda item 30: Trustee arrangements, including the review of the Interim Trustee and the initiation of a process to select the Trustee of the Fund

42. The Board adopted the following decision:

DECISION B.08/22

The Board, having considered document GCF/B.08/33 Trustee Arrangements, Including the Review of the Interim Trustee and the Initiation of a Process to Select the Trustee of the Fund and its addendum, document GCF/B.08/33/Add.01:

- (a) Decides to invite the World Bank to continue serving as the Interim Trustee until a permanent Trustee is appointed. The process to appoint the permanent Trustee should end

no later than the end of 2017, to enable the permanent Trustee to commence its contractual agreement with the Fund no later than April 2018; and

(b) Requests the Secretariat to:

- (i) *Submit to the Board draft terms of reference for the review of the Interim Trustee, in accordance with paragraph 26 of the Governing Instrument, by the eleventh Board meeting;*
- (ii) *Examine the option for the Fund to provide its own permanent Trustee services, including an assessment of internal capacity requirements to perform this function;*
- (iii) *Develop a list institutions/organizations which could potentially serve as permanent Trustee, including, but not limited to, a synopsis of their experience, costs and qualifications, to be submitted to the Board by the eleventh Board meeting; and*
- (iv) *Develop a methodology for an open, transparent and competitive bidding process to select a Trustee, to be submitted to the Board by the eleventh Board meeting.*

Agenda item 31: Relationships with relevant United Nations Framework Convention on Climate Change thematic bodies, such as the Adaptation Committee and the Technology Executive Committee, as well as other climate finance entities and external bodies, including corporate and foundational partnerships

43. This agenda item was not considered by the Board.

Agenda item 32: Report for the Conference of the Parties, including the response to the guidance provided by the Conference of the Parties at its nineteenth session, and the institutional linkage between the United Nations and the Green Climate Fund

44. The Board adopted the following decision:

DECISION B.08/23

The Board, having reviewed document GCF/B.08/35 Draft Report of the Green Climate Fund to the Conference of the Parties to the United Nations Framework Convention on Climate Change:

Requests the current Co-Chairs, assisted by the Secretariat, to finalize the draft Report of the Green Climate Fund to the Conference of the Parties to the United Nations Framework Convention on Climate Change (UNFCCC), presented in Annex XXX to document GCF/B.08/35, taking into consideration the comments and amendments made and decisions taken at the meeting, and forward it to the UNFCCC secretariat.

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45. The Board adopted the following decision:

DECISION B.08/24

The Board, having taken note of the information presented in document GCF/B.08/39 Options for an Institutional Linkage between the United Nations and the Fund:

- (a) *Decides to incorporate the following recommendation in the report of the Board to the Conference of the Parties:*

"The Board considers it of utmost importance for the quick operation of the Fund to ensure that the staff of the Fund's Secretariat are covered by the privileges and immunities in the countries where the Fund is operating. To this end, and to give effect to the provisions set forth in paragraphs 7 and 8 of the Governing Instrument of the Fund, the Conference of the Parties (COP) may wish to consider recommending to the General Assembly of the United Nations that the General Assembly consider an institutional linkage between the United Nations and the Green Climate Fund that is consistent with the status of the Fund and the powers vested in the Board and a Secretariat that is fully independent and accountable to the Board, as stated in the Fund's Governing Instrument, as approved by the COP in decision 3/CP.17.

It is understood that such institutional linkage will not affect the powers of the Board to appoint the Executive Director and to adopt rules, policies and guidelines for the effective administration of the Fund, and the powers vested in the Executive Director as the head of the Secretariat."; and

- (b) *Further requests that, in order for the Fund and its operations, members of the Board, consultants, and other persons affiliated with the Fund, as well as its staff, to have similar privileges and immunities to operate effectively, the Secretariat shall develop immediately for the Board's consideration and approval a template bilateral agreement that would provide such privileges and immunities in countries in which the Fund operates.*

Agenda item 33: Date and venue of the ninth Board meeting

46. The Board adopted the following decision:

DECISION B.08/25

The Board:

Decides that its first meeting in 2015 will take place in Songdo, Republic of Korea, from 25 to 27 February 2015.

Agenda item 34: Election of Co-Chairs

47. The Board elected Mr. Henrik Harboe (Norway) and Mr. Gabriel Quijandria (Peru) as the Co-Chairs for a period of one year.

Agenda item 35: Other matters

48. No decision was taken under this agenda item.

Agenda item 36: Closure of the meeting

49. The Co-Chairs informed the Board that the document containing the decisions adopted by the Board during the meeting (document GCF/B.08/Drf.01 *Decisions of the Board – Eighth Meeting of the Board, 14-17 October 2014*) and the draft report of the meeting (document GCF/B.08/Drf.02 *Draft Report of the Eighth Meeting of the Board, 14-17 October 2014*) would be circulated to the Board electronically. Board members will be asked to provide comments on the draft report that will be submitted for adoption at the beginning of the next Board meeting.

50. The meeting was closed on 18 October 2014.

Annex I: Guidelines for the operationalization of the fit-for-purpose accreditation approach

I. Objectives and scope of the fit-for-purpose accreditation approach

1. The initial guiding framework for the Fund's accreditation process adopted through decision B.07/02 establishes an accreditation process which will ascertain whether applicant entities:
 - (a) Meet the Fund's basic fiduciary standards and applicable specialized fiduciary standards; and
 - (b) Have the capacity to manage relevant environmental and social risks in line with the Fund's ESS and scaled, risk-based approach.
2. The fit-for-purpose approach recognizes the role of a wide range of entities, which differ in the scope and nature of their activities, as well as their capacities. By enabling entities, including subnational, national and regional entities, to increase their scope of activities as their capacity increases over time, should they want to do so, the accreditation process will contribute to empower developing countries.
3. The guidelines for the operationalization of the fit-for-purpose accreditation approach set out how the Fund's fiduciary standards and ESS will be assessed though a fit-for-purpose accreditation process, and the criteria that entities need to meet in order to demonstrate compliance so as to be accredited to access the Fund's resources.
4. The objectives of the fit-for-purpose accreditation approach, which matches the nature, scale and risks of proposed activities to the application of the fiduciary standards and ESS, are as follows:
 - (a) To help the Fund achieve an impact by enabling it to work through a wide range of entities at the subnational, national, regional and international levels; including through private sector entities;
 - (b) To recognize the different institutional contexts of different types of entities (e.g. public and private), and different compliance parameters in accordance with the intended scale, nature and risks of activities of the applicant entity with the Fund's resources; and
 - (c) To avoid creating an unnecessarily long and burdensome accreditation process for entities that will expose the Fund to few or no financial, environmental and social risks.
5. The accreditation process will take into account the scale of funding that the entity intends to access, its track record in undertaking climate-related projects and activities, as well as the nature of its intended activities. This approach will ensure that the assessment of the applicant entity's conformity with the fiduciary standards, and relevant capacities related to the Fund's ESS, in the accreditation process is commensurate with the level of fiduciary and non-financial (e.g. environmental and social) risk to which the Fund will be exposed through the activities of implementing entities and intermediaries.
6. The assessment for accreditation taking into account the fit-for-purpose approach is conducted using the application for accreditation and supporting information, including the track record information, provided by the applicant during the application process.

7. It is expected that the accreditation process will generally be completed within six months after submission of all the required documentation. The Fund will work on continuously improving its efficiency in order to reduce this timeframe.

8. After the accreditation of an entity, the entity's track record of experiences in achieving the results of the Fund's results management framework may be taken into account when reviewing the entity's accreditation status.

9. The operationalization of the fit-for-purpose accreditation approach is shown in the following figure:

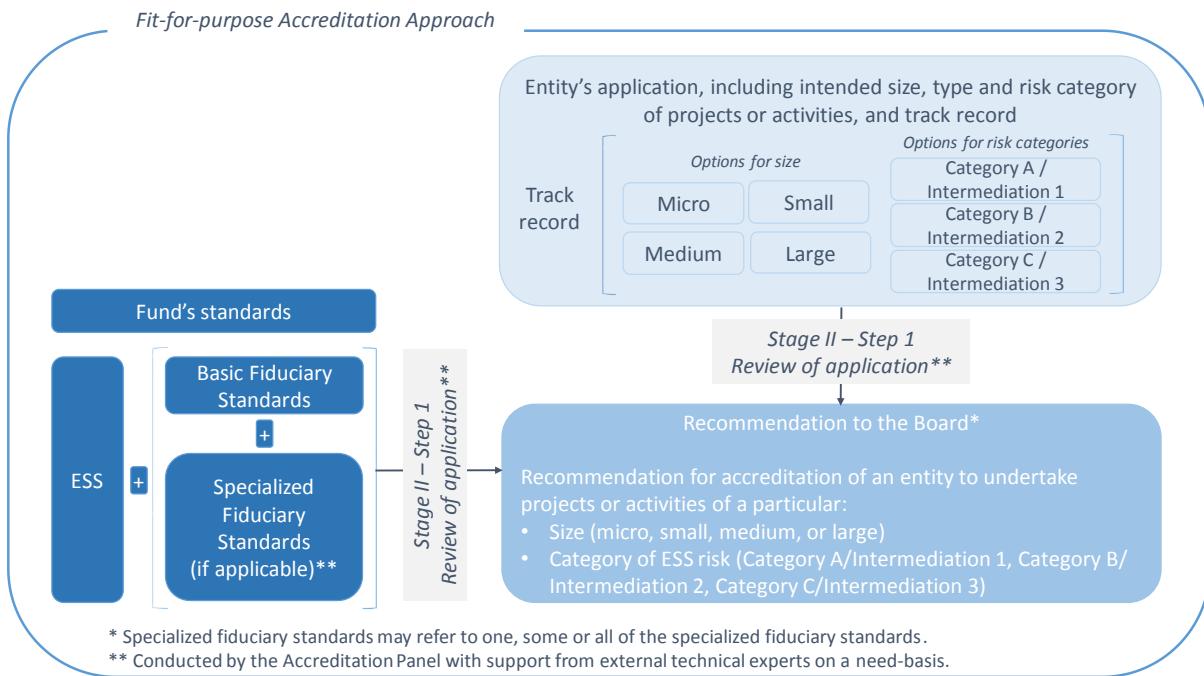


Figure 1: Fit-for-purpose Accreditation Approach

II. Assessing conformity with the Fund's fiduciary standards

10. The assessment of an applicant entity's conformity with the Fund's fiduciary standards will consider the nature of the fiduciary risk, the scale of intended activities, and the type of entity.

11. **Nature of the fiduciary risk:** The Fund's fiduciary standards, which are set out in Annex II to document GCF/B.07/11, already distinguish between the different types of fiduciary risks that are implied depending on the nature of the activities that an entity may take on, including the type of financial instruments. The basic fiduciary standards will apply to all implementing entities and intermediaries, while the specialized fiduciary standards will apply only to entities that will be undertaking relevant activities, as follows:

- (a) Project management: In the case of an entity that will be implementing projects, the assessment will look at the project management capacities of the applicant entity. In the case of an entity that will be intermediating funding through a grant award, on-lending or blending mechanism, the assessment will look at the capacity of the applicant entity to exercise appropriate oversight and hold to account, across the defined fiduciary requirements in this category, the entities that will access the funding that it intermediates.

- (b) Grant award and/or funding allocation: This set of criteria will apply to any entity that will intermediate funding in the form of grants through a grant award or funding allocation mechanism.
 - (c) On-lending and/or blending: This set of criteria will apply to any financial or other entity that will intermediate funding in the form of loans through on-lending or blending with resources from other sources.
12. **Scale of intended activities:** Irrespective of the scale of activities to be funded with the Fund's resources, all entities will have to meet the Fund's basic fiduciary standards and any applicable specialized fiduciary standards in order to be accredited. An entity can only access funding at a scale that is within its capacity to manage in accordance with the Fund's fiduciary standards. The Accreditation Panel will use its expert judgement to determine whether the capacity demonstrated by the applicant entity for each applicable fiduciary standard is adequate in light of the scale of funding it will access from the Fund. The Accreditation Panel may recommend to the Board that an entity be accredited to access funding within one of the following categories, commensurate with its track record and demonstrated capacity:
- (a) Micro (maximum total projected costs at the time of application, irrespective of the portion that is funded by the Fund, of up to and including US\$ 10 million for an individual project or an activity within a programme);
 - (b) Small (maximum total projected costs at the time of application, irrespective of the portion that is funded by the Fund, of above US\$ 10 million and up to and including US\$ 50 million for an individual project or an activity within a programme);
 - (c) Medium (maximum total projected costs at the time of application, irrespective of the portion that is funded by the Fund, of above US\$ 50 million and up to and including US\$ 250 million for an individual project or an activity within a programme); and
 - (d) Large (total projected costs at the time of application, irrespective of the portion that is funded by the Fund, of above US\$ 250 million for an individual project or an activity within a programme).
13. **Type of entity:** As set out in the Governing Instrument, implementing entities and intermediaries of the Fund may be international, regional, national or subnational, and public or private. While all types of entities are required to meet the Fund's basic fiduciary standards and any applicable specialized fiduciary standards, the documentation needed to demonstrate compliance is tailored to different types of entities.

III. Assessing capacities for conformity with the Fund's ESS

14. The Fund's ESS, which are set out in Annexes I and III to document GCF/B.07/11, describe the eight Performance Standards that will be applied through a modular and scaled, risk-based approach to all Green Climate Fund-funded activities. The environmental and social management system (e.g. Performance Standard 1: Assessment and Management of Environmental and Social Risks and Impacts), capacity and commitment of an implementing entity or intermediary to manage the execution of the Fund's ESS at the institutional level will be assessed during the accreditation process, whereas the initial proposal approval process¹ will verify that the specific project or activity is consistent with the ESS (e.g. Performance Standards 2–8).

¹ Decision B.07/03.

15. The accreditation process will determine if the applicant entity possesses the institutional capacity and a management system for screening funding proposals in order to identify the potential environmental and social risks and/or impacts, and the capacity to implement the ESS in a manner commensurate with the scale and nature of the potential risks and impacts.

16. **Categories of environmental and social risk:** The Accreditation Panel will examine the track record and demonstrated capacity of an applicant entity to manage projects or activities of different risk categories. The Accreditation Panel may recommend to the Board that an entity be accredited with a restriction on the risk category of activities it can carry out, using the risk categories set out in Annex I to document GCF/B.07/11, commensurate with the track record and demonstrated capacity of the applicant entity.

17. Following the application review, the Accreditation Panel will recommend to the Board whether an entity should be accredited, and assign a risk categorization to the entity. Once an entity is accredited, it can submit funding proposals for projects or activities through the initial proposal approval process up to the risk level assigned when the entity was accredited. The risk category of the project or activity will be initially proposed by the entity and then reviewed and assigned by the Secretariat.

IV. Additional considerations for the fit-for-purpose accreditation process

18. **Gender considerations:** Recognizing the importance of gender considerations, entities will be required to comply with the Fund's Gender Policy.²

19. **Additional requirements for entities with a limited track record:** In the case of an entity that meets the accreditation criteria in most respects, but has a limited track record of managing projects or funding (a) of the type; (b) at the scale; and/or (c) at the risk level that the entity intends to undertake, the Accreditation Panel may recommend to the Board that the entity be accredited, but have a more frequent reporting requirement, which would be lifted after the first two years of its accreditation, subject to satisfactory performance. The Accreditation Panel may also recommend a more frequent, but smaller, disbursement of funding tranches, subject to review after the first two years of the applicant's accreditation. The Accreditation Panel may further recommend placing conditions on the sectors of the projects or activities that the entity can undertake. The Accreditation Panel will determine on a case-by-case basis the appropriate recommendation or conditions that may apply to the entity in circumstances where there is a limited track record.

20. **Accreditation of additional capacities:** In the event that an entity that has been accredited with certain restrictions on its activities subsequently wishes to take on additional activities, it may re-apply for accreditation of these additional capacities. It will go directly to Stage II of the accreditation process and the assessment will focus only on those additional capacities and not on those already accredited, unless the applicant entity wishes to go through Stage I of the accreditation process for the purposes of readiness assessment and eventual support on those capacities for which it may seek further accreditation.

21. **Monitoring and review of accredited entities:** The Secretariat will conduct monitoring based on regular reporting by the accredited entity to the Fund. The Secretariat will normally conduct a review of accredited entities every five years,³ or more frequently if it is recommended by the Accreditation Panel. The review will consist of checking if the accredited

² To be considered by the Fund as contained in Annex II to document GCF/B.08/19.

³ Decision GCF/B.07/02.



entity and its activities are in compliance with the terms of its accreditation, and if any event has occurred that may lead to a suspension, downgrading or withdrawal of accreditation. Based on the results of the review conducted by the Secretariat, the Accreditation Panel will recommend to the Board whether the accreditation status granted to an entity should be revised.

22. **Evaluation of accreditation:** The accreditation framework will be reviewed every five years. The Secretariat or the Accreditation Panel may also recommend a focused review of specific elements of the fit-for-purpose accreditation approach as needed.

Annex II: Assessment of institutions accredited by other relevant funds and their potential for fast-track accreditation

I. Introduction

1. All entities, including subnational, national, regional and international entities, can apply for accreditation to the Green Climate Fund. The accreditation of an entity for the Fund requires that the fiduciary standards and the ESS are met by the entity. Entities or groups of entities who meet other fiduciary and environmental and social principles and standards that are comparable to the fiduciary standards and ESS of the Fund may be eligible for the fast-track accreditation process whereby the assessment process required to determine accreditation may be shortened. Recognizing the importance of gender considerations, entities will be required to comply with the Fund's Gender Policy.¹

II. Process for assessment, including a gap analysis

2. The assessment and gap analysis compares the accreditation processes and fiduciary standards and environmental and social (E&S) of the Global Environment Facility (GEF), Adaptation Fund (AF), and the Directorate-General for Development and Cooperation – EuropeAid of the European Commission (EU DEVCO)² to the Fund's accreditation processes and basic fiduciary standards and specialized fiduciary standards³ as well as the Fund's environmental and social safeguards (ESS), including the institutional capacities to manage the E&S risks and impacts.

3. The gap analysis was conducted at the relevant fund level by comparing the Fund's fiduciary standards and ESS to the fiduciary and environmental and social standards of the other relevant funds. If the other relevant funds' fiduciary and ESS at a minimum meet the Fund's fiduciary standards and ESS (i.e. there is no significant gap), then it can be accepted that the entities accredited by the other relevant funds also meet the Fund's fiduciary standards and ESS.

4. The specific criteria by which the Fund's standards and accreditation process were compared with the GEF, AF, and EU DEVCO's standards and processes included:

- (a) The other relevant funds' accreditation process; and
- (b) The other relevant funds' requirements compared to the Fund's requirements.

III. Global Environment Facility

5. The GEF has a three-stage accreditation process that evaluates fiduciary, social, and environmental standards.⁴ As of September 2014, the GEF has 14 agencies, 4 of which were accredited under a pilot programme for the expansion of GEF agencies that includes direct access provisions. The other 10 agencies were required to demonstrate compliance with the GEF's Minimum Fiduciary Standards and have since fully met the standards.⁵ The GEF's

¹ To be considered by the Fund as contained in Annex II to document GCF/B.08/19.

² These funds were identified as other relevant funds.

³ Decision B.05/08 (b).

⁴ See http://www.thegef.org/gef/agencies_accreditation.

⁵ See

http://www.thegef.org/gef/sites/thegef.org/files/documents/GEF.C.46.Inf.05%20Agency%20Progress%20on%20Meeting%20the%20GEF%20Fiduciary%20Standards_April%202014.pdf.

accreditation process evaluates all of the same standards as the Fund's basic fiduciary criteria and the specialized fiduciary criterion for project management, and have been found to be no less stringent or have no significant gaps, with the exception of one gap related to the basic fiduciary criteria (scope of anti-money laundering and anti-terrorist financing for the purpose of evaluating transparency and accountability). Further details of the gap analysis are contained in Annex III.

6. The GEF Policy on Agency Minimum Standards on Environmental and Social Safeguards (hereinafter referred to as Policy) was updated on 12 September 2013. This Policy states the principles with regard to social and environmental safeguards that the GEF shall apply to the operations that it finances. Table 1 in Annex IV contains the results of the gap analysis comparing the GEF Policy against the Fund's ESS. The only gaps identified between the Policy dated 12 September 2013 that are relevant to the Fund's accreditation process is for entities to develop an E&S policy and implement an external communications system at the institutional level.

IV. Adaptation Fund

7. The AF accredits national implementing entities, multilateral implementing entities, and regional implementing entities to carry out adaptation projects up to US\$ 10 million, through an iterative accreditation process that applies to all types of entities.⁶ The AF's accreditation process evaluates all of the same standards as the Fund's basic fiduciary criteria and the specialized fiduciary criterion for project management, and have been found to be no less stringent or only have insignificant gaps, with the exception of the following gaps (see paragraphs 7 (a)–(c) below) related to the Fund's basic fiduciary criteria on transparency and accountability (refer to Annex III for more details):

- (a) Scope of investigations for the purpose of evaluating transparency and accountability: Publicly available terms of reference;
- (b) Scope of investigations for the purpose of evaluating transparency and accountability: Headed by an officer at an adequate level; and
- (c) Scope of investigations for the purpose of evaluating transparency and accountability: Published guidelines for processing cases.

8. The AF Environmental and Social Policy (ESP) was approved by the Board in November 2013 and is designed to assist implementing entities (IEs) in identifying and managing the environmental and social risks of their activities by assessing potential environmental and social impacts and then by identifying and implementing steps to avoid and minimize impacts. The ESP is not applied retroactively, however, all applications for project/activity funding submitted from 4 August 2014 are required to demonstrate compliance with the ESP at project/activity level during the Fund's initial proposal review process. The AF is not conducting a review of the IE's institutional environmental and social management system (ESMS) capacity (equivalent to Fund's accreditation step). Therefore, AF accredited entities will need to comply with the Fund's ESS. AF IEs that have been through the AF project/activities) review process on or after 4 August 2014 will benefit from this exercise when approaching the Fund's initial proposal review process. Even so, an illustrative gap analysis was completed, comparing the AF ESP against the Fund's ESS for information purposes. Table 2 in Annex IV contains the result of this gap analysis.

⁶ See <https://www.adaptation-fund.org/page/accreditation-process>.

V. EU DEVCO

9. EU DEVCO conducts a six-pillar assessment for potentially eligible partners for indirect centralized management.⁷ As of September 2014, 24 national public-sector bodies or bodies governed by private law with a public-service mission and one international organization passed the six-pillar assessment successfully. EU DEVCO's accreditation process evaluates all of the same standards as the Fund's basic fiduciary criteria and the specialized fiduciary criterion for grant award and/or funding allocation mechanisms, and have been found to be no less stringent or have no significant gaps, with the exception of one gap related to the basic fiduciary criteria (scope of anti-money laundering and anti-terrorist financing for the purpose of evaluating transparency and accountability). Annex III contains further details of the gap analysis between EU DEVCO's fiduciary standards and the Fund's fiduciary standards. The Fund was unable to identify any information on EU DEVCO ESS requirements. Therefore, EU DEVCO accredited entities will need to comply with the Fund's ESS.

VI. Fast-track accreditation process

10. At a minimum, an entity must meet both the Fund's basic fiduciary standards and ESS in order to be eligible for accreditation, whether it is under the accreditation process or fast-track accreditation process. An entity may additionally apply for accreditation of the specialized fiduciary standards.

11. Entities or groups of entities who meet other fiduciary and environmental and social principles and standards that are found to be comparable to the Fund's fiduciary standards and ESS are eligible for the fast-track accreditation process. The fast-track accreditation process is understood to be a part of the accreditation process whereby the assessment process required to determine accreditation may be shortened. The fast-track accreditation process does not mean automatic accreditation. A decision by the Board on the application for accreditation by an entity (Step 2 of Stage II) and the Final Validation and Arrangement (Stage III) are still required in order for the entity to become accredited for the Fund.

12. Under the fast-track accreditation process:

- (a) If the fiduciary and environmental and social principles and standards of the other funds or institutions and their accreditation or due diligence processes are found to be comparable to the Fund's fiduciary standards and ESS (i.e. no or no significant gaps), then the Accreditation Review (Step 1 of Stage II for entities under direct access or international access) will be shortened where the review is considered complete because of the comparability in standards, and no further review of the application is required for those comparable standards; and
- (b) If gaps are identified between the fiduciary and environmental and social principles and standards of the other funds or institutions and the fiduciary standards and ESS of the Fund, then the Accreditation Review will be shortened where the part of the review related to the standards that are comparable is considered complete, and the remaining part of the review focuses on assessing how the entity addresses the identified gaps between the other principles or standards and the Fund's fiduciary standards and ESS.

13. The figure below identifies the steps of the accreditation process that may be shortened under the fast-track accreditation process:

⁷ See http://www.oecd.org/callsfortenders/annex2-assessment-questionnaire-criteria_en.pdf.

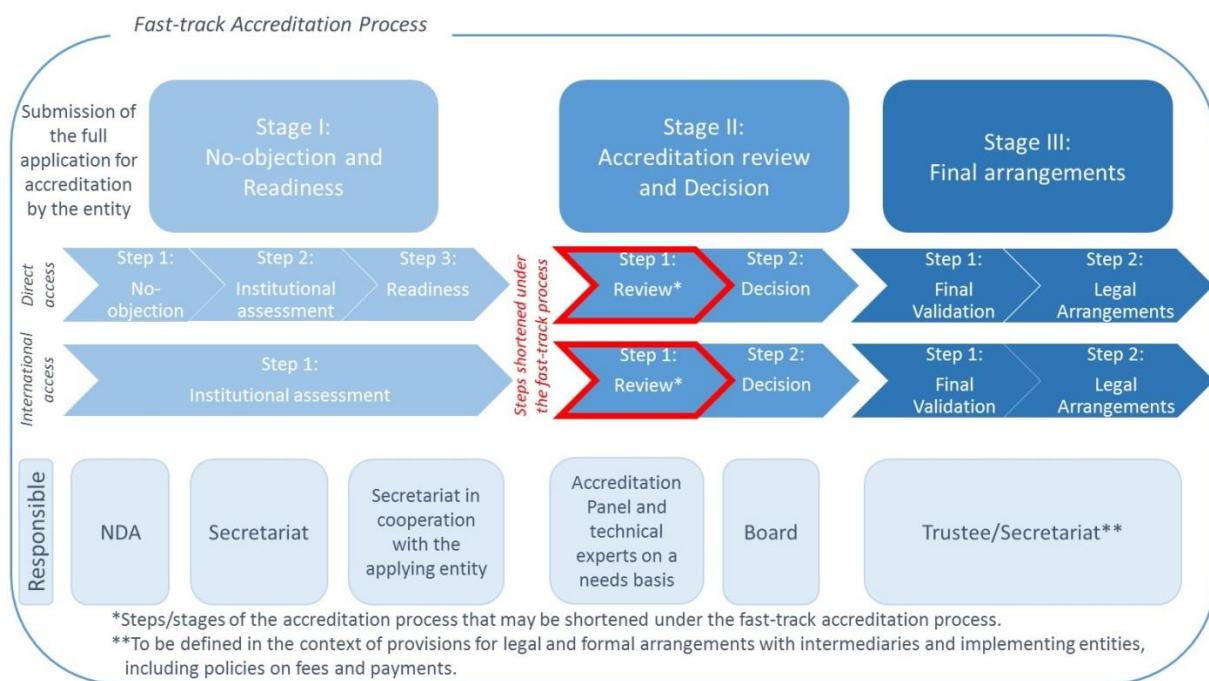


Figure 1: Overview of the fast-track accreditation process

14. It is expected that the accreditation process will generally be completed within six months after submission of all the required documentation. It is expected that the fast-track accreditation process will generally be completed within three months after submission of all the required documentation. The Fund will work on continuously improving its efficiency in order to reduce this timeframe.

VII. Recommended scope of fast-tracking and conclusions

15. Based on the gap analysis and recognizing that a decision by the Board is required to accredit an entity even if the entity is eligible and applies for accreditation under the fast-track accreditation process:

- (a) Entities accredited by GEF up to the time of the Board decision and in full compliance with GEF's Minimum Fiduciary Standards and Minimum Standards on Environmental and Social Safeguards, are eligible to apply under the fast-track accreditation process for the Fund's basic fiduciary standards, the specialized fiduciary standard for project management, and ESS. The assessment for accreditation will focus on the following gaps (refer to Accreditation Gaps identified in Annex III and Table 1 of Annex IV), insofar as they are relevant to the entity's intended activities, which are to be addressed by the entity. The entity will be assigned a risk category⁸ for funding proposals for projects and activities commensurate with its track record if and when the entity is approved for accreditation. Table 1 in Annex V includes a list of entities accredited by GEF as of 15 October 2014:
 - (i) Fiduciary gap: Anti-money laundering and anti-terrorist financing (basic fiduciary criteria for the purpose of transparency and accountability); and

⁸ Risk categories are identified in Annex I of document GCF/B.07/11. Risk categories include Category A / Intermediation 1 (high), Category B / Intermediation 2 (medium), and Category C / Intermediation 3 (low).

- (ii) ESS gap: Have the capacity to assess and manage relevant elements of Performance Standards 1-4 and 6 environmental and social risks and impacts, per Table 1 in Annex IV, in line with the Fund's ESS through an ESMS.
- (b) Entities accredited by the AF up to the time of the Board decision and in full compliance with the AF's fiduciary standards are eligible to apply under the fast-track accreditation process for the Fund's basic fiduciary standards, the specialized fiduciary standard for project management and ESS. The assessment for accreditation will focus on the following gaps (for fiduciary Accreditation Gaps refer to Annex III) pertaining to transparency and accountability, insofar as they are relevant to the entity's intended activities, which are to be addressed by the entity. The entity will be assigned a risk category⁹ for funding proposals for projects and activities commensurate with its track record if and when the entity is approved for accreditation. Tables 2 to 4 in Annex V include a list of entities accredited by the Adaptation Fund as of 15 October 2014:
 - (i) Fiduciary gap: Have publicly available terms of reference that outline the purpose, authority and accountability for the investigation function (basic fiduciary criteria for the purpose of transparency and accountability and scope of investigation);
 - (ii) Fiduciary gap: Ensure functional independence by having the investigations function headed by an officer who reports to a level of the organization that allows the investigation function to fulfil its responsibilities objectively (basic fiduciary criteria for the purpose of transparency and accountability and scope of investigation);
 - (iii) Fiduciary gap: Publish guidelines for processing cases, including standardized procedures for handling complaints received by the function and managing cases before, during and after the investigation process (basic fiduciary criteria for the purpose of transparency and accountability and scope of investigation);
 - (iv) ESS gap: Have the capacity to assess and manage relevant Performance Standards 1-8 environmental and social risks and impacts in line with the Fund's ESS through an ESMS.
- (c) Entities accredited by EU DEVCO up to the time of the Board decision and in full compliance with EU DEVCO's fiduciary standards are eligible to apply under the fast-track accreditation process for the Fund's basic fiduciary standards, the specialized fiduciary standard for grant award and/or funding allocation mechanisms and ESS. The assessment for accreditation will focus on the following gaps (for fiduciary Accreditation Gaps refer to Annex III), insofar as they are relevant to the entity's intended activities, which are to be addressed by the entity. The entity will be assigned a risk category¹⁰ for funding proposals for projects and activities commensurate with its track record if and when the entity is approved for accreditation. Tables 5 and 6 in Annex V includes a list of entities accredited by EU DEVCO as of 15 October 2014:
 - (i) Fiduciary gap: Anti-money laundering and anti-terrorist financing (basic fiduciary criteria for the purpose of transparency and accountability);

⁹ Risk categories are identified in Annex I of document GCF/B.07/11. Risk categories include Category A/Intermediation 1 (high), Category B/Intermediation 2 (medium), and Category C/Intermediation 3 (low).

¹⁰ Risk categories are identified in Annex I of document GCF/B.07/11. Risk categories include Category A/Intermediation 1 (high), Category B/Intermediation 2 (medium), and Category C/Intermediation 3 (low).

- (ii) ESS gap: Have the capacity to assess and manage relevant Performance Standards 1-8 environmental and social risks and impacts in line with the Fund's ESS through an ESMS.

16. Any entity accredited by more than one other relevant fund up to the time of the Board decision must address any remaining gaps identified in relation to those funds. The entity will be assigned a risk category¹¹ for funding proposals for projects and activities commensurate with its track record if and when the entity is approved for accreditation. Annex V includes a list of entities accredited by the GEF, AF and EU DEVCO as of 15 October 2014.

17. An entity can apply for accreditation for the basic fiduciary standards and/or specialized fiduciary standards and ESS under the normal accreditation process at any time.

VIII. Additional considerations

18. Other entities applying fiduciary and environmental and social principles or standards found to be comparable with the Fund's fiduciary standards and ESS will be proposed to the Board for consideration for eligibility for the fast-track accreditation process.

19. The Board may wish to consider, in the context of the Policies and Procedures for the Initial Allocation of the Fund's Resources, the possibility of establishing and assigning allocation targets for public and private entities, particularly in the context of direct access.

20. Entities accredited by the GEF, AF and EU DEVCO eligible for the fast-track accreditation process and applying under the direct access modality may request and be eligible to receive readiness and preparatory support.

¹¹ Risk categories are identified in Annex I of document GCF/B.07/11. Risk categories include Category A / Intermediation 1 (high), Category B / Intermediation 2 (medium), and Category C / Intermediation 3 (low).

Annex III: Gap analysis of fiduciary standards of relevant funds and the Fund's fiduciary standards

Table 1: Gap analysis of the relevant fiduciary standards for the Global Environment Facility (GEF), Adaptation Fund (AF), and EU DEVCO and the Fund's fiduciary standards

Level (Fund)	Purpose (Fund)	Scope (Fund)	Specific requirements (Fund)	Relevant GEF standard	Relevant AF standard	Relevant EU DEVCO standard
Basic fiduciary criteria	Key administrative and financial capacities	General management and administrative capacities	Definition of the main “corporate governance” actors	Yes, requested if not provided	Yes, Audit Committee, ICF, and oversight of procurement and ethics	Yes, pillar 1.1
			Adequate internal oversight bodies and transparent rules	No significant gaps identified.	Yes, Audit Committee, ICF, and oversight of procurement and ethics	Yes, pillar 1.1
			Organization chart	Yes, requested if not provided	Yes, requested if not provided	Yes, pillar 1.1
			Process to set in line with mission of the entity	Yes, stage I	Yes, long term business plan	Yes, pillar 1.2
			Indicators to measure defined objectives	No significant gaps identified.	No significant gaps identified. Evaluated on the project-level.	Yes, pillar 1.2
			Management plan with processes to monitor and report	Yes, requested if not provided	Yes, long term business plan	Yes, pillar 1.2
	Financial management and accounting		Financial statements follow GAAP in accordance with recognized accounting standards	Yes, section A.1	Yes, demonstration of accounting packages	Yes, pillar 2.1
			Clear and complete set of financial statements	Yes, section A.1	Yes, financial statements	Yes, pillar 2.1
			Financial statements are reported periodically	Yes, but this is assessed through the external audit function	Yes, financial statements	Yes, pillar 2.1



Level (Fund)	Purpose (Fund)	Scope (Fund)	Specific requirements (Fund)	Relevant GEF standard	Relevant AF standard	Relevant EU DEVCO standard
Operational	Financial management		Accounting and financial information systems based on the accounting principles and procedures	No significant gaps identified. Evaluated through the process.	Yes, financial statements and accounting procedures	Yes, pillar 2.1
			Transparent and consistent payment and disbursement systems are in place with documented procedures and clear allocation of responsibilities	Yes, section A.2	Yes, demonstration of proven payment and disbursement system	Yes, pillar 2.3
			Track record in the preparation and transparent use of business plans, financial projections and budgets	Yes, section A.2	Yes, long-term business plans	Yes, pillar 2.2
			Resources, systems and procedures are in place that ensure proper financial reporting	Yes, section A.2	Yes, ability to monitor against budgets	Yes, pillar 2.3
	Internal and external audit		Independent audit committee	Yes, section A.1	Yes, Audit Committee ToRs	No significant gaps defined. Pillar 1.1
			Internal audit	Yes, section A.4	Yes, internal audit policy and reports	No significant gaps defined. Pillars 1.1 and 1.6
			External audit	Yes, section A.1	Yes, external auditor reports	Yes, pillar 3
	Control frameworks		Measure achievement of objectives in 12 categories outlined by COSO	Yes, section A.2	No significant gaps identified. ICF reviewed	Yes, pillar 1
	Procurement		Formal internal guidelines and a procurement policy	Yes, section B.2	Yes, procurement policy	Yes, pillar 4.1



Level (Fund)	Purpose (Fund)	Scope (Fund)	Specific requirements (Fund)	Relevant GEF standard	Relevant AF standard	Relevant EU DEVCO standard
			Specific procurement guidelines differentiated by type of procurement	Yes, section B.2	Yes, detailed procedures	Yes, pillar 4.3
			Specific procedures, guidelines and methodologies, as well as adequate organizational resources for overseeing, assessing and reviewing the procurement procedures of beneficiary institutions, executing entities or project sponsors	Yes, section B.2	Yes, provisions for oversight including executing agencies	Yes, pillar 4.3
			Procurement performance for the Fund's approved proposals would be monitored at periodic intervals	Yes, section B.2	Yes, must be consistent with international practice	Maybe
			Procurement records are easily accessible	Yes, section B.2	Yes, must be consistent with international practice	Yes, pillar 4.2
			Evidence of transparent and fair procurement policies and procedures	Yes, section B.2	Yes, must be consistent with international practice	Yes, pillar 4.3
Transparency and accountability	Disclosure of conflicts of interest		Disclosure policy, or equivalent administrative provisions	Yes, section A.3	Yes	No significant gaps identified. Yes, in context of procurement
			Policy that specifies prohibited personal financial interests and principles under which conflicts of interests are reviewed and resolved	Yes, section A.3, A.5	Yes, as part of overall conflict of interest policies and practices	Yes, pillar 1.1, 1.4



Level (Fund)	Purpose (Fund)	Scope (Fund)	Specific requirements (Fund)	Relevant GEF standard	Relevant AF standard	Relevant EU DEVCO standard
		Code of ethics	Documented code of ethics or set of clear and formal management policies and provisions	Yes, section A.3	Yes	Yes, pillar 1.1
			Relevant individuals made aware of code of ethics	Yes, section A.3	Yes	Yes, pillar 1.1
			Ethics Committee or allocated such functions	Yes, section A.3	Yes	Maybe
		Capacity to prevent or deal with financial mismanagement and other forms of malpractice	Experience and track record in accessing financial resources from national and international sources	Yes, stage I and Stage II Section A.1	Yes, legal status	Maybe
			Policy of zero tolerance for fraud	No significant gaps identified. Ethics policy is evaluated.	Yes	No significant gaps identified.
			Avenues and tools for reporting suspected ethics violations, misconduct, and any kind of malpractice	Yes, section C.2	Yes	Yes, pillar 1.4
			Evidence of an objective investigation function	Yes, section C.1	Yes	Yes, pillar 1.4
			Organizational culture that is conducive to fairness, accountability and full transparency		Yes, covered in the first part of transparency requirements	Yes, pillar 1.1
		Investigations	Publicly available terms of reference	Yes, section C.1	Accreditation Gap: not required by AF	No significant gaps identified.
			Headed by an officer at adequate level	Yes, section C.1	Accreditation Gap: not required by AF	No significant gaps identified.



Level (Fund)	Purpose (Fund)	Scope (Fund)	Specific requirements (Fund)	Relevant GEF standard	Relevant AF standard	Relevant EU DEVCO standard
			Published guidelines for processing cases	Yes, section C.1	Accreditation Gap: not required by AF	Yes, pillar 1.4
			Defined process for periodically reporting case trends	Yes, section C.1	Yes	Yes, pillar 1.4
		Anti-money laundering and anti-terrorist financing	Evidence that organization does have anti-money laundering and anti-terrorist financing provisions in place	Accreditation Gap: not required by GEF	Yes	Accreditation Gap: not required by EU DEVCO
Specialized fiduciary criteria	Project management	Project preparation and appraisal (from concept to full funding proposal)	Track record of capability and experience	Yes, stage I	Yes	N/A
			Capacity to clearly state project objectives and outcomes	Yes, Section B.1	Yes	N/A
			Ability to examine and incorporate technical, financial, economic and legal aspects as well as possible environmental, social and climate change aspects	Yes, Section B.1	Yes, appraisal procedures	N/A
			Appropriate fiduciary oversight procedures in place	Yes, Section B.1	Yes, demonstration of availability of/access to resources, financial management and procurement capabilities	N/A
	Project oversight and control		Operational systems, procedures and overall capacity to consistently prepare project implementation plans	Yes, Section B.1	Yes, operational manual evaluated, quality at entry	N/A



Level (Fund)	Purpose (Fund)	Scope (Fund)	Specific requirements (Fund)	Relevant GEF standard	Relevant AF standard	Relevant EU DEVCO standard
Project delivery	Operational capacity and organizational arrangements to continuously oversee the implementation of the approved funding proposal		Operational capacity and organizational arrangements to continuously oversee the implementation of the approved funding proposal	Yes, Section B.1	Yes, through monitoring procedures	N/A
			Appropriate reporting capabilities and capacities	No significant gaps identified.	Yes, through M&E system	N/A
			Operational systems and overall capacity to conduct necessary activities relating to project closure	Yes, but under evaluative requirement	Yes, but under evaluative requirement	N/A
	Monitoring and evaluation		Monitoring: organizational and operational resources, roles and responsibilities articulated, tools available and published	Yes, section B.3	Yes, policies and detailed procedures	N/A
			Evaluation: independent evaluations undertaken, evaluation function procedures and independence, evaluation disclosure policy	Yes, section B.4	Yes, policies and detailed procedures	N/A
	Project-at-risk systems and related project risk management capabilities		A process or system in place to flag early on when a project has developed problems	Yes, section B.3	Yes, procedures evaluated	N/A
			Availability of an independent risk management function	Yes, section B.3	Yes, policy and procedures	N/A
			Risk assessment	Yes, section B.3	Yes, policy and procedures	N/A



Level (Fund)	Purpose (Fund)	Scope (Fund)	Specific requirements (Fund)	Relevant GEF standard	Relevant AF standard	Relevant EU DEVCO standard
Grant award and/or funding allocation mechanisms	Transparent eligibility criteria and evaluation		Mechanism is organized in a fully transparent manner that guarantees impartiality and equal treatment to all applicants	N/A	N/A	Yes, pillar 5.1
			Evaluation process is based solely on the criteria for exclusion, eligibility, selection and award pre-announced in the call for proposals	N/A	N/A	Yes, pillar 5.1
			Eligibility evaluation performed on the basis of the criteria stated in the call for proposals	N/A	N/A	Yes, pillar 5.1
			All stages are formally documented through standardized checklists and forms	N/A	N/A	Yes, pillar 5.1
			Evaluation Committee exists that evaluates applications and works with formal rules of procedure	N/A	N/A	Yes, pillar 5.2
	Grant award decision and procedures		Decision is taken by the legally authorized person or body	N/A	N/A	Yes, pillar 5.3
			Decision is based on the grant award proposal prepared by the evaluation committee	N/A	N/A	Yes, pillar 5.2
			Any departing decisions adequately justified and documented	N/A	N/A	Yes, pillar 5.3



Level (Fund)	Purpose (Fund)	Scope (Fund)	Specific requirements (Fund)	Relevant GEF standard	Relevant AF standard	Relevant EU DEVCO standard
			Grant decision states subject/amount, name of beneficiaries, decisions, and others.	N/A	N/A	Yes, pillar 5.3
			Checks undertaken to guarantee one and the same activity only results in the award	N/A	N/A	Yes, pillar 5.3
			No grant is awarded retrospectively	N/A	N/A	Yes, pillar 5.3
			All applicants are notified in writing of grant award outcome	N/A	N/A	Yes, pillar 5.3
			Rejected applications result in rejected applicants receiving reason(s) for rejection	N/A	N/A	Yes, pillar 5.3
			Grant-awarding entity makes the grant award results public	N/A	N/A	Yes, pillar 5.3
			Results made public within a reasonable timeframe	N/A	N/A	Yes, pillar 5.3
			Information to be made available: name, address, nation of beneficiary, purpose of grant, grant amount	N/A	N/A	Yes, pillar 5.3
			System in place to provide assurance on the reality and eligibility of activities	N/A	N/A	Yes, pillar 5.4
			System in place to recover funds unduly paid	N/A	N/A	Yes, pillar 5.4



Level (Fund)	Purpose (Fund)	Scope (Fund)	Specific requirements (Fund)	Relevant GEF standard	Relevant AF standard	Relevant EU DEVCO standard
			System in place to prevent irregularities and fraud	N/A	N/A	Yes, pillar 5.4
			Grant-awarding entity monitors the implementation of funded programme activities	N/A	N/A	Yes, pillar 5.4
			Sufficient possibilities for the beneficiary to contact the grant-awarding entity	N/A	N/A	Yes, pillar 5.4
			Grant-awarding entity carries out on-site monitoring visits	N/A	N/A	Yes, pillar 5.4
			On-site visits are used to support the beneficiary, gather and disseminate best practices and establish/maintain good relations	N/A	N/A	Yes, pillar 5.4
			Clear procedures about procurement rules	N/A	N/A	Yes, pillar 5.4
			Amount of the grant is finalized only after the grant-accepting entity has accepted	N/A	N/A	Yes, pillar 5.4
			Procedures in place for the suspension, reduction, or termination of the grant	N/A	N/A	Yes, pillar 5.4
		Good standing with regard to multilateral funding		N/A	N/A	No significant gaps identified.



Level (Fund)	Purpose (Fund)	Scope (Fund)	Specific requirements (Fund)	Relevant GEF standard	Relevant AF standard	Relevant EU DEVCO standard
On-lending and/or blending		Appropriate registration and/or licensing by a financial oversight body or regulator in the country and/or internationally, as applicable		N/A	N/A	N/A
		Track record, institutional experience and existing arrangements and capacities for on-lending and blending with resources from other international or multilateral sources		N/A	N/A	N/A
		Creditworthiness		N/A	N/A	N/A
		Due diligence policies, processes and procedures		N/A	N/A	N/A
		Financial resource management, including analysis of the lending portfolio of the intermediary		N/A	N/A	N/A
		Public access to information on beneficiaries and results		N/A	N/A	N/A



Level (Fund)	Purpose (Fund)	Scope (Fund)	Specific requirements (Fund)	Relevant GEF standard	Relevant AF standard	Relevant EU DEVCO standard
		Investment management, policies and systems, including in relation to portfolio management		N/A	N/A	N/A
		Capacity to channel funds transparently and effectively, and to transfer the Fund's funding advantages to final beneficiaries		N/A	N/A	N/A
		Financial risk management, including asset liability management		N/A	N/A	N/A
		Governance and organizational arrangements, including relationships between the treasury function and the operational side (front desk)		N/A	N/A	N/A

Annex IV: Gap analysis of the Fund ESS¹ and Other Relevant Funds' Environmental and Social Safeguard Standards²

Table 1: Gap analysis of the Global Environment Facility Minimum Standards on Environmental and Social Safeguards (12 September 2013)

Key Topic/Issue	Green Climate Fund Environmental and Social Safeguards ³	GEF Minimum Environmental and Social Safeguard Standards	Key Safeguard Difference
Assessment and Management	<p>PS 1: Assessment and Management of Environmental and Social Risks and Impacts requires that entities develop a system to consistently assess and manage E&S risks and impacts. This E&S Management System (ESMS) should include:</p> <ul style="list-style-type: none"> • A policy which includes: an overarching definition of E&S objectives and requirements to ensure sound E&S performance, a commitment to comply with applicable law, a commitment to be consistent with the principles of the Performance Standards, a clear indication who will ensure conformance with the policy and be responsible for execution; • An assessment process, tailored to the scale and complexity of the project, that identifies and assesses direct and indirect E&S risks and impacts from the activity including associated facilities, cumulative impacts and trans-boundary impacts; assesses measures to avoid, or where avoidance is not possible, minimize, and where residual impacts remain, compensate/offset for risks and impacts to workers, affected communities, and the environment; • Management programmes that describe the mitigation and actions that address the identified E&S risks and impacts; • An organizational structure that includes the appropriate capacity and competency to implement the ESMS; 	<p>Minimum Standard 1: Environmental and Social Impact Assessment requires an equivalent level and scope of:</p> <ul style="list-style-type: none"> • E&S impact assessment, including direct, indirect, cumulative and associated impacts; assessment of measures to avoid adverse impacts, and if avoidance is not feasible then, minimize, mitigate and offset impacts; • Management of mitigation measures,; • Monitoring of impacts and mitigation; • Institutional capacity development and training, an implementation schedule, and costs; • A stakeholder engagement process, including disclosure of information. • The GEF Policy requires demonstration that Partner Agency has relevant policies and systems 	<p>Accreditation Gaps at the institutional ESMS level include:</p> <ul style="list-style-type: none"> • Developing a policy which provides an overarching definition of E&S objectives and requirements to ensure sound E&S performance, a commitment to comply with applicable law, a commitment to be consistent with the principles of the Performance Standards, a clear indication who will ensure conformance with the policy and be responsible for execution; • Developing and implementing an external communications system at an institutional level, not just at the project level. <p>Gaps at the specific projects/programmes level</p>

¹ The Fund's ESS is utilizing the IFC Performance Standards (PS), 2012, until specific Fund standards are developed.

² This table identifies the key differences but does not identify every difference between the Fund's Environmental and Social Safeguards and the GEF Policy on Agency Minimum Standards on Environmental and Social Safeguards, 12 September, 2013. It should be noted that there are various ways to address, avoid or eliminate issues, e.g. through a strategy, a linked policy or an ESIA process, even if they are not identified in the safeguard standard.

	<ul style="list-style-type: none"> An emergency preparedness and response system, where there is the potential to cause harm to people and/or the environment (project/programme specific element); A system to monitor and measure the effectiveness of the management program; A stakeholder engagement process, scaled to the project risks and impacts and development stage, which includes consultation, a project level grievance mechanism, disclosure of information, and on-going reporting to affected communities (project/programme specific element); An external institutional communications mechanism. 	<p>in place including institutional capacity.</p> <ul style="list-style-type: none"> Minimum Standard 8: Accountability and Grievance Systems includes requirements for an accountability system or measures that are designed to ensure enforcement of E&S requirements and to have a system for the timely receipt and response to complaints from parties affected by the project. 	<p>include (evaluated as part of the initial proposal review process after accreditation, e.g. not relevant for the accreditation process):</p> <ul style="list-style-type: none"> On-going reporting to affected communities; Emergency preparedness and response system.
Labour and Working Conditions	<p>PS 2: Labor and Working Conditions applicability is identified in the E&S risks and impacts assessment process and, if applicable, is managed through the ESMS. The scope of application depends upon the type of employment relationship. Requirements may include developing and implementing:</p> <ul style="list-style-type: none"> Human resources policies and procedures; Working conditions and terms of employment; The respect of national law for workers to form and join workers' organizations and to bargain collectively or, where national law is silent, to not restrict workers from developing alternative mechanisms; Fair treatment, non-discrimination and equal opportunity of workers; Retrenchment analysis and planning; Grievance mechanism for workers; The protection of workers by providing a safe and healthy work environment (with links to the WB EHS industry Guidelines), including vulnerable categories such as children, migrant workers, workers' engagement by third parties, and workers in the clients' supply chain. 	No requirements for labour and working conditions.	<p>Gaps at the specific projects/programmes level include (evaluated as part of the initial proposal review process after accreditation, e.g. not relevant for the accreditation process):</p> <ul style="list-style-type: none"> Labour and working conditions requirements contained in PS2.
Resource Efficiency and Pollution Prevention	<p>PS 3: Resource Efficiency and Pollution Prevention applicability is identified in the E&S risks and impacts assessment process and, if applicable, is managed through the ESMS. The scope of application depends upon the ambient</p>	Minimum Standard 5: Pest Management is equivalent to and exceeds the PS 3 requirement to manage and minimize the release of pesticides.	<p>Gaps at the specific projects/programmes level include (evaluated as part of the initial proposal review process after accreditation, e.g. not</p>



	<p>conditions and the scale and type of project. Requirements may include:</p> <ul style="list-style-type: none">• Implementing technically and financially feasible and cost effective measures for improving resource efficiency including energy, water and other resources and material inputs;• Implementing technically and financially feasible and cost effective measures to reduce GHGs;• Minimizing release of pollutants including wastes, hazardous materials and pesticides.	<p>The other elements of PS3 are not addressed.</p>	<p>relevant for the accreditation process):</p> <ul style="list-style-type: none">• Implementation of technically and financially feasible and cost effective measures for improving resource efficiency including energy, water and other resources and material inputs;• Implementation of technically and financially feasible and cost effective measures to reduce GHGs;• Minimization of release of pollutants including wastes and hazardous materials.
Community Health, Safety, and Security	<p>PS 4: Community Health, Safety and Security applicability is identified in the E&S risks and impacts assessment process and, if applicable, is managed through the ESMS. The scope of application depends upon the potential risks and impacts to the Affected Communities from project activities. Requirements may include protecting Affected Communities from risks and impacts associated with:</p> <ul style="list-style-type: none">• Infrastructure and equipment design and safety;• Hazardous materials and management and safety;• Priority provisioning and regulating ecosystem services;• Community exposure to disease;• Emergency response and preparedness collaboration;• Retaining direct or contracted workers to provide security to safeguard personnel and property.	<p>Minimum Standard 7: Safety of Dams includes requirements to ensure quality and safety in the design and construction and rehabilitation of dams.</p> <p>Minimum Standard 1: Environmental and Social Impact Assessment includes requirement that activities shall be assessed, designed and implemented in a way that avoids potentially significant negative impacts on public health and safety.</p>	<p>Gaps at the specific projects/activities level include (evaluated as part of the initial proposal review process after accreditation, e.g. not relevant for the accreditation process):</p> <ul style="list-style-type: none">• Infrastructure and equipment design and safety beyond dam safety;• Hazardous materials and management safety;• Protection of priority provisioning and regulating ecosystem services;• Community exposure to disease;• Emergency response and preparedness collaboration with communities;• Security force management.

Land Acquisition and Involuntary Resettlement	<p>PS 5: Land Acquisition and Involuntary Resettlement applicability is identified in the E&S risks and impacts assessment process and, if applicable, is managed through the ESMS. The scope of application is related to physical (relocation or loss of shelter) and/or economic displacement (loss of assets or access to assets that leads to loss of income sources or other means of livelihood) as a result of project-related land acquisition that is involuntary. Requirements may include:</p> <ul style="list-style-type: none"> • Alternative project design to avoid or minimize displacement; • If avoidance is not possible, an economic baseline survey, a Resettlement Action Plan or Livelihood Restoration Plan, compensation and benefits for displaced persons, monitoring and evaluation on effectiveness of plans; • Community engagement on decision-making processes related to resettlement and livelihood restoration options and alternatives; • Grievance mechanism for affected households. 	Minimum Standard 3: Involuntary Resettlement is largely equivalent to PS5.	No gaps identified.
Biodiversity Conservation and Sustainable Management of Living Natural Resources	<p>PS 6: Biodiversity Conservation and Sustainable Management of Living Natural Resources applicability is identified in the E&S risks and impacts assessment process and, if applicable, is managed through the ESMS. The scope of application depends upon the potential risks and impacts to projects (i) located in modified, natural, and critical habitats; (ii) that potentially impact on or are dependent on ecosystem services over which the project has direct management control or significant influence; or (iii) that include the production of living natural resources (e.g. agriculture, animal husbandry, fisheries, forestry). Requirements may include:</p> <ul style="list-style-type: none"> • Applying the mitigation hierarchy to protect and conserve biodiversity; • Applying extra protection in legally protected or internationally recognized areas; • Avoiding intentional or accidental introduction of alien, or non-native, species; • Avoiding adverse impact to priority ecosystem services; 	Minimum Standard 2: Protection of Natural Habitats is equivalent to PS 6 requirements for biodiversity protection and sustainable management of living natural resources.	<p>Gaps at the specific projects/activities level include (evaluated as part of the initial proposal review process after accreditation, e.g. not relevant for the accreditation process):</p> <ul style="list-style-type: none"> • Avoid purchasing primary production from supply chain sources that are contributing to significant conversion of natural and/or critical habitats.



	<ul style="list-style-type: none">• Where possible, locating land-based agribusiness and forestry projects on land already converted and implementing sustainable management practices;• Avoiding the purchase of primary production from supply chain sources that are contributing to significant conversion of natural and/or critical habitats.		
Indigenous Peoples	<p>PS 7: Indigenous Peoples applicability is identified in the E&S risks and impacts assessment process and, if applicable, is managed through the ESMS. The scope of application depends upon the project activities with potentially adverse impacts on communities or groups of Indigenous Peoples. Requirements may include:</p> <ul style="list-style-type: none">• Avoiding impacts where possible, or when not possible, minimizing and/or compensating for impacts;• Establishing and maintaining an on-going relationship based on Informed Consultation and Participation (ICP);• Ensuring Free, Prior, and Informed Consent is obtained in the following situations: (i) adverse impact on lands traditionally owned by, or under customary use, (ii) physical relocation from communally held lands and natural resources subject to traditional ownership or under customary use, (iii) significant impact on critical cultural heritage or commercialization of cultural heritage.	Minimum Standard 4: Indigenous Peoples is largely equivalent to PS7.	No significant gaps identified.
Cultural Heritage	<p>PS 8: Cultural Heritage applicability is identified in the E&S risks and impacts assessment process and, if applicable, is managed through the ESMS. The scope of application depends upon the potential risks and impact on cultural heritage which includes (i) tangible forms of cultural heritage, (ii) unique natural features or tangible objects that embody cultural values, and (iii) intangible forms of culture to be used for commercial purposes. Requirements may include:</p> <ul style="list-style-type: none">• Avoiding impact on cultural heritage but, if not possible, retaining a competent professional to assist with identification, protection and removal, and consulting with Affected Communities;• Developing a chance find plan if cultural heritage is likely to be found during construction or operations;	Minimum Standard 6: Physical Cultural Resources is largely equivalent to PS 8.	No significant gaps identified.



	<ul style="list-style-type: none">• Using elevated forms of consultation (ICP and Good Faith Negotiation) where cultural heritage will be used for commercial purposes.		
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Table 2: Gap Analysis of the Adaptation Fund (AF) Environmental and Social Policy (November 2013)

Key Topic/Issue	Green Climate Fund Environmental and Social Safeguards ⁴	AF Environmental and Social Policy Statement	Key Safeguard Difference
Assessment and Management	<p>PS 1: Assessment and Management of Environmental and Social Risks and Impacts requires that entities develop a system to consistently assess and manage E&S risks and impacts. This E&S Management System (ESMS) should include:</p> <ul style="list-style-type: none"> • A policy which includes: an overarching definition of E&S objectives and requirements to ensure sound E&S performance, a commitment to comply with applicable law, a commitment to be consistent with the principles of the Performance Standards, a clear indication who will ensure conformance with the policy and be responsible for execution; • An assessment process, tailored to the scale and complexity of the project, that identifies and assesses direct and indirect E&S risks and impacts from the activity, including associated facilities, cumulative impacts and trans-boundary impacts; assesses measures to avoid, or where avoidance is not possible, minimize, and where residual impacts remain, compensate/offset for risks and impacts to workers, affected communities, and the environment; • Management programmes that describe the mitigation and actions that address the identified E&S risks and impacts; • An organizational structure that includes the appropriate capacity and competency to implement the ESMS; • An emergency preparedness and response system, where there is the potential to cause harm to people and/or the environment (project/programme specific element); • A system to monitor and measure the effectiveness of the management program; • A stakeholder engagement process, scaled to the project risks and impacts and development stage, which includes 	<p>The Policy Statement requires IE's to develop an ESMS commensurate in scope and ambition to the potential scope and severity of E&S risks inherent in the project/programme design.</p> <ul style="list-style-type: none"> • All projects will be screened to identify potential E&S risks and impacts; Category A & B projects require an environmental and social assessment against the principles. The assessment shall consider all potential direct, indirect, trans-boundary, and cumulative impacts and risks that could result from the activity; assess measures to avoid, minimize, or mitigate; • A management plan is required that identifies measures to avoid, minimize or mitigate risks; • Monitoring and evaluation shall address all E&S risks; reporting is required to the AF; • A stakeholder engagement program including consultation, disclosure of information, and a 	<p>Accreditation Gaps at the institutional ESMS level include:</p> <ul style="list-style-type: none"> • Developing a policy; • Reporting to Senior Management on ESMS effectiveness; • Developing and implementing an external institutional communications system. <p>Gaps at the specific projects/activity level include:</p> <ul style="list-style-type: none"> • Developing and implementing an emergency preparedness and response system.



	<p>consultation, a project level grievance mechanism, disclosure of information, and on-going reporting to affected communities (project/programme specific element);</p> <ul style="list-style-type: none">• An external institutional communications mechanism.	<p>project level grievance mechanism are required.</p>	
Labour and Working Conditions	<p>PS2: Labor and Working Conditions is guided by the International Labour Organization (ILO) Conventions listed in FN2. PS 2 applicability is identified in the E&S risks and impacts assessment process and, if applicable, is managed through the ESMS. The scope of application depends upon the type of employment relationship. Requirements may include developing and implementing:</p> <ul style="list-style-type: none">• Human resources policies and procedures;• Working conditions and terms of employment;• The respect of national law for workers to form and join workers' organizations and to bargain collectively or, where national law is silent, to not restrict workers from developing alternative mechanisms;• Fair treatment, non-discrimination and equal opportunity of workers;• Retrenchment analysis and plan;• Grievance mechanism for workers;• The protection of workers by providing a safe and healthy work environment (with links to the WB EHS industry Guidelines), including vulnerable categories such as children, migrant workers, workers' engagement by third parties, and workers in the clients' supply chain.	<p>The E&S Principles require activities to meet the core labour standards as identified by the ILO.</p>	<p>The AF does not state actions needed to meet the core labour standards in the Principles while the PSs include actions; both standards rely on the ILO conventions so in principle there is no gap, but the Fund would need to verify that entities have met the specific requirements included in the PSs.</p> <p>Gaps that are not covered in principle at the specific projects/activity level include:</p> <ul style="list-style-type: none">• A retrenchment plan if significant retrenchment is planned;• A grievance mechanism for workers;• The provision of a safe and healthy working environment.
Resource Efficiency and Pollution Prevention	<p>PS 3: Resource Efficiency and Pollution Prevention applicability is identified in the E&S risks and impacts assessment process and, if applicable, is managed through the ESMS. The scope of application depends upon the ambient conditions and the scale and type of project. Requirements may include:</p> <ul style="list-style-type: none">• Implementation of technically and financially feasible and cost effective measures for improving resource efficiency including energy, water and other resources and material inputs;• Implementation of technically and financially feasible and	<p>Activities shall be designed and implemented in a way that meets applicable international standards for maximizing energy efficiency and minimizing material resource use, the production of wastes, and the release of pollutants.</p>	<p>Gaps at the specific projects/activities level include:</p> <ul style="list-style-type: none">• Implementation of technically and financially feasible and cost effective measures for improving resource efficiency and minimization of release of pollutants.



	<ul style="list-style-type: none">cost effective measures to reduce GHGs;Minimization of release of pollutants including wastes, hazardous materials and pesticides.		
Community Health, Safety, and Security	<p>PS 4: Community Health, Safety and Security applicability is identified in the E&S risks and impacts assessment process and, if applicable, is managed through the ESMS. The scope of application depends upon the potential risks and impacts to the Affected Communities from project activities. Requirements may include protecting Affected Communities from risks and impacts associated with:</p> <ul style="list-style-type: none">Infrastructure and equipment design and safety;Hazardous materials and management and safety;Priority provisioning and regulating ecosystem services;Community exposure to disease;Emergency response and preparedness collaboration;Retaining direct or contracted workers to provide security to safeguard personnel and property.	Activities shall be designed and implemented in a way that avoids potentially significant negative impacts on public health.	Gaps at the specific projects/activities level include: <ul style="list-style-type: none">Protection of public safety and security – infrastructure and equipment design and safety;Hazardous materials and management and safety;Priority provisioning and regulating ecosystem services;Emergency response and preparedness collaboration;Retaining direct or contracted workers to provide security to safeguard personnel and property.
Land Acquisition and Involuntary Resettlement	<p>PS 5: Land Acquisition and Involuntary Resettlement applicability is identified in the E&S risks and impacts assessment process and, if applicable, is managed through the ESMS. The scope of application is related to physical (relocation or loss of shelter) and/or economic displacement (loss of assets or access to assets that leads to loss of income sources or other means of livelihood) as a result of project-related land acquisition that is involuntary. Requirements may include:</p> <ul style="list-style-type: none">Alternative project design to avoid or minimize displacement;If avoidance is not possible, an economic baseline survey, a Resettlement Action Plan or Livelihood Restoration Plan, compensation and benefits for displaced persons, monitoring and evaluation of effectiveness of plans;Community engagement on decision-making processes related to resettlement and livelihood restoration options and	Activities shall be designed and implemented to: <ul style="list-style-type: none">Avoid or minimize the need for involuntary resettlement;When limited involuntary resettlement is unavoidable, due process should be observed so that displaced persons are informed of their rights, consulted on their options, and offered technically, economically, and socially feasible resettlement alternatives or fair and adequate compensation.	Gaps at the specific projects/activities level include: <ul style="list-style-type: none">Requirement for an economic baseline survey;Resettlement Action Plan or Livelihood Restoration Plan and monitoring and evaluation on effectiveness of plans;Benefits for displaced persons;Grievance mechanism for affected households.

	<p>alternatives;</p> <ul style="list-style-type: none"> • Grievance mechanism for affected households. 		
Biodiversity Conservation and Sustainable Management of Living Natural Resources	<p>PS 6: Biodiversity Conservation and Sustainable Management of Living Natural Resources applicability is identified in the E&S risks and impacts assessment process and, if applicable, is managed through the ESMS. The scope of application depends upon the potential risks and impacts to projects (i) located in modified, natural, and critical habitats; (ii) that potentially impact on or are dependent on ecosystem services over which the project has direct management control or significant influence; or (iii) that include the production of living natural resources (e.g. agriculture, animal husbandry, fisheries, forestry). Requirements may include:</p> <ul style="list-style-type: none"> • Applying the mitigation hierarchy to protect and conserve biodiversity; • Applying extra protection in legally protected or internationally recognized areas; • Avoiding intentional or accidental introduction of alien, or non-native, species; • Avoiding adverse impact on priority ecosystem services; • Where possible, locating land-based agribusiness and forestry projects on land already converted and implementing sustainable management practices; • Avoiding the purchase of primary production from supply chain sources that are contributing to significant conversion of natural and/or critical habitats. 	<p>Activities shall be designed and implemented in a way that avoids any significant or unjustified reduction or loss of biological diversity or the introduction of invasive species.</p> <p>The AF does not support activities that would involve unjustified conversion or degradation of critical natural habitats, including:</p> <ul style="list-style-type: none"> • Legally protected areas; • Those proposed for protection; • Areas recognized for high conservation value; • Areas recognized or protected by traditional or indigenous local communities. <p>Activities should:</p> <ul style="list-style-type: none"> • Promote soil conservation; • Avoid degradation or conversion of productive lands; • Avoid degradation or conversion of land that provides valuable ecosystem services. 	<p>Gaps at the specific projects/activities level include:</p> <ul style="list-style-type: none"> • Protection measures for modified or natural habitat; • Avoidance of the purchase of primary production from supply chain sources that are contributing to significant conversion of natural and/or critical habitats.
Indigenous Peoples	<p>PS 7: Indigenous Peoples applicability is identified in the E&S risks and impacts assessment process and, if applicable, is managed through the ESMS. The scope of application depends upon the project activities with potentially adverse impacts on communities or groups of Indigenous Peoples. Requirements may include:</p>	<p>The AF will not support activities that are inconsistent with the rights and responsibilities set forth in the UN Declaration on the Rights of Indigenous Peoples and other applicable international instruments</p>	<p>Gaps at the specific projects/programmes level include:</p> <ul style="list-style-type: none"> • Proposed actions will be developed with the ICP of the Affected Communities



	<ul style="list-style-type: none">• Avoiding impacts where possible, or when not possible to minimizing and/or compensating for impacts;• Establishing and maintaining an on-going relationship based on Informed Consultation and Participation (ICP);• Developing proposed actions with the ICP of the Affected Communities and contained in a time-bound plan, such as an Indigenous Peoples Plan, or a broader community development plan with separate components for Indigenous Peoples;• Ensuring Free, Prior, and Informed Consent is obtained in the following situations: (i) adverse impacts on lands traditionally owned by, or under customary use, (ii) physical relocation from communally held lands and natural resources subject to traditional ownership or under customary use, (iii) significant impacts on critical cultural heritage or commercialization of cultural heritage.	<p>relating to indigenous peoples.</p> <p>Activities shall avoid imposing any disproportionate adverse impacts on marginalized and vulnerable groups including indigenous people and tribal groups.</p>	<p>and contained in a time-bound plan, such as an Indigenous Peoples Plan, or a broader community development plan with separate components for Indigenous Peoples.</p>
Cultural Heritage	<p>PS 8: Cultural Heritage applicability is identified in the E&S risks and impacts assessment process and, if applicable, is managed through the ESMS. The scope of application depends upon the potential risks and impacts on cultural heritage which includes (i) tangible forms of cultural heritage, (ii) unique natural features or tangible objects that embody cultural values, and (iii) intangible forms of culture to be used for commercial purposes.</p> <p>Requirements may include:</p> <ul style="list-style-type: none">• Avoiding impacts on cultural heritage but if not possible retaining a competent professional to assist with identification, protection and removal, and consulting with Affected Communities;• Developing a chance find plan if cultural heritage is likely to be found during construction or operations;• Using elevated forms of consultation (ICP and Good Faith Negotiation) where cultural heritage will be used for commercial purposes.	<p>Activities shall be designed and implemented in a way that:</p> <ul style="list-style-type: none">• Avoids the alteration, damage, or removal of any physical cultural resources, cultural sites with unique natural values;• Does not interfere with existing access and use of such physical and cultural resources.	<p>Gaps at the specific projects/activities level include:</p> <ul style="list-style-type: none">• Developing a chance find plan if cultural heritage is likely to be found during construction or operations;• Using elevated forms of consultation (ICP and Good Faith Negotiation) where cultural heritage will be used for commercial purposes.

Annex V: Existing intermediaries and implementing entities accredited by other relevant funds

I. Global Environment Facility

Table 1: GEF Partner Agencies

GEF Agencies	Acronym
African Development Bank	AfDB
Asian Development Bank	ADB
Inter-American Development Bank	IDB
International Fund for Agricultural Development	IFAD
United Nations Development Programme	UNDP
United Nations Environment Programme	UNEP
World Bank (International Bank for Reconstruction and Development)	IBRD
Food and Agriculture Organization of the United Nations	FAO
United Nations Industrial Development Organization	UNIDO
European Bank for Reconstruction and Development	EBRD
GEF Project Agencies:	
Development Bank of Southern Africa	DBSA
World Wildlife Fund, Inc.	WWF-US
Conservation International	CI
International Union for Conservation of Nature	IUCN

1. The GEF secretariat updated the GEF Council on agency progress on meeting GEF's Minimum Fiduciary Standard.¹ All ten GEF agencies fully comply with the GEF Fiduciary Standards.

2. The GEF secretariat updated the GEF Council on agency progress on meeting GEF's Minimum Standards on Environmental and Social Safeguards and Gender Mainstreaming.² Six agencies were found in April 2014 to have outstanding issues to resolve in order to fully comply with the GEF Minimum Standards on Environmental and Social Safeguards and Gender Mainstreaming: EBRD, IDB, IFAD, UNDP, UNEP, and UNIDO. As requested by the Council, all action plans are set to conclude (i.e. be in full compliance) by end-2014.

¹ GEF. 2014. *Agency Progress on Meeting the GEF Fiduciary Standards*. GEF/C.46/Inf.05. Available at <https://www.thegef.org/gef/sites/thegef.org/files/documents/GEF.C.46.Inf_.05%20Agency%20Progress%20on%20Meeting%20the%20GEF%20Fiduciary%20Standards_April%202014.pdf>.

² GEF. 2014. *Agency Progress on Meeting Minimum Standards on Environmental and Social Safeguards and Gender Mainstreaming*. GEF/C.46/Inf.06. Available at <https://www.thegef.org/gef/sites/thegef.org/files/documents/GEF.C.46.Inf_.06%20Agency%20Progress%20on%20Meeting%20Minimum%20Standards%20on%20Environmental%20and%20Social%20Safeguards%20and%20Gender%20Mainstreaming_April%202014_0.pdf>.

3. The GEF Accreditation Panel may give conditional approval to an applicant agency that has demonstrated full compliance with the GEF's minimum fiduciary standards, but does not yet fully comply with the GEF's environmental and social safeguards, including gender mainstreaming.

4. Three of the four Project Agencies WWF-US, IUCN and CI have completed all three stages of the accreditation process as of October 2014 while DBSA is close to completing stage 3.

II. Adaptation Fund

Table 2: Adaptation Fund – Multilateral implementing entities³

Name	Acronym
Asian Development Bank	ADB
Inter-American Development Bank	IDB
International Fund for Agricultural Development	IFAD
United Nations Development Programme	UNDP
United Nations Environment Programme	UNEP
United Nations World Food Programme	WFP
World Bank (International Bank for Reconstruction and Development)	IBRD
World Meteorological Organization	WMO
African Development Bank	AfDB
United Nations Educational, Scientific and Cultural Organization	UNESCO
European Bank for Reconstruction and Development	EBRD

5. Prior to 2012, the Adaptation Fund (AF) had two types of "conditional" accreditation: conditions that had to be met prior to receiving funding from the AF; and conditions that required additional reporting. The latter applies when an applicant meets the fiduciary standards but may have limited experience of applying the standards in practice. Since 2012, the AF longer accredits entities with conditions.

6. AfDB was accredited by the AF Board, subject to two conditions. Per the Report of the Fifteenth Meeting of the Accreditation Panel, both conditions continue.⁴

³ <https://www.adaptation-fund.org/page/implementing-entities>.

⁴ Adaptation Fund, 2014. *Report of the Fifteenth Meeting of the Accreditation Panel*. AFB/B.23/4. Available at <https://www.adaptation-fund.org/sites/default/files/AFB.B.23.4%20Report%20of%20the%20Accreditation%20Panel_0.pdf>.

Table 3: Adaptation Fund – Regional implementing entities⁵

Name	Acronym	Country
West African Development Bank	BOAD	Togo
Sahara and Sahel Observatory	OSS	Tunisia
Secretariat of the Pacific Regional Environment Programme	SPREP	Samoa
Corporación Andina de Fomento	CAF	Venezuela

7. BOAD was accredited by the AF Board, subject to two conditions. Per the Report of the Fifteenth Meeting of the Accreditation Panel, one condition has been fully complied with, and the other condition will be reviewed by the AF's Accreditation Panel in 2014.⁶

Table 4: Adaptation Fund – National implementing entities⁷

Name	Acronym	Country
Planning Institute of Jamaica	PIJ	Jamaica
Centre de Suivi Ecologique	CSE	Senegal
Agencia Nacional de Investigación e Innovación	ANII	Uruguay
National Environment Fund	NEF	Benin
South African National Biodiversity Institute	SANBI	South Africa
Protected Areas Conservation Trust	PACT	Belize
Ministry of Planning and International Cooperation	MPIC	Jordan
Ministry of Natural Resources	MINIRENA	Rwanda
National Environment Management Authority	NEMA	Kenya
Mexican Institute of Water Technology	IMTA	Mexico
Unidad para el Cambio Rural	UCAR	Argentina
National Bank for Agriculture and Rural Development	NABARD	India
Fundecoperación Para el Desarrollo Sostenible	Fundecoperación	Costa Rica
Agency for Agricultural Development	ADA	Morocco
Agencia de Cooperación Internacional de Chile	AGCI	Chile
Peruvian Trust Fund for National Parks and Protected Areas	PROFONANPE	Peru
Desert Research Foundation of Namibia	DRFN	Namibia

8. CSE was accredited by the AF Board, with the request to provide additional reporting per the Report of the Fifteenth Meeting of the Accreditation Panel.⁸

⁵ <https://www.adaptation-fund.org/page/implementing-entities>.

⁶ Adaptation Fund, 2014. *Report of the Fifteenth Meeting of the Accreditation Panel*. AFB/B.23/4. Available at <https://www.adaptation-fund.org/sites/default/files/AFB.B.23.4%20Report%20of%20the%20Accreditation%20Panel_0.pdf>.

⁷ <https://www.adaptation-fund.org/page/implementing-entities>.

⁸ Adaptation Fund, 2014. *Report of the Fifteenth Meeting of the Accreditation Panel*. AFB/B.23/4. Available at <https://www.adaptation-fund.org/sites/default/files/AFB.B.23.4%20Report%20of%20the%20Accreditation%20Panel_0.pdf>.

9. NEF was accredited by the AF Board, subject to one condition and an additional reporting requirement. Per the Report of the Fifteenth Meeting of the Accreditation Panel, the condition has been fully complied with.⁹

10. PACT was accredited by the AF Board, subject to one condition and an additional reporting requirement. Per the Report of the Fifteenth Meeting of the Accreditation Panel, the condition has been fully complied with.¹⁰

11. MINIRENA was accredited by the AF Board, subject to one additional reporting requirement, per the Report of the Fifteenth Meeting of the Accreditation Panel.¹¹

12. NEMA was accredited by the AF Board, subject to two additional reporting requirements, per the Report of the Fifteenth Meeting of the Accreditation Panel.¹²

III. EU DEVCO

Table 5: EU DEVCO – National public-sector bodies or bodies governed by private law with a public-service mission (NAs) that have undergone EU institutional compliance assessments (pillar assessments)¹³

Name	Acronym	Country
Austrian Development Agency	ADA	Austria
Assistance au Développement des Échanges des Technologies Économiques et Financières	ADETEF	France
Agencia Espanola de Cooperacion Internacional al Desarrollo	AECID	Spain
Agence Française de Développement	AFD	France
Australian Development Agency	AusAid	Australia
British Council	BC	United Kingdom
Cooperation Technique Belge	BTC-CTB	Belgium
Camões - Instituto da Cooperação e da Língua (results from merger with IPAD)	CICL	Portugal
Danish Ministry of Foreign Affairs	DANIDA	Denmark
Development Bank of Southern Africa	DBSA	South Africa

⁹ Adaptation Fund, 2014. *Report of the Fifteenth Meeting of the Accreditation Panel*. AFB/B.23/4. Available at <https://www.adaptation-fund.org/sites/default/files/AFB.B.23.4%20Report%20of%20the%20Accreditation%20Panel_0.pdf>.

¹⁰ Adaptation Fund, 2014. *Report of the Fifteenth Meeting of the Accreditation Panel*. AFB/B.23/4. Available at <https://www.adaptation-fund.org/sites/default/files/AFB.B.23.4%20Report%20of%20the%20Accreditation%20Panel_0.pdf>.

¹¹ Adaptation Fund, 2014. *Report of the Fifteenth Meeting of the Accreditation Panel*. AFB/B.23/4. Available at <https://www.adaptation-fund.org/sites/default/files/AFB.B.23.4%20Report%20of%20the%20Accreditation%20Panel_0.pdf>.

¹² Adaptation Fund, 2014. *Report of the Fifteenth Meeting of the Accreditation Panel*. AFB/B.23/4. Available at <https://www.adaptation-fund.org/sites/default/files/AFB.B.23.4%20Report%20of%20the%20Accreditation%20Panel_0.pdf>.

¹³ The list of national public-sector bodies or bodies governed by private law with a public-service mission (NAs) that have undergone EU institutional compliance assessments (pillar assessments) was provided by EU DEVCO to the Green Climate Fund Secretariat and approved for publication within this paper on 8 October 2014.

Name	Acronym	Country
Deutsche Investitions- und Entwicklungsgesellschaft mbH	DEG	Germany
UK Department for International Development	DFID	United Kingdom
France Expertise International	FEI	France
Ministry of Foreign Affairs Finland	FI MoFA	Finland
Fundación International y para Iberoamérica de Administración y Políticas Públicas	FIIAPP	Spain
Deutsche Gesellschaft für Internationale Zusammenarbeit (results from merger DED and GTZ)	GIZ	Germany
Ministry of Foreign Affairs of ITALY	IT MoFA	Italy
Kreditanstalt fur Wiederaufbau	KfW	Germany
Lux-Development SA	Lux-Dev	Luxembourg
Northern Ireland Co-Operation Overseas LTD	NI-CO	Northern Ireland
NL Ministry of Foreign Affairs	NL MoFA	Netherlands
Swedish International Development Cooperation Agency	SIDA	Sweden
Societa Italiana per le Imprese al'Ester	SIMEST	Italy
Stichting Ontwikkeling Nederlandse Antillen	SONA/ USONA	Dutch Antilles

13. EU DEVCO confirmed to the Secretariat on 15 October 2014, that the 24 NAs listed above have been assessed successfully and meet the requirements of the relevant EU legislation and that they can carry out EU budget implementation tasks without conditions concerning their institutional compliance.

Table 6: EU DEVCO – International Organizations that have undergone EU institutional compliance assessments (pillar assessments)¹⁴

Name	Acronym
European Investment Bank	EIB

14. EU DEVCO confirmed to the Secretariat on 15 October 2014, that the final assessment report of EIB does not contain any conditions or recommendations. The conclusion of the report is that EIB meets the requirements of the relevant EU legislation and that it can carry out EU budget implementation tasks.

¹⁴ The list of international organizations that have undergone EU institutional compliance assessments (pillar assessments) was provided by EU DEVCO to the Green Climate Fund Secretariat and approved for publication within this paper on 15 October 2014.

Annex VI: Policy on fees for accreditation of the Fund

I. Purpose

1. The purpose of the policy on fees for accreditation is to define the payments to be made by entities seeking accreditation to the Fund. The policy takes into account the financial capacities of institutions and aims at contributing to covering the costs from the accreditation process, recognising that the actual costs of the accreditation process is expected to be higher than the amount recovered through fees.
2. The fee policies of other institutions that have a similar accreditation process, including the Adaptation Fund and the GEF, were considered in the development of this policy on fees.

II. Tailoring of fees on the basis of financial capacities

3. The policy on fees for accreditation to the Fund taking into account the financial capacities of institutions is based on the total projected costs at the time of application for an individual project or activity to be undertaken, for which one or more thresholds are defined.
4. Financial capacity is understood as the scale of intended funding proposals for individual projects or activities to be submitted to the Fund by the applicant in the event of accreditation.
5. Following on from this understanding, four thresholds are hereby established in relation to the financial capacities of institutions:
 - (a) Micro;
 - (b) Small;
 - (c) Medium; and
 - (d) Large.
6. The micro threshold refers to applications for a maximum total projected costs at the time of application, irrespective of the portion that is funded by the Fund, of up to and including a threshold of US\$ 10 million for an individual project or activity. The fee level for this threshold will be US\$ 1,000 for the basic fiduciary standards and US\$ 500 for each specialized fiduciary standard.¹
7. The small threshold refers to applications for a total projected costs at the time of application, irrespective of the portion that is funded by the Fund, of above US\$ 10 million and up to and including US\$ 50 million for an individual project. The fee level for this threshold will be US\$ 5,000 for the basic fiduciary standards and US\$ 1,000 for each specialized fiduciary standard.
8. The medium threshold refers to applications for a total projected costs at the time of application, irrespective of the portion that is funded by the Fund, of above US\$ 50 million and up to and including US\$ 250 million for an individual project or activity. The fee level for this threshold will be US\$ 10,000 for basic fiduciary standards and US\$ 3,000 for each specialized fiduciary standard.

¹ Specialized Fiduciary Standards refer to: 1) project management, 2) grant award and/or allocation mechanisms, and 3) on-lending and/or blending.

9. The large threshold refers to applications for a total projected costs at the time of application, irrespective of the portion that is funded by the Fund, of above US\$ 250 million for an individual project or activity. The fee level for this threshold will be US\$ 25,000 for basic fiduciary standards and US\$ 7,000 for each specialized fiduciary standard.

10. In cases where the Accreditation Panel needs to review the application more than twice, due to lack of completeness in the information or clarity in the documentation provided, additional fees will be determined on a case-by-case approach by the Secretariat.

11. The basic fee (for basic fiduciary standards and ESS), the additional fee(s) (for each specialized fiduciary standard), and other fee (for applications requiring more than two reviews by the Secretariat or Accreditation Panel) are non-refundable, even if an applicant fails to receive accreditation.

12. Subnational and national entities in developing countries, including small island developing states (SIDS) and least developed countries (LDCs), that apply for accreditation for the micro-sized funding activities will have their accreditation fees waived for the basic fiduciary standards.

13. Entities from SIDS and LDCs that apply for accreditation for the small-sized funding activities will have their accreditation fees waived for the basic fiduciary standards.

14. Subnational and national entities of developing countries other than SIDS and LDCs that apply for accreditation for the small-sized funding activities will have a fee level of US\$ 3,000 for the basic fiduciary standards.

15. A summary of the fee structure is provided in the following table:

**Table 1: Structure of fees for accreditation of the Fund**

Financial capacity category	Threshold	Fee Level for accreditation application for undertaking activities related to Basic Fiduciary Standards and ESS	Fee Level for accreditation application for undertaking activities related to each Specialized Fiduciary Standard ^a	Other Fees
Micro	Total projected costs at the time of application, irrespective of the portion that is funded by the Fund, less than or equal to US\$ 10 million for an individual project or activity	Subnational and national entities in developing countries including SIDS and LDCs: no fee All other entities: US\$ 1,000	US\$ 500 each	Other fees may apply if the application is reviewed by the Secretariat or Accreditation Panel more than twice. The amount of the fee is to be determined on a case-by-case approach by the Secretariat.
Small	Total projected costs at the time of application, irrespective of the portion that is funded by the Fund, above US\$ 10 million and up to and including US\$ 50 million for an individual project or activity	SIDS and LDCs: no fee Subnational and national entities in developing countries other than SIDS and LDCs: US\$ 3,000 All other entities: US\$ 5,000	US\$ 1,000 each	
Medium	Total projected costs at the time of application, irrespective of the portion that is funded by the Fund, above US\$ 50 million and up to and including US\$ 250 million for an individual project or activity	US\$ 10,000	US\$ 3,000 each	
Large	Total projected costs at the time of application, irrespective of the portion that is funded by the Fund, above US\$ 250 million for an individual project or activity	US\$ 25,000	US\$ 7,000 each	

^a Specialized Fiduciary Standards refer to: 1) project management; 2) grant award and/or allocation mechanisms; and 3) on-lending and/or blending.

III. Currency

16. Payments will be made in any convertible currencies approved by the Board.
17. For the purposes of assessment of financial capacities and consistency and comparability across applicants, financial information submitted by applicants will be required to be submitted using officially recognized exchange rates.

IV. Timing of payment

18. Payment of the fee for accreditation of the Fund will be made at the time of submission of the application (Stage I of the Accreditation Process).
19. Additional payments to cover excess costs to be incurred by the Accreditation Panel in reviewing the application more than twice, due to lack of complete information or clarity in the documentation provided by the applicant, will be done as instructed by the Secretariat to the applicant.

V. Upgrading or downgrading accreditation

20. An entity accredited for certain fiduciary standards may apply for an upgrade or downgrade in its accreditation status (e.g. an entity accredited under the Fund's basic fiduciary and ESS standards for small-scale projects or activities may choose to upgrade to the basic fiduciary and ESS standards for medium-scale projects or activities, or an entity may choose to downgrade its accreditation from medium-scale project activities to small). The following fee structure applies to upgrading or downgrading accreditation for already-accredited entities.
 - (a) For the basic fiduciary standards and ESS, the basic fee to be paid by the entity for applying to upgrade its activity size (e.g. micro, small, medium or large) equals the difference between the basic fee set for the activity size the entity is applying to upgrade to and the basic fee level the entity paid for its existing accreditation;
 - (b) For the specialized fiduciary standards, the additional fee to be paid by the entity for applying to upgrade its activity size equals the additional fee set for the activity size that the entity is applying to upgrade to;
 - (c) For the basic fiduciary standards and ESS, or the specialized fiduciary standards, there is no refund of the basic fee or additional fee, either in part or whole, paid by the entity requesting to downgrade its accreditation.

Annex VII: Content of the application documents for submissions of applications for accreditation to the Green Climate Fund

I. Purpose

1. The purpose of the content of the application for accreditation to the Fund is to define the information required for an applicant entity to complete in order for it to apply for accreditation to the Fund. The application form and application guidance will be developed by the Secretariat based on this document. The fit-for-purpose approach to accreditation will be applied in the assessment of applications.
2. An applicant entity can submit only one application at a time for accreditation to the Fund.
3. Applications must be completed and submitted in accepted languages. Accepted languages include English. Official languages used at the United Nations¹ will be introduced as accepted languages as soon as it is feasible. Until languages other than English are accepted, all supporting documentation submitted must be in English.
4. The applicant entity may provide documentation in support of their application. The Secretariat (at Stage I of the accreditation process) and the Accreditation Panel (at Stage II of the accreditation process) decide whether the supporting documentation submitted by the applicant entity is deemed sufficient.
5. The applicant entity should provide documentation on their track-record throughout the application. Track record may include, but is not limited to, information on climate change-related projects or activities already undertaken.

II. Key sections to be included in the application for accreditation

6. At a minimum, the application for accreditation to the Fund should include the following key sections to be completed by the applicant entity:
 - (a) Application number and processing information;
 - (b) Background and contact information of the applicant entity;
 - (c) Information on the scope of intended activities and estimated contribution requested for an individual project or activity;
 - (d) Information on how the institution and its intended activities will contribute to advancing the objectives of the Fund;
 - (e) Basic fiduciary criteria;
 - (f) Specialized fiduciary criteria;
 - (g) Environmental and social safeguards (ESS); and
 - (h) Gender.

¹ Official languages used at the United Nations are Arabic, Chinese, English, French, Russian and Spanish. Available at <<http://www.un.org/en/aboutun/languages.shtml>>.

III. Application number and processing information

7. Each application for accreditation will automatically be assigned an application number based on the date and time of receipt by the Secretariat to begin Stage I of the accreditation process.

IV. Background and contact information of the applicant entity

8. The section on background and contact information is applicable to all applicant entities and is to be completed with the required information and supported with other documentation as necessary.

9. At a minimum, the application for accreditation should include the following items related to the background and contact information of the applicant entity:

- (a) Legal name of the applicant entity;
- (b) Institution type, size and core business (e.g. international, regional, national, or sub-national levels; public, private, and other institutions);
- (c) Registered address of the applicant entity;
- (d) Website of the applicant entity, if applicable;
- (e) First and last names of the primary and secondary contact points of the applicant entity;
- (f) Emails of the primary and secondary contact points of the applicant entity;
- (g) Telephone numbers of the primary and secondary contact points of the applicant entity; and
- (h) Fax numbers of the primary and secondary contact points of the applicant entity.

V. Information on scope of intended activities and estimated contribution requested for an individual project or activity

10. The section on information on the scope of intended activities and the estimated contribution requested for an individual project or activity is applicable to all applicant entities and is to be completed with the required information and supported with other documentation as necessary.

11. The application for accreditation includes the following items related to the intended activities to be undertaken and the contribution requested by the applicant entity:

- (a) Type (sector, such as energy or transport, etc.), theme (e.g. mitigation or adaptation), size (e.g. scale), and risk level (related to environmental and social risk) of intended activities to be undertaken using the Fund's resources. The information provided in this section should be estimated and will be used to provide an early indication of the projects and activities that the entity may undertake. The funding proposals submitted after accreditation will need to include concrete information on the projects and activities;
- (b) Estimated maximum contribution amount for an individual project or activity to be requested from the Fund in US\$ and the type(s) of financial instrument(s) for intended activities. The maximum contribution amount for a project or activity will determine the

accreditation fees to be paid by the applicant entity, in accordance with the Policy on Fees for Accreditation to the Fund;²

- (c) Sources and types of additional finance for intended activities (if applicable), and how the sources and types of other finance will be applied; and
- (d) Indication of the standards against which the application will be assessed refers to the requirement for the applicant entity to indicate whether their application is to be assessed against the Fund's basic fiduciary standards and ESS, and, if applicable, specialized fiduciary standards (e.g. project management, grant award and/or funding allocation mechanisms, and on-lending and/or blending).

VI. Information on how the institution and its intended activities will contribute to advancing the objectives of the Fund

12. The applicant entity will provide a statement detailing how it will contribute to advancing the objectives of the Fund.

VII. Basic fiduciary criteria

13. The section on basic fiduciary criteria is applicable to all applicant entities and is completed with the required information and supported with other documentation as necessary.

14. The application should demonstrate the following competencies and specific capabilities related to the Fund's initial basic fiduciary criteria as illustrated in Table 1 below.

Table 1: Competencies and specific capabilities required to comply with the Fund's initial basic fiduciary standards

Competency	Areas in which capabilities are required
Key administrative and financial capacities	<ul style="list-style-type: none"> • General management and administration • Financial management and accounting • Internal and external auditing • Control frameworks • Procurement
Transparency and accountability	<ul style="list-style-type: none"> • Disclosure of conflicts of interest • Code of ethics • Prevention of or handling of financial mismanagement and other forms of malpractice • Investigations • Anti-money laundering and anti-terrorist financing

VIII. Section on specialized fiduciary criteria

15. The section on specialized fiduciary criteria is applicable to any applicant entity seeking accreditation for a specific set of specialized fiduciary criteria and is to be completed with the required information and supported with other documentation as necessary.

² See Annex VI.

16. The application should demonstrate the following competencies and specific capabilities related to the Fund's initial specialized fiduciary criteria as illustrated in Table 2 below.

Table 2: Competencies and specific capabilities required to comply with the Fund's initial specialized fiduciary standards

Competency	Areas in which capabilities are required
Project management	<ul style="list-style-type: none"> • Project preparation and appraisal (from the concept stage to the full funding proposal) • Project oversight and control • Monitoring and evaluation • Project-at-risk systems and associated project risk management
Grant award and/or funding allocation mechanisms	<ul style="list-style-type: none"> • Grant award procedures • Transparent allocation of financial resources • Public access to information on beneficiaries and results • Good standing with regard to multilateral funding (e.g. through recognized public expenditure reviews)
On-lending and/or blending	<ul style="list-style-type: none"> • Appropriate registration and/or licensing by a financial oversight body or regulator in the country and/or internationally, as applicable; • Track record, institutional experience and existing arrangements and capacities for on-lending and blending with resources from other international or multilateral sources; • Creditworthiness; • Due diligence policies, processes and procedures; • Financial resource management, including analysis of the lending portfolio of the intermediary; • Public access to information on beneficiaries and results; • Investment management, policies and systems, including in relation to portfolio management; • Capacity to channel funds transparently and effectively, and to transfer the Fund's funding advantages to final beneficiaries; • Financial risk management, including asset liability management; • Governance and organizational arrangements, including relationships between the treasury function and the operational side (front desk).

IX. Environmental and social safeguards

17. The section on ESS is applicable to all applicant entities and is to be completed with the required information and supported with other documentation as necessary.

18. The application should demonstrate the following competency and specific capabilities related to the Fund's initial ESS as illustrated in Table 3 below.

Table 3: Competencies and specific capabilities required to comply with the Fund's initial ESS

Competency	Areas in which capabilities are required
Assessment and management of environmental and social risks and impacts	<p>Develop an environmental and social management system (ESMS) to consistently implement Performance Standards 1-8;³ the ESMS includes the following elements:</p> <ul style="list-style-type: none"> • A policy; • A process to identify risks and impacts consistent with Performance Standards 1-8; • A management programme that manages mitigation measures and actions stemming from the risks and impacts. The management programme should include an identification process consistent with Performance Standards 1-8; • Organizational commitment, capacity and competencies to properly implement Performance Standards 1-8; • A monitoring and review programme to ensure completion of mitigation actions; this should facilitate learning and include reporting on the effectiveness of the ESMS; • External communication channel that facilitates receipt of and response to external inquiries.

X. Gender

19. The section on gender is applicable to all applicant entities and is completed with the required information and supported with other documentation as necessary.

20. The application should demonstrate the following competency and specific capabilities related to the Fund's Gender Policy,⁴ which is required for accreditation (see Table 4):

Table 4: Competencies and specific capabilities required to comply with the Fund's Gender Policy

Competency	Areas in which capabilities are required
Gender	<p>Demonstrate:</p> <ul style="list-style-type: none"> (a) Competencies, policies and procedures to implement the Fund's Gender Policy; and (b) Experience in gender and climate change, including a track record on lending to both women and men.

XI. Additional considerations:

21. The Accreditation Panel, with the support of the Secretariat, can from time to time and as required call for a review and amend the content of the application for accreditation to the Fund.

22. The Accreditation Panel, with the support of the Secretariat, determines the format of the application template containing at a minimum the content identified within this document.

³ Annex III of document GCF/B.07/11.

⁴ To be considered by the Board as Annex II to document GCF/B.08/19.

Annex VIII: Mitigation and adaptation performance measurement frameworks

1. The mitigation and adaptation performance measurement frameworks (PMFs) have been designed to measure the results of the Fund and, where appropriate, to serve as the basis for results-based payments, in accordance with any further guidance from the Board.
2. The methodologies for the indicators identified in the PMF will be identified in line with the initial approach to the monitoring and evaluation policy as outlined in Annex II. Gender disaggregation for the indicators will be applied where possible.
3. The mitigation and adaptation paradigm-shift results will be measured using a combination of quantitative and qualitative information that goes beyond simply aggregating the results' indicators.¹
4. Context-specific environmental, social and economic co-benefits can be identified on a project/programme case-by-case basis. Examples include improved public health, improved energy security and improved forest ecosystem health. Sustainable development potential, which entails co-benefits, is part of the investment criteria in the Fund's initial investment framework.
5. Where applicable, mitigation projects/programmes that also generate adaptation results should report on adaptation indicators (and vice versa for adaptation projects/programmes with mitigation results). For example, a project that primarily intends to improve land and forest areas contributing to emission reductions (result 9.0 in the mitigation PMF) and, by doing so, also contribute to increasing the resilience of the ecosystem (result 4.0 in the adaptation PMF) would report on the relevant indicators for both mitigation and adaptation.
6. The PMFs include notations where indicator screening based on the experience of other funds to date suggests that gender can be an integral part of reporting and analysis through disaggregated reporting (by gender). In some cases, gender-based data are not typically available or feasible to collect; however, as part of the further development of the indicator methodologies, additional analysis on where gender can be integrated explicitly into additional indicators will be conducted. Furthermore, as described below in chapter III, any additional work on the PMFs will take into consideration the Fund's draft Gender Policy and Action Plan (contained in document GCF/B.08/19).
7. As pointed out in Board decision B.05/03,² the Fund is a continuously learning institution. The PMF results, indicators and associated methodologies will be refined and adapted as needed based on best practices and lessons learned, including to facilitate coherence with and responsiveness to efforts undertaken by countries within the context of the UNFCCC process.

¹ Elements that are expected to be considered include: overall contribution to low-carbon development pathways consistent with a temperature increase of less than 2 degrees (mitigation), overall achievement in contributing to sustainable climate-resilient development pathways (adaptation), the degree to which knowledge and learning are achieved, extent to which the enabling environment is created or enhanced, and extent to which the regulatory framework and policies are strengthened.

² In GCF/B.05/23 (paragraph h, page 3).

A. Mitigation performance measurement framework

8. The proposed mitigation PMF in Table 1 is aligned with the mitigation logic model. The proposed associated indicators are listed next to their corresponding objective/impact/outcome. The notes provide information on the proposed methodology, disaggregation and relationship to indicators used by peer funds/agencies. Gender disaggregation for the indicators will be applied where applicable.

9. The high-level PMF table format is intentionally simple: it does not include specifics that can be added later once the PMF is adopted, such as technical definitions, baselines, data sources, calculation methodologies, reporting format and targets.

10. Initial methodologies for the three adopted mitigation core indicators are included in Annex V. Once the Board adopts the indicators in the PMF, detailed methodologies, including more specifics on gender, can be identified for these indicators.

11. Some of the indicators in this PMF (particularly 1.1, 3.1 and 7.1) involve combining data across sectors so that the indicator matches with the intended results as articulated in the logic model. In these cases, each sector's data will be calculated separately according to methodologies suited for that sector and then totalled

Table 1: Mitigation performance measurement framework

= Decided

= Noted, but further refinement needed

Expected result	Indicator * = Core	Reporting responsibility (annual reporting)	Notes ³
<i>Paradigm-shift Objective</i>			
Shift to low-emission sustainable development pathways	<input type="checkbox"/> Degree to which the Fund is achieving low-emission sustainable development impacts	Secretariat	Proposed assessment based on a combination of quantitative and qualitative information that goes beyond simple aggregation of the results' indicators. Elements to be considered include the overall contribution to low-carbon development pathways, consistent with a temperature increase of less than 2 degrees, the degree to which knowledge and learning are achieved, extent to which the enabling environment is created or enhanced, and extent to which the regulatory framework and policies are strengthened.
<i>Fund-level Impacts</i>			
	<input checked="" type="checkbox"/> Tonnes of carbon dioxide equivalent (t CO₂eq) reduced as a result of Fund-funded projects/programmes	Implementing entities (IEs)/intermediaries	Aggregate summation of sector-specific t CO ₂ eq reduction indicators. Intended to be estimated ex-ante and reported annually and ex-post. Methodologies tailored to each sector – see specifics below and in Annex V.

³ Notes are provided by the Secretariat for information only.

Expected result	Indicator * = Core	Reporting responsibility (annual reporting)	Notes ³
	<input checked="" type="checkbox"/> *Cost per t CO ₂ eq decreased for all Fund-funded mitigation projects/programmes	IEs/ intermediaries	Intended to help understand anticipated costs (ex-ante) as well as trends in reducing costs of mitigation over time. Costs per t CO ₂ eq reduced are expected to vary based on sector, technology, programme/project context, time scale, risk, etc.
	<input checked="" type="checkbox"/> *Volume of finance leveraged by Fund funding	IEs/ intermediaries	"Leveraged" considered synonymous with the term "mobilized" (used by other funds). Informed by CIF, International Finance Corporation (IFC), and others. Calculations to be disaggregated by public and private sources; prorated by amount of co-financing.
1.0 Reduced emissions through increased low-emission energy access and power generation	<input checked="" type="checkbox"/> 1.1 *Tonnes of carbon dioxide equivalent (t CO ₂ eq) reduced or avoided as a result of Fund-funded projects/programmes – <i>gender-sensitive energy access power generation (sub-indicator)</i>	IEs/ intermediaries	<p><i>Energy access:</i></p> <ul style="list-style-type: none"> - Based on gender-sensitive methodologies used by CIF's Program for Scaling Up Renewable Energy in Low Income Countries (SREP) core indicator 2. <p>Disaggregated by gender.</p> <p><i>Power generation:</i></p> <ul style="list-style-type: none"> - Methods to be informed by multilateral development banks'/international financial institutions' (MDBs/IFIs) GHG accounting harmonization work on energy efficiency and renewable energy; where feasible, gender-disaggregated data to be collected. Can also consider DFID GHG appraisal guidance and the Fund's 2013 energy efficiency guidelines.
2.0 Reduced emissions through increased access to low-emission transport	<input checked="" type="checkbox"/> 2.1 *Tonnes of carbon dioxide equivalent (t CO ₂ eq) reduced or avoided as a result of Fund-funded projects/programmes – <i>low emission gender-sensitive transport (sub-indicator)</i>	IEs/ intermediaries	<p><i>Public transport:</i></p> <ul style="list-style-type: none"> - Specifics to be informed by pending MDB/IFI work on transport GHG accounting harmonization; GEF's 2013 transportation project GHG calculation methodology developed by the Institute for Transportation Development Policy (ITDP) <p>Disaggregated by gender.</p> <p><i>Vehicle fuels (fuel economy standards):</i></p> <ul style="list-style-type: none"> - [If applicable to Fund investments] methods may be informed by the work of International Council on Clean Transportation (ICCT); and by the work of the Women's Issues in Transportation Committee of the US Transport Research Board.
3.0 Reduced emissions from	<input checked="" type="checkbox"/> 3.1 *Tonnes of carbon dioxide	IEs/ intermediaries	<i>Buildings:</i> Informed by MDB/IFI GHG accounting harmonization work on energy

Expected result	Indicator * = Core	Reporting responsibility (annual reporting)	Notes ³
buildings, cities, industries and appliances	equivalent (t CO ₂ eq) reduced or avoided as a result of Fund-funded projects/programmes – <i>buildings, cities, industries, and appliances sub-indicator</i>		<p>efficiency.</p> <p><i>Cities:</i> Informed by the Global Protocol for Community-Scale Greenhouse Gas Emissions and by the Cities Alliance (currently being developed).</p> <p><i>Industries:</i> Informed by MDB/IFI GHG accounting harmonization work on energy efficiency.</p> <p><i>Appliances:</i> Informed MDB/IFI GHG accounting harmonization work on energy efficiency where applicable. Can also draw upon the GEF's GHG accounting for standards and labelling; CLASP's/Lawrence Berkeley National Laboratory's (LBNL) Policy Analysis Modelling System.</p> <p>Gender disaggregation is to be researched for each sector and included where possible.</p>
4.0 Reduced emissions from land use, deforestation, forest degradation, and through sustainable management of forests and conservation and enhancement of forest carbon stocks	<input checked="" type="checkbox"/> 4.1 Tonnes of carbon dioxide equivalent (t CO ₂ eq) reduced or avoided (including increased removals) as a result of Fund-funded projects/programmes – <i>forest and land-use sub-indicator</i>	IEs/intermediaries	<p>Informed by CIF FIP Indicator 1, pending Fund work on the performance framework for REDD+, the Forest Carbon Partnership Facility Methodological Framework (Dec. 2013), UN REDD and emerging United Nations Framework Convention on Climate Change (UNFCCC) guidance on REDD+.</p> <p>Gender disaggregation is to be researched and included if possible.</p>
	<input type="checkbox"/> Social, environmental, economic co-benefit index/indicator at impact level		<p>Co-benefit indicator related to GHG reductions/low-emissions development pathways and sustainable development.</p> <p>Specifics to be determined.</p>
<i>Project/Programme Outcomes</i>			
	<input type="checkbox"/> Number of technologies and innovative solutions transferred or licensed to support low-emission development as a result of Fund support.	IEs/intermediaries	Might include number of technology transfer licenses, number of facilities created to produce local technologies, and/or projects/programmes that include transfer of technology and innovative solutions that support low-emission pathways.

Expected result	Indicator * = Core	Reporting responsibility (annual reporting)	Notes ³
5.0 Strengthened institutional and regulatory systems for low-emission planning and development	<input type="checkbox"/> 5.1 Institutional and regulatory systems that improve incentives for low-emission planning and development and their effective implementation	IEs/ intermediaries	Details on this indicator are to be determined. Although this can be informed by GEF Indicator 5, the World Bank's RISE (Readiness for Investment in Sustainable Energy) work, and Bloomberg New Energy Finance (BNEF) Climatesope work, consideration will be made to avoid country and sector-level requirements for this indicator. Consideration should be given to what can be measured at different levels (city, regional, etc.) and what changes can be tied to the work of the Fund, either in an attribution or contribution sense.
	<input type="checkbox"/> 5.2 Number and level of effective coordination mechanisms	IEs/ Intermediaries	Seeks to measure evidence of measures taken for promoting coordination and synergy at the regional and international levels, including between and among relevant agencies and with regard to other multilateral environmental agreements.
6.0 Increased number of small, medium and large low-emission power suppliers	<input checked="" type="checkbox"/> 6.1 Proportion of low-emission power supply in a jurisdiction or market.	IEs/ intermediaries	To be determined by recipient countries. Disaggregated by size of supplier
	<input checked="" type="checkbox"/> 6.2 Number of households, and individuals (males and females) with improved access to low-emission energy sources	IEs/ intermediaries	Informed by CIF SREP 2. Disaggregated by males and females. Disaggregated by urban and rural. To be informed by SE4All. Assumes that it will not be possible to measure improved access from large-grid systems; therefore the data will be linked to off-grid access (e.g., solar panels) and mini-grid systems.
	<input checked="" type="checkbox"/> 6.3 MWs of low-emission energy capacity installed, generated and/or rehabilitated as a result of GCF support	IEs/ intermediaries	Informed by CIF CTF and SREP indicators.
7.0 Lower energy intensity of buildings, cities, industries, and appliances	<input type="checkbox"/> 7.1 Energy intensity/improved efficiency of buildings, cities, industries and appliances as a result of Fund support.	IEs/ intermediaries	Informed by MDB/IFI GHG accounting harmonization work on energy efficiency; can also be informed by IEA and SE4ALL Global Tracking Framework where relevant. Will need to be calculated sector-by-sector; different methodologies apply to buildings, cities, industries and appliances.

Expected result	Indicator * = Core	Reporting responsibility (annual reporting)	Notes ³
8.0 Increased use of low-carbon transport	<input type="checkbox"/> 8.1 Number of additional female and male passengers using low-carbon transport as a result of Fund support.	IEs/ intermediaries	<p>Informed by CIF CTF indicator 4, pending work by MDBs and IFIs on transport GHG accounting harmonization.</p> <p>Additional passengers = mode shift</p> <p>To consider underlying reasons for mode shift, such as transit-oriented development</p> <p>Disaggregated by gender.</p>
	<input type="checkbox"/> 8.2 Vehicle fuel economy and energy source as a result of Fund support.	IEs/ intermediaries	<p>Trends in fuel economy by vehicle class (commercial and passenger plus subclasses by heavy/light duty, weight, etc.) and energy source (e.g. hybrid and all-electric vehicles)</p> <p>Focuses on vehicles in the private, commercial and government fleets (not public transport or non-motorized transport options).</p> <p>Details of methodology to be determined: may be by average fuel economy by vehicle class.</p> <p>Informed by work of the International Energy Agency, the International Council on Clean Transportation, and others</p>
9.0 Improved management of land or forest areas contributing to emissions reductions	<input type="checkbox"/> 9.1 Hectares of land or forests under improved and effective management that contributes to CO ₂ emission reductions	IEs/ intermediaries	Informed by work on REDD+ performance framework (currently being developed). Can draw on CIF Forest Investment Program (FIP) indicator guidance, Forest Carbon Partnership Facility Monitoring and Evaluation Framework, UN REDD, and UNFCCC guidance.
<i>Project/Programme Outputs</i>	[Defined for each project/programme on a case-by-case basis.]		
<i>Activities</i>	[Defined for each project/programme on a case-by-case basis.]		
<i>Inputs</i>	[Defined for each project/programme on a case-by-case basis.]		

B. Adaptation performance measurement framework

12. The adaptation PMF in Table 2 is aligned with the adaptation logic model. The associated indicators are listed next to their corresponding objective/impact/outcome. The notes provide details of the proposed methodology, disaggregation and equivalency with indicators used by peer funds/agencies.

13. When applicable, an indicator measuring additional financing from public and private sources on adaptation activities can be tracked and reported during project/programme implementation on a case-by-case basis. This indicator would not serve as a decision-making factor when assessing a funding proposal for adaptation.

14. An initial methodology for the adopted adaptation core indicator is included in Annex V. Once the Board adopts the additional indicators in the PMF, detailed methodologies, including more specifics on gender, can be identified for these indicators.

Table 2: Adaptation performance measurement framework

= Decided

= Noted, but further refinement needed

Expected result	Indicator <i>* = Core</i>	Reporting responsibility (annual reporting)	Notes ⁴
<i>Paradigm-shift Objective</i>			
Increased climate-resilient sustainable development	<input type="checkbox"/> Degree to which the Fund is achieving a climate-resilient sustainable development impact	Secretariat	Proposed assessment based on a combination of quantitative and qualitative information that goes beyond simple aggregation of the results' indicators. Elements to be considered include the overall contribution to sustainable climate-resilient development pathways, the degree to which knowledge and learning are achieved, extent to which the enabling environment is created or enhanced, and extent to which the regulatory framework and policies are strengthened.
<i>Fund-level Impacts</i>			
	<input checked="" type="checkbox"/> * Total Number of direct and indirect beneficiaries; Number of beneficiaries relative to total population	IEs/ intermediaries	The indicator measures the number of people who have received an input of support, where two dimensions of support are considered: targeted and intensity level. Based on these two dimensions, a direct and indirect category of beneficiaries is identified. See Annex V for the methodology. Disaggregated by gender. <i>Informed by Adaptation Fund (core-1); CIF PPCR A1.3.</i>
1.0 Increased resilience and enhanced livelihoods of the most vulnerable people,	<input type="checkbox"/> 1.1 Change in expected losses of lives and economic assets (US\$) due to the impact of extreme climate-related disasters in the	IEs/ intermediaries /country	Disaggregated by vulnerable groups and gender, share of total population. Analysis of loss of life is separate from analysis of economic losses (lives not to be valued).

⁴ Notes are provided by the Secretariat for information only.

Expected result	Indicator * = Core	Reporting responsibility (annual reporting)	Notes ⁴
communities, and regions	geographic area of the GCF intervention		Economic losses will be analysed in relation to the size of economies. <i>Informed by CIF PPCR A1.2.</i>
	<input type="checkbox"/> 1.2 Number of males and females benefiting from the adoption of diversified, climate-resilient livelihood options (including fisheries, agriculture, tourism, etc.)	IEs/ intermediaries	Disaggregated by gender; to consider equitable sharing of benefits. Methodology to consider (e.g., climate-resilient agriculture, sustainable climate-resilient tourism, fisheries, green jobs, etc.) <i>Informed by Adaptation Fund 6.1, 6.2; LDCF/SCCF 3.</i>
	<input type="checkbox"/> 1.3 Number of Fund-funded projects/programmes that supports effective adaptation to fish stock migration and depletion due to climate change	IEs/ intermediaries	Details to be determined.
2.0 Increased resilience of health and well-being, and food and water security	<input checked="" type="checkbox"/> 2.1 Number of males and females benefiting from introduced health measures to respond to climate-sensitive diseases	IEs/ intermediaries	Disaggregated by health measure, disease Disaggregated by gender <i>Informed by: n/a.</i>
	<input checked="" type="checkbox"/> 2.2 Number of food-secure households (in areas/periods at risk of climate change impacts)	IEs/ intermediaries	Disaggregated by male and female-headed households <i>Informed by CIF PPCR A1.1.</i>
	<input checked="" type="checkbox"/> 2.3 Number of males and females with year-round access to reliable and safe water supply despite climate shocks and stresses	IEs/ intermediaries	Disaggregated by gender in relation to domestic, agricultural and industrial sources. Disaggregated by male and female-headed households for domestic sources. <i>Informed by CIF PPCR A1.4.</i>
3.0 Increased resilience of infrastructure and the built environment to climate change threats	<input type="checkbox"/> * 3.1 Number and value of physical assets made more resilient to climate variability and change, considering human benefits (reported where applicable)	IEs/ intermediaries	Number will be disaggregated by sector, type of asset, action (constructed or strengthened), etc. <i>Informed by Adaptation Fund (core-3), LDCF/SCCF 2.</i> To cover assets associated with climate-

Expected result	Indicator * = Core	Reporting responsibility (annual reporting)	Notes ⁴
			vulnerable sectors, such as tourism.
4.0 Improved resilience of ecosystems and ecosystem services	<input type="checkbox"/> 4.1 Coverage/scale of ecosystems protected and strengthened in response to climate variability and change	IEs/ intermediaries	<p>Disaggregated by ecosystem type.</p> <p>To examine how impact on people can be captured.</p> <p><i>Informed by Adaptation Fund (core-4); LDCF/SCCF 2.</i></p>
	<input type="checkbox"/> 4.2 Value (US\$) of ecosystem services generated or protected in response to climate change	IEs/ intermediaries	<i>Informed by LDCF/SCCF 2.</i>
<i>Project/Programme Outcomes</i>			
	<input type="checkbox"/> Number of technologies and innovative solutions transferred or licensed to promote climate resilience as a result of Fund support.	IEs/ intermediaries	Might include number of technology transfer licenses, number of facilities created to produce local technologies, and/or projects/programmes that include transfer of technology and innovative solutions that support climate adaptation and resilience.
5.0 Strengthened institutional and regulatory systems for climate-responsive planning and development	<input type="checkbox"/> 5.1 Institutional and regulatory systems that improve incentives for climate resilience and their effective implementation.	IEs/ intermediaries /country	<p>The indicator measures the institutional and regulatory systems that improve incentives for climate resilience and are accompanied by evidence of their effective implementation. The evidence may be a qualitative assessment (e.g. through a standardized scorecard) of the various strategic plans and documents is needed at regular intervals to observe changes in terms of climate change streamlining and quality.</p> <p><i>Informed by Adaptation Fund 7; CIF PPCR A2.1, B2; Adaptation Fund 7.1; LDCF/SCCF 12.</i></p>
	<input type="checkbox"/> 5.2 Number and level of effective coordination mechanisms	IEs/ intermediaries	Seeks to measure evidence of measures taken for promoting coordination and synergy at the regional and international levels, including between and among relevant agencies and with regard to other multilateral environmental agreements.
6.0 Increased generation and use of climate information in	<input type="checkbox"/> Proposed: 6.2 Use of climate information products/services in decision-making in climate-sensitive sectors	IEs/ intermediaries	<p>Disaggregated by stakeholder (government, private sector, and general population).</p> <p>This indicator is qualitative in nature and country-specific. It will require an in-depth</p>

Expected result	Indicator * = Core	Reporting responsibility (annual reporting)	Notes ⁴
decision-making			analysis and/or a scorecard approach to capture the understanding of the political economy determining decisions. <i>Informed by CIF PPCR B3</i>
7.0 Strengthened adaptive capacity and reduced exposure to climate risks	<input type="checkbox"/> Proposed 7.1: Use by vulnerable households, communities, businesses and public-sector services of Fund-supported tools, instruments, strategies and activities to respond to climate change and variability	IEs/ intermediaries	This indicator is qualitative and/or quantitative in nature and country-specific. The qualitative aspects will require an in-depth analysis or a scorecard approach to determine the extent of progress. Households: disaggregated by male-headed and female-headed <i>Informed by CIF PPCR B1</i>
	<input type="checkbox"/> 7.2: Number of males and females reached by [or total geographic coverage of] climate-related early warning systems and other risk reduction measures established/strengthened	IEs/ intermediaries	An early warning system is perceived as a composite of four dimensions: (1) knowledge on risks, (2) monitoring and warning service, (3) dissemination and communication, (4) response capability. Disaggregated by hazard and geographical coverage. Disaggregated by gender. <i>Informed by Adaptation Fund Core-2, 1.2 and 1.2.1; LDCF/SCCF 2.3</i>
8.0 Strengthened awareness of climate threats and risk-reduction processes	<input checked="" type="checkbox"/> 8.1: Number of males and females made aware of climate threats and related appropriate responses	IEs/ intermediaries	Disaggregated by gender. <i>Informed by Adaptation Fund 3.1, 3.2</i>
<i>Project/Programme Outputs</i>	[Defined for each project/programme on a case-by-case basis.]		
<i>Activities</i>	[Defined for each project/programme on a case-by-case basis.]		
<i>Inputs</i>	[Defined for each project/programme on a case-by-case basis.]		

Annex IX: Initial approach to the monitoring and evaluation policy

I. Introduction

1. This section outlines and initial approach to the monitoring and evaluation (M&E) policy that will be undertaken by the Fund. M&E will be based on results-based management principles and standards.¹ The main objectives of the M&E policy are to:
 - (a) Sustain the continuous learning process of the Fund. M&E will provide feedback and lessons to improve project/programme selection, design, implementation, efficiency and performance; and
 - (b) Promote the accountability of the Fund for results.
2. The M&E policy will serve the following purposes:
 - (a) Assess the relevance, efficiency, impact, sustainability and effectiveness of the Fund-supported projects/programmes;
 - (b) Track indicators and performance against intended results so that corrective measures can be undertaken in due time;
 - (c) Measure performance and results that could ensure, where appropriate, that results-based payments are employed in accordance with any further guidance from the Board;
 - (d) Identify the underlying conditions and drivers enabling successful, sustained and scaled-up projects/programmes and lessons learned through implementation;
 - (e) Provide information on project/programme risk factors and risk management strategies; and
 - (f) Develop the capacities of the IEs, intermediaries and relevant stakeholders in measuring, monitoring and reporting on the agreed results at the project/programme level.
3. The M&E policy shall define the concepts and role of M&E within the Fund, and it will define the roles and responsibilities of its IEs, intermediaries, EEs, national designated authorities (NDAs), and other relevant stakeholders and partners in participatory monitoring and other aspects of M&E. The policy will further elaborate the role and responsibilities between the Secretariat and the Independent Evaluation Unit (IEU). The IEU's functions have been defined in IEU terms of reference (ToR) adopted at the sixth Board meeting (see document GCF/B.06/18, Annex III).
4. The Secretariat will have the primary responsibility in developing the monitoring policy, incorporating the lessons learned from the Fund's portfolio monitoring, and reviewing the M&E requirements in the Fund-supported project and programme proposals. The IEU will be responsible for defining the evaluation policy and, together with the Secretariat, contributing to the Fund's knowledge management process.

¹ Results-based management is defined as "*a broad management strategy aimed at achieving improved performance and demonstrable results*" UNEG, 'The Role of Evaluation in Results-based Management', 21 August 2007. Available at: http://www.unevaluation.org/papersandpubs/documentdetail.jsp?doc_id=87.

II. Monitoring and evaluation

2.1 Monitoring

5. Monitoring is defined as a continuous process that collects and analyses data and information from the Fund-supported projects/programmes for the purpose of identifying progress on activities and expected results.
6. Monitoring will help provide the Fund with information regarding the extent to which a supported project or programme has achieved the agreed results and objectives. The information can be used for decision-making and taking corrective actions (adaptive management). It can also be fed into evaluations and overarching learning processes.
7. Monitoring will be carried out at all levels, from project/programme to portfolio level. The Secretariat will further elaborate monitoring guidelines, which will cover:
 - (a) Definitions for relevant terminology;
 - (b) Principles, standards, criteria and minimum requirements for results-oriented monitoring following the guidance of good practices adopted by other international organizations and funds;
 - (c) Identification of the methodologies for the indicators agreed in the mitigation and adaptation PMFs;
 - (d) Design of the multi-level monitoring and reporting system identifying the flow of information from projects/programmes level to outcome, impact and paradigm-shift levels, including reporting responsibilities and how, where applicable, indicators will be aggregated;
8. The monitoring guidelines are intended to be a living document that will be updated as lessons learned and feedback from the implementation of projects/programmes becomes available.
9. The Secretariat will provide an online information management system that will support the overall capacity of the Fund and its knowledge management needs, including indicator tracking.
10. The Secretariat will provide, as needed, support for building the monitoring capacities of IEs, intermediaries and relevant partners involved in the implementation of Fund-supported projects/programmes. The Secretariat, as needed, can provide back-up services for conducting internal process evaluations to inform ongoing projects/programmes on corrective measures and areas that need attention.
11. The Secretariat will ensure that the lessons learned from the monitoring practice will feed into the organization's knowledge management for improved internal management performances, information/knowledge-sharing and continuous learning. This will support the design of future projects/programmes and further improvements to the results management framework.
12. The Secretariat will seek to explore opportunities to enhance and promote learning in the M&E process. This will support countries in enhancing their own efforts. Formal and informal learning is a key part of M&E and should be encouraged, including through creating the necessarily enabling environment, drawing from different sources of knowledge, establishing respective communication channels and incentives, building in and budgeting for learning, and involving relevant stakeholders including communities and civil society.

13. The Secretariat will collaborate with relevant expert groups under the UNFCCC to ensure coherence with and effectiveness in the monitoring, reporting, learning and evaluation of multiple initiatives under the Convention.

2.2 Evaluation

14. Evaluation is defined as a systematic and impartial assessment of projects/programmes. Evaluations have a range of objectives, and for the Fund, they will focus on determining the relevance, efficiency, effectiveness and sustainability of its supported projects and programmes. Evaluation will draw upon the Fund's monitoring and may involve separate data collection and analysis for each specific evaluation case.

15. The IEU will be responsible for developing and updating the evaluation policy of the Fund, as indicated in its ToR. Although each evaluation will have a fit-for-purpose design intended to serve specific objectives; an overarching anticipated use for evaluations is to identify findings and lessons learned that can inform project/programme design and implementation to improve the quality of Fund programming and enhance results.

16. The types of evaluation, as envisioned in the IEU's ToR, include:
- (a) Country-portfolio evaluations;
 - (b) Thematic evaluations of the different types of activities that the Fund will finance;
 - (c) Evaluations of project-based and programmatic approaches in accordance with climate change strategies and plans; and
 - (d) Independent assessment of the overall performance of the Fund commissioned by the Conference of Parties.

17. Additional uses of independent evaluation can be determined on a case-by-case basis. For example, formative (mid-course) evaluations can inform ongoing implementation and processes of a particular project; ex-post results-oriented evaluations would inform whether the results are in line with project goals, and portfolio-level evaluations would inform investment strategies.



Annex X: Initial logic model for REDD+ results-based payments

Level		Results				
Elements of the Fund's initial mitigation logic model	Paradigm Shift	Shift to low-emission sustainable development pathways (forest cover and forest carbon loss is slowed, halted, and reversed)				
	Impacts (Fund level)	4.0 Reduced emissions from land use, deforestation, forest degradation, and sustainable management of forests and conservation and enhancement of forest carbon stocks ¹				
REDD+ results-based payments (for verified tCO ₂ e)						
Elements defined for REDD+ results-based payments	Programme outcomes (national or sub-national)	A. Reduced emissions (tCO ₂ eq) from deforestation	B. Reduced emissions (tCO ₂ eq) from forest degradation	C. Reduced emissions and increased removals (tCO ₂ eq) through the conservation of forest carbon stocks	D. Reduced emissions and increased removals (tCO ₂ eq) through the sustainable management of forests	E. Increased removals (tCO ₂ eq) through the enhancement of forest carbon stocks
	Programme outputs (national or sub-national) (as deemed appropriate by each country)	Reduced deforestation	Reduced forest degradation	Increased conservation of forest carbon stocks	Increased application of sustainable management methods	Forest carbon stocks enhanced

¹ As per 1/CP.16, REDD+ may be implemented nationally, or as an interim measure, on a subnational scale. This means that reduced emissions and increased removals from REDD+ are also to be measured, reported, verified and paid for at the national level, or as an interim measure, at the subnational level.



Annex XI: Performance measurement framework for REDD+ results-based payments

Expected Results	Indicators	Reporting responsibility/ Frequency	Assumptions/Notes
Paradigm shift objective			
Shift to low-emission sustainable development pathways	As per the general mitigation PMF	Secretariat/annual	Derived from mitigation PMF
Impacts (Fund level)			
4.0 Reduced emissions from land use, deforestation, forest degradation, and sustainable management of forests and conservation and enhancement of forest carbon stocks	Tonnes of carbon dioxide equivalent (tCO ₂ eq) reduced (including increased removals) from REDD+ activities	Secretariat based on aggregate reporting and analysis across Fund/annual	Derived from mitigation PMF
Programme outcomes (national or sub-national)¹			
A. Reduced emissions (tCO ₂ eq) from deforestation	Reduced emissions (tCO ₂ eq)	Executing entities (EEs)/biennial or otherwise defined	The Fund will disburse RBPs in accordance with the guidance in decision 9/CP.19 which requires, inter alia: -Results in tCO ₂ eq that have undergone technical analysis referred to in 14/CP.19 -A Reference Emission Level/ Reference Level (REL/RL) that has undergone technical assessment referred to in 13/CP.19 -The most recent summary of information showing how all the safeguards referred to in 1/CP.16 have been addressed and respected, consistent with 1/CP.16, 12/CP.17, 9/CP.19 and 12/CP.19
B. Reduced emissions (tCO ₂ eq) from forest degradation	Reduced emissions (tCO ₂ eq)	EEs/biennial or otherwise defined	-A national strategy or action plan as referred to in 1/CP.16 -Information on the national forest monitoring system as referred to in 14/CP.19
C. Reduced emissions and increased removals(tCO ₂ eq) through the conservation of forest carbon stocks	Reduced emissions and increased removals (tCO ₂ eq)	EEs/biennial or otherwise defined	The source for the above information will be the UNFCCC REDD+ information hub.
D. Reduced emissions and increased removals (tCO ₂ eq) through the sustainable management of forests	Reduced emissions and increased removals (tCO ₂ eq)	EEs/biennial or otherwise defined	
E. Increased removals (tCO ₂ eq) through the enhancement of forest carbon stocks	Increased removals (tCO ₂ eq)	EEs/biennial or otherwise defined	

¹ Countries may report on the outcomes (tCO₂eq) of each REDD+ activity (A.-E.) separately or in a combined manner.



Remarks: REDD+ programmes supported by the Fund through REDD+ RBP are envisaged to use relevant indicators in this PMF and can identify additional indicators that are relevant and compelling in light of specific circumstances on a case-by-case basis. The Fund is a continuously learning institution. The PMF results, indicators and associated methodologies will be refined and adapted as needed based on the experience gained and lessons learnt from the implementation.

Annex XII: Initial no-objection procedure

I. Purpose

1. The purpose of the no-objection procedure is to ensure consistency with national climate strategies and plans and country-driven approaches, and to provide for effective direct and indirect public and private sector financing by the Fund. A no-objection is a condition for approval of all funding proposals submitted to the Fund.
2. The no-objection should be provided to the Secretariat in conjunction with any submission of a funding proposal seeking Fund funding.
3. In the case of applications for accreditation by sub-national, national and regional implementing entities and intermediaries, the national designated authority (NDA) or focal point will facilitate the communication of applications of implementing entities and intermediaries for accreditation to the Fund.

II. Communication of no-objection to funding proposals

4. Before communicating its no-objection, each country will decide on its own nationally appropriate process for ascertaining no-objection to funding proposals according to the country's capacities and existing processes and institutions.
5. To enhance transparency and consistency with paragraph 46 of the Governing Instrument, each proposal by an intermediary or implementing entity will provide a full description of how the country ownership was conducted and, if not satisfactory, the Board may reject it.
6. The NDA or focal point will communicate its no-objection to the Secretariat in conjunction with every submission for approval of a funding proposal by an intermediary or implementing entity. The no-objection letter will be signed by the official representative of the NDA or focal point registered with the Secretariat.
7. The Secretariat will formally acknowledge the receipt of the no-objection letter to the NDA or focal point and respective implementing entity or intermediary.
8. In cases of submissions of proposals for funding that are not accompanied by a no-objection letter, the Secretariat will inform the NDA or focal point that the funding proposal will not be processed for Board consideration unless the NDA or focal point provides its no-objection. The NDA or focal point shall provide its no-objection within 30 days after receiving this information. After the passage of 30 days, the proposal will be suspended and the Secretariat will notify the IE/intermediary.
9. Communication of no-objection by the NDA or focal point in line with the provisions of this procedure will imply that:
 - (a) The government has no-objection to the funding proposal;
 - (b) The submitted funding proposal is in conformity with the country's national priorities, strategies and plans, and that consistency was pursued; and
 - (c) The submitted funding proposal is in conformity with relevant national laws and regulations, in accordance with the Fund's environmental and social safeguards.
10. In order to enhance transparency, all no-objection communications will be made publicly available on the Fund's website. National designated authorities and focal points are

also encouraged to make publicly available their communications of no-objection shortly after being issued, where possible and as applicable.

11. In the case of funding proposals relating to a programme, the no-objection will apply to all projects or activities to be implemented within the approved framework.

III. Dissemination of the no-objection procedure

12. The no-objection procedure will be made available by the Secretariat on the Fund's website and in printed material where it will be explained in a user-friendly manner. Translations into other languages will be made where possible.

13. The Secretariat will assist NDAs and focal points in the understanding of the no-objection procedure upon request.

14. National designated authorities and focal points are encouraged to disseminate this procedure in their countries as appropriate and through their own websites and communication channels, especially in local languages.

IV. Review of the no-objection procedure

15. This no-objection procedure may be revised on the basis of evolving needs and experience gained in its implementation.

Annex XIII: Initial best-practice guidelines for the selection and establishment of national designated authorities and focal points

1. The Board decided that countries may designate a national designated authority (NDA), in conformity with the Governing Instrument, or mandate a country focal point to interact with the Fund. It further decided that countries should have flexibility in relation to the location, structure, operation and governance of NDAs or focal points.
2. The following guidelines serve to help countries in selecting the most appropriate institution to be designated as NDA or focal point with a view to ensuring effective implementation of the Fund's activities.

I. Mandate

3. The NDA or focal point will likely be placed within a ministry or authority conversant with the country's national budget, economic policies and their interrelation with climate change-related priorities and development plans.
4. The selected institution should ideally have a mandate that enables the institution to work on and influence an appropriate combination of economic policy and development planning, with appropriate leverage over climate change, energy, sustainability and environmental resource management priorities, strategies and plans.
5. In cases where this combination is not possible, it is recommended that the NDA or focal point be in a position to lead and coordinate a country coordination mechanism that allows for an overview of all these sectors as they relate to the country's climate change strategies and plans.
6. Countries may choose to mandate a focal point while undertaking a process for selecting and establishing an appropriate NDA and setting up all its necessary institutional capacities and country coordination mechanisms, or in cases where special national circumstances so determine. The focal point will therefore fulfil all functions until the NDA is established.

II. Capacities

7. Ideally, the NDA or focal point should possess or attain through country coordination mechanisms and institutional networks within the country:
 - (a) Adequate knowledge of national priorities, strategies, and plans;
 - (b) The ability to contribute to and drive national development strategies and plans;
 - (c) Familiarity with both mitigation and adaptation efforts and needs in the country;
 - (d) Familiarity with relevant institutions and stakeholders in the countries (including contacts with multilateral and bilateral institutions, civil society organizations, and sub-national, national or regional entities that may be potential candidates for accreditation as intermediaries or implementing entities);
 - (e) Capacity to facilitate and coordinate country coordination mechanisms and multi-stakeholder engagement for country consultations;
 - (f) The ability to monitor and evaluate in accordance with relevant guidelines of the Fund; and

(g) An overview of activities of other relevant multilateral, bilateral, regional and global funding mechanisms and institutions working in the country.

8. The NDA or focal point should be able to maintain regular communication with the secretariat in English through Internet-based correspondence, facilitate country visits and meetings with Fund officials, and provide written communication as required.

9. The NDA or focal point should also be able to disseminate in local languages key operational procedures of the Fund, including its environmental and social safeguards and no-objection procedure.

10. The NDA or focal point should also retain an overview of all funding proposals relating to the country and facilitate available information on the projects and programmes through appropriate media and relevant networks, including in local languages.

11. The NDA or focal point should be familiar with multilateral finance and be able to interact with private sector actors in the country.

III. Authority

12. The legal authority for the NDA or focal point with signing capacity should be at a senior level with the authority to oversee the capacities outlined in Section II.

13. The NDA or focal point should aim to have a team responsible for coordinating and driving communication with the Fund and managing operational activities.

14. The NDA or focal point should lead the country's efforts to prepare the country's country programme.

IV. Position relative to designated authorities or focal points of other funds

15. In order to ensure consistency with national priorities, strategies, and plans, the NDA or focal point should have the ability to interact and coordinate with the focal points and designated authorities of other funds, if applicable and as appropriate.

16. The NDA or focal point should be familiar with the operations of other funds within the country. Based on country capacities, the NDA or focal point should also drive and coordinate relevant country coordination mechanisms and multi-stakeholder engagement, as needed and appropriate. Accordingly, the NDA or focal point should ideally be able to oversee and streamline the country's engagement with all sources of internal and external climate finance.

V. Funding of national designated authorities

17. Funding for the establishment and operation of NDAs will be determined in accordance with Board decisions on readiness and preparatory support and paragraph 40 of the Governing Instrument.

Annex XIV: Initial best-practice options for country coordination and multi-stakeholder engagement

1. The Fund will have a broad scope, funding both mitigation and adaptation activities through multiple access modalities, including through the private sector and other innovative financial instruments. Consequently, on an operational level, it will involve various sectors at multiple levels of governance.
2. It is recommended that countries consider the following criteria for conducting country coordination and multi-stakeholder engagement at the level of national priorities and strategies, or in the development of funding proposals, as appropriate.

I. Country strategic framework

3. National climate change strategies, plans and priorities will be the strategic framework provided in a country's country programme, and would therefore be a basis for the preparation and implementation of funding proposals. Recipient countries may therefore define their strategic framework on the basis of existing national climate change plans and strategies, including nationally appropriate mitigation actions (NAMAs), national adaptation plans (NAPs) and national adaptation programmes of action (NAPAs), or choose to develop a Fund-specific strategic framework drawing on existing relevant national plans and strategies. The Fund may provide assistance for the identification of these national strategic frameworks in the context of the Fund's work programme on readiness and preparatory support.
4. In order to ensure systematization of country coordination and multi-stakeholder engagement, countries could be encouraged to design a consultative process through which national climate change priorities and strategies can be defined.
5. A consultative process should aim to be an ongoing process rather than a discrete activity only occurring once without the possibility of follow up, continuous update and regular assessment of progress.
6. These consultative processes should be inclusive and seek to engage all relevant actors within the government, the private sector, academia, civil society and other relevant stakeholder groups or sectors.
7. Criteria and options for country coordination through consultative processes may include:
 - (a) Use of existing regular country meetings or national planning/dialogue exercises, including in the context of other sources of funding for climate change activities, the sharing of lessons learned and collection of inputs and views;
 - (b) Establishment, when possible and national circumstances allow, of a dedicated country coordination mechanism for the country's identification of its strategic framework in the context of the Fund;
 - (c) Integration into other relevant national consultations processes or programming exercises that may enable synergies and the exchange of complementary information; and
 - (d) Building on the country's prior experience in coordinating cross-sectoral initiatives and investments and engaging with other sources of finance.

II. Development of funding proposals

8. Country coordination and multi-stakeholder engagement are critical for the effective preparation of funding proposals, as well as ongoing monitoring and evaluation after approval. This process should be well aligned with relevant provisions of the Fund's environmental and social safeguards, which require, among other things, that all projects/programmes will be designed and implemented to be consistent with the Fund's requirements for stakeholder engagement and disclosure.

9. The Fund's environmental and social safeguards also require that funding proposals for projects/programmes will also need to have an environmental and social management system (ESMS) that establishes a process of stakeholder engagement and disclosure.

10. Guidance in the application and use of the Fund's environmental and social safeguards, which includes the matters mentioned above, will be made available in the context of the guiding framework for the Fund's accreditation process.

11. Country coordination mechanisms are also important in supporting the ongoing monitoring and evaluation of the Fund's projects and programmes, thus allowing for a process for evaluation at various stages of the project cycle.

12. Through collaboration with intermediaries and implementing entities, country coordination and multi-stakeholder engagement processes may facilitate forums, meetings, or workshops to review progress against results frameworks, discuss best practices and challenges, identify opportunities for enhancing coherence, and integrate lessons learned into relevant plans and priorities

Annex XV: Overview of national designated authority or focal point designations and requests for readiness support

Region	Number of National Designated Authorities or Focal Points Designated	Number of Requests for Support
Africa	25	10
Asia	13	3
Small island developing states	21	10
Latin America	3	3
Eastern Europe	3	0
Total	65*	26

*Includes 24 Least developed countries.

Note: Received by the Secretariat as of 8 October 2014.

Annex XVI: Indicative list of activities to be included in the readiness programme

Activity 1: Establishing and strengthening national designated authorities (NDAs) or focal points

- Strengthening institutional capacities so that the NDA or focal point can effectively fulfil its role;
- Convening stakeholders to identify appropriate NDA or focal point arrangements;
- Supporting ongoing engagement of stakeholders at national and sub-national level, including government; civil society and private sector actors;
- Engaging and holding dialogue 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 Fund activities at the country level; and
- Developing and disseminating informational and awareness-raising materials.

Activity 2: Strategic frameworks, including the preparation of country programmes

- Developing a country programme that identifies strategic priorities for engagement with the Fund, disseminating information and engaging stakeholders in the country programme; and
- Identifying strategic investment priorities and taking stock of existing strategies, policies, and needs assessments, including low-emission development strategies, Nationally Appropriate Mitigation Actions, National Adaptation Plans, and National Adaptation Programs of Action.

Activity 3: Selection of intermediaries or implementing entities and support for accreditation

- Raising awareness of the Fund's 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 development of new policies and procedures); and

- Enabling lesson-learning from other institutions that have been through similar accreditation processes.

Activity 4: Initial pipelines of programme and project proposals

- Identification of programmes and projects that advance national priorities and align with the results management framework of the Fund, including support for ensuring appropriate enabling investment conditions for specific projects or programmes;
- Project and/or programme preparation;
- Risk assessments including technical, institutional, operational, financial, social and environmental components; and
- Identification of programme and project level indicators aligned with the results management framework of the Fund, and support for the monitoring and evaluation of impacts.

Activity 5: 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 Fund and opportunities to engage;
- Convening of stakeholders at a regional level to share lessons and experiences from their readiness activities; and
- Distilling lessons from experience of readiness programming to support practical implementation at country 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.).

Annex XVII: Initial general guidelines for country programmes

The development of country programmes will engage stakeholders including governments, sub-national institutions, civil society, and the private sector. The process will be led by the national designated authority (NDA) or focal point, taking a gender-sensitive approach. The country programme may include some of the following elements:

1.1 Development and climate context including:

- (a) Existing climate change-related strategies, policies, Nationally Appropriate Mitigation Actions, National Adaptation Plans, Technology Needs Assessments and National Adaptation Programmes of Action;
- (b) Key data on climate change, referencing national communications, biennial update reports, and other relevant sources of information; and
- (c) National development strategies, economic trajectories, macro-economic circumstances and poverty reduction strategies.

1.2 Roles and contributions of key stakeholders including:

- (a) Public Institutions at national and sub-national levels;
- (b) Financial institutions;
- (c) Potential sub-national, national, regional and implementing entities and intermediaries;
- (d) Private sector, including micro, small and medium enterprises;
- (e) Civil society and community-based organisations;
- (f) Intended beneficiaries of funded activities; and
- (g) International actors.

1.3 Programming priorities including:

- (a) Priority areas in mitigation;
- (b) Priority areas in adaptation;
- (c) Integrated approach;
- (d) Financing Needs; and
- (e) Timeline.

1.4 Alignment with the Fund's objectives

1.5 Complementarity with existing readiness

1.6 Monitoring and Evaluation

This arrangement will be reviewed by the Board.

Annex XVIII: Indicative list of activities for direct support to national designated authorities or focal points and elements of an application for direct support to national designated authorities or focal points

1.1 Parameters for NDA or focal point funding

- (a) In recognition of their important role in strengthening country ownership and alignment with national priorities, NDAs or focal points may request direct support by the Fund of up to US\$ 300,000 to cover eligible costs for a two-year period;
- (b) Funding requests may be submitted year-round without an application deadline;
- (c) NDAs or focal points must commit to using Green Climate Fund readiness support solely for the purpose described in the funding request and in accordance with the approved budget; and
- (d) NDAs or focal points applying for funding must submit the following documents to the Secretariat:
 - (i) An online funding request form which includes:
 - A detailed two-year budget outlining the NDA or focal point activities to be supported; and
 - A performance framework including targets and milestones that describes how the proposed activities will contribute to strengthening the institutional capacity of the NDA or focal point and in-country coordination and consultation processes.
 - (ii) One month after completion of year 1 of the funding period, the NDAs or focal points must submit a progress update describing (1) results achieved against intended targets; (2) expenditures incurred (broken down by cost category and performance area) including an analysis of any variance between budgeted and actual expenditures.

1.2 Eligible Costs for direct NDA or focal point funding

- (a) Eligible costs include the following items:

- (i) Human resources development

Funding for human resources development will include cost for training NDA or focal point staff members in areas relevant to the objectives of the Fund such as project and programme development, international procurement, accounting, oversight, planning and monitoring and evaluation processes. This may include short-term or provisional assignments for external contractors to support NDAs or focal points in exercising their functions outlined in decision B.04/05 (e).

- (ii) Technical assistance

Technical Assistance can be used for costs directly related to technical or management assistance to support core NDA or focal point functions including development of strategic priorities for engagement with the Fund, programme

and project oversight and alignment with other national bodies' stakeholder engagement (such as civil society, academia and the private sector), dialogues with implementing entities and intermediaries.

(iii) Planning and administration

This category includes the following costs:

- Organization of inter-ministerial coordination processes for GCF-related activities, in particular to assess consistency with national plans, as per decision B.04/05 (e);
- Travel-related costs for members or invited experts to attend NDA or focal point meetings; and
- Necessary information technology or other technical infrastructure.

Limitations: A maximum of three inter-ministerial meetings per year should be budgeted.

(iv) Other meeting expenses, training, workshops, consultations

This category includes:

- Training and workshop organization and facilitation; and
- Consultations with non-governmental constituencies only (e.g. civil society, academia and the private sector) and processes to promote and improve the quality of stakeholder participation, including travel costs and per diems for civil society participation.

Limitations: (i) There should be no more than one stakeholder meeting per quarter with a maximum of two meetings funded per year;

(ii) Stakeholder meetings should not include more than 15 persons participating.

(v) Communication materials

This category includes: printing, communication and IT costs associated with functions related to performing functions mentioned in decision B.04/05 (e).

1.3 Screening and review process

- In reviewing a request for direct NDA or focal point funding, the Secretariat will verify that the costs to be supported are eligible, reasonable and consistent with national operating costs. Applicants may be contacted by the Secretariat for clarifications; and
- Funds will be approved for disbursement upon the submission of accurate and verifiable information provided by the NDA or focal point and upon signing of the NDA or focal point funding agreement by all parties.

1.4 Financial review and audit

- The NDA or focal point is requested to include in its proposal the arrangements for receipt and accounting of the funds in a transparent manner. The Secretariat and the NDA or focal point will consult to identify a suitable disbursement arrangement that:



- (i) Is accountable, transparent and verifiable; and
 - (ii) Facilitates access to NDA or focal point funding.
- (b) The Fund reserves the right to conduct an external/independent financial review, audit or evaluation or to take any other action that it deems necessary to ensure accountability in the use of funds.

Annex XIX: Policies for contributions

I. Resource mobilization approach

1. Large, global, multilateral funds usually begin with ad hoc contributions from initial contributors, followed by outreach to a broader universe of contributors and, over time, adopt a more systematic process to replenish resources. Contributions may be roughly based on past contributions, or derived solely from contributors' interests and capacities, and the value proposition of the fund. A summary of the principal approaches and processes used by some global funds is presented in Annex XXII, and the approaches are not mutually exclusive. For example, the adoption of a formal resource mobilization mechanism does not preclude the acceptance of contributions, voluntary or otherwise, outside the formal funding cycle. It is recommended that the Fund follow a voluntary, ad hoc approach for the IRM process, further elaborated below. This process will apply only to the IRM, without any prejudice to future replenishments:

- (a) **Pledging process and end-date for IRM pledging:** Contributors will be invited to pledge contributions at a formal IRM pledging session.¹ Based on Board decision B.05/04, the Fund will nevertheless maintain flexibility to receive additional contributions on an ongoing basis throughout the IRM period;
- (b) **IRM period:** The IRM exercise would secure financing for the 2015-2018 programming period;
- (c) **Effectiveness:** The Fund's commitment authority will become effective when 50 per cent of contributions, confirmed by fully executed contribution agreements/arrangements, pledged by the November 2014 pledging session are reflected in fully executed contribution agreement/arrangements received by the Secretariat no later than April 30, 2015;
- (d) **Trigger for formal replenishment process:** Once the Fund's cumulative funding approvals exceed 60 per cent of the total contributions, confirmed by fully executed contribution agreements/arrangements, received during the IRM, the Fund will initiate a formal replenishment process. The IRM participants envisage that this is likely to occur by end-June 2017;

II. Sources of funds

2. The Governing Instrument of the Fund states that the Fund will receive financial inputs from developed country Parties to the Convention, and may also receive financial inputs from other sources, public and private, including alternative sources.²

3. Policies for contributions to the Fund will apply to all contributors, including the other sources contemplated in the Instrument, to include:

- (a) Non-Parties to the Convention;
- (b) Public and private entities; and
- (c) Philanthropic foundations, among others.

¹ Tentatively scheduled for November 2014.

² Governing Instrument, paragraphs 29 and 30.

4. Contributions from Parties and other sovereign entities will be accepted on the basis of pledges received by the Secretariat.
5. Contributions from philanthropic foundations may be accepted on the basis of pledges received by the Secretariat, following a due-diligence review prior to execution in accordance with policies and procedures approved by the Board.
6. Contributions from other non-public and alternative sources will be accepted on the basis of pledges received by the Secretariat, following a due-diligence review undertaken in accordance with policies and procedures approved by the Board. The purpose of the review will be to prevent reputational or other damage to the Fund.
7. The policies and procedures for contributions from philanthropic foundations, and other non-public and alternative sources should be developed by the Secretariat for consideration by the Board as part of its work program in early 2015.
8. Additionally, sources of funds may include, but are not limited to:
 - (a) Investment income earned on the balance of the Green Climate Fund Trust Fund;³ and
 - (b) Reflows from outgoing loans and other financial products, including interest and principal repayments, net of repayments to loan contributors.

III. Types of contributions

9. As agreed by the Board at its fifth meeting, the following types of contributions to the Fund will be possible:

- (a) Grants from public and private sources;
- (b) Paid-in capital⁴ contributions from public sources;⁵ and
- (c) Concessional loans from public sources.

Table 1: Contribution Types and Uses

Contribution Type	Definition	Illustrative Uses by the Fund
Grant	<ul style="list-style-type: none"> • Funds provided in cash or by promissory note • No repayment obligation • Cash and promissory notes are assets of the Green Climate Fund Trust Fund 	<ul style="list-style-type: none"> • Any financial instruments approved by the Board of the Fund, (e.g. grants, concessional loans, equity, guarantees) • Administrative budgets, International Entities(IE) /intermediary fees

³ This includes investment income earned on balances transferred by the Fund to implementing entities and intermediaries (if applicable).

⁴ The term “paid-in capital” used in previous Board decisions and Fund documentation does not denote capital (or equity of the Fund) that may be used as collateral or otherwise to leverage borrowing by the Fund (e.g. as in the case of a financial institution or multilateral development bank) but rather refers to “capital” as defined in Table 1.

⁵ As per Board decision referenced above.

Contribution Type	Definition	Illustrative Uses by the Fund
Loan	<ul style="list-style-type: none"> Funds provided in cash Obligation of the Fund to repay the contributor, with or without interest Cash drawdowns are assets of the Green Climate Fund Trust Fund, creating a corresponding liability of the Fund 	<ul style="list-style-type: none"> Loans on terms less concessional than the loan contributions
Capital ⁶	<ul style="list-style-type: none"> Funds provided in cash or by promissory note Capital contributor may receive a potential return of its contribution, in whole or in part, upon wind-up of the Fund, depending on the availability of such funds at the time 	<ul style="list-style-type: none"> Financial instruments which generate reflows regardless of the concessionality level (e.g. concessional loans, guarantees generating fee income). Thus, capital contributions may not be used to finance grants unless the specific terms of the capital contribution so allow.

10. **Maximizing the grant element:** The Board has decided that: The Fund will, in aggregate, seek to maximize grant contributions, taking into account its theme-based allocation. It is foreseen that grant contributions must significantly exceed loan amounts.⁷ In consideration of the decision of the Board, the requirements during the Fund's IRM phase, and the limitations on the Fund's use of capital contributions, grant contributions must significantly exceed the amounts contributed in the form of loans and capital during the Fund's IRM phase.

11. Loan contributions would be unavailable for non-reimbursable uses such as to finance the administrative budgets of the Fund, and fees charged by the implementing entities and intermediaries using such contributed resources. Therefore, loan contributors would also be required to provide a grant contribution. In the case of capital contributors, a grant contribution may be required in addition, if specific terms of the capital contribution do not allow for grant financing or administrative budget financing.

12. **Critical role of the Financial Risk Management Framework:** Tracking of the different incoming contribution types and their uses by the Fund in accordance with the Fund's contribution policies will be performed by the Secretariat under the Financial Risk Management Framework to avoid cross-subsidisation between contribution types.

IV. Financial terms of contributions

13. The following terms apply to all types of contributions:

- (a) **Size of contributions:** The Fund may accept contributions of any size from Parties to the Convention.⁸ There will be no maximum limit on the contributions that the Fund will accept, within the prudential debt limit to be established for the Fund;
- (b) **Currency and applicable exchange rates:** It is recommended that loan contributions may be made in major freely convertible currencies. Foreign exchange risk relating to

⁶ As referred to as "paid-in capital" in previous Board decisions and Fund documentation.

⁷ Decision B.07/05 (Annex XI, paragraph 2(a)).

⁸ Conditions, including minimum size, related to contributions from non-Parties and other sources, will be considered by the Board independently of the IRM process.

loan contributions would be managed by matching currencies of commitments to IEs and intermediaries in aggregate to currencies of loan contributions. In accordance with Board decisions on the Fund's Financial Risk Management Framework, the Secretariat will ensure that it puts in place appropriate measures to manage currency risk related to the receipt, use and any repayment obligations related to contributions to the Fund. Further details on the management of foreign exchange risk are provided in Section X below.

- (c) **Requirement to provide grants:** All contributors would be required to provide a grant contribution. Contributions in the form of loans or capital will be accompanied by a minimum grant contribution to the Fund in respect of the administrative costs and expenses of the Fund,⁹ and IE/intermediary fees associated with the implementation and use of the loan or capital contribution. It is important to note that this amount is set aside for administrative costs, and reflects the requirement for additional grant resources because loan and capital contributions may not be used for such non-reimbursable uses. The amount of the additional grant contribution required should be at least ten per cent of the amount of the pledged loan or capital contribution, but may be adjusted after the IRM period based on actual Fund administrative costs, IE/intermediary fees agreed by the Board, and other factors.¹⁰ The grant contribution required in respect of administrative costs and expenses would be counted as part of the contributors' overall contribution to the Fund.

V. Policies for grant and capital¹¹ contributions

14. **Grants:** The Fund can currently receive grant contributions into the Green Climate Fund Trust Fund based on the provisions of the agreement between the Fund and the Interim Trustee (the "Green Climate Fund Trust Fund Agreement"), as approved by the Board.¹² Grant contributions are made to the Fund by way of a Contribution Agreement or Arrangement signed by the contributor, the Fund, and the Interim Trustee. To facilitate loan and capital contributions, new arrangements are required, and the Fund and Interim Trustee will need to amend the Trust Fund Agreement between the two parties.

15. **Capital:** A contribution made to the Green Climate Fund Trust Fund in the form of capital may be used for financial instruments which generate reflows regardless of the concessionality level (e.g. concessional loans, guarantees generating fee income). Thus, capital contributions may not be used to finance grants¹³ unless the specific terms of the capital contributions so allow. Both capital and grant contributors may receive the return of their pro rata share of the Green Climate Fund Trust Fund balance in the event the Fund were to wind up operations. The distinction between grant and capital contributions is that the pro-rata share of the remaining funds at the time of the closing of the Fund that would be attributable to the grant contributors would be reduced by the amount of outgoing grants made by the Fund (including administrative budgets and fees); the pro-rata shares of the capital contributors would not be so reduced. Contributors providing capital would also be required to make a grant contribution to cover administrative expenses and fees, as further described below, unless the specific terms of the capital contribution allows for grant financing or administrative budget financing. Capital

⁹ Including Interim Trustee and other functions.

¹⁰ The figure of 10 per cent is an estimate of total costs and fees and in no way presupposes a Board decision on IE/intermediary or other fees or costs of the Fund.

¹¹ Also referred to as "paid-in capital" in Fund documents.

¹² Agreement on the Terms and Conditions for the Administration of the Green Climate Fund Trust Fund dated 15 October 2013.

¹³ Capital contributions may also not be used for administrative budgets, IE or intermediary fees.

contributions would be tracked and reported separately under the Fund's Risk Management Framework.

16. It is recommended that aggregate capital contributions not exceed 20 per cent of the total funding provided. This limit may be reviewed within the context of the Fund Financial Risk Management framework upon further analysis on the risk appetite of the Fund.

17. **Legal arrangements for Contributions:** Prior to the establishment of an agreed replenishment process, the signing of Contribution Agreements or Arrangements among the contributors, the Fund and the Interim Trustee, is the most practical and appropriate means of accepting contributions, and represents the established practice for many global multilateral funds. From the perspective of legal commitment, Instruments of Commitment (IOCs) and Contribution Agreements or Arrangements are equivalent. The features of both instruments, and in particular, the limitations presented by IOCs in the context of the Fund, are described below:

- (a) **Contribution Agreements/Arrangements:** Contributions to the Fund would be facilitated through Contribution Agreements or Arrangements signed by the contributor, the Fund, and the Interim Trustee (as the entity holding the contributed funds in trust), which is the existing mechanism for receiving contributions to the Green Climate Fund Trust Fund. The material provisions of the Contribution Agreement or Arrangement will need to be revised to accommodate contributions in the form of loans and capital. The signature of Contribution Agreements or Arrangements is similar to the deposit of an IOC used in other funds such as the Global Environment Facility (GEF) and International Development Association (IDA), and creates a commitment on the part of the contributors to make a contribution to the Fund. Contribution Agreements/ Arrangements could also be used to accept contributions from entities that might not be involved in the IRM discussions or approval/endorsement of an associated formal resolution.
- (b) **Instruments of Commitment (IOC):** The use of IOCs depends largely on the underlying replenishment process and particular structure and arrangements of a fund or programme. For the GEF and IDA, the contributors and governing body of the respective funds and the Board of Directors of the World Bank (acting as Trustee) will, in each replenishment period, agree on the contents of a replenishment resolution that is ultimately approved by the trustee's Board of Directors. The resolution summarizes the overall terms and agreements reached during the resource mobilization exercise, including the terms of contributions, payment arrangements, list of contributors, amounts to be contributed and the form of the IOC. Approval of the resolution by the trustee's governing body authorizes the trustee to accept contributions from the listed contributors through the deposit of an IOC consistent with the terms of the resolution. For the Fund, the formalities for the deposit of IOCs could be established as necessary when the Board agrees on the process for replenishment for the Fund in the future. In such cases, the Board could approve a replenishment resolution that would authorize the Fund to receive IOCs from contributors directly. As a separate legal entity from the Fund responsible for the Green Climate Fund Trust Fund, the Interim Trustee would, however, also need to enter into an agreement to agree to the terms of the IOCs deposited by the contributors with the Fund, to the extent such terms are relevant to the functions of the Interim Trustee. Finally, loan contributions would, in any event, require execution by way of a separate agreement or arrangement.

18. Payment of contributions:

- (a) **Timing:** The Fund will accept contribution payments within the IRM period. There will be no fixed instalment schedule during the IRM period, and contributors are encouraged

to fulfil their pledges, as early as possible, to build up sufficient funding levels available for funding decision/commitments by the Board;

- (b) **Method of payment:** Payments may be made in cash or, at the option of the contributor, and with the agreement of the Fund and the Interim Trustee, by depositing, in a designated custody account, non-negotiable, non-interest-bearing promissory notes, to be drawn down in cash on demand;¹⁴ and
- (c) **Encashment of Promissory Notes:** For those contributors who elect to make contributions in the form of promissory notes, the encashment of promissory notes will be based on an encashment schedule agreed between the Contributor and the Secretariat, taking into account the expected programming of the Fund and resulting cash requirements. The encashment period will be based on need but it is envisaged not to exceed nine years. The projected cash transfers by the Fund for projects and programmes may remain uncertain until after the IRM pledging session, therefore a flexible approach is recommended that would provide necessary liquidity to the Fund in its early operational phase.
- (d) **Comparison of contributions:** For purposes of comparison of donor contributions in real terms, the following encashment schedule will apply:

Table 2: Indicative encashment schedule for IRM period

Calendar Year	% of Contribution
2015	6.7%
2016	11.7%
2017	15.6%
2018	12.3%
2019	11.9%
2020	11.9%
2021	11.3%
2022	10.4%
2023	8.2%
Total	100.0%

19. For those contributors that choose to accelerate their cash payment or encashment schedule, a credit will be provided which will be added to the nominal pledge amount. This credit will be calculated as the difference between the present value of the standard encashment schedule and the contributor's encashment schedule. The discount rate for calculating the present value will be based on the estimated investment return on the Fund's liquidity over the term of the standard encashment schedule. For the purposes of the IRM period the discount rate would be 1.5 per cent. The encashment schedule will in no way prejudice the operation of the Fund in terms of programmatic decisions and disbursement profile. In the future, the encashment schedule will reflect the Fund's projected disbursement needs.

¹⁴ It is important to note that in the case of promissory notes deposited with the Interim Trustee, there would need to be a provision for transfer to a permanent trustee, otherwise they would need to be drawn down in full before the assets of the Green Climate Fund Trust Fund would be transferred to the permanent trustee. If not, the Fund may have liabilities (funding decisions) booked against promissory notes that the Trustee may be unable to encash.

20. The Secretariat may also agree with the contributor to encash promissory notes on a basis other than that of the standard schedule as long as the revised encashment schedule is no less favourable to the Fund than the standard encashment schedule, in present value terms.

VI. Policies for loan contributions

21. The introduction of the possibility of loan contributions necessitates a set of additional financial management policies and procedures to ensure the financial sustainability of the Fund, transparency, equal treatment of contributors, and that *there will be no cross-subsidization between providers of grants and providers of loans.*¹⁵ The Board adopted an initial Financial Risk Management Framework at its seventh meeting,¹⁶ confirming that loan contributions would be used as part of Fund's overall pool of funding.

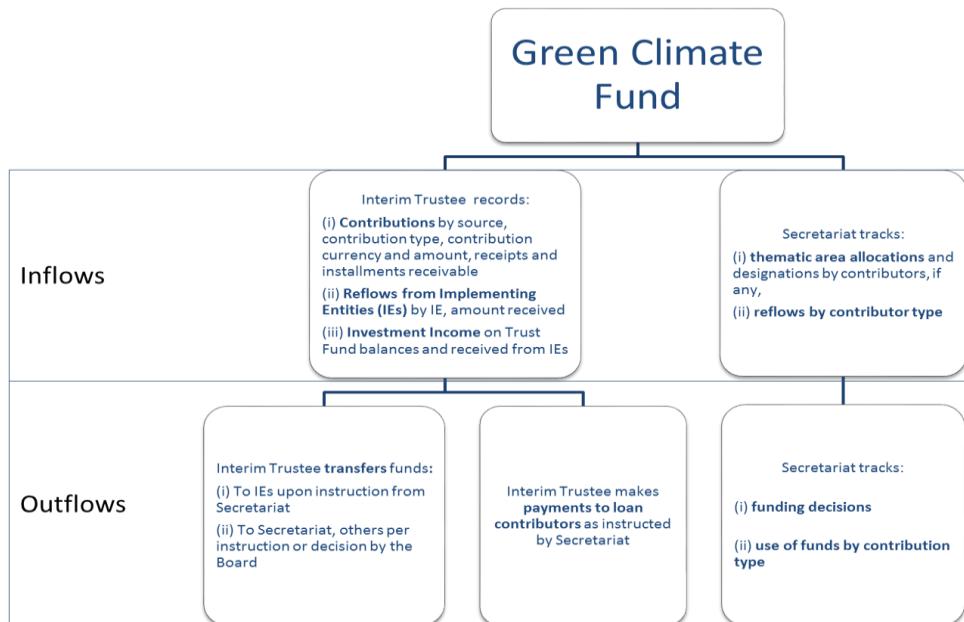
22. As part of the implementation of the Fund's Risk Management Framework by the Secretariat, a system for tracking loan contributions will be required to reflect that:

- (a) Loan contributions will be tracked separately from grants and capital contributions; and
- (b) All loan contributions will be co-mingled and grant amounts in respect of the cushion provided by the loan contributors will be used/shared on a pro rata basis among all loan contributors (see below).

23. The provision of this loan cushion allows the Fund to assume a certain level of risk to meet the needs of developing countries.

24. The tracking of cash flows is summarized in Table 3.

Table 3: Cash Flow Tracks



25. Other criteria to apply to loan contributions are:

- (a) **Prudential debt limit:** The Board has already decided that the Fund will, in aggregate, seek to maximize grant contributions, and that grant contributions must significantly

¹⁵ Decision B.07/05, Annex XI, paragraph 2(c).

¹⁶ Decision B.07/05.

exceed the amounts provided in the form of loans.¹⁷ An aggregate prudential debt limit will be established, defined as the total amount of contributions pledged in the form of loans as a percentage of the total pledged contributions. This limit depends critically on the risk appetite of the Fund and further elaboration of the Financial Risk Management Framework.

For the Initial Resource Mobilization phase, it is recommended that a conservative approach be followed and grant contributions are maximized. Many of the Fund's financial variables remain unknown, including the number and profiles of the Fund's IEs and intermediaries, disbursement and other characteristics of project and programmes funded, country and sector allocations, etc., therefore the debt limit will be subject to review under the Fund's Financial Risk Management Framework.¹⁸ Examples of the prudential debt limits possible under various assumptions are presented in Annex XXIII. Interested contributors recommend that for the IRM a conservative prudential debt limit of 20 per cent be established. This limit may be reviewed within the context of the Fund's Financial Risk Management framework upon further analysis of the risk appetite of the Fund:

- (i) **Implementation of the prudential debt limit:** The limit will be managed on an aggregate basis. During the initial pledging session, individual contributors would be encouraged to limit the individual loan component of their total contribution amount. The loan contribution should be no higher than 40 per cent of their total contribution. If the total amount of loan contributions is greater than the prudential debt limit, contributors would reduce their loan contribution pledges on a pro-rata basis, or as otherwise mutually agreed among the contributors. A review of the implementation of the prudential debt limit will be undertaken by the Secretariat based on actual loan, grant and capital contributions paid.
- (b) **Legal arrangements for loan contributions:** A loan contribution agreement/arrangement would be signed by the contributor, the Fund as borrower, and the Interim Trustee as the entity holding the contributed funds in trust;
- (c) **Reporting of the grant equivalence of a loan contribution:** Funding received and extended by the Fund will be accounted for in grant-equivalent terms based on a standard methodology, to be developed by the Fund based on best international practices, to provide an accurate comparison of funding amounts between financial instruments.¹⁹ It is recommended to utilize a discount rate of 2.65 per cent to calculate grant equivalency of loan contributions. Indicative calculations using 2.65 per cent discount rate are presented in Annex XXI. The full face value amount of the loan contribution would be used in the calculation of the commitment authority for the Fund (see Section VII), and for the purpose of the prudential debt limit calculation;
- (d) **Loan drawdowns:** The proceeds of the loan contributions, payable in cash, will be held in the Green Climate Fund Trust Fund and transferred to IEs or intermediaries at the instruction of the Fund. The IEs or intermediaries will use such cash transfers in accordance with the policies and procedures established by the Fund, and submit any associated reflows to the Interim Trustee, in accordance with the legal agreements between the IEs or intermediaries and the Fund. Loan contributions will be drawn down on a schedule agreed by the Fund and contributor;

¹⁷ Decision B.07/07 (Annex XI, paragraph 2(a)).

¹⁸ Decision B.07/05.

¹⁹ Decision B.07/06, Annex XIV paragraph 2(b).



- (e) **Provisions for non-performing loans:** Losses from non-performing loans will be borne by contributors whose contributions were allocated to loans. Should any loan extended by an IE or intermediary for a project or programme it implements be overdue, the Green Climate Fund Trust Fund may not have sufficient cash to fulfil payment obligations to the loan contributors. Based on the Board decisions on the Fund's Financial Risk Management Framework,²⁰ to further avoid cross-subsidization between providers of grants and providers of loans:
- (i) The Secretariat will track loan performance and resource flows; and
 - (ii) Any financial losses will be borne on a pro-rata basis by contributors whose loan, grant or capital contributions were used by the Fund to extend loans over the IRM period, in line with the principle of no cross-subsidization between loans, grants and capital contributions.
- (f) The provisions for non-performing loans with respect to the loan contributors are as follows:
- (i) **Cash-flow monitoring and modelling by the Secretariat:** As noted above, the role of the Financial Risk Management Framework and the function of the Fund's Chief Financial Officer will be crucial to the management of contributions, and particularly the tracking of loan contribution cash flows. The Board has already decided that, *as part of the implementation of the Financial Risk Management Framework, the Fund will incorporate a conservative hypothesis with respect to possible financial losses in order to ensure that actual reflows from outgoing loans will always exceed repayments due to contributors;* and
 - (ii) **Cushion and write-down of loans:**²¹ In addition to the grant contribution amount required to cover administrative costs (described in Section V above), loan contributors will provide an additional grant contribution in respect of the cushion for non-performing loans. In accordance with the prudential debt limit considerations and principle of no cross-subsidization, a portion of the total grant contributions provided by loan contributors would be in respect of a cushion for non-performing loans, to be held as part of the assets of the Green Climate Fund Trust Fund, and available for use to make payments to loan contributors in the event reflows from outgoing loans are not sufficient to cover repayments due to contributors.²² The amount of the cushion would be calculated as part of the implementation of the Fund's Risk Management Framework, on the basis of a realistic (quantitative) assessment of the risks the Fund is prepared to take on (the Fund's risk appetite) and the analysis of the Fund's expected cash flows, based on default rates and other assumptions. If, despite all reasonable efforts to maintain the risk profile of the portfolio of the Fund in line with the agreed risk appetite, the cushion proves to be inadequate, the loan contribution agreements will require that the loan contributors make additional grant contributions (and/or write-down against the payment of interest and principal repayment of loan contributions). Calculation of the optimal size of the cushion for the IRM period is difficult without making assumptions regarding programming, allocations across countries and sectors, and other factors. The initial required cushion will be 20 per cent of the face

²⁰ Decision B.07/05.

²¹ Previous references to "Capital Cushion" have been replaced with "Cushion" to reflect the fact that contributions to the Cushion will need to be made in the form of grants.

²² Reflows are expected to be insufficient until such time as interest payments are received on financing extended by the Fund.

value of the loan contribution, and the adequacy of the cushion will be reviewed at the end of the IRM period. In the event there is an excess amount of cushion, as determined by the Secretariat and the loan contributors, the excess amount may be released and may be used as a grant contribution. Loan cushions will not count toward grant equivalency or individual debt limit calculations.

26. **Terms of loan contributions:** The terms of loan contributions will ensure that the average level of concessionality of outgoing loans will be less than the average concessionality level of incoming contributions, with a sufficient margin to cover credit risk.²³ Proposed loan contribution terms are contained in Annex XX.

VII. Commitment authority

27. The Fund will develop a pipeline against the total amount of pledges. Funding decisions will be made against the total amount of available resources in the form of cash and promissory notes in the Green Climate Fund Trust Fund. Based on funding approvals, the Secretariat will record financial commitments against the deposit of cash contributions and promissory notes. Based on funding approvals by the Fund and cash transfer requests from the Secretariat, the Interim Trustee will transfer cash to IEs/intermediaries or Secretariat based on cash available in the Green Climate Fund Trust Fund.

28. Based on the tracking by the Secretariat, as part of the implementation of the Financial Risk Management Framework, it is expected that there will always be sufficient commitment authority available in the Green Climate Fund Trust Fund to meet the Fund's obligations and support funding decisions. In the unlikely event there is insufficient commitment authority, funds will be committed and transferred in the following order of priority:

- (a) Payment of administrative budget and IE/intermediary fees, to be made from resources available in the Green Climate Fund Trust Fund except for capital and loan contributions;
- (b) Transfers to IEs/intermediaries for projects and programmes, to be made based on resources available in the Green Climate Fund Trust Fund and subject to the uses of each contribution types; and
- (c) Payment of interest and repayment of loans to the loan contributors, to be made from:
 - (i) Reflows received by the Fund from loans extended; and
 - (ii) The cushion described above, in line with the principle of avoiding cross-subsidization between grants and loans.

VIII. Liquidity risk management

29. Liquidity risk in relation to contributions represents the possibility of not having sufficient available cash in the Green Climate Fund Trust Fund to meet payment obligations of the Fund, including cash transfers for projects and programmes and debt service payments to loan contributors. Liquidity concerns would arise if the Fund's cash position was lower than its scheduled or unscheduled payment obligations at any point in time.

30. In accordance with the Board decision on the Fund's Financial Risk Management Framework, mechanisms will be put into place to ensure that liquidity risk in relation to

²³ Decision B.07/05. The form and process for acceptance of promissory notes will be subject to agreement by the Fund and the Interim Trustee.

contributions is closely managed and monitored by the Secretariat.²⁴ Among mechanisms to manage this liquidity risk, the Fund will:

- (a) Commit only against cash payments and promissory note deposits;
- (b) Closely monitor the risk of non-payment;
- (c) Closely monitor and report to the Board on non-receipt of contributions on schedule; and
- (d) Set aside a financial reserve from the funding available for the minimum liquidity requirements as determined by the Fund's Financial Risk Management Framework.

IX. Managing risk of non-payment of contributions

31. Related to liquidity management is the risk that:
 - (a) Pledges are not converted into signed agreements/arrangements to provide contributions and/or loans; and
 - (b) Instalment payments under signed agreements/arrangements are not paid on time.
32. Non conversion of pledges into signed agreements will impact programming by the Fund based on pledges; non receipt of payments in cash or promissory notes will affect commitment authority of the Fund to approve programmes and projects.²⁵
33. Incentive and/or enforcement regimes in other funds rely on a credible link to impacts of non-payment. Some options used in other funds include:
 - (a) **Voting shares reduced by amounts in arrears:** This requires the adoption of a decision-making structure based on contribution amounts;
 - (b) **Voice and/or representation in fund governing body linked to actual contributions:** This is difficult to implement in practice, as representation is often constituency-based or determined by other non-financial considerations;
 - (c) **Deferral provisions:** Contributors may agree to restrict the use of all or a portion of their contribution to the Fund in the event other contributors are not current on instalment payments. This provision which relies, however, on the adoption of a burden-shared approach, has not proven particularly effective in other funds, and adds an additional restriction on the use of funds that negatively impacts beneficiaries;
 - (d) **Reporting:** Regular financial reporting on contributions received and amounts in arrears is important, in order to provide information that may be used by the Secretariat, other contributors and stakeholders to apply moral suasion; and
 - (e) **Active follow-up and lobbying efforts:** Under a voluntary contribution scheme, in many cases ongoing lobbying of contributors may be the only effective solution to ensure timely contribution payments.

²⁴ Decision B.07/05.

²⁵ The risk of inability to encash promissory notes is not considered here; it is deemed to be low based on the prevalence of the requirement for budget and legislative authority by the contributor prior to the deposit of promissory notes.

X. Foreign exchange risk management

34. Foreign exchange risk will be managed under the Fund's Financial Risk Management Framework.²⁶ In practice, foreign exchange risk relates to a large extent to loan contributions as grant and capital contributions do not involve repayment obligations before the wind-up of the Fund. Foreign exchange risk relating to loan contributions will be managed by matching currencies of loan contributions in aggregate to the currencies of the Fund's commitments to IEs and intermediaries. In practical terms this approach means that the Fund will have multiple holding currencies.

35. This would form part of the Fund's Financial Risk Management Framework and manage foreign exchange risk to acceptable levels (as set by the Board on recommendations by the Risk Management Committee).

36. The ability to extend multiple currencies would enable the Fund to better adapt to country requirements for those countries not wishing to borrow in US dollars.

²⁶ Decision B.07/05.

Annex XX: Loan contribution terms

1. It is recommended that the terms of loan contributions be standardized for all contributors. Two options for loan terms may be chosen:
 - (a) A more concessional option (Option 1); and
 - (b) A less concessional option (Option 2).
2. Standardized loan terms applicable during the initial phase of the Fund's operation would facilitate risk and cash flow management by the Fund.
3. These terms will only apply for the IRM phase, and may be reviewed in the future, during subsequent replenishment processes. They may also need to be reviewed based on the terms chosen by the Board for concessional lending by the Fund, to ensure that such terms are no more concessional than loan contribution terms.
 - (a) **Loan contribution size:** The maximum size of the loan contribution acceptable to the Fund would depend on the prudential debt limit to be established for the Fund;
 - (b) **Maturity:** The maturity of loan contributions will be 40 years (Option 1) and 25 years (Option 2);
 - (c) **Grace period:** The grace period of loan contributions will be 10 years (Option 1) and 5 years (Option 2) and will apply to interest and principal repayments;
 - (d) **Principal repayments:** Straight-line amortizing repayment schedule after the grace period; payments every six months;
 - (e) **Interest rate:** Loan contributions will attract a fixed coupon rate of up to 1 per cent per annum; payments every six months (applicable to Option 1 and Option 2) after the grace period;
 - (f) **Currency:** During the IRM phase, loan contributions may be made in major freely convertible currencies; and
 - (g) **Drawdown of loan proceeds:** The Fund will draw down loan funds from contributors as agreed between the Fund and contributor.

Annex XXI: Calculation of grant element

Indicative grant equivalence of the Fund loan contributions

Grant equivalence under different assumptions with respect to loan terms are presented below (assuming four-year fixed drawdown period):

Maturity	Grace Period	Interest Rate	Discount Rate	Grant Equivalence
40	10	1.00% p.a.	2.65% p.a.	33.86%
40	10	0.00% p.a.	2.65% p.a.	43.44%
25	5	1.00% p.a.	2.65% p.a.	19.70%
25	5	0.00% p.a.	2.65% p.a.	27.57%

Annex XXII: Resource mobilization approaches used by other multilateral funds

		Resource Mobilization Process	
		Ad-hoc	Replenishment Cycles
Funding Approaches	Voluntary	<ul style="list-style-type: none"> Contributors' pledge amounts are based on individual interest/capacity Contributions accepted at any time Contributors can make single- or multi-year commitments Contribution payment schedules are based on contributor preferences Potential programming uncertainty <p><u>Examples:</u> Global Agriculture and Food Security Program, Consultative Group on International Agricultural Research Fund, Climate Investment Funds, Least Developed Countries Fund, Special Climate Change Fund. The Adaptation Fund - originally intended to be financed primarily through the monetization of CERs – uses this approach for additional contributions.</p>	<ul style="list-style-type: none"> Greater certainty and predictability for programming Multi-year pledges that can be formalized through single- or multi-year contribution agreements Contributions can be accepted outside of the replenishment 'cycle' Contributor pledge amounts are based on individual interest/capacity Can be customized to budgetary cycles of contributors <p><u>Examples:</u> Global Fund for Aids Tuberculosis and Malaria, Global Alliance for Vaccines and Immunization Alliance, Global Partnership for Education</p>
	Burden-shared	n/a	<ul style="list-style-type: none"> Greater certainty and predictability for programming Contributions based on some measure (e.g. past contributions), but with flexibility to contribute other amounts Can result in a 'structural funding gap' if contributors' shares do not add up to 100 per cent¹ Multi-year commitments with coordinated, "pro-rata"-based payment arrangements and schedules Contributions can be accepted outside of the replenishment 'cycle' Can provide greater planning certainty for contributors <p><u>Examples:</u> Global Environment Facility, International Development Association, African Development Fund, Asian Development Fund, International Fund for Agricultural Development, and other multilateral development banks and funds.</p>

¹ A 'structural gap' occurs under a burden-shared approach if, for instance, not every country in the benchmark index contributes to the fund. Other contributors may be constrained to go beyond their 'share' to fill the gap.



	Alternative	<ul style="list-style-type: none">• Contributors support alternative financing structures through legal obligations containing cross-default or other provisions to front-load or otherwise provide financing that would not be available (International Financing Facility for Immunization,)• Agreements establish international or other levies (Adaptation Fund Share of Proceeds from Clean Development Mechanism)	<ul style="list-style-type: none">• Similar to ad-hoc approach but with agreement to replenish on a regular basis (Advance Market Commitment for Pneumococcal vaccines)
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Annex XXIII: Green Climate Fund prudential debt limit examples

1. The debt limit is a function of the terms of incoming funds, the terms of outgoing financing, and the relative use of loans and grants. Many of the Fund's variables remain unknown; therefore examples of debt ratios under different assumptions are presented here.
2. The general assumptions used in both examples are:
 - (a) Two sets of loan contribution terms:
 - (i) Loan Contribution Terms 1: 40 year maturity, 10-year grace period (for both principal and interest payments) and 0 per cent interest;
 - (ii) Loan Contribution Terms 2: 25 year maturity, 5-year grace period (for both principal and interest payments) and 1 per cent interest; and
 - (iii) Contributors will, on an aggregate basis, provide an equal amount of loan contributions on terms in (i) and (ii).
 - (b) One quarter of the Fund's entire envelope during the IRM, on a nominal basis, will be disbursed to recipients as grants, the balance will be used as non-grant lending products with the approximate distribution as follows:
 - (i) 20 per cent for public sector highly concessional loans (Product 1);
 - (ii) 30 per cent for public sector less concessional loans (Product 2); and
 - (iii) 25 per cent for private sector (Product 3);
 - (c) For all non-grant lending products a NPL level of 20 per cent is assumed on average;
 - (d) All reflows from outgoing concessional loans are co-mingled and are used for servicing loan contribution interest payments and principal repayments; and
 - (e) The disbursement profile for public sector loans is similar to the IDA projected disbursement profile. The disbursement profile for private sector loans is shorter (about three years).

Example 1 uses the following assumptions on the financing terms for outgoing lending and results in a prudential debt limit of 10 per cent

Assumptions on outgoing lending terms	Maturity (years)	Grace Period (years)	Interest (%)
Product 1	40	10	0.00%
Product 2	20	10	1.75%
Product 3	15	5	1.75%

Example 2 uses the following assumptions on the financing terms for outgoing lending and results in a prudential debt limit of 30 per cent.

Assumptions on outgoing lending terms	Maturity (years)	Grace Period (years)	Interest (%)
Product 1	40	10	0.75%
Product 2	25	5	1.75%
Product 3	8	2	1.75%

The two examples show resulting debt limits under scenarios where neither the cumulative net cash flows nor annual net cash flows are negative.



**Annex XXIV: Amended and restated interim Green Climate Fund
Trust Fund agreement**

MTO No. 069022

AMENDED AND RESTATED AGREEMENT

on

**the Terms and Conditions for the Administration of the Green Climate Fund
Trust Fund**

between

GREEN CLIMATE FUND

and

**INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT,
SERVING AS THE INTERIM TRUSTEE OF THE GREEN CLIMATE FUND TRUST FUND**

Dated 2014

MTO No. 069022

AGREEMENT

This AMENDED AND RESTATED AGREEMENT on the Terms and Conditions for the Administration of the Green Climate Fund Trust Fund ("Agreement"), dated 2014, is entered into between the GREEN CLIMATE FUND ("Fund"), acting through its Board ("Board"), and the INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT ("Bank"), serving as the interim trustee ("Trustee") of the Green Climate Fund Trust Fund (MTO No. 069022) ("Trust Fund"). The Fund and the Trustee shall be collectively referred to as the "Parties" and each a "Party".

PREAMBLE:

WHEREAS the Fund has been established following the decision of the Conference of the Parties ("COP") to the United Nations Framework Convention on Climate Change ("UNFCCC") at its sixteenth session (decision 1/CP.16);

WHEREAS the COP in decision 1/CP.16 invited the Bank to serve as the interim trustee for the Fund, subject to a review three years after the operationalization of the Fund;

WHEREAS in serving as the interim trustee of the Fund, the Trustee has established the Trust Fund to receive contributions from contributors to the Trust Fund ("Contributors") and has been administering the Trust Fund in accordance with the terms of the contribution agreements entered into with the Contributors, which include the Standard Provisions Applicable to the Green Climate Fund Trust Fund ("Initial Standard Provisions"), approved by the Board in its decision B.02-12/05 (a);

WHEREAS under the "Agreement between the Republic of Korea and the Green Climate Fund concerning the Headquarters of the Green Climate Fund", entered into force on 27 August 2013, and the "Act for Supporting Operation of the Green Climate Fund" of 30 July 2013, the Fund possesses juridical personality and as such, has the ability to enter into agreements with States and international organizations;

WHEREAS pursuant to paragraph 18 (o) of the Governing Instrument for the Green Climate Fund, as approved by the COP at its seventeenth session (decision 3/CP.17) ("Governing Instrument"), which stipulates that the Board will enter into legal and administrative arrangements with the trustee, the Parties entered into the Agreement on the Terms and Conditions for the Administration of the Green Climate Fund Trust Fund dated 15 October 2013 (the "Original Agreement") to establish the terms and conditions for the administration of the Trust Fund by the Trustee to replace the terms and conditions of the Initial Standard Provisions; and

WHEREAS following the approval by the Board, in its decision B.08/13, of the policies for contributions, the Parties wish to amend and restate the Original Agreement to reflect

the terms and conditions for the administration of the Trust Fund by the Trustee as prescribed in such policies.

NOW THEREFORE, the Parties hereto agree as follows:

1. Establishment of the Trust Fund

1.1. The Trustee shall establish the Trust Fund to receive contributions (the aggregate of all contributions from the Contributors, the "Contributions") from the Contributors and shall hold in trust, as legal owner, and administer the funds, assets and receipts that constitute the Trust Fund, to support the activities of the Fund in accordance with the terms of this Agreement, including all Annexes and Attachments attached hereto, which constitute an integral part hereof.

1.2. Without prejudice to the generality of the foregoing, and except as otherwise provided herein, the Trustee shall administer the funds, assets and receipts that constitute the Trust Fund only for the purpose of, and in accordance with, the relevant decisions of the Board or other person(s) designated in writing by the Board for that purpose ("Authorized Designee"), when such decisions are provided to the Trustee in writing. The Trustee shall be closely consulted in the development of decisions taken by the Board or the Authorized Designee which relate in any way to the functions of the Trustee performed or to be performed under this Agreement. In the absence of such consultation with and the agreement of the Trustee, the Trustee shall not be bound by any decision of the Board or the Authorized Designee, to the extent that such a decision relates to the functions of the Trustee performed or to be performed under this Agreement.

1.3. The Trustee shall be responsible neither: (a) for inquiring or investigating whether any decisions of the Board or Authorized Designee or Written Instruction (as defined below) provided to the Trustee contravene any existing decisions of the Board or Authorized Designee; nor (b) for making any inquiry or investigation into the facts or matters stated in any such decisions or Written Instructions, and shall have no liability for relying in good faith on any such decisions or Written Instructions, without further inquiry or investigation on its part or otherwise for any actions taken, or omitted to be taken, in good faith.

2. Administration of the Trust Fund

2.1. The Trustee shall be responsible only for performing those functions specifically set forth in this Agreement and shall not be subject to any other duties or responsibilities to the Fund or any Contributor, including, without limitation, any duties or obligations that might otherwise apply to a fiduciary or trustee under general principles of trust or fiduciary law. Nothing in this Agreement shall be considered a waiver of any privileges or immunities of: (a) the Bank under its Articles of Agreement or any applicable law, all of which are expressly reserved; or (b) the Fund under its Governing Instrument or any applicable law or treaty, all of which are expressly reserved.

2.2. The Fund agrees that the Trustee shall be fully indemnified, out of the assets of the Fund, including the Trust Fund resources, for any liabilities, claims, losses, costs and expenses, including attorneys' fees and expenses, incurred by the Trustee in connection with or in any way arising out of its activities as Trustee under this Agreement. Such indemnity shall not include any liabilities, claims, losses, costs or expenses incurred by the Trustee as a direct result of its own gross negligence or willful misconduct.

3. Contributions and Contribution Agreements

3.1. The Trustee may accept Contributions from Contributors who are parties that have ratified the UNFCCC ("Parties to the UNFCCC"), in accordance with the provisions of this Agreement and pursuant to contribution agreements/arrangements concluded as tripartite agreements/arrangements among the Fund, the Trustee and the Contributors (the "Contribution Agreement"). The Trustee may accept, on terms agreed with the Trustee and approved by the Board or the Authorized Designee, Contributions from Contributors who are not Parties to the UNFCCC in accordance with the provisions of this Agreement and pursuant to the Contribution Agreements.

3.2. Standard provisions applicable to the Contributions to the Trust Fund are set out in Annex I (Standard Provisions Applicable to the Contributions to the Green Climate Fund Trust Fund) of this Agreement.

3.3. The Fund and the Trustee shall enter into a Contribution Agreement with each Contributor. The Contribution Agreement shall provide, among other things, that the Contribution from the Contributor shall be administered by the Trustee in accordance with the terms of this Agreement. Each Contribution Agreement shall be in form and substance acceptable to the secretariat of the Fund (the "Secretariat") and the Trustee. For the avoidance of doubt, the Contribution Agreements shall include any loan agreements entered into among the Fund, a Contributor and the Trustee (a "Loan Agreement"), if, subject to the terms of this Agreement, any such agreement is entered into to receive a Contribution to the Trust Fund in the form of a loan contribution.

4. Commingling, Exchange and Investment of the Contributions

4.1. The Contributions shall be accounted for as a single trust fund and shall be kept separate and apart from the funds of the Bank. For administrative and investment purposes, the Contributions may be commingled with other trust fund assets maintained by the Bank.

4.2. The Contributions may be freely exchanged by the Trustee into other currencies as may facilitate their administration as provided herein.

4.3. The Trustee shall invest and reinvest the Contributions pending their transfer in accordance with the Bank's policies and procedures for the investment of trust funds administered by the Bank. The Trustee shall credit all income from such investment to the Trust Fund to be used for any purposes provided for under this Agreement.

4.4. The Trust Fund shall be maintained by the Trustee in the currency(ies) set forth in Annex II (Holding Currencies) attached hereto (a "Holding Currency"), as the same may be amended from time to time in accordance with paragraph 8.2 below.

5. Transfer of Trust Fund Resources

5.1. Except as provided in paragraph 5.4 below, the Trustee shall, subject to the terms of this Agreement, transfer Trust Fund resources in the manner and pursuant to procedures agreed between the Secretariat and the Trustee; and only at, and in accordance with, a written instruction of the Fund, provided to the Trustee by the Authorized Designee of the Fund in a form and manner agreed between the Trustee and the Secretariat (the "Written Instruction").

5.2. The Secretariat shall provide the Trustee with the necessary information for the Trustee to effect any transfer of Trust Fund resources under paragraph 5.1 above.

5.3. Upon the transfer of Trust Fund resources by the Trustee under paragraph 5.1 above, the Trustee shall have no responsibility for the use of the Trust Fund resources so transferred, and each entity to whom the Trust Fund resources are transferred by the Trustee shall be responsible to the Fund for the use of the Trust Fund resources so transferred and the activities carried out therewith.

5.4. For the purpose of financing the administrative costs of the Trustee, the Trustee shall submit to the Board a proposal for administrative budget to cover the full costs of services to be provided by the Trustee in the upcoming budget period (and/or the services provided prior to the execution of this Agreement) in connection with the performance of its functions under this Agreement, which shall be paid from the Trust Fund resources. Upon approval by the Board of such a proposal, the Trustee shall transfer the amount to its own account from the Trust Fund resources; provided that the amount of the resources transferred may be subject to an end of budget period adjustment on the basis of full cost recovery for the services provided during the budget period, as such arrangement may be agreed between the Board and the Trustee in connection with the aforementioned proposal.

5.5. Subject to paragraph 5.6 below, the Secretariat and the Trustee shall agree to the manner and procedures by which the Trustee may receive any return or reflow of funds from any of the entities in receipt of the Trust Fund resources transferred by the Trustee pursuant to this Agreement. To the extent that the Trustee has received any such return or reflow of funds from any such entities, the Trustee shall credit to the Trust Fund such amount received, which shall become available for further transfer of funds under and pursuant to this Agreement.

5.6. The Trustee shall not be involved in any action seeking to enforce the return of any Trust Fund resources, including any misused funds or reflow of funds, from any of the entities in receipt of the Trust Fund resources transferred under this Agreement.

6. Accounting and Financial Reporting

6.1. The Trustee shall maintain separate records and ledger accounts in respect of the Contributions deposited in the Trust Fund account and transfers made therefrom.

6.2. The Trustee shall furnish to the Board quarterly (or at any other frequency agreed between the Board and the Trustee) financial reports of the Trust Fund.

6.3. Unless otherwise agreed by the Board and the Trustee, the Trustee shall provide to the Board, within six (6) months following the end of each Bank fiscal year, an annual single audit report, comprising: (a) a management assertion together with an attestation from the Bank's external auditors concerning the adequacy of internal control over cash-based financial reporting for all cash-based trust funds as a whole; and (b) a combined financial statement for all cash-based trust funds together with the Bank's external auditor's opinion thereon. The cost of the single audit shall be borne by the Bank.

6.4. The Fund or a Contributor may request, on an exceptional basis, a financial statement audit by the Bank's external auditors of the Trust Fund; provided that the costs of any such audit, including the internal costs of the Bank with respect to the audit, shall be paid by the Trust Fund if the audit was requested by the Fund or paid by the requesting Contributor if the audit was requested by the Contributor.

6.5. The Trustee shall furnish the Secretariat, in the manner and frequency agreed between the Secretariat and the Trustee, with information on: (a) the amounts and types of Contributions received in the Trust Fund; (b) the amounts of resources transferred from the Trust Fund by the Trustee; (c) the amounts of resources returned to the Trust Fund by the entities to whom the Trust Fund resources were transferred by the Trustee; and (d) any such other information as may be agreed in writing between the Secretariat and the Trustee from time to time.

7. Authorization and Enforceability

7.1. Each Party hereby represents and warrants that:

(a) it has all requisite power and authority to enter into this Agreement and to carry out the transactions contemplated by this Agreement;

(b) its execution, delivery and performance of this Agreement and its consummation of the transactions contemplated by this Agreement have been duly authorized by all requisite internal action; and

(c) this Agreement has been duly executed and delivered by the Party and is a valid and binding obligation of the Party, enforceable against it in accordance with its terms.

8. Amendment, Effectiveness and Termination

8.1. This Agreement shall become effective upon the signatures of both Parties.

8.2. This Agreement may be amended only with the agreement of the Fund and the Trustee in writing, except that Annex I (Standard Provisions Applicable to the Contributions to the Green Climate Fund Trust Fund), including any attachment thereto, may only be amended in accordance with its terms.

8.3. The Fund may terminate the Bank's role as the interim trustee of the Trust Fund at any time upon six (6) months' prior written notice to the Bank.

8.4. It is envisaged that the Bank will serve as the interim trustee of the Trust Fund, subject to a review by the Board three (3) years after the operationalization of the Fund. Unless otherwise agreed between the Board and the Bank, the Bank's role as the interim trustee of the Trust Fund shall terminate on 30 April 2015/30 April 2018¹, except as set forth in paragraph 8.5 below.

8.5. Notwithstanding paragraph 8.4 above, the Bank may terminate its role as the interim trustee of the Trust Fund at any time upon six (6) months' prior written notice to the Board.

8.6. Following termination of the Bank's role as the interim trustee of the Trust Fund pursuant to paragraph 8.3, 8.4 or 8.5 above, the Bank shall carry on no business for the Trust Fund as the interim trustee except to the extent needed to avoid discontinuity in trustee services. The Bank shall, in consultation with the Secretariat to the extent possible, take all necessary action for winding up its affairs in an expeditious manner, including for the transferring of Trust Fund assets to the successor as directed by the Secretariat in writing without undue delay, and for meeting outstanding commitments. All of the powers and rights of the Trustee under this Agreement, including the right to be reimbursed for fees, costs and expenses incurred under this Agreement, shall continue until the affairs of the Trustee have been wound up. The Fund agrees to make all reasonable efforts to assist the Trustee with the winding up under this paragraph.

9. Notices

9.1. Unless otherwise specified in this Agreement, any communication, notice or request required or permitted to be given or made under this Agreement shall be executed in writing by the authorized person set forth below (or other authorized person as may be notified in writing by one Party to the other from time to time) and delivered to the address set forth below, or other contact details as may be notified in writing by one Party to the other from time to time.

¹ Subject to acceptance by the World Bank of the invitation to continue serving as the Interim Trustee as per decision B.08/22.

For the Fund:

Executive Director
Green Climate Fund

Green Climate Fund Secretariat
G-Tower, 175 Art Center-daero
Yeonsu, Incheon, Republic of Korea

Telephone: + 82 32 458 6059
Facsimile: + 82 32 458 6094
E-mail: secretariat@gcfund.org

For the Trustee:

Director
Trust Funds and Partnerships
The World Bank
1818 H Street, N.W.
Washington, DC 20433
U.S.A.

Telephone: +1 (202) 458-0019
Facsimile: +1 (202) 614-0249
E-mail: gcftrustee@worldbank.org

10. Dispute Resolution

10.1. The Fund and the Trustee shall, to the extent possible, strive to resolve promptly and amicably questions of interpretation and application of this Agreement and settle any disputes, controversy or claims arising out of or relating to this Agreement.

10.2. Any dispute, controversy or claim arising out of or relating to this Agreement, which has not been settled by the agreement between the Parties, shall be submitted to arbitration in accordance with the Arbitration Rules of the United Nations Commission on International Trade Law (UNCITRAL) in force on the effective date of this Agreement, and the following provisions: (a) the appointing authority shall be the Secretary-General of the Permanent Court of Arbitration; and (b) the language of the arbitral proceedings shall be English.

10.3. Any arbitral award under paragraph 10.2 above shall be final and binding upon the Parties. The provisions set forth in paragraphs 10.1 and 10.2 above shall be in lieu of any other procedure for the settlement of disputes between the Parties.

11. Disclosure

11.1. The Trustee and the Fund will disclose this Agreement and related information on the Trust Fund that are provided to them pursuant to this Agreement (excluding any information provided by the Parties in confidence) in accordance with their respective policies and procedures with respect to the disclosure of

information, in effect at the time of such disclosure. By entering into this Agreement, the Parties consent to disclosure of this Agreement and such related information on the Trust Fund in accordance with such policies and procedures.

12. Execution in Counterpart

12.1. This Agreement may be simultaneously executed in several copies, each of which shall be an original and all of which shall constitute but one and the same instrument.

IN WITNESS WHEREOF, the Parties have caused this Agreement to be executed on its behalf by its duly authorized officer, as of the date first above written.

GREEN CLIMATE FUND

By: _____

Name:

Title:

**INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT,
SERVING AS THE INTERIM TRUSTEE OF THE GREEN CLIMATE FUND TRUST FUND**

By: _____

Name:

Title:

ANNEX I

Standard Provisions Applicable to the Contributions to the Green Climate Fund Trust Fund

This Annex ("Standard Provisions") shall be applicable to and form an integral part of the GCF Trust Fund Agreement (as hereinafter defined) and all contribution agreements/arrangements, including the Loan Agreements (as hereinafter defined) (collectively, the "Contribution Agreements"), entered into among (a) the Green Climate Fund (the "Fund"), (b) the International Bank for Reconstruction and Development (the "Bank"), serving as interim trustee (the "Trustee") of the Green Climate Fund Trust Fund (the "Trust Fund"), and (c) the contributors (each, a "Contributor", and collectively, the "Contributors") that provide contributions (the aggregate of all contributions in the form of Grant Contributions, Capital Contributions, Loan Contributions and Cushions (each as hereinafter defined), the "Contributions") to be administered by the Trustee for the Trust Fund.

The Attachment to these Standard Provisions is an integral part of these Standard Provisions, and except to the extent the context otherwise requires, references to these Standard Provisions shall include references to both these Standard Provisions and the Attachment.

(insert standard terms and conditions applicable to Contributions to the Trust Fund.)



Attachment

Conditions for Use of Contributions

A. The following conditions shall apply to the Contributions, for which the Contribution Agreements are entered into during the initial resource mobilization period of the Fund, as defined in decision B.08/13 (the "IRM Period").

(insert additional terms and conditions applicable to Contributions to the Trust Fund during the IRM Period.)



ANNEX II

Holding Currencies

United States dollars

(insert any other with agreement of the Trustee.)



Annex XXV: Administrative budget of the Green Climate Fund for the year 1 January–31 December 2015

	Approved budget for 1 January to 31 December 2015 US\$
1. Board	
1.1 Board meetings	1,132,000
1.2 Co-Chairs and Board representative travel	22,500
1.3 Board committees, panels and groups	266,000
Subtotal: Board	1,420,500
2. Secretariat	
2.1 Salaries, wages and consultants	12,042,101
2.2 Travel	985,500
2.3 Contractual services, general operating, information technology costs	4,103,065
Subtotal: Secretariat	17,130,666
3. Interim Trustee	715,700
Grand total (1+2+3)	19,266,866

Annex XXVI: Selection of accounting standard

I. Introduction

1. The Green Climate Fund (the Fund) must determine which Accounting Standards it will follow in accounting for its income & expenditure and in the preparation and presentation of its financial statements. By Accounting Standards is meant that body of authoritative literature that comprises accounting and reporting standards. Generally the choice is between three standards. These are the International Financial Reporting Standards (IFRS), the International Public Sector Accounting Standards (IPSAS), and US Generally Accepted Accounting Principles (US GAAP).
2. This paper gives an explanation of each standard and of some of the similarities and differences between them and makes a recommendation as to which standard is the most appropriate for the Fund to use.

II. International Financial Reporting Standards

3. The IFRS are designed as a common global language for business affairs so that company accounts are understandable and comparable across international boundaries. They have developed as a consequence of the growth in international shareholding and trade over the past two decades. They have progressively replaced the many different national accounting standards.
4. The IFRS began as an attempt to harmonize accounting across the European Union, but the value of harmonization quickly made the concept attractive around the world. They are sometimes still called by their original name of International Accounting Standards (IAS). IAS were issued between 1973 and 2001 by the Board of the International Accounting Standards Committee (IASC). In 2001, the new International Accounting Standards Board (IASB) took over the responsibility for setting International Accounting Standards from the IASC. During its first meeting the new Board adopted existing IAS and Standing Interpretations Committee standards (SICs). The IASB has continued to develop standards, calling the new standards, International Financial Reporting Standards.
5. The IFRS consist of the 40 International Accounting Standards adopted by the IASB; 14 International Financial Reporting Standards developed by the IASB, 21 interpretations originating from the International Financial Reporting Interpretations Committee (IFRICs), and 33 interpretations developed by the SIC. The 40 IAS and 14 IFRS are set out in Appendix 3.
6. IFRS are internationally recognized and used in many parts of the world, including the European Union, Canada, India, Hong Kong, Australia, Malaysia, Pakistan, Gulf Cooperation Countries (GCC), Russia, Chile, South Africa, Singapore and Turkey. Currently it is estimated that more than 113 countries around the world, including all of Europe, require or permit IFRS reporting. The vision of global accounting standards has also been publicly supported by many international organizations, including the G20, World Bank, IMF, Basel Committee, International Organization of Securities Committee (IOSCO), and International Federation of Accountants Committee (IFAC).
7. In the U.S. the Securities & Exchange Commission (SEC) does not yet allow or mandate the use of IFRS for U.S. publicly traded companies. However, the SEC has stated that it is looking to switch to IFRS by 2015. It should be noted that progress is slow towards the achievement of that goal. An SEC Statement in Support of Convergence and Global Accounting Standards, dated

24 February 2010, reaffirmed: "The Commission's strong commitment to a single set of global standards, and the recognition that IFRS is best-positioned to be able to serve the role as that set of standards for the US market".

III. International Public Sector Accounting Standards

8. IPSAS are a set of accounting standards issued by the International Public Sector Accounting Standards Board (IPSASB), an independent organ of IFAC for use by public sector entities in the preparation of financial statements. Financial statements prepared under IPSAS are designed to provide information about how an entity has utilized its resources and about the cost of service delivery whereas IFRS are designed to provide investors, lenders and other users of the financial statements with information about the entity's financial performance and financial position to help those users make investment and credit decisions.

9. IPSAS are based on IFRS standards adapted to a public sector context when appropriate. In undertaking that process, IPSAS attempts, wherever possible, to maintain the accounting treatment and original text of the IFRS unless there is a significant public sector issue which warrants a departure.

10. IPSAS comprises 32 standards; 31 standards on the accrual basis of accounting and one standard on the cash basis of accounting. Specifically IPSAS 1 to 21 and 25 to 32 are based on IFRS standards. These are set out in appendix 1 together with the IAS or IFRS upon which they are based. IPSAS 22, 23 and 24 address public sector issues and are not based on IFRS. As follows these deal with:

- (a) IPSAS 22: Disclosure of Financial Information about the General Government Sector.
- (b) IPSAS 23: Revenue from Non-Exchange Transactions.
- (c) IPSAS 24: Presentation of Budget Information in Financial Statements.

11. IPSAS has been promoted and financed by the IMF and the World Bank, and they have been adopted by intergovernmental organizations, UN organizations and many national governments; however, they have not been widely implemented by the NGO sector, and furthermore, IFAC, the promulgating body, is a private federation and the standards are not legally binding.

IV. US Generally Accepted Accounting Standards

12. Accounting standards in the United States have historically been set by the American Institute of Certified Public Accountants (AICPA) subject to SEC regulations. The AICPA first created the Committee on Accounting Procedure in 1939, and replaced that with the Accounting Principles Board in 1959. In 1973, the Accounting Principles Board was replaced by the Financial Accounting Standards Board (FASB) under the supervision of the Financial Accounting Foundation with the Financial Accounting Standards Advisory Council serving to advise and provide input on the accounting standards.

13. In 2008, the FASB issued the FASB Accounting Standards Codification, which reorganized the thousands of US GAAP pronouncements into roughly 90 accounting topics. The codification changed what had been a standards-based model (with thousands of individual standards) to a topically based model (with roughly 90 topics).

14. The FASB Accounting Standards Codification is the source of authoritative US GAAP recognized by the FASB to be applied. The codification is effective for interim and annual

periods ending after 15 September 2009. All previous level US GAAP standards is now superseded.

15. Currently the Codification comprises the following literature issued by various standard setters:

(a) **Financial Accounting Standards Board (FASB);**

- (i) Statements (FAS) ;
- (ii) Interpretations (FIN) ;
- (iii) Technical Bulletins (FTB);
- (iv) Staff Positions (FSP);
- (v) Staff Implementation Guides (Q&A); and
- (vi) Statement No. 138 Examples.

(b) **Emerging Issues Task Force (EITF);**

- (i) Abstracts;
- (ii) Topic D.

(c) **Derivative Implementation Group (DIG) Issues;**

(d) **Accounting Principles Board (APB) Opinions;**

(e) **Accounting Research Bulletins (ARB);**

(f) **Accounting Interpretations (AIN);**

(g) **American Institute of Certified Public Accountants (AICPA).**

- (i) Statements of Position (SOP);
- (ii) Audit and Accounting Guides (AAG)—only incremental accounting guidance;
- (iii) c. Practice Bulletins (PB), including the Notices to Practitioners elevated to Practice Bulletin status by Practice Bulletin 1; and
- (iv) Technical Inquiry Service (TIS)—only for Software Revenue Recognition.

4.1 IFRS and IPSAS

16. Set out below are a comparison of the similarities and differences between the two standards.

4.1.1 Similarities between IFRS and IPSAS

17. IPSAS and IFRS are largely the same in four main areas:

(a) **Accounting standard style:** As noted above, the majority of the IPSAS are based on IFRS. For this reason the accounting style is largely the same for both standards:

- (i) **Principles:** The standards adopt a principles-based approach as opposed to a rules-based approach;
- (ii) **Concepts:** The basic accounting concepts underlying the financial statements are the same. i.e. going concern, accruals basis of accounting, fair presentation,

- time period principle, monitor unit principle, materiality and aggregation, offsetting, frequency of reporting, comparative information, and consistency of information;
- (iii) **Format:** The format of the **standards** (beginning with the standards objectives, scope, definitions, recognition, measurement, disclosure and guidance examples) are the same.
- (b) **Specific Accounting standards:** IPSAS 1 to 21 and 25 to 32 are based on IFRS standards. They apply the same definitions, recognition, measurement and other requirements as those applied by the IFRS standards on which they are based. These are set out in appendix 1.
- (c) **Government business enterprise accounting:** There is no difference between accounting requirements for government business enterprises (GBEs) under IPSAS and IFRS. Because GBEs are set up to operate in a similar way to ordinary for-profit entities, IPSAS 1 Presentation of Financial Statements requires that they apply IFRS. When GBEs applies IFRS they simultaneously comply with IPSAS.
- (d) **Accounting topic for which there is no applicable IPSAS:** IFRS standards are used as alternative accounting standards where there is no applicable IPSAS. This primacy arises from para 12, 14, and 15 of IPSAS 3 (2007 Handbook) which addresses the choice of accounting policies when there is no applicable IPSAS. There are 16 accounting topics covered by IFRS standards which do not yet have an IPSAS equivalent. These are listed in appendix 2.

4.1.2 Differences between IFRS and IPSAS

18. The differences between IFRS and IPSAS can generally be grouped into two broad categories; 'Not for profit friendly' differences and differences in Accounting Substance. These are set out below:

19. **'Not For Profit Friendly' Differences** do not differ in accounting substance. They include:

- (a) **Extra guidance:** Generally there is more guidance in IPSAS than in IFRS.
- (b) **More generous transitional provisions for difficult issues:** For example, IPSAS 17 Property, Plant & Equipment allows first time recognition of property, plant, & equipment to occur over 5 years rather than in a single change over point as required under IFRS.
- (c) **Terminology, guidance, definitions and examples relevant to public sector entities:** IPSAS standards include amendments to provide not for profit commentary and terminology.

20. **Differences in Accounting Substance:** Differences of accounting substance can be grouped into four broad categories:

(a) **Measurement Rules that cater for Non-Cash Generating Assets**

21. Generally in the 'for profit sector' companies hold assets in order to generate a return from holding the asset. In the 'not for profit sector' assets are often held in order to provide a service at no charge or a nominal charge. Therefore, on a 'normal use basis', the assets do not generate cash flows. An example could be rice/wheat held by the WFP to be provided to people in need.

22. Under IFRS, assets that do not generate cash flows are viewed as impaired and are required to be written down to their lower value. Under IPSAS standards such assets are not required to be written down. Two IPSAS standards in particular address this issue.

23. IPSAS 12 Inventories: Where inventories are held for provision at no charge or for a nominal charge, they are to be valued at the lower of cost and current replacement cost (as opposed to lower of cost and net realizable value under IFRS). In this way non cash generating inventory continues to be valued at 'cost' unless there is a material reduction in the inventory's replacement cost.

24. IPSAS 21 Impairment: This focuses on property, plant and equipment and requires measurement of the present value of the asset's remaining service potential using a number of approaches in order to determine 'value in use'. Thus as long as the property, plant, and equipment continues to provide services as expected there is no need to consider impairment and therefore no need to write down the asset to their recoverable amount which there would be under IFRS.

(b) Measurement Rules for Donated Items

25. Not for profit organizations often receive donations in the ordinary course of their business. These could be in the form of food, medicine, equipment, property etc. Under IFRS if an item is received for nothing then the item must be valued at cost which in these cases is zero. By contrast IPSAS requires that donated assets be recognized at their fair value. IPSAS 12 Inventories, IPSAS 16 Investment property, and IPSAS 17 Property, Plant and Equipment require that the inventories, investment properties and property, plant and equipment be valued at their fair value. Fair value is the amount for which the inventory or asset could be exchanged between knowledgeable and willing buyers and sellers in the marketplace.

(c) Measurement and Recognition Rules for Non Exchange Revenue

26. For profit organizations receive their revenue in exchange for providing goods or services; that is they receive a revenue stream in exchange for the sale of goods or a service. However, many not for profit organizations receive revenue in non-exchange transactions. Revenue from non-exchange transactions is not earned in the normal commercial sense. It is provided in the expectation that it will be used to benefit others but the donor receives no commercial exchange of goods or service.

27. IAS 20 deals with government grants for which an entity receives income without providing any goods or services. The income is recognized over the period in which the entity recognizes expenses for the related costs for which the grant is intended to cover. It is recognized only when there is reasonable assurance that the entity will comply with any conditions attached to the grant (such as the requirement to operate in certain regions or sectors) and the grant will be received. A grant receivable as compensation for costs already incurred or for immediate financial support, with no further related costs, should be recognized as income for the period in which it is receivable.

28. IPSAS 23 Revenues from Non Exchange Transactions deals with accounting for a wide range of non-exchange revenues, such as the receipt of taxes by governments and the receipt of gifts and donations, including goods in-kind by organizations. IPSAS 23 requires donated assets to be measured at fair value. The standard does not assume that there is an earning process that can be applied to recognize non exchange revenue. Instead IPSAS 23 takes a balance sheet approach to revenue recognition. An entity will recognize an asset arising from a non-exchange transaction when it gains control of resources that meet the definition of an asset and satisfy the recognition criteria. Therefore, all unconditional grants are recognized in full as revenue when they are received. A liability is recognized to the extent that there are conditions that have not

yet been complied with, and this liability is transferred to revenue as and when the conditions are met.

(d) **Presentation and Disclosure**

29. The last category of accounting differences includes a variety of differences that impact on presentation and disclosure of information, rather than recognition and measurement. The differences cover presentation of the statement of movements in equity (IPSAS 1), definition of extraordinary items (IPSAS 1 and IPSAS 3), presentation of segmental information (IPSAS 18) disclosure with respect to related parties (IPSAS 20) and presentation of budget information in financial statements (IPSAS 24).

4.1.3 Conclusion: IPSAS versus IFRS

30. The recommendation is that the Fund should adopt IFRS over IPSAS for the following reasons:

- (a) IFRS is the globally accepted standard with the exception of the USA. However the US SEC have stated that it is looking to switch to IFRS by 2015. It should be noted that progress is slow in achieving that goal.
- (b) IPSAS standards have been derived from IFRS standards with the result that they are largely the same in a number of important ways. As noted above, IPSAS 1 to 21 and 25 to 32 are based on IFRS standards. They apply the same definitions, recognition, measurement and other requirements as those applied by the IFRS standards on which they are based. Thus there is little additional value in selecting IPSAS over IFRS.
- (c) The primary differences of accounting substance relate to the accounting treatment for 'Non Cash Generating Assets' and the measurement rules for 'Donated Assets'. Given that the Fund does not have significant assets in either category there is little requirement to follow IPSAS.
- (d) There are differences in the accounting treatment for the Measurement and Recognition Rules for Non Exchange Revenue. For GCE non exchange revenue will primarily comprise donations or grants from either the public or private sector. These can be accounted for under IAS 20; Accounting for Government Grants and Disclosure of Government Assistance. The accounting treatment for grants received by the Fund would be the same under IPSAS 23; Revenues from Non-exchange Transactions as under IAS 20. Thus there is no benefit in following IPSAS over IFRS.
- (e) The Fund was established to provide support to developing countries to limit or reduce their greenhouse gas emissions and to adapt to the impacts of climate change. It operates in developing countries. In these countries the accounting standard, if one has been adopted, is IFRS. Thus it makes sense to have the same accounting standard as those countries in which the Fund will operate.
- (f) The Fund will have a large private sector facility component. In the private sector IFRS is the accepted standard so it makes sense for the Fund to also adopt IFRS.

4.2 IFRS and US GAAP

31. In September 2002 the IASB (responsible for IFRS) and the FASB (responsible for US GAAP) agreed that a common set of high quality, global accounting standards was a priority for both Boards. Great strides have been made by the FASB and the IASB to converge the content of IFRS and USGAAP. The goal is that by the time the SEC allows or mandates the use of IFRS for U.S. publicly traded companies, most or all of the key differences will have been resolved.

32. Because of these ongoing convergence projects, the extent of the specific differences between IFRS and US GAAP is shrinking. However, significant differences do still remain. For example:

- Principles v Rules bases – at the conceptual level, IFRS is considered more of a "principles based" accounting standard whereas US GAAP is considered more "rules based." With a principle based framework there is the potential for different interpretations of similar transactions, which could lead to extensive disclosures in the financial statements. With a rules based and industry specific standard there is much less room for interpretation.
- US GAAP revenue recognition guidance is extensive and includes a significant number of standards issued by the FASB, AICPA, and the SEC. The guidance tends to be highly detailed and is often industry-specific. IFRS has two primary revenue standards and four revenue-focused interpretations. The broad principles laid out in IFRS are generally applied without further guidance or exceptions for specific industries.
- Statement of Income — Under IFRS, extraordinary items are not segregated in the income statement. With US GAAP, they are shown below the net income.
- Inventory - Under IFRS, the last-in, first-out (LIFO) method for accounting for inventory costs is not allowed. Under US GAAP, either LIFO or first-in, first-out (FIFO) inventory estimates can be used.
- Under IFRS, if inventory is written down, the write down can be reversed in future periods if specific criteria are met. Under US GAAP, once inventory has been written down, any reversal is prohibited.
- IFRS allows the revaluation of assets in certain circumstances.
- IFRS uses a single-step method for impairment write-downs rather than the two-step method used in US GAAP, making write-downs more likely.
- Development costs can be capitalized under IFRS if certain criteria are met, while it is considered as "expenses" under US GAAP.
- IFRS has a different probability threshold and measurement objective for contingencies. Under US GAAP contingencies must be disclosed. Under IFRS disclosure of contingent liabilities can be limited if severely prejudicial to an entity's position.
- Acquired intangible assets under US GAAP are recognized at fair value, while under IFRS, it is only recognized if the asset will have a future economic benefit.
- IFRS does not permit curing debt covenant violations after year-end.

- Securitization - US GAAP allows certain securitized assets and liabilities to remain off a corporation's books whereas IFRS requires most securitized assets and liabilities to be placed on the balance sheet.
33. Perhaps the greatest difference between IFRS and US GAAP is that IFRS provides much less overall detail and industry-specific guidance.
- 4.2.1 Similarities between USGAAP and IFRS
34. At a fundamental level there are many similarities between the two standards. The underlying assumptions and principles are similar. These are:
- (a) **Accounting Entity:** Assumes that the entity is a separate legal entity.
 - (b) **Going Concern:** Assumes that the entity will be in operation indefinitely. The entity will continue to exist in the foreseeable future.
 - (c) **Monetary Unit principle:** Assumes a stable currency is going to be the unit of record.
 - (d) **The Time-period principle:** Implies that the economic activities of the entity can be divided into artificial time periods.
 - (e) **Historical cost principle:** Requires entities to account and report based on acquisition costs rather than fair market value for most assets and liabilities. However, there is a trend to use fair values particularly concerning debts and securities which now reported at market values.
 - (f) **Revenue recognition:** Principle holds that entities may not record revenue until
 - (i) It is realized or realizable; and
 - (ii) When it is earned. The flow of cash does not have any bearing on the recognition of revenue. This is the essence of **accrual** basis accounting. Conversely, however, losses must be recognized when their occurrence becomes probable, whether or not it has actually occurred.
 - (g) **Matching principle:** Expenses have to be matched with revenues as long as it is reasonable to do so.
35. In addition the required documents in an entity's financial statements comprise Balance Sheet, Income Statement, changes in Equity, Cash Flow Statement, and Notes to the Accounts under both standards.

4.2.2 Conclusion: USGAAP versus IFRS

36. The recommendation is that the Fund should adopt IFRS over US GAAP for the following reasons:
- (a) The globalization of business and finance has led more than 12,000 companies in more than 113 countries to adopt IFRS. It is becoming increasingly recognized as the global accounting standard;
 - (b) The SEC have recognized that IFRS is best-positioned to be able to serve the role as that set of global standards for the US market. In addition there is the growing acceptance of IFRS as a basis for U.S. financial reporting. This being the case there is little attraction in selecting US GAAP which will eventually converge with IFRS;

- (c) The Fund will raise funding in and be engaged in activities in many different countries. It makes sense for it to use the recognized global accounting standard IFRS;
- (d) IFRS will also make it easier for the Fund to initiate partnerships and implement cross-border deals, and develop cooperation agreements with entities in many different countries.

V. Accounting Standards used by other International Organizations

- (a) IFRS: Other international organizations that use IFRS include the IMF, AfDB, ERBD, IFAD, GEF, and the Global Fund. The World Bank use US GAAP;
- (b) IPSAS: The UN system is moving from its own standards to IPSAS, most agencies have now implemented IPSAS.

5.1 US GAAP & ADB

37. ADB currently use US GAAP. During 2010-12 ADB conducted a two phase preliminary study on IFRS. The first phase focused on gaining an understanding of IFRS, and a gap analysis between ADB's current accounting treatment under US GAAP and IFRS. The second phase study focused on cost benefit analysis and updates to the gap analysis conducted in the first phase study. The second phase study assessed the impact of directly transitioning to IFRS on:

- (a) Financial statement presentation;
- (b) Systems and modules; and
- (c) Business processes.

38. The assessment concluded that direct adoption of IFRS would have significant resource implications to redesign the business processes; update accounting policies; and enhance the systems to support the financial reporting. The study did not identify any major tangible benefits to ADB from adopting IFRS and reaffirmed that continuing to apply US GAAP would allow ADB to continue to produce financial statements that will be accepted by the global capital markets.

39. The assessment recommended deferring the direct adoption of IFRS at this time, and to further monitor market developments. Whilst noting that: 'As a general principle, it would be preferable for ADB – as an international organization – to report under international standards, rather than those of a single jurisdiction'.

40. This recommendation was approved by the Audit Committee in 2013.

5.1.1 Overall conclusion

41. The overall recommendation is that the Fund should select IFRS as its Accounting Standard for the reasons as set out in the paper.

Appendix 1

IPSAS	IAS/IFRS based on
IPSAS 1 Presentation of Financial Statements	IAS 1 Presentation of Financial Statements
IPSAS 2 Cash Flow Statements	IAS 7 Statement of Cash Flows
IPSAS 3 Accounting Policies, Changes in Accounting Estimates and Errors	IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors
IPSAS 4 Effects of Changes in Foreign Exchange Rates	IAS 21 Effects of Changes in Foreign Exchange Rates
IPSAS 5 Borrowing Costs Mandatory	IAS 23 Borrowing Costs
IPSAS 6 Consolidated and Separate Financial Statements	IAS 27 Separate Financial Statements
IPSAS 7 Investments in Associates	IAS 28 Investments in Associates and Joint Ventures
IPSAS 8 Interests in Joint Ventures	IAS 31 Interests in Joint Ventures
IPSAS 9 Revenue from Exchange Transactions	IAS 18 Revenue
IPSAS 10 Financial Reporting in Hyperinflationary Economies	IAS 29 Financial Reporting in Hyperinflationary Economies
IPSAS 11 Construction Contracts	IAS 11 Construction Contracts
IPSAS 12 Inventories	IAS 2 Inventories
IPSAS 13 Leases	IAS 17 Accounting for Leases
IPSAS 14 Events After the Reporting Date	IAS 10 Events after the Reporting Period
IPSAS 15 Financial Instruments: Disclosure and Presentation	Superseded by IPSAS 28 and IPSAS 30
IPSAS 16 Investment Property	IAS 40 Investment Property
IPSAS 17 Property, Plant and Equipment	IAS 16 Property, Plant and Equipment
IPSAS 18 Segment Reporting	IAS 14 Segment reporting
IPSAS 19 Provisions, Contingent Liabilities and Contingent Assets	IAS 37 Provisions, Contingent Liabilities and Contingent Assets
IPSAS 20 Related Party Disclosures	IAS 24 Related Party Disclosures
IPSAS 21 Impairment of Non-cash-generating Assets	IAS 36 Impairment of Assets
IPSAS 22 Disclosure of Financial Information about the General Government Sector	N/A
IPSAS 23 Revenue from Non-exchange	N/A
IPSAS 24 Presentation of Budget Information in Financial Statements	N/A
IPSAS 25 Employee Benefits	IAS 19 Employee Benefits
IPSAS 26 Impairment of Cash-generating Assets	IAS 36 Impairment of Assets
IPSAS 27 Agriculture	IAS 41 Agriculture
IPSAS 28 Financial Instruments: Presentation	IAS 32 Financial Instruments: Presentation
IPSAS 29 Financial Instruments: Recognition and Measurement	IAS 39 Financial Instruments: Recognition and Measurement
IPSAS 30 Financial Instruments: Disclosures	IFRS 7 Financial Instruments: Disclosures
IPSAS 31 Intangible Assets	IAS 38 Intangible Assets
IPSAS 32 Service Concessions Arrangements:	IFRIC 12 Service Concessions Arrangements



Appendix 2

Applicable IFRS standards where there is no equivalent IPSAS
IFRS 2 Share-based Payment
IFRS 3 Business Combinations
IFRS 4 Insurance Contracts
IFRS 5 Non-current Assets Held for Sale and Discontinued Operations
IFRS 6 Exploration for and Evaluation of Mineral Resources
IFRS 7 Financial Instruments: Disclosures
IFRS 8 Operating Segments
IAS 12 Income Taxes
IAS 19 Employee Benefits
IAS 26 Accounting and Reporting by Retirement Benefit Plans
IAS 30 Disclosures in the Financial Statements of Banks and Similar Financial Institutions
IAS 33 Earnings per Share
IAS 34 Interim Financial Reporting
IAS 38 Intangible Assets
IAS 39 Financial Instruments: Recognition and Measurement
IAS 41 Agriculture

Appendix 3

IFRS Standards

- IAS 1 Presentation of Financial Statements
- IAS 2 Inventories
- IAS 3 Consolidated Financial Statements
- IAS 4 Depreciation Accounting
- IAS 5 Information to Be Disclosed in Financial Statements
- IAS 6 Accounting Responses to Changing Prices
- IAS 7 Statement of Cash Flows
- IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors
- IAS 9 Accounting for Research and Development Activities
- IAS 10 Events after the Reporting Period
- IAS 11 Construction Contracts
- IAS 12 Income Taxes
- IAS 13 Presentation of Current Assets and Current Liabilities
- IAS 14 Segment reporting
- IAS 15 Information Reflecting the Effects of Changing Prices
- IAS 16 Property, Plant and Equipment
- IAS 17 Accounting for Leases
- IAS 18 Revenue
- IAS 19 Employee Benefits
- IAS 20 Accounting for Government Grants and Disclosure of Government Assistance
- IAS 21 Effects of Changes in Foreign Exchange Rates
- IAS 22 Business Combinations
- IAS 23 Borrowing Costs
- IAS 24 Related Party Disclosures
- IAS 25 Accounting for Investments
- IAS 26 Accounting and Reporting by Retirement Benefit Plans
- IAS 27 Separate Financial Statements
- IAS 28 Investments in Associates and Joint Ventures
- IAS 29 Financial Reporting in Hyperinflationary Economies
- IAS 30 Disclosures in the Financial Statements of Banks and Similar Financial Institutions
- IAS 31 Interests in Joint Ventures
- IAS 32 Financial Instruments: Presentation
- IAS 33 Earnings per Share
- IAS 34 Interim Financial Reporting
- IAS 35 Discontinuing Operations

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- IAS 36 Impairment of Assets
 - IAS 37 Provisions, Contingent Liabilities and Contingent Assets
 - IAS 38 Intangible Assets
 - IAS 39 Financial Instruments: Recognition and Measurement
 - IAS 40 Investment Property
 - IAS 41 Agriculture
 - IFRS 1 First-time Adoption of International Financial Reporting Standards
 - IFRS 2 Share-based Payment
 - IFRS 3 Business Combinations
 - IFRS 4 Insurance Contracts
 - IFRS 5 Non-current Assets Held for Sale and Discontinued Operations
 - IFRS 6 Exploration for and Evaluation of Mineral Resources
 - IFRS 7 Financial Instruments: Disclosures
 - IFRS 8 Operating Segments
 - IFRS 9 Financial Instruments
 - IFRS 10 Consolidated Financial Statements
 - IFRS 11 Joint Arrangements
 - IFRS 12 Disclosure of Interests in Other Entities
 - IFRS 13 Fair Value Measurement
 - IFRS 14 Regulatory Deferral Accounts

Annex XXVII: Terms of reference of External Auditors

I. Introduction

1. These terms of reference are prepared in accordance with the decision GCF/B.06/03.

II. Scope of Services Required by the Fund

2. The External Auditor shall audit the Financial Statements (FS) of the Fund, in accordance with the International Standards on Auditing (ISA). The FS include the Statement of Financial Position (including the Fund's Assets & Liabilities), the Statement of Activities (including the Fund's Income & Expenditures), the Statement of Movements of Net Assets and the Statement of Cash Flows, together with explanatory notes and schedules in support of the FS. The audit of the Statement of Financial Position includes those funds held in trust by the Fund's Trustee. The Fund's Income & expenditures includes both the administrative budget as well as all of its programmatic income and expenditures.

3. The ISA are professional standards for the performance of a financial audit of financial information. These standards are issued by the International Federation of Accountants (IFAC) through the International Auditing and Assurance Standards Board (IAASB). The standards are listed in Appendix 1.

4. The External Auditor may make observations with respect to the efficiency of the financial procedures, the accounting system, the internal financial controls and, in general the administration and management of the Fund.

5. The Board and or the Ethics & Audit Committee (EAC) may request the External Auditor to perform certain specific examinations and issue separate reports on the results.

6. The audit reports will be reflected in the Board annual reports to the COP.

III. Terms of Reference of External Audit

7. The Fund's external auditor will be appointed by the Board of the Fund.

8. The external auditors will report to the Board and the EAC on an annual basis.

9. The External Auditors of the Fund should be an internationally recognized public accounting firm. In evaluating the capabilities of the audit firm the following technical criteria should be considered:

- (d) Experience in audit of multilateral funds, international financial institutions, international organizations or other organizations which report in accordance with International Financial Reporting Standards;
- (e) Number of partners and professional staff; partner-staff ratio, ability to substitute staff at similar levels of qualifications and experience if necessary;
- (f) Firm specialities that may be useful to the Fund (e.g. IT, enterprise risk management, advice on hedging instruments);
- (g) Types of clients/sectors, number of large clients/client spread; and
- (h) Feedback on performance from other clients.

IV. Evaluation of Incumbent External Auditors

10. The Board, through the Ethics & Audit Committee, will evaluate the performance of the external auditors every three years. This evaluation supports the decision to renew the engagement in the years between Board-approved cycles of rotation.
11. In evaluating the performance of external auditors; the Ethics & Audit Committee will consider:
 - (a) Communications with the EAC;
 - (b) Planning and conduct of the assignment;
 - (c) Scope of the external audit;
 - (d) Composition and experience of the external audit team;
 - (e) Maintenance of independence;
 - (f) Recent or imminent changes to the firm that may have an impact on its relationship with the Fund in the future;
 - (g) Efficiency and quality of the reports; and
 - (h) Potential conflict of interest if the incumbent external auditors are also the external auditors of an implementing entity selected by the Fund. The external audit firm must disclose any conflict of interest.

V. Changes to the Appointment of External Auditors

12. The rules of professional conduct relating to the resignation and removal of external auditors are designed to protect the interests of the Fund.
13. The Fund's external auditors may resign with a written notice of resignation. In order to be effective the notice should include a statement of any circumstances connected with the resignation.
14. Within 14 days of receipt of a notice of resignation, the Fund's Secretariat must send a copy of the notice to the Ethics & Audit Committee. The external auditors may request the Board to be heard at any Board meeting which will consider the FS of the Fund of any given year which was being audited by the External Auditor who resigned.
15. The authority for the removal of external auditors rests solely with the Board.
16. Should the external auditor position become vacant before the expiry of the term, the Board will, in consultation with the Ethics & Audit Committee, appoint another external auditor to fill the vacancy.
17. In selecting an external auditor, the Fund should conduct a competitive process, according to a pre-established set of selection criteria.

VI. Rotation of External Auditors

18. The Fund's external auditors will serve two three year annual audit assignments. The rotation of auditors means that auditors are engaged to undertake a maximum of six annual financial statement audits, and thereafter another auditor should be appointed through competitive bidding

VII. Prohibited Non-Audit Services

19. The external auditor shall not perform the following non-audit services for the Fund:
 - (a) Bookkeeping;
 - (b) Financial information system design & implementation;
 - (c) Internal audit services;
 - (d) Management functions or human resource related services;
 - (e) Legal services and expert services unrelated to the audit; and
 - (f) Any other services the EAC may determine to be not permissible.

Annex XXVIII: Corporate procurement guidelines on the use of consultants

I. Introduction and Policies

A. Purpose

1.1 The purpose of these guidelines is to define procedures that the Green Climate Fund (the Fund) shall follow for selecting, contracting, monitoring and evaluating the conduct of consultants required for its own corporate needs.

1.2 For these guidelines, the term ‘consultants’ includes a wide variety of private and public entities, including international¹ and national² consulting firms, auditors, universities, research institutions, government agencies, non-governmental organizations (NGOs) and individuals.³

B. General Considerations

1.3 The operational divisions at the Fund are responsible for the selection, engagement, supervision and evaluation of consultants. Consultants will not normally be used to perform a function if there are adequate internal resources available. Although the specific rules and procedures to be followed for employing consultants depend on the circumstances of the particular case, eight main considerations guide the Fund’s policy on the selection process:

- (a) Need to advertise widely;
- (b) Need for high-quality services;
- (c) Need for economy, efficiency and effectiveness;
- (d) Need to give all qualified consultants an opportunity to compete in providing the services;
- (e) The Fund’s interest in encouraging the development and use of national consultants from the partner countries of operation;
- (f) Need for transparency in the selection process;
- (g) Need for increasing focus on anticorruption and observance of ethics; and
- (h) Avoidance of conflict of interest of consultants and adverse impacts on the Fund’s credibility.

1.4 The Fund considers that, in the majority of cases, these considerations can best be addressed through competition among qualified, shortlisted firms or individuals whose selection is based on the quality of the proposal and, where appropriate, on the cost of the services to be provided. To the extent possible, corporate procurement shall follow procedures as described in Part II of these corporate guidelines describing the different methods of selection of consultants accepted by the Fund and the circumstances in which they are appropriate. Quality- and cost-based selection (QCBS) is the Fund’s preferred method for these

¹ ‘International consultant’ means any consulting firm established or incorporated in any country outside the country where the assignment takes place, or a person who is not a citizen of the country where the assignment takes place.

² ‘National consultant’ means any consulting firm or individual from the country where the assignment takes place that is established or incorporated and has a registered office in that country, or a person who is a citizen of such country.

³ ‘Individual consultants’, see paragraph 2.34.

guidelines, as described in detail the procedures for QCBS. However, for cases where QCBS is not the most appropriate method, alternative selection methods are described on pages 9–10.

C. Applicability

1.5 The procedures outlined in these guidelines apply to all contracts for consulting services required by the Fund, including secondments to the Fund.

1.6 The Integrity Principles and Guidelines of the Fund, as well as the Fund's Anti-Corruption Policy, will apply to all contracts for services.⁴

1.7 The Fund will use:

- (a) Staff consultants to supplement its own staff to support and, where needed, provide specialized, expert knowledge and advice for the Fund's activities under contracts financed from the Fund's administrative budget; and
- (b) Terms of Reference (TOR) to define the duties of consultants. Consultants recruited by the Fund include firms and individuals.

D. Conflict of Interest

1.8 The Fund considers a conflict of interest to be a situation in which a party has interests that could improperly influence the activities of the Fund and the policy decisions of the Board, as well as that party's performance of official duties or responsibilities, contractual obligations or compliance with applicable laws and regulations. The Fund will take appropriate actions to manage such conflicts of interest or may reject a proposal for award if it determines that a conflict of interest has compromised the integrity of any consultant selection process.

1.9 Without limitation on the generality of the foregoing, consultants shall not be recruited under the circumstances set forth below:

- (a) **Conflict between consulting activities and procurement of goods, works or services.** A consulting firm or individual consultant who has been engaged by the Fund to provide goods, works or services to the Fund shall be disqualified from providing consulting services to borrowers or recipients of monies of the Fund related to those goods, works or services unless these are procured at the same time.
- (b) **Conflict among consulting assignments.** Consulting firms or individual consultants shall not be hired for any assignment that, by its nature, may be in conflict with another assignment of the firm or individual. As an example, consultants hired to prepare the TOR for an assignment shall not be hired for the assignment in question. The same should apply for consultants appointed to prepare modalities for the Fund, including work programmes. As such, neither the individual nor the company may be eligible for the implementation of such activities:

Relationship with Fund staff. Consulting firms or individual consultants who have a business or family relationship with a Fund staff member who is directly or indirectly involved in any part of: (1) the preparation of the TOR of the contract; (2) the recruitment process for such contract; or (3) the supervision of such contract may not be awarded a contract, unless the conflict stemming from this relationship has been resolved in a manner acceptable to the Fund throughout the recruitment process and the execution of the contract.

⁴ These are currently being developed on the basis of precedents of the Asian Development Bank.

E. Unfair Competitive Advantage

1.10 Fairness and transparency in the recruitment process require that consulting firms or individual consultants competing for a specific assignment do not derive a competitive advantage from having provided consulting services related to the assignment in question. To that end, the Fund shall make available to all the shortlisted consultants all information, including the Request for Proposal (RFP), that would, in that respect, give a consulting firm or an individual consultant a competitive advantage.

F. Associations between Consultants

1.11 Consultants may associate with each other in the form of a joint venture (JV)⁵ or of a sub-consultancy agreement to:

- (a) Complement their respective areas of expertise;
- (b) Strengthen the technical responsiveness of their proposals and make available bigger pools of experts;
- (c) Provide better approaches and methodologies; and, in some cases; and
- (d) Offer lower prices.

1.12 Such an association may be for the long term (independent of any particular assignment) or for a specific assignment. If the Fund employs an association in the form of a JV, the association will appoint one of the firms to represent the association. All members of the JV shall sign the contract and shall be jointly and severally liable for the entire assignment.

G. Training or Transfer of Knowledge

1.13 If the assignment includes an important component for training or transfer of knowledge to the Fund, the TOR shall indicate the objectives, nature, scope and goals of the training programme, including details on trainers and trainees, skills to be transferred, timeframe, and monitoring and evaluation arrangements. The cost for the training programme shall normally be included in the consultant's contract and in the budget for the assignment.

H. Language

1.14 Documentation and communication relating to the use of consultants prepared by both the Fund and consultants shall normally be in English. However, if necessary this can be translated into another language.

I. Fraud and Corruption

1.15 The Fund requires that consultants observe the highest standard of ethics during the selection process and in execution of such contracts. In pursuance of this policy, and in the context of these guidelines, the Fund:

- (a) Defines, for the purposes of this provision, the terms set forth below as follows:

⁵ The nationality of the joint venture (JV) for the purpose of shortlisting will be defined by the nationality of the firm representing the JV.

- (i) 'Corrupt Practice' means the offering, giving, receiving or soliciting, directly or indirectly, anything of value to influence improperly the actions of another party;
 - (ii) 'Fraudulent Practice' means any act or omission, including a misrepresentation, that knowingly or recklessly misleads, or attempts to mislead, a party to obtain a financial or other benefit or to avoid an obligation;
 - (iii) 'Coercive Practice' means impairing or harming, or threatening to impair or harm, directly or indirectly, any party or the property of the party to influence improperly the actions of a party; and
 - (iv) 'Collusive Practice' means an arrangement between two or more parties designed to achieve an improper purpose, including influencing improperly the actions of another party.
- (b) Will reject a proposal for an award if it determines that the consultant recommended for the award has directly, or through an agent, engaged in corrupt, fraudulent, collusive or coercive practices in competing for the contract in question; and
 - (c) Will sanction a firm or individual, at any time, including declaring ineligible, either indefinitely or for a stated period of time, such consulting firm, individual or successor from participation in Fund-financed activities, if it at any time determines that the firm or individual has, directly or through an agent, engaged in corrupt, fraudulent, collusive, coercive or other prohibited practices.

1.16 Fund contract documents shall include an undertaking by the consultants that no fees, gratuities, rebates, gifts, commissions or other payments, other than those shown in the proposal, have been given, received or promised in connection with the consultant selection process or in contract execution.

J. Performance Evaluation

1.17 The Fund believes that past consultant performance should be linked to further business opportunities. The Fund implements formal consultant performance evaluations. The consultant is also given the opportunity to review and comment on the content of the performance evaluation report prepared by the Fund.

K. Ineligibility for Procurement

- 1.18 The Fund will not procure services from:
- (a) Any country, organization or individual specifically referred to in any current Resolutions of the United Nations Security Council where such procurement would be counter to any measures imposed by the relevant resolution; and
 - (b) Any individual or organization appearing in Table 1 of the World Bank Listing of Ineligible Firms & Individuals as published on the World Bank website.

II. Procedures

2.1 Selection Methods

The Fund implements a range of selection methods in order to:

- (a) Provide a wide range of services;

- (b) Promote streamlining and harmonization; and
- (c) Reduce administrative complexities and transaction costs.

The following selection methods are available for the recruitment of consultants:

Selection Method	Maximum value of contract	Selection based on	Comment
Quality- and Cost-Based Selection	Unlimited, unless for national consultants only, when the limit is US\$ 100,000	Quality of Technical solution and cost	
Quality-Based Selection	Unlimited	Technical proposal	
Fixed Budget Selection	Unlimited	Highest ranked technical proposal	Proposal must be same as, or less than, the fixed budget
Least Cost Selection	Generally less than US\$ 50,000	Lowest cost, technically acceptable proposal	
Consultant's Qualifications Selections	Usually less than US\$ 100,000	Most appropriate qualifications and experience	
Single Source Selection	Usually less than US\$ 50,000; must be justified	Firm must be qualified, experienced and available	Should only be used in the circumstances stated below

These selection methods are described in more detail below.

A. Recruitment of Consulting Firm

1. Quality- and Cost-Based Selection

QCBS is based on the quality of the technical proposal and the cost of the services to be provided. Since under QCBS the cost of the proposed services is a factor in the selection, this method is appropriate when:

- (i) The scope of work can be precisely defined;
 - (ii) The TOR are well specified and clear; and
 - (iii) The Fund and the consultants can estimate with reasonable precision the personnel, time and other inputs required of the consultants.
- (a) **Preparation of the TOR:** Before a consulting firm can be recruited, the objective and scope of the proposed work, and the functions and duties to be assigned to the consultant, should be clearly and adequately defined in the TOR.
- (b) **Cost Estimates (Budget for the Assignment):** Well-developed cost estimates are essential to ensure that realistic budgetary resources are provided. The cost estimates shall be prepared by the Fund staff based on assessment of the resources needed to carry out the assignment—that is, expert time and logistical support. Costs shall be divided into two broad categories:
- (i) Remuneration (according to the type of contract used); and
 - (ii) Out-of-pocket expenses. The cost of expert time shall be estimated on a realistic basis for international and national personnel.

- (c) **Advertising:** The Fund normally lists all requests for consulting services on its website before shortlisting.
- (d) **Preparation of Longlist of Consultants:** The Fund units maintain a list of technically qualified firms based on applications submitted.
- (e) **Preparation of Shortlist of Consultants:** The Fund's Procurement Specialist (PS) is responsible for reviewing and providing advice on the shortlist. The Fund shall give first consideration to those firms expressing interest that possess the relevant qualifications. Except in special circumstances (e.g. when only a few qualified firms have expressed interest in the specific assignment, or when the size of the contract does not justify wider competition), shortlists shall comprise six firms with a wide geographic spread, with no more than two firms from any one country and at least two of the firms from a developing country, unless qualified firms from developing countries cannot be found. For establishing the shortlist, the nationality of a firm is that of the country in which it is registered or incorporated and, in the case of a JV, the nationality of the firm appointed to represent the JV.

The shortlist may comprise entirely national consultants (firms registered or incorporated in the country) under three conditions:

- (i) If the assignment is below a ceiling established by the Fund;⁶
- (ii) Sufficient qualified firms are available to enable a shortlist of firms with competitive costs to be drawn up; or
- (iii) When competition, including foreign consultants, is *prima facie* not justified or foreign consultants have not expressed interest. However, if foreign firms express interest, they shall be considered.

Preparation and Issuance of the RFPs: The Fund staff shall use the standard RFPs, which include:

- Letter of invitation;
- Instructions to consultants, including a data sheet and evaluation criteria; and
- TOR.

In general, the Fund shall distribute the RFP through an electronic system.

- (f) **Receipt of Proposals:** Firms shall be required to submit technical and financial proposals in separate sealed envelopes at the same time. Any proposal received after the closing time for submission of proposals will be returned unopened, and no amendments to the technical or financial proposals will be accepted after the deadline.
- (g) **Evaluation of Technical Proposal:** The evaluation shall be based on the evaluation criteria defined in the instructions to consultants. After the technical quality is evaluated, firms whose technical proposals did not meet the minimum qualifying score of 75 points out of a possible 100 points, or were considered non-responsive to the invitation requirements, will be advised and their financial proposals will be returned unopened. Firms that have secured the minimum qualifying technical score will be advised of the location, date and time for opening of the financial proposals.
- (h) **Public Opening of Financial Proposals:** The Fund shall then inform the firms whose technical proposals scored 75 points or more of the time and place where the Fund will publicly open their financial proposals. The name of the firms, the technical quality scores and the proposed prices shall be announced and recorded when the financial proposals are opened.

⁶ Dollar ceilings is US\$ 100,000.

- (i) **Evaluation of Financial Proposal:** The Fund shall then review the congruency of the technical and financial proposals, make adjustments as appropriate and correct arithmetical or computational errors.
- (j) **Ranking of Proposals:** The total score shall be obtained by weighting and adding the technical and financial scores; this will determine the overall ranking of the consultants' proposals. The weight for the 'cost' shall be chosen, taking into account the complexity of the assignment and the relative importance of quality. Except as provided for in the case of other selection methods, the weight for cost shall normally be 30 per cent.
- (k) **Negotiations:** The Fund shall then negotiate a contract with the first-ranked firm. Negotiations will include discussions of the TOR, the methodology, personnel schedule, counterpart facilities and the quantities of cost items in the firm's financial proposal. However, these discussions will not substantially alter the TOR attached to the invitation. The selected firm should not be allowed to substitute experts unless both parties agree that undue delay in the selection process makes such substitution unavoidable, or that such changes are critical to meet the objectives of the assignment.⁷ Proposed unit rates for remuneration shall not be altered, nor should other expenses be negotiated as unit rate cost has been a factor in the selection process. Successful negotiations conclude with the signing of the contract. Financial negotiations shall include clarification of the consultant's tax liability, if any, and how this tax liability has been or would be reflected in the contract. If the Fund and the firm cannot reach agreement, the Fund may terminate the negotiations and start negotiations with the next ranked firm until an agreement is reached.
- (l) **Rejection of All Proposals and Re-invitation:** The Fund reserves the right to reject all proposals if they are non-responsive because they present major deficiencies in complying with the TOR, or if they involve costs substantially higher than the original estimate. In the latter case, the feasibility of increasing the budget, or scaling down the scope of the services with the firm, should be considered. The new process may include revising the RFP (including the shortlist) and the budget; or the Fund may cancel the consultancy altogether.
- (m) **Confidentiality:** Information relating to evaluation of proposals and recommendations concerning awards shall not be disclosed to the consultants who submitted the proposals or to other persons not officially concerned with the process until the publication of the award of contract.

2. Quality-Based Selection

Quality-based selection (QBS) is a method based on evaluating only the quality of the technical proposal and the subsequent negotiation of the financial proposal and the contract with the consultant who submitted the highest ranked technical proposal. QBS is appropriate when:

- (a) Assignments are complex or highly specialized, making it difficult to define precise TOR and the required input from the consultants; and
- (b) Assignments that can be carried out in substantially different ways such that financial proposals maybe difficult to compare.

Generally, when QBS is used, the RFP will request that firms submit a technical proposal only (as price will not be used as a selection criterion). Using the same methodology as in QCBS

⁷ Defining realistic proposal validity periods in the RFP and carrying out an efficient evaluation minimize this risk.

for evaluating and ranking of the consultants' technical proposal, the Fund shall request the consultant with the highest ranked technical proposal to submit a detailed financial proposal, including supporting documentation that may be subject to audit. The Fund and the consultant shall then negotiate the financial proposal and the contract. All other aspects of the selection process shall be identical to those of QCBS, including the publication of the award of contract, except that only the cost of the winning firm is published.

3. Fixed Budget Selection

Fixed budget selection (FBS) is appropriate only when:

- (a) The TOR are precisely defined;
- (b) The time and personnel inputs can be accurately assessed; and
- (c) The budget is fixed and cannot be exceeded.

To reduce the financial risk for consultants, and avoid receiving unacceptable technical proposals or no proposals at all, FBS can only be used for well-defined assignments where no changes are expected during implementation. Shortlists for FBS will normally comprise six firms with a reasonable geographic spread. The RFP shall indicate the available budget, define the 'minimum' qualifying mark for the 'quality' as 75 points out of a possible 100, and request firms to submit, at the same time, their best technical and financial proposals within the budget in separate envelopes. Evaluation of all technical proposals shall be carried out first, then the financial proposals of firms meeting the 'minimum' qualifying mark shall be opened. Proposals that exceed the indicated budget shall be rejected. The consultant who has submitted the highest ranked technical proposal amongst the remaining proposals shall be selected and invited to negotiate. Should negotiations fail, the Fund shall start negotiations with the next ranked firm until an agreement is reached.

4. Least-Cost Selection

Least-cost selection (LCS) is only appropriate for selecting consultants for very small assignments⁸ of a standard or routine nature (audits and simple surveys) where well-established practices and standards exist. Shortlists for LCS will normally comprise three firms. The RFP shall define the 'minimum' qualifying mark for the 'quality' as 75 points out of a possible 100, and request the firms to submit, at the same time, technical and financial proposals in separate envelopes. Technical proposals shall be opened first and evaluated. Those securing less than the minimum qualifying mark will be rejected, and the financial proposals of the rest will be opened in public. The firm with the lowest price shall then be selected and invited to finalize the contract. Should negotiations fail, the Fund shall start negotiations with the next-ranked firm until an agreement is reached.

5. Consultants' Qualifications Selection

The consultants' qualifications selection (CQS) method may be used for small assignments⁹ where:

- (a) Highly specialized expertise is required for the assignment and recruitment of 'boutique' consulting firms that provide depth of expertise in specific areas is anticipated;
- (b) Recruitment time is critical and the assignment is, typically, short term;

⁸ Generally less than US\$ 50,000.

⁹ Usually less than US\$ 100,000.

- (c) Few consultants are qualified; and
 - (d) The preparation and evaluation of competitive proposals are not justified.
- The Fund shall:
- (e) Prepare the TOR;
 - (f) Request amplified expressions of interest (EOI) and information on the consultants' experience and competence relevant to the assignment;
 - (g) Establish a shortlist of at least three firms; and
 - (h) Select the firm with the most appropriate qualifications and references based on the EOI.

The selected firm shall be asked to submit a combined technical-financial proposal and then be invited to negotiate the contract. Should negotiations fail, the Fund shall initiate negotiations with the next-ranked firm until an agreement is reached.

6. Single-Source Selection

Single-source selection (SSS) of consultants does not provide the benefits of competition with regard to quality and cost, lacks transparency in selection and could encourage unacceptable practices. Therefore, SSS shall be used only in exceptional cases. The justification for SSS shall be examined in the context of the overall interests and the Fund's responsibility to ensure economy and efficiency and provide equal opportunity to all qualified consultants.

SSS may be appropriate only if it presents a clear advantage over competition:

- (i) For tasks that represent a natural continuation of previous work carried out by the firm (see next paragraph);
- (ii) In emergency cases, such as in response to disasters;
- (iii) For very small¹⁰ assignments; or
- (iv) When only one firm is qualified or has experience of exceptional worth for the assignment.

When continuity is essential, the initial RFP shall outline this prospect; if practical, the factors used for the selection of the consultant shall consider the likelihood of continuation. Continuity in the technical approach, experience acquired and continued professional liability of the same consultant may make continuation with the initial consultant preferable to new competition, subject to satisfactory performance of the initial assignment. For such assignments, the Fund shall ask the initially selected consultant to prepare technical and financial proposals on the basis of revised TOR, which shall then be negotiated. If the initial assignment was not awarded on a competitive basis, or if the assignment is substantially larger in value, a competitive process shall normally be followed in which the consultant carrying out the initial work is not excluded from consideration if she/he expresses interest.

B. Recruitment of Individual Consultant

For many consultancy assignments required by the Fund, it is likely that individual consultants are more appropriate and cost-effective than firms. Individual consultants may be recruited directly (independent individual) or through an organization, such as a consulting

¹⁰ Dollar thresholds defining 'very small' shall be determined in each case, taking into account the nature and complexity of the assignment, but shall not exceed US\$ 50,000.

firm, an academic institution, a government or an international agency. The procedures for selection are simpler than those for selecting international and national consulting firms. Individual consultants are recruited on the basis of their professional qualifications and relevant experience for the assignment.

C. Recruitment of Particular Types of Consultant

- (a) Staff Consultant: The Fund shall define the requirements and prepare the TOR for a staff consultant. The Fund shall review expressions of interest submitted and the data on individual consultants for suitable candidates and, if necessary, ask organizations or consulting firms for nominations.
- (b) Resource Persons: Resource persons may not be engaged for more than three months but may be recruited by using SSS.
- (c) United Nations and Other Specialized Agencies: The United Nations and other similar specialized agencies may be hired as the consultants, where they are qualified to provide technical assistance and advice in their area of expertise. However, they shall not receive any preferential treatment in a competitive selection process. To neutralize the privileges of United Nations agencies, as well as other advantages such as tax exemption and facilities, and special payment provisions, the QBS method shall be used. United Nations agencies may be hired based on SSS if the criteria outlined in Item 6 of these corporate guidelines are fulfilled. The contractual arrangements will normally be by letter of agreement.
- (d) Non-Governmental Organizations: To improve the effectiveness, quality and sustainability of its operations, the Fund cooperates with a range of international and national NGOs. Simplified recruitment procedures and contracting arrangements will be applied for smaller (particularly national) NGOs. Where international NGOs are included with consulting firms on shortlists, the QCBS method will be used. Where the assignment requires in-depth knowledge of local issues, community needs and/or participatory approaches for which either international or national NGOs are clearly better qualified, the shortlist may comprise entirely NGOs and the selection method will be QCBS. Where national NGOs are being recruited, the Fund may apply a modified (simplified) QCBS recruitment procedure to reflect the capacity of the competing NGOs and where evaluation criteria reflect their unique qualifications, including:
 - (i) History of work with local communities and evidence of satisfactory performance;
 - (ii) Familiarity with participatory development approaches; and
 - (iii) Committed leadership and adequate management, and capacity to co-opt beneficiary participation.
 - (iv) The Fund may select the NGO by SSS, provided the criteria outlined in Item 6 of these corporate guidelines are fulfilled.
- (e) Auditors: Auditors typically carry out auditing tasks under well-defined TOR and professional standards. They shall be selected according to QCBS, giving cost a weight of up to 50 per cent or by the 'LCS' outlined on page 10. For very small¹¹ assignments, CQS may be used.

¹¹ Usually less than US\$ 50,000.

- (f) Service Delivery Assignments: Assignments requiring support services (e.g. training, the design or production of project training materials or promotional materials or videos, and planning and implementing workshops or seminars) may involve hiring individuals or specialist organizations that deliver services on a contract basis. A lump sum contract is typically the most appropriate mechanism for engaging the service provider.

When contracting with an NGO, special attention should be given to conflicts of interest—whether actual or potential. These should be identified in the contract with the NGO with a detailed explanation how they have been addressed.

2.2 Contracting Methods

Selection of the type of contract will depend on:

- (a) The nature of the assignment;
 - (b) Whether the scope and output are definable; and
 - (c) The distribution of risks between the concerned parties.
1. **Time-Based Contract**:¹² This type of contract will be used for complex studies, advisory services and most training assignments. Payments are linked to inputs and are usually based on either daily or monthly rates for personnel named in the contract, and on reimbursable expenses using actual expenses and/or an agreed unit rate.
 2. **Retainer Fee Contract**: In addition to the regular time-based fee, the remuneration of the consultant includes a retainer fee to ensure the consultant's availability when the need for her or his sporadic services arise.
 3. **Indefinite Delivery Contract (Price Agreement)**: This contract is used when the Fund needs to have 'on-call' specialized services to provide advice on a particular activity for which the extent and timing cannot be defined in advance. This is commonly used to retain 'advisers' for the implementation of complex assignments normally for a period of a year or more. The Fund and the individual agree on the unit rates to be paid for the experts, and payments are made on the basis of the time actually used.
 4. **Lump Sum Contract**: A lump sum contract is used for assignments in which the content, duration of services and the required output of the consultants are clearly defined. Prices shall include all costs and cannot be negotiated. Payments are linked to outputs, such as reports, bidding documents or software programs.

2.3 Important Contract Provisions for Payments

Contracts should include provisions for the following items:

1. **Currency**: All contracts shall be expressed in US Dollars.
2. **Payment Provisions**: Payment provisions, including amounts to be paid, schedule of payments and payment procedures, shall be agreed during negotiations. Payments may be made at regular intervals (as under time-based contracts) or for agreed outputs (as under lump sum contracts).

Payments shall be made promptly in accordance with the contract provisions.

¹² Sometimes referred to as progress payment contract.

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3. **Advance Payment Guarantee:** The Fund shall request the consultant to provide an advance payment guarantee against the amount advanced, if any.
 4. **Personnel Substitution:** During an assignment, if substitution is necessary (e.g. because of ill health or death, or because a staff member proves to be unsuitable), the consultant shall propose other experts of at least the same level of qualifications for approval by the Fund.
 5. **Applicable Law and Settlement of Disputes:** The contract shall include provisions dealing with the applicable law and the forum for the settlement of disputes. Consultants' contracts shall always include a clause for settlement of disputes.

2.4 Monitoring and Evaluating Performance

When an assignment is completed, the Fund prepares a confidential report that explains its overall ratings, particularly any low ratings. If the firm's (or individual's) performance is later found to be poor, the report could be used to support any restrictions or other sanctions. The consultant is given the opportunity to comment on the findings of the performance evaluation. The Fund maintains files on the performance of consulting firms and individual consultants and checks these records at the time of shortlisting.

Annex XXIX: Corporate procurement guidelines for goods and services

I. Purpose

These guidelines govern the Green Climate Fund's (the Fund) institutional procurement of goods and/or services for the operations of the Fund and the administration of contracts for the supply of these goods and/or services. All procurement decisions will be governed by the overarching objectives and guiding principles of the Fund in combating climate change as set out in the Fund's Governing Instrument.

II. Definitions

In these guidelines, the following words and phrases are defined as follows:

- 2.1. **Administrative Services:** Services necessary to support the operations of the Fund and its various divisions at Headquarters. These include services to plan, provide, operate, maintain and administer the Fund's office accommodation, building facilities, equipment, office supplies and travel/transport services (e.g. airline and hotel reservations, passport and visa requirements) for Fund staff on international or domestic business travel.
- 2.2. **Administrator:** Fund staff designated to ensure the efficient administration of credit cards, as provided in sub-paragraph 6.4.5 (ii) of Appendix 1.
- 2.3. **Buyer:** Fund staff designated to manage the corporate credit card on a day-to-day basis, as provided in sub-paragraph 6.4.5 (ii) of Appendix 1.
- 2.4. **Conflict of Interest:** Any situation in which a party has interests or relationships that could improperly influence that party's performance of official duties or responsibilities, contractual obligations or compliance with applicable laws and regulations.
- 2.5. **Contractor:** Any party that supplies goods or performs works and/or services using their own means, methods or manner of accomplishing the desired result pursuant to a contract with the Fund. This includes the contractor's employees, representatives, successors, assignees and/or subcontractors.
- 2.6. **Corporate Credit Card:** Credit card to be used as a mode of payment for goods and/or services procured in accordance with the guidelines provided in sub-paragraph 6.4.5 (ii) of Appendix 1.
- 2.7. **Corporate Social Responsibility:** The continuing commitment of the Fund to observe the highest ethical standards of public procurement of goods and/or services, bearing in mind their impact on the environment, commerce and society in general and the need for quality goods and/or services in the Fund's operations.
- 2.8. **Equipment:** Office machines, furniture and/or furnishings and vehicles, used for the Fund's operations.
- 2.9. **Goods:** Supplies and equipment, routine and non-routine; expendable or semi-expendable supplies; and computer hardware/software and information technology (IT)-related goods required for the operations of the Fund and its various units at Headquarters.
- 2.10. **Institutional Procurement:** Procurement of goods and services necessary to support the operations of the Fund and its various units at Headquarters.

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- 2.11. Institutional Procurement Committee (IPC): Committee authorized with overseeing institutional procurement of goods and services.
- 2.12. Integrity Violation: Any act that includes corrupt practice, fraudulent practice, coercive or collusive practice, abuse, conflict of interest, bribery and obstructive practice.
- 2.13. Large and/or Complex and/or High Risk: Contracts for the procurement of goods and services of a wide application, the technical nature or technical specifications of which require specialized knowledge, is high risk and/or whenever the amount involved is more than US\$ 500,000. These include supply agreements for computers and IT-related goods and services and the like.
- 2.14. Long-Term Agreement (LTA): A service contract longer than three years.
- 2.15. Non-routine Supplies or Non-routine Goods: Supplies that are not normally kept in stock and are procured only when the need arises.
- 2.16. Register of Vendors: List or database of suppliers and/or contractors who possess qualifications generally required under the Fund's contracts for the supply of goods and performance of services.
- 2.17. Routine Supplies or Routine Goods: Supplies that are normally kept in stock and are needed on a regular basis.
- 2.18. Services: Administrative services rendered to the Fund by firms or individuals, including service contractors, service providers and administrative support providers.
- 2.19. Service Contract: A written contract that defines the obligation of a service provider or contractor to provide a defined range of services to the Fund under such terms and conditions as may be agreed upon.
- 2.20. Service Contractor: Specialist engaged to provide specific technical services or processes related to or arising from institutional procurement of goods and/or services. Unlike consultants conducting independent research and analysis for the Fund, and providing it with advice and recommendations, service contractors render specific technical services that include, but are not limited to, formulating technical specifications for institutional goods and/or services being procured.
- 2.21. Service Level Agreement (SLA): Part of a service contract defining the level of service and including a set of performance indicators that service contractors must meet in their provision of services.
- 2.22. Service Provider: A business firm or entity that provides a defined range of services to the Fund and under such conditions as may be agreed in a service contract.
- 2.23. Supplies: Office equipment and expendable and semi-expendable office and IT-related supplies. Expendable supplies are those that are normally consumed in day-to-day operations. Semi-expendable supplies are those that are not consumed entirely in day-to-day operations, have a relatively short durability of not more than one year and comparatively low value, the maximum limit of which will be set by the Head of Administrative Operations (HAO) from time to time based on market conditions.
- 2.24. User Division: The organizational unit within the Fund that requested the goods and/or services and is responsible for receiving and accounting for the goods, administering the particular services being procured and monitoring performance of the services in accordance with the work performance standards stipulated in the contract.
- 2.25. Work Order: A request to render a service placed with or issued to a contractor for services that are either of a one-time nature, issued for a specific, relatively short-term duration

with an estimated value of up to US\$ 25,000, or are for small-scale contracts greater than US\$ 100 but less than US\$ 1,000 in value.

III. Coverage

- 3.1. The following principles and implementing procedures apply to all types of institutional procurement.
- 3.2. The Integrity Principles and Guidelines of the Fund, as well as the Fund's Anti-Corruption Policy, will apply to all contracts for services.¹

IV. Procurement Principles

4.1 With due consideration for economy, efficiency and effectiveness, the Fund will procure quality goods and/or services for its operations at the most competitive and/or comparative market prices available using the most competitive procurement method applicable. It will give due regard to the qualifications of the supplier or provider, promptness of delivery, terms of payment, availability of adequate warranty, necessary quality, servicing facilities and previous performance, among other things:

To achieve economy of price and to save on administrative cost, the Fund may execute LTAs and supply agreements for the purchase and supply of goods and services whenever feasible. Pricing provided under the aforesaid LTAs will be subject to periodic market testing or confirmation.

4.2 To ensure an adequate, fair and equal opportunity for eligible suppliers or providers to compete for contracts, the Fund will adopt the most competitive procurement procedure applicable to a particular purchasing situation and observe transparency and fairness throughout the procurement process.

4.3 The Fund recognizes the importance of transparency in the procurement process to combat fraud and corruption and further achieve economy and efficiency. As such, it requires all entities (firms or individuals) bidding for or participating in the Fund's institutional procurement of goods and/or services to observe the highest standard of ethics during the procurement of goods and/or services and execution of contracts.

4.4 The Fund will take appropriate action to manage conflicts of interest involving Fund staff and dependents, bidders, suppliers and contractors, including but not limited to rejection of proposals for award, if the Fund determines that a conflict of interest has compromised the integrity of any procurement process.

4.5 Fund staff will maintain the confidentiality of all information and documents relating to institutional procurement activities.

4.6 The Fund will ensure that whenever possible, goods and/or services to be procured conform to applicable legal and other requirements.

4.7 Goods received and/or services rendered pursuant to relevant contracts/agreements shall be subject to periodic evaluation/audit by the user and/or authorized internal and/or external auditors.

4.8 Contracts or purchase orders will be awarded to the bidder who submitted the lowest evaluated substantially responsive bid, if bidding evaluation methodology is pass/fail, or to the bidder with the highest score, if scoring methodology is used. Where, during bid evaluation, the

¹ These are currently being developed on the basis of ADB's precedents.

prices offered by the lowest evaluated substantially responsive bidder are significantly higher than market references, the Director of Support Services (DSS) may authorize negotiations with the lowest evaluated substantially responsive bidder. Negotiations will generally be conducted so as to obtain the best value for money for the Fund.

4.9 Where it has been determined at the start of the procurement process that goods and/or services to be procured are:

- (i) Complex or require customization; or
- (ii) Not comparable for bid evaluation, the relevant endorsing authority may recommend that the DSS invite proposals and issue invitations to negotiate.

The relevant endorsing authority will prepare a shortlist of suitable vendors following a structured request for information process, and submit an appropriate negotiation strategy for approval. In general, negotiations will be conducted until the best and final offer can be accepted. The DSS will also approve guidelines specific to each procurement that would govern the conduct of negotiations. The negotiation process and its results must be duly documented as part of the procurement file. Negotiations may also be conducted by fax/email.

V. Responsibilities

5.1 The Fund's DSS will have exclusive authority to procure goods and services for the operation and administration of the Fund and its various divisions at Headquarters.

This includes the authority to:

- (a) Enter into or issue prior approval of commitments to purchase goods and/or services;
- (b) Place, modify or cancel orders for goods and/or services. The DSS will exercise this authority unless he or she delegates such authority to other officers of the Fund. Endorsing and approving authorities for a procurement activity will be based on the estimated amount of goods and/or services to be procured;
- (c) Prescribe limits on quantity, frequency of requisition, terms of engagement or such other conditions necessary for the most economic procurement of goods and/or services;
- (d) Establish standards and specifications for the purchase, receipt and inspection of all goods and services, in consultation with the concerned user section, as necessary;
- (e) Exercise control over all goods and services so purchased, including a regular inventory and evaluation thereof; and
- (f) Convene an IPC to oversee procurement of any goods and services as the DSS deems necessary, regardless of value.

5.2 The IT division will establish standards and advise on technical specifications for procurement of computer hardware/software and IT-related goods and/or services.

5.3 The institutional procurement of goods and/or services will be periodically audited.

5.4 The Fund's General Counsel will review complex contracts and provide advice and assistance on all legal issues relating to procurement and contracts administration.

VI. Effectiveness

These guidelines will take effect after approval by the Board of the Fund.

Appendix 1: Implementing Guidelines on Institutional Procurement

I. General Considerations

1.1 Goods and services will be procured through open, international competitive bidding, except when circumstances justify using other procurement methods, subject to the requirements as herein provided.

1.2 Procurement of information technology (IT)-related goods and services will only be made with the endorsement of the IT division.

1.3 Offers to the Fund of free goods, services and/or entertainment from service contractors, vendors and service providers related to or arising from any institutional procurement must be reported to the Director of Support Services (DSS) and may be accepted as justified by the Institutional Procurement Committee (IPC) when it is convened, or by the Executive Director (ED) of the Fund. When Fund staff are offered free goods, services and/or entertainment from service contractors, vendors or service providers, the provisions of Appendix 5 will apply.

1.4 Fund staff will immediately declare in writing any actual and/or potential conflict of interest in the institutional procurement of goods and services. This declaration will be filed with the DSS. Bidders will also be required to include in their bids a disclosure statement of any actual or potential conflict of interest that they may have in the procurement of goods and/or services that they are participating in. When applicable, the IPC and/or the DSS, in consultation with the General Counsel, will determine the best means of handling a particular conflict of interest situation. Staff who are or may be perceived to be in conflict may not exercise any responsibility in relation to the procurement exercise.

1.5 Bidding documents for institutional procurement will include an undertaking that bidders will abide with the relevant national laws against fraud or corruption. The Fund may suspend the procurement process at any stage when there is sufficient evidence to support a finding that an employee, agent or representative of the bidders, suppliers, consultants, contractors and/or service contractors has engaged in any integrity violation in competing for or in executing a Fund-financed contract. The Fund will not award a procurement contract to a winning bidder that has directly or indirectly engaged in any integrity violation in competing for the contract in question.

1.6 Former Fund staff will not be engaged directly as service contractors or service providers, or as employees, consultants or agents of service contractors or service providers assigned to handle any Fund account for one year after leaving the Fund. Any engagement after the one-year prohibited period must be endorsed in writing in advance by the DSS.

II. Requisition procedures

2.1 Each of the Fund's divisions will designate a staff member to act as the procurement focal point who will request procurement of goods and/or services, with the approval of the Division Director.

2.2 An approved requisition will be the basis for preparing a Request for Purchase (RP) that the user division submits to the Procurement Specialist (PS). The RP will, in turn, be the basis for the PS to initiate procurement action.

2.3 Requests for non-routine supplies will be submitted to the PS for procurement, subject to the approval levels provided in paragraph 4.1 below. Requests for routine supplies and supplies under long-term agreements (LTAs) will be submitted directly to the PS, as appropriate.

2.4 A Division Director will endorse requests for non-routine goods and/or services and provide sufficient justification that explains the need for and/or operational function of the goods and/or services requested. User divisions should plan to purchase such goods and/or services as far in advance as possible and include them in their respective budget.

2.5 To ensure proper identification of the type and scope of goods and/or services required, the procurement focal point of the user division will submit the following documents to the PS. These documents will be used as the basis for initial inputs, sourcing and preparation of bid documents:

- (a) Memorandum-requisition approved by the Director of the user division;
- (b) Budget code;
- (c) Specification of the goods and/or services, with details of the goods and/or services to be procured, desired quality of the goods, standard or level of service to be attained and performance measurement or monitoring systems to be used for assessing attainment of performance or quality standards; and
- (d) Cost estimates.

2.6 The PS will review the request for goods and/or services and provide a timetable for sourcing and processing of the request.

III. Institutional Procurement Committee

3.1 The IPC will be convened for procurement with estimated value above US\$ 500,000 for the Fund Headquarters. The responsibilities of the IPC include, but are not limited to, conducting pre- or post-qualification review of bidders, bid opening, bid evaluation and negotiations in the procurement of goods and/or services of a specified value and recommending the award of contract to the ED for approval. The IPC may issue additional regulations from time to time to carry out its functions more effectively.

3.2 The IPC will be composed of the following:

Chief Finance Officer/Director of Support Services	Chairperson
Procurement Specialist	Secretary
Director, or designated officer from the user division	Member
Head Administrative Operations	Member
Independent members or observers, upon endorsement of the Chairperson, Institutional Procurement Committee, and approval of the Executive Director	Member/Observer

3.3 For institutional procurement of complex goods and/or services, or for procurement that involves complex legal issues, the IPC shall include the General Counsel or designated representative as ex-officio member.

3.4 Members of the IPC will file on the first working day of each year a written affidavit statement disclosing any actual and/or potential conflict or conflicts of interest in the institutional procurement of goods and/or services planned or anticipated for the year.

Immediately after being convened, members and officers of the IPC will clarify whether they are in conflict in regards to the matter at hand, and confirm whether their annual disclosure statements still apply to the particular procurement to be undertaken. Any disclosure and subsequent confirmation will be in the form of a signed and sworn statement that will be published or otherwise made publicly available. The IPC will determine the most appropriate means of handling conflicts of interest, taking into account all the circumstances of each case.

3.5 The IPC will decide by majority vote, with the members having one vote each.

3.6 Complex contracts and/or contracts worth more than US\$ 500,000 should be submitted to the ED for clearance at least seven working days before the scheduled signing.

IV. Approval thresholds and procurement methods

4.1 The choice of procurement method, the initiation of the process and the approval of recommendation of award of procurement actions, shall be based on the estimated value of the contract, pursuant to the following thresholds. The thresholds may vary from time to time as approved by the ED upon recommendation of the IPC. Variations on the award and contract implementation are also subject to this approving authority in accordance to the changes set forth in sub-paragraph 8.8.4 hereof.

Estimated Value (US\$)	Procurement Method	Endorsing Authority	Approving Authority
500,001 and above	Open international competitive bidding with pre- and/or post- qualification, as appropriate	IPC	ED
150,001 up to 500,000	Open international competitive bidding with pre- and/or post- qualification, as appropriate	CFO/DSS	ED
50,001 up to 150,000	Limited tender from pre-selected and suitable suppliers in the Fund's Registry of Vendors. Users may further recommend pre-selected suppliers, in addition to those available in the registry	Procurement Specialist	CFO/DSS
1,000 to 50,000	Shopping by obtaining quotations from at least three suppliers through the appropriate means based on the value of procurement as follows: 25,001-50,000 – sealed bids 1,001-25,000 – written quotations	Procurement Specialist	Division Director CFO/DSS
1,000 or less	Shopping by obtaining quotations from at least three suppliers through letter, phone, fax or e-mail	Procurement Specialist	HAO

Other methods of procurement may be used as deemed necessary by the endorsing authority and confirmed by the approving authority provided above.

V. Open international competitive bidding

5.1 Public competitive bidding is the preferred method of procurement. Competitive bidding may be referred to as a Request for Proposal (RFP) process.

5.2 Procedures for procurement through open international competitive bidding:

5.2.1 The PS, in consultation with the user division, shall prepare the bidding documents and formulate the bid evaluation methodology to be adopted, including evaluation criteria and evaluation framework, and submit them for approval to the appropriate approving

authority defined in sub-paragraph 4.1 above. In formulating bid evaluation methodology, contracts for goods and/or services that warrant greater attention to contractor's technical capability, such as contracts for services of a professional nature, shall be duly considered. In evaluating these contracts, technical considerations and other objective factors may weigh as much as the price.

- 5.2.2 For procurement involving large and/or complex contracts, the user division will recommend experts from among the Fund staff to help prepare the bidding documents and evaluate the bids. However, if the expertise required is not available within the Fund, the PS, in consultation with the user division, will engage service contractors as necessary:
- (a) Service contractors shall disclose any actual or potential conflict of interest in the particular procurement; and
 - (b) Current Fund staff will not be engaged concurrently as service contractors, but former Fund staff may be engaged as service contractors after a one-year cooling-off period and with the endorsement of the PS.
- 5.2.3 Bidding documents will be made available via the Fund's website (and may also be advertised elsewhere) and will contain provisions appropriate to implement the requirements of these guidelines:
- (a) Although the detail and complexity of bidding documents may vary depending upon the kind and value of goods and/or services to be procured, these documents must provide all information necessary for bidders to prepare responsive bids;
 - (b) The evaluation criteria and methodology shall be disclosed in the instructions to bidders with the corresponding pass-fail criteria or weighting and scoring table. The IPC may change the previously approved and published evaluation criteria and methodology when:
 - (i) There are exceptional circumstances warranting such change;
 - (ii) All bidders are notified of the change;
 - (iii) The bidders have not yet submitted their bids; and
 - (iv) Adequate time is given for the bidders to adjust their proposals to the modified evaluation criteria.
 - (c) Any additional information, clarification, correction of errors or alteration in bidding documents shall be provided to all those who have received the original bidding documents; and
 - (d) In the event of any substantive amendments to the bidding documents, the IPC will give adequate time to bidders to make any necessary changes in their bids resulting from such amendments. A period of 15 calendar days is considered adequate for this purpose where the changes involved are substantial.
- 5.2.4 All eligible suppliers and contractors will be notified of opportunities to bid through public notices or advertisements.
- 5.3 Pre-bid meetings
- 5.3.1 Before receiving bids in excess of US\$ 500,000, a pre-bid meeting may be conducted to:

- (a) Answer bidders' queries or provide clarifications concerning, for example, the nature and/or complexity of the goods and/or services;
 - (b) Furnish all information that may be necessary for preparing the bid and subsequently executing a contract; and
 - (c) Allow bidders to inspect the premises where the goods and/or services will be used or provided.
- 5.3.2 The PS will advise bidders to send an appropriate representative to attend the pre-bid meeting. Any subsequent claim by the bidder that he/she did not understand the bid requirements will not be entertained.
- 5.4 The PS will give bidders adequate time to prepare and submit their bids. Bidding periods will normally be 15–30 calendar days, counted from issuance of bidding documents until the deadline for submitting bids. Deadlines may be extended by the appropriate approving authority.
- 5.5 Bidding procedures
- The following procedures are done manually, but may be carried out electronically, as deemed appropriate by the Fund:
- 5.5.1 **Single-Stage One-Envelope:** The usual bidding procedure used for the institutional procurement of most goods and/or simple services:
- (a) Bidders submit bids in one envelope containing both a financial proposal and technical proposal;
 - (b) The envelopes are opened on the date and time advised in the bidding document; and
 - (c) The bids are evaluated and the contract is awarded to the bidder who submitted the lowest evaluated substantially responsive bid or to the bidder with the highest score, if scoring methodology is used.
- 5.5.2 **Single-Stage Two-Envelopes:** This allows bids to be initially evaluated on purely technical and administrative grounds without reference to price:
- (a) Bidders submit their technical proposal and financial proposal in two separate sealed envelopes;
 - (b) On the date and time indicated in the bidding document, the IPC or the PS opens and subsequently evaluates the technical proposals. The IPC may clarify contents of but will not allow amendments or changes to the technical proposals;
 - (c) To allow evaluation of the technical proposals without consideration of the price, the financial proposals will remain sealed in the custody of the PS;
 - (d) Bids with technical proposals that do not conform to the specified requirements will be rejected as non-responsive bids and their financial envelopes will be returned unopened;
 - (e) The corresponding financial proposals of bidders that comply with the technical requirements will then be opened on a date and time duly communicated by the IPC to the bidders; and
 - (f) The financial proposals are evaluated and the contract is awarded to the bidder whose bid is determined to be the best technically and financially, or such bid

that offers the best value for money using the most appropriate among the evaluation methodologies described in paragraph 7.3 below.

- 5.5.3 **Two-Stage Two-Envelopes:** This may be adopted for procurement involving large and/or complex contracts and where technically unequal proposals are likely to be offered, or when two or more different but equally acceptable technical solutions are available in the marketplace:
- (a) First stage: Bidders will submit their technical proposal in accordance with the specifications and requirements for two-stage bidding;
 - (b) The IPC will open the technical proposals on the date, time and place indicated in the bidding and subsequently evaluate them. The financial proposals remain sealed documents in the custody of the PS;
 - (c) To ensure that all technical proposals conform to the same acceptable technical standards and meet the required technical solution, the IPC will discuss with the bidders possible amendments or changes to the technical proposals. Bidders who agree to make such adjustments will be given time to do so;
 - (d) Bidders who are unable or unwilling to bring their technical proposal to conform to the acceptable technical standard will be allowed to withdraw their bids without penalty;
 - (e) Individual discussions with bidders will be duly recorded, but the IPC will ensure that minutes of these discussions are not disclosed to other bidders;
 - (f) Second stage: After evaluating the technical proposals, the IPC will invite the complying bidders to submit their revised technical proposals and supplementary financial proposal, if any, based on the agreed technical standard;
 - (g) The IPC will then set the time and date for opening the original and supplementary financial proposals and the revised technical proposal; and
 - (h) The financial proposals, supplementary financial proposals and revised technical proposals will be evaluated in a single-stage, one-envelope bidding procedure. The contract is awarded to the bidder whose bid is determined to be the best technically and financially, or such bid that offers the best value for money.
- 5.6 After opening the bids, the IPC will ascertain whether:
- (a) The documents were properly signed;
 - (b) The bids are substantially responsive to the bidding documents;
 - (c) Arithmetic errors in computation were made in the bids;
 - (d) The bids are otherwise generally in order; and
 - (e) Any overall discounts or reservations apply.
- 5.7 After the deadline for submitting bids, no bidder will be requested or permitted to alter the bid, except in the case of two-stage bidding. However, the PS may request clarifications or allow correction of arithmetical and typographical errors that would not affect the substance or validity of the bid.
- 5.8 A bid that is not substantially responsive to the bidding documents or contains inadmissible reservations will be rejected. A bid will be rejected if it is determined to contain an omission or misrepresentation that the PS, in consultation with the General Counsel,

determines to amount to an integrity violation. A bid that is considered to be unreasonable (at least more than 15 per cent lower than all other bids) may be rejected by the IPC.

5.9 A technical analysis will then be made to evaluate responsive bids and enable bids to be compared. Bids that conform to the technical specifications and are substantially responsive to the bidding documents will be evaluated according to the evaluation criteria.

5.10 The IPC will evaluate bids with contract value of more than US\$ 500,000 and submit its recommendations to the ED for approval. The PS will prepare confidential minutes of the proceedings of the IPC. Bids with a contract value of US\$ 500,000 or less will be evaluated by the PS in conjunction with the user division.

5.11 No information relating to the examination, clarification and evaluation of bids and recommendations concerning awards will be communicated to any person not officially concerned with these procedures.

5.12 Clarifications may be sought on all bids as necessary. Negotiations may only take place with the bidder scoring the highest score in an evaluation meeting. However, if negotiations fail, the IPC may authorize negotiations with the second-rated bidder.

5.13 Bid opening and evaluation will be duly recorded and the minutes accordingly filed in sufficient copies with the PS.

5.14 The PS will keep all bids received in a confidential file.

5.15 Post-qualification

5.15.1 In procurement without pre-qualification, or where pre-qualification was conducted more than 12 months earlier, the PS, or the IPC when it is convened, will determine whether the bidder with the lowest evaluated bid has the capability and resources to carry out the contract effectively, based on a fixed set of criteria. This is the final step in evaluating bids. If the bidder fails to meet these criteria, the PS or the IPC will reject its bid and will then post-qualify the bidder with the next-lowest evaluated bid.

VI. Other methods of procurement

6.1 Less competitive methods of procurement that constitute exceptions to public competitive bidding may be considered in the following cases:

- 6.1.1 The goods and/or services are highly specialized and therefore provided by a sole or a limited number of manufacturers or suppliers;
- 6.1.2 Open international competitive bidding is not likely to be cost-efficient, based on experience or as determined by the user division and confirmed by the PS and approved by the DSS;
- 6.1.3 A previous tender for the goods and services was not successful or had to be cancelled; or
- 6.1.4 The ED decides, for other reasons deemed appropriate and necessary, or the IPC advises against use of public competitive bidding as the method of procurement.

6.2 The user division will submit sufficient justification for adopting any of the exceptions to public competitive bidding herein provided. Any such request will have to be endorsed by the ED or the IPC, as appropriate.

6.3 The ceilings of authority to approve exceptions to public competitive bidding, based on the estimated value of the contract, will be the same as those provided in paragraph 4.1 above. Approval of exceptions to public competitive bidding with corresponding justification will be recorded by the PS and may be subject to further, ex-post scrutiny by the auditors. The PS should be able to advise the ED on the suitability of less competitive forms of procurement, and the ED should consider that advice.

6.4 Any of the following methods may be used, except when a less competitive procurement method has been specifically approved:

6.4.1 Limited tender – for goods and/or services with an estimated value from US\$ 50,001 to US\$ 150,000:

- (a) The PS will prepare the bidding documents, which include, but are not limited to, an invitation to bid, instructions to bidders, bid form, technical specifications and the proposed contract terms and conditions based on standard forms approved by the General Counsel. The PS will refer the draft-bidding documents to the user division for review and comments, and the contract stipulations or conditions to the General Counsel, as necessary. Referrals to the General Counsel will specify the particular legal issues in the contract that need to be addressed;
- (b) The DSS will approve the bidding documents and the PS will issue them based on a limited tender from pre-selected and suitable companies (local and international) from the Fund's Registry of Vendors. Users may also recommend pre-selected companies, in addition to those available in the registry;
- (c) Minimum of two bids will be submitted in the prescribed form, together with the bid-securing declaration, if required, and other required documents, on or before the submission time and date specified in the bidding documents;
- (d) The user division will conduct technical evaluation of proposals obtained in a limited tendering exercise and submit to the PS a corresponding technical evaluation report within three working days from receipt of the proposals; or
- (e) If there is only one complying bid if it represents value for money it may be considered.

6.4.2 Shopping – a procurement method based on comparing price quotations obtained from at least three suppliers to assure competitive prices.

- (a) Subject to the approvals required under paragraph 4.1 above, shopping is an appropriate method for procuring goods and/or services with an estimated cost of not more than US\$ 50,000 when:
 - (i) The goods and/or services are available off-the-shelf;
 - (ii) The goods and/or services are standard specification commodities or simple civil works of small value; or
 - (iii) Critical items are to be procured from specialist suppliers.
- (b) The PS will endorse at least three suppliers or sources. The PS may choose from among those listed in the Fund's Registry of Vendors or consult the user division for recommendations.
- (c) The PS will obtain, through the most efficient method (i.e. postal mail, telephone, fax or email), quotations from the endorsed sources or suppliers based on the

scope of services, specifications, bill of quantities, schedule of rates or specimen contract from the user division.

- (d) The evaluation of quotations will follow the principles of open bidding. The terms of the accepted quotation will be incorporated in a purchase order or brief contract.
- (e) The user division will conduct technical evaluation of proposals obtained under shopping and submit to the PS a corresponding technical evaluation report within three working days from receipt of the proposals.

6.4.3 Direct contracting – contracting without competition. Subject to the approvals required under paragraph 4.1 above, direct contracting is an appropriate method of procurement when public competitive bidding or the use of other competitive methods of procurement would not respond to the institutional needs in the following cases:

- (a) Repeat orders when additional quantities of goods and/or services that have already been procured through public competitive bidding are needed to meet additional requirements. This is permissible provided that the additional quantity for the repeat order does not exceed 20 per cent of the original quantities, or if there are justifiable reasons for a price increase that does not exceed 5 per cent of the original unit price and the repeat order is made within 18 months from the date of approval of purchase order or date when the contract commenced, whichever is later. The PS shall be satisfied in such cases that no advantage could be obtained by further competition and that the prices on the extended contract are reasonable;
- (b) The required equipment is proprietary and obtainable only from one source;
- (c) The procurement of certain goods from a particular supplier is essential to achieve the required performance or functional guarantee of the desired equipment;
- (d) In exceptional cases, such as (but not limited to) in response to natural disasters and emergency situations declared by the ED; and
- (e) In circumstances that procurement is from United Nations agencies.

However, the user division will conduct a technical evaluation of any direct contracting bid or proposal and submit a corresponding technical evaluation report to the PS within three working days from receipt of such a bid or proposal.

In particular, to use the following forms of direct contracting, the conditions under each must be clearly established:

- (a) The goods and/or services are proprietary in character and obtainable only from one or a limited number of sources or suppliers;
- (b) Standardization is important, and equipment and spare parts required for expansion or repair of existing equipment must be procured from the original supplier, or from a supplier of identical goods; or
- (c) Works to be undertaken are a natural extension of an earlier or ongoing job and the engagement of the same contractor will be more economical and will ensure compatibility of results in terms of quality of work.

6.4.4 Purchase of low-value goods and/or services – low-value goods and/or services worth US\$ 1,000 or less will be procured through the PS, subject to the approval required

under paragraph 4.1 above. Upon approval of the request by the Director of the user division, procurement focal point will raise the corresponding RP. Requirements for goods and/or services should not be disaggregated to remain under the US\$ 1,000 threshold value for this method of procurement.

6.4.5 Credit card purchases – intended for goods and/or services:

- (i) That must be procured urgently to avoid an imminent degradation or suspension of a continuing service;
 - (ii) The procurement of which may be undertaken only by means of a credit card facility; and/or
 - (iii) As a payment method where credit card payment is required to provide a deposit or replace the need for payment in cash. These goods and/or services normally include, but are not limited to, low-value, expendable goods such as IT-related supplies, maintenance/support services; hotel reservations; visa issuances fees/charges; and air tickets that are booked online. Credit card purchases in such cases are settled using the corporate credit card in accordance with the following common guidelines for credit card purchases:
- (a) Credit cards will be used for official Fund purposes only;
 - (b) The Fund staff in whose names credit cards are issued will report to the PS receipt of such credit cards; execute an undertaking to use the credit cards only for official purposes; and submit the signed undertaking to the PS before using and/or authorizing use of the credit cards;
 - (c) Credit cards are not transferable and may not be used by anyone other than the authorized user. If the authorized user is absent for an extended period, the appropriate director may request that a new card be issued to a different person for the duration of such an absence;
 - (d) Credit cards will be used for business expenditures only—not for personal purposes;
 - (e) Authorized users of credit cards should not split charges in an attempt to exceed the individual transaction limit;
 - (f) Authorized users of credit cards agree to promptly address credits, errors and disputed charges;
 - (g) In addition to the specific responsibilities provided below and in applicable guidelines or issuances, administrators of credit cards will adopt measures to ensure that credit card purchases are properly recorded; and/or
 - (h) Misuse of credit cards will be subject to disciplinary action.

6.4.6 Corporate credit card – use of the corporate credit card will be governed by the following guidelines:

- (a) The corporate credit card will be used for the prepayment of:
 - (i) IT-related items including software that does not require any agreement or contract to be signed or attached to the software with a maximum cost of US\$ 500 or its equivalent in another currency;

- (ii) Other miscellaneous IT-related services/expenses in small amounts that need to be settled through the use of credit cards;
 - (iii) Hotel reservations and charges for visa issuances;
 - (iv) Online booking of air tickets for the Fund's business travels;
 - (v) Books, periodicals and other information resources through the internet that require pre-payment; and
 - (vi) Other goods and/or services, as may be requested by user sections and approved by the PS.
- 6.4.7 **Emergency purchases** – emergency purchases refer to purchases that are not foreseen and which should be urgently made as justified by the user division. Emergency purchases will be approved by the PS based on strong justification provided by the appropriate endorsing authority in paragraph 4.1 above. In no case will the provision for emergency purchase be used to circumvent the procedure for regular procurement.

VII. Qualification criteria

7.1 In addition to consulting the Registry of Vendors, the IPC may further determine the qualification of suppliers and/or service contractors to supply goods to and/or perform the services that the Fund requires, either before being invited to submit a proposal (pre-qualification) or after submitting a proposal (post-qualification). For procurement of goods and services involving large and/or complex contracts, the IPC may decide to pre- or post-qualify only upon recommendation of the user section.

7.2 Qualification

- 7.2.1 The criteria against which the qualification of bidders will be evaluated include, but are not limited to, the following:
- (a) Financial condition;
 - (b) Technical qualifications;
 - (c) Relevant experience;
 - (d) Key employees; and
 - (e) Record of compliance with applicable laws and/or standards on environmental protection, corporate social responsibility, and fraud and corruption.
- 7.2.2 In procurement where pre-qualification is determined to be necessary, the following procedure will apply:
- (a) The user division submits to the PS the minimum requirements to be included in the pre-qualification, bidding and related contract documents;
 - (b) The PS prepares the pre-qualification documents including the evaluation criteria agreed upon with the user division and endorsed by the IPC;
 - (c) Invitations to pre-qualify are advertised through the Fund's website;
 - (d) The PS issues pre-qualification documents to prospective bidders who respond to the advertisements;

- (e) The PS and the user division review the pre-qualification documents from the prospective bidders. The PS then presents the result to the IPC for discussion and endorses the qualified firms for subsequent approval by the ED; and
- (f) All firms found capable of supplying the goods and/or performing the services satisfactorily in accordance with the approved minimum pre-qualification criteria will be pre-qualified and invited to submit bids.

7.2.3 Technical and commercial evaluation criteria against which the contractor and/or supplier will be technically and commercially evaluated will be defined.

- (a) The technical and financial criteria that the PS or the IPC will apply to prospective bidders should include:

Technical Criteria

- (i) Experience;
- (ii) Resources;
- (iii) Employees;
- (iv) Work performance statement;
- (v) Organization/references/key staff;
- (vi) Health, safety and environment;
- (vii) Quality management;
- (viii) Procedures and systems; and
- (ix) Acceptance of the proposed terms and conditions.

Financial Criteria

- (i) Financial standing; and
 - (ii) References (if applicable).
- (b) Depending upon the size, value and complexity of the user division's requirements and the recommendation of consultants in procurement of goods and/or services involving large and/or complex contracts, additional criteria may be considered, provided all criteria for pre-qualification are specified in the bidding documents.

7.3 The PS will use the following framework, unless other evaluation frameworks are decided to be more applicable and indicated accordingly in the bidding documents:

7.3.1 Pass and Fail Evaluation Framework; determination of compliance with approved minimum requirements.

VIII. Award of contract

8.1 The PS will prepare the letter of acceptance of the successful bid for the appropriate approving authority's signature and send it to the successful bidder accordingly. The PS will also prepare the letters notifying unsuccessful bidders of the outcome of the bidding process.

8.2 Upon notification of the award of contract, the successful bidder will be required to submit the applicable liability insurance policies and performance security before commencing performance under the contract. The PS or the IPC will fix the amount of performance security,

which will not be less than 10 per cent of the contract value. The PS will ensure that performance securities and liability insurance policies are maintained.

- 8.3 The user division will issue a 'Notice to Proceed' to the successful bidder as necessary.
- 8.4 Advance payments may be prescribed in the bidding documents as follows:
 - 8.4.1 The Fund will not normally make advance payments, except when direct contracting (single source) and/or when buying from suppliers on an indent basis. However, when requested to do so, the Fund must first expressly agree to pay in advance. In those cases, the advance payment must not exceed 20 per cent of the contract price, and the contractor will be required to furnish sufficient security to ensure recovery of the advance payment should the contractor fail to deliver. The security shall be in the form of a bank guarantee in the same amount and currency as the advance and should be furnished to the Fund before receiving advance payment.
 - 8.4.2 Advance payments of more than 20 per cent of the purchase price may be made, but only when endorsed by the user division, required by industry practice for the particular procurement, and approved following the levels of authority provided under sub-paragraph 4.1 above. The PS will ensure that the contractor posts sufficient security for such advance payment.
- 8.5 Form and conditions of contract
- 8.5.1 Contracts for the supply of goods and/or services will be in writing and executed by the parties in person or in counterparts through duly authorized representatives.
- 8.5.2 To suit specific needs of the user division, contract provisions in standard formats of contracts for the supply of goods and/or services may be modified accordingly, in consultation with the user division. The PS may request the assistance of the General Counsel, as necessary.
- 8.5.3 An LTA will be entered with service providers where:
 - (a) The service or concession subject matter of the LTA is critical;
 - (b) Frequent changes in the service provider would impact negatively on the Fund;
 - (c) Previous bidding exercises have shown that no advantage would be gained in re-tendering the particular service; and
 - (d) The incumbent has provided satisfactory performance as a service provider.
- 8.5.4 Services including, but not limited to, the following may be covered by an LTA:
 - (a) Commercial banks;
 - (b) Building maintenance;
 - (c) Telecommunications;
 - (d) Insurance;
 - (e) Printing, typesetting and editorial services; and
 - (f) Leases.
- 8.5.5 LTAs will include Service Level Agreements (SLAs) to assist the user division in monitoring the performance of the service provider or concessionaire.
- 8.5.6 Other conditions of contract may include, but not be limited to, the following:

- (a) A dispute resolution clause providing for:
 - (i) International commercial arbitration as an alternative mode of settling disputes arising from or out of the contract;
 - (ii) Governing law and the seat of arbitration; and
 - (iii) In service, supply and installation contracts, and turnkey contracts, other mechanisms, such as dispute review boards or adjudicators, which are designed to permit a speedier dispute settlement.
- (b) Vendor's commitment to comply with applicable laws and standards on environmental protection, corporate social responsibility, and fraud and corruption.

8.6 Duration/extension of contract

- 8.6.1 To promote transparency and efficiency, and to maintain high-quality service, service contracts in general may be awarded for an initial period of up to three years. However, a contract may be considered for extension for a term to be negotiated with the contractor and approved by the ED.
- 8.6.2 Unless otherwise approved by the ED, contracts for services that do not fall under those that may be covered by LTAs will have a maximum duration of three years.

8.7 Contract amendments

- 8.7.1 A contract for the procurement of goods and/or services may need to be amended:
 - (a) Due to changes in the Fund's operating requirements;
 - (b) To reflect extensions in the contract period, in consideration of satisfactory service as evaluated by the user division; or
 - (c) For other lawful reasons that the Fund and the supplier and/or contractor consent to.
- 8.7.2 Contract amendment refers to, but is not limited to, the following:
 - (a) Extension of the contract period;
 - (b) Change in the total value of the agreement or the rates of a specific service, or both, or a certain portion of the agreement;
 - (c) Changes in the specification of services or support schedule, or both, but without changes to the value of the agreement;
 - (d) Terms of payment for the services;
 - (e) Frequencies of services to be rendered; or
 - (f) Any combination of the above.
- 8.7.3 The PS will process contract amendments, and the PS will advise these units to ensure that the terms and conditions of amended contracts comply with the provisions of these guidelines.
- 8.7.4 Specific endorsement and approval from the respective original, endorsing and approving authorities as per sub-paragraph 4.1 above, or from the relevant authorities if the total contract value, including the proposed amendment, exceeds the initial threshold of the contract, shall be obtained for any change that:



- (a) Increases the initial contract amount by 15 per cent or more;
- (b) Increases the initial contract duration by 25 per cent;
- (c) Substantially alters the original scope or object of the contract, to the extent that the change constitutes in essence a new procurement;
- (d) Where the contract variations extend the total term of the contract over five years; or
- (e) Where the total cumulative value of the multiple contract amendments exceeds 200 per cent of the initial contract value.

Appendix 2: Additional Guidelines on Information Technology Procurement

1. Public competitive bidding is the preferred method of procurement of information technology (IT)-related goods (e.g. software, hardware) and/or services. However, in consideration of the special nature of IT procurement, other methods of procurement may be adopted when approved by the appropriate approving authority listed in paragraph 4.1 of Appendix 1 as an exception to the procurement methods prescribed for the cost thresholds in the said paragraph 4.1 when necessitated by standardization, support and maintenance, compatibility, generally accepted commercial practice, and other similar reasons.

- 1.1. To assist user divisions in determining the optimal technical solution for their requirements, a Request for Information (RFI) will be conducted together with the Procurement Specialist (PS) and Information Communications Technology (ICT) Unit for technical expertise as needed. Meetings and/or working sessions with user groups and ICT will be conducted to ensure that technical requirements are well defined, meet both industry and the Fund's technology standards and are approved and/or endorsed by ICT as required. Presentations and/or demonstrations may be scheduled as needed during the RFI to assist user sections in determining the vendor qualifications.
- 1.2. During the RFI process, user sections may also discuss indicative pricing with suppliers and/or vendors, without prejudice to subsequent price negotiation to be conducted during the procurement stage. For IT procurement requests with a value equal to or greater than US\$ 500,000, results of the RFI process will be endorsed by the Institutional Procurement Committee (IPC) before initiating the procurement process.
2. To facilitate procurement, IT-related goods and/or services will be categorized as follows:
 - 2.1. Goods – hardware/software, including but not limited to the following:
 - (a) Desktop computers;
 - (b) Notebooks/laptops;
 - (c) Wireless devices (Blackberry, e, etc.) and mobile phones;
 - (d) Servers;
 - (e) Printers;
 - (f) Communications/telecommunications;
 - (g) Computer projectors;
 - (h) Storage devices;
 - (i) Low-value, off-the-shelf or non-customized software applications; and
 - (j) Large and/or complex contracts for customized software applications and related implementation services.
 - 2.2. Services, including but not limited to, the following:
 - (a) IT contractual employees;
 - (b) Outsourced services and/or hosted applications;

- (c) Maintenance;
- (d) Technical support;
- (e) Training (see below);
- (f) Subscriptions (telecommunications, domains);
- (g) Upgrades (software and hardware; may further include certified levels of maintenance and support services); and
- (h) Project management.

2.3. Combination of IT-related goods and services, including miscellaneous items:

- (a) IT projects – include service provider employees and usually include customized requirements delivered through fixed-price and/or time and materials contracts; and
- (b) Memberships – offers goods and/or services at a discount (e.g. training and publications).

3. Endorsement and/or Approval of Requisitions and Preparation of Requests for Purchase:

- 3.1 After obtaining the required internal approvals, requests for IT-related goods and/or services will be submitted by user divisions to ICT for endorsement and/or approval as necessary. ICT will, among other things, confirm the technical specifications and their compatibility with the Fund's IT standards, strategic direction and technology fit. Upon review and approval, ICT and user division will formally issue an internal memorandum to the PU or the IPC, as appropriate, approving the technical specifications.
 - 3.2 Requests for procurement of IT-related goods and/or services must use generic terms to describe the technical specifications, without directly or indirectly indicating specific brands that could inappropriately render competitive bidding impossible.
 - 3.3 User divisions will then prepare the corresponding request for purchase and submit it to the PU.
4. The PS or the IPC, as appropriate, will consult ICT and the user division in assessing the procurement approach, the estimated schedule in identifying critical activities and target completion date, completeness and appropriateness of the request and documentary submissions, and the user division's specific software requirements.

5. Procurement of IT-related goods and/or services will generally follow the guidelines provided in Appendix 1. However, in consideration of the unique nature of IT procurement, the following bidding procedures may be adopted on an 'as-needed' or exceptional basis and will supplement and/or supersede relevant provisions of Appendix 1.

- 5.1 Pre-bid meetings and/or conferences may be held with vendors to better present and/or clarify the user section's technical requirements. Such meetings may be held with individual vendors or as a group as needed.
- 5.2 Budget amounts for IT-related goods and/or services will not be disclosed to vendors throughout the duration of the procurement process.
- 5.3 Bid opening will be conducted in the presence of authorized Fund staff from the user division and the PU.
- 5.4 The appropriate approving authority in paragraph 4.1 of Appendix 1 will approve limited tender, shopping, or direct purchasing and/or contracting as a mode of procurement of IT-related goods and/or services as an alternative to public competitive

bidding only when the ICT certifies the need for it, in accordance with the policies and procedures in these guidelines and its appendices.

- 5.5 ICT can request an emergency procurement in the event of IT-related security risks, threats, and vulnerabilities; urgent system availability issues; or any such situations that threaten the security or reputation of the Fund subject to the provisions of Appendix 1.
 - 5.6 The PS will be allowed to procure IT-related goods and/or services via other international organizations and government agreements as appropriate.
 - 5.7 Technical evaluation members will sign a non-disclosure agreement to protect the confidentiality of the evaluation process. If an evaluation team member is unable to continue, he/she will be responsible for transferring critical knowledge to his/her replacement prior to leaving the evaluation committee.
 - 5.8 Technical evaluation members may request a pilot or proof-of-concept from vendors to assist in the evaluation. The option to request such items will be included in the bidding documents.
6. Industry-standard software contracts or license agreements for low-value and off-the-shelf software products need not be submitted to the General Counsel for review.
7. Subject to approval of the IPC, posting of performance security may be waived for IT-related goods and/or services that have express vendor warranties.
8. In the IT industry, training and/or attendance at conferences is often an integral part of contracts for the supply of hardware and/or software. Hence, training and/or attendance at conferences associated with or bundled in such contracts by Fund staff or contractors may be included as part of the requirements or offer. Whenever possible, the cost of training (including accommodations, airfare and per diem) should be detailed in the bidding documents or proposals/price quotations, as appropriate, and in the contract to be awarded. In no case should such costs exceed the entitlements allowed under the Fund's established policy or rules. All training activities and/or attendance in conferences associated with contracts for the supply of hardware and/or software will be reported to the PU, upon contract signing, to ensure that such training and/or attendance in conferences is properly reflected in the Fund's skills inventory.
9. For recruitment of IT consultants, the following procedure will apply:
- 9.1 User sections will submit a request for IT consultants to ICT for endorsement;
 - 9.2 The ICT reviews the Terms of Reference (TOR) and technical skills, and confirms budget clearance. Upon final approval of the request, ICT will submit the request for engagement of consultants to the PU;
 - 9.3 The PS reviews the request and, if needed, seeks clarifications from the ICT. The PS approves and publishes requests as expression of interest on gcfund.org;
 - 9.4 The ICT and the user division review the responses and rank the consultants using the Individual Consulting Services (ICS) scoring system. The top ranked candidate is sent to the PU for vetting of Performance Evaluation Report (PER), validation of commercial rates and contract preparation;
 - 9.5 The PS initiates negotiations directly with the top ranked consultant and upon completion of negotiations notifies the user division to proceed;
 - 9.6 The user division issues a formal notice to proceed to be sent to the consultant and kept in the PS records;

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- 9.7 Upon completion of the consulting assignment, the user division will complete a PER in the ICS system; and
 - 9.8 Requests for engagement of IT consulting firms where estimated contract value is less than US\$ 500,000 will be reviewed and endorsed by an IPC subgroup composed of members of the PS, Administrative Operations, and ICT.
 - 10. Use of Indefinite Delivery Indefinite Quantity (IDIQ) contractual framework:
 - 10.1 The PS will continue to fulfil requests for IT contract resources utilizing the IDIQ contractual framework via the following processes:
 - 10.1.1 Requests for IT contractual resources will be submitted by the user division to ICT;
 - 10.1.2 ICT will validate the TOR and technical skills needed; and
 - 10.1.3 Upon review and approval of the request, the PS will then create and submit a task order to IDIQ vendors for fulfilment of resources.
 - 10.2 ICT will submit all IDIQ requests that exceed one year in length or requests for contract variations that exceed the total amount of the original task order request to the PU for review and approval by the approving authority in paragraph 4.1 of Appendix 1.
 - 10.3 The PS will review IDIQ monthly reports prepared by ICT to determine IDIQ threshold settings, contract rebidding strategies and related procurement actions.
 - 10.4 IDIQ requests for five or more individual resources required to work on the same project will be submitted to the PS for joint review with the General Counsel. Such requests will be vetted to determine whether they are candidates for IT consulting firms rather than individual contract resources.
 - 10.5 The PS will audit randomly selected, fulfilled IDIQ requests on a quarterly basis to ensure proper utilization of the IDIQ framework agreements.
 - 10.6 IDIQ framework contracts will be scheduled for rebidding every three years with no automatic renewal clauses. Items such as volume discounts and rebates will be considered as part of the IDIQ renegotiation strategy.
 - 10.7 Renewal of IDIQ framework contracts or adjustments to existing contracts will be jointly vetted by the PS and Finance to ensure that TOR, technical skills and commercial rates are adequately structured to provide IT contract labour.

Appendix 3: Contract Administration

The Procurement Specialist (PS) will carry out the day-to-day administration of the contractual and related matters once contracts have been executed, unless otherwise delegated to the appropriate unit—for example, the Information Technology (IT) Unit for IT contracts. In particular, the PS will ensure that suppliers and/or contractors comply with their respective contractual obligations.

To this end, the PS will:

- (a) Supervise all activities that the Fund performs after a contract has been awarded in order to monitor and ensure compliance with the agreed terms and conditions;
- (b) Be the formal contact point between the Fund and the suppliers/contractors from award of the contract until the goods and/or services are accepted or completed, the contract is terminated and any disputes are resolved;
- (c) Ensure the proper verification, screening and registration of suppliers/ contractors for institutional goods and services through vetting procedures, eligibility checks and occasional on-site visits;
- (d) Establish, manage and maintain adequate supplier and contract management systems and act as the physical/electronic repository of all contractual documents;
- (e) Provide necessary support to the user divisions for the efficient administration of the contracts, performance review meetings and variations, as well as for the definition of requirements and related service level agreements (SLAs);
- (f) Ensure, in coordination with the General Counsel, correct and timely implementation of contract variations; and
- (g) Provide general advice related to contractual matters and service performance, as needed, including drafting of standard documents.

I. Roles and responsibilities

- 1.1 The PS will be the final physical repository of the original signed contracts for the supply of goods and services.
- 1.2 To monitor Fund and suppliers/contractors' compliance with the terms and conditions of contracts for the delivery of quality goods and services to the Fund, the PS will:
 - (a) Require suppliers/contractors to submit all documents it deems necessary prior to contract award and during contract performance;
 - (b) Require user sections to evaluate and report on the quality of goods received and/or services rendered;
 - (c) Recommend remedies available to user divisions in enforcing satisfactory performance of suppliers/contractors' obligations, in consultation with the General Counsel as necessary;
 - (d) Regularly interact with the user divisions to ensure that the Fund correctly performs its own obligations under the contract;
 - (e) Ensure that unsatisfactory performance of suppliers/contractors is timely tracked, addressed, recorded and duly considered for future procurements; and

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- (f) Monitor, in coordination with the user sections, the performance of the suppliers/contractors in accordance with the applicable SLAs.

1.3 Where the Fund intends to procure services that will be measured against one or several SLAs, the PS will ensure that the Work Performance Statement, draft SLA and other bidding documents are in line with the Fund requirements and that the performance indicators and levels to be monitored during the contract lifetime are adequately defined.

1.4 User divisions will:

- (a) Submit to the PS:
- (i) Monthly (or otherwise applicable) performance monitoring reports;
 - (ii) Periodic reports on suppliers/contractors' performance, unless otherwise provided for in the contract/SLA, every three months from the date of contract signature, up to nine months before expiration of contracts for renewable services expires, or three months before expiration of contracts for services that will not be renewed;
 - (iii) Final Performance Evaluation Report for suppliers/contractors six months before expiration of contracts considered for renewal or on expiration date of contracts that would not be renewed; and
 - (iv) Any other documents and/or information in support of any contractual action that the PS may take.
- (b) Notify suppliers/contractors in writing of any first-time potential or actual deviations from the terms of the contract, with copy to PS of said notice;
- (c) Immediately report to the PS continued deviations from contractual terms and conditions despite written notice in para. b) above has been served; and
- (d) Consult with the PS regarding serious performance issues that may constitute default or material breach of contract. The PS may refer these cases to the General Counsel for appropriate legal action, as necessary.

Appendix 4: Guidelines on Contracting of Spouses of Fund Staff

Close relatives of current Fund staff may not be contracted by the Fund as individual service providers or contractors, with the exception of spouses of Fund staff ('Spouses'). This Appendix sets forth the conditions and procedures to be observed in the contracting of Spouses as individual service providers or contractors.

I. Conditions and procedure

1.1 In all cases, the recruitment of a Spouse will be subject to a conflict of interest check. A Spouse may not be recruited as a service provider or contractor if it is determined that:

- (a) The services to be contracted are requested by a division in which his/her staff member Spouse is employed;
- (b) The staff member Spouse would be supervising the work of his/her Spouse in the context of rating performance and/or making rate increase recommendations;
- (c) The services to be contracted would be rendered for the benefit or end-use of the division in which his/her staff member Spouse is employed; or
- (d) The proposed service contract could be perceived to involve an actual or potential conflict of interest, or the appearance of such a conflict of interest, on the part of the Fund staff member's Spouse.

When a user division is in doubt about an actual or potential conflict of interest, or the appearance of such a conflict of interest, it will refer the matter to the General Counsel, who, after consultations with the Executive Director, will decide whether the procurement may proceed.

1.2 User divisions, when selecting the service provider, must not give the Spouse any preference by virtue of his/her relationship with a staff member. The user division should also confirm that the envisaged contract would not create any actual or potential conflict of interest, or the appearance of such a conflict of interest.

1.3 The PS will clear the initial engagement of Spouses as individual service providers or contractors, taking into account the same factors that are considered when the Fund engages former Fund staff as consultants.

1.4 Spouses who are interested in providing services to the Fund should disclose their relationship to the staff. Spouses interested in working for consulting firms or organizations as members of their teams should contact those consulting firms or organizations directly.

Appendix 5: Guidelines on External Gifts, Benefits, Favours or Recognition Given to Fund Personnel

Fund staff, including senior management, or their immediate family members as well as Fund consultants are prohibited from accepting gifts, benefits, favours, medals, decorations or similar honours from sources external to the Fund with respect to any Fund transaction. However, Fund staff or their immediate family members may accept such gifts, benefits, favours, medals, decorations or similar honours, when they find themselves in situations or circumstances that make it difficult to refuse or decline. The following procedures shall apply:

I. Benefits or Favours

For the purposes of these guidelines, 'benefits or favours' shall include, but not be limited to, invitations or gift vouchers for free meals, hotel accommodations, club membership, vacation, travel, rebates or specials, exclusive privileges and the like. Fund staff receiving any benefits, favours or invitations shall, as soon as possible, before or immediately after the event:

- 1.1 Prepare a memorandum declaring the following relevant information, among others:
 - (a) Nature and particulars of the benefit, favour or invitation;
 - (b) Name of the sponsoring entity, including persons extending the benefit, favour or invitation, their respective designation and contact particulars, if there are any;
 - (c) Whether the sponsor is related to or has any interest of whatever nature in any Fund-financed activity; and
 - (d) Circumstances that make it difficult, if not impossible, to refuse the benefit, favour or invitation.
- 1.2 Submit the memorandum to his/her appropriate director for approval or for directors to the Executive Director (ED).

II. Gifts

For the purposes of these guidelines, 'gifts' include, but are not limited to, works of art such as paintings, sculptures, murals, national costumes, tapestries and collectors' items; souvenirs and consumable items that deteriorate as a result of use (e.g. wines, liquors, beverages and other perishable food stuffs). These procedures shall apply to all gifts, with or without inscriptions.

- 2.1 Fund staff receiving any gift shall complete and sign a Gifts and Souvenirs Report and declare relevant information, including but not limited to those enumerated in (1) above, as may be applicable;
- 2.2 The gift with fully completed Gifts and Souvenirs Report shall be submitted to the PS;
- 2.3 Consumable items that easily perish or expire, such as wines, liquors, beverages and other perishable food stuffs, shall not be physically submitted. The Head of Procurement may return the consumable items to the recipient, raffle them among the staff of the Fund or dispose of the consumable items by other means as the Head of Administrative Operations may deem appropriate; and

2.4 Using the most appropriate and practicable means available, the Procurement Specialist (PS) shall assess the approximate market value of all gifts submitted, except the following:

- (a) Gifts that may be considered works of art because of their aesthetic and artistic value (e.g. paintings, sculptures, murals, national costumes, tapestries and collectors' items, etc.). Works of art shall instead be registered as Fund property; and
- (b) Perishable items that the PU decides to retain under the preceding paragraph.

2.5 Gifts determined to be worth less than US\$ 50 shall be returned to the concerned division, which shall decide the most appropriate way to dispose of the gift (i.e. by returning the item to the recipient, raffling it among staff in the Fund or other means deemed appropriate).

2.6 The PS shall auction gifts that are determined to be worth more than US\$ 50 amongst staff. Proceeds of the auction shall be donated to a charity to be chosen by the Fund.

III. Recognitions

For the purposes of these guidelines, 'recognition' refer to honorific titles that may sometimes be represented by medals, awards, decorations, citations or similar items or honours given in recognition of work done by the Fund and/or Fund staff. The following procedures for handling recognitions shall apply:

3.1 The staff member concerned shall, as soon as possible before or after the event, submit a written statement with the relevant particulars, together with the item received (if any), through the PS to the ED, who will resolve the issue and decide on the matter.

3.2 The ED shall decide whether to announce internally the receipt of the medal, decoration or similar honour and the name of the staff awarded such honour.

3.3 The recognition item shall then be submitted to the PS with a completed Gifts and Souvenirs Report. The PS shall classify and handle submitted recognition items, as follows:

- (a) Recognition items given to Fund staff with the name of a particular Fund staff and/or the name of a division inscribed on them. The PS shall return the item to the concerned division, which may decide to display the item in the division office, or return such item to the Fund staff whose name is inscribed on the recognition item;
- (b) Recognition items given to the Fund as an institution with the name of the Fund inscribed on them. The PS shall register these recognition items as Fund property and display them; and/or
- (c) Recognition items without inscription. The PS shall register these recognition items as Fund property and display them.

3.4 The preceding procedures in handling recognition items notwithstanding, the PS may decide to register as Fund property and display any recognition item or dispose of the item, if it is of value.

Appendix 1

International Standards on Auditing

Respective responsibilities

ISA 200 Overall Objectives of the Independent Auditor and the Conduct of an Audit in Accordance with International Standards on Auditing

ISA 210 Agreeing the Terms of Audit Engagements

ISA 220 Quality Control for an Audit of Financial Statements

ISA 230 Audit Documentation

ISA 240 The Auditor's Responsibilities Relating to Fraud in an Audit of Financial Statements

ISA 250 Consideration of Laws and Regulations in an Audit of Financial Statements

ISA 260 Communication with Those Charged with Governance

ISA 265 Communicating Deficiencies in Internal Control to Those Charged with Governance and Management

Audit planning

ISA 300 Planning an Audit of Financial Statements

ISA 315 Identifying and assessing the risks of material misstatement through understanding the entity and its environment

ISA 320 Materiality in planning and performing an audit

ISA 330 The auditor's responses to assessed risks

Internal Control

ISA 402 Audit Considerations Relating to an Entity Using a Service Organization

ISA 450 Evaluation of Misstatements Identified during the Audit

Audit evidence

ISA 500 Audit Evidence

ISA 501 Audit Evidence – Additional Considerations for Specific Items

ISA 505 External Confirmations

ISA 510 Initial Engagements - Opening Balances

ISA 520 Analytical Procedures

ISA 530 Audit Sampling and Other Means of Testing

ISA 540 Auditing Accounting Estimates, Including Fair Value Accounting Estimates, and Related Disclosures

ISA 550 Related Parties

ISA 560 Subsequent Events

ISA 570 Going Concern

ISA 580 Written Representations

Using work of other experts

ISA 600 Special Considerations - Audits of Group Financial Statements (Including the Work of Component Auditors)

ISA 610 Using the Work of Internal Auditors

ISA 620 Using the Work of an Auditor's Expert

Audit conclusions and Audit report

ISA 700 Forming an Opinion and Reporting on Financial Statements

ISA 705 Modifications to the Opinion in the Independent Auditor's Report

ISA 706 Emphasis of Matter Paragraphs and Other Matter Paragraphs in the Independent Auditor's Report

ISA 710 Comparative Information - Corresponding Figures and Comparative Financial Statements

ISA 720 The Auditor's Responsibilities Relating to Other Information in Documents Containing Audited Financial Statements

Specialized areas

ISA 800 Special Considerations-Audits of Financial Statements Prepared in Accordance with Special Purpose Frameworks

ISA 805 Special Considerations-Audits of Single Financial Statements and Specific Elements, Accounts or Items of a Financial Statement

ISA 810 Engagements to Report on Summary Financial Statements

International Standard on Quality Control (ISQC) 1, Quality Controls for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements

Annex XXX: Report of the Green Climate Fund to the Conference of the Parties to the United Nations Framework Convention on Climate Change

I. Introduction

1. This document contains the third annual report of the Board of the Fund to the Conference of the Parties (COP) to the United Nations Framework Convention on Climate Change (UNFCCC). It is the first report since the establishment of the independent Secretariat of the Fund. It covers the activities undertaken by the Board between December 2013 and October 2014.
2. In decision 3/CP.17, the COP decided to provide guidance to the Board of the Fund, including on matters related to policies, programme priorities and eligibility criteria and matters related thereto, taking into account the Board's annual reports to the COP on its activities;
3. At its nineteenth session, the COP provided both initial and additional guidance to the Fund,¹ and also agreed on the arrangements between the COP and the Fund² that were approved by the Board at its fifth meeting.³
4. The report hereby presented responds to the guidance received from the COP as well as to the arrangements between the COP and the Fund referred to above.

II. Report on the implementation of the arrangements between the COP and the Fund

5. The arrangements between the COP and the Fund set out the working relationship between the COP and the Fund, and require the Board of the Fund to report on the implementation of the arrangements in its annual reports to the Conference of the Parties, starting at the twentieth session of the COP. The table below summarizes the decisions and actions taken in response to the arrangements between the COP and the Fund.
6. There may be some degree of overlap between required reporting elements in the arrangements and those contained in the annual guidance from the COP.

¹ Decision 4/CP.19.

² Decision 5/CP.19.

³ Decision B.05/16.

**Table 1. Overview of responses to reporting elements in the arrangements between the COP and the Fund**

Elements to be reported by the Fund in accordance with the arrangements between the COP and the Fund (decision 5/CP.19)	Relevant decisions by the Green Climate Fund Board in 2014
To report on the implementation of the arrangements in its annual reports to the COP, starting at the twentieth session of the Conference of the Parties. <i>(Decision 5/CP.19, paragraph 5)</i>	The Report herewith addresses this request.
To include the recommendations of its independent redress mechanism, and any action taken by the Board of the Fund in response to those recommendations. <i>(Annex to decision 5/CP.19, paragraph 9)</i>	Decision B.06/09 adopts the terms of reference of the independent redress mechanism as set out in Annex V of document GCF/B.06/18. The terms of reference set the basis for the independent redress mechanism to become operational.
To include information on the implementation of policies, programme priorities and eligibility criteria provided by the COP, including information on the extent to which COP guidance has been adhered to by the Board of the Fund. <i>(Annex to decision 5/CP.19, paragraph 11)</i>	<i>Please refer to Table 2 below on relevant decisions/actions taken by the Fund during 2014 in response to guidance from the COP.</i>
To include a synthesis of the different activities under implementation and a listing of the activities approved, as well as a financial report. <i>(Annex to decision 5/CP.19, paragraph 12)</i>	<i>Please refer to the administrative and financial information in Section IV below.</i> The implementation of activities in 2014 has focused on the readiness programme, with US\$ 1 million committed as of August 2014. Included in the US\$ 1 million is an amount of US\$ 0.62 million for activities in six countries. Of this amount, half will be expended in the period to December 2014 and the remaining half in the first quarter of 2015.
To include information on all activities financed by the Fund. <i>(Annex to decision 5/CP.19, paragraph 13)</i>	<i>Please refer to the administrative and financial information in Section IV below.</i>
To indicate actions undertaken to balance the allocation of resources between adaptation and mitigation activities under the Fund. <i>(Annex to decision 5/CP.19, paragraph 14)</i>	Decision B.06/06: adoption of the initial parameters and guidelines for allocation of resources, during the initial phase of the Fund, including the decision to aim for a 50:50 balance between mitigation and adaptation over time.
To 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.	In 2014 the Board established and adopted terms of reference for the following committees and panels of the Board, which draw on appropriate expert and technical advice: <ul style="list-style-type: none">- Accreditation Panel (decision B.07/02)



Elements to be reported by the Fund in accordance with the arrangements between the COP and the Fund (decision 5/CP.19)	Relevant decisions by the Green Climate Fund Board in 2014
<p>(Annex to decision 5/CP.19, paragraph 15)</p>	<ul style="list-style-type: none">- Independent Technical Advisory Panel (decision B.07/03) <p>With regard to the relationship with relevant thematic bodies under the Convention, the Board Co-Chairs have corresponded with the Chairs of the Adaptation Committee and of the Technology Executive Committee of the United Nations Framework Convention on Climate Change to decide on the framework for cooperation with the Fund.</p> <p>In addition, since June 2013 the Fund has been engaging with relevant thematic bodies of the COP, in particular through the participation of its Secretariat in some of the events organized by those bodies. In this regard, the Secretariat represented the Fund at the fifth meeting of the Adaptation Committee (AC), at the meetings of the Standing Committee on Finance (SCF), at the National Adaptation Plan (NAP) Expo organized by the Least Developed Countries Expert Group (LEG), at the first meeting of the Executive Committee of the Warsaw International Mechanism for Loss and Damage, and at the sessions of the subsidiary bodies of the UNFCCC, including those of the Ad Hoc Working Group on the Durban Platform for Enhanced Action (ADP). The Secretariat was also able to participate remotely in the TEC thematic dialogue on climate technology financing. The engagement between the Fund and these bodies has so far focused on exchanging information. Most bodies, in light of their mandates and existing programme of work, have also started to reflect on how to continue enhancing their collaboration with the Fund. The matter of present and future collaboration of the Fund with the UNFCCC and external bodies was addressed at the October 2014 Board meeting. *[To be updated after the eighth Board meeting]</p>
<p>- To provide information on resource mobilization and the available financial resources, including any replenishment processes, in its annual reports to the COP.</p> <p>(Annex to decision 5/CP.19, paragraph 17 (b))</p>	<p><i>Decision B.07/09: decision that the <u>eight essential requirements for the Fund to receive, manage, programme and disburse financial resources have been met</u>, and decision to <u>commence the process to mobilize resources</u> commensurate with the Fund's ambition to 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.</i></p> <p>Consistent with decision B.07/09, a process of collective engagement with potential contributors to the Fund's initial resource mobilization process was launched after</p>



Elements to be reported by the Fund in accordance with the arrangements between the COP and the Fund (decision 5/CP.19)	Relevant decisions by the Green Climate Fund Board in 2014
	<p>the May 2014 Board meeting. Two meetings for interested contributors to and observers of the IRM process have been held. The first meeting was held from 30 June to 1 July in Oslo, Norway, and a second meeting took place from 8 to 9 September in Bonn, Germany. As part of this process, interested contributors agreed on recommendations to the Board on the policies for contributions. These recommendations will be presented to the Board at its eighth meeting. The process of collective engagement with potential contributors to the Fund's initial resource mobilization process is expected to conclude with a final high-level pledging session from 19 to 20 November. So far US\$ 2.3 billion has been pledged as part of the Fund's initial resource mobilization process.</p>
<ul style="list-style-type: none">- To include any reports of the independent evaluation unit, including for the purposes of the periodic reviews of the financial mechanism of the Convention. <p><i>(Annex to decision 5/CP.19, paragraph 20)</i></p>	<p>Decision B.06/09 adopts the terms of reference of the Independent Evaluation Unit as set out in Annex III of document GCF/B.06/18. The terms of reference set the basis for the Independent Evaluation Unit to become operational.</p>

III. Action taken in response to guidance from the Conference of the Parties

7. The COP provides guidance to the financial mechanism in accordance with Article 11 of the Convention, and on its policies, programme priorities and eligibility criteria.

8. The Fund, as an entity entrusted with the operation of the Convention's financial mechanism, takes appropriate action on guidance received on an ongoing basis.

9. During 2014 the Fund achieved important milestones in response to the guidance provided by the COP in its eighteenth and nineteenth sessions, and in accordance with other relevant COP decisions, including:

- The completion of the essential requirements and the commencement of the initial resource mobilization process, with a total of three meetings of potential contributors and observers as part of the collective engagement;
- The adoption of the initial parameters and guidelines for the allocation of resources that consider a 50:50 balance between mitigation and adaptation over time and a floor of fifty percent of the adaptation allocation for particularly vulnerable countries, including least developed countries (LDCs), small island developing States (SIDS) and African States;
- The allocation of Funds amounting to US\$ 1 million for the development of the readiness activities work programme;
- The adoption of terms of reference for the Independent Evaluation Unit, the Independent Integrity Unit and the independent redress mechanism, which strengthens the accountability of the Fund's operations.
- Progress in building the institutional capacity of the Fund's Secretariat, as foreseen in paragraph 19 of the Governing Instrument and in accordance with Board decisions B.05/10 and B.05/11.

10. These achievements have been guided by the recommendations from the COP, and constitute a solid basis on the road to realizing the Fund's mandate of promoting a paradigm shift towards low-emission and climate-resilient development pathways in the context of sustainable development.

11. The initial operational policies adopted in 2014 are intended to allow for a continuous learning process, including for monitoring and evaluation, and operating under the values of efficiency and effectiveness.

12. The overall status of the Fund's progress in relation to the guidance received from COP 19 along with relevant guidance from COP 18 is presented below.

Table 2. Overview of guidance from the COP and relevant decisions/actions taken by the Fund

Guidance received from COP 19	Relevant decisions/actions taken by the Fund in 2014
<p>Requests the Fund:</p> <p>(a) To <u>balance the allocation of resources</u> between adaptation and mitigation, and ensure an appropriate allocation of resources for other activities;</p> <p>(b) To pursue a <u>country-driven approach</u>;</p> <p>(c) In allocating <u>resources for adaptation</u>, the Fund will take into account the urgent and immediate needs of developing countries that are particularly vulnerable to the adverse effects of climate change; <i>(decision 4/CP.19, paragraph 9)</i></p>	<p>(a) Decision B.06/06: Adoption of the initial parameters and guidelines for allocation of resources, during the initial phase of the Fund, including the decision to aim for a 50:50 balance between mitigation and adaptation over time.</p> <p>(b) The Board held deliberations on country ownership during 2014 and a decision on the matter is expected to be reached at the eighth meeting of the Board *[To be updated after the eighth Board meeting]. Country ownership has been addressed previously in decisions B.04/05 on country ownership and B.04/04 and B.05/03 on the business model framework.</p> <p>(c) Decision B.06/06: Adoption of the initial parameters and guidelines for the allocation of resources during the initial phase of the Fund, including the decision to aim for a floor of fifty percent of the adaptation allocation for particularly vulnerable countries, including least developed countries (LDCs), small island developing States (SIDS) and African States.</p> <p>Decision B.07/04 on the initial results management framework of the Fund, including an initial adaptation logic model and the adoption of a core indicator for adaptation.</p>
<p>Confirms that all developing country Parties to the Convention are eligible to receive resources from the Fund <i>(decision 4/CP.19, paragraph 10)</i></p>	<p>The Fund Secretariat has exchanged communications with the UNFCCC Secretariat on this matter and will consider the experience of other implementing entities of the financial mechanism.</p>
<p>Urges the Board to <u>finalize as soon as possible the essential requirements to receive, manage, programme and disburse financial resources</u> in line with the approved work plan of the Board so that the Fund can <u>commence its initial resource mobilization process</u> as soon as possible and <u>transition subsequently to a formal replenishment process</u>; <i>(decision 4/CP.19, paragraph 12)</i></p>	<p>Decision B.07/09: Decision that the <u>eight requirements for the Fund to receive, manage, programme and disburse financial resources have been met</u>, and <u>the commencement of the process to mobilize resources</u> commensurate with the Fund's ambition to 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.</p> <p><i>Please refer to Table 1 above for information on resource mobilization.</i></p>

<p>Requests the Board of the Fund:</p> <ul style="list-style-type: none"> (a) To consider <u>important lessons learned on country-driven processes from other existing funds</u>; (b) To ensure that in its consideration and finalization of the Fund's <u>access modalities</u>, the Board takes into account the <u>institutions already accredited by relevant institutions</u> covered by the Board's agreement on the best practice fiduciary standards and principles and environmental and social standards; (c) To <u>report</u> to the COP at its twentieth session on progress made in the implementation of this decision, as well as the implementation of decision 6/CP.18; <i>(decision 4/CP.19, paragraph 16)</i> 	<p>(a) and (b) Decision B.07/02: Adoption of the <u>initial guiding framework for the Fund's accreditation process</u> as contained in Annex I of document GCF/B.07/11 (also applies to the private sector); the <u>initial fiduciary principles and standards</u> as contained in Annex II of document GCF/B.07/11, and the Performance Standards of the International Finance Corporation (IFC), as contained in Annex III of document GCF/B.07/11. This decision and the annexes referred to above prescribe that the Fund's fiduciary principles and standards and environmental and social safeguards will be consistently in line with international best practices and standards, and systematically endeavor to reflect the best of the experience and lessons learned by relevant institutions. It was agreed that the Fund will adopt, <u>on an interim basis, the environmental and social Performance Standards (PS) of the International Finance Corporation (IFC)</u>, amongst other relevant provisions.</p> <p>Decision B.07/03: Adoption of the <u>initial proposal approval process</u> as contained in Annex VII of document GCF/B.07/11;</p> <p>The October 2014 Board meeting will consider best practices for the establishment and composition of national designated authorities and focal points, best practice options for country coordination and multi-stakeholder engagement, as well as an assessment of institutions accredited by other relevant funds. *[To be updated after the eighth Board meeting]</p> <p>(c) This Report contains information on progress made in the implementation of decisions 6/CP.18 and 4/CP.19.</p>
<p>Requests the Board of the Fund <u>to report on the implementation of the arrangements</u> referred to in paragraph 4 of decision 5/CP.19 in its annual reports to the COP, starting at the twentieth session of the COP. (<i>Arrangements between the COP and the Fund, decision 5/CP.19, paragraph 5</i>)</p>	<p>Please refer to section above on the progress made by the Fund on the implementation of the arrangements between the Conference of the Parties and the Green Climate Fund</p>



<p>Encourages entities financing the activities referred to in decision 1/CP.16, paragraph 70, through the wide variety of sources referred to in decision 2/CP.17, paragraph 65, including the Fund in a key role, <u>to collectively channel adequate and predictable results-based finance in a fair and balanced manner, taking into account different policy approaches, while working with a view to increasing the number of countries that are in a position to obtain and receive payments for results-based actions;</u></p> <p>Also encourages the entities referred to in paragraph 5 of decision 9/CP.19, when providing <u>results-based finance</u>, to apply the methodological guidance consistent with decisions 4/CP.15, 1/CP.16, 2/CP.17, 12/CP.17 and 11/CP.19 to 15/CP.19, as well as this decision, in order to improve the effectiveness and coordination of results-based finance;</p> <p><u>Requests the Fund, when providing results-based finance</u>, to apply the methodological guidance consistent with decisions 4/CP.15, 1/CP.16, 2/CP.17, 12/CP.17 and 11/CP.19 to 15/CP.19, as well as this decision, in order to improve the effectiveness and coordination of results-based finance;</p> <p>Encourages entities financing the activities referred to in decision 1/CP.16, paragraph 70, through the wide variety of sources referred to in decision 2/CP.17, paragraph 65, <u>to continue to provide financial resources to alternative policy approaches</u>, such as joint mitigation and adaptation approaches for the integral and sustainable management of forests;</p> <p><i>(decision 9/CP.19, paragraphs 5 to 8)</i></p>	<p>Decision B.07/04: adoption of elements of the <u>initial results management framework</u> of the Fund, <u>core indicators for mitigation</u>, and <u>core indicator for adaptation</u>; <u>request to the Secretariat to develop a logic model and performance framework for ex-post REDD+ results-based payments</u>, in accordance with the methodological guidance in the Warsaw framework for REDD+, for consideration at the third Board meeting of 2014. *[To be updated after the eighth Board meeting].</p> <p>Guidance to be followed as implementation of results-based finance commences.</p>
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Guidance from COP 18 that is still relevant for reporting	Relevant decisions/actions taken by the Board
<p>The Conference of the Parties:</p> <p>Notes the progress made by the Board of the Fund and calls on the Board to ensure that the Fund expeditiously implements its work plan and develops the policies, eligibility criteria and programmes of the Fund, taking into account the guidance of the COP with a view to making the Fund operational as soon as possible.</p> <p>(decision 6/CP.18, paragraph 5)</p>	<p>The Fund implemented its 2013 work plan as outlined in its second Report to the COP, and its 2014 work plan as described in the present Report.</p> <p>Information about decisions and actions taken with a view to making the Fund operational as soon as possible is provided in the present Report.</p>
<p>Requests the Board of the Fund:</p> <p>(a) To develop a <u>transparent no-objection procedure</u> to be conducted through national designated authorities referred to in paragraph 46 of the Governing Instrument, in order to ensure consistency with national climate strategies and plans and a country-driven approach and to provide for effective direct and indirect public and private-sector financing by the Fund, and to determine this procedure prior to approval of funding proposals by the Fund;</p> <p>(b) To balance the allocation of the resources of the Fund between adaptation and mitigation activities;</p>	<p>(a) Decision B.07/02: Adoption of the <u>initial guiding framework for the Fund's accreditation process</u> as contained in Annex I of document GCF/B.07/11, which prescribes that the Fund's accreditation process will be based on three main stages, the first being no-objection and readiness.</p> <p>The October 2014 Board meeting will consider country ownership and a no-objection procedure. *[To be updated after the eighth Board meeting]</p> <p>Decision B.06/11 on the detailed programme of work on readiness and preparatory support outlines priority activities, such as the establishment of national designated authorities or focal points and strategic frameworks, including the preparation of country programmes.</p> <p>The Fund had received 54 initial national designated authority (NDA) or focal point designations as at 28 August 2014. These arrangements may evolve in response to further guidance from the Fund regarding NDA and focal point arrangements. Countries may request readiness support to strengthen these arrangements. The designation list will be updated continuously as the Fund receives additional designations.</p> <p>(b) Please refer to the table above on progress in relation to guidance from COP 19 for information on achieving balance in the allocation of resources.</p>



<p>(c) To <u>secure funding</u> for the Fund, taking into account paragraphs 29 and 30 of the Governing Instrument, to facilitate its expeditious operationalization, and to establish the necessary policies and procedures to enable an early and adequate replenishment process;</p> <p>(d) To establish the independent secretariat of the Fund in the host country in an expedited manner as soon as possible, in accordance with paragraph 19 of the Governing Instrument;</p> <p>(e) To select the <u>trustee</u> of the 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>(f) To initiate a <u>process to collaborate with the Adaptation Committee and the Technology Executive Committee</u>, as well as other relevant thematic bodies under the Convention, to define linkages between the Fund and these bodies, as appropriate; (<i>decision 6/CP.18, paragraph 7</i>)</p>	<p>(c) Decision B.07/09 regarding <u>the commencement of the process to mobilize resources</u> commensurate with the Fund's ambition to promote the paradigm shift. At its seventh meeting, the Board decided that it will consider modalities for mobilizing private sector resources at scale at its eighth meeting (decision B.07/08). <i>Please refer to Table 1 above for information on the initial resource mobilization process.</i></p> <p>(d) The headquarters of the Fund was inaugurated on 4 December 2013, and good progress has been made in creating the systems and staffing the Secretariat. For further information refer to the summary report on Secretariat activities below.</p> <p>(e) The consideration of Trustee arrangements, including the review of the Interim Trustee and the initiation of a process to select the Trustee of the Fund will be addressed at the October 2014 Board meeting. *[To be updated after the eighth Board meeting]</p> <p>(f) The Board Co-Chairs have corresponded with the Chairs of the Adaptation Committee and Technology Executive Committee of the United Nations Framework Convention on Climate Change to decide on the framework for cooperation with the Fund.</p> <p><i>For information concerning the relationship with relevant thematic bodies under the Convention, please refer to Table 1 above.</i></p>
<p>Requests the Board of the Fund to continue to include in its report to the COP the specific steps that it has undertaken to implement the request contained in paragraphs 5 and 7 of decision 6/CP.18, as well as <u>information on the status of financial contributions for the administrative budget</u> of the Fund, including the administrative costs of the Board of the Fund and its interim secretariat; (<i>decision 6/CP.18, paragraph 10</i>)</p>	<p>The information above reflects the decisions/actions taken by the Fund during 2014 in response to paragraphs 5 and 7 of decision 6/CP.18.</p> <p>For information on the status of financial contributions for the administrative budget of the Fund, including the administrative costs of the Board of the Fund and its Secretariat, please refer to the section on administrative and financial performance below.</p>
<p>Requests the Board of the Fund to <u>make available its annual reports</u> to the COP as early as possible, and no later than 12 weeks prior to a session of the COP, for consideration by Parties; (<i>decision 6/CP.18, paragraph 15</i>)</p>	<p>The Fund has not been able to present its annual report to the COP within the requested time period as the meeting of the Board at which the report is considered normally takes place in September/October each year.</p>

IV. Other activities of the Fund

4.1 The Board

4.1.1 Membership of the Board

13. Nominations for Board members and alternate members are received through communications sent on behalf of the respective constituency or regional group within a constituency. Both the developed and the developing country constituencies have advised of changes in their composition during 2014. Appendix I to this Report provides the list of Board members and alternate members.

4.1.2 Election of the Co-Chairs of the Board

14. At its October 2013 meeting, the Board elected Mr. Manfred Konukiewitz (Germany) and Mr. Jose Maria Clemente Sarte Salceda (Philippines) to serve as Co-Chairs for the period of one year.

15. At its October 2014 meeting, the Board elected Mr. Henrik Harboe (Norway) and Mr. Gabriel Quijandria (Peru) to serve as Co-Chairs for the period of one year.

4.1.3 Meetings of the Board

16. Three Board meetings were held during the period covered by this report. The sixth meeting was held in Bali, Indonesia, from 19 to 21 February 2014. The seventh meeting took place in Songdo, Republic of Korea, from 18 to 21 May 2014; and the eighth meeting of the Board was conducted in Bridgetown, Barbados, from 14 to 17 October 2014.

17. In addition to Board members and alternate members, four active observers from developing and developed countries representing civil society organizations and the private sector participated in the meetings. Furthermore, the meetings were attended by advisers to Board members and alternate members and the representatives of accredited observer organizations.

18. The decisions taken by the Board during 2014 are contained in documents GCF/B.06/18 from its sixth meeting; GCF/B.07/11 from its seventh meeting; and GCF/B.08/XX from its eighth meeting (to be updated after the eighth Board meeting). The report on the sixth meeting of the Board is contained in document GCF/B.06/19, the report on the seventh meeting is contained in document GCF/B.07/XX, the report on the eighth meeting is contained in document GCF/B.08/XX (to be updated after the eighth Board meeting). All documents referenced are also available on the Fund's website <GCFund.org>.

4.1.4 Logo of the Fund

19. The Board, in its decision B.05/09, requested the Logo Selection Panel (comprising four Board members/alternate members, one civil society and one private sector representative under the overall authority of the Executive Director) to contract a professional designer to design the logo.

20. Following the recommendation of the Logo Selection Panel, the Board has chosen a new logo which has been designed to differentiate the Fund, convey the modern, client-orientated image of the Fund, and symbolize its game-changing nature.

4.2 The Secretariat

4.2.1 Overview

21. Throughout 2014 the Secretariat has focused on supporting the work of the Board in accordance with its work plan for 2014 and relevant Board decisions, building the systems for and staffing the independent Secretariat, facilitating the initial resource mobilization process (IRM), and carrying out readiness outreach work with developing countries, amongst other activities.

22. The work carried out by the Secretariat included the preparation, development and follow-up for the February, May and October 2014 meetings of the Board. Amongst other important milestones for the operationalization of the Fund, this led to the adoption of the essential requirements that made it possible to commence the initial resource mobilization process. During 2014 the Secretariat was also involved in preparing for the two IRM meetings held from 30 June to 1 July in Oslo, Norway, and from 8 to 9 September in Bonn, Germany, as well as for the high-level pledging session that will take place from 19 to 20 November in Berlin, Germany.

23. The Secretariat has also supported the different committees and panels of the Board, which were established to deliver expert input and guidance.

24. During 2014 significant progress has been made in implementing systems and staffing the independent Secretariat.

25. In accordance with Board decision B.05/09 to undertake the work necessary to implement the *new logo in all communication products of the Fund*, the logo is now being rolled out. It will also be used to brand the Fund's headquarters. In addition, the Secretariat has produced a new brochure about the Fund featuring the logo, which is now being distributed and aims to provide a fast way to reach out to potential contributors.

26. As part of these efforts, the Fund's website has been updated to include the new logo and present a fresh image of the Fund that embodies its innovative and transformational spirit. The content of the website also reflects important improvements, such as a special readiness portal designed to support outreach efforts. It provides technical updates, a quarterly newsletter and guidance to countries promoting readiness.

4.3 The Trustee

27. The COP, at its sixteenth session, invited the World Bank to serve as the interim trustee for the Fund, subject to a review three years after operationalization of the Fund. The Governing Instrument for the Fund accordingly stipulated that the World Bank would serve as Interim Trustee of the Fund, subject to a review three years after operationalization of the Fund.¹ The World Bank's Board agreed that the World Bank would provide interim trustee services to the Fund, and the Green Climate Fund Trust Fund was established at the World Bank for this purpose. The interim trustee arrangement will be in place up to 30 April 2015, unless otherwise agreed between the Fund's Board and the World Bank.

28. Interested contributors at the initial resource mobilization (IRM) meeting recommended clarifying the provision of trustee services to the Fund during and immediately

¹ Governing Instrument for the Green Climate Fund, paragraph 26.

after the IRM period to ensure that contributors are able to effectively disburse funds into the Fund's trust fund. They recognized that the Board has the mandate to decide on the trustee arrangements for the Fund, as outlined in the Governing Instrument and COP guidance.

29. In the context of the Governing Instrument's provision that *the World Bank will serve as interim trustee for the Fund, subject to a review three years after the operationalization of the Fund*, it was highlighted that only the Board can decide when the Fund becomes operational. Interested contributors recommended that the Board define when the Fund is deemed to be operational at its eighth meeting. [To be updated after the eighth Board meeting].

4.3.1 Financial resources for the administrative budget in the Green Climate Fund Trust Fund

30. The activities of the Board, the Secretariat and the Interim Trustee are supported through an administrative budget approved by the Board. This budget is implemented using the funds available in the Green Climate Fund Trust Fund (GCF Trust Fund) established by the Interim Trustee.

4.3.2 Status of resources

31. As at 30 June 2014:

- Pledges and contributions to the GCF Trust Fund amounted to US\$-equivalent 56.3 million. Of this amount, US\$-equivalent 51.4 million was received and deposited by 13 contributors; in addition US\$ 0.1 million of investment income was earned.
- The Interim Trustee had transferred a total of US\$ 11.9 million to cover the administrative costs of the Board, Secretariat, and the Interim Trustee.
- At its October 2013 meeting, through decision B.05/20, the Board approved, from the resources available in the Green Climate Fund Trust Fund, the administrative budget of the Green Climate Fund for the period from 1 January to 31 December 2014 of up to US\$ 18,817,566. During 2014 the execution rate of the approved administrative budget was relatively low. Accordingly, the recommended budget for 2015 is mostly flat compared to 2014.

32. The proposed administrative budget for the Fund for 2015 is presented below.

Proposed administrative budget for the period 1 January to 31 December 2015 (in US\$)

[To be updated after the eighth Board meeting]

	Approved budget	Total projected expenditures	Proposed budget
	1 January– 31 December 2014	1 January– 31 December 2014	1 January– 31 December 2015
US\$			
1.1 Board meetings			
1.1.1 Board representative travel	792,000	556,479	792,000 ^a
1.1.2 Secretariat staff travel	90,000	281,938	90,000 ^b
1.1.3 Venue and logistics	170,000	231,705	250,000 ^c
Subtotal: Board meetings	1,052,000	1,070,122	1,132,000
1.2 Co-Chair and Board representative travel			
1.2.1 Co-Chair and Board representative travel	22,500	25,550	22,500 ^d
Subtotal: Co-Chair and Board representative travel	22,500	25,550	22,500
1.3 Board committees, panels and working groups			
1.3.1 Board representative travel	90,000	31,096	186,000 ^e
1.3.2 Venue and logistics	80,000		80,000 ^f
Subtotal: Board committees, panels and working groups	170,000	31,096	266,000
Grand total (1+2+3)	1,244,500	1,126,768	1,420,500

^a Twelve members, and twelve alternate members, at an average cost of US\$ 7,500 each per meeting; 24 advisers at an average cost of US\$ 3,500 each per meeting.

^b Assuming twenty Secretariat staff at an average cost of US\$ 4,500 per meeting of the Board held away from the Fund's headquarters.

^c Assuming an average cost of US\$ 20,000 per meeting for meetings held away from the Fund's headquarters and two meetings of the Board held at the Fund's headquarters at an average cost of US\$ 115,000.

^d Assuming three Co-Chair and Board representatives at an average cost of US\$ 7,500 each.

^e Assuming three funded Board Member participants for one committee, panel and working group meeting at an average of every three months, at an average cost of US\$ 7,500 each for Board members and six non-Board member participants at an average cost of US\$ 4,000.

^f Assuming two committee, panel and working group meetings at an average of every three months, at an average cost of US\$ 10,000 per meeting.

Appendix I: Members and alternate members of the Board of the Green Climate Fund

Members	Alternate Members	Constituency/Regional Group
Mr. Christian N. Adovelande (Benin) President West African Development Bank	Mr. Tosi Mpanu Mpanu (Democratic Republic of the Congo) Former Chair the African Group of climate negotiators	Developing countries, Africa
Mr. Omar El-Arini (Egypt) Member of Board, Egyptian Environmental Affairs Agency, International consultant on ozone layer and climate issues	Mr. Newai Gebre-ab (Ethiopia) Member the former Transitional Committee for the design of the Green Climate Fund	
Mr. Zaheer Fakir (South Africa) Head International Relations and Governance, Department of Environmental Affairs	Mr. Paulo Gomes (Guinea Bissau) Member of the Board of Directors, Ecobank Transnational Inc. Vice-Chairman of the finance committee	
Mr. Yingming Yang (China) Deputy Director General International Department, Ministry of Finance	Mr. In-Chang Song (Republic of Korea) Director General International Financial Cooperation, Ministry of Strategy and Finance	Developing countries, Asia-Pacific
Mr. Ayman M. Shasly (Saudi Arabia) International Policies Consultant Ministry of Petroleum and Mineral Resources	Mr. Jose Ma. Clemente Sarte Salceda (Philippines) Governor Province of Albay	
Mr. Nauman Bashir Bhatti (Pakistan)	Mr. Shri Dipak Dasgupta (India) Principal Economic Adviser Ministry of Finance	
Mr. Jorge Ferrer Rodriguez (Cuba) Minister Counsellor Multilateral Affairs and International Law General Division, Ministry of Foreign Affairs	H.E. Ms. Audrey Joy Grant (Belize) Minister Energy, Science and Technology and Public Utilities	Developing countries, Latin America and the Caribbean

<p>Ms. Vanesa Valeria D'Elia (Argentine) Advisor to Minister Ministry of External Relations</p>	<p><u>Mr. Rodrigo Rojo</u> (Chile) Deputy Director, Intl. Affairs Ministry of Finance</p>	<p>Developing countries, Latin America and the Caribbean</p>
<p>Gabriel Quijandria (Peru) Vice Minister, Ministry of Environment</p>	<p>Angel Valverde (Ecuador) National Director Mitigation on Climate Change, Ministry of Environment</p>	
<p><u>Mr. David Kaluba</u> (Zambia) Principal Economist Ministry of Finance and National Planning</p>	<p><u>Mr. Mesbah ul Alam</u> (Bangladesh) Secretary Ministry of Disaster Management and Relief</p>	<p>Developing countries, Least developed countries</p>
<p>Mr. Patrick McCaskie (Barbados) Director Research and Planning Unit, Economic Affairs Division, Ministry of Finance and Economic Affairs</p>	<p>H.E. Mr. Ali'ioaigi Feturi Elisaia (Samoa) Ambassador Extraordinary and Plenipotentiary, Permanent Representative Permanent Mission of Samoa to the United Nations</p>	<p>Developing countries, Small island developing States</p>
<p><u>Mr. George Zedginidze</u> (Georgia) Former Minister Ministry of Environment Protection</p>	<p>Mr. Irfan Ampri (Indonesia) Head Center for Climate Change Financing and Multilateral Policy, Fiscal Policy Agency, Ministry of Finance</p>	<p>Developing countries</p>
<p><u>Mr. Ewen McDonald</u> (Australia) Deputy Secretary Department of Foreign Affairs and Trade</p>	<p><u>Mr. Rod Hilton</u> (Australia) Assistant Director General Australian Agency for International Development</p>	<p>Developed countries, Australia on behalf of Australia and New Zealand</p>
<p><u>Ms. Irene Jansen</u> (Netherlands) Head International Economics and Financial Institutions Division, Foreign Financial Relations Directorate Ministry of Finance</p>	<p><u>Mr. Peder Lundquist</u> (Denmark) Deputy Permanent Secretary Ministry of Finance</p>	<p>Developed countries, Denmark and the Netherlands</p>

<p><u>Mr. Arnaud Buisse</u> (France) Deputy Assistant Secretary Multilateral Financial Affairs and Development Division, Directorate-General of the Treasury</p>	<p>Mr. Frederic Ganois (France) Head Official Development Assistance and Multilateral Development Institutions, Directorate-General of the Treasury</p>	<p>Developed countries, France</p>
<p>Mr. Manfred Konukiewitz (Germany) Deputy Director General (retired) Representative of the Government</p>	<p>Mr. Norbert Gorissen (Germany) Head Division of International Climate Finance, International Climate Initiative, Federal Ministry for the Environment, Nature Conservation and Nuclear Safety (BMU)</p>	<p>Developed countries, Germany</p>
<p>Mr. Shuichi Hosoda (Japan) Director Development Issues, International Bureau Ministry of Finance</p>	<p>Mr. Tomonori Nakamura (Japan) Special Coordinator for Environmental Finance, Development Policy Division, International Bureau Ministry of Finance</p>	<p>Developed countries, Japan</p>
<p>Mr. Henrik Harboe (Norway) Director of Development Policy Ministry of Foreign Affairs</p>	<p>Mr. Petr J. Kalas (Czech Republic) Former Minister Ministry of Environment</p>	<p>Developed countries, Norway and Czech Republic</p>
<p>Mr. Adam Kirchknopf (Hungary) Head Economic Section, Embassy of Hungary in Switzerland</p>	<p>Mr. Marcin Korolec (Poland) Secretary of State, Government Plenipotentiary for Climate Policy</p>	<p>Developed countries, Hungary and Poland</p>
<p>Ms. Ludovica Soderini (Italy) International Financial Relations, Treasury Department, Ministry of Economy and Finance</p>	<p>Ms. Ana Fornells de Frutos (Spain) Head International Climate Division, Ministry of Environment</p>	<p>Developed countries, Spain and Italy</p>
<p>Mr. Stefan Marco Schwager (Switzerland) Senior Adviser International Biodiversity and Climate Change Finance, Federal Office for the Environment</p>	<p>Mr. Alexey Kvasov (Russian Federation) Deputy Chief of the Presidential Experts' Directorate Russian G8 Sherpa, Executive Office of the President</p>	<p>Developed countries, Russian Federation and Switzerland</p>



H.E. Mr. Jan Cedergren (Sweden) Ambassador Ministry of Environment	Mr. Jozef Buys (Belgium) Attaché Directorate General Development Cooperation Ministry of Foreign Affairs	Developed countries, Sweden and Belgium
Ms. Andrea Ledward (United Kingdom of Great Britain and Northern Ireland) Head DFID's Climate and Environment Department	Mr. Josceline Wheatley (United Kingdom of Great Britain and Northern Ireland) Head International Team DFID's Climate and Environment Department	Developed countries, United Kingdom of Great Britain and Northern Ireland
Mr. Leonardo Martinez-Diaz (United States of America) Deputy Assistant Secretary Environment and Energy Office, Department of the Treasury	Mr. C. Alexander Severens (United States of America) Director Environment and Energy Office, Department of the Treasury	Developed countries, United States of America



Appendix II: Work plan of the Board for 2015

[To be included as decided at the October Board meeting]
